



NATIONAL
BANK OF
ROMANIA

Annual Report 2024

Annual Report 2024

NOTES

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The statistical data used are those available at 16 May 2025. Some of the data for the period covered are provisional and will be updated as appropriate in the subsequent publications of the National Bank of Romania. Totals may not add up and minor differences from the percentage changes in charts and tables may occur, due to rounding.

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Overview

In a challenging environment, marked by sluggish external demand – especially in Europe –, which affected industry and services provided to the international markets, and by adverse weather conditions for agriculture, Romania's economic growth slowed further in 2024, to 0.8 percent (from 2.4 percent in 2023). The subdued path of economic activity was accompanied by a sizeable widening of the twin deficits, while the annual inflation rate was headed downwards. In the latter half of the year, the economic slowdown also started to have visible effects on the labour market, entailing a higher unemployment rate, worsening employment prospects and a decline in annual wage growth.

While in 2023 gross fixed capital formation made the largest contribution to GDP dynamics, in 2024 consumption became again the main driver of growth. The 5.6 percent upswing in private final consumption was supported by stronger purchasing power of households, amid waning inflation, income policy measures (increase in the gross minimum wage economy-wide, wage hikes in the public sector, rise in pensions), the remaining in force of certain consumer protection measures and the easing of lending conditions.

The negative dynamics (-3.3 percent) of gross fixed capital formation were attributed to the private sector, while public investment recorded a moderate expansion. The contraction of capital accumulation in the private sector reflected, on the one hand, the low level of companies' own resources, as a result of unfavourable developments in many economic sectors and, on the other hand, the decline in the volume of attracted EU funds and in foreign direct investment flows. The access to finance hampered by bureaucratic barriers, low transparency in the conduct of economic policies, labour shortage and inadequate transport networks continued to weigh on investment. The unpredictability of fiscal consolidation measures was an additional inhibiting factor in 2024.

In fact, in 2024, Romania's budget deficit of 9.3 percent of GDP, up 2.7 percentage points over the year before, was the highest EU-wide. Even though the worsening of cyclical conditions also contributed to the wider deficit, this was largely the result of the expansionary fiscal stance. This conduct was reflected in an increase of the primary structural deficit by almost 2 percentage points of GDP, stemming from surges in public investment spending not covered from non-repayable funds, as well as in social transfers and staff costs. The *National Medium-Term Fiscal-Structural Plan 2025-2031* submitted by Romania in October 2024 foresees a seven-year adjustment period for the excessive deficit. The plan was endorsed by the Council of the European Union in January 2025, following a favourable recommendation from the European Commission.

After narrowing in the prior year, the current account deficit worsened markedly in 2024, to 8.4 percent of GDP, on the back of unfavourable developments across all major segments. The main contribution came from the balance on trade in goods, given the expansion in imports – amid the limited capacity of domestic supply to accommodate the increase in domestic demand – and the protracted decline in exports, hit by the severe drought-induced contraction in agricultural production and by the weak performance of the euro area economy. The current account deficit financing via stable non-debt creating flows – comprising net inflows of equity in direct investment enterprises (including reinvestment of earnings), to which adds the capital account surplus (mainly non-repayable EU investment funds) – fell sharply, down to 28.8 percent.

A comfortable position in terms of risks to the balance of payments was further ensured by maintaining the adequacy of international reserves, likely to also contain the financing costs of the government and local companies. At the end of 2024, international reserves stood at EUR 70.5 billion, up EUR 4.5 billion against the end of 2023. In terms of value, Romania's gold reserves went up by EUR 2.1 billion from end-2023 (to EUR 8.4 billion), as a result of the rise in the gold price on international markets. In terms of quantity, the gold stock remained unchanged at 103.6 tonnes, out of which 61.2 tonnes stored with the Bank of England. For transparency and security reasons, the NBR carries out annual on-site checks of the bullions stored with this institution, the most recent verification taking place in October 2024.

The annual CPI inflation rate ended the year 2024 at 5.14 percent (1.47 percentage points below the level seen in December 2023), running above the upper bound of the variation band of the target. Disinflation was much more moderate than in 2023, coming virtually to a halt at mid-year.

Overall, disinflation was mainly supported by the decline in core inflation, also amid a narrowing excess aggregate demand in the economy. Thus, in December 2024, the annual change of this CPI sub-index stood at 5.6 percent, down 2.8 percentage points from the end of the previous year, after having followed a downward path in January-July. All three components contributed to the slowdown in core inflation, with non-food prices making the largest contribution amid a benign evolution of import prices. The annual growth rate of market services prices also lost pace, as a result of lower demand; in the latter part of the year, however, disinflation in this segment was dampened by stronger pressures from wage costs amid a new hike in the minimum wage in July 2024. The food component contributed less to the deceleration in inflation, marking a turning point in August 2024. While in the first part of the year the favourable conditions in the relevant commodity markets put processed food inflation on a downward course, extreme temperatures and the lack of rainfall in the summer months led to price increases not only for vegetables and fruit, but also for some products in the core inflation basket (including vegetable oil, dairy, meat and meat products).

In 2024, the administered prices of goods and services also contributed to a drop in inflation, their annual dynamics declining to 4.8 percent in December (from 14.3 percent a year prior), mainly on account of favourable base effects.

Energy price developments were the main source of inflationary pressures, with fuel prices making the largest contribution, as their annual dynamics accelerated in 2024 by 2.7 percentage points to 5.1 percent. This was due to the two-step hike (in January and July) in the excise duty on motor fuels, in order to reposition it to the level implied by the indexation mechanism, after it had been cut in 2023 to offset the effects of energy shocks on final prices.

In the first part of 2025, the annual inflation rate resumed a downward trend, reaching 4.85 percent in April, largely as a result of domestic motor fuel prices reflecting the correction in the Brent oil price. The evolution owed to the unfavourable effects of the change in the customs tariff regime made by the US administration and to the impact of the retaliatory measures of the states involved on global economic growth and, consequently, on demand for oil.

In the challenging macroeconomic environment of 2024, monetary policy was geared towards bringing, on a lasting basis, the annual inflation rate back into line with the flat target over the medium term, *inter alia* by anchoring inflation expectations in the medium to long run, in a manner conducive to achieving sustainable economic growth. Specifically, in the first half of the year, the NBR extended the status quo of the key rates, before lowering them by 0.25 percentage points in each of the Board meetings of July and August. Consequently, the monetary policy rate reached 6.50 percent, while the lending and deposit facility rates stood at 7.50 percent and 5.50 percent respectively.

In addition, the central bank kept the minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions at 8 percent and 5 percent respectively. An important step in the harmonisation of the minimum reserve requirements mechanism with the ECB's relevant standards and regulations was completed in 2024, once the NBR Board approved a new regulation on the MRR regime, which entered into force on 1 January 2025.

From the perspective of tailoring monetary conditions, a major role also played the management of liquidity on the money market. Specifically, the central bank mopped up, via the deposit facility, the excess liquidity in the banking system, also amid the latter's unprecedented values recorded in 2024. Thus, the liquidity surplus continued to widen at the beginning of the year and stayed at particularly high levels in H1, under the influence of the Treasury's foreign currency operations associated with budget execution and with public debt financing. Afterwards, it narrowed relatively swiftly, especially in the closing quarter, due to the markedly stronger contractionary impact of the autonomous liquidity factors, amid the high volatility of the global risk appetite and the uncertainty associated with domestic electoral events.

In 2024, the EUR/RON exchange rate further witnessed a relative stability, with the leu depreciating 0.1 percent versus the euro in nominal terms (based on December exchange rate averages). Over the same period, the Czech koruna and the Hungarian forint weakened 2.6 percent and 7.3 percent respectively in relation to the single currency, whereas the Polish zloty appreciated 1.5 percent.

The NBR continued in 2024 to extensively use the specific tools and means of communicating and detailing the rationale behind monetary policy decisions. Through them, it highlighted the drivers behind the further decline in the annual inflation rate in 2024 and in the period ahead, albeit at a much slower pace, as well as the role of monetary policy conduct and the NBR's determination to act in order to safeguard medium-term price stability. In addition, the central bank underlined the need for a balanced macroeconomic policy mix and the importance of absorbing and effectively using EU funds, especially those under the Next Generation EU programme.

Several risks to financial stability in Romania continued to be manifest during 2024 as well. The risk associated with global uncertainty amid the multiple geopolitical events was further assessed as severe and increasing in the period ahead. On the domestic front, the worsening of macroeconomic equilibria, in the context of widening twin deficits and the delay in implementing reforms and absorbing EU funds, remained a significant risk factor that was further assessed as severe, with a stable outlook. Two other systemic risks, i.e. the default risk for loans to the private sector and challenges to cybersecurity and financial innovation, were moderate, with a stable outlook.

In a context marked by such risks, the Romanian banking sector remained resilient, as the key prudential indicators posted favourable developments, their levels staying higher than or similar to those recorded in the EU. The liquidity coverage ratio (LCR) ran at 254.7 percent in December 2024 as compared to 163.4 percent in the EU. Total capital ratio continued to increase in 2024, reaching 24.9 percent at year-end (+4.7 percentage points above the EU average). Moreover, due to the stronger link with the government sector, the overall risk ratio declined to 27.4 percent, having positive effects on capital requirements. The 2024 solvency stress test of credit institutions showed the resilience of the Romanian banking sector, supported by a robust operational capacity and an initial sound position, especially among large banks.

The asset quality indicators as at end-2024 placed the banking sector in the EBA-defined low-risk bucket, at aggregate level, as well as for large banks and for the group of banks with a market share below 5 percent. The NPL ratio (2.5 percent) rose marginally from the year before, while the NPL coverage by provisions stayed at an adequate level (66 percent), well above the EU average.

The number of credit institutions remained unchanged (24 Romanian legal entities and 8 branches of credit institutions having their head offices in other EU Member States). However, due to the mergers and acquisitions completed during 2024, the share of banks with domestic capital in the aggregate capital of the banking sector expanded by 10 percentage points, becoming prevalent (51.6 percent).

The National Bank of Romania, together with the National Committee for Macroprudential Oversight, closely monitors the developments in the domestic and external macroeconomic environment with a view to identifying the best measures to mitigate risks to financial system stability in Romania. In 2024, the NCMO General Board convened in four meetings, during which Board members

were presented, for purposes of analysis, decision or information, with papers concerning the macroprudential policy and the identification of systemic risks to domestic financial stability.

Following the quarterly assessments that were reviewed and decided upon, the NCMO recommended the NBR to maintain the countercyclical capital buffer (CCyB) rate at 1 percent, due to: (i) the persistence of cyclical systemic risks, amid multiple sources of geopolitical uncertainty, (ii) the tendency at EU level to enhance the resilience of the banking sector, *inter alia* via the widespread use of macroprudential instruments, (iii) the further adequate levels of profitability, liquidity and solvency ratios of the banking sector, which allow the build-up of capital buffers without affecting the real sector's access to finance, in line with the European recommendations and (iv) the persistence of tensions surrounding domestic macroeconomic equilibria.

As for the O-SII buffer, following the 2024 assessment using the information available as at 30 September 2024, the NCMO identified seven systemically important credit institutions (O-SIIs).

The systemic risk buffer (SyRB) is another capital buffer that has been applied in Romania ever since 2018. According to the half-yearly analysis presented in the NCMO meeting of October 2024, in 2025 H1, one credit institution would apply a SyRB rate of 2 percent, while five banks would apply a SyRB rate of 1 percent. The remaining credit institutions did not have the obligation to establish a systemic risk buffer, due to their prudent lending practices. The relatively small number of institutions applying the SyRB buffer is indicative of a significant improvement in the quality of the customer loan portfolio since the introduction of this buffer and is the result of active balance sheet clean-up and the shift to prudent provisioning policies. Specifically, the number of banks applying a SyRB rate of 0 percent grew from two in 2018 H2 (the year of implementation of this macroprudential instrument) to 13 in 2025 H1.

The fourth capital buffer established by banks in Romania is the capital conservation buffer (CCoB), at a rate of 2.5 percent, uniformly implemented across the EU as early as 2019 based on the CRD IV regulatory framework for all credit institutions.

In 2024, the NCMO General Board took several decisions, such as not applying through voluntary reciprocity the macroprudential policy measures adopted by Italy, Portugal and Denmark. The decisions were warranted by the fact that the Romanian banking sector's exposures to those countries were well below the materiality threshold set by authorities to implement those measures and were not likely to generate systemic risks to the domestic banking sector. Moreover, the members of the NCMO General Board decided to further designate the Republic of Moldova as a material third country for the banking sector in Romania in terms of recognising and setting countercyclical buffer rates. The monitoring did not show the need to impose a countercyclical capital buffer on exposures to the Republic of Moldova. However, the NBR will continue to monitor the economic and financial developments in the Republic of Moldova for as long as the latter remains a material third country, based on the annual identification exercise.

The year 2024 also saw important progress in modernising financial market infrastructures. Thus, the National Bank of Romania successfully launched an improved version of the ReGIS system application, which complies with the international standard ISO 20022 for financial messaging between financial institutions and provides advanced facilities for liquidity management, allowing the optimisation of participants' financial resources, as well as a new pricing scheme, in line with European practices. The system offers new functionalities for the transmission and reception of payment messages, including in contingency situations, ensuring the continuity of settlement of transactions. At the same time, this upgrade significantly improved the speed and safety of transactions processed through the ReGIS system, reducing operational risks and processing costs. Moreover, the National Bank of Romania endorsed the RoPay payment scheme, developed across the banking community, with input from the Romanian Association of Banks and Transfond S.A. The RoPay scheme offers payment service providers the possibility to make available to the users modern instant payment services, based on the scanning of a QR code, the use of the telephone number to identify the payee, the use of deep linking and the use of contactless technology, through mobile banking applications installed on users' devices.

The Government of Romania and the National Bank of Romania maintain an ongoing multifaceted institutional cooperation. This includes the participation of central bank experts in the meetings of the Committee for planning the financial flows of the State Treasury, the NBR's support extended to the Ministry of Finance in the process of bond issuance on the international capital markets, as well as Romania's endeavours towards accession to the Organisation for Economic Co-operation and Development (OECD). In this regard, in 2024, several missions were conducted to assess the alignment of national legislation with OECD requirements in various areas of activity, during which the related country presentations were delivered. The NBR's involvement included, apart from contributing to the drafting of assessment reports in areas within its scope, the delivery of presentations on Romania's alignment with various OECD legal instruments. Moreover, the NBR took part in the activities of OECD working structures relevant to central banking, i.e. the Committee on Financial Markets, the Advisory Task Force on the OECD Codes of Liberalisation, and the four working groups/parties of the Committee on Statistics and Statistical Policy, by attending their meetings and other specific events. In its capacity as member of the OECD International Network on Financial Education, the NBR also participates in the meetings of some of its working structures. At the same time, the central bank – committed since 2008, consistent with its legal mandate, to developing its relationship with this organisation – participates as a permanent guest in the works of the National Committee for Romania's Accession to the OECD, chaired by the Prime Minister of Romania, which coordinates the overall policy of the accession process.

As for the relation with the Parliament of Romania, the ongoing dialogue between the National Bank of Romania and this institution takes many forms, such as:

- (i) formulation of opinions on draft legal acts at the request of parliamentary committees or initiators;

- (ii) formulation of opinions, preparation of supporting documents or participation in discussions/meetings of parliamentary committees of the Chamber of Deputies and the Senate on issues such as monetary policy, financial stability, bank resolution, European affairs or payment systems; and
- (iii) preparation of replies to interpellations that Members of Parliament submitted to the central bank.

In keeping with the principles of transparency and institutional accountability, in 2024, the NBR continued to provide high-quality economic information in the form of both statistical data that the institution produces in compliance with the legal framework and research works and papers published. The *Reports* issued by the central bank play a major role in ensuring communication with the public at large and the Parliament. The NBR sends to the presidents of the two chambers of Parliament and to the economic committees not only the *Annual Report* (a statutory duty), but also the *Inflation Report* and the *Financial Stability Report*, other two central bank's key communication tools explaining its actions meant to ensure price stability and financial stability. Many topics relevant to central banking are discussed publicly by Board members, as well as during scientific seminars and symposiums; at the same time, economic research activities carried out within the NBR focus on such issues.

As for the NBR's online communication, 2024 saw the launch of a new version of the official website – the central bank's main communication channel –, which took into account current trends and best practices in the field, such as implementing mobile first graphical interfaces and capitalising on the UX (user experience) principles of brevity, clarity and user-centred design. Also in the period under review, the strategy of conveying messages to the public at large was enhanced, as reflected by a significant increase in audience and visibility, mainly on Instagram and LinkedIn. The NBR blog, *OpiniiBNR.ro*, further played an important role in 2024, providing a space where central bank experts address topical issues, some of the articles published there being later shared on social networks as well.

The relationship with the National Bank of Moldova (NBM) further held a special place in the NBR's international technical cooperation activity. An important pillar was the provision of technical assistance under the twinning project entitled "Strengthening supervision, corporate governance and risk management in the financial sector". It was dedicated to the financial sector in the Republic of Moldova and was implemented by a consortium of institutions led by the NBR. Between January 2023 and April 2024, many activities took place under this twinning project, including two conferences held in Chişinău and 80 technical assistance missions. The project was launched in October 2021 and was completed on 17 April 2024. Another pillar of the technical assistance provided to the National Bank of Moldova is the Cooperation Agreement between the NBM and the NBR, signed in Bucharest on 11 June 2021. This aims to develop and expand the cooperation between the two central banks in order to foster the safety and smooth running of the financial and banking systems of the Republic of Moldova and Romania. At the same time, the NBR provided technical assistance in the field of financial services to the NBM, the National Commission for Financial Markets and the Government of the Republic of Moldova via an EU High Level Adviser

in the Republic of Moldova between December 2023 and December 2024 and will continue to support this project between March 2025 and March 2026.

During 2024, the “Programme for Strengthening the Central Bank Capacities in the Western Balkans with a View to the Integration to the European System of Central Banks – Phase II” continued, in which the NBR participates with experts in the fields of financial stability, monetary policy and research, information technology, legal issues, human resources and banking resolution. The NBR has also been involved in other projects aimed at providing technical assistance to countries in the region or neighbouring the EU.

In terms of financial education – an ongoing concern of the NBR –, besides the continuation of already established programmes and events both at the head office and countrywide, 2024 also saw the launch of two new projects. “Financial education workshops for teachers” are aimed at teachers in lower- and upper-secondary education, both as consumers of financial products and services, and as interlocutors, disseminators and multipliers of educational messages for pupils, whereas “Teachers and financial education” is a pilot project focused on opening up a channel for dialogue between central bank experts and teachers in Bucharest who teach economic subjects.

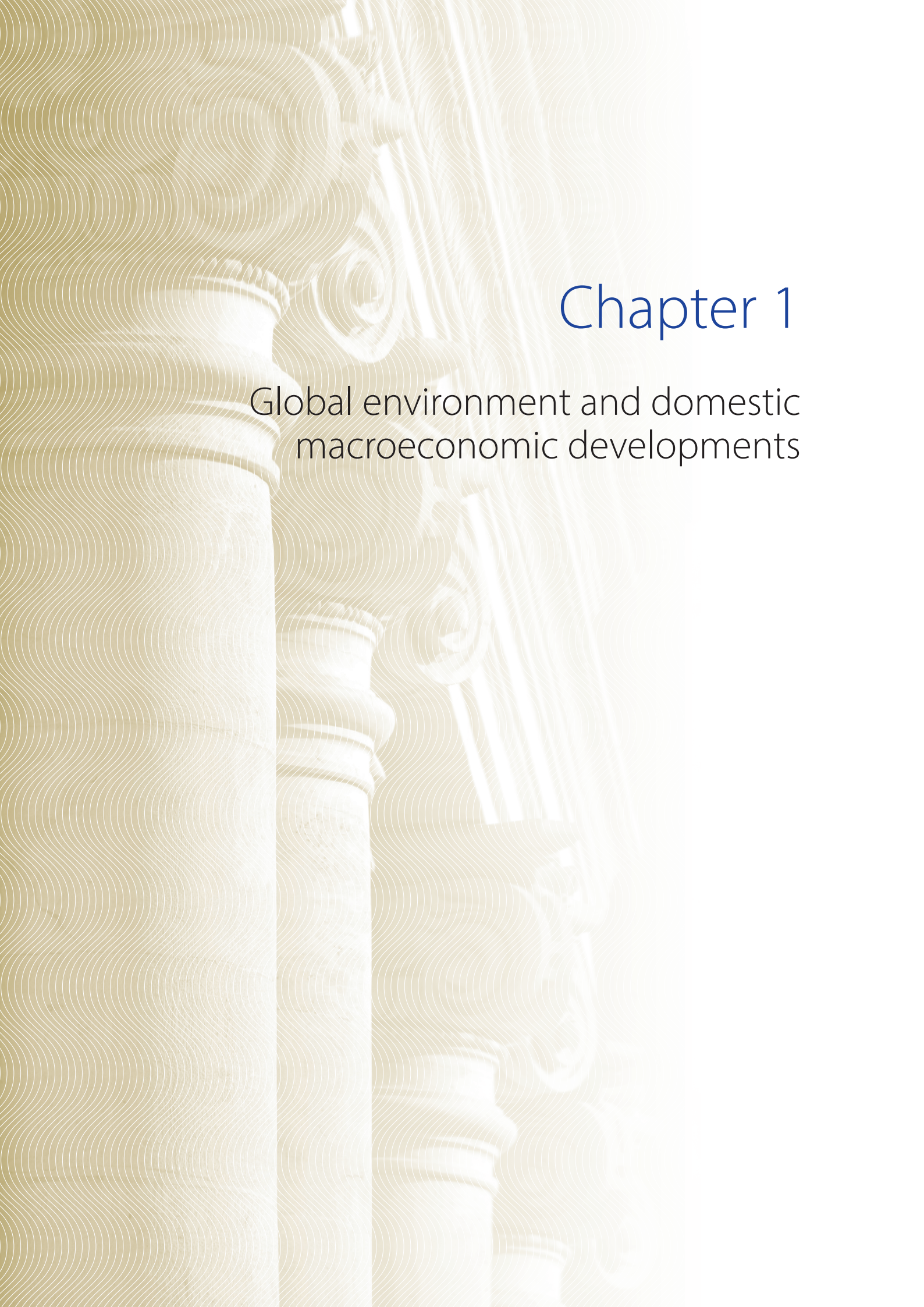
In 2024, the “National Bank of Romania Library” collection reissued the three-volume book entitled *Sistemul bănesc al leului și precursorii lui* (The Leu’s Currency System and its Precursors) by Academician Costin C. Kirițescu. The launch of the new issue of this seminal work for Romania’s economic history is to take place in the course of 2025.

The National Bank of Romania took further steps in 2024 to increase international awareness about the NBR Treasure sent to Moscow during World War One and yet unrecovered. On 5 March 2024, at the European Parliament headquarters in Brussels, before the NBR’s delegation and a large audience, the exhibition entitled “The gold Treasure of the National Bank of Romania sent to Moscow and never returned – A claim older than a century” was opened. Numerous Romanian and foreign MEPs from all political groups attended the event. The three-day exhibition included historical evidence, documents, legal evidence, and agreements signed by the Russian and Romanian parties with regard to the gold reserve sent to Moscow. On the same day, the online edition of the Politico newspaper published the article entitled “The gold treasure of the National Bank of Romania that was sent to Moscow”, with the subtitle “A claim older than a century – the odyssey of the central bank’s ‘evacuated’ gold that was never returned after the First World War”. This was also included in the print edition of 7 March 2024 of the same influential publication on European affairs. Moreover, on 6 March 2024, the Université libre de Bruxelles hosted, with the support of the Romanian Cultural Institute, the debate *Le trésor de la Banque Nationale de Roumanie envoyé à Moscou – une créance qui date depuis plus d’un siècle*. Thus, the international public opinion was extensively informed about the valid and enforceable claim held by Romania against the Russian Federation, and the topic was introduced on the agenda of EU institutions. In this vein, the Resolution on the return of Romanian national treasure was adopted by a large majority of votes in the plenary session of the European Parliament of 14 March 2024, held in Strasbourg.

In 2024 too, the NBR put up thematic stands dedicated to this issue throughout its territorial network. In parallel, a novel exhibition was designed using a glass display case, installed in front of the institution's head office between December 2024 and February 2025. The public had access to information and images regarding the NBR's gold reserve from 1881 to 1917, the two shipments of Romania's treasure to Moscow, the seizure of the gold reserve by the Bolsheviks, how the matter unfolded during the interwar period and the communist regime, as well as the efforts undertaken by the central bank for the international recognition of its claim on the gold reserve sent to Moscow.

The National Bank of Romania's financial position strengthened notably, its equity recording as at 31 December 2024 a significant positive value of lei 48,516.9 million, up 43 percent over the prior year. This sizeable level of equity reinforces the institution's capacity to fulfil its national legal obligations and the tasks related to its capacity as a member of the European System of Central Banks, while securing its financial independence and instilling credibility in its operations.

Similarly to previous years, in 2024 too, the National Bank of Romania acted to ensure price stability and financial stability and to fulfil all other tasks set forth by law, without resorting to public funds. Furthermore, following its concern for efficiently managing available resources, the NBR posted a positive financial result as at 31 December 2024 – due to the profit from foreign currency asset/liability management operations –, transferring lei 3,074.2 million to the government budget.

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Chapter 1

Global environment and domestic macroeconomic developments

1. External environment

In 2024, global economic growth stabilised at 3.3 percent, according to the April 2025 *World Economic Outlook* (IMF), while inflationary pressures subsided. Sectoral developments were mixed, as services strengthened their role as the key growth driver, whereas manufacturing posted modest dynamics. The moderate corrections in commodity prices supported continued disinflation. In this context, the major central banks began to gradually ease monetary policy. In early 2025, global economic prospects were dented by the heightening geopolitical and trade uncertainties, resulting in downward revisions of growth forecasts and revisions of the paths of monetary policies (Chart 1.1).

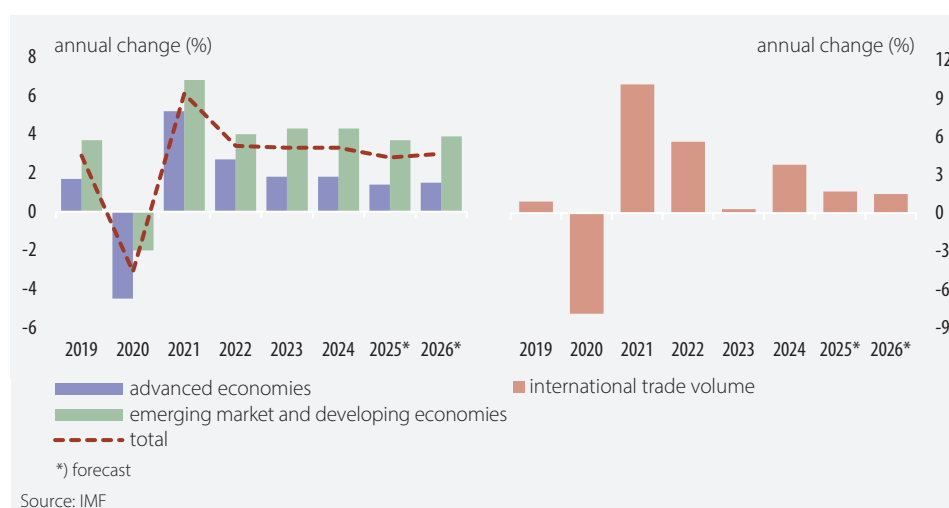


Chart 1.1
Global economic growth

In 2024, the US economy reported robust growth, i.e. 2.8 percent, decelerating marginally from the previous year (-0.1 percentage points). The dynamics were chiefly underpinned by private consumption, which benefited from the favourable labour market conditions and the increase in real disposable income. Public investment, which was mostly channelled into infrastructure and energy transition, further made a positive contribution to the pace of economic activity. The external sector made a negative contribution to growth, amid the weaker global demand and the intensification of protectionist measures.

Euro area GDP dynamics ran at 0.9 percent, stepping up from 0.4 percent in 2023. Overall, there was a limited contribution from domestic demand to the pace of increase, given the moderate private consumption and modest investments, whereas industrial output continued to be hampered by the adverse external conditions. Germany's economy contracted for the second consecutive year (-0.2 percent), against the backdrop of a stagnation in manufacturing and a drop in investment,

while France witnessed a slightly stronger momentum, i.e. 1.2 percent, up 0.3 percentage points, bolstered primarily by market services to households. The Italian economy expanded by 0.7 percent, at a similar pace to that in 2023, on the back of fiscal support and the rebound in domestic consumption. Japan's economic growth decelerated markedly, to 0.1 percent (from 1.7 percent in 2023), on account of the decline in exports and investment, even though domestic consumption remained relatively stable. In the UK, GDP dynamics picked up by 0.8 percentage points, to 1.1 percent, driven by financial and business services, amid a standstill in private investment and the prolonged trade uncertainties.

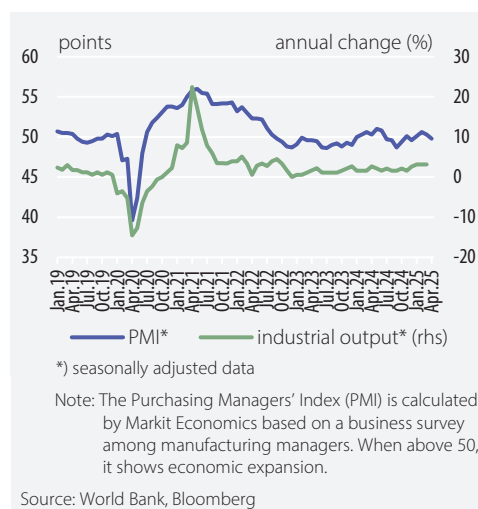
China's economic growth stood at 5 percent in 2024, slowing down from 5.2 percent in the previous year. Economic activity was further dampened by a stagnant real estate sector and weak external demand. Private consumption grew moderately, underpinned by targeted fiscal policy support, but private investment dynamics continued to be modest. Manufacturing stalled, while services made a positive contribution, particularly through local tourism and financial services. India further recorded solid GDP growth, i.e. 6.5 percent, albeit slower than in 2023 (7.2 percent). The expansion was boosted by robust domestic consumption and public investment in infrastructure. Brazil's GDP growth rate was 1.7 percent, decelerating from 2.9 percent in 2023, against the backdrop of agricultural output reverting to levels closer to the historical average and the persistence of tight financial conditions. Russia reported a 4.1 percent rate of economic expansion, slower than in 2023, supported by fiscal stimulus and the redirection of trade flows to Asian markets. This outcome ran well above the IMF forecast in its October 2024 *World Economic Outlook*.

2025 Q1 was marked by heightening geopolitical and trade uncertainties. In April 2025, the United States announced it would introduce a 10 percent baseline tariff across the board alongside the 25 percent tariffs on foreign-made cars and steel and aluminium imports that had already been put in place in February-March 2025, in response to which its main trading partners implemented retaliatory measures. IMF estimates indicate a significant impact of the new tariffs and of the escalation of trade tensions on global economic growth for 2025 and in the medium run. In April, projected growth for 2025 was revised to 2.8 percent, the forecast in the January 2025 *WEO Update* standing at 3.3 percent. Almost all countries experienced revisions, which largely reflect the direct effects of the new tariff measures, as well as the indirect effects of the elevated uncertainty and the flagging confidence.

In Europe, the tension-ridden geopolitical landscape led the European Union to put forward a plan for gradually increasing defence spending (Box 1), with the equivalent of 1.5 percent of annual GDP over the medium term¹. Hence, the outlook for the economic situation improved, the euro area composite output PMI index rising to 50.9 points in March, with encouraging signals from manufacturing, which has been facing structural problems for some time. Nevertheless, the latest data released in April further indicate a stagnant economic activity on the aggregate, with a modest advance in industry and slowing dynamics in services (Chart 1.2).

¹ https://commission.europa.eu/topics/defence/future-european-defence_en

Chart 1.2
Outlook for global
economic growth



In 2024, the World Bank's commodity price index declined by 2.7 percent versus 2023. Energy prices saw marked corrections: the average Brent oil price stood at around USD 80 per barrel, down by 2.3 percent against the previous year, following a downward path, once with the drop in global demand and the increase in alternative supply sources. European natural gas prices fell by approximately 16 percent as compared with 2023, on the back of weak industrial demand, favourable weather conditions and high storage levels. The diversification of supply

sources, particularly through imports of liquefied natural gas (LNG), strengthened market stability. In the latter months of 2024, natural gas prices resumed their upward trend, which persisted into 2025 Q1, amid a cold winter that fuelled higher consumption levels. Industrial metal prices showed mixed developments: copper and aluminium prices rose moderately, whereas the prices of critical metals for energy transition (nickel, lithium, cobalt) recorded corrections after the consistent hikes in the previous years. Prices of iron ore and lead also decreased, under the impact of the slower pace of industrial and construction activity in China.

Box 1. *Si vis pacem, para bellum*. Redesigning the European security architecture

Introduction

Europe and most of the advanced economies benefited, as part of the post-war world order, from the so-called 'peace dividend': relieved of the need to devote substantial resources to military expenditure, they were afforded the rare opportunity to redirect budgets towards other areas, such as social, infrastructure and environmental policies. During this period, European security was largely entrusted to the North Atlantic Treaty Organisation (NATO), a collective defence alliance formed in 1949 between the United States, Canada and ten Western European democracies. Since its establishment, the alliance has expanded through ten rounds of enlargement and today comprises 32 members, including Romania, which joined in 2004. Nevertheless, throughout this period, the United States has remained the alliance's main pillar, regardless of the assessment criterion: it accounts for almost two-thirds of NATO's total defence expenditure, commands around 40 percent of its military personnel, and has the highest military expenditure per capita (estimated at over USD 2,200 in 2024, compared with an average of USD 670 across Europe and Canada). Against this background, EU military expenditure declined almost steadily over the past decades, from

about 4 percent of GDP in the early 1960s to an all-time low of 1.3 percent in 2014 (Chart A). Subsequently, even as its share began to rise again, the persistent underdevelopment and lack of investment in the domestic defence industry meant that almost 80 percent of equipment had to be sourced from imports.



Chart A
Developments in defence expenditure over the last decade

Note: Although Iceland is a founding member of NATO, it has no army of its own, with only very limited military expenditure.

Source: NATO

The increasingly tense regional geopolitical context, following Russia’s invasion of Crimea in 2014 and, eight years later, of Ukraine as a whole, together with the emergence of rifts within NATO after the arrival of the new US administration in early 2025, has brought back to the forefront of the European political agenda the issue of rearmament and the modernisation of military capabilities, with the aim of weathering a potential conflict without reliance on the support of third parties. A wide range of initiatives has emerged, from attempts to revitalise the Treaty establishing the European Defence Community to the establishment of a Directorate-General for Defence Industry and Space (with a dedicated Commissioner portfolio even created within the von der Leyen II European Commission) and the launch of the European Peace Facility, a fund designed to provide assistance to allied countries in the form of equipment, infrastructure and technical support.

Funding channels for military expenditure

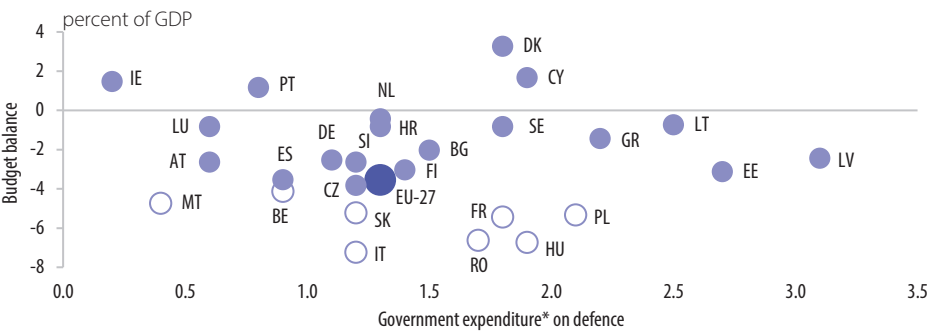
The latest and most significant initiative is the “Readiness 2030” programme presented by the European Commission in March 2025, with 2030 symbolically marking the timeframe Europe has at its disposal to prepare for a potential aggression. The defining element of the programme is the plan to mobilise up to EUR 800 billion to modernise military capabilities across Member States. This amount results from two strands of action:

- (i) Security Action for Europe (SAFE), an initiative establishing a EUR 150 billion fund for Member States in the form of competitively priced, long-maturity loans (of up to 45 years, including a 10-year grace period), backed by the EU budget, to support investment in areas deemed strategic for defence. Funding will be allocated to Member States upon request, on a project basis, with strong incentives for joint purchases, which may involve European Free Trade Association (EFTA) countries, Ukraine, and other partner states. The aim is to enhance cooperation and coordination across countries, notably by harmonising procurement practices and strengthening interoperability. A key provision concerns the eligibility criterion based on the origin of purchased products: equipment for which funding is requested must be supplied by companies from the EU, EFTA or Ukraine, with components manufactured in these territories accounting for at least 65 percent of the final product cost. Redirecting public procurement policies in the field of defence towards domestically manufactured products (rather than relying on the United States, Türkiye, the United Kingdom or other traditional suppliers) would ensure full control over equipment operation and continuity of supply and maintenance, regardless of external geopolitical developments.
- (ii) Exemption of certain defence expenditure from the calculation of the budget deficit. Over a four-year period (2025-2028), Member States will be able to activate the national escape clause of the Stability and Growth Pact, allowing for an additional deviation of up to 1.5 percent of GDP in the budget deficit for expenditure recorded under the “Defence” statistical category in the Classification of functions of government (COFOG), which covers both investment expenditure and current costs. The Commission estimates that the fiscal space thereby created could generate new inflows of up to EUR 650 billion into the European defence industry, provided that all Member States activate the escape clause and, by the end of the programme, make full use of the additional deficit allowance of 1.5 percent of GDP. Expenditure financed through the SAFE instrument will automatically benefit from the derogations set out in these provisions.
- (iii) Several alternative funding channels have also been proposed to support the implementation of defence investment. The first concerns the involvement of the European Investment Bank, whose role in financing military projects had previously been very limited. Until May 2024, the EIB could provide funding only for projects involving the production of dual-use goods (both civilian and military), and only if at least half of the expected revenues were to be generated from civilian use. After that date, the restriction on the source of revenues was lifted, and since March this year, on the European Commission’s recommendation, the EIB has been permitted to finance projects intended solely for military purposes, subject only to a few exceptions relating to weapons and ammunition. Secondly, a series of amendments to the principles governing EU funding programmes aim to allow for the potential reallocation of these resources to defence-related areas. More specifically, the eligibility criteria for projects that can access unused resources from the Cohesion Fund, or the European Regional

Development Fund, have been broadened to include the priority areas identified under the Readiness 2030 programme. Lastly, the initiative to establish a savings and investments union aims to tackle capital market fragmentation by harmonising legislation and creating common European investment opportunities for private capital from different countries, including in the defence sector.

Economic effects

From a fiscal perspective, the appropriateness of such a large-scale package of public spending is questionable in many countries. Seven countries, including Romania, are currently subject to the excessive deficit procedure, and in 2024 the EU-wide budget balance remained above the 3 percent threshold, even though many Member States have yet to meet NATO's minimum target of allocating 2 percent of GDP to defence spending (Chart B). Moreover, by the end of May, which is the deadline for applications to activate the national escape clause for additional public defence expenditure, only 16 out of 27 Member States had submitted such requests: Belgium, Bulgaria, Czechia, Croatia, Denmark, Estonia, Finland, Germany, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Slovakia and Slovenia.



*) recorded under the "Defence" statistical category in the Classification of the Functions of Government (COFOG), based on ESA 2010 methodology. In recent years, these figures have generally been lower than NATO's calculations (cash methodology), which include payments for new orders prior to delivery. Moreover, NATO methodology also covers expenditure on pensions for military personnel.

Note: The white circles are for countries subject to the excessive deficit procedure.

Source: Eurostat

Chart B
Defence expenditure and budget deficit in the EU (2023)

In terms of economic activity, such an initiative is nevertheless welcome, as EU industrial performance had been lagging even before the outbreak of the COVID-19 pandemic. In the first months of 2025, manufacturing output in the EU hovered around its 2018 level, particularly against the backdrop of a declining automotive industry, which has steadily lost competitiveness relative to peers in China and the United States. In fact, overall economic growth was subdued during this period, averaging 1.3 percent per year. A report by the Kiel Institute provides a "conservative" estimate of additional EU GDP growth of between 0.9 and 1.5 percentage points, in the assumption that defence expenditure rises from the current 2 percent of GDP to 3.5 percent. However, such expenditure should be financed through borrowing rather than tax increases, and purchases

should gradually shift from imports to domestic production, both conditions being addressed in the Readiness 2030 programme.

A potential challenge lies in balancing the benefits between countries with a developed defence industry and those without, as spending will be channelled mainly towards economies with established producers such as Germany², France, Italy, and Sweden. Large companies are likely to take the bulk of orders, with countries hosting their production capacities standing to benefit from the resulting demand surplus. Yet these concerns are only partly warranted. Value chains are highly interconnected across European countries, and the production of complex military equipment also draws on other branches of the manufacturing sector, such as the automotive, aerospace, electrical equipment, electronics and metallurgy industries. However, the literature shows that the fiscal multiplier of this type of government expenditure is lower than that of other categories of expenditure. Olejnik (2023) analyses its impact in NATO's Eastern flank countries between 1999 and 2021 and finds a positive effect on economic growth only in the first year after such expenditure takes place, with the effect becoming statistically insignificant or even negative in the longer run. The disaggregated analysis of military expenditure shows that personnel expenditure has the most adverse impact. Nevertheless, there is broad consensus in the academic studies regarding the positive impact of investment in military R&D activities: higher expenditure in this area generates a crowding-in effect on the private sector and leads to long-term productivity gains, with benefits not confined to the country undertaking the R&D but spilling over across borders.

The rearmament of Europe and the reshaping of the EU security architecture to reduce reliance on external factors are now absolute priorities for the European Union. A militarily strong Europe is vital for safeguarding peace, and the package of measures adopted by the European Commission in this regard paves the way for a significant wave of investment in the defence industry, with potential beneficial effects in terms of revitalising Europe's industrial complex.

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² Separately, Germany has enacted legislation to create significant additional fiscal space by: (i) relaxing the constitutional debt brake to exclude defence spending, and (ii) setting up a special off-budget fund of EUR 500 billion for infrastructure investment.

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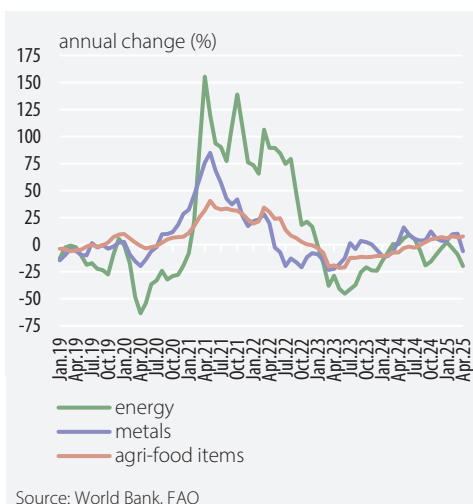
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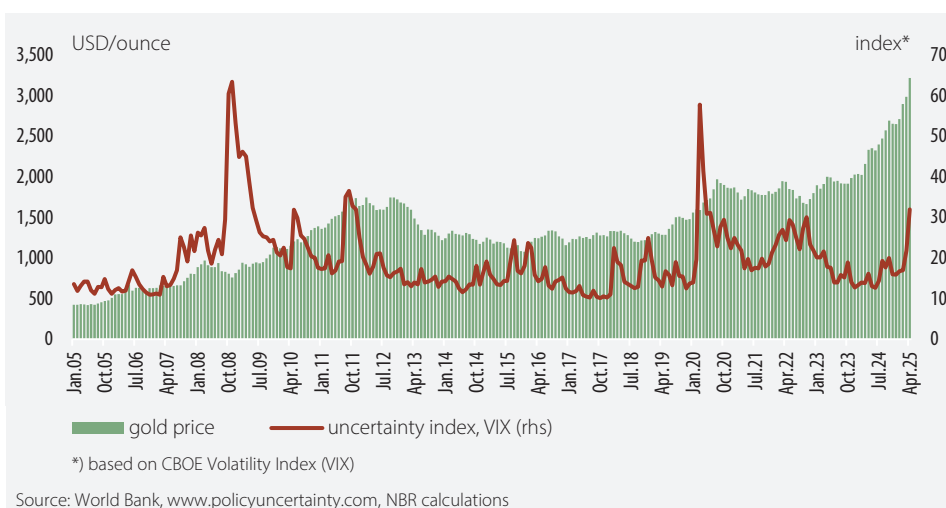
Chart 1.3
International prices
of main commodities



The FAO Food Price Index (FFPI) shrank by approximately 2 percent in annual terms, mirroring mainly the large crops in South America and the stabilisation of global supply chains. Behind this stood the decline in cereal and sugar prices, while prices for items such as oilseeds and coffee experienced episodes of volatility, against the background of extreme weather events in certain producing regions. In the early months of 2025, the dynamics of FFPI remained relatively unchanged, amid further adequate supply conditions and moderate external demand.

The short-term outlook points to elevated volatility in commodity markets, under the influence of geopolitical developments, trade regulations and climate risks (Chart 1.3).

Chart 1.4
Gold price and uncertainty



In 2024, the gold price rose vigorously, given the stronger risk aversion, financial market volatility and the increased demand from central banks and institutional investors. The spot price of gold grew from USD 2,000/ounce in January to approximately USD 2,600/ounce in December, representing an annual change of around 23 percent. In 2025 Q1, gold prices were further supported by the prospects of cuts in interest rates in the US and the euro area, and by the heightening trade and geopolitical uncertainties worldwide. Thus, gold consolidated its status as a safe haven asset, its price exceeding USD 3,000/ounce (Chart 1.4).

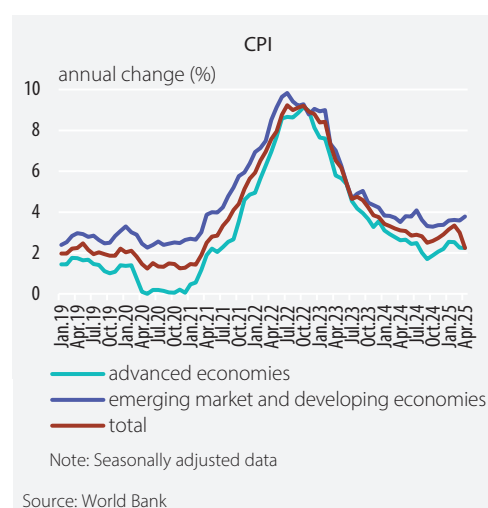


Chart 1.5
International consumer prices

Median global inflation³ fell from 3.8 percent at end-2023 to 2.9 percent in December 2024, reflecting disinflationary progress in an environment marked by tight monetary policies and modest global demand. In advanced economies, the annual rate of change of consumer prices decreased to 2.2 percent in December 2024, whereas in emerging market and developing economies it dropped to 3.4 percent. In the US, the annual inflation rate continued to slow down, declining to 2.6 percent at end-2024. In the euro area, the annual

HICP inflation rate shrank to 2.7 percent in December 2024, whereas underlying inflation fell to 2.9 percent, the downward trend persisting into the first months of 2025 as well (Chart 1.5).

In 2024, the major central banks maintained a prudent monetary policy stance, characterised by a data-dependent approach, amid stronger disinflation. The Federal Reserve System kept the federal funds rate in a target range of 5.25-5.50 percent in 2024 H1, reiterating the tight policy stance in June, on the back of the uncertainties surrounding the anchoring of inflation expectations. By contrast, the European Central Bank initiated the monetary policy easing cycle earlier, cutting the rate on the main refinancing operations for the first time in June, namely by 25 basis points, to 4.25 percent.

In the latter half of 2024, the Fed began an adjustment phase. Specifically, September through December 2024 the central bank of the United States lowered the target range for the federal funds rate in three steps, to 4.25-4.50 percent, mirroring confidence in the convergence of inflation to its target and the intention to support smooth economic adjustment. The ECB continued monetary policy easing, reducing the rate on the main refinancing operations in other three stages, to 3.15 percent in December 2024.

³ Calculated by the World Bank, May 2025

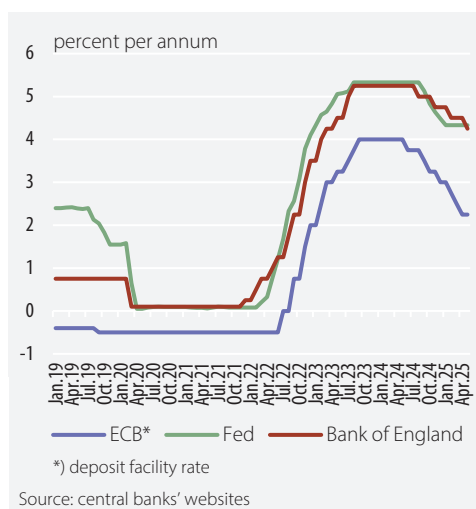


Chart 1.6
Policy rates

Further on, the Fed opted for a status quo in March 2025, whereas the ECB cut the interest rate on the main refinancing operations in three other meetings, taking it to 2.40 percent in April 2025. The decisions reflect the stronger shift to a more accommodative monetary policy stance, in line with the gradual waning of euro area inflationary pressures (Chart 1.6).

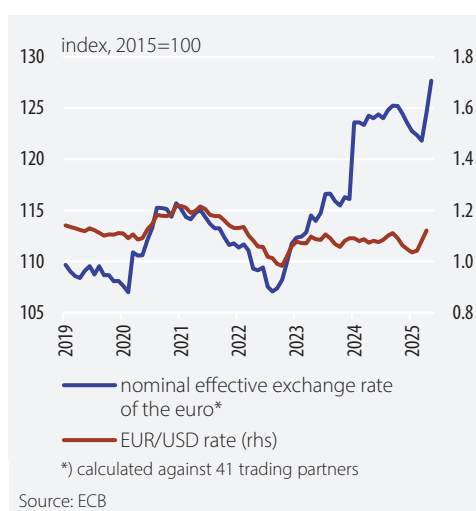


Chart 1.7
Euro exchange rate

The single currency fluctuated moderately versus the currencies of the main trading partners, with a sharper depreciation against the US dollar towards the end of 2024, on the back of expectations of different speeds of monetary policy adjustment. Nevertheless, in 2025 Q1, once with the new US administration's announcement of a fresh approach to the global trade framework, the downward path of the euro reversed markedly, the US dollar posting more than double-digit depreciation rates in the early months of the year (Chart 1.7).

2. Domestic macroeconomic developments

2.1. Economic activity

Economic growth

In 2024, Romania's GDP growth was modest, i.e. 0.8 percent, owing to the weakness in the main economic sectors. Thus, industry was strongly affected by the poor external demand, particularly from European economies, agricultural output was low, under the impact of adverse weather conditions, the real estate sector faced supply-side difficulties, while services largely followed a downward trend, especially in activities with a strong export focus (such as road freight transport, ICT services) and in wholesale trade in agri-food commodities. However, some sub-sectors reported positive developments, most notably civil engineering works, design services, retail trade, and related storage and courier services (Chart 1.8).

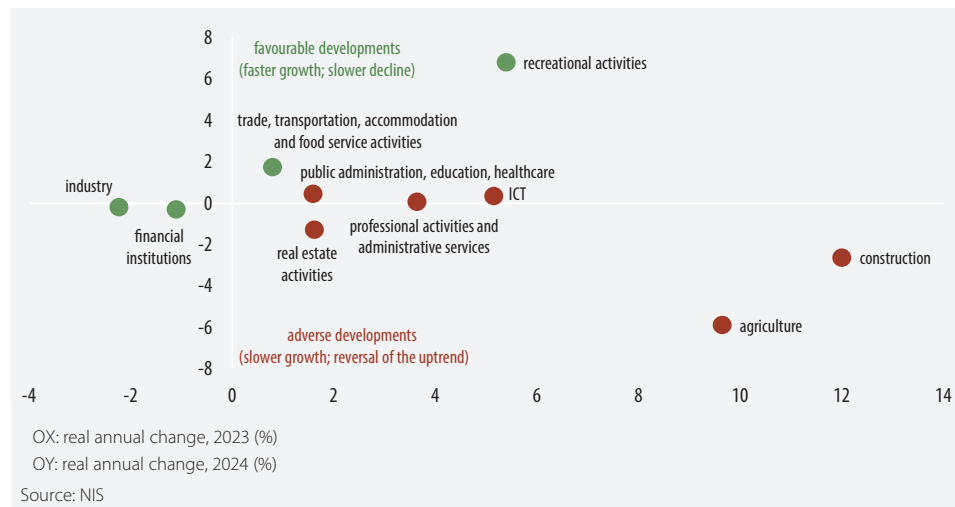


Chart 1.8
Main economic activities (GVA)

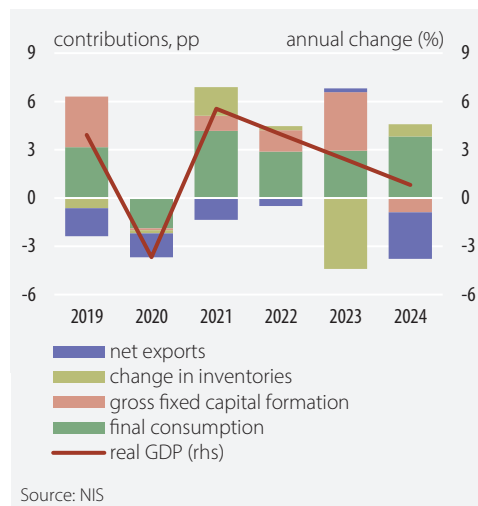


Chart 1.9
Demand

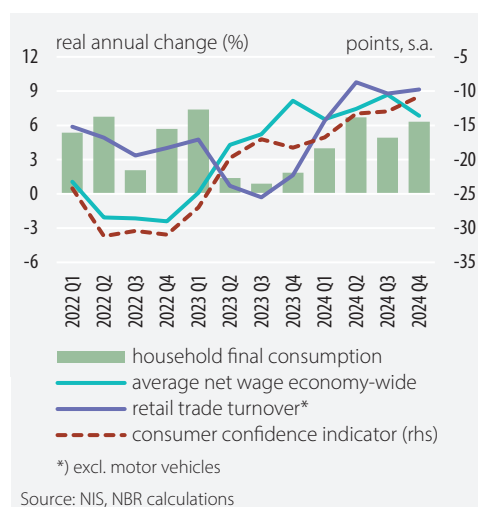


Chart 1.10
Household consumption

On the demand side, after a year in which investments were the key determinant of GDP increase, Romania's economy reverted to the consumption-driven growth model prevailing over the past decades. Capital investment declined (particularly on account of construction investment), whereas the pressures from domestic demand for final goods and inputs for industry triggered a rebound in imports. The latter development, which overlapped a decrease in exports, led to a stronger contractionary impact of net exports of goods and services (Chart 1.9).

Private final consumption advanced by 5.6 percent, amid the stronger household purchasing power, driven chiefly by the slowdown in inflation, the recurrent income policy measures (the hike in the minimum gross wage economy-wide and the wage increases in the budgetary sector), as well as by the keeping in place of some government measures to protect consumers⁴. At the same time, the gradual easing of lending conditions,

⁴ Financial support for the most vulnerable social groups, schemes for capping electricity and natural gas prices for household consumers, as well as capping the mark-ups on basic food products

especially in 2024 H1, spurred household recourse to loans, the volume of new consumer credit increasing by more than 50 percent. The favourable consumer lending conditions were reflected in an improvement in household confidence, the indicator hitting a 14-quarter high October through December 2024, i.e. -10.8 points. Retailers' actions to meet the rising consumer demand translated into new investment in the streamlining and digitalisation of their activity and in the expansion of modern retail networks (Chart 1.10).

The volume of goods purchases grew by 7-8 percent, particularly of non-durables and do-it-yourself (DIY) products and home furnishings. Online sales posted sustained dynamics (approximately 15 percent) throughout 2024. The enhanced attractiveness of this form of trade starting in the COVID-19 period is also mirrored by the continued increase in the share of individuals using digital channels to purchase goods and services relative to the total number of internet users – from around 45 percent in 2020 to almost 60 percent in 2024⁵.

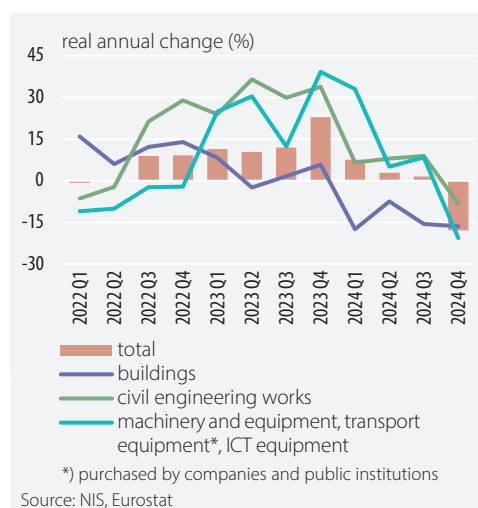


Chart 1.11
Gross fixed capital formation

Gross fixed capital formation witnessed successive losses of momentum, so that its annual growth rate stood in negative territory (-3.3 percent) in 2024 as a whole (Chart 1.11). The modest developments in capital investment occurred in a context in which the negative impact on the investment potential exerted by certain chronic deficiencies on the domestic front (access to finance hampered by bureaucratic barriers, reduced transparency in implementing economic policies, labour shortage, poor transport networks) was

compounded by the unpredictability of the measures for correcting the large fiscal deficit. The coordinates of the domestic business environment overlapped with adverse incidental factors occurring worldwide, such as the weak external demand, the still high production costs (especially energy costs), and uncertainties stemming from geopolitical and trade tensions. Looking at capital investment, the private sector was the hardest hit, as investment shrank by approximately 5 percent versus 2023⁶, in correlation with the contraction in the main financing channels. Thus, the level of companies' own funds was modest, driven by the unfavourable developments in numerous sub-sectors, while FDI inflows in the form of equity declined by 37.5 percent, mirroring also the lower attractiveness of the domestic economy among its regional peers⁷. The unfavourable path of private investment was visible in both

⁵ This percentage is still considerably lower than the EU average (76.6 percent in 2024).

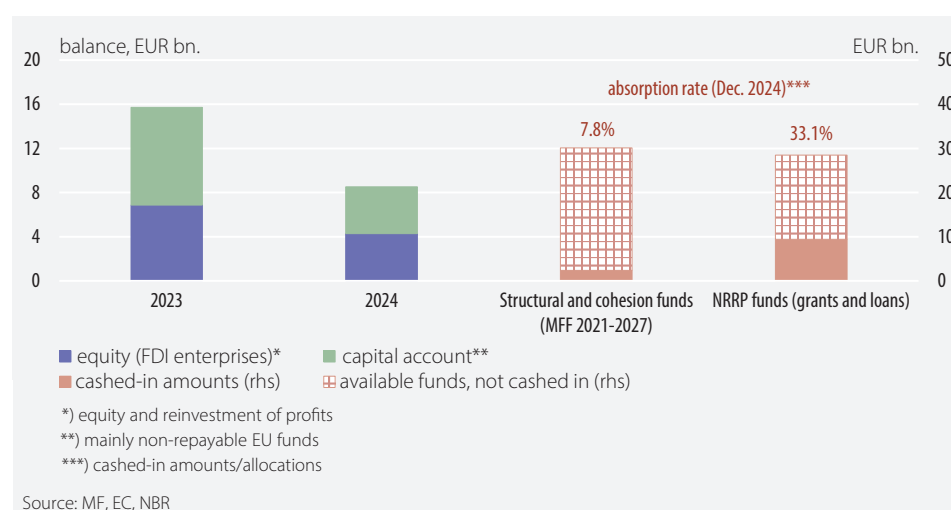
⁶ Real change calculated based on national accounts data by aggregating gross fixed capital formation of institutional sectors except for the general government and using the deflator for the economy

⁷ This was hinted at by the *Business Sentiment Index*, a survey conducted by the Foreign Investors Council every six months. Specifically, the share of respondents deeming Romania to be more attractive than its regional peers in terms of implementing new investment projects shrank during 2024, from 53 percent in spring to 44 percent in autumn (and 29 percent in the spring of 2025).

non-construction investment⁸ (-0.8 percent) and particularly the construction of buildings (-14 percent), which continued to face several supply-side constraints (that affected more strongly residential construction works). These include: delays in solving some legal and legislative problems that hinder the issue of building permits, the further relatively high level that costs of materials had posted as of 2022, labour shortage compounded by the elevated demand for workers for infrastructure projects.

The decline in capital investment in 2024 was mitigated by public investment, whose volume further reported positive growth (4.5 percent), the expansion of the road transport network⁹ making a substantial contribution thereto. Nevertheless, public investment recorded slacker dynamics than in 2023, an important contributor being the slower absorption of non-repayable EU funds, due to the end of the collection period under the 2014-2020 MFF and the low administrative capacity to raise and manage the resources available under the multiannual financial frameworks. Specifically, until end-2024, the domestic economy tapped less than 8 percent of the structural and cohesion funds allocated under the 2021-2027 MFF and only a third of the funds made available in the form of grants and loans under the NRRP. The absorption of EU funds is however strongly called for, being the primary means of remedying the structural deficiencies of Romania's economy, in a context in which the investment environment is expected to be dampened by the persistently cautious behaviour of foreign investors (Box 2). If Romania capitalises on this opportunity by avoiding new delays in fund absorption¹⁰ and effectively using the absorbed funds (in projects designed to create new, innovative technologies, extend digitalisation, ensure skills upgrading, increase the labour force participation rate, as well as to reform the institutional and corporate governance framework), it may narrow the productivity gaps vis-à-vis the regional peers, favouring an improvement in the country's position in global value chains (Chart 1.12).

Chart 1.12
Direct investment
and absorption of EU funds



⁸ Mainly equipment, ICT equipment including software, transport equipment used by companies and public institutions, biological assets in agriculture, R&D, geological works

⁹ In 2024, approximately 200 kilometres of motorway and express roads were completed.

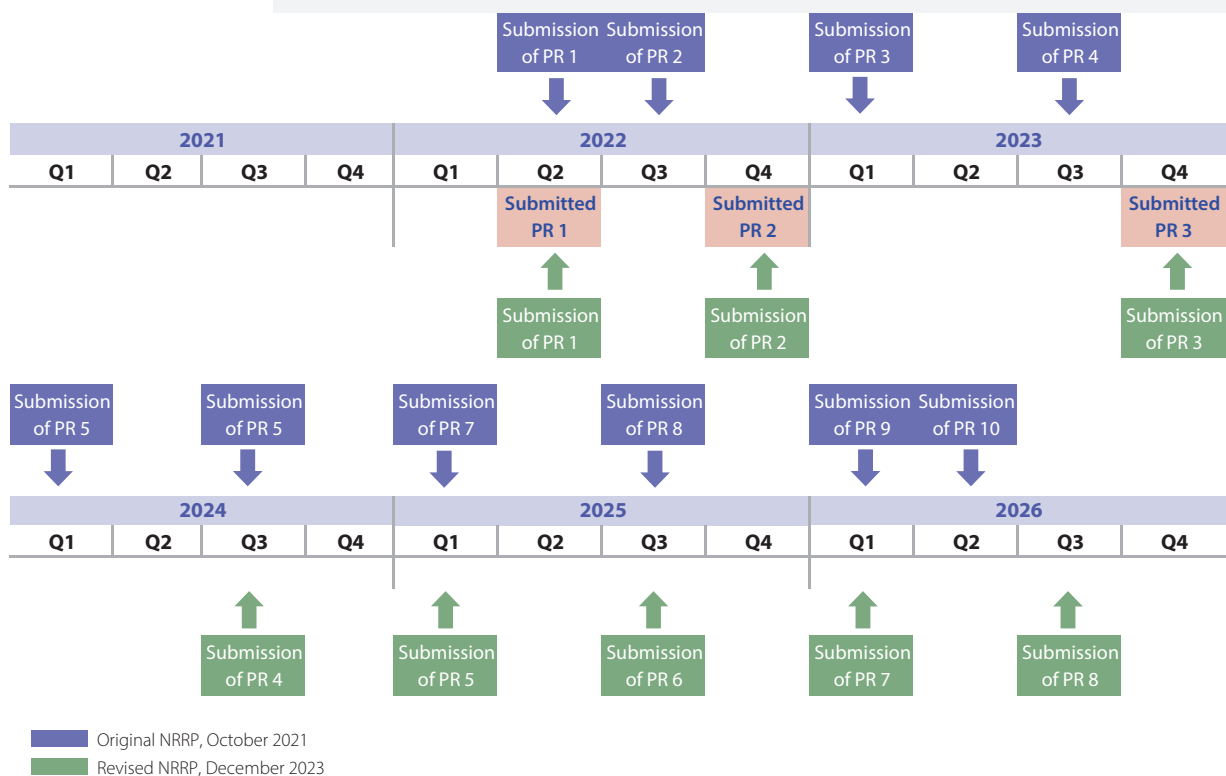
¹⁰ Especially in the case of NRRP funds, which need to be disbursed by 31 December 2026, in a context in which Romania's level of fulfilment of targets and milestones is very modest (13.7 percent at end-2024, i.e. half of the EU average).

Box 2. NRRP – potential adverse effects of sluggish investment

The Recovery and Resilience Facility (RRF) was established to support the swift and sustainable recovery of EU economies following the public health crisis caused by the COVID-19 pandemic. Romania benefits from substantial EU funds allocations under the RRF, totalling EUR 28.5 billion in grants and loans provided on favourable terms. The uptake of funds is contingent on fulfilling milestones and targets, which laid the groundwork for the National Recovery and Resilience Plan (NRRP). With less than two years before the programme expires (2026), this box aims to present the current state of play in implementation of the NRRP in Romania. At the same time, it shows a purely illustrative scenario concerning the replacement of NRRP grants with other financing sources, with an impact on the budget deficit.

Figure A

Schedule of payment requests
(PR) according to Romania's NRRP



Source: EC, Ministry of European Investments and Projects, NBR calculations based on end-May 2025 data

Initially, the RRF was received on a highly optimistic note with respect to implementing reforms and making investments. However, in Romania's case, the implementation of the programme proceeded at a sluggish pace, marked by successive delays in the submission of payment requests (Figure A) and the slow progress of investment. In the period between the launch of the Facility in 2021 and the end of May 2025, Romania received EUR 9.44 billion, of which EUR 3.66 billion in loans and EUR 5.78 billion in grants, of an overall volume of allocated funds worth EUR 28.5 billion. These amounts reflect the disbursements corresponding to the two payment requests¹¹ approved by the European

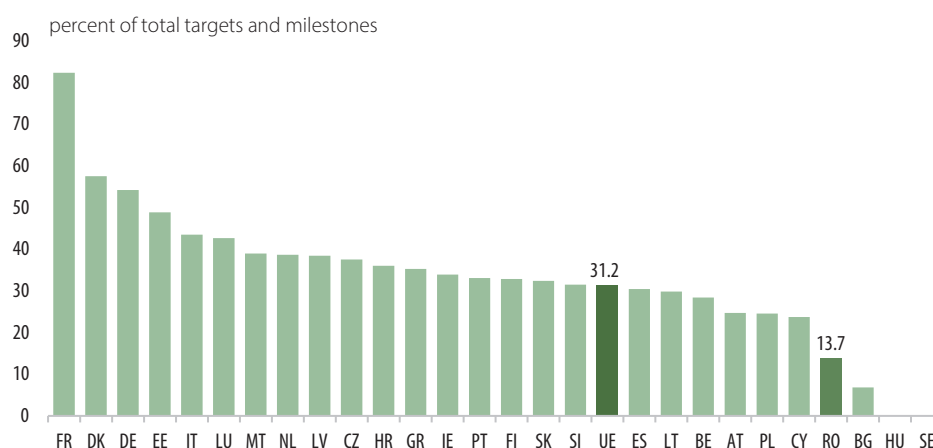
¹¹ According to Commission Implementing Decision of 28 May 2025, the European Commission also authorised the partial disbursement of the third instalment of the support under the third NRRP payment request. Under the circumstances, Romania will receive EUR 1.3 billion, while around EUR 0.9 billion were suspended.

Commission and to pre-financing, including that related to the RePowerEU chapter¹². So far, the funds received account for approximately 33 percent of the total allocation. The full use of the resources available under the NRRP would imply an additional uptake of around EUR 19 billion in 2025-2026, which will require substantial efforts to be made by the authorities.

The implementation of the NRRP was significantly back-loaded not only in Romania's case, but also in that of other EU Member States. The delayed execution of the programme was driven by several factors¹³, of which mention deserve: (i) the limited administrative capacity; (ii) the delays in the commissioning of investment projects; (iii) the disruptions in global value chains and (iv) the inflationary pressures prompting the adjustment of project values. In addition, throughout 2023, the implementation was also affected by the need to update the NRRP to include the RePowerEU chapter, triggered by the energy shock amplified by the conflict in Ukraine. Subsequently, in several EU Member States the fulfilment of targets and milestones stepped up, allowing the European Commission to approve and disburse payments in several instalments. Nevertheless, Romania was not among the EU economies having made considerable progress.

As regards the achievement of targets and milestones (Chart A), Romania ranks among the countries showing the least progress, with a 13.7 percent implementation rate, markedly below the EU average of 31.2 percent. The only EU Member States with a lower implementation rate than Romania are Bulgaria (6.9 percent) and Sweden and Hungary, in whose case the European Commission had not approved any payment request by the end of May 2025. France, Denmark and Germany are at the opposite end of the spectrum, their rate of fulfilment of targets and milestones exceeding 50 percent.

Chart A
State of play in implementation
of targets and milestones



Source: EC, NBR calculations based on end-May 2025 data

¹² A component introduced in the NRRP following the plan's initial approval. RePowerEU aims to increase Member States' resilience and energy independence.

¹³ For more details, see the European Commission's *Annual Reports on the implementation of the Recovery and Resilience Facility*.

The low achievement of targets and milestones was reflected in the small number of payment requests submitted to and approved by the European Commission. In Romania's case, of the eight instalments that the total NRRP allocation had been divided into, according to the revised plan of December 2023¹⁴, only three payment requests were approved by the end of May 2025. Under the circumstances, Romania is among the 11 EU Member States that have submitted payment requests for less than half of the available instalments.

In addition, Romania does not rank among the countries having benefited from the largest amount of funds attracted, even though it is among the top five EU Member States in terms of total allocation as a share of GDP (Chart B). So far, the funds received account for approximately 33 percent of the resources that can be absorbed under the NRRP. The average absorption rate of NRRP funds across the EU reached 48.5 percent, following the approval of payment requests by the European Commission.

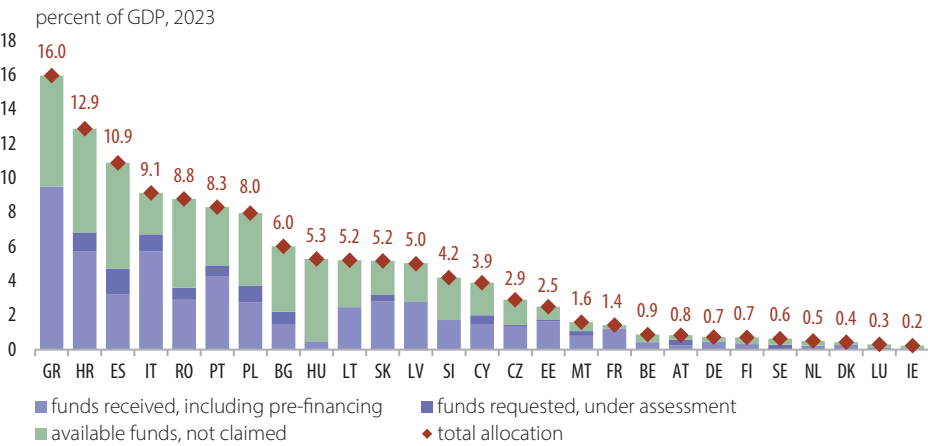


Chart B
NRRP state of play across the EU

Source: EC, NBR calculations based on end-May 2025 data

Therefore, substantial efforts towards the fulfilment of the agreed-upon targets and milestones need to be made with a view to catching up with other EU economies. Such efforts would be directed toward realising an important goal, as the successful implementation of the NRRP would make a decisive contribution to the modernisation and expansion of infrastructure – particularly road and railway infrastructure –, the construction of new hospital units and the completion of relevant regional development projects. All these achievements are of the essence to support real convergence, given the persistent structural problems of the Romanian economy. In this vein, major financing contracts have already been signed, such as those for the construction of some sections of the A7 motorway (Ploiești-Buzău and Buzău-Focșani).

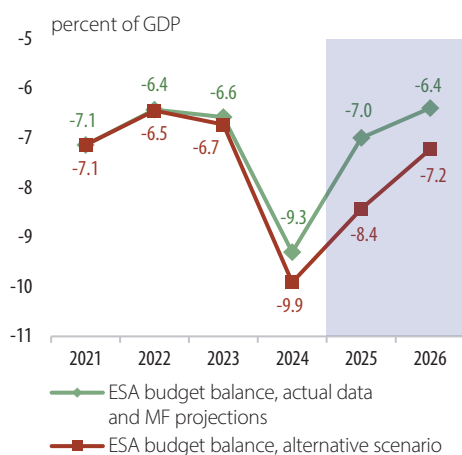
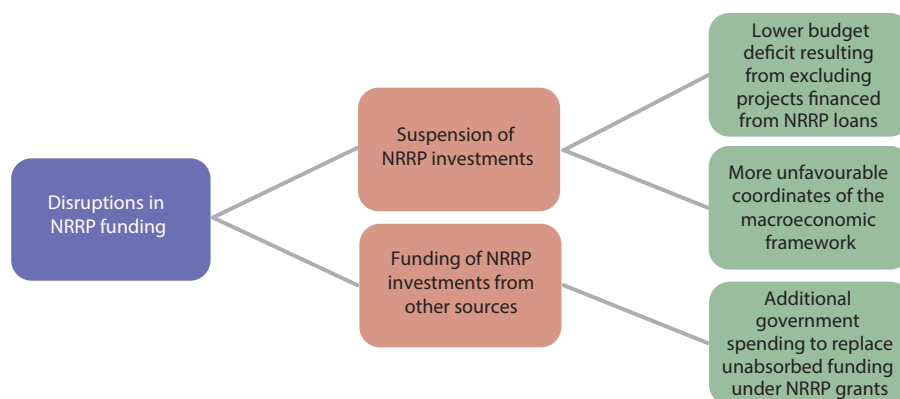
Another worrisome issue is that Romania is still subject to the excessive deficit procedure. According to the *National Medium-Term Fiscal-Structural Plan*,

¹⁴ In early 2025, the Romanian authorities announced a new update of the NRRP. This might imply bundling payment requests, so that they decrease from eight to six.

the budget deficit is expected to fall below the 3 percent of GDP threshold – according to the Stability and Growth Pact – only at the end of 2031. The extension of the fiscal adjustment period to seven years was contingent on a large investment volume, supported also by the implementation of the NRRP.

Box 9 in the NBR's 2021 *Annual Report* showed the potential favourable effects of using NRRP funds on the budget deficit. These effects translate into both a macroeconomic framework conducive to higher budget revenues and the possibility to fund investments from non-repayable funds (grants), which do not create additional public debt. The sluggish pace of implementation and even suspension of the NRRP would of course prevent the materialisation of the said beneficial effects¹⁵ (Figure B).

Figure B
Possible effects of disruptions
in NRRP funding
on the budget balance



Source: MF, NBR calculations

Chart C
Alternative scenario on the
implementation of projects
funded by NRRP grants

Furthermore, the NRRP includes essential investments for the sustainable development of Romania's economy. As projects progress, they become more important, significant financial resources being already committed. In a purely illustrative scenario, this box analysed the assumption of NRRP absence or suspension, so that the projects put forward should be fully funded from the government budget. In this scenario, the replacement of NRRP grants would result in a direct worsening of the budget balance (Chart C), the budget deficit coming to stand up to 0.6 percentage points of GDP higher in 2024. In addition, in 2025-2026, fiscal consolidation would slow down markedly and compliance with the targets committed to by the authorities would call for new, restrictive fiscal measures such as tax increases or cuts in budget expenditure with a view to accommodating investments.

As far as NRRP loans are concerned, they are directly reflected in the level of the budget deficit, even though the analysis did not include the potential advantages of lower financing costs than other repayable sources.

¹⁵ Box 3 in the NBR's 2020 *Annual Report* assessed the impact of Next Generation EU (NGEU), whose centrepiece is the RRF, on economic growth to run at more than 4 percentage points of GDP in 2021-2026. Estimates are contingent on a relatively swift implementation of the NGEU and do not include the impact of sluggish investment.

To conclude with, Romania records significant delays in the implementation of the NRRP. Nevertheless, it is not too late to catch up, especially if examples of best practices across the EU are followed, such as the update of national plans for better adjustment to economic reality and the submission of payment requests that should cover several tranches. Sluggish investment would weigh on economic growth prospects and, in the absence of non-repayable funds under the NRRP, fiscal consolidation efforts would become significantly costlier for Romania.

References

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Fiscal Council – *Fiscal Council's Opinions on the State Budget Law, the Social Security Budget Law, 2021-2025*

Ministry of European Investments and Projects – *National Recovery and Resilience Plan, including the Annexes thereto, the October 2021 and December 2023 versions*

Ministry of Finance – *National Medium-Term Fiscal-Structural Plan 2025-2031*

National Bank of Romania – Box 3 entitled “Next Generation EU: Prospects for a swift economic recovery”, *Annual Report, 2020*

National Bank of Romania – Box 9 entitled “Next Generation EU: driving economic recovery and supporting fiscal consolidation”, *Annual Report, 2021*

https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html?lang=en

In 2024, net external demand made a renewed negative contribution (-2.9 percentage points) to real GDP growth, in a context in which the chronically insufficient capacity

of domestic production to meet domestic demand (reflected in the swifter dynamics of the volume of imports of goods and services, to 3.8 percent) concurred with a mixture of restrictive influences on exports, of which adverse weather conditions and the sluggish external demand stood out in terms of magnitude (Chart 1.13). Thus, prolonged drought and extreme heat led to adjustments in net exports of agri-food commodities and certain food items (by 27 percent and 46 percent for vegetal oil respectively). At the same time, the weak performance of the euro area economy weighed

on exports of manufactured goods for final use¹⁶ or goods integrated in global value chains (such as electrical equipment or electronic components).

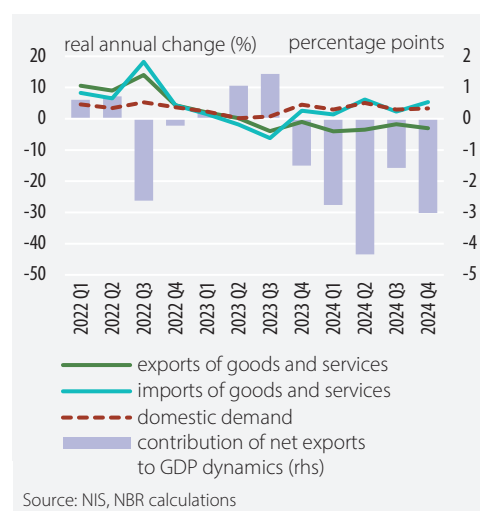


Chart 1.13
External demand

¹⁶ Consumer goods (for instance, cosmetics and hygiene products, household appliances, furniture) and capital goods included in “machinery and equipment”

The adverse trend in external demand added to certain price competitiveness losses. Although, overall, they were moderate in 2024, as suggested by the 2 percent appreciation of the real effective exchange rate calculated based on the industrial producer price index, labour costs continued to exert pressures. Thus, the persistent double digit growth rate of nominal ULC in manufacturing over the past years raises concerns from the viewpoint of competitiveness, especially in labour-intensive sub-sectors (for instance, the light industry, but also the manufacture of electronic products or machinery and equipment¹⁷), due also to recurrent increases in the gross minimum wage economy-wide. Several more recent developments (that took shape during 2024) have also exerted competitive pressures. This is the case of metallurgy, where exports were hit by the plentiful and relatively cheap supply from non-EU countries (particularly China and Türkiye). Another case in point is the automotive industry, whose 2024 performance (an over 10 percent increase in car exports) will be hard to repeat, as the three electric vehicle models that added to the domestic supply at end-2024 are faced with stiff competition in the European market from Chinese-made motor vehicles of this type.

The external component of GDP was also eroded by the energy trade deficit. On the one hand, the severe drought weighed on hydropower output, domestic energy consumption being accommodated at the expense of a reversal in the trade position (a 60 percent rise in imports and an almost 7 percent drop in exports). On the other hand, the elevated import dependency of the activity of local refineries caused a widening of the trade deficit of the crude petroleum and refined products sector (despite the advance in exports of processed products). Nevertheless, the natural gas trade balance recorded positive developments, as the hike in production helped meet domestic consumption (which increased versus 2023, also on account of a certain rebound in the chemical industry) and eliminate the economy's import dependency.

External position

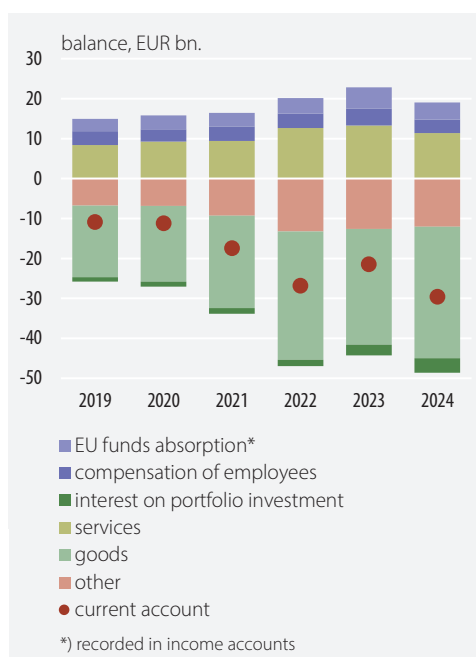
The challenging economic environment both domestically and globally also impacted Romania's external situation – the current account deficit widened, its coverage by stable capital flows fell significantly and certain indebtedness indicators worsened. Nevertheless, the build-up of international reserves ensured a further comfortable position in terms of risks to the balance of payments.

The deterioration of the current account deficit by 37.7 percent against 2023 resulted in a 1.7 percentage point increase in its share in GDP, to 8.4 percent (Chart 1.14). Behind this stood all main components, the balance on trade in goods further making the key contribution (about 18 percentage points), particularly due to the larger volume component¹⁸. The services surplus contracted (to EUR 11.4 billion), especially on account of the deepening shortfall of travel, amid households' increased interest in travels abroad, and the decline in net receipts from freight transport, in line with the

¹⁷ In all these industries, the share of labour costs in total production exceeds the average in the manufacturing sector.

¹⁸ The price component made a (marginal) contribution to the worsening of the balance on trade in goods as well, as the favourable terms of trade developments, shown by the somewhat sharper rise in the UVI of exports than in that of imports (0.8 percent versus 0.7 percent), were insufficient to make up for the negative differential between the share of exports and that of imports in the deficit.

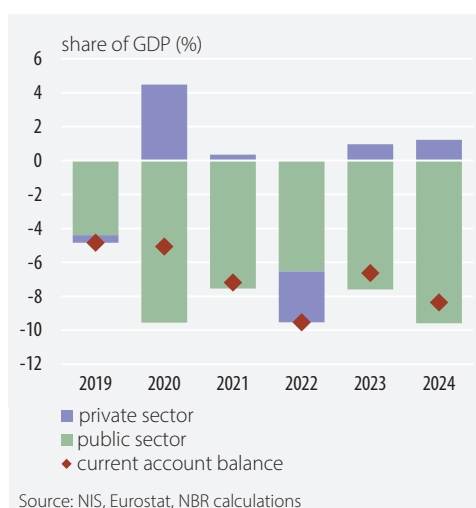
Chart 1.14
Current account and
main components



sluggish economic activity in Romania and at European level in general. Looking at income accounts, the widening of the primary income deficit owed chiefly to the substantial interest payments on government securities issued in the international market and lower inflows of compensation of Romanian employees working abroad, while the narrowing of the secondary income surplus came from the slower absorption of EU funds (used primarily for social purposes).

Alongside the adverse developments in the current account, the balance of payments was also affected by the decline in stable, non-debt creating capital inflows. Thus, net inflows in the form of equity in FDI enterprises¹⁹ decreased by 37.5 percent, posting the third lowest level over the past two decades (1.2 percent of GDP). In addition, the slacker absorption of non-repayable EU investment funds triggered a decrease in the capital account surplus, to less than half of the 2023 value. Consequently, current account deficit financing by these flows fell to 28.8 percent, a post-2007 low.

Chart 1.15
Public/private investment
composition of the
saving-investment balance



The widening of the current account deficit was further driven by the public component (-9.6 percent of GDP), the

saving-investment balance for the private component remaining positive (1.2 percent of GDP), yet at the expense of a deceleration in capital accumulation (Chart 1.15). The financing of public sector imbalance was made primarily through government bond issues, which led to net portfolio investment inflows remaining relatively high from a historical perspective (EUR 12.5 billion, accounting for 3.5 percent of GDP).

As a result, the public component was the key contributor to the increase in Romania's gross external debt in 2024 as well, i.e. by 11.8 percent, to EUR 204.9 billion. Together with the modest economic developments on the domestic front, the uptrend reflected in a worsening of some of the indicators associated with external debt repayment capacity. Specifically, the ratio of gross external debt to GDP and the ratio of gross external debt to exports of goods and services climbed to 57.9 percent and

¹⁹ Including reinvestment of earnings

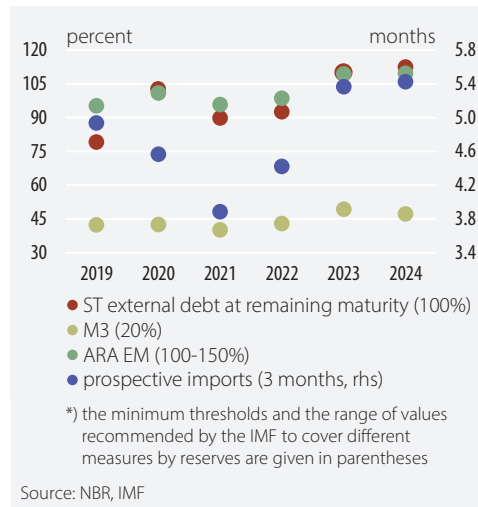


Chart 1.16
Reserve adequacy indicators*

162.7 percent respectively.

Nevertheless, external liquidity remained at a comfortable level, as suggested by the ratio of external debt service to exports of goods and services standing below one (73.3 percent) and by the further adequate profile of international reserves. The latter grew by another EUR 4.5 billion (to EUR 70.5 billion as at 31 December 2024), covering 5.4 months of prospective imports of goods and services and the short-term external debt stock at remaining maturity in full (the indicator reached

112.4 percent). At the same time, the adequate level of international reserves was also mirrored by the improved capacity to accommodate the balance of payments risks covered by the ARA EM metric calculated by the IMF, which stood at 109.7 percent²⁰ (Chart 1.16).

Labour market

In 2024 H1, labour market conditions remained relatively tight, the unemployment rate posting low levels (comparable to those in the pre-pandemic period), while wage earnings further recorded swift paces of growth. However, in the latter half of the year, a different picture emerged in the labour market, the main indicators beginning to show more clearly the modest economic developments: labour supply increased, the number of employees grew at a slow tempo, employment prospects deteriorated, and the annual wage dynamics decelerated markedly towards year-end (Chart 1.17).

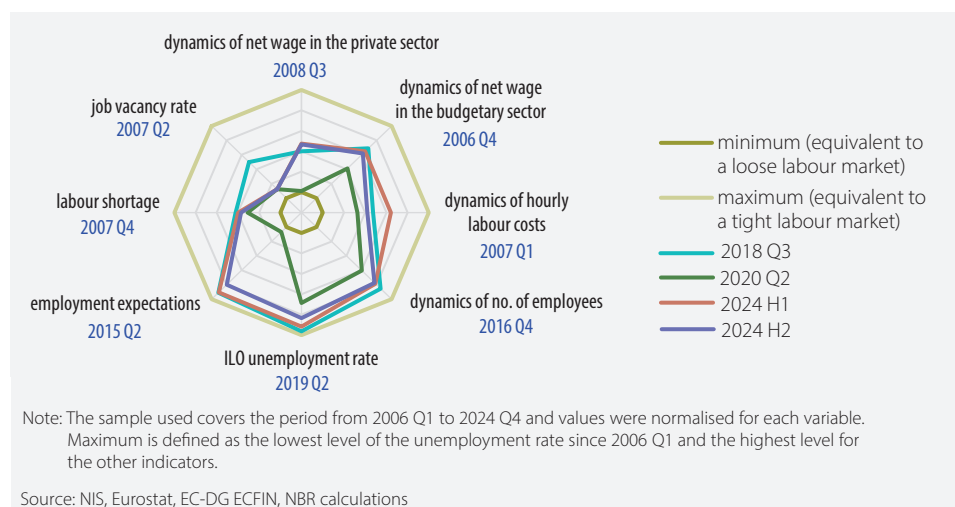
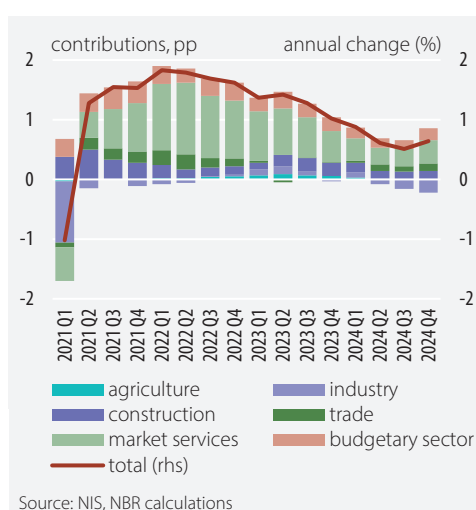


Chart 1.17
Overview of labour market developments

²⁰ ARA EM (Assessing Reserve Adequacy for Emerging Markets) is an annual metric assessing the adequacy of reserve holdings of emerging market economies relative to a large set of risk sources, such as loss of export income, residents' capital flight, rollover of short-term external debt and non-resident equity and MLT debt outflows.

The weak labour demand reflected in the job vacancy rate staying at 0.7 percent throughout 2024 (down 0.1 percentage points from the 2023 average). At the same time, the ILO unemployment rate has remained quasi-stable over the past years, around 5.6 percent (5.5 percent in 2024). Nevertheless, developments were uneven during the year, labour supply declining in 2024 Q1 and Q2, when the unemployment rate fell to 5.3 percent and 5.2 percent, before increasing substantially in 2024 H2 (to 5.7 percent). The labour shortage indicated by companies in the DG ECFIN survey stood relatively unchanged at approximately 10 percent, the level reported over the past three years. In addition, according to an alternative data source (the *Survey on the access to finance of non-financial corporations in Romania*), the availability of skilled staff was one of the major concerns among firms in 2024 as a whole (approximately 40 percent of them mentioned the lack of skilled labour as a pressing problem), more pronounced in the case of large companies (54 percent of respondents). Under the circumstances, even though labour market tightness diminished in the latter half of 2024, the continued structural problems fuel the persistence of a certain level of tightness.

Chart 1.18
Developments in the number
of employees economy-wide



The annual growth rate of the number of employees economy-wide moderated markedly in 2024, to 0.7 percent, down by 0.6 percentage points from the 2023 level (Chart 1.18). In the private sector, most sub-sectors (except for trade, administrative service activities and certain industrial sub-sectors, where recruitment picked up) posted either slacker annual dynamics or a decline. The ICT sector witnessed a period of reorganisation, being affected by the weakening external demand and the challenges stemming from the rapid changes in this field.

Manufacturing made a negative contribution, driven basically by the further contraction in employment in the light industry, under the influence of wage cost pressures, as well as in the automotive sub-sector, where major manufacturers of motor parts made layoffs or even shut down production at some plants (given that the European automotive industry has been facing significant headwinds). In construction, labour demand increased, the annual rate of change of the number of employees standing above that recorded economy-wide (1.6 percent in 2024, however down from 2.2 percent in 2023, in a context in which the pace of implementation of road infrastructure projects was less fast). The budgetary sector witnessed a slight deceleration, from 1.2 percent to 0.9 percent. For 2025, sluggish labour demand is also expected. The survey conducted by the Foreign Investors Council (the March 2025 update) showed that approximately 50 percent of respondents expected the number of employees to stabilise, whereas 27 percent of them anticipated it to decrease.

In 2024, the annual growth rate of the average gross wage economy-wide accelerated to 15.5 percent (+1 percentage point from the previous year). The upward path was driven by the developments in the budgetary sector, where the annual rate of change surged by around 7 percentage points (to 18.5 percent), against the background of repeated hikes, in several steps, across sub-sectors: 20 percent in education (January and June), 20 percent in healthcare (March and June) and 10 percent in public administration (June and September). By contrast, the annual pace of increase of private sector wages slowed down slightly (14.7 percent as compared with 15.3 percent in 2023), although a new hike in the minimum wage was implemented as of 1 July 2024 (from lei 3,300 to lei 3,700).

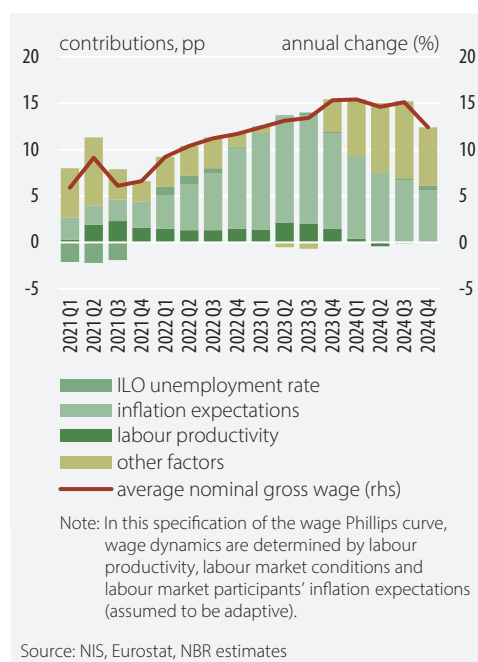


Chart 1.19
Determinants of the
dynamics of average
gross wage economy-wide

According to the in-house specification of the wage Phillips curve, the exogenous factors, which are outside the wage-setting mechanism described in the model (such as the repeated hikes in the minimum wage and in budgetary sector wages), made the key contribution to the faster wage

dynamics in 2024, in a context in which the fundamentals would have supported their deceleration, particularly on account of the lower inflation expectations (Chart 1.19).

2.2. Prices and costs

Consumer prices

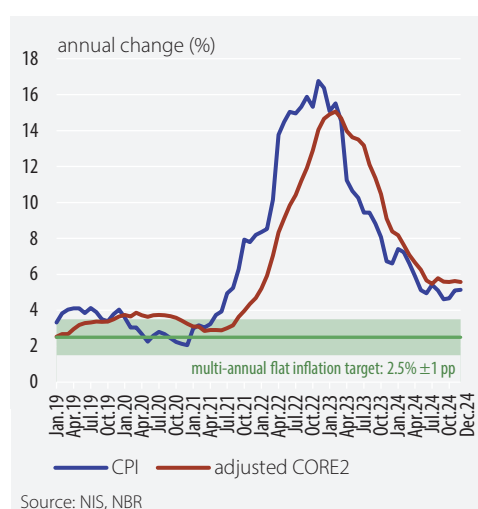


Chart 1.20
Annual inflation rate

The annual CPI inflation rate continued to decline in the first part of 2024, subsequently hovering around 5 percent and ending the year at 5.14 percent (1.47 percentage points below the December 2023 level). Thus, the annual growth rate of consumer prices saw a visible flattening of its downward path compared with the previous year, while remaining above the upper bound of the variation band of the target (Chart 1.20). Overall, disinflation was mainly supported by the decline in core

Chart 1.21
Main components of the
adjusted CORE2 inflation

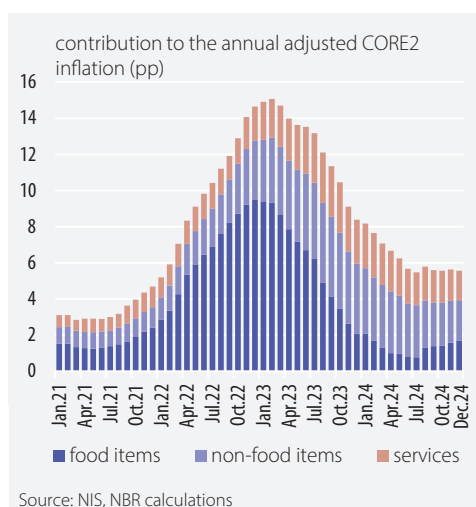
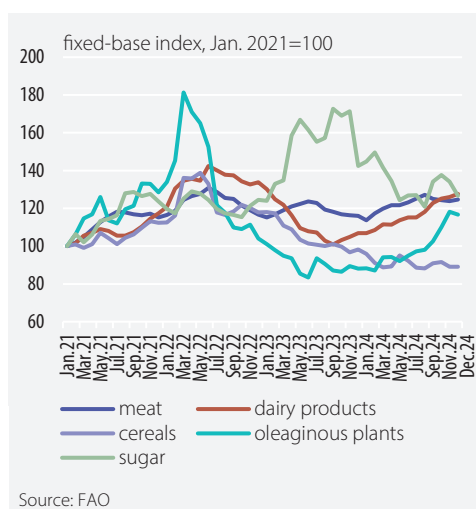


Chart 1.22
Prices of main
agri-food commodities



inflation – with a contribution from all three components –, also amid a narrowing excess aggregate demand in the economy.

The adjusted CORE2 inflation followed a downward path in January-July 2024, with a short-lived trend reversal in August and fluctuations around the 5.6 percent level in the last four months of the year (Chart 1.21). Specifically, in December 2024, the annual change in core inflation was 2.8 percentage points lower than at end-2023. All three components contributed to this adjustment, with non-food prices making the largest contribution amid a benign evolution of import prices. The annual growth rate of market services prices also lost pace, as a result of lower demand; in the latter part of the year²¹, however, disinflation in this segment was dampened as wage cost pressures remained significant and even intensified. The food component contributed less to the deceleration in inflation, marking a turning point in August 2024. While in the first part of the year the favourable conditions in the relevant

commodity markets put processed food inflation on a downward course (Chart 1.22), extreme temperatures and the lack of rainfall in the summer months led to price increases not only for vegetables and fruit²², but also for some products in the adjusted CORE2 basket (vegetable oil, dairy, meat and meat products), leading the annual dynamics of processed food prices to re-embark on an upward path.

In 2024, the administered prices of goods and services also contributed to the drop in inflation, their annual dynamics declining to 4.8 percent in December (from 14.3 percent a year prior), mainly on account of favourable base effects²³. These developments were accompanied by opposite movements, particularly in energy prices, with fuel prices making the largest contribution, as their annual dynamics

²¹ As a result of a new hike in the minimum wage in July, market services being the most exposed to labour costs (for almost half of them, the ratio of compensation of employees to turnover exceeds 20 percent).

²² The annual price dynamics in this segment climbed to over 8 percent as of August, after having been in negative territory for several consecutive months. However, their contribution to the annual change in inflation was relatively small (0.12 percentage points).

²³ More significant was the favourable base effect associated with the large increase in medicine prices in August 2023, following the update in the National Catalogue of Prices of Prescription Medicinal Products for Human Use.

Chart 1.23
Fuel prices

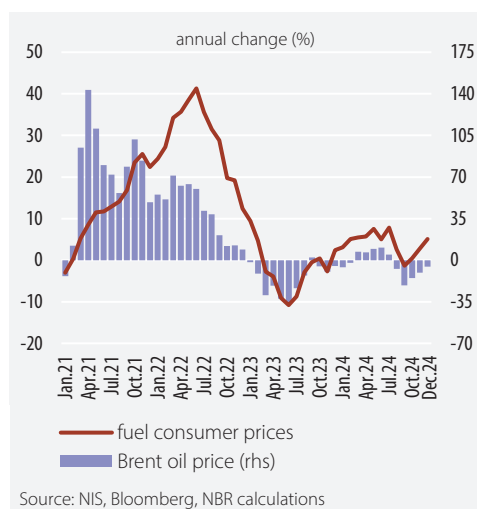
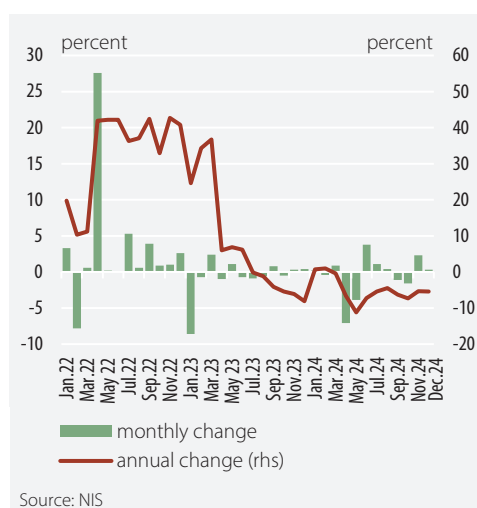


Chart 1.24
Electricity and natural gas prices



accelerated by 2.7 percentage points to 5.1 percent. This was due to the two-step hike (in January and July) in the excise duty on motor fuels, in order to reposition it to the level implied by the indexation mechanism, after it had been cut in 2023 to offset the effects of energy shocks on final prices. Towards end-2024, the strong appreciation of the US dollar (following the presidential elections in the United States) also acted to the upside, whereas the Brent oil price, despite a volatile path throughout the year (Box 3), contributed to disinflation at the close of the period under review (Chart 1.23). Within the group of energy prices, an inflationary contribution, albeit of lower magnitude, came from the electricity and natural gas segment (Chart 1.24), whose annual dynamics stood at -5.4 percent from -8.1 percent in December 2023. Although the decline in prices in these segments was supported by the legislative changes introduced in March 2024²⁴, certain demand-supply imbalances, induced primarily by extreme summer temperatures, pushed up electricity prices.

Box 3. Assessments on the macroeconomic impact of oil price changes conditional on the source of the trigger shock

Over the past years, the oil market has seen pronounced volatility, with wide price fluctuations, from historical lows – such as the negative level of WTI oil price on the US market in April 2020, an unprecedented event in the statistical series – to levels close to the 2008 peak of USD 147/barrel. Uncertainty surrounding price developments remains significant, also in view of the ongoing geopolitical tensions. Even though Romania has a balanced and diversified energy mix, crude oil and petroleum products continue to be the main source of primary energy (36.1 percent of total resources in 2023) and import dependence is considerable (71 percent of demand, according to data for 2023). Against this backdrop, developments in the global oil market have a direct impact on the local economy, affecting both economic activity – given the role of oil as an input in the

²⁴ The decrease in regulated prices for centralised procurement, from lei 450/MWh to lei 400/MWh for electricity and from lei 150/MWh to lei 120/MWh for natural gas

production process – and price movements²⁵. For instance, in the 2021-2022 period marked by fast-paced dynamics of crude oil prices, the contribution of fuel prices to the annual CPI inflation rate was approximately 2 percentage points in 2021 and merely 1 percentage point in 2022, given that in the latter year a government scheme was also put in place to cap fuel pump prices. At the same time, oil market imbalances also affect other macroeconomic indicators, such as the current account balance.

Oil price fluctuations can be ascribed to various factors, such as demand-side shocks (changes in global economic activity or cautious demand because of geopolitical uncertainties), supply-side shocks (related to the capacity and functioning of the extraction and refining sector) and speculative components. Empirical evidence points to different effects on the macroeconomic framework depending on the source of the shock underlying oil price changes (Kilian, 2009; Aastveit *et al.*, 2014; Caldara *et al.*, 2019; Lebrand *et al.*, 2024, etc.).

Methodology

Based on literature, the impact of oil price swings on prices and economic activity in Romania was assessed in two stages. In stage one, the main types of shocks weighing on oil price dynamics were identified by employing a vector autoregression (VAR) model estimated under the Bayesian regime. The specification included monthly variables such as: (i) global oil output; (ii) WTI oil price²⁶ deflated by the US CPI; (iii) an indicator of global economic activity (industrial production in OECD countries and six major emerging economies – Brazil, China, India, Indonesia, Russia and South Africa); and (iv) a proxy for global oil stocks, determined by scaling US oil stocks by the ratio of oil stocks to petroleum products held by the OECD and the US respectively. Structural shocks were identified via sign and magnitude restrictions, similarly to the approach proposed by Baumeister and Hamilton (2019).

In stage two, the effect of structural shocks (*oil shock*) on inflation and economic growth was estimated via a linear regression model with quarterly data²⁷, in line with the approach proposed by Kilian (2009):

$$\Delta x_t = \alpha_x + \sum_i \beta_{x,i} \cdot oil_shock_{t-i} + u_{x,t} \quad (1)$$

where $x = \{\text{CPI, GDP at constant prices}\}$ is expressed as quarterly percentage dynamics.

In order to capture possible asymmetries in the pass-through of oil price changes into key macroeconomic variables, the linear regression model proposed by Kilian

²⁵ The box entitled “Oil prices – their impact on inflation and economic activity” in the February 2015 *Inflation Report* gives an in-depth description on how international oil price fluctuations pass through into the inflation rate in Romania.

²⁶ The WTI oil price was preferred over the Brent price (more relevant for the European market) due to a more comprehensive data sample available, ensuring better robustness of the estimation results. However, the prices of the two categories are very well correlated, and the use of the Brent oil price in estimates does not have a significant impact on the results.

²⁷ The estimated series of monthly shocks were aggregated at quarterly frequency by applying the arithmetic mean.

(2009) was extended by introducing a mechanism with two-regime threshold regression, in which dynamics change once the variable crosses a critical threshold, var_tshd :

$$\Delta x_t = \alpha_x + \sum_i \beta_{x,i} \cdot oil_shock_{t-i} + \sum_i \gamma_{x,i} \cdot oil_shock_{t-i} \cdot I_{var_tshd_{t-d} > level_tshd} + \varepsilon_{x,t} \quad (2)$$

where $I_{var_tshd_{t-d} > level_tshd} = \begin{cases} 0, & var_tshd_{t-d} \leq level_tshd \\ 1, & var_tshd_{t-d} > level_tshd \end{cases}$, and d allows

for certain delays in the pass-through once the reviewed regime is changed. The asymmetry was tested for two transition variables, i.e. the sign of oil price changes (positive or negative) and the level of the inflation rate (versus the inflation target).

The relationship between oil market shocks and the dynamics of the current account balance was analysed based on the methodology presented by Lebrand *et al.* (2024). In this vein, the VAR specification included: (i) global oil output, (ii) international oil prices, (iii) real GDP in Romania and (iv) current account balance as a share of nominal GDP. The estimation used Bayesian techniques, whereas the identification of structural shocks was based on the imposition of sign restrictions: a decrease in global oil output and an increase in oil prices in the event of a supply-side shock; synchronised price and output movements in the event of a demand-side shock. In both cases, consistent with the results from the first approach described, a higher oil price was assumed to have a negative bearing on domestic economic activity.

Results

Chart A sets out the historical decomposition of oil price changes by the nature of trigger shocks. The large fluctuations over the past two decades reflect cumulated contributions from demand-side shocks (triggered by precautionary factors or the dynamics of global economic activity) and supply-side shocks, which have often acted in the same direction (see, for instance, pre- and post-financial crisis developments, i.e. the significant fall in oil prices in 2014-2016). The post-pandemic oil price hike was originally warranted by supply adjustments stemming from the OPEC+ agreements (2020 H2), but subsequently, from 2021 onwards, demand-side shocks took hold. More recently, assessments point to a prevalent influence of oil demand, amid geopolitical tensions and uncertainties surrounding global trade.

Chart B shows the pass-through coefficient, on a one-year horizon, of changes in crude oil prices to the CPI inflation rate, GDP growth and the current account balance, differentiated by the nature of the shock (oil demand versus oil supply). It also provides a comparative picture of the results for Romania, Czechia, Poland and Hungary.

There is a higher pass-through from demand-side shocks than from supply-side shocks into the inflation rate in all four economies under review. A possible explanation is provided by Aastveit *et al.* (2023), documenting a stronger and more

persistent response of inflation expectations to demand-side shocks. The effect on the CPI is lower in Romania than in Poland and Hungary, the two states reporting higher dependence on imports of oil and petroleum products (89 percent and 97 percent respectively versus 71 percent for Romania, according to 2023 data). Even if Czechia is up to 99 percent reliant on such imports, the impact on inflation is partly mitigated by the smaller share of motor fuels in the CPI basket.

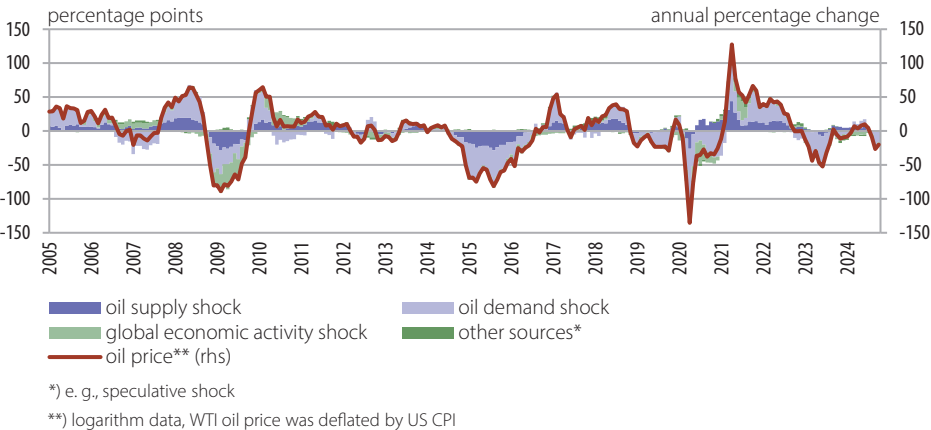


Chart A
Historical decomposition
of oil price changes

Source: Federal Reserve Economic Data, NBR estimates based on the methodology defined by Baumeister and Hamilton (2019); available data for October 2024

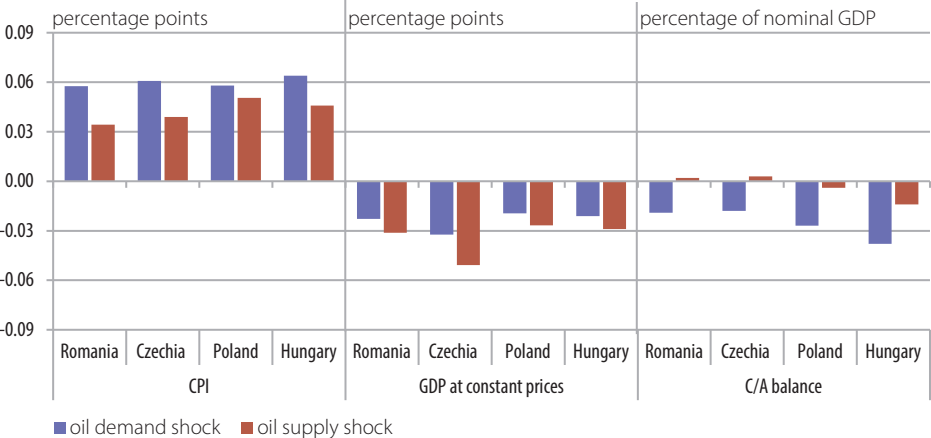


Chart B
Pass-through of a 1 percent
change in the oil price, at a 1-year
horizon, conditional on the nature
of the trigger shock

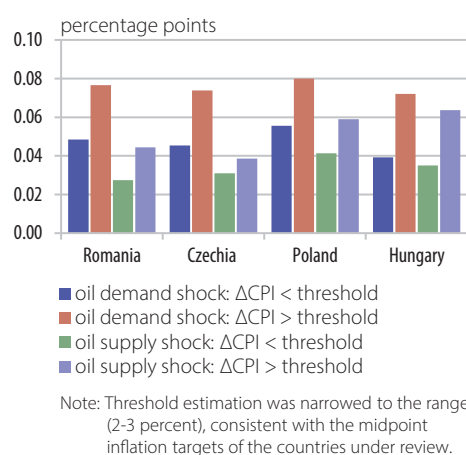
Source: NBR estimates

A shock inducing an oil price hike weighs on GDP growth for all four countries under review, the nature of the shock notwithstanding. This impact passes through several channels: the compression of households' disposable income, the narrowing of energy-intensive firms' profit margins and the worsening of the trade balance. The effect is more visible for the countries with a higher import dependence, being most pronounced in Czechia. These results are in line with empirical evidence for the net oil-importing countries. Conversely, for net oil-exporting countries, empirical evidence (e.g. Lebrand *et al.*, 2024) identifies opposite effects on economic activity from the two shocks, i.e. a contractionary impact for the supply-side shock and an expansionary impact for the demand-side

shock. Against this background, global economic activity is harder hit by the supply-side shock, implying a heftier negative impact also on external demand for the exports of domestic goods and services. This could explain the stronger impact (in absolute terms) of the oil supply shock on domestic economic activity than that of oil demand in the countries under review.

Furthermore, a hike in oil prices entails costlier crude oil imports, with adverse effects on the current account balance²⁸. Considering the negative impact on economic activity, however, cuts in import volumes are anticipated as well²⁹. In the event of a supply-side shock, the results of the estimates indicate a counterbalancing (Romania and Czechia) and a partial offsetting (Poland and Hungary) of the price effect by the volume effect, the decrease in the volume of imports occurring also in the specific context of the shock (the oil output cut at global level).

Chart C
Pass-through to the CPI of
a 1 percent change in the oil price,
at a 1-year horizon, conditional
on the nature of the trigger shock
and the inflation regime



Source: NBR estimates

Turning to consumer prices, estimates suggest asymmetries in the transmission mechanism of oil price changes. Specifically, the pass-through is stronger in times of faster price growth than in episodes of relatively stable price developments (Chart C). A possible explanation could be that, in episodes of low and stable inflation rates, economic operators typically opt for less frequent price updates due to the costs attached thereto. At the same time, the response of consumer prices to a hike in the oil price driven by

a market-specific demand-side shock is slightly stronger than the response to a fall in oil prices.

Overall, this analysis shows the significance of the source of oil price fluctuations in assessing the impact on the macroeconomic framework. From a central bank perspective, understanding the specificities of the pass-through of these shocks is particularly relevant for ensuring price stability.

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- Aastveit, K. A., Bjørnland, H. C., Cross, J. L. – “Inflation Expectations and the Pass-Through of Oil Prices”, *The Review of Economics and Statistics*, vol. 105(3), 2023, pp. 733-743

²⁸ For instance, in 2022 Romania paid out an almost trebled energy import bill compared to the year before (approximately EUR 7.4 billion for ‘Mineral fuels, lubricants and related materials’, with oil and petroleum products accounting for a major share).

²⁹ In 2023, once with the decline in global energy prices and the adjustment of domestic consumption, the deficit under ‘Mineral fuels, lubricants and related materials’ narrowed by approximately 30 percent to EUR 5.2 billion.

Baumeister, C., Hamilton, J. D. – “Structural interpretation of vector autoregressions with incomplete identification: Revisiting the role of oil supply and demand shocks”, *American Economic Review*, vol. 109(5), 2019, pp. 1873-1910

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Lebrand, M., Vasishtha, G., Yilmazkuday, H. – “Energy price shocks and current account balances: Evidence from emerging market and developing economies”, *Energy Economics*, vol. 129, 2024

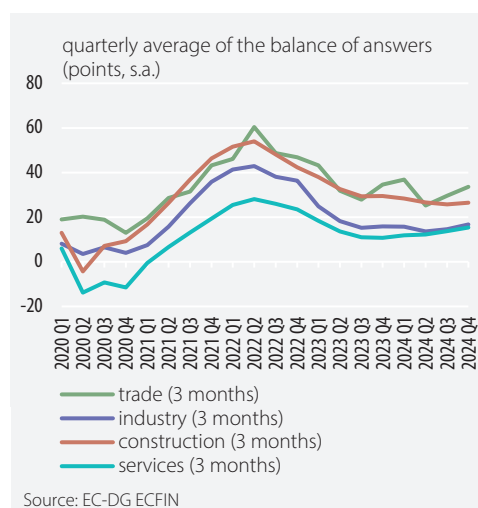
In 2024, inflation expectations of economic agents in the main sectors of the economy³⁰ were mixed: while services and industry posted an upward trend, trade

and construction saw more volatile developments (Chart 1.25). After following a fluctuating path during the year, financial analysts’ one-year ahead expectations eased in December 2024; for the two-year horizon, the downward trend was somewhat more pronounced, with the median of expectations standing within the variation band of the target at end-2024.

The average annual inflation rate fell to 5.8 percent at end-2024 (down 3.9 percentage points from the same year-earlier period).

At the same time, the gap with the EU average narrowed marginally to 3.2 percentage points (from 3.3 percentage points in December 2023).

Chart 1.25
Expectations on
price developments



Producer prices

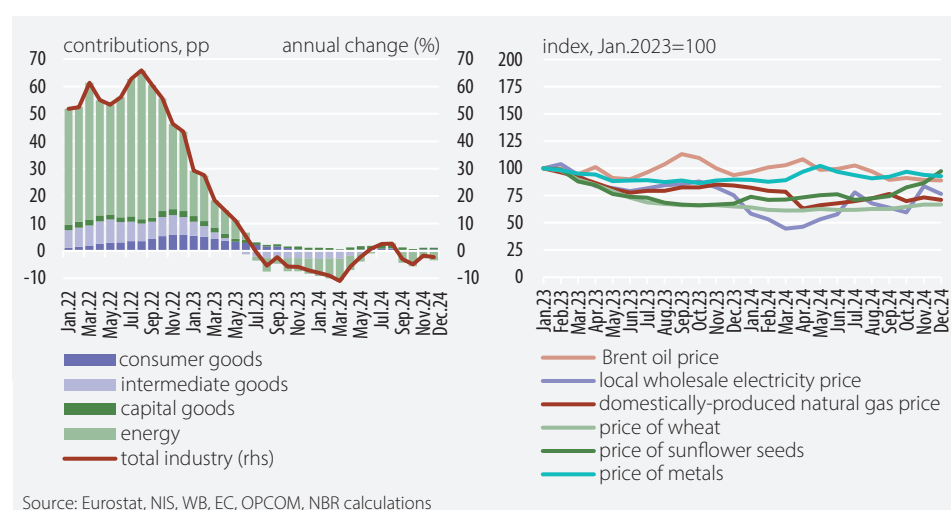
The average annual growth rate of producer prices entered negative territory in 2024, falling to -3.7 percent, from 5.6 percent in 2023. However, during the period under review, the indicator saw fluctuations, its volatility being driven by large movements in energy prices, both upwards and downwards. Excluding energy price developments, the annual rate of change of industrial producer prices is estimated to have followed an upward path in 2024 H1, climbing to approximately 3 percent, a level around which it fluctuated thereafter (Chart 1.26).

The annual rate of change in energy prices fluctuated in negative territory for most of 2024 (except for the summer months, when extreme temperatures contributed to a sharp imbalance in the electricity market), in line with developments in natural gas and electricity prices. Specifically, in 2024 Q1, energy markets eased, in a (domestic

³⁰ Three-month horizon

and external) context marked by low consumption, high natural gas storage levels and a significant supply of renewable electricity. Subsequently, the decline in electricity and natural gas prices halted, in line with the trend in European markets. As for natural gas, the main driver was the contraction in available supply, due to bottlenecks caused by maintenance outages in Norwegian gas fields, concurrently with the limited imports of liquefied natural gas, given the robust demand from Asian economies. Regarding electricity prices, the high temperatures in the summer of 2024 led, on the one hand, to higher consumption and, on the other hand, to lower hydropower output. Furthermore, in July and August, interconnection deficiencies in the European network led to a decoupling of the Balkan region from the European electricity market, a situation further complicated by maintenance works at Hidroelectrica and Nuclearelectrica. September 2024 saw a temporary halt in the price upturn, amid sufficient natural gas storage levels and the higher supply of electricity, the weather conditions being favourable for renewable production. The upward trend in prices resumed in the final months of the year, against the backdrop of a cold winter that led to higher consumption.

Chart 1.26
Industrial producer prices
on the domestic market and
their determinants



The pace of increase in producer prices for consumer goods continued to gradually lose momentum in the first five months of the year, dropping to 3.8 percent and fluctuating around this level thereafter; the latter part of 2024 saw a trend reversal, attributable to developments in the food industry. Specifically, broadly favourable conditions in agri-food commodity markets were reflected in modest or even negative annual growth rates in the first part of the year (-0.7 percent in March and April); in 2024 H2, severe drought and very high temperatures led to significant declines in the yields of the main crops at regional level, causing the annual dynamics of producer prices in the food industry to re-enter positive territory and rise steadily, to 2.4 percent in December and 4.1 percent in March 2025.

The other groups of goods witnessed modest changes in their price dynamics. The annual growth rate of producer prices for capital goods remained elevated (6.6 percent on average), well above the industrial sector average, further reflecting, in part, wage cost pressures. Producer prices for intermediate goods continued to decline in annual terms (-1.8 percent), given the persistence of negative annual rates

of change in metallurgy, with companies in this industry pointing to unfair competition from low-cost imports originating in Türkiye, China, Egypt and Maghreb countries (which are not subject to the EU's strict environmental standards and therefore incur lower production costs). Another factor affecting the sector is electricity price in Romania, systematically above those in Western Europe, amid suboptimal interconnection in Central Europe and the additional need to support Moldova and Ukraine alongside domestic demand.

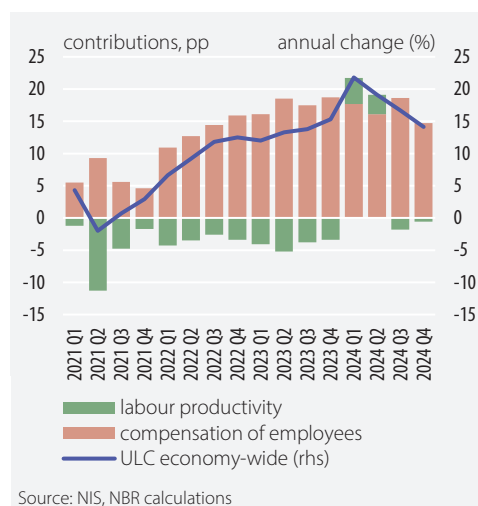


Chart 1.27
Unit labour costs economy-wide

Unit labour costs

The annual dynamics of unit labour costs economy-wide stood at high levels in 2024, averaging 17.8 percent, up by 4.2 percentage points from the previous year (Chart 1.27). These developments reflected the wider gap between the indicators making up the ratio, amid the still brisk pace of increase in compensation per employee, which slowed down only marginally (to 16.6 percent, about 1.5 percentage points below the 2023 level), and the labour productivity

growth rate turning negative (-1 percent, 5 percentage points below the 2023 level).

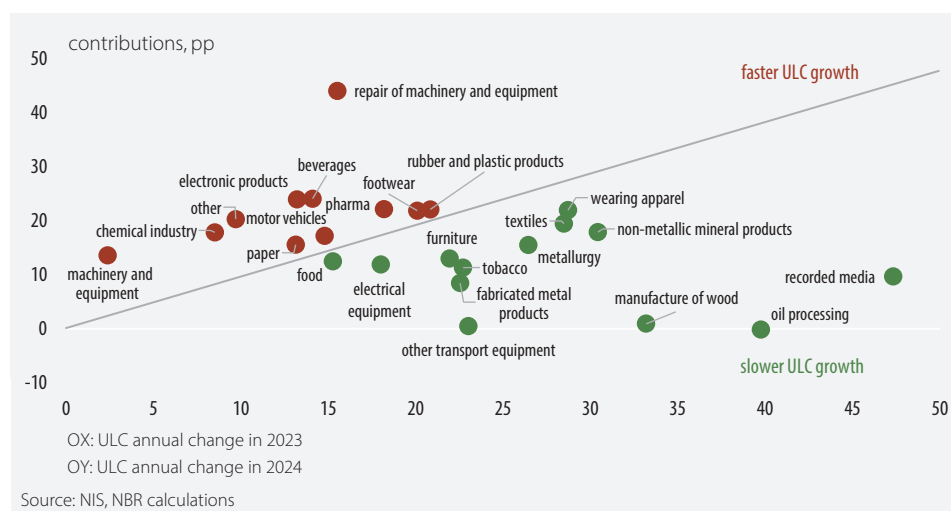


Chart 1.28
Unit wage costs in manufacturing

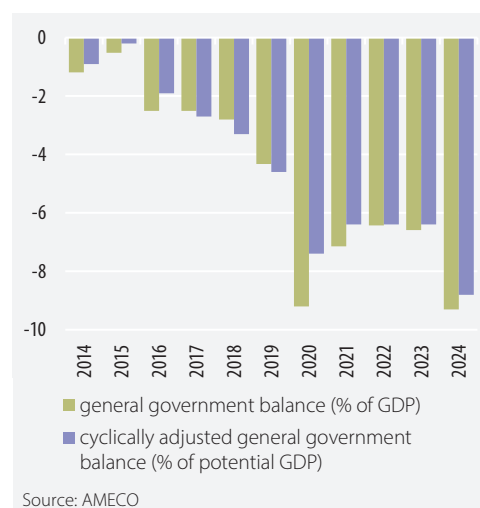
By contrast, the annual rate of change of unit wage costs in industry decelerated in 2024 overall, to 15.6 percent (-3.9 percentage points against 2023), owing to the slowdown in the growth rate of gross wage earnings by 1.6 percentage points during the period under review, as well as to the less pronounced negative dynamics of labour productivity, to which layoffs also contributed. Several industrial sub-sectors supported these developments, posting significant decelerations in the annual dynamics of unit wage costs: the food industry, the light industry, the manufacture of furniture, crude oil processing, metallurgy and electrical equipment. However, some

industries recorded slight increases compared with 2023, such as the pharmaceutical industry, the manufacture of rubber and plastic products, the manufacture of paper and the automotive industry (Chart 1.28).

2.3. Fiscal developments

In 2024, the consolidated general government deficit (ESA 2010) posted the largest widening in 30 years in the absence of any episode of economic contraction, adding 2.7 percentage points from the year-earlier period to 9.3 percent of GDP. The post-pandemic progress on fiscal consolidation was fully reversed, with the end-2024 deficit surpassing the level recorded in the pandemic year, namely 9.2 percent of GDP in 2020, being exceeded only by the 9.5 percent deficit of 2009, the year of the financial crisis. The said level veered off strongly from both the initial target announced in the Fiscal Strategy for 2024-2028³¹, i.e. an ESA 2010 deficit of 4.9 percent of GDP, and the updated estimate of an ESA 2010 deficit of 7.9 percent of GDP for 2024 in the *National Medium-Term Fiscal-Structural Plan 2025-2031* submitted at end-October. The deficit assessed according to the national (cash-based) methodology followed a similar path, widening from 5.6 percent of GDP in 2023 to 8.7 percent of GDP in 2024, also posting a large deviation from both the initial target of 5 percent of GDP and the target revised to 6.9 percent of GDP at the time the budget revision was approved at end-September 2024. The gap between ESA 2010 deficit and the deficit measured consistent with the national methodology remained significant at 0.7 percentage points.

Chart 1.29
Consolidated general
government deficit



The fiscal slippage in 2024 came as no surprise, since the Fiscal Council identified early on³² revenue overestimations and expenditure underestimations pointing at that time to a deviation of around 1.4 percentage points of GDP from the target in the initial budget plan. Nevertheless, the actual size of the end-of-year slippage exceeded sizeably even the most pessimistic assessments. Although the worsening of cyclical conditions³³ contributed to the wider deficit, the 2024 performance of the fiscal deficit was overwhelmingly the

result of the expansionary fiscal stance (Chart 1.29). This was reflected in an increase of almost 2 percentage points of GDP in the primary structural deficit, stemming from steep increases in public investment outlays not covered from non-repayable funds, as well as in social transfers and staff costs, to which added the 0.4 percentage point

³¹ <https://mfinante.gov.ro/static/10/Mfp/buget2024/proiectbuget2024/SFB2024-2026.pdf> (Romanian only)

³² https://www.fiscalcouncil.ro/EN%20-%20Opinie_CF_buget_2024.pdf

³³ The European Commission's updated estimates point to a widening of the demand deficit from 0.6 percent in 2023 to 1.7 percent in 2024, implying an uptrend in the cyclical component of the fiscal deficit (from 0.2 percentage points of nominal potential GDP in 2023 to 0.5 percentage points in 2024).

rise in interest expenditure as a share of GDP (to 2.3 percent in 2024 from 1.9 percent in 2023).

At end-2024, Romania's budget deficit of 9.3 percent was the highest EU-wide, outstripping by far Poland's shortfall of 6.6 percent of GDP. The *National Medium-Term Fiscal-Structural Plan 2025-2031* submitted by Romania at end-October foresees a seven-year adjustment period for the excessive deficit, with the country's budget deficit scheduled to fall below the 3 percent-of-GDP reference value no earlier than the end of 2031. The plan was endorsed by the Council of the European Union in January 2025, following a positive recommendation from the European Commission that was issued in November 2024.

The volume of EU funds transiting the consolidated general government budget fell sharply in 2024, from 3.4 percent of GDP in 2023 to 1.6 percent of GDP, given that 2023 was the last year when the absorption of funds under the 2014-2020 multiannual financial framework could be achieved, marking a peak in the use of non-repayable funds, whereas the progress in using resources under the National Recovery and Resilience Plan could not make up for the drastic decline in the actual absorption of funds under the standard framework that accompanied the transition to the 2021-2027 financial framework. However, consolidated general government revenues as a share of GDP grew marginally (by 0.1 percentage points) from a year earlier, while expenditures stood 2.8 percentage points higher. Net of non-repayable EU funds, consolidated general government revenues and expenditures as a share of GDP widened by 1.8 percentage points and 4.6 percentage points respectively compared to the previous year.

Tax revenues (including those from social contributions, net of those from imputed social contributions³⁴) as a share of GDP rose by 1.4 percentage points (from 26.4 percent in 2023 to 27.9 percent in 2024), as a result of the fiscal measures taken pursuant to Law No. 296/2023³⁵, as well as the dynamics of the wage bill economy-wide. The latter largely determines developments in receipts from income tax and social contributions, while the rate of increase of the wage bill was more than double the nominal GDP growth in 2024 (18.7 percent and 9.7 percent respectively). The impact of the above-mentioned factors is mainly reflected in the larger shares of GDP recorded for the aggregate 'Current taxes on income and wealth' (+0.7 percentage points) and for the receipts from social contributions (+0.75 percentage points). At the same time, revenues under 'taxes on production and imports' as a percentage of GDP remained unchanged against the previous year. The favourable developments under 'taxes and duties on products' (+0.3 percentage points) mirrored mainly receipts

³⁴ Revenues from social security contributions (ESA 2010 methodology) include one 'imputed social contributions' item, i.e. the social benefits paid directly by employers, without creating a special fund (military pensions are a case in point); the imputed contributions are equal in terms of value to the social security contributions necessary to cover the social benefits granted de facto, but they are not actual receipts.

³⁵ The enacted fiscal measures, estimated to be accountable for an additional revenue of about 0.9 percent of GDP, were aimed at levying a minimum turnover tax for large companies, additional sectoral taxes targeting credit institutions and oil and gas companies, raising from 1 to 3 percent the turnover tax for small and medium-sized enterprises with annual earnings upwards of EUR 60,000 or with activities in certain areas specified by law, restricted applicability of reduced VAT rates, introducing an excise duty on high sugar-content beverages, containing sectoral tax breaks, changing the regime of social security contributions owed for income from independent activities and levying such contributions on meal and holiday vouchers.

from VAT and excise duties³⁶, being fully offset by the decline under 'other taxes on production' (-0.3 percentage points), driven by the significantly weaker revenues related to the contribution to the Energy Transition Fund. Finally, non-tax revenues as a percentage of GDP (net of current and capital transfers received from the EU, which were down sharply, 1.8 percentage points from a year earlier) added 0.3 percentage points, with 'capital income' being accountable for this uptick.

The abrupt hike in government spending to GDP (to 43.5 percent, from 40.6 percent, amid the decrease of 1.8 percentage points of GDP in expenses covered by non-repayable EU funds) was the sole driver of the wider budget deficit. The current expenditure-to-GDP ratio rose by 2.8 percentage points (adjusting for current transfers from the EU in 2023 and 2024, the rise equalled 3.2 percentage points), mainly due to wage expenditure (+1.1 percentage points, given the public-sector wage hikes), social transfers (+1.1 percentage points, mainly as a result of the cumulative effect of the 13.8 percent indexation of the pension point at the beginning of the year and the sharp increase in the average social security pension following the September 2024 recalculation) and interest expenditure (+0.4 percentage points). The capital expenditure-to-GDP ratio stood only marginally higher than in the prior year (0.1 percentage points), but, amid the steep drop in capital transfers from the EU (down 1.4 percentage points of GDP), the evolution points to a hefty expansion in public investment expenditure not covered by non-repayable funds, which contributed significantly to the budget deficit widening.

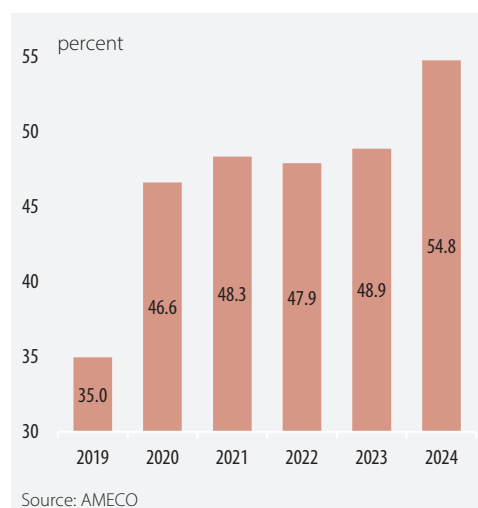


Chart 1.30
Public debt-to-GDP ratio

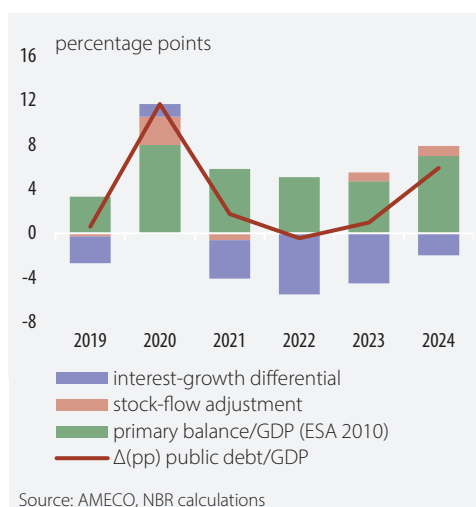
In 2024, the public debt-to-GDP ratio (Chart 1.30) added 5.9 percentage points to 54.8 percent, from 48.9 percent in 2023. The extremely elevated primary deficit (7 percent of GDP) and a positive stock-flow adjustment contributed to the substantial rise in the public debt-to-GDP ratio, the surge in the public debt stock (by lei 179.7 billion) exceeding the ESA 2010 deficit by about lei 16 billion (Chart 1.31). The interest-growth differential acted in the opposite direction, yet its favourableness diminished sizeably

over the year before, amid the slowdown in nominal GDP growth and the significant advance in the average cost of financing (measured by the implicit interest rate, calculated as the ratio of interest expenditure to debt stock at the end of the previous year).

The share of public debt held by residents widened in 2024 (up 1.2 percentage points to 50.4 percent, from 49.2 percent), as did the share of domestic currency-denominated

³⁶ The receipts from excise duties also reflect a return to the normal level (indexed with the change in the average price level compared to the reference period from October 2014 to September 2015), in two stages (January and July 2024), of excise duties on fuels from a low Europe-wide that prevailed in 2023.

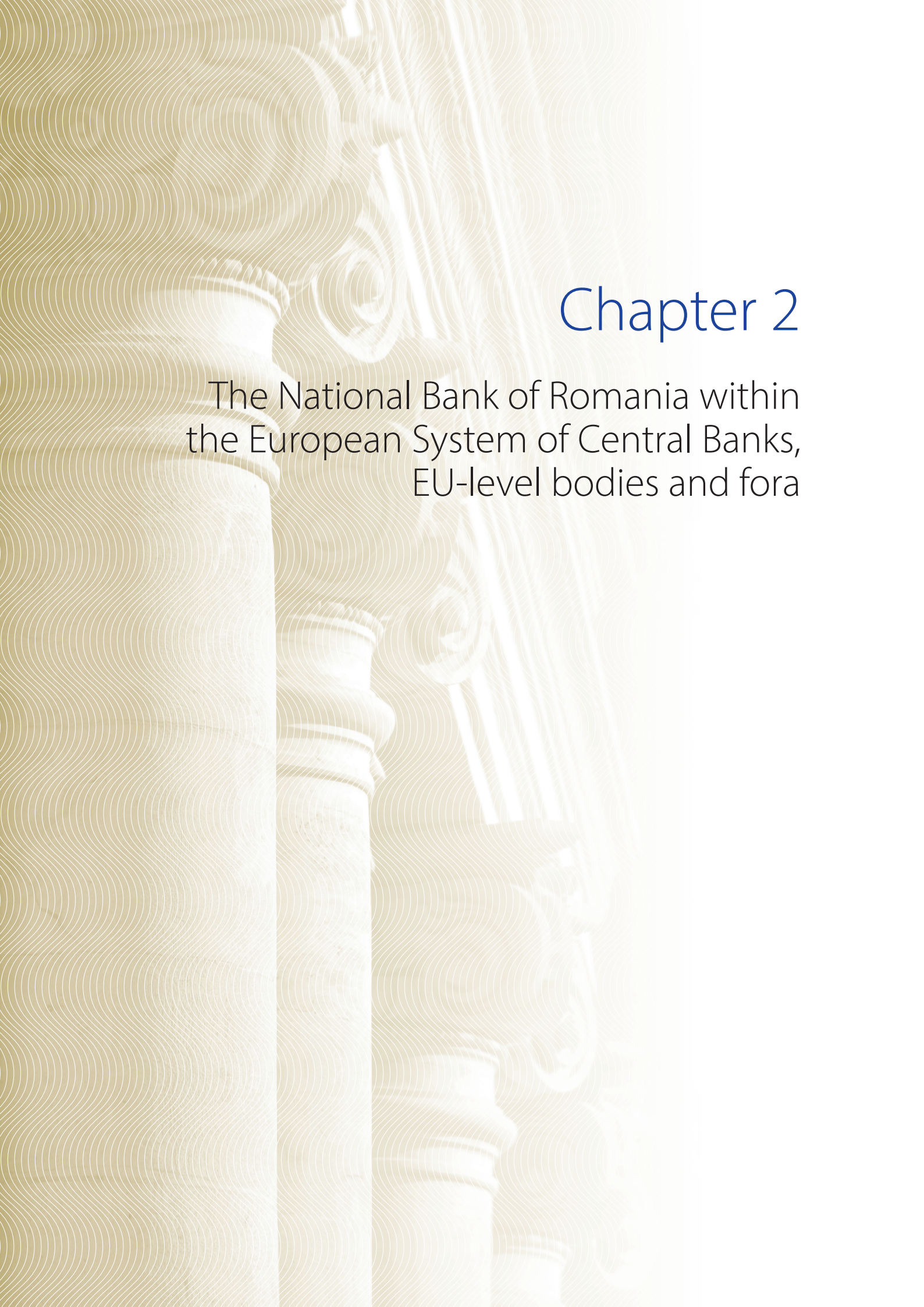
Chart 1.31
Decomposition of the change
in public debt to-GDP ratio



debt (up 0.3 percentage points to 48.5 percent, against 48.2 percent), showing that the extremely high net financing needs were covered largely by issues on the domestic market. EUR-denominated bond issues on the external market (new issues and re-openings of previous ones) amounted to EUR 11.7 billion and covered a broad spectrum of maturities ranging from 2 years (EUR 100 million top-up of an issue maturing in September 2026) to 20 years (EUR 750 million issue maturing in September 2044). To these added

USD-denominated issues worth USD 6.25 billion, with maturities ranging from 5 years to 11 years, as well as the issuance of bonds denominated in Japanese yen (JPY 33 billion, equivalent to about EUR 200 million), with maturities ranging between 3 years and 7 years. The securities issues on the international market were complemented by EUR-denominated issues on the domestic market in the amount of EUR 2.09 billion (approximately EUR 1.74 billion from issues targeting households under the FIDELIS programme), but also by a limited volume of drawings, around EUR 37.05 million, on loans under the Recovery and Resilience Facility following the release of a remainder of the second payment request. The average residual maturity of the public debt stock slid from 7.7 years at end-2023 to 7.2 years.





Chapter 2

The National Bank of Romania within
the European System of Central Banks,
EU-level bodies and fora

Romania's membership to the European Union involves, *inter alia*, the participation of national institutions and authorities, including the National Bank of Romania, in EU-level bodies and fora, in line with the particulars of their activity. Specifically, the National Bank of Romania is a member of the European System of Central Banks (ESCB), alongside the European Central Bank and the national central banks (NCBs) in the other EU Member States. The organisation, objectives and tasks of ESCB are set out in the Treaty on the Functioning of the European Union ("the Treaty") and in the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, annexed to the Treaty.

The primary objective of the ESCB is to maintain price stability, according to Articles 127(1) and 282(2) of the Treaty. Without prejudice to the objective of price stability, the ESCB supports the general economic policies in the Union, with a view to contributing to the achievement of the objectives of the Union.

The framework of the NBR's activity is well defined by the EU legislation, which puts emphasis on the respect of the NCBs' independence, a concept that covers four types of independence, i.e. functional, institutional, personal and financial. The principle of the NCBs' independence is laid down in Article 130 of the Treaty, specifically: "When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB, neither the European Central Bank, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body. The Union institutions, bodies, offices or agencies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the European Central Bank or of the national central banks in the performance of their tasks".

Pursuant to the provisions of Article 131 of the Treaty, each Member State shall ensure that its national legislation including the statutes of its national central bank is compatible with the Treaties and the Statute of the ESCB and of the European Central Bank.

1. NBR participation in European structures

The NBR participates, through its representatives, in the meetings and procedures of various working structures and substructures of European bodies, as referred to below. The number and format of meetings held during 2024 remained at a level similar to that seen in 2023.

1.1. Participation in the ECB General Council meetings

The NBR Governor attends the quarterly meetings of the ECB's General Council. This analysis and decision-making body had on its 2024 agenda topics covering: (i) the regular macroeconomic analyses and reviews of key monetary, financial and fiscal developments both within and outside the euro area; (ii) issues related to the main drivers of environmental degradation (pollution, overexploitation of natural resources, climate change, and land use) and their implications for the economy and financial stability; (iii) compliance by the ESCB members with the provisions of Articles 123 and 124 of the Treaty, stipulating the prohibition of monetary financing and privileged access for the public sector or EU institutions; (iv) the determination of the reference value for the calculation of economic convergence criteria, as part of the ECB's 2024 Convergence Report; (v) the analysis of the key factors behind productivity developments over the recent decades in the euro area and the EU, as well as the impact of digitalisation, climate change policies and the COVID-19 pandemic on productivity; (vi) the macroeconomic outlook for EU Member States outside the euro area; (vii) the main prospects on households' inflation expectations and their relevance for monetary policy; and (viii) estimates of green investment needs in Europe until 2030 – key sources of financing, the expected developments in the private financing landscape, main obstacles and the adequacy of public financing instruments.

1.2. NBR participation in the enlarged meetings of ESCB structures and substructures

As regards the decision-making mechanism at operational level, the NBR representatives attend the enlarged meetings of the ESCB committees, contributing to the preparation and implementation of the ECB General Council and Governing Council decisions. These structures, along with the relevant ESCB substructures, ensure a framework for assessment and decision-making according to their fields of competence. The NBR Board attaches particular attention to the central bank's participation in the ESCB structures and substructures by closely monitoring any related issues.

1.3. NBR participation in the European Systemic Risk Board

The NBR is represented in the quarterly and ad hoc meetings of the General Board of the European Systemic Risk Board (ESRB) by the NBR Governor, as a member with voting rights, along with a Deputy Governor, as a member without voting rights.

In 2024, the activity of the ESRB further focused on identifying, monitoring and assessing the risks to financial stability, specifically related to: (i) changes in inflation and interest rates; (ii) banks' vulnerabilities to deposit runs; (iii) non-bank financial intermediation; cyber resilience; (iv) the adverse scenario for the EIOPA-led insurance stress test; (v) climate risks; (vi) systemic liquidity risk; (vii) macro-prudential instruments for investment funds; (viii) data exchange between EU institutions; (ix) the use of the countercyclical capital buffer; and (x) the ESRB adverse scenario for the EBA 2025 Stress Test. Over the past year, the ESRB issued a single recommendation regarding the Portuguese notification of its intention to set a sectoral systemic risk buffer rate in accordance with Article 133 of Directive 2013/36/EU.

At a technical level, the NBR representatives participate in the meetings of the ESRB working structures, including the Advisory Technical Committee.

1.4. NBR participation in the working structures and substructures of the European Banking Authority

The NBR, as the regulatory and supervisory authority for the banking sector in Romania, is a member of the European Banking Authority (EBA), whose objective is to ensure effective and consistent prudential regulation and supervision across the EU banking sector. In this capacity, the NBR takes part in the EBA's decision-making process and working structures. In 2024, NBR representatives participated in the works of EBA structures, namely the Board of Supervisors, the Resolution Committee, the standing committees and their substructures³⁷, and the supervisory and resolution colleges.

1.5. NBR participation in the working structures of the EU Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA)

AMLA, a decentralised EU agency, which was established in 2024 as part of the legislative package on anti-money laundering and countering the financing of terrorism (AML/CFT), and which will become fully operational as of 2028, shall have among its responsibilities: (i) to exert the AML/CFT supervision of entities that present high risk of money laundering and terrorism financing within the European Union, (ii) to enhance joint analyses and cooperation among Financial Intelligence Units (FIUs), and (iii) to coordinate national authorities in Member States so as to ensure the correct and consistent application of EU rules.

Romania is represented on AMLA's General Board by the National Bank of Romania, at executive management level, based on the Memorandum signed by all national authorities responsible for AML/CFT supervision.

1.6. NBR participation in structures of the EU Council and of the EC

The meetings of the working structures and substructures of the EU Council and the EC were held both online and in person, with the latter accounting for a somewhat larger share. The NBR representatives at different hierarchical levels participated in such meetings of the working structures and substructures, among which worth mentioning are:

- the meetings of the Economic and Financial Committee, which are attended by an NBR Deputy Governor;

³⁷ The Standing Committee on Regulation and Policy; the Standing Committee on Accounting, Reporting and Auditing; the Standing Committee on Payment Services; the Standing Committee on Anti-Money Laundering and Countering Terrorist Financing; the Standing Committee on Supervision, Risk and Innovation; the Subgroup on Ongoing Supervision; the Subgroup on Securitisation and Covered Bonds; the Subgroup on Governance and Remuneration; the Subgroup on Liquidity; the Subgroup on Resolution Planning Preparedness; the Subgroup on Resolution Execution; the Task Force on Stress Testing, etc.

- the meetings of various working structures and substructures³⁸ of the EU Council and the EC, whose agendas are closely connected with the central bank's fields of competence, in which they participated along with representatives from the Ministry of Finance and/or other government institutions.

Moreover, in 2024, the NBR assisted the Ministry of Finance in preparing for the participation of the Minister of Finance in the meetings of the Economic and Financial Affairs Council (ECOFIN)³⁹, as well as the Ministry of Foreign Affairs in preparing for the participation of Romania's representative in the European Council, by providing position papers or background information⁴⁰ to aid in formulating Romania's stance within these European fora.

1.7. NBR participation in the process of transposing, implementing and notifying EU legislation

a) Transposing and implementing EU regulations

EU regulations are binding in their entirety and directly applicable in all Member States and thus do not have to be transposed into national law. The NBR, in its capacity as an institution with regulatory and supervisory tasks, checks the EC database (Eur-lex) on a regular basis to track any newly adopted EU regulations applicable to its scope of activity. The list of these regulations is sent to the Ministry of Foreign Affairs and is uploaded on the central bank's website with a view to properly informing the entities under the NBR's regulatory/supervisory scope.

b) Informing the EC about the transposition of EU legislation

In 2024, the NBR, alongside other competent institutions, was involved in transposing the following directives:

- Commission Delegated Directive (EU) 2023/2775 of 17 October 2023 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups;
- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting;
- Directive (EU) 2022/2556 of the European Parliament and of the Council of 14 December 2022 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the financial sector;

³⁸ The Financial Services Committee; the Working Party on Financial Services and the Banking Union; the Committee on Monetary, Financial and Balance of Payments Statistics; the Expert Group on Banking, Payments and Insurance; the Expert Group on Money Laundering and Terrorist Financing; the Government Expert Group on Retail Financial Services; the Ad Hoc Working Party on the Strengthening of the Banking Union; the Euro Counterfeiting Experts Group, etc.

³⁹ During the two informal ECOFIN meetings, organised by the Member States holding the rotating Presidency of the EU Council in 2024, the NBR was represented by a Director.

⁴⁰ For instance, on topics such as the Capital Markets Union, competitiveness, the digital euro package and the Letta and Draghi reports.

- Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU;
- Directive (EU) 2024/1174 of the European Parliament and of the Council of 11 April 2024 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities;
- Directive (EU) 2024/790 of the European Parliament and of the Council of 28 February 2024 amending Directive 2014/65/EU on markets in financial instruments;
- Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks;
- Directive (EU) 2024/1654 of the European Parliament and of the Council of 31 May 2024 amending Directive (EU) 2019/1153 as regards access by competent authorities to centralised bank account registries through the interconnection system and technical measures to facilitate the use of transaction records;
- Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and functioning of the European single access point.

Moreover, during the period under review, the NBR submitted to the Ministry of Foreign Affairs – so that the latter may duly notify the Commission – the transposition legislation and the compliance tables related to the provisions of Directives also within the NBR's field of competence.

1.8. NBR participation in the joint working platform with government authorities on European affairs

In line with its statutory tasks related to the *ex ante* advisory role played in the institutional relations with government authorities, the NBR is represented in the meetings of the Coordination Committee of the National System for the Management of European Affairs⁴¹. The Committee is in charge of preparing the decisions and formulating Romania's stance with regard to European affairs.

2. Technical assistance provided and received by the National Bank of Romania

As a member of the European System of Central Banks (ESCB), the NBR provides technical assistance to central banks in candidate and potential candidate countries to EU membership, as well as in other EU neighbouring countries. Moreover, considering the constantly changing economic environment in which topics such as the green and digital transitions are highly relevant and call for continuous

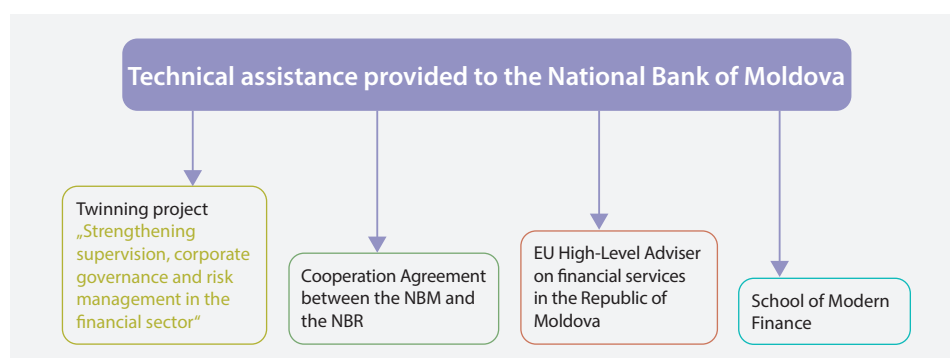
⁴¹ The Committee operates under the leadership of the Secretary of State for European Affairs at the Ministry of Foreign Affairs.

transformation and updating of the financial sector as well, the NBR benefits from technical expertise under the new EU programme entitled “Technical Support Instrument”.

2.1. Technical cooperation between the NBR and the National Bank of Moldova (NBM)

The NBR provides technical assistance through partnerships with other ESCB members, as well as bilaterally, based on requests from the beneficiary central banks. The cooperation with other NCBs in the ESCB, but also with the ECB and the European Commission (EC), focuses on implementing EU-funded technical assistance projects, among which institutional twinning projects⁴² hold a significant part.

The relation with the NBM stands out among NBR’s technical cooperation activities and included notably technical assistance provision between 18 October 2021 and 17 April 2024, under the twinning project entitled “Strengthening supervision, corporate governance and risk management in the financial sector” – MD 20 ENI FI 01 21R2 (MD/36), dedicated to the financial sector in the Republic of Moldova and implemented by a consortium consisting of National Bank of Romania (project leader), De Nederlandsche Bank and Lietuvos bankas (junior partners), with the support of the Financial Supervisory Authority and the National Authority for Consumer Protection in Romania.



The beneficiaries of the twinning project were the National Bank of Moldova and the National Commission for Financial Markets in the Republic of Moldova. The areas covered by the project referred to the macroprudential framework, the legal framework for the supervision of the insurance sector and the motor third-party liability insurance sector, the supervision of non-bank credit institutions, the oversight of financial market infrastructure and payment services, and the preparation of the application procedure for SEPA membership as a non-EEA (European Economic Area) member.

Another pillar of the technical assistance provided to the National Bank of Moldova is the Cooperation Agreement between the NBM and the NBR, signed in Bucharest on 11 June 2021. This aims to develop and expand the cooperation between the two central banks, including through visits, at both management and technical levels, and

⁴² Twinning is an instrument for cooperation between public administrations of EU Member States and beneficiary countries (candidate countries and potential candidates to EU membership, as well as countries covered by the European Neighbourhood Policy).

exchange of information, in order to foster the safety and smooth functioning of the financial and banking systems of the Republic of Moldova and Romania. Under this Agreement, several requests for exchange of information were submitted over the course of 2024 by both the NBM and the NBR, covering the entities registered in the Republic of Moldova that are part of Romanian banking groups, as well as the NBM's tasks regarding the licensing, supervision and regulation of the activity of banks in the Republic of Moldova.

Furthermore, given the steady support granted to the NBM for aligning with EU standards and practices in all areas of activity, two study visits by NBM representatives took place in 2024, one focused on adopting the NBR's experience and good practices in organising the compliance function, between 31 October and 1 November 2024, and another dedicated to activities carried out within the NBR's Chancellery, held on 21-22 November 2024. Moreover, from December 2023 to December 2024, the NBR provided technical assistance to the NBM, the National Commission for Financial Markets, and the Government of the Republic of Moldova in the area of financial services, via a EU High-Level Adviser in the Republic of Moldova, and will continue to support this project March 2025 through March 2026.

Starting in 2023, the NBR and the NBM have also cooperated at academic level, alongside the Bucharest University of Economic Studies (BUES) and the Academy of Economic Studies of Moldova (ASEM), with a view to organising the "School of Modern Finance" programme on a biannual basis, for ASEM undergraduate and graduate students. The third edition took place between 14 September and 22 September 2024, with participants sharing the knowledge gained through the programme via presentations on financial and banking topics delivered in rural localities across the Republic of Moldova.

2.2. NBR participation in other technical cooperation projects

In its capacity as an ESCB member, the NBR takes part in technical cooperation activities, providing technical assistance to central banks in candidate countries and potential candidate countries to EU membership, as well as in other EU neighbouring states or countries in the IMF/WB constituency, which Romania is part of. The Working Group on Central Bank Cooperation, a structure created under the auspices of the International Relations Committee, coordinates technical cooperation within the ESCB.

The second phase of the Regional technical assistance programme for central banks in Western Balkans continued throughout 2024. The NBR participates in this programme with experts in the areas of financial stability, monetary policy and research, information technology, legal affairs, human resources and bank resolution. Furthermore, the NBR takes part in the quarterly programme coordination meetings, having representatives in four such meetings during 2024. In addition, in 2024, the NBR provided technical assistance:

- under the bilateral measure targeting the Bank of Albania, with the participation of experts from the Human Resources Department;

- during the “Monetary policy and research” seminar hosted by the NBR on 19-21 November 2024, with the participation of representatives from the Economics Department and the Macroeconomic Modelling and Forecast Department as speakers;
- through the participation of speakers in the seminars entitled “Bank resolution” (hosted by the Czech National Bank from 15 April to 17 April 2024) and “EU integration and legal aspects” (organised by the Croatian National Bank on 11-13 November 2024).

Moreover, the NBR collaborates with the Central Bank of the Republic of Türkiye under the 2018 Memorandum of Understanding regarding several specific activities aimed at enhancing the exchange of information and the cooperation between the two central banks. Specifically, in 2024, exchanges of experience were conducted by correspondence in the area of human resources.

2.3. Technical assistance received by the NBR under the European Commission’s Technical Support Instrument

The Technical Support Instrument (TSI) is the EU programme that provides tailor-made technical expertise to EU Member States to design and implement reforms at national level. The main reform areas covered by the TSI include primarily the green and digital transitions, the governance and public administration, the financial sector, and the access to finance. The total budget allocated for the period 2021-2027 is EUR 864 million.

The expertise provided by the European Commission does not require co-financing from Member States, but the success of the support largely depends on the involvement and accountability of Member States’ authorities. In many cases, technical support is provided by teams composed of external providers and EC experts (from DG REFORM and/or other EC services), who step in on a case-by-case basis in a tailored manner.

In the context of the TSI 2025 call, in 2024 the NBR submitted the following projects that were selected by the European Commission under this technical support instrument:

- “The Audit Learning Hub: Strengthening the skills of internal auditors to conduct audits of the core activities of central banks and national competent authorities” – under the PACE (Public Administration Cooperation Exchange) priority area. This multi-country project, initiated and coordinated by the NBR, aims to bring together internal audit professionals from seven central banks and one financial supervisory authority from different EU Member States, namely the National Bank of Romania, the Austrian National Bank, the Central Bank of Ireland, the National Bank of Slovakia, the Bank of Spain, the Bank of Slovenia, the Croatian National Bank, and the Malta Financial Services Authority, as beneficiary partners. The overall objective of the project is to strengthen the capacity of internal audit departments to carry out effective audit missions for the core activities and IT systems of the participating central banks and national competent authorities. Another objective of the project is to enhance the availability of information on best practices to be applied in the audit of the core activities and IT systems of the central banks and national competent authorities participating in the project.

- Ongoing participation of NBR representatives in the training programmes of the EU Supervisory Digital Finance Academy (EU-SDFA).

Launched in 2022, the EU's Supervisory Digital Finance Academy (EU-SDFA) has offered a comprehensive, policy-oriented training programme on digital finance, consisting of basic and advanced training weeks, workshops and other relevant events open to the EU financial supervisory community. The Academy's format helps foster a common culture among financial supervisors, offering them the opportunity to exchange views and learn from each other's experiences and practices. NBR representatives have participated, since 2023, in training modules that shaped the first cycle of the Academy. Participation in the Digital Academy programmes was highly valued by NBR representatives, particularly in the context of the need to manage the impact of technological developments that are driving further changes in the financial sector. Considering that, in order to support the financial supervisory authorities of the Member States, the Digital Academy will launch a new three-year cycle as of 2025, aimed at facilitating exchanges of experience and disseminating advanced practices in the field, it was deemed appropriate and useful in 2024 to take the necessary steps to ensure the ongoing participation of NBR representatives in the EU-SDFA programmes. The main objective of the project is to strengthen the NBR's capacity to regulate and supervise the financial sector in the context of the rapid evolution of digital finance. The project addresses the urgent need to develop the skills required to meet the challenges posed by new financial technologies, such as Distributed Ledger Technology (DLT), crypto-assets, and the digital operational resilience requirements set out by European regulations such as DORA (Digital Operational Resilience Act) and MiCAR (Markets in Crypto-Assets Regulation). Another key objective of the project is to strengthen the capacity of NBR staff to identify, manage and mitigate cyber risks in the financial sector, in the context of increasing reliance on digital technologies. In addition, the project aims to enhance the NBR's capacity to prepare for and manage banking crises, including those triggered by IT vulnerabilities.

Moreover, the NBR has also participated in the following projects, selected by the European Commission under the previous TSI calls (for 2023 and 2024 respectively), which are currently ongoing:

- "ESG Risk Management Framework for the Financial Sector", in a multi-country format, alongside authorities from Bulgaria, Cyprus, Greece, Ireland, Croatia, Latvia, Italy and Slovenia. This project, selected by the European Commission under the TSI 2023 call and running until 2026, aims to support the development and enhancement of the capacity to assess and monitor climate risk from both microprudential and macroprudential perspectives.
- "Operationalisation of the Transfer Strategies for Banking Resolution", a multi-country project initiated and coordinated by the NBR, with the participation of the following authorities: the National Bank of Hungary, the Bank Deposit Guarantee Fund of Romania, and the authority responsible for the deposit guarantee scheme in Hungary. The project aims to operationalise resolution tools involving transfer strategies, based on the requirements set out in the EBA Guidelines for institutions and resolution authorities.

- “Capacity Enhancement for CCPs Authorisation, Supervision, Recovery and Resolution”, a joint project by the Financial Supervisory Authority and the NBR, in a multi-country format alongside Croatia, Greece, Poland and Portugal. The need for assistance from the NBR stemmed from the central bank’s capacity as a relevant authority within the College for the Authorisation and Supervision of the Central Counterparty (CCP.RO BUCHAREST S.A.) and its active role, together with the FSA, in the assessment of the authorisation file.

3. Developments in economic, financial and banking policies at European level

Throughout 2024 and in the first part of 2025, the NBR continued to be actively involved in and contribute to the discussions at the EU level in the broader context of deepening the Economic and Monetary Union and completing the Banking Union and the Capital Markets Union. Moreover, the NBR took part, in accordance with its tasks, in the phases of the 2024 European Semester and 2025 European Semester.

3.1. The European Semester

The 2024 European Semester, an integral part of the EU economic governance concept, started on 21 November 2023, when the European Commission released the Communication on the Annual Sustainable Growth Survey 2024 (ASGS)⁴³. For Romania, the European Commission deemed it appropriate to examine the persistence or correction of macroeconomic imbalances in an in-depth review in 2024, as its concerns regarding cost competitiveness, external sustainability and the government deficit have remained significant. On 25 March 2024, the EC published in-depth reviews (IDRs) for six Member States (Cyprus, the Netherlands, Romania, Slovakia, Spain, and Sweden). As part of the 2024 European Semester, the Commission’s Country Reports were published in June 2024, together with the country-specific recommendations (CSRs).

Considering the priority actions put forward by the EC in the ASGS 2024 and the entry into force of the EU’s new economic governance framework in 2024, Member States have no longer submitted convergence programmes. Furthermore, 2024 was the last year in which the National Reform Programme (NRP) was drafted and submitted to the European Commission, with the NBR contributing to its preparation by providing information on the proposed measures within its scope. The NRP has been replaced by the medium-term structural budgetary plan.

The 2025 European Semester started on 26 November 2024, ahead of the launch of the Commission’s ASGS for 2025 on 18 December 2024. Romania goes through the annual Macroeconomic Imbalance Procedure⁴⁴ (MIP) and was subject to an in-depth review, whose findings were due to be published in May 2025. In the context of

⁴³ Puts forth the overall economic and social priorities at EU level for the coming year.

⁴⁴ The MIP is a procedure aimed at identifying potential risks at an early stage, preventing the emergence of harmful macroeconomic imbalances, and correcting imbalances that have already materialised.

preparing the report under the MIP, the EC representatives had technical meetings with NBR experts as well.

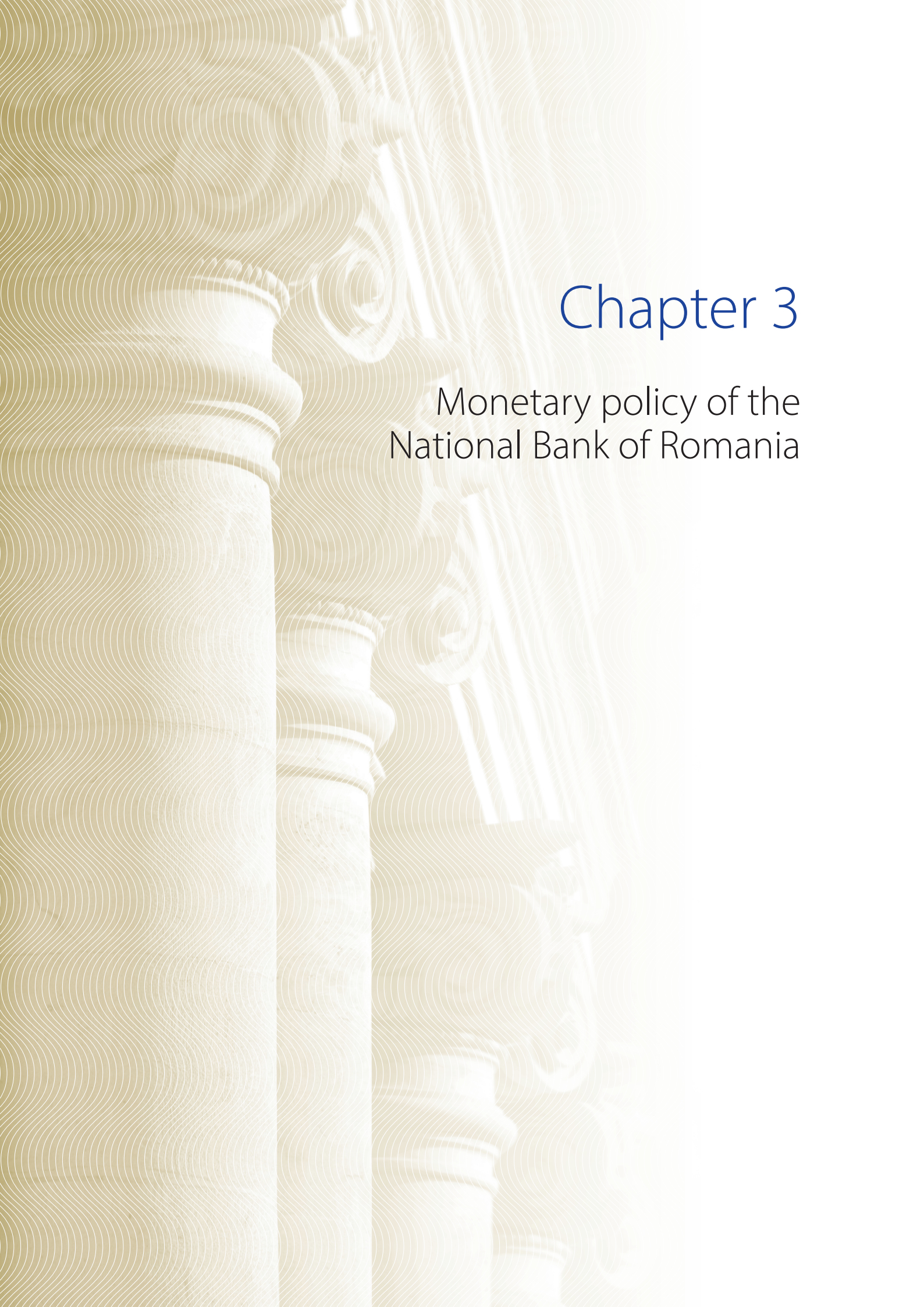
3.2. Developments in policy initiatives at EU level

In 2024, negotiations were concluded between the European co-legislators on a number of legislative proposals, *inter alia*: (i) the Digital Operational Resilience Act (DORA); (ii) the Markets in Crypto-Assets Regulation (MiCA); (iii) the Instant Payments Regulation; (iv) the Regulation establishing a European green bond standard; (v) the Daisy Chains proposal, a targeted amendment of the Bank Recovery and Resolution Directive and the Single Resolution Mechanism Regulation to introduce specific adjustments aimed at improving the resolvability of credit institutions, (vi) the Basel III package; (vii) the Anti-Money Laundering and Countering the Financing of Terrorism legislative package; (viii) the EMIR/CCP review, aimed at supporting clearing services and creating a safe and resilient clearing system by strengthening the supervisory framework for central counterparties (CCPs), namely the Regulation amending Regulations (EU) No. 648/2012, (EU) No. 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets.

Regarding the new legislative proposals launched by the European Commission in 2024 and under negotiation by the European co-legislators during the year, which fall under the central bank's remit, worth mentioning are:

- the review of the bank crisis management and deposit insurance (CMDI) framework – the package includes: (i) amending the framework for the recovery and resolution of credit institutions and investment firms; (ii) amending deposit insurance schemes; and (iii) establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms;
- the proposals for a Directive on payment services and electronic money services in the Internal Market and the proposal for a Regulation on payment services in the internal market, with a view to ensuring that the financial sector accommodated and continues to accommodate digital transformation. The proposals seek to improve harmonisation across Member States in the implementation of the *acquis* in this field, increase the competitiveness of open banking services, enhance access for payment institutions to payment systems and accounts, and strengthen consumer protection against fraud when using modern payment systems;
- the proposal for a regulation on the framework for financial data access;
- the single currency package, which comprises: (i) a legislative proposal on the legal tender of euro cash to safeguard the role of cash, ensure that it is widely accepted as a means of payment and remains easily accessible for citizens and businesses across the euro area, and (ii) a legislative proposal establishing the legal framework for a possible digital euro, as a complement to euro banknotes and coins.

The NBR representatives participate at a technical level in the dedicated EU Council working parties set up to discuss these legislative proposals.

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Chapter 3

Monetary policy of the National Bank of Romania

1. Policy objective

In compliance with its Statute⁴⁵, the primary objective of the National Bank of Romania is to ensure and maintain price stability, which is the best contribution monetary policy – i.e. the key task of the monetary authority – can make to lasting economic growth. The NBR designs and implements monetary policy in the context of inflation targeting⁴⁶, characterised by a flat inflation target of 2.5 percent ± 1 percentage point⁴⁷, compatible with the definition of medium-term price stability for the Romanian economy.

In the specific context of 2024, monetary policy was geared towards bringing, on a lasting basis, the annual inflation rate back in line with the flat target over the medium term, *inter alia* by anchoring inflation expectations in the medium to long run, in a manner conducive to achieving sustainable economic growth. The aim implicitly was to pave the way for curbing the annual inflation rate over the longer term to a level compatible with the ECB's quantitative definition of price stability.

2. Policy decisions

The macroeconomic and financial environment in which monetary policy was designed and implemented remained challenging in 2024, given the mixed influences from the action of supply-side factors and from pressures exerted by underlying inflation factors, as well as amid the heightened uncertainties and risks surrounding their outlook induced by economic policies and measures on the domestic front, *inter alia* in the electoral context, but also by the geopolitical and trade tensions and the economic developments in Europe.

The action of supply-side factors remained predominantly disinflationary in the first three quarters of 2024⁴⁸, yet to a markedly lower extent and uneven in terms of magnitude – more pronounced in Q2⁴⁹, but visibly softer the following quarter⁵⁰ –,

⁴⁵ Law No. 312/2004

⁴⁶ The NBR moved to inflation targeting in August 2005.

⁴⁷ The NBR shifted to a multiannual flat inflation target of 2.5 percent ± 1 percentage point in December 2013.

⁴⁸ Primarily due to base effects and the further declining prices of commodities, mainly agri-food items, but also amid the extension of the measures to cap energy prices (in March, via GEO No. 32/2024) and the mark-ups on basic food products (in January, via GEO No. 5/2024 and then in March, through Law No. 63/2024)

⁴⁹ As a result of legislative changes in the energy field implemented as of April 2024, which entailed lower prices of electricity, but especially of natural gas.

⁵⁰ Reflecting the higher prices of food items – VFE in particular – and to a small extent of electricity, amid the severe drought of 2024

before turning inflationary again in the closing three months of the year⁵¹. Under the circumstances, the annual inflation rate followed a generally downward path in 2024, albeit much more moderate than a year earlier⁵², amid fluctuations and uneven developments during H1 and H2, implying practically a halt in its decline in mid-year and its stay significantly above the variation band of the target. Mild disinflationary influences also stemmed from the deceleration in import price dynamics, as well as from the downward course of short-term inflation expectations, which reversed however in the closing months of 2024.

At the same time, underlying inflationary pressures were further sizeable and easing only slightly, as the gradual narrowing of the aggregate demand surplus was accompanied by the markedly faster growth of private consumption and by the step-up in the double-digit dynamics of unit labour costs in the economy and in the private sector. This occurred under the impact of the strongly stimulative stance of the fiscal policy⁵³ and of the income policy in 2024⁵⁴, as well as amid the still high, albeit abating tensions on the labour market, alongside productivity losses.

Economic growth decelerated, however, significantly in 2024 as well, to 0.9 percent from 2.4 percent in 2023⁵⁵, following the abrupt decline in the dynamics of gross fixed capital formation, also amid the reduction in the volume of absorbed EU funds and in the foreign direct investment flows. At the same time, the contribution of net exports saw a renewed strong contraction, in line with the re-widening of the trade deficit, given that import growth reaccelerated, while the decline in exports continued, owing to the drought-induced sharp reduction in agricultural output, as well as amid the sluggish economic recovery in Europe, impacting especially the domestic industrial output. The current account deficit increased, in turn, also as a share in GDP⁵⁶, after the previous year's downward correction, thus posting a renewed larger deviation from European standards.

Against this background, after having picked up in January⁵⁷, the annual inflation rate resumed and then accelerated its decrease, also in relation to forecasts, dropping to a three-year low of 4.94 percent in June 2024. Over the next period, it slowed its decline

⁵¹ Primarily owing to higher fuel prices, mainly under the impact of the significant appreciation of the US dollar on the international financial market, but also reflecting the new increases in food prices, amid the severe drought in the summer of 2024 and the hike in some commodity prices

⁵² The annual inflation rate had dropped to 6.61 percent in December 2023 from 16.37 percent at end-2022.

⁵³ In 2024, the general government budget execution led to a deficit of lei 152.7 billion (8.7 percent of GDP, according to the national methodology), well above the originally projected deficit (lei 86.6 billion) and also higher than the year-earlier deficit of lei 90.1 billion (accounting for 5.6 percent of GDP).

⁵⁴ At the onset of 2024, wages of staff paid from public funds were raised by 5 percent from the December 2023 level (GEO No. 115/2023), while employees in education were granted an average pay rise of about 20 percent in two stages, namely in January and June 2024 (GEO No. 128/2023). Afterwards, March saw the approval of a 20 percent increase in wages of health and social care employees (GEO No. 19/2024), in two steps (March and June), while May saw the greenlighting of a 10 percent pay rise for some public sector employees (GEO No. 53/2024), in two tranches (June and September). Pensions grew by 13.8 percent at the beginning of the year, while in September, following recalculation pursuant to Law No. 360/2023, they went up again, by 21.8 percent on average versus the earlier month. Moreover, the guaranteed gross minimum wage economy-wide was raised by 12 percent in July 2024, after the 10 percent advance in October 2023.

⁵⁵ After having stepped up to 5.5 percent in 2021, economic growth moderated to 4.0 percent in 2022.

⁵⁶ The current account deficit rose by 36.7 percent against 2023 and widened to 8.2 percent of GDP from 6.6 percent in 2023.

⁵⁷ The annual inflation rate went up to 7.41 percent in January 2024 – under the impact of the increase and introduction of some indirect taxes and charges aimed at furthering budget consolidation –, before falling to 6.61 percent in March, a similar level to the end-2023 one.

and, in the closing three months of the year, it recorded increases, climbing in December to 5.14 percent⁵⁸, above the forecasted level. In turn, the annual adjusted CORE2 inflation rate saw its downward trend steepen more than expected in Q2, but the latter halted afterwards. However, core inflation decreased relatively more visibly during 2024 overall – to 5.6 percent in December from 8.4 percent at end-2023⁵⁹ –, mainly on the back of the non-food sub-component, whose annual dynamics remained nevertheless high, the same as in the case of the services sub-component.

Moreover, the medium-term forecasts updated during 2024⁶⁰ reconfirmed the previous projections on the further decline in the annual inflation rate over the two-year horizon at a much slower pace compared to 2023⁶¹, given the progressive weakening of the disinflationary action of supply-side factors and the only gradual easing of underlying inflationary pressures, but also amid the gradual decrease in short-term inflation expectations and in import price dynamics. The inflation outlook improved, however, visibly at the time of the August 2024 forecast, but worsened again in Q4, especially over the short term, primarily owing to the effects exerted on food and energy price dynamics by the severe drought in the summer of 2024 and by the higher prices of some commodities⁶².

The probable developments in energy and food prices were a source of sizeable uncertainties and risks throughout the year, the same as the evolution of crude oil prices, also amid geopolitical tensions.

Furthermore, the uncertainties and risks to the forecasts stemming from the future fiscal and income policy stance rose progressively, given the steep loosening trend of the budget execution during the year, but also the requirement for the subsequent resumption of budget consolidation in line with the EU's new economic governance framework. At the same time, however, there were also heightened uncertainties associated with the absorption of EU funds, especially those under the Next Generation EU programme.

Significant uncertainties and risks to the prospects for economic activity, implicitly to medium-term inflation developments, also continued to arise from the war in Ukraine and the Middle East conflict, as well as from euro area economic developments, *inter alia* in the context of escalating geopolitical tensions, but also amid the tightness of the monetary policy stance. The ECB started, nevertheless, to moderate gradually the degree of monetary policy restriction as of June, as inflation declined and showed stronger signs of converging sustainably to the target (Box 4).

⁵⁸ The average annual CPI inflation rate and the average HICP inflation rate (calculated based on the Harmonised Index of Consumer Prices – inflation indicator for EU Member States) went down to 5.6 percent and 5.8 percent respectively in December 2024, from 10.4 percent and 9.7 percent respectively in December 2023.

⁵⁹ After having ended 2022 at 14.6 percent

⁶⁰ Published in the February, May, August and November 2024 *Inflation Reports*

⁶¹ According to the May 2024 medium-term forecast, the annual inflation rate was seen falling to 4.9 percent in December 2024 and to decline only marginally inside the variation band of the target at the end of the projection horizon, i.e. 3.4 percent in March 2026, in line with previous forecasts.

⁶² The August forecast showed a relatively steeper drop of the annual inflation rate over the following two years compared to earlier projections, to 4.0 percent in December 2024 and 3.2 percent in June 2026, whereas the November round revised again the values to 4.9 percent at the end of the year under review and to 3.3 percent at the end of the forecast horizon (September 2026).

Box 4. The monetary policy stances of major central banks and of those in the region in 2024

The annual dynamics of inflation continued to decline in developed countries and emerging economies in 2024, albeit more slowly than in the previous year and in a fluctuating manner, remaining above many central banks' targets, *inter alia* amid

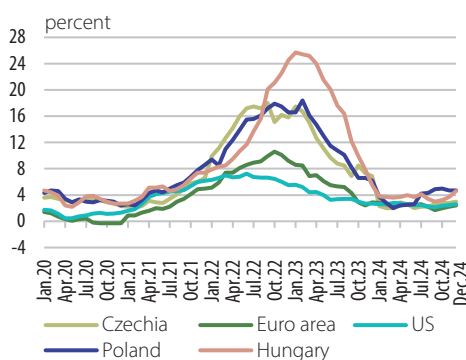
the further solid rise in wages (Chart A). Economic activity was relatively resilient, but increasingly reflected the effects of the tight monetary policy stance, with implications for the inflation outlook. Moreover, the associated uncertainties and risks heightened during the year, given the geopolitical tensions and the unknowns surrounding the economic policies in developed countries, primarily in the US, following the presidential elections. At such a juncture, major central banks launched no sooner than in mid-year or somewhat later the gradual moderation of monetary policy restrictiveness, whereas the action of central banks in the region was less synchronised, given *inter alia* the specific conditions in the respective economies (Chart B).

Specifically, the ECB extended the status quo of its key rates⁶³ January through May 2024, before following a gradual moderation path of monetary policy restrictiveness since June. Thus, it lowered the rate through which it steers the monetary policy stance⁶⁴ four times in the period from June to December, by a total of 1 percentage point (in June, September, October and December).

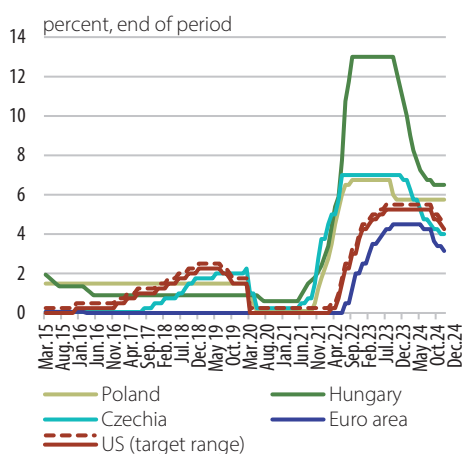
Behind the Q1 decisions stood the renewed pick-up in the annual inflation rate at end-2023 and its only slight reduction January through February 2024. Thus, headline inflation stayed significantly above the 2 percent target⁶⁵, amid the still high domestic price pressures, stemming partly from the strong rise in wages and from the decline in labour productivity. The March ECB staff macroeconomic projections reconfirmed, however, the prospects of a gradual decrease in the growth rate of inflation towards the ECB's target, on a path even lower in 2024 than the previously forecasted one, given the relatively smaller contribution anticipated from energy prices. At the same time, economic activity remained subdued, also in the near run – owing to slower external demand and tighter financial conditions –, while risks thereto came from the escalating

Chart A

Annual inflation rates
in the euro area, US
and countries in the region



Source: Eurostat, national statistics institutes, FRED



Source: NCBs

Chart B

Monetary policy rate
in the euro area, US
and countries in the region

⁶³ They were kept at the September 2023 levels, where they had climbed after several increases cumulating 4.5 percentage points during the interest rate hiking cycle launched by the ECB in July 2022. Thus, the interest rate on the main refinancing operations, the lending facility rate and deposit facility rate were kept at 4.50 percent, 4.75 percent and 4.00 percent respectively.

⁶⁴ The deposit facility rate

⁶⁵ The annual inflation rate had increased to 2.9 percent in December 2023, primarily as a result of a base effect in energy prices, before declining slightly in January and February 2024, to reach 2.6 percent.

geopolitical tensions, amid the Middle East conflict and the war in Ukraine. Looking ahead, the economy was however expected to recover and grow, supported initially by consumption and later on by investment.

Moreover, in the context of the Eurosystem balance sheet normalisation process – implying the progressive narrowing of the liquidity surplus in the banking system, which was however anticipated to remain significant over the years ahead –, the ECB decided in March on a set of principles to guide future monetary policy implementation and, in line with those principles, approved changes to the operational framework for implementing monetary policy⁶⁶. Specifically, the Governing Council decided to continue steering the monetary policy stance by adjusting the deposit facility rate and to provide liquidity flexibly, on the basis of banks' needs, through a broad mix of instruments, with the main refinancing operations further playing a central role⁶⁷. It also approved a reduction in the spread between the rate on the main refinancing operations and the deposit facility rate from 0.50 percentage points to 0.15 percentage points, effective from 18 September 2024.

According to subsequently released statistical data, the annual inflation rate fell further in March, as did most underlying inflation measures, confirming the picture of gradually subsiding inflationary pressures⁶⁸. At the same time, it became increasingly clear that the restrictive monetary policy was having a significant impact on the economy and thereby on future inflation. Against this background, the Governing Council decided to keep the three key ECB interest rates unchanged. However, it communicated for the first time that it would be appropriate to reduce the level of monetary policy restriction if its assessment of the inflation outlook, underlying inflation dynamics and the strength of monetary policy transmission were to further increase confidence that inflation was converging to the target in a sustained manner⁶⁹.

These conditions were met in June, and the Governing Council decided to lower the key ECB interest rates by 0.25 percentage points⁷⁰. Domestic price pressures remained strong, however, *inter alia* amid elevated wage growth. Specifically, the annual inflation rate was seen to stay above target also in the first part of the following year, but to decline towards 2 percent over the second half of 2025, owing to weaker growth in labour costs, the unfolding effects of restrictive monetary policy, and the fading impact of the energy crisis and the pandemic. The Governing Council also confirmed that it would reduce, over the second half of 2024, the Eurosystem's holdings of securities under the pandemic emergency

⁶⁶ The review of the operational framework had been announced at the end of 2022.

⁶⁷ The central bank would continue to conduct three-month refinancing operations and, at a later stage, once the Eurosystem balance sheet begins to grow durably again, would introduce new structural longer-term refinancing operations and a structural portfolio of securities.

⁶⁸ The annual inflation rate and the dynamics of its core component fell in March to 2.4 percent (from 2.6 percent in the previous month) and 2.9 percent respectively (versus 3.1 percent).

⁶⁹ The Governing Council also emphasised its commitment to a data-dependent, meeting-by-meeting approach, with no pre-commitment to a particular rate path.

⁷⁰ Thus, the deposit facility rate, the interest rate on the main refinancing operations and the lending facility rate were cut to 3.75 percent, 4.25 percent and 4.50 percent respectively.

purchase programme (PEPP) by reinvesting only partially the principal payments from maturing securities⁷¹, before discontinuing reinvestments altogether in December 2024.

Table A. Macroeconomic developments and monetary policy stance in advanced economies and in the region

	Inflation target/objective ^b	Annual inflation rate						Monetary policy rate ^b		Annual GDP dynamics				General government balance, % of GDP ^{***}				Current account balance, % of GDP			
		2024 (avg.)	2024 (end of period)	Forecast [*]				Dec. 2023	Dec. 2024	2023 ^a	2024 ^a	Forecast ^{**}		2023	2024	Forecast ^{**}		2023	2024	Forecast ^{**}	
				2025 (avg.)	2026 (avg.)	2025 Q4	2026 Q4					2025	2026							2025	2026
Euro area	2 percent	2.4 ^a	2.4 ^a	2.1	1.9	2.0	1.9	4.50	3.15	0.4	0.9	0.9	1.4	-3.5 ^a	-3.1 ^a	-3.2	-3.3	1.7 ^a	2.8 ^a	3.3	3.3
US	2 percent	2.5 ^d	2.6 ^d	2.5	2.1	-	-	5.25-5.50	4.25-4.50	2.9	2.9	1.6	1.6	-6.2 ^e	-6.4 ^e	-6.7	-5.8	-3.3 ^d	-3.9 ^d	-3.6	-3.4
Poland	2.5 percent ±1 pp	3.7 ^c	4.7 ^c	5.6	2.7	4.7	2.4	5.75-5.25	5.75-5.25	0.2	2.9	3.3	3.0	-5.3 ^a	-6.6 ^a	-6.4	-6.1	1.8 ^a	0.2 ^a	1.0	0.7
Hungary	3 percent ±1 pp	3.7 ^c	4.6 ^c	3.3-4.1	2.5-3.5	-	-	10.75	6.50	-0.8	0.5	0.8	2.5	-6.7 ^a	-4.9 ^a	-4.6	-4.7	0.3 ^a	2.2 ^a	2.0	1.5
Czechia	2 percent ±1 pp	2.5 ^c	3.0 ^c	2.6	2.2	2.4	2.1	6.75	4.00	-0.1	1.1	1.9	2.1	-3.8 ^a	-2.2 ^a	-2.3	-2.2	-0.1 ^a	1.8 ^a	0.8	0.5
Romania	2.5 percent ±1 pp	5.6 ^c	5.1 ^c	3.9	-	3.5	3.3 ^{****}	7.00	6.50	2.4	0.8	1.4	2.2	-6.6 ^a	-9.3 ^a	-8.6	-8.4	-6.6 ^a	-8.3 ^a	-7.9	-7.0

^{*}) forecasted values refer to the latest NCB projections in 2024

^{**}) forecasted values refer to the European Commission's Spring Economic Forecast (May 2025)

^{***}) according to the ESA 2010 methodology

^{****}) forecasted value corresponding to 2026 Q3

Source: a) Eurostat, b) NCBs, ECB, c) national institutes of statistics, d) US Bureau of Economic Analysis, e) Congressional Budget Office

The Governing Council decided to keep rates unchanged in July, before lowering the deposit facility rate by another 0.25 percentage points in September, to 3.50 percent⁷². The decision was warranted by the further decline in the annual inflation rate in mid-year, to 2.2 percent in August, the slowdown of economic growth in Q2, also compared to forecasts, as well as by the reconfirmation, in the context of the updated projection, of the previous inflation outlook, conducive to strengthening expectations for a gradual and sustainable return of the annual inflation rate to the 2 percent target.

The key ECB interest rates were lowered by another 0.25 percentage points in each of the Governing Council meetings of October and December⁷³, amid developments and forecasts in line with previous assessments on the future behaviour of inflation. Specifically, the annual inflation rate dropped to 1.7 percent in September⁷⁴ and increased slightly in the closing months of the year⁷⁵, on account

⁷¹ Implying a reduction in the portfolio of securities by EUR 7.5 billion per month on average

⁷² Moreover, as already announced in March 2024, some changes to the operational framework for implementing monetary policy took effect from 18 September: the spread between the interest rate on the main refinancing operations and the deposit facility rate was adjusted to 0.15 percentage points, from 0.50 percentage points, while the spread between the rate on the marginal lending facility and the rate on the main refinancing operations remained unchanged at 0.25 percentage points. Thus, the interest rate on the main refinancing operations and the lending facility rate were lowered by 0.60 percentage points, to 3.65 percent and 3.90 percent respectively.

⁷³ Thus, at the end of 2024, the deposit facility rate came in at 3.00 percent, after four cuts totalling 1.0 percentage point during the year under review; at the same time, the main refinancing operations rate and the marginal lending facility rate were lowered to 3.15 percent and 3.40 percent respectively, after cumulative cuts of 1.35 percentage points over 2024.

⁷⁴ Its lowest level since April 2021

⁷⁵ Reaching 2.4 percent in December

of the base effect associated with the evolution of energy prices, as anticipated. Meanwhile, the annual underlying inflation was developing overall in line with a sustained return of inflation to target. The euro area economy had grown slightly above expectations in 2024 Q3, yet incoming data suggested that growth was losing momentum in Q4, both in manufacturing and in services. At the same time, the December projections pointed to improved inflation prospects versus the September round, *inter alia* amid expectations for the economy to strengthen over the coming years at a slower pace than previously anticipated⁷⁶.

December also marked the completion of a new stage in the ECB balance sheet normalisation process, with the Eurosystem no longer reinvesting the principal payments from maturing securities held in the PEPP portfolio⁷⁷. Another milestone reached in December was the full repayment of funds borrowed by banks under the third series of targeted longer-term refinancing operations (TLTRO III).

In turn, the Federal Reserve kept the target range for the federal funds rate unchanged in the first eight months of 2024 at 5.25-5.50 percent, where it had been raised in July 2023, before conducting three downward adjustments in the period from September to December, which totalled 1 percentage point.

The decisions on the key rate status quo January through July were taken in a context in which the annual inflation rate fell further in the first part of the year, albeit more slowly than in 2023 and unevenly, staying above the central bank's 2 percent objective⁷⁸. Labour market tightness tended, however, to moderate, given the gradual rise in the unemployment rate⁷⁹ and the decrease in job vacancy rate across numerous sectors of the economy, *inter alia* in line with the slowdown in the pace of economic activity during Q1 after the robust step-up in the second part of the previous year. Against this backdrop, the FOMC members' projections during H1 reconfirmed the outlook for the annual inflation rate to stay slightly above the target in 2025, before going down to 2 percent in 2026, yet amid new upward revisions of the federal funds rate path. During the period, the FOMC showed that a reduction in the target range would not be appropriate until it gained greater confidence that inflation was moving sustainably toward 2 percent.

That moment came towards mid-H2, in the context of an ongoing decline in the annual inflation rate⁸⁰ and a relative stabilisation of labour market conditions⁸¹.

⁷⁶ The new assessments saw headline inflation averaging 2.4 percent in 2024, 2.1 percent in 2025 and 1.9 percent in 2026.

⁷⁷ The Eurosystem balance sheet thus contracted by EUR 0.5 trillion in 2024, to approximately EUR 6.5 trillion by year-end.

⁷⁸ The annual inflation rate calculated based on the personal consumption expenditure index fell to 2.4 percent in June, from 2.7 percent in December 2023, while the dynamics of the core component decreased during the same period to 2.6 percent versus 3.0 percent.

⁷⁹ It increased progressively during 2023 and in the first half of 2024, reaching 4.1 percent in June from 3.8 percent at end-2023.

⁸⁰ The annual inflation rate fell to 2.1 percent in September, before rising somewhat in the closing months of the year, staying however in December slightly below the end-2023 reading.

⁸¹ The unemployment rate stuck in the second part of the year to the higher level reached at end-H1, relatively low however from a historical perspective. At the same time, various measures of unfilled vacancies in the economy stabilised, after having diminished gradually since mid-2022.

This prompted the central bank to start in September and then continue to moderate the degree of monetary policy restrictiveness. Specifically, the Fed lowered the target range for the federal funds rate by 0.50 percentage points in September and by 0.25 percentage points in November and December respectively, bringing it to 4.25-4.50 percent.

During 2024, the Fed continued the process of significantly reducing the holdings of Treasury securities and mortgage-backed securities, moderating its pace as of March, with a view to ensuring a smooth transition towards the new regime of bank reserves, meant to preclude potential tensions on financial markets⁸².

In the region, the Polish central bank kept key rates unchanged during 2024, at the levels where they had been lowered in October 2023. Specifically, the reference rate, the deposit rate and the Lombard rate were left at 5.75 percent, 5.25 percent and 6.25 percent respectively.

In the first part of the year, behind these decisions stood the decline and the stay of the annual inflation rate close to the midpoint of the 2.5 percent ± 1 percentage point target band⁸³, but also the risk of a sharp increase in inflation during H2, assuming the termination of the measures previously adopted by the authorities to shield households and businesses from the impact of rising energy prices.

This risk materialised afterwards, the annual inflation rate climbing in July and then staying above the target band⁸⁴, primarily under the impact of higher prices for electricity, natural gas and heating and, to a smaller extent, under the influence of raising the VAT rate on basic foodstuffs back to 5 percent from 0 percent. In turn, the annual core inflation rate stepped up in the second part of the year, after having stayed on a downward course in H1⁸⁵. At the same time, the forecasts updated during this period expected the annual dynamics of inflation to remain above the variation band of the target in 2025 as well – under the action of supply-side factors – and to fall inside the band no sooner than the beginning of 2026, *inter alia* amid the weakening demand-side pressures⁸⁶, the slower rise in labour costs, and the moderating external inflation. Moreover, uncertainties and risks to the forecasts stemmed from the high energy prices, with implications for inflation expectations, as well as from future measures regarding the fiscal policy stance and the regulation of certain categories of prices, but also from the pace of recovery of the domestic economy and from labour market conditions.

⁸² The volume of these holdings shrank by USD 827 billion in 2024 and by almost USD 2,000 billion since the start of the central bank's balance sheet reduction in June 2022.

⁸³ From 6.2 percent in December 2023

⁸⁴ The annual inflation rate stepped up to 4.2 percent in July from 2.6 percent in June.

⁸⁵ Thus, the annual inflation rate excluding food and energy reaccelerated to 4.3 percent in September and 4.0 percent in December 2024, after having dropped to 3.6 percent in June.

⁸⁶ Given the anticipated modest pick-up in economic growth, due to the persistence of subdued economic activity of the main trading partners

The Czech National Bank extended, however, the key rate lowering cycle⁸⁷ throughout the year, conducting seven consecutive cuts that totalled 2.75 percentage points, with sizes of 0.50 percentage points in H1⁸⁸ and 0.25 percentage point afterwards⁸⁹. Hence, the monetary policy rate, the deposit facility rate and the lending facility rate ended the year under review at 4.00 percent, 3.00 percent and 5.00 percent respectively.

These decisions were aimed at ensuring an adequate degree of monetary policy tightness, as the annual inflation rate fell sharply in the first months of the year, reverting in February to the midpoint of the 2 percent target⁹⁰ – under the disinflationary action of supply-side factors –, while the forecasts updated in February, May and August saw it remaining quasi-stable over the policy-relevant horizon. At the same time, domestic cost pressures softened during the year, yet remained high, *inter alia* amid the still tight labour market, while economic activity saw a gradual recovery, without its pace exceeding the potential level, given the subdued developments in domestic and external demand.

Moreover, the uptrend manifest in the annual inflation rate during the second part of the year, contrary to expectations⁹¹, was envisaged to be temporary, driven by costlier food items under the influence of the rise in some agri-food commodity prices. Thus, according to the November 2024 forecast, the annual inflation rate was anticipated to decrease starting at the onset of 2025 towards the midpoint of the target.

The still strong momentum of services price inflation, as well as its potentially higher-than-forecasted inertia, but also the risk of pay rises exceeding expectations, especially in the public sector, prompted the central bank to discontinue the lowering cycle in December and leave key interest rates unchanged at their November levels.

The Hungarian central bank extended the interest rate cutting cycle into the first nine months of 2024, lowering key rates in eight steps of gradually smaller sizes, which cumulated 4.25 percentage points. Afterwards, it kept the base rate at 6.50 percent and left unchanged the deposit facility rate and the ON and 1W lending facility rates at 5.50 percent and 7.50 percent respectively.

During Q1, the central bank conducted three consecutive key rate cuts, by 0.75 percentage points⁹² each time in January and March and by 1 percentage point in February. The decisions on the further normalisation of the monetary

⁸⁷ Launched in December 2023, when they were cut by 0.25 percentage points.

⁸⁸ In February, March, May and June

⁸⁹ In August, September and November

⁹⁰ From 6.9 percent, where it had dropped in December 2023, versus 15.8 percent in December 2022. The core inflation dynamics fell to 3.6 percent in December 2023 against 13.3 percent in December 2022.

⁹¹ It reached in December the upper bound of the target band.

⁹² The same size as the cuts carried out in 2023 Q4

policy stance were taken in a context in which the annual inflation rate continued to decline swiftly and more than anticipated – returning in January, for the first time in approximately three years, inside the 3 percent ± 1 percentage point variation band of the target –, while the March projection saw it go up only temporarily in mid-2024⁹³ and then fall sustainably to the midpoint of the target in 2025, on a path revised downwards, *inter alia* amid the disinflationary influence from the cyclical position of the economy.

The key rate lowering cycle was extended into Q2, but in smaller steps, i.e. 0.50 percentage points in April and May and 0.25 percentage points in June. The decisions were warranted by the latest data and assessments, according to which the annual inflation rate regained momentum in April-May, as anticipated, but was expected to follow a path revised again downwards. At the same time, economic activity resumed its step-up in annual terms in Q1 after the 2023 contraction, mainly on the back of private consumption, fostered by higher real wages and improved consumer confidence, whereas gross fixed capital formation further made a negative contribution, while exports continued to be affected by the weak performance of the EU's economy. The June forecast indicated a gradual pick-up in economic growth and the latter's return in 2025 in line with the long-term trend.

During Q3, the central bank carried out two more interest rate cuts of 0.25 percentage points each (in July and September), as the new assessments showed that the annual inflation rate would extend its volatile behaviour until year-end – rising temporarily above the target band in December 2024 – but reconfirmed the prospects for its lasting return to the midpoint of the target in 2025.

The decisions to pause the interest rate cuts in October and to keep key rates unchanged in November and December were primarily warranted by the risks to inflation stemming from the higher global risk aversion via the pressures on the exchange rate, as well as by the worsening, also against this background, of the inflation outlook. Thus, in the context of the December forecast, the anticipated path of the annual inflation rate was revised upwards during 2025, amid the depreciation of the forint in 2024 Q4, as well as following the increase in agri-food commodity prices and some excise duty hikes at the beginning of 2025. Under the circumstances, the annual inflation rate was seen returning to the midpoint of the target no earlier than the onset of 2026.

Moreover, global risk appetite witnessed larger fluctuations in 2024, while international financial market volatility increased in the second part of the year, amid the successive revisions of investor expectations on the outlook for the Fed's interest rate, but also given the geopolitical tensions and the economic and political developments in Europe and the US. These were conducive *inter alia* to temporary worsening episodes of the risk perception towards the region, as well as to a relatively abrupt appreciation

⁹³ Attributable also to some base effects

of the US dollar starting in mid-H2. Looking at the local financial market, major influences continued, however, to come also from the still high relative attractiveness

of investments in domestic currency.

Then, in the closing months of the year, additional risks to the leu's exchange rate stemmed from the temporary rise in financial investor concerns about the fiscal and external positions of the economy, against the backdrop of the uncertainty generated by the electoral events in November and the beginning of December⁹⁴ (Chart 3.1).

This environment called for the prudent tailoring of the monetary policy stance during 2024. Specifically, in the first half of the year, the NBR extended the status quo of the key

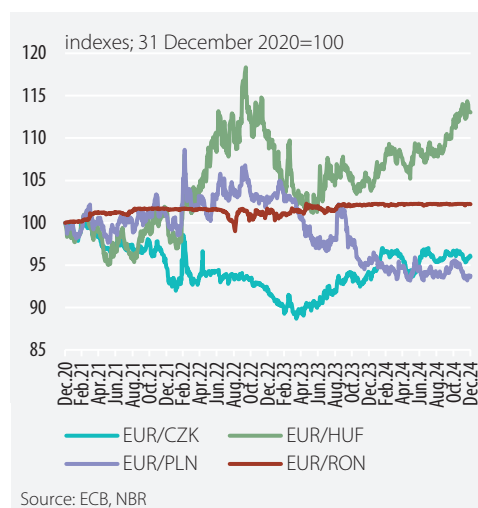


Chart 3.1

Exchange rate developments
on emerging markets
in the region

rates⁹⁵, before lowering them by 0.25 percentage points in each of the Board meetings of July and August, while in the period from October 2024 to January 2025 it left unchanged the monetary policy rate at 6.50 percent and the lending and deposit facility rates at 7.50 percent and 5.50 percent respectively. In addition, the minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions were maintained at 8 percent and 5 percent respectively. The NBR's actions and approach were aimed at ensuring and preserving price stability over the medium term, in line with the 2.5 percent $\pm$ 1 percentage point flat target, in a manner conducive to achieving sustainable economic growth.

Against this background, the main interbank money market rates followed a quasi-linear path in the first half of the year and, after the declines prompted by the NBR's key rate cuts in July and August, held relatively steady. However, they recorded sizeable increases in the second part of November, amid the uncertainties associated with electoral events, conducive to a temporary rise in investor concerns about budget consolidation prospects. At the same time, the EUR/RON exchange rate tended to stick to the higher readings it had reached in January 2024⁹⁶. Moreover, in relation to the US dollar, the leu saw a depreciation trend in H1, which – after a brief halt – resumed and steepened in the closing three months of the year, given the former's marked strengthening on international financial markets⁹⁷.

⁹⁴ The first round of the presidential elections was held on 24 November 2024, while the parliamentary elections were held on 1 December 2024.

⁹⁵ The policy rate had been raised by another 0.25 percentage points in January 2023 and was then kept at 7.00 percent for the following 12 months. The lending and deposit facility rates had been increased accordingly, to 8.00 percent and 6.00 percent in January 2023, before being left unchanged.

⁹⁶ During 2024 overall, the leu depreciated 0.1 percent versus the euro (based on December exchange rate averages). Over the same period, the Czech koruna and the forint weakened 2.6 percent and 7.3 percent respectively in relation to the single currency, whereas the zloty appreciated 1.5 percent.

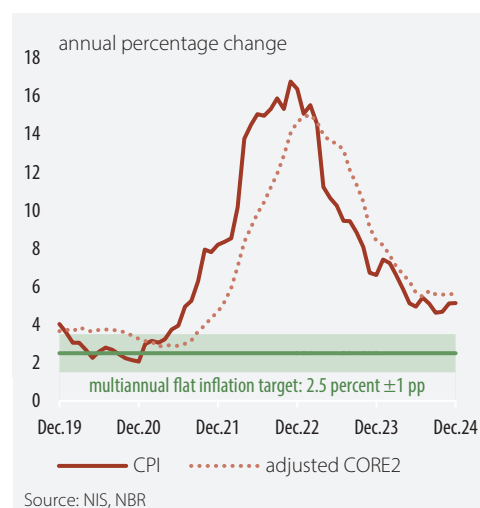
⁹⁷ Under the circumstances, during 2024 overall, the domestic currency weakened 4.0 percent against the US dollar (based on December exchange rate averages).

The monetary authority continued in 2024 to extensively use the specific tools and means of communicating and detailing the rationale behind monetary policy decisions. Through them, it highlighted the drivers behind the further decline in the annual inflation rate in 2024 and in the period ahead, albeit at a much slower pace, as well as the role of monetary policy conduct and the NBR's determination to act in order to ensure medium-term price stability. In addition, the central bank repeatedly underlined the need for a balanced macroeconomic policy mix and the importance of absorbing and effectively using EU funds, especially those under the Next Generation EU programme, deemed essential for carrying out the necessary structural reforms and energy transition, but also for counterbalancing, at least in part, the contractionary impact exerted by geopolitical conflicts, as well as for raising the growth potential and strengthening the resilience of Romania's economy.

The adequate tailoring of the monetary policy stance and the actions taken by the NBR underpinned the decrease of the inflation dynamics in 2024 overall and paved the way for the annual inflation rate to fall over the medium term in line with the target, amid further economic growth, albeit at a more moderate pace, given the sharp contraction of agricultural output and the weakening of external demand.

Taking a closer look, the NBR Board's decisions in the first half of 2024 were warranted by the halt in the downward path of the annual inflation rate in 2024 Q1, at a level considerably above the variation band of the target, as well as by the reconfirmed prospects for its decline to resume and continue along the projection horizon at a much slower pace than in 2023, amid heightened uncertainties and risks to disinflation.

Chart 3.2
Inflation rate



Specifically, the annual inflation rate climbed to 7.41 percent⁹⁸ in January 2024, in line with expectations, before decreasing in smaller steps over the next two months, down to 6.61 percent in March, a level similar to that at the end of the previous year⁹⁹. At the same time, the annual adjusted CORE2 inflation rate slowed its deceleration during this period compared to the previous two quarters, falling to 7.1 percent in March from 8.4 percent in December 2023. This owed to the moderation in

⁹⁸ Under the impact of the rise and introduction of indirect taxes and fees, as well as amid the base effect associated with the movements in the electricity price. The measures applied in January consisted in: raising the excise duty on fuels; introducing an excise duty on sugary beverages; increasing the VAT rate for sugary foods from 9 percent to 19 percent; raising the VAT rate for fitness centres/sports facilities, recreational and sporting activities from 5 percent to 19 percent; changing the calendar for increasing the excise duty on tobacco.

⁹⁹ The return to the December 2023 level owed to the relatively equal opposite effects generated in 2024 Q1, on the one hand, by the increases in the dynamics of electricity, fuel and tobacco product prices – amid a base effect, the hikes in excise duties and higher crude oil prices – and, on the other hand, by the deceleration in core inflation and the decline in the dynamics of VFE prices.

disinflation particularly for food prices, but also for the prices of non-food items and services, the annual dynamics of which were very high¹⁰⁰ (Chart 3.2).

Economic activity contracted by 0.5 percent in 2023 Q4¹⁰¹, but was expected to witness a more solid pick-up in 2024 H1 than in the earlier projection, which made it likely for excess aggregate demand to widen slightly and return in mid-2024 near the previously forecasted levels. Moreover, the labour market easing trend observed in 2023 H2 temporarily reversed in 2024 Q1, while the double-digit annual dynamics of the gross nominal wage continued to rise during this period – on account of developments in the private¹⁰² and public¹⁰³ sectors alike –, implying that the similar growth rate of unit labour costs in industry remained very high, *inter alia* as a result of the renewed increase in labour productivity losses.

At the same time, the medium-term forecasts updated in the first half of the year¹⁰⁴ highlighted the prospects for the annual inflation rate to decline over the projection horizon at a much slower pace than in 2023, but also slower than anticipated in November 2023, given that its anticipated path was revised slightly upwards over the longer term in February and over the short term in May. Specifically, according to the May projections, the annual inflation rate was expected to go down to 4.9 percent in December 2024, versus the 4.7 percent level anticipated in February¹⁰⁵, and fall only marginally inside the variation band of the target at the end of the projection horizon, i.e. 3.4 percent in March 2026¹⁰⁶.

The decline was anticipated to be further driven primarily by supply-side factors. However, their disinflationary action would weaken progressively, and more markedly over the short term than envisaged earlier, amid the softening influences expected from base effects and from downward corrections of agri-food commodity prices¹⁰⁷, but also given the relatively higher dynamics anticipated in the fuel and tobacco product segments over the following quarters. Moreover, the evolution of crude oil and other commodity prices remained a source of inflationary risks, at least in the short run, especially in view of the geopolitical tensions.

¹⁰⁰ The deceleration of core inflation stemmed, in this period too, from disinflationary base effects, corrections in agri-food commodity prices and the measure to cap the mark-ups on basic food products, but also from the slower dynamics of import prices. A moderate opposite influence had the direct and indirect effects of the fiscal measures implemented at the beginning of 2024 and the higher short-term inflation expectations, as well as the new increases in wage costs recorded towards the end of the previous year, which were passed through, at least in part, into the prices of some services and goods, *inter alia* amid the rebound in private consumption.

¹⁰¹ The annual GDP growth stepped up, however, to 3.0 percent in 2023 Q4, from 1.9 percent in the previous quarter, with the contribution of all domestic demand components, especially that of gross fixed capital formation, but also with a significant contribution from household consumption. As a general rule, statistical data are those available at the time of conducting the monetary policy assessments.

¹⁰² Public sector wage dynamics remained particularly swift, shrinking only mildly versus the previous quarter and largely due to the base effect associated with the January 2023 increase in the minimum wage economy-wide.

¹⁰³ In January, the 5 percent increase against the previous month in the wages of staff paid from public funds was applied, while employees in education received the first of the two tranches of pay rises approved for 2024, cumulating 20 percent.

¹⁰⁴ The medium-term projections published in the February and May 2024 *Inflation Reports*

¹⁰⁵ As well as compared to the 4.8 percent level shown by the November 2023 projection for the same time horizon

¹⁰⁶ The November 2023 forecast saw the annual inflation rate decrease to 3.3 percent in September 2025, while the February 2024 projection anticipated a level of 3.5 percent for December 2025.

¹⁰⁷ Anticipated to be further reflected mainly at the level of core inflation sub-components and in the administered prices segment

In turn, underlying inflationary pressures were seen persisting and easing only slightly over the projection horizon, given that the economy was expected to gradually accelerate its growth in 2024 and 2025, and somewhat more noticeably than previously foreseen. This would occur amid the moderation of inflation and the gradual recovery of external demand, but especially considering the fiscal policy stance amid the new law on pensions¹⁰⁸ and the use of EU funds under the Next Generation EU programme. The prospects implied that the positive output gap would narrow very slowly, particularly during 2025, and remain significant at the end of the forecast horizon¹⁰⁹, compared to the November 2023 projection, which had seen the output gap enter negative territory already in 2024 Q4.

At the same time, household consumption was expected to become again in 2024 and to remain in 2025 the main driver of GDP growth, while the current account deficit was anticipated to slow down strongly its downward correction as a share of GDP and stay well above European standards in 2024-2025. In addition, unit labour cost growth was envisaged to remain visibly faster in 2024 than previously anticipated, moderating only mildly versus the previous year.

Furthermore, heightened uncertainties and risks were associated with the fiscal and income policy stance, stemming in the short run from the outcome of the budget execution in the first months of the year, the public sector wage dynamics and the full impact of the new pension law. Beyond this horizon, risks were however linked to the fiscal and budgetary measures potentially implemented in the future to carry out the fiscal correction and to put the budget deficit onto a sustainable downward path, compatible with the requirements of the excessive deficit procedure and with the conditionalities attached to other agreements signed with the EC.

Uncertainties and risks to the outlook for economic activity, implicitly the medium-term inflation developments, also continued to arise from the war in Ukraine and the Middle East conflict, as well as from the economic performance in Europe and the absorption of EU funds, especially those under the Next Generation EU programme, given the attached conditionalities.

Under the circumstances, at its meetings in January, February, April and May 2024, the NBR Board decided to keep the monetary policy rate at 7.00 percent, as well as to leave unchanged the lending and deposit facility rates at 8.00 percent and 6.00 percent respectively. Moreover, the minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions were left at 8 percent and 5 percent respectively.

The annual inflation rate accelerated its decline in April and May above expectations, shrinking in 2024 Q2 more than anticipated, down to 4.94 percent in June, mainly due to the notable drop in energy prices, especially natural gas prices, following the

¹⁰⁸ Approved by Parliament on 20 November 2023 and promulgated at end-November

¹⁰⁹ Against this background, but also under the influence of supply-side factors and the capping of mark-ups on basic food products, as well as due to the decrease in short-term inflation expectations and import price dynamics, the annual adjusted CORE2 inflation rate was anticipated to decline further somewhat faster than headline inflation dynamics, albeit on a slightly higher-than-previously-envisaged path, down to 5.3 percent in December 2024 and 3.5 percent at the end of the projection horizon.

legislative changes implemented as of April 2024, as well as amid the further deceleration in the growth rate of food prices. In turn, the annual adjusted CORE2 inflation rate fell at a faster tempo, also compared with the forecasts, down to 5.7 percent in June¹¹⁰, as the pace of disinflation slowed down in the processed food segment, but stepped up for the non-food and services sub-groups, the annual growth rates of which remained, however, high.

Moreover, economic activity picked up in 2024 Q1 to a lower extent than anticipated, by 0.4 percent¹¹¹, so that excess aggregate demand continued to narrow over this period, contrary to expectations. At the same time, annual GDP growth contracted markedly¹¹², mainly due to the sizeable drop in the dynamics of gross fixed capital formation, while household consumption further witnessed faster annual growth and net exports exerted a larger contractionary influence.

At the same time, the number of employees economy-wide shrank significantly in May, after having increased somewhat more markedly in April, while in July employment intentions over the very short horizon declined and the labour shortage contracted from the rising level reported by companies in the first two quarters of the year. The double-digit annual growth rate of the gross nominal wage and especially that of unit wage costs in industry witnessed a decrease April through May, although remaining high.

In this context, the quarterly forecast updated in August revealed an improvement in the inflation outlook compared to the previous projection, especially over the near run, given that the annual inflation rate was expected to fall at the end of 2024 and in 2025 Q1 to significantly lower-than-previously-envisaged values and, after a temporary pick-up in 2025 Q2, to return and remain slightly below the upper bound of the variation band of the target in the second part of the projection horizon. Specifically, the 12-month inflation rate was seen falling to 4.0 percent in December 2024, 3.4 percent in the closing month of 2025 and 3.2 percent at the end of the forecast horizon, compared to 4.9 percent, 3.5 percent and 3.4 percent respectively, as indicated by the prior projection for the same reference periods.

The decrease was expected to be further driven primarily by supply-side factors, whose disinflationary action would continue to be stronger over the short term than previously anticipated, amid disinflationary base effects¹¹³ and the influences from legislative changes in the energy sector implemented as of April 2024.

¹¹⁰ Behind the deceleration in core inflation stood, over this period too, disinflationary base effects and downward corrections of commodity prices. To these added influences stemming from the decreasing dynamics of import prices, as well as from short-term inflation expectations re-embarking on a slight downtrend. A moderate opposite impact had the increases in unit labour costs recorded in the first months of 2024, which were passed through, at least in part, into some consumer prices, *inter alia* amid robust demand for goods.

¹¹¹ After its 0.6 percent contraction in 2023 Q4, according to revised data

¹¹² To 0.1 percent from 3.0 percent in the previous three months

¹¹³ The disinflationary base effects were envisaged to materialise mainly in the non-food sub-components of core inflation, as well as in the growth rates of administered prices and fuel prices, while small opposite base effects were seen to affect, in the near run, the dynamics of processed food prices, which would thus show a turning point in 2024 Q3, also under the influence of the trend reversal in some agri-food commodity prices.

Underlying inflationary pressures were, nevertheless, expected to persist over the entire forecast horizon and to ease only slightly compared to the first part of 2024 and the former forecast, given that, after a small contraction in 2024 H2, excess demand was anticipated to remain almost constant over the next six quarters, at a significant level, marginally lower than foreseen earlier. Moreover, the double-digit annual dynamics of unit labour costs in the private sector were envisaged to continue to rise during 2024 as a whole and thus exceed the slightly declining level shown in the previous projection.

At the same time, high uncertainties and risks stemmed from the fiscal and income policy stance in 2024, given the budget execution in the first half of the year, the public sector wage dynamics and the full impact of the new law on pensions. Nonetheless, strong opposite risks were associated with the fiscal and budgetary measures that could be implemented in the future for budget consolidation purposes, in the context of the *National Medium-Term Fiscal-Structural Plan* presumed to be submitted to the European Commission in the autumn of 2024.

Moreover, uncertainties and risks to the outlook for economic activity, implicitly the medium-term inflation developments, continued to arise from the war in Ukraine and the Middle East conflict, as well as from the economic performance in Europe, but also from the absorption of EU funds, especially those under the Next Generation EU programme.

Such a context, characterised by the fall in the annual inflation rate to significantly lower-than-previously-anticipated values, in the near run as well, but also by still high uncertainties surrounding longer-term forecasts, warranted a prudent adjustment of the NBR's key rates, so as to tailor the monetary policy restrictiveness in view of ensuring and maintaining price stability over the medium term, in a manner conducive to achieving sustainable economic growth. Thus, in each of its July and August meetings, the NBR Board decided to lower by 0.25 percentage points the monetary policy rate, to 6.50 percent, as well as the lending and deposit facility rates, to 7.50 percent and 5.50 percent respectively. At the same time, the minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions were left at 8 percent and 5 percent respectively.

According to subsequent data and assessments, the annual inflation rate saw its decline slow more than expected in 2024 Q3¹¹⁴. Then, in the closing three months of the year, it witnessed increases, going up during the period overall at a faster-than-anticipated pace and reaching 5.14 percent in December 2024, mainly due to the substantial hike, also compared with forecasts, of food prices¹¹⁵, amid the severe drought in the summer that affected agricultural crops domestically and in the region, but also to some costlier commodities.

¹¹⁴ It fell to 4.62 percent in September.

¹¹⁵ Additional influences stemmed from the rise in the electricity price, primarily owing to the drought, as well as from higher fuel prices in 2024 Q4, mainly following the significant appreciation of the US dollar on the international financial market, whereas a sizeable opposite impact came from the marked decline in administered price dynamics in Q3, on the back of a base effect.

In turn, the annual adjusted CORE2 inflation rate moderated its decrease in Q3, also in relation to the forecast, and then halted it, staying at 5.6 percent until year-end, higher than projected, amid the re-acceleration in the growth rate of processed food prices in H2 and the slower disinflation in non-food and services prices, whose annual dynamics remained elevated. The behaviour of core inflation mirrored the opposite influences coming over this period, on the one hand, from the disinflationary base effects in non-food sub-components and from the decline in import price dynamics and, on the other hand, from the hike in some agri-food commodity prices, as well as from higher wage costs passed through, at least in part, into some consumer prices, *inter alia* amid the high and rising short-term inflation expectations and the robust demand for goods.

Economic activity slowed its dynamics in 2024 Q2¹¹⁶, before posting a standstill the following quarter, so that excess aggregate demand further narrowed during this period. However, annual GDP growth stepped up in both periods¹¹⁷, as the rate of increase of private consumption picked up considerably in the April-June period and remained swift in Q3, albeit moderating somewhat, while the annual dynamics of gross fixed capital formation continued to see a steep decline during the period. At the same time, net exports exerted a markedly larger contractionary influence in Q2, but diminished it even more the following quarter, amid the visibly faster decrease in the annual change in the import volume of goods and services than in that of the export volume. Hence, the annual growth rates of the trade and current account deficits decelerated significantly in Q3 compared to the previous quarter, but remained particularly high for the first three quarters overall.

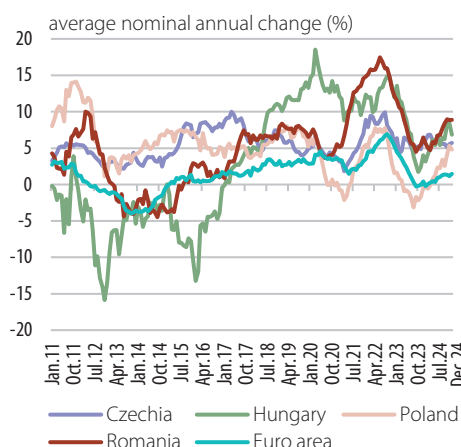
Labour market tensions resumed their easing trend in Q3, yet halted it again in the closing months of the year, remaining relatively high, *inter alia* amid the persistent mismatches between labour demand and supply in some sectors and the market structural deficiencies. Moreover, the two-digit annual growth rate of the nominal gross wage and that of unit labour costs in industry stepped up in Q3 – to 16.7 percent and 18.6 percent respectively, mainly under the impact of the new hike in the gross minimum wage economy-wide¹¹⁸ – and then saw a moderate decrease, further generating inflationary pressures, but also risks to the external competitiveness.

At the same time, the annual pace of increase of credit to the private sector saw its uptrend steepen slightly in the second part of the year, largely on account of household loans, whose domestic currency component further grew at a faster rate, with historic highs reached during this period by the monthly flows of consumer and housing loans respectively (Box 5).

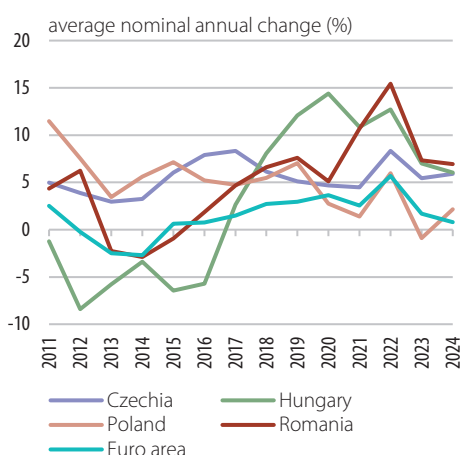
¹¹⁶ The economy grew by 0.1 percent, according to the first provisional data series. The second provisional estimates indicated a 0.3 percent economic growth, but revised the previous quarter's dynamics to a negative value, i.e. -0.4 percent.

¹¹⁷ To 1.2 percent in Q3

¹¹⁸ The gross minimum wage was raised in July 2024 by 12 percent, to lei 3,700.

Chart ACredit to the private sector
(monthly)

Source: NCBs



Source: NCBs

Chart BCredit to the private sector
(annual)**Box 5. Credit to the private sector and liquidity in the economy¹¹⁹**

The dynamics and composition of private sector credit – relevant from the perspective of monetary policy design and transmission, as well as of convergence with monetary developments in the euro area and in the region – witnessed the following evolutions in 2024:

1. The annual growth rate of credit to the private sector followed an upward, albeit moderate, course starting in Q2 and then reached a plateau towards the end of the year – broadly in tandem with developments in the region and in the euro area (Chart A).

In terms of annual average, the dynamics of private sector credit shrank however further in 2024, although much more slowly than in the previous year – to 6.9 percent from 7.3 percent in 2023 and 15.4 percent in 2022 –, thus remaining high compared to the pre-pandemic period and, at the same time, exceeding those in the region, especially in Poland (Chart B)¹²⁰.

The developments in the average pace of increase of private sector credit were correlated with the further significant slowdown of economic growth in 2024, yet amid the strong rebound in private consumption dynamics and the hefty rise in firms' wage costs, mainly under the impact of the steeply expansionary nature of the fiscal and income policies. Specifically, the evolution was marked by the unprecedented acceleration in domestic currency lending to households¹²¹ (Chart C), which led to a record high flow of credit in annual terms, given the stimulative effects exerted on credit demand and supply by: (i) the marked increase in households' disposable income; (ii) the easing, during the period overall, of banks' credit standards on loans to households; (iii) the still high, albeit declining pace of inflation; (iv) the further decrease in the loan-to-deposit ratio across the banking system (to 66.6 percent in December 2024 versus 67.6 percent in the same year-earlier period); (v) the preservation of the bank asset quality¹²²; (vi) the slight reacceleration of price growth on the residential real estate market¹²³.

¹¹⁹ For a clearer picture, changes in dynamics were analysed, as a rule, based on indicators calculated as an average of annual growth rates expressed in nominal terms. The analysis in this section uses available data prior to submitting the audited financial statements.

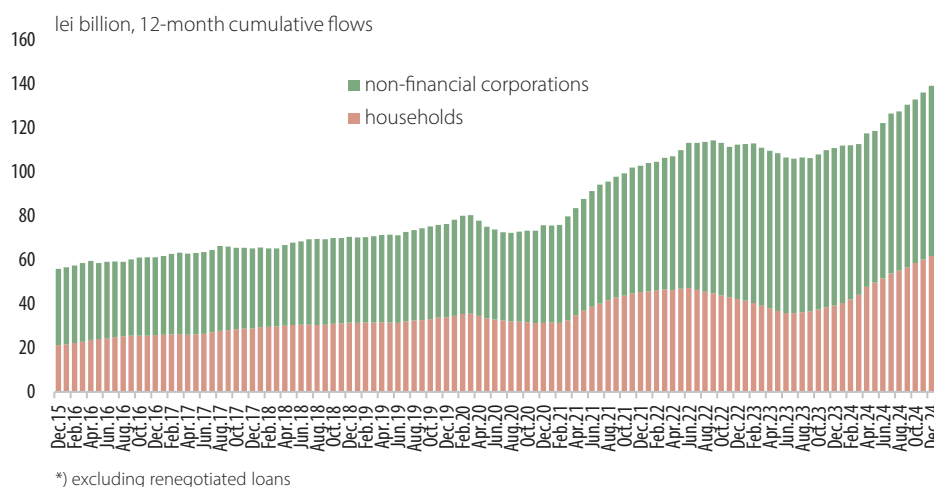
¹²⁰ In real terms, the average annual dynamics of private sector credit returned into positive territory, after two years of decline, climbing to 1.3 percent (-2.9 percent in 2023). The value is somewhat lower than those in Hungary and Czechia, but higher than the mildly negative dynamics in Poland and the euro area.

¹²¹ The average annual dynamics of the flow of leu-denominated credit to households, adjusted by the volume of renegotiated loans, expanded in 2024 to 62.2 percent from -2.5 percent in the previous year.

¹²² The non-performing loan ratio (EBA definition) edged up only very slightly, to 2.46 percent in December 2024 against 2.37 percent in December 2023.

¹²³ The average annual dynamics of residential property prices stepped up to 5.0 percent in 2024 from 3.3 percent in 2023.

Chart C
New loans* to households and
non-financial corporations



On the other hand, opposite influences, visible primarily for leu-denominated credit to non-financial corporations, stemmed from: (i) the decline in the volume of EU funds absorbed and in the FDI flow; (ii) the sluggish economic recovery in Europe; (iii) the end of the “IMM Invest” programme in mid-year¹²⁴; (iv) the tightening, in the second part of the year, of credit standards on loans to non-financial corporations; (v) the worsening of firms’ confidence towards year-end, amid heightened uncertainty, *inter alia* in the electoral context; (vi) the relatively high interest rates and the moderation of their downward trend.

Given the considerable slowdown in economic growth in nominal terms, the share of private sector credit in GDP almost halted its decline – reaching 23.9 percent in 2024 against 24.1 percent in 2023 –, relatively in line with developments in the region and in the euro area, where it significantly moderated its decrease, from markedly higher levels however¹²⁵.

2. The share of the leu-denominated component in total credit to the private sector steepened slightly its upward trend over the course of the year, widening to 70.0 percent in December 2024 from 68.4 percent at the end of the previous year.

This occurred in a context in which the annual dynamics of leu-denominated credit stuck to an upward course, climbing in Q3 to a two-digit level (11.4 percent in December), mainly on the back of household loans, whereas the rate of change of the foreign currency component shrank further, although much more slowly than in the previous year (to 3.3 percent in December¹²⁶), amid the sharp deceleration in the growth rate of loans to non-financial corporations, but also on account of the markedly stronger contraction of household credit.

¹²⁴ Government support scheme put in place in the context of the pandemic crisis, whereby the state guaranteed up to 90 percent of the amount of some leu-denominated loans to SMEs and micro-enterprises and subsidised the interest for a period of up to 12 months and other financing costs (management and risk fees) over the entire period of the loan. The programme was extended until 30 June 2024, with the ceiling on guarantees lowered to lei 12.4 billion (from lei 24.25 billion in 2023).

¹²⁵ Except for Czechia, where the private sector credit/GDP ratio went up slightly in 2024.

¹²⁶ Calculated based on readings expressed in euro

Under the circumstances, the share of the leu-denominated component in the stock of loans accelerated its increase in the case of households, hitting a new historical high of 90.8 percent in December 2024 (87.7 percent in December 2023), and rose for non-financial corporations (to 55.5 percent in December 2024 versus 54.3 percent at end-2023), after two years of decline.

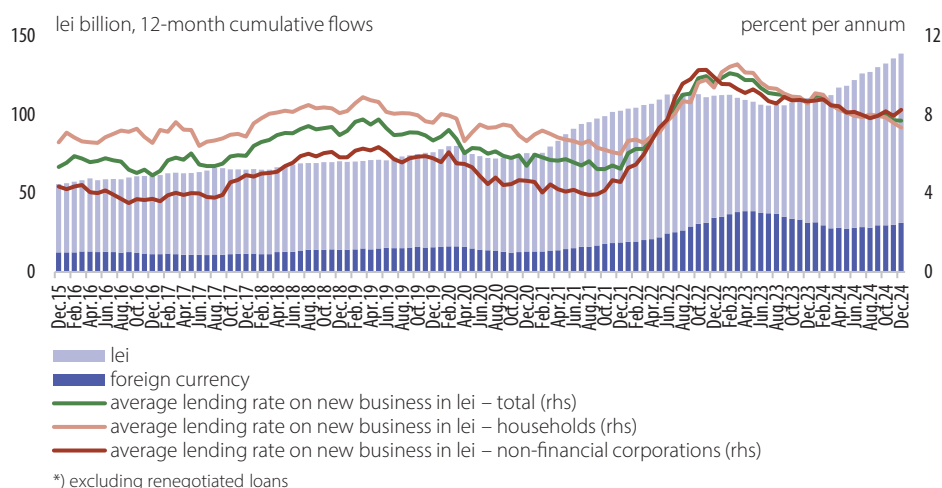


Chart D

New loans* to the private sector
and the average lending rate on
new business in lei

In terms of flow¹²⁷, the share of the domestic currency component climbed to 77.6 percent in December 2024, from 71.6 percent at end-2023, as the annual dynamics of new loans in lei rose swiftly until towards mid-year and diminished only slightly afterwards, while the volume of new credit in foreign currency saw a markedly stronger contraction in annual terms in H1, which moderated gradually afterwards (Chart D).

3. The share of household loans in total credit halted its downtrend seen since mid-2020, staying slightly above the 45 percent value reached in 2023¹²⁸, yet considerably below the levels, relatively constant as well, recorded in Poland, Czechia and the euro area.

The relative stabilisation of the share reflected the divergence between the reacceleration of the growth in household credit during the year overall (to 6.0 percent from 1.2 percent in the previous year) and the significant moderation of the upward path of loans to non-financial corporations (to 6.3 percent versus 12.4 percent in 2023).

The quasi-halving, for the second consecutive year, of the change in credit to non-financial corporations owed this time to the foreign currency component, whose dynamics dropped markedly during the year overall (to 3.9 percent from 30.4 percent in 2023, based on readings expressed in euro), primarily on account of medium- and long-term loans. By contrast, the dynamics of domestic currency credit regained momentum, to 8.1 percent against 0.9 percent in 2023, even amid

¹²⁷ Assessment based on 12-month cumulated flows, adjusted by the volume of renegotiated loans

¹²⁸ Representing a 17½-year low

Chart E
Demand for loans

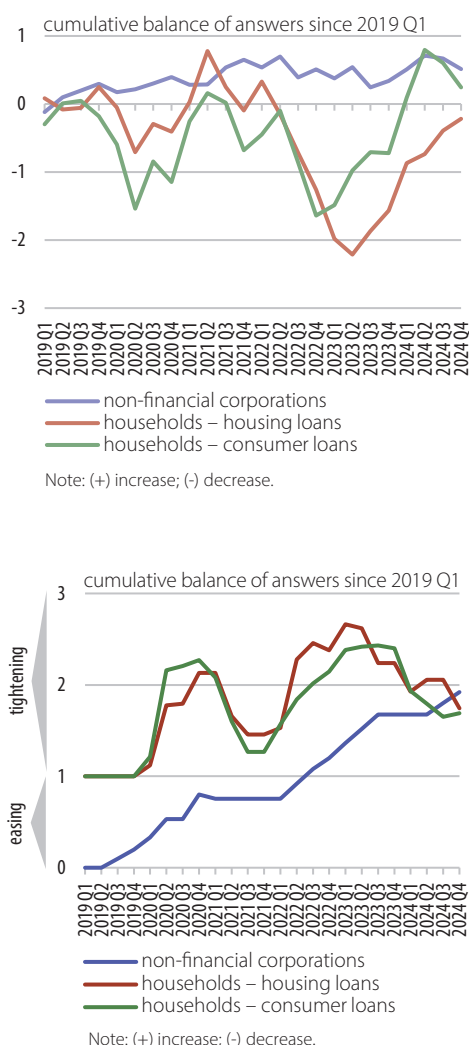


Chart F
Credit standards

the much smaller contribution from the “IMM Invest” programme, which expired in mid-year. Short-term loans acted as the major driver, with their growth rate reverting to a particularly high two-digit level, whereas the stock of medium- and long-term credit contracted for most of the year compared to the same year-earlier period, with the average rate of change thus shrinking further.

The volume of new loans to firms increased however more visibly in 2024 than in the prior year, despite the contraction seen in industry, associated with the further weakening of activity in this sector. The breakdown by destination remained, however, broadly the same as in the previous years, with industry and services further accounting for around 80 percent of the total credit flow.

Looking at the maturity breakdown of the stock of credit to non-financial corporations, the deceleration of its growth was driven by the loss of momentum of medium- and long-term loans (average dynamics of 1.9 percent in 2024 versus 12.3 percent in the previous year), in line with the abrupt decline in the pace of investment, whereas short-term credit reaccelerated markedly its rise in 2024 (to 18.8 percent from 13.1 percent in 2023).

Developments were partly correlated with the findings of the successive issues of the NBR's *Bank Lending Survey*, which showed that non-financial corporations' demand for loans continued to rise in the first part of the year, but then shrank gradually (Chart E), while credit standards held steady in H1, before tightening slightly over the following two quarters (Chart F). Credit terms and conditions saw increased restrictiveness throughout the year, under the influence of changes in loan covenants, to which added, in the second half of the period under review, that of the average lending rate spread vis-à-vis interbank money market rates and of the maximum loan amount, alongside the rest of the factors¹²⁹ in the closing quarter of the year.

As for households, survey results indicated a relatively abrupt increase in demand for both types of credit in the first part of the year, which persisted afterwards in the case of housing loans, but was slightly corrected for consumer credit. Moreover, credit standards for housing loans stuck to the overall easing trend seen since 2023 H2, while those for consumer loans embarked and then stayed on a similar trend in the first three quarters of the year. Furthermore, credit terms and conditions for households became less restrictive, on account of the spread between the average lending rate and the IRCC, which acted steadily in this direction in the case of consumer credit and

¹²⁹ The premium demanded on riskier loans, collateral requirements, maximum maturity, non-interest rate charges

during most of the year for housing loans as well¹³⁰, while the rest of the factors tended to remain unchanged.

4. The majority share of housing loans in total credit to households narrowed for the second consecutive year, to 58.0 percent in December 2024¹³¹ from 60.8 percent in December 2023, amid mixed developments in the region – moderate decrease of the share in Czechia and increases in Poland and Hungary – and a quasi-stable evolution in the euro area.

Both major types of credit to households reaccelerated their dynamics in 2024, but much more visibly for consumer credit and other loans, whose growth rate stepped up during the year overall to 12.2 percent from 2.2 percent a year earlier. Behind these developments stood the considerable momentum gathered by the swift dynamics of the domestic currency component (to 15.5 percent during the period overall¹³² against 4.3 percent in 2023) – in correlation with the marked increase in household income, particularly wage-related, associated with an improvement in consumer confidence, as well as amid the easing of banks' credit standards –, which was counterbalanced to a small extent by the steepening of the particularly sizeable year-on-year contraction in foreign currency credit.

The rate of change of housing loans stepped up to 2.1 percent during the year overall, from 0.6 percent in 2023, also on the back of the dynamics of the leu-denominated component. The latter stayed on a gradual upward path during 2024¹³³, despite a further reduction in the contribution of the “New Home” programme, climbing on average to 5.5 percent (2.6 percent in 2023), *inter alia* amid the historical highs reached by the flow of loans in Q4¹³⁴ and under the influence of looser credit standards in this period. Conversely, the stock of foreign currency credit (expressed in euro) markedly steepened its decline again versus the same year-earlier period, so that the leu-denominated component saw its share in total housing loans widen further in 2024, to 88.8 percent in December 2024 from 85.7 percent 12 months earlier.

Looking at other countries in the region and at the euro area, the share of housing loans in total credit to households in Romania remained close to that in Poland and visibly above that in Hungary, but lower than the levels in Czechia and the euro area.

As for liquidity in the economy, the most important developments consisted in:

1. The mild increase in the degree of monetisation of the economy, for the first time in three years (to 42.1 percent from 41.5 percent in 2023), relatively synchronised with

¹³⁰ Except for Q3, when it acted towards a slight tightening.

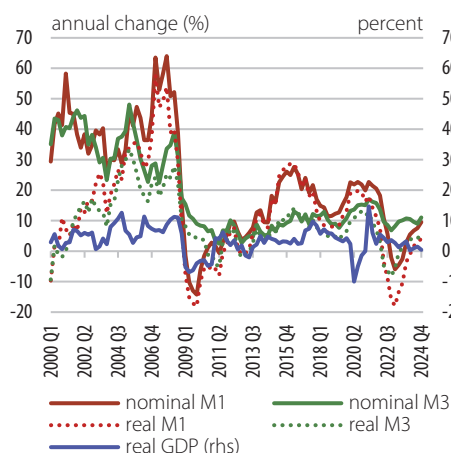
¹³¹ The narrowing was constant until December, when this share widened to 58.0 percent from 57.8 percent in November – a post-March 2020 low.

¹³² The dynamics peaked at a 16-year high of 20.5 percent in December.

¹³³ Reaching 7.9 percent in December 2024 from 2.0 percent at end-2023

¹³⁴ In the case of both new loans and loans including renegotiation operations, which stepped up further in the year under review.

Chart G
Broad money and GDP



Source: NIS, NBR

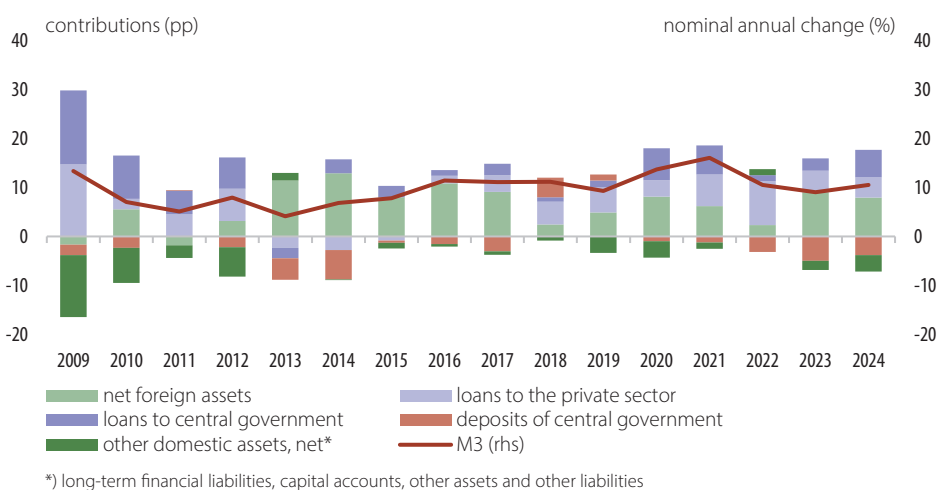
developments in countries in the region and in the euro area, which featured however much higher M3-to-GDP ratios.

The average dynamics of broad money (M3) reaccelerated to 10.5 percent¹³⁵ in 2024, versus 9.0 percent in the previous year (Chart G), amid the pronounced easing of the budget execution, whose effects were however largely offset by those stemming from the widening external imbalance, reflecting *inter alia* the lower inflows of EU funds, as well as from the decreasing average dynamics of private sector credit and from the swifter rise in the non-bank sector's holdings of alternative financial instruments (government securities in particular).

From the perspective of M3 counterparts (Chart H), the faster pace of monetary expansion was entirely driven by net credit to central government, whose contribution became significantly positive again in 2024, primarily due to the strong pick-up in the growth of monetary financial institutions'

investments in government securities, but also amid the steep decline in the rate of change of central government deposits (stock). Conversely, long-term financial liabilities¹³⁶ exerted a significantly stronger contractionary impact, while private sector credit and especially the net foreign assets of the banking system diminished their positive contribution to M3 dynamics.

Chart H
M3 and its counterparts



2. The considerably slower decline in the majority share held by narrow money (M1) in M3 compared with the previous two years, with M1 accounting for 60.4 percent of M3 from 61.4 percent in 2023 (Chart I).

The drop was of a broadly similar magnitude to that recorded in the euro area and Hungary, but contrasted with developments in Czechia and Poland, so that the

¹³⁵ Similar to the level recorded in 2022

¹³⁶ Capital accounts included

indicator widened its considerable negative spread versus some countries in the region, but preserved its very modest one vis-à-vis the euro area.

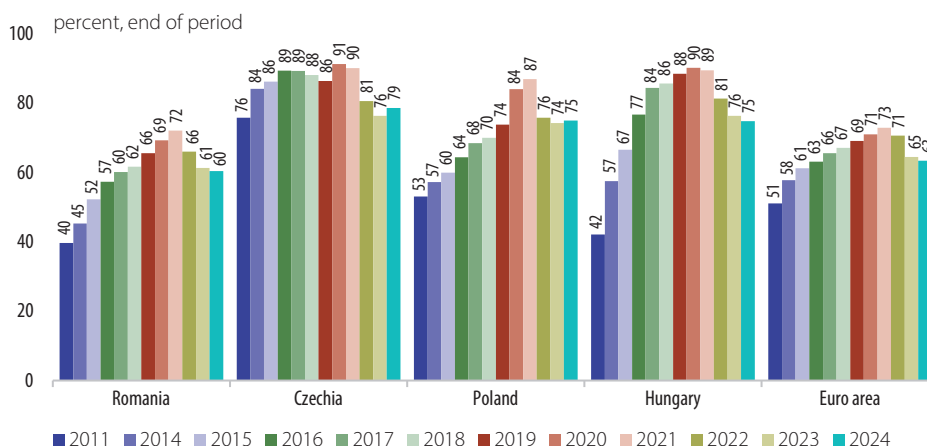


Chart I
Share of M1 in M3,
international comparison

The slower decline of the weight in M3 of the most liquid component was the outcome of the sharper divergence, in the first part of the year, between the increasing annual dynamics of M1 and the decreasing rate of change of time deposits with a maturity of up to two years. This was due to the hefty rise in household income and the rebound in the dynamics of private consumption, mainly amid the fiscal and income policy stance, but also in the context of weaker investment and high wage costs of firms.

Thus, after the trend reversal seen in 2023 Q2, the M1 annual rate of change stepped up further in 2024, reaching a double-digit level towards year-end. Calculated as the average for the period, it climbed to 7.2 percent from -3.5 percent in 2023, as the dynamics of ON deposits rose to 6.1 percent versus -6.9 percent – equally on account of the reacceleration in the growth of the domestic currency component and the slacker annual contraction in the case of the foreign currency component¹³⁷ –, while currency in circulation saw a faster advance (i.e. 10.1 percent in 2024 overall against 7.1 percent in 2023).

Conversely, the very high annual rate of increase of time deposits with a maturity of up to two years stuck to the downward course seen since 2023 H1, at a relatively fast pace, shrinking to 14.2 percent in December 2024 (25.4 percent at end-2023) and to 16.2 percent during the year overall, from 38.9 percent in the previous year, on the back of developments in deposits from households and non-financial corporations alike.

Against this background, the share of ON deposits in M3 moderated considerably its drop compared to the prior year, reaching 43.5 percent¹³⁸ in December 2024

¹³⁷ Whose annual dynamics witnessed a steeper upward path in the closing two months of the year, returning into positive territory in December 2024, for the first time in two years.

¹³⁸ A seven-year low (annual data, end of period)

from 44.9 percent in the same year-earlier period. At the same time, the relative weight of currency in circulation edged up slightly, to 17.0 percent in December 2024, after three years of consecutive declines to 16.5 percent in December 2023.

3. The increase in the share of household deposits in total non-bank deposits – to 60.1 percent in December 2024 from 59.0 percent at end-2023 – after two years of relative stability.

The advance occurred in a context in which the growth rate of total household deposits stayed during the year in the vicinity of the double-digit readings it had climbed to in 2023 Q4, thus exceeding the markedly declining dynamics of deposits from non-financial corporations.

The average annual growth rate of total household deposits continued to gain traction, albeit to a smaller extent than in the previous year (to 12.3 percent from 10.4 percent in 2023) and solely on the back of ON deposits. This occurred in an environment in which the marked step-up in the dynamics of households' real disposable income and of consumer credit was associated with the strong rebound in the pace of increase of private consumption, but also with the pick-up in the annual change of the stock of government securities held by this sector¹³⁹.

The average annual dynamics of non-financial corporations' total deposits witnessed, nevertheless, a slight decline, to 9.2 percent from 9.6 percent in 2023, given *inter alia* the further advance in wage costs and the slacker rise in loans to this sector, as well as the worsening of the trade balance and of the composition of external financing, but also amid the hefty rise in retail trade turnover.

In turn, the local financial market visibly reflected in the closing months of the year the influences from the high volatility of the global risk appetite, as well as from the temporary rise, in the context of electoral events, in financial investor concerns about the size of the budget deficit and of the current account deficit. This was conducive to a steepening of the upward path of long-term yields on government securities and entailed, amid the risks to the EUR/RON exchange rate, increases in the main interbank money market rates.

Moreover, the November 2024 medium-term forecast and the January 2025 assessments showed successive deteriorations of the short-term inflation outlook in relation to previous projections, given the persistent adverse effects exerted on food and energy prices by the 2024 unfavourable weather conditions, the increase in some commodity prices and the higher energy consumption over the winter months, but also owing to developments in fuel prices in the last months of 2024. Thus, the November forecast indicated that the annual inflation rate would stay in 2025 H1 above the variation band of the target and at significantly higher values than anticipated in August 2024, amid a marked fluctuation, before resuming its decline

¹³⁹ The average growth rate of government security holdings by households shrank however versus the previous year.

on a higher path than in the prior projection, dropping no sooner than the onset of 2026 below the upper bound of the target band¹⁴⁰.

The movements in energy and food prices remained a major source of inflationary risks given the applicable legislation and the protracted drought of 2024, as well as the paths of crude oil and other commodity prices in view of escalating geopolitical tensions.

Underlying inflationary pressures were, nevertheless, expected to be more moderate and easing more swiftly than in the August 2024 forecast, as the positive output gap was seen narrowing progressively in the following six quarters, until almost closing, implicitly to significantly lower values than envisaged in the previous forecast¹⁴¹. Yet, over the short horizon, pressures would remain sizeable, also amid the markedly faster growth of private consumption in 2024 H1 and probably during the year overall, as well as following the high and above-expectations level recently reached by the annual dynamics of unit labour costs in the private sector.

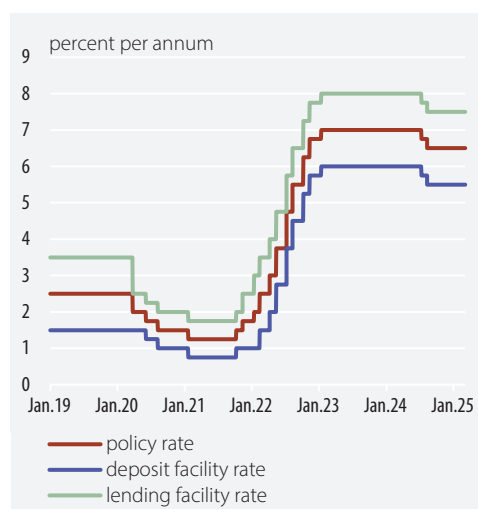
Significant uncertainties and risks came from the future fiscal and income policy stance, given the package of fiscal and budgetary measures that would probably be implemented as of 2025 with a view to placing the budget deficit onto a sustainable downward path in line with the new EU economic governance framework¹⁴².

At the same time, high uncertainties and risks to the outlook for economic activity, implicitly the medium-term inflation developments, further stemmed from the war in Ukraine and the Middle East conflict, as well as from developments in the global/European economy and in international trade, in the context of

escalating geopolitical tensions and of economic policy measures applied by developed countries. Furthermore, the absorption of EU funds, especially those under the Next Generation EU programme, remained a major source of uncertainties.

Against this background, in its meetings of October, November 2024 and January 2025, the NBR Board decided to keep the monetary policy rate at 6.50 percent and the lending and deposit facility rates at 7.50 percent and 5.50 percent

Chart 3.3
NBR rates



¹⁴⁰ Therefore, after probably going up to 4.9 percent at end-2024, the annual inflation rate was envisaged to decrease to 3.5 percent in December 2025 and to 3.3 percent at the end of the forecast horizon, compared with 4.0 percent, 3.4 percent and 3.2 percent respectively, as indicated by the prior projection for the same reference periods.

¹⁴¹ Economic growth was anticipated to see a markedly slower pace in 2024 – *inter alia* due to the weaker performance of agriculture – and then recover moderately in 2025, reflecting the revival of external demand, as well as amid the use of European funds under the Next Generation EU instrument, albeit in a lower volume than envisaged previously.

¹⁴² The package of measures was approved via GEO No. 156 of 30 December 2024.

respectively (Chart 3.3). In addition, the minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions were maintained at 8 percent and 5 percent respectively.

3. Use of monetary policy instruments

During 2024, the NBR continued to flexibly use the components of the monetary policy operational framework, with a view to tailoring monetary conditions so as to bring the annual inflation rate back in line with the 2.5 percent ± 1 percentage point flat target on a lasting basis, in a context characterised by:

- (i) the widening to unprecedented values of the liquidity surplus in the banking system during the first part of the year, under the impact of the larger volume of operations in the Treasury's foreign currency account, followed by its narrowing, initially at a gradual pace, yet accelerated in 2024 Q4 amid the temporary rise in financial investor concerns about the economy's fiscal and external positions; this owed to the uncertainty generated by the domestic electoral events, conducive to risks to the sovereign risk premium, as well as to the leu's exchange rate;
- (ii) the still high relative attractiveness of investments in domestic currency and the moderate fluctuations in global risk appetite during the first part of 2024, but also a subsequent increase in international financial market volatility, given the repeated revisions of investor expectations on the outlook for the Fed's interest rate, as well as amid geopolitical tensions and the economic and political developments in Europe and the US, resulting also in episodic deteriorations of the risk perception towards the region;
- (iii) the further rise in the international reserve, albeit at a more moderate pace than in the previous year, and the extended improvement trend of reserve adequacy indicators, given the increase to a record high of Eurobond issues by the MF on external markets¹⁴³, whose influence offset by far that of the reduction in the volume of EU funds absorbed.

Under the circumstances, the NBR complemented the status quo of the monetary policy rate and its lowering by 0.25 percentage points in each of the Board meetings of July and August by similar measures applied to interest rates on standing facilities. In addition, the central bank kept throughout the year the minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions at 8 percent and 5 percent respectively. This was in correlation with the size of the liquidity surplus in the banking system and with the evolution of foreign currency credit to the private sector¹⁴⁴, but also with the general objective of harmonising the minimum reserve requirements mechanism with the ECB's relevant

¹⁴³ During 2024, the MF issued EUR-, USD- and JPY-denominated Eurobonds totalling approximately EUR 18 billion versus around EUR 10 billion in 2023.

¹⁴⁴ The annual growth rate of foreign currency loans stuck to a markedly downward course in the first quarter of 2024 and then picked up slightly, remaining at a relatively low level in December (3.2 percent, based on values expressed in EUR), as the dynamics of loans to non-financial corporations stepped up gradually, whereas foreign currency credit to households sharpened its contraction in annual terms.

standards and regulations. The NBR has taken consistent steps over the past more than 15 years towards achieving this objective¹⁴⁵. An important step in the

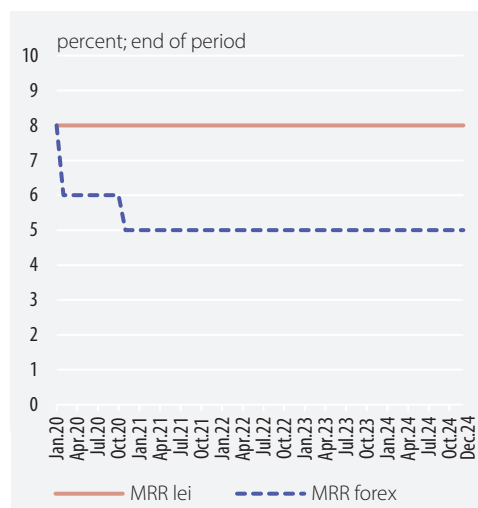
harmonisation process was completed in 2024, once the NBR Board approved a new regulation on the MRR regime¹⁴⁶, which entered into force on 1 January 2025 and brought major amendments to several key features of the MRR mechanism¹⁴⁷ (Chart 3.4).

From the perspective of tailoring monetary conditions, a major role also continued to play the management of liquidity on the money market. Specifically, the central bank further mopped up, via the deposit facility, the excess liquidity in the banking system, also amid the latter's unprecedented

values in 2024. Thus, the liquidity surplus continued to widen at the beginning of the year and stayed at particularly high levels in H1, under the influence of the Treasury's foreign currency operations associated with budget execution and with public debt financing. Afterwards, it narrowed relatively swiftly, especially in the closing quarter¹⁴⁸, due to the markedly stronger contractionary impact of the autonomous liquidity factors, amid the high volatility of the global risk appetite¹⁴⁹, but also in the context of the uncertainty associated with domestic electoral events. This was conducive to a temporary rise in financial investor concerns about the economy's fiscal and external positions and to risks to the leu's exchange rate.

In this context, ON rates on the interbank money market tended to stay in the vicinity of the deposit facility rate – which the NBR lowered by 0.25 percentage points in each of the Board meetings in July and August –, dropping however frequently below its level during the first two months of the year, similarly to the developments in 2023 Q4, and posting recurrent rises in the second half of 2024 Q4, although of a moderate magnitude.

Chart 3.4
MRR ratios



¹⁴⁵ Conditional however on domestic macroeconomic and financial developments

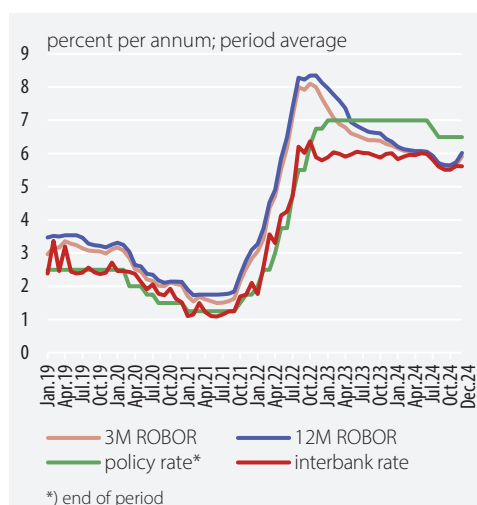
¹⁴⁶ Regulation No. 5 of 25 June 2024. Its purpose was to raise substantially the degree of harmonisation of the NBR's MRR mechanism with the ECB's regulations and standards in the field, so as to enhance the robustness, clarity and transparency of the regulatory framework for this monetary policy instrument, as well as to enable a smooth transition of the local banking system to the Eurosystem's MRR regime once Romania joins the euro area.

¹⁴⁷ They included (i) the MRR calculation base (definition and source of underlying data); (ii) defining MRR ratios and the calculation bases to which they apply; (iii) the observation period of the MRR mechanism; (iv) the content and manner of MRR reporting; (v) the terms and conditions for exempting credit institutions from minimum reserve requirements; (vi) the sanctions for non-compliance with the requirements for setting up the MRR.

¹⁴⁸ The average daily value of the deposit facility reached a historical peak of lei 60.7 billion in January and stuck to high readings during H1, before declining in the second half of the year, coming in at lei 18.3 billion in December.

¹⁴⁹ Driven primarily by the uncertainties surrounding the presidential elections in the US and the economic policies of the future administration – conducive to a new revision of investor expectations on the pace/size of the interest rate cut by the Fed, as well as to a steeper appreciation trend of the US dollar –, alongside those associated with the escalating conflict between Russia and Ukraine.

Chart 3.5
Policy rate and ROBOR rates



In turn, 3M-12M ROBOR rates followed a quasi-linear path in H1 and, after the declines prompted by the NBR's key rate cuts in July and August, stayed relatively constant for a while. Afterwards, in the second half of November, they rose significantly and then stabilised at the new levels. Thus, the monthly averages of these rates slowed their decrease during 2024 overall compared to the developments in 2023, with the December levels – of 5.91 percent for the 3M rate and 5.97 percent and 6.02 percent for the 6- and 12-month maturities respectively

– standing 0.33 percentage points below the December 2023 readings (Chart 3.5).

The benchmark index for loans to consumers (IRCC) remained unchanged in 2024 Q1, at 5.97 percent, and dwindled slightly in the following two quarters, to 5.90 percent and 5.86 percent respectively, before reverting in the closing three months of the year to a higher value, i.e. 5.99 percent.

Medium- and long-term reference rates¹⁵⁰ on the secondary market for government securities re-embarked at the beginning of the year and stayed in H1 on an upward course, albeit fluctuating – similarly to developments in advanced economies and in the region –, amid the successive revisions of investor expectations on the outlook for the Fed's key rate, with an impact also on the global risk appetite, as well as in the context of the deterioration, towards the end of the period, of the risk perception towards the region.

Moreover, after declining slightly during Q3 overall¹⁵¹, these rates resumed in October and then steepened their increase, climbing in the second part of December to almost two-year highs. This reflected the high volatility of the global risk appetite¹⁵², but also the uncertainty generated by domestic political developments¹⁵³, conducive to a temporary rise in financial investor concerns about the economy's fiscal and external positions.

Consequently, the December 2024 averages of reference rates over the 3-, 5- and 10-year maturities went up from the readings in the same year-earlier period by

¹⁵⁰ Bid-ask averages

¹⁵¹ Developments in reference rates were correlated in the first part of Q3 with the evolution of similar yields in developed economies, which reverted to a markedly downward course, amid investors' revised expectations on the path of the Fed's interest rate.

¹⁵² The long-term (10-year) government bond yield in the US resumed and extended its rise in the first half of Q4, which was then corrected only slightly, and after the Fed's monetary policy decision in December it saw a new leap, peaking at a seven-month high. In turn, long-term yields in the euro area and in countries in the region followed a relatively similar trajectory, without exceeding however in December the levels reached in the first part of the previous month.

¹⁵³ The first round of the presidential elections was held on 24 November and the parliamentary elections took place on 1 December 2024. On 6 December, the Constitutional Court decided that the entire process of presidential elections was annulled and that it would be resumed in full, based on a subsequently agreed calendar.

values ranging between 0.71 percentage points and 0.85 percentage points, to stand at 7.00 percent, 7.15 percent, and 7.31 percent respectively. Far more modest increases were recorded in the case of 6-month and 12-month maturities (+0.40 percentage points, to 6.37 percent, and +0.47 percentage points, to 6.46 percent respectively).

Alongside the developments in relevant interbank money market rates and the IRCC, the evolution of interest rates on new loans to non-bank customers reflected in 2024 the strong influences from keener competition in lending to households, as well as from the likely improvement in credit institutions' risk perception towards this category of borrowers. Behind this were the substantially higher income and the improved expectations on the financial standing of households.

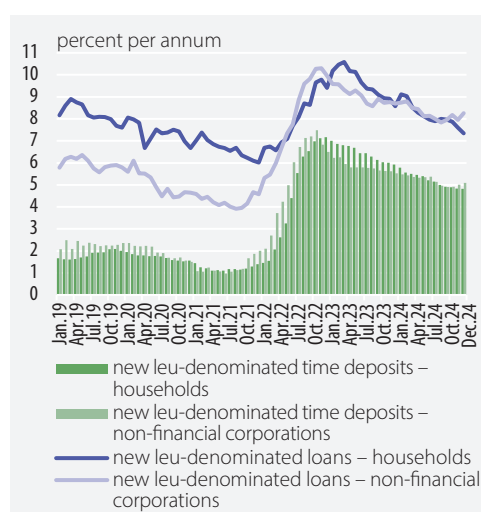


Chart 3.6
Bank rates

Against this background, but also amid some changes in the credit flow composition¹⁵⁴, the average lending rate on new business to households steepened its decline in 2024, falling to 7.35 percent in December, i.e. 1.23 percentage points below the year-earlier reading, on the back of developments in both main categories of loans. Specifically, the average interest rate on new housing loans followed a gradually downward course, shedding 0.81 percentage points over the year as a whole, to 6.01 percent in

December (Chart 3.6). The developments reflected the hefty decline, and much more pronounced than that of the IRCC, in the average interest rate on floating rate loans (-0.86 percentage points, to 6.98 percent, after the 0.49 percentage point advance in the previous year), as well as the more moderate reduction, also versus the prior year, in the average interest rate on loans with an initial rate fixation period.

Consumer credit witnessed less uniform developments during the year under review, as the average lending rate on new business accelerated its drop in the first part of the period, but then recorded mild increases. In 2024 overall, it practically doubled its pace of decline (-1.97 percentage points), reaching 9.80 percent in December.

The average interest rate on new loans to non-financial corporations extended its quasi-linear path January through February 2024, before resuming and sticking to a downward course until mid-Q3. In the closing four months of the year, it saw upward adjustments, probably also amid the relative deterioration of credit institutions' risk perception towards this category of borrowers. In the reported year overall, the indicator thus shed 0.43 percentage points, falling to 8.26 percent in December. Developments were relatively similar for high-value loans (above EUR 1 million

¹⁵⁴ The share of new housing loans in the flow of credit to this segment narrowed considerably in the first part of the year compared to the historical peak reached at end-2023, but recorded an increase of a similar size in H2.

equivalent), whose average interest rate, somewhat more fluctuating however, shrank to 7.97 percent in December (down 0.46 percentage points against the same year-earlier period) and for low-value loans (below EUR 1 million equivalent), whose average interest rate went down 0.43 percentage points, to 8.50 percent.

The average remuneration of new time deposits from households stayed in 2024 on a gradually downward course, which slowed however towards the end of the period. During the year overall, it moderated its decline to a certain extent, standing in December 1.08 percentage points below the year-earlier value, at 4.82 percent. The average interest rate on new time deposits from non-financial corporations saw a more sluggish decline for most of the year under review, while in Q4 it even recorded a mild increase. In the reported period overall, it thus moderated significantly its fall (-0.43 percentage points), coming in at 5.09 percent in December 2024.

Against this background, the spread between the average interest rate on new loans and that on new time deposits narrowed slightly during the period overall compared to the previous year, staying nevertheless above the historical low reached in 2022 H2. In sectoral terms, this indicator declined in the case of households, nearing the historical lows seen in the closing months of 2022, but held steady for non-financial corporations.

4. Policy outlook

The NBR will further act consistently towards ensuring and preserving price stability over the medium term, in line with the flat inflation target of 2.5 percent ± 1 percentage point, thus marking the best contribution that monetary policy can make to sustainable economic growth; moreover, over the medium to long horizon, the monetary authority will aim to bring down and consolidate the annual inflation rate at a level compatible with the ECB's quantitative definition of price stability.

With a view to ensuring an adequate monetary policy stance from this perspective, the NBR Board decided to keep the key interest rate unchanged at 6.50 percent in its meetings held during 2025 H1¹⁵⁵. Accordingly, the lending facility rate and the deposit facility rate were left unchanged at 7.50 percent and 5.50 percent respectively, while the minimum reserve requirement ratios on leu- and foreign currency-denominated liabilities of credit institutions were kept at 8 percent and 5 percent respectively.

The decisions were taken in a context in which inflation performance and outlook continued to worsen compared to the projections, while the uncertainties and risks associated with the forecasts updated during this period remained high or even increased.

Specifically, having risen above expectations in 2024 Q4, to 5.14 percent in December, the annual inflation rate fluctuated in the first three months of 2025, declining less

¹⁵⁵ The meetings took place in January, February, April and May 2025.

than projected in Q1 as a whole, to 4.86 percent in March, given the sharp step-up in the growth rates of energy prices, administered prices and processed food prices, which largely countered the declines in the dynamics recorded in this period for fuels, tobacco products and non-food sub-components of core inflation¹⁵⁶.

In turn, the annual adjusted CORE2 inflation rate resumed its decrease at a slower-than-expected pace, dropping to 5.2 percent in March from 5.6 percent at end-2024 amid the opposite influences coming in this period as well, on the one hand, from disinflationary base effects in non-food sub-components and from the slower dynamics of import prices, and, on the other hand, from the hike in some agri-food commodity prices, as well as from the gradual pass-through of higher wage costs to consumer prices, *inter alia* amid the high short-term inflation expectations¹⁵⁷.

Economic activity picked up above expectations in 2024 Q4¹⁵⁸ and came to a standstill in 2025 Q1¹⁵⁹, so that the aggregate output gap probably opened only marginally in the first months of this year, implicitly less than projected. At the same time, household consumption accelerated its brisk year-on-year dynamics in the final quarter of 2024¹⁶⁰, while the trade and current account deficits posted a considerably faster annual growth rate in 2025 Q1, as a result of the wider unfavourable gap between the annual dynamics of imports and those of exports.

Moreover, labour market tensions were still relatively elevated in the first months of 2025¹⁶¹, given also the persistent mismatches between labour demand and supply in certain sectors, as well as structural market deficiencies. At the same time, the annual dynamics of nominal gross wage recorded a slower decline in 2025 Q1, remaining in the double-digit range – amid *inter alia* the hike in the economy-wide gross minimum wage¹⁶² and the partial compensation by employers of the impact exerted by the removal of some tax breaks. In the same period, the growth rate of nominal unit wage costs in industry stepped up to 16.6 percent, after having dropped considerably in the previous three months, further exerting inflationary pressures, but also risks to external competitiveness.

¹⁵⁶ In April 2025, the annual inflation rate stayed virtually flat at 4.85 percent, in a context in which the influences stemming from the new declines in the dynamics of fuel and tobacco product prices, as well as of the non-food sub-components of core inflation were equalled by the opposite influences from the further step-up in the growth rates of food prices and energy prices, *inter alia* on account of an unfavourable base effect.

¹⁵⁷ Against this backdrop, price dynamics continued to pick up in the processed food segment, slowed down their decrease in services and sharpened their downward trend in the non-food segment, remaining high in the case of non-food sub-components.

¹⁵⁸ According to the second provisional version of GDP data in 2024 Q4, economic activity increased in quarterly terms by 0.6 percent, after shedding 0.1 percent in the prior three months, and decreased its annual dynamics to 0.5 percent, from 1.5 percent in 2024 Q3.

¹⁵⁹ According to preliminary data, economic activity came to a standstill in 2025 Q1, its annual dynamics dropping to 0.2 percent, compared with 0.5 percent in the previous quarter.

¹⁶⁰ Gross fixed capital formation witnessed, however, a sizeable fall in 2024 Q4, making a decisive contribution to the decline in annual GDP growth to 0.5 percent, while the contractionary impact of net exports strengthened.

¹⁶¹ The number of employees economy-wide picked up faster in January-February 2025 than in the prior quarter, while the ILO unemployment rate fell in the first three months of 2025 overall, from an average of 5.7 percent in 2024 H2.

¹⁶² The gross minimum wage was raised by 9.5 percent to lei 4,050 as of 1 January 2025.

Against this background, the medium-term forecasts updated in 2025 H1¹⁶³ revealed further successive deteriorations of the inflation outlook compared to the previous forecasts, especially over the short term in February and chiefly in the middle segment of the projection horizon in May. Specifically, the latter forecast¹⁶⁴ saw the annual inflation rate sticking to a fluctuating path until 2025 Q3 and then declining for four quarters on a significantly higher trajectory than anticipated in February, implying its decrease no earlier than in 2026 Q3 and only marginally below the upper bound of the variation band of the target, before near-stabilising at this level until the end of the projection horizon. Hence, the annual inflation rate would decline to 4.6 percent in the final month of 2025 and to 3.4 percent in December 2026, compared to the corresponding levels of 3.8 percent and 3.1 percent respectively forecasted previously¹⁶⁵, and would reach 3.3 percent in March 2027.

The significantly higher values expected to be reached by the annual inflation rate over the next four quarters compared to the previous projection, as well as the general downward trend it was expected to follow starting in the last quarter of 2025, were largely attributable to supply-side factors, whose action was expected to become and remain inflationary in the near run¹⁶⁶ and to regain a slight disinflationary nature towards the end of this year¹⁶⁷. Furthermore, future developments in energy and food prices remained a source of inflationary risks, in the context of the forthcoming expiry of capping measures and the potential developments in commodity prices, and notable risks stemmed from the trade policy measures taken in advanced economies, which could affect global prices of some intermediate and final goods.

At the same time, underlying price pressures were expected to remain inflationary in the short run, gradually easing, and to turn disinflationary no sooner than in the second part of the forecast horizon, given the lagged materialisation of the disinflationary effects of the negative output gap expected to open and to widen moderately in 2025¹⁶⁸, as well as amid the persistence of pressures from wage costs. The latter's growth rate during the current year was seen sticking to double-digit levels in the private sector, above the gradually declining values forecasted previously. Moreover, the current account deficit was expected to witness a modest downward correction over the two-year projection horizon and thus stay well above European standards as a share of GDP.

¹⁶³ The medium-term projections published in the February and May 2025 *Inflation Reports*

¹⁶⁴ Including the data available until 30 April 2025

¹⁶⁵ The November 2024 projection envisaged the annual inflation rate to decline to 3.5 percent in December 2025 and to 3.3 percent at the end of the projection horizon (September 2026).

¹⁶⁶ Mainly amid unfavourable base effects, the expiry of the electricity price capping scheme, and the increase in some agri-food commodity prices

¹⁶⁷ Due to the base effects in core inflation sub-components and in the fuels and administered prices segments, as well as following the decline in other commodity prices, *inter alia* in the context of global trade tensions

¹⁶⁸ According to the new data and assessments, economic growth was expected to recover during 2025-2026, yet more modestly than previously anticipated, stepping up gradually, amid the slight moderation in inflation and the use of EU funds under the Next Generation EU instrument, but also amid a relatively more sluggish revival of external demand, *inter alia* in the context of global trade tensions. The developments were likely to cause the output gap to become negative and widen moderately in 2025, but also to shrink more slowly in 2026, including as compared to earlier forecasts, implying that it would remain significant at the end of the projection horizon.

Heightened uncertainties and risks were associated, however, with the future fiscal and income policy stance, given, on the one hand, the size of the budget deficit in the early months of 2025, even amid the corrective measures implemented at the beginning of the year¹⁶⁹, and, on the other hand, the budget consolidation requirement according to the *National Medium-Term Fiscal-Structural Plan* agreed with the European Commission and to the excessive deficit procedure. Uncertainties and risks were amplified by the protracted electoral context and the related stronger tensions in the domestic political environment, fanning financial investor concerns about the outlook for the fiscal position and the overall macroeconomic situation, leading in the first ten-day period of May to substantial capital outflows, in various forms, with a major impact on local financial market conditions. Specifically, after having stayed practically flat in January-April 2025, the main interbank money market rates posted considerable rises in the days immediately following the first round of the presidential elections¹⁷⁰, while yields on government securities climbed relatively abruptly, especially at the shorter end of the maturity spectrum, halting their slightly fluctuating moves in the previous three months. Moreover, the EUR/RON exchange rate recorded a significant increase and then tended to stick to the new readings, while the USD/RON went up even more steeply, given the stronger appreciation trend of the US currency in international financial markets.

High uncertainties and risks to the outlook for economic activity, implicitly the medium-term inflation performance, stemmed also from the external environment, given the protracted war in Ukraine and Middle East situation, but especially amid the uncertainty and the effects potentially generated by the US trade policy and by the retaliatory measures taken by other countries, affecting the developments in the global economy and in international trade. A major source of risks and uncertainties was still the absorption and use of EU funds, especially those under the Next Generation EU programme – essential for counterbalancing, at least in part, the contractionary effects of budget consolidation and of geopolitical/trade conflicts, as well as for carrying out the necessary structural reforms, energy transition included.

Looking ahead, monetary policy will continue to aim to bring back the annual inflation rate in line with the flat target of 2.5 percent ± 1 percentage point on a lasting basis, *inter alia* by anchoring inflation expectations over the medium term, while minimising costs in terms of economic growth.

The calibration of monetary policy parameters, the NBR's policy rate included, in the context of ensuring adequate real monetary conditions, will be correlated mainly with the nature/intensity of underlying price pressures – anticipated to become disinflationary again over the longer horizon –, as well as with the levels and expected path of the annual inflation rate and the behaviour of medium-term inflation expectations, hence with the risks thereto.

The uncertainties and risks associated with the inflation outlook, having among the sources the geopolitical/trade disputes and economic developments in Europe,

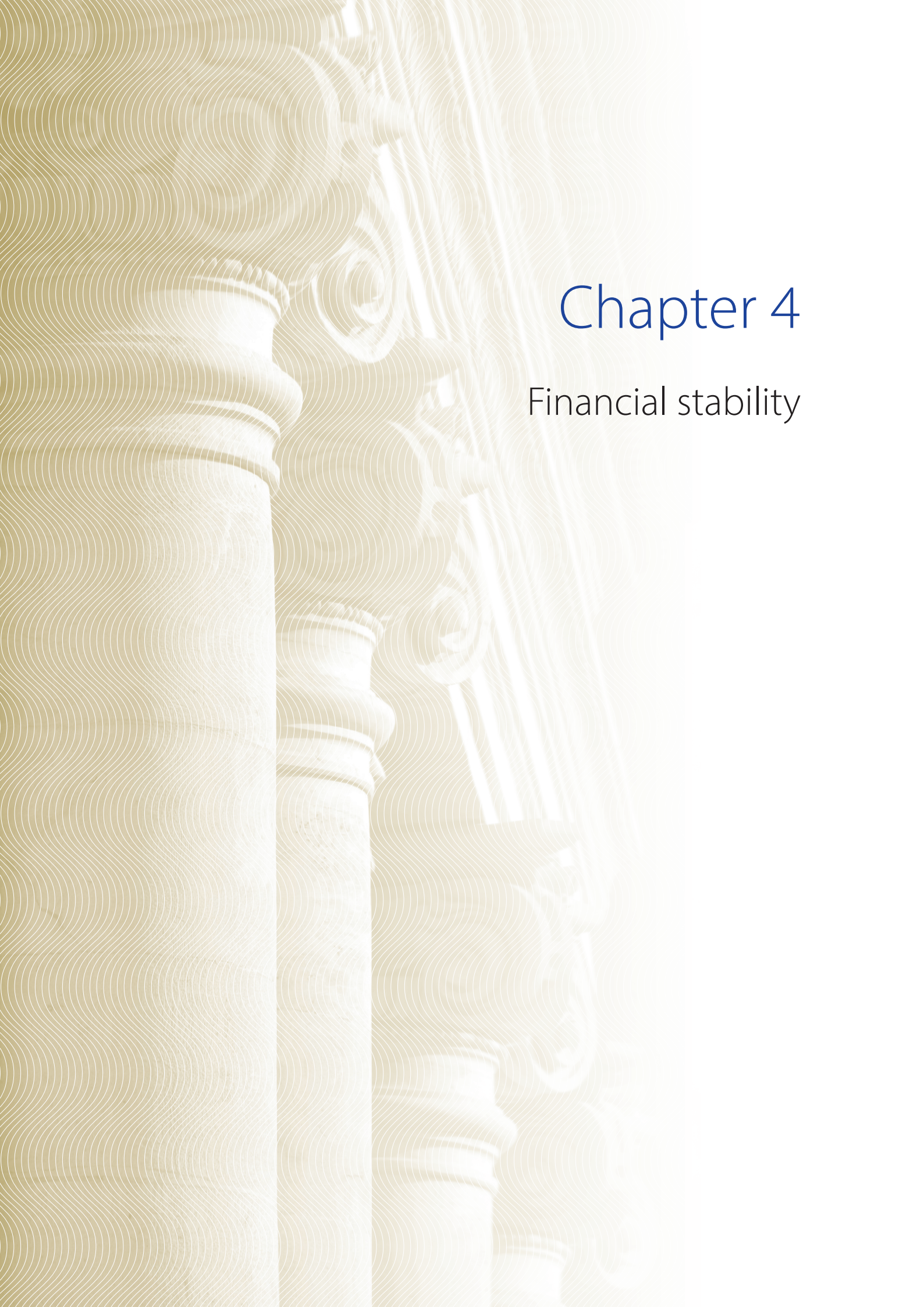
¹⁶⁹ The package of measures was approved by GEO No. 156/30 December 2024.

¹⁷⁰ Held on 4 May 2025

will continue to play a major role in substantiating the monetary policy decisions. The major central banks' monetary policy decisions and the developments in international financial markets will also remain relevant, as well as the stance of central banks in the region.

Moreover, important landmarks will continue to be the characteristics of the monetary policy transmission mechanism, especially of lending to the private sector and of the saving behaviour, as well as the specificities of the functioning of the various segments of the local financial market, having particular relevance for the NBR's use of the components of the monetary policy operational framework with a view to ensuring adequate monetary conditions.

Particularly important in terms of monetary policy design will further be the fiscal and income policy stance, in the context of the budget consolidation process – with implications *inter alia* for the external imbalance, the sovereign risk premium and financing costs –, as well as the absorption and use of EU funds, especially those under the Next Generation EU programme, presumed to speed up and expand structural reforms. Ensuring a balanced macroeconomic policy mix, together with enhancing the potential and strengthening the resilience of the Romanian economy, is pivotal to safeguarding medium-term price stability, as a prerequisite for sustainable economic growth.

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Chapter 4

Financial stability

1. The NBR's role in implementing macroprudential framework

In Romania, the National Committee for Macroprudential Oversight (NCMO) was established pursuant to Law No. 12/2017 on the macroprudential oversight of the national financial system¹⁷¹ as an interinstitutional cooperation structure without legal personality, comprising representatives of the National Bank of Romania (NBR), the Financial Supervisory Authority (FSA) and the Government (via the Ministry of Finance). Each institution has three members with voting rights. The Bank Deposit Guarantee Fund also has a member, without voting rights, who attends the meetings of the NCMO General Board. The NCMO's fundamental objective is safeguarding financial stability, by strengthening the resilience of the financial system and by containing the build-up of systemic risks, thereby ensuring a sustainable contribution of the financial system to economic growth. In order to support the NCMO's activity, the NBR makes assessments and analyses of the financial system components under its remit and ensures the NCMO Secretariat.

The recent economic environment was riddled with major intertwined issues, such as geopolitical tensions, the slowdown in global inflation and the fragile post-pandemic economic recovery. As regards the macroprudential policy, worth noting is the transition from a regime based on the faster implementation of new measures to that of strengthening the policies adopted over the past two years. Recent decisions have been particularly aimed at increasing banks' shock-absorbing capacity, in view of the need to take a prudent approach, due to mounting vulnerabilities and the risk of adverse scenarios materialising in the period ahead. Moreover, the decisions on recalibrating macroprudential instruments were also influenced by recent legislative amendments, especially by the transposition into national law of CRD V provisions. The main amendments with an impact on capital buffers include: (i) extending the flexibility of the systemic risk buffer (SyRB) so that it may also be applied at sectoral level, targeting directly selected sets or subsets of exposures – as a result, certain Member States decided to apply a sectoral buffer to real estate exposures, (ii) clarifying the different roles of SyRB and O-SII¹⁷² buffer (the latter remaining the only macroprudential instrument used to mitigate the systemic risk posed by bank size) and (iii) imposing the mandatory cumulation of SyRB and O-SII buffers (given that these instruments cover different risks), as well as increasing the maximum applicable buffer rates – thus, the Member States that had previously used the SyRB, in addition to the O-SII buffer, to tackle the risk associated with large banks decided

¹⁷¹ Published in *Monitorul Oficial al României*, Part I, No. 192 of 17 March 2017

¹⁷² Other Systemically Important Institutions (O-SIIs)

on the recalibration of the two buffer rates. Furthermore, the recent experience has demonstrated the need to early build up capital buffers that can be released in the event of a shock, an approach also supported by the ESRB. In this context, the amendment of capital buffer requirements by better balancing the relationship between cyclical risk buffers (CCyB) and structural buffers (SyRB, O-SII) was one of the measures envisaged by recent changes in the field of macroprudential policy.

In 2024, the NCMO General Board convened in four meetings, held with the physical presence of members at the NBR's headquarters¹⁷³. During the meetings, Board members were presented, for purposes of analysis, decision or information, with papers concerning the macroprudential policy and the identification of systemic risks to domestic financial stability. After every meeting, the NCMO published on its website a press release to inform the general public about the topics discussed and the decisions taken. Moreover, in 2024, the NCMO issued six recommendations and seven decisions on the macroprudential policy measures addressed to member authorities of the NCMO. The NCMO-recommended measures are in line with those implemented in EEA countries by member states' designated authorities, the primary objective being that of increasing banking sector resilience to different kinds of shocks.

Following the quarterly assessments that were reviewed and decided upon, the NCMO recommended the NBR to maintain the countercyclical capital buffer (CCyB) rate at 1 percent¹⁷⁴, due to: (i) the persistence of cyclical systemic risks, amid multiple sources of geopolitical uncertainty, (ii) the tendency at European level to enhance the resilience of the banking sector, *inter alia* via the widespread use of macroprudential instruments, (iii) the further adequate levels of profitability, liquidity and solvency ratios of the banking sector, which allow the build-up of capital buffers without affecting the real sector's access to finance, in line with the European recommendations and (iv) the persistence of tensions surrounding domestic macroeconomic equilibria. The CCyB rate was first raised via NCMO Recommendation No. R/7/2021 on the countercyclical capital buffer in Romania, which set forth the implementation of a CCyB rate of 0.5 percent as of 17 October 2022. Subsequently, the CCyB rate was recalibrated to 1 percent as of 23 October 2023, according to NCMO Recommendation No. R/4/2022 on the countercyclical capital buffer in Romania¹⁷⁵.

As for the O-SII buffer, following the 2024 assessment using the information available as at 30 September 2024, the NCMO identified seven systemically important credit institutions (O-SIIs), while the buffer calibration methodology based on the bucketing approach (adopted in 2021)¹⁷⁶ resulted in the enforcement, as of 1 April 2025, of O-SII buffer requirements, as follows: (i) 2.5 percent for Banca Transilvania S.A.

¹⁷³ For further details on the NCMO meetings, see the NCMO's 2024 *Annual Report* and the press releases published on the NCMO website (<https://www.cnsmro.ro/en/>).

¹⁷⁴ NCMO Recommendations No. R/1/2024, No. R/2/2024, No. R/4/2024 and No. R/5/2024 on the countercyclical capital buffer in Romania can be found on the NCMO website.

¹⁷⁵ The NBR implemented NCMO Recommendation No. R/4/2022 on the countercyclical capital buffer in Romania by issuing Order No. 7/2022 amending NBR Order No. 12/2015 on the capital conservation buffer and the countercyclical capital buffer.

¹⁷⁶ Methodology for calibrating the O-SII buffer (<https://www.bnr.ro/en/12552-methodology-for-identifying-systemic-credit-institutions-and-calibrating-the-o-sii-buffer>)

(consolidated level), (ii) 1.5 percent for UniCredit Bank S.A. (consolidated level), Banca Comercială Română S.A. (consolidated level), BRD – Groupe Société Générale S.A. (consolidated level), (iii) 1 percent for Raiffeisen Bank S.A. (consolidated level), CEC Bank S.A. (consolidated level) and (iv) 0.5 percent for Exim Banca Românească S.A. (individual level). For 2025, the capital buffer for other systemically important institutions was set in accordance with NCMO Recommendation No. R/6/2024¹⁷⁷.

The systemic risk buffer (SyRB) is another capital buffer that has been applied in Romania ever since 2018¹⁷⁸. SyRB is calibrated based on asset quality indicators, i.e. the NPL ratio and the NPL coverage by provisions (coverage ratio). Depending on the averages recorded by the above-mentioned indicators for a period of 12 months prior to application, the SyRB rate is set at 0 percent, 1 percent or 2 percent respectively. The decision for each of these buffer rates is made by taking into account the reference thresholds set in accordance with the applicable methodology (5 percent for the NPL ratio and 55 percent for the NPL coverage ratio). According to the half-yearly analysis presented in the NCMO meeting of October 2024, in 2025 H1, one credit institution would apply a SyRB rate of 2 percent, while five banks would apply a SyRB rate of 1 percent. The remaining credit institutions do not have the obligation to set a systemic risk buffer, due to their prudent lending practices. The relatively small number of institutions applying the SyRB buffer is indicative of a significant improvement in the quality of the customer loan portfolio since the introduction of this buffer and is the result of active balance sheet clean-up and the shift to prudent provisioning policies. Specifically, the number of banks applying a SyRB rate of 0 percent grew from two in 2018 H2 (the year of implementation of this macroprudential instrument) to 13 in 2025 H1.

The fourth capital buffer established by banks in Romania is the capital conservation buffer (CCoB), at a rate of 2.5 percent¹⁷⁹, uniformly implemented across the EU as early as 2019 based on the CRD IV regulatory framework for all credit institutions, irrespective of size, business model or financial and prudential position.

In 2024, the NCMO General Board took several decisions, such as not applying through voluntary reciprocity the macroprudential policy measures adopted by Italy, Portugal and Denmark. The decisions were warranted by the fact that the Romanian banking sector's exposures to those countries were well below the materiality threshold set by authorities to implement those measures and were not likely to generate systemic risks to the domestic banking sector. Moreover, the NCMO conducted an assessment on identifying material third countries for the Romanian banking sector in relation to the recognition and setting of countercyclical buffer rates. Based on this assessment, the members of the NCMO General Board

¹⁷⁷ The NBR implemented NCMO Recommendation No. R/6/2024 on the capital buffer for other systemically important institutions in Romania by issuing Order No. 1/2025 on the buffer for credit institutions authorised in Romania and identified as other systemically important institutions (O-SIIs), published in *Monitorul Oficial al României*, Part I, No. 168/25 February 2025.

¹⁷⁸ NCMO Recommendation No. 9 of 18 December 2017 on the systemic risk buffer in Romania

¹⁷⁹ At national level, the capital conservation buffer has been implemented starting with 1 January 2016, in increments of 0.625 percent per annum in 2016-2019, as follows: (i) 0.625 percent as of 1 January 2016; (ii) 1.25 percent as of 1 January 2017; (iii) 1.875 percent as of 1 January 2018; (iv) 2.5 percent as of 1 January 2019.

unanimously decided to further designate the Republic of Moldova as a material third country for the banking sector in Romania in terms of recognising and setting countercyclical buffer rates. The monitoring did not show the need to impose a countercyclical capital buffer on exposures to the Republic of Moldova. However, the NBR will continue to monitor the economic and financial developments in the Republic of Moldova for as long as the latter remains a material third country, based on the annual identification exercise.

In the meeting of June 2024, the NCMO issued Recommendation No. R/3/2024 on compliance with Guidelines EBA/GL/2023/10 amending EBA/GL/2020/14 on the specification and disclosure of systemic importance indicators, whereby the National Bank of Romania and the Financial Supervisory Authority, in their capacity as sectoral supervisory authorities, were recommended to comply with the provisions of the European Banking Authority Guidelines EBA/GL/2023/10 from the date when there are relevant institutions (G-SIs) within their jurisdiction and to ensure their enforceability against the relevant institutions. Mention should be made that, so far, no global systemically important institutions (G-SII) have been identified in the Romanian banking system, given the relatively small-sized institutions active in the domestic banking market, as compared to international banks. An entity can be classified as a G-SII where its leverage ratio exposure measure exceeds EUR 200 billion (as provided for in point 6 of EBA/GL/2020/14) on a consolidated or individual basis.

In the NCMO meeting of 16 December 2024, the NBR informed the NCMO General Board of the macroprudential measures taken by member states of the European Economic Area (EEA) in 2024, in terms of both capital buffers and borrower-based measures. Specifically, EEA member states were generally inclined to tighten those measures, with a view to strengthening the resilience of the national financial and banking systems. Moreover, during the same meeting, the NCMO General Board was informed of the possibility of using capital buffers in relation to other minimum requirements applied to credit institutions. According to results, there is currently no overlap between the three types of requirements which can affect the effectiveness of macroprudential policy (for further technical details on overlaps between the requirements of the regulatory framework, see Box 6).

Box 6. Overlaps between capital buffers and other minimum capital requirements for credit institutions

The European legislation comprises three parallel frameworks for capital requirements applicable to banks (Table A), namely (i) a risk-weighted framework focusing on banks' resilience depending on the risks taken, the instruments used including also capital buffers; (ii) a leverage ratio framework aimed at constraining the build-up of leverage, in addition to the risk-weighted framework, by taking into account the non-risk-weighted, on- and off-balance sheet exposures; and (iii) a recovery and resolution framework.

Table A
Overview of parallel frameworks
established by the European
legislation

Regulatory requirement	Purpose	Denominator of the ratio used to determine regulatory requirements	Numerator of the ratio used to determine regulatory requirements
Risk-weighted (RW) capital requirement	Prevent institutions from taking more risks to increase profitability without having an adequate level of own funds to cover risks	Total risk-weighted exposure amounts	Common Equity Tier 1 (CET1) capital, additional Tier 1 capital (AT1) and Tier 2 capital (T2)
Leverage ratio (LR) capital requirement	Limit the build-up of leverage in the expansion phase of the cycle and mitigate risks that can arise from underestimated capital requirements, determined based on internal models	Total exposures	Tier 1 capital (T1): CET1 and AT1
Minimum requirement for own funds and eligible liabilities (MREL)	Allow loss absorption in case of resolution and bank recapitalisation after the implementation of measures in the resolution plan	Total risk-weighted exposure amounts (MREL-RW) and total exposures (MREL-LR)	Own funds (CET1, AT1, T2) and eligible debt (subordinated eligible debt and other eligible debt)

Source: NBR adaptation

The overlapping requirements could stem from the same Common Equity Tier 1 (CET 1) capital elements that can be used to simultaneously cover the three types of requirements. Specifically, if requirements under the first framework are cumulative, meaning that capital buffers add to Pillar 1 and Pillar 2 requirements, there is no impediment concerning the use of CET1 capital (i.e. those funds making up capital buffers) to cover the leverage ratio (LR) requirements or the leverage-ratio-based minimum requirement for own funds and eligible liabilities (MREL-LR¹⁸⁰). The overlapping requirements are particularly relevant in the context of using/releasing capital buffers – a key element of their functioning. In practice, the effective use of buffers can be limited, given that the same CET1 funds initially allocated for buffers are also necessary for meeting other minimum requirements, such as those related to the leverage ratio or MREL. Thus, only the part of capital buffers which is not already used to cover other obligations remains available. As a result, using the same CET1 elements for multiple purposes can directly affect banks' capacity to use their capital buffers and the effectiveness of macroprudential policy, especially when other requirements impose additional constraints.

For every legislative framework, the EU regulations in force designate a competent authority or impose on Member States the obligation to designate an authority with specific tasks in that field. In this context, it is particularly important to take a coherent approach and ensure effective cooperation at intra- and interinstitutional levels between the authorities responsible for implementing the different capital requirements. In Romania, the NBR acts in its capacity as microprudential supervisory authority and resolution authority for credit institutions, while the National Committee for Macroprudential Oversight (NCMO) is the authority designated to set up capital buffers.

At national level, the analysis on this topic made in 2024 confirmed there is no overlap between capital requirements which can affect the effectiveness of capital buffers.

¹⁸⁰ MREL is determined with respect to two calculation bases, i.e. risk-weighted assets (RWA) and leverage ratio exposure (LRE).

2. Main assessments on financial stability

On the domestic front, the main risks to financial stability remained high in 2024, similarly to international developments, amid the heightened external uncertainty stemming from the escalation of the Middle East conflict and the ongoing war in Ukraine, as well as given the important election year internationally, with significant implications for the economic policies implemented by the world's leading economies. At the onset of 2025, geopolitical events continue to be a significant source of risk for financial stability, through their impact on international trade and financial market volatility. The global economic policy uncertainty index¹⁸¹, determined based on the news articles of well-known international newspapers,

currently stands at a 30-year record high, whereas the trade policy uncertainty index¹⁸² has recently reached the highest level since 1960 (Chart 4.1). Under the circumstances, the risk associated with global uncertainty amid the multiple geopolitical events was further assessed as severe and increasing in the period ahead. Domestically, the worsening of macroeconomic equilibria, in the context of widening twin deficits in 2024 and the delay in implementing reforms and absorbing EU funds, remained a significant risk factor that was further assessed as

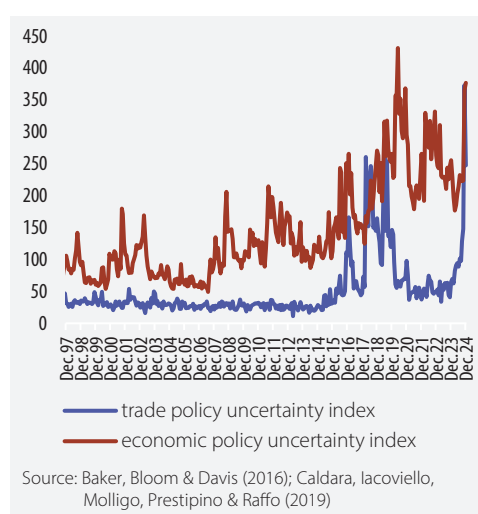


Chart 4.1

Global economic and trade policy uncertainty indices

severe, with a stable outlook. In addition, two other systemic risks, i.e. the default risk for loans to the private sector and challenges to cybersecurity and financial innovation, were seen as moderate, with a stable outlook.

The same as in the previous *Reports*, worth noting is that the impact of these risks materialising could be amplified by some pre-existing structural vulnerabilities of Romania's economy, particularly (i) the weak payment discipline in the economy and low capitalisation of a large part of non-financial corporations sector, (ii) the low financial intermediation, (iii) the demographic problem and the skilled labour shortage and (iv) climate change issues.

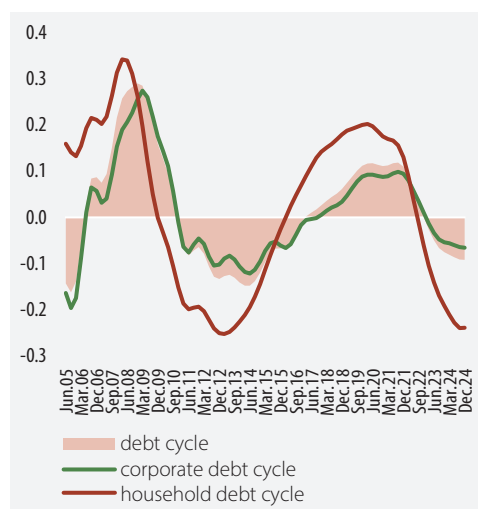
2.1. Indebtedness of non-financial corporations and households

In 2024, the debt cycle was in a downward phase at aggregate level and across the two main segments – non-financial corporations and households (Chart 4.2). Total private sector debt climbed to lei 776 billion in December 2024, after a step-up to 8.9 percent in its annual dynamics (compared to 4.5 percent in December 2023), accounting for 44 percent of GDP. Amid the increase in consumer demand and

¹⁸¹ <https://www.policyuncertainty.com/index.html>

¹⁸² https://www.policyuncertainty.com/trade_cimpr.html

Chart 4.2
Debt cycle¹⁸³



the easing of financial conditions, households' debt to financial institutions rose at a faster pace in 2024 (8.9 percent in December 2024 versus 2.4 percent in December 2023, annual terms). By contrast, the pace of increase of corporate debt slowed down marginally (7.7 percent, December 2024).

Corporate and household debt financing is mainly covered by banks (51 percent, December 2024) and, to a lower extent, by NBFIs (7 percent, December 2024). Although financial institutions' loans to companies

account for nearly 59 percent of total real sector debt, domestic loans hold 9 percent of the corporate sector's liabilities and owners' equity (data available for 2023). Moreover, non-financial corporations access financing from non-resident financial institutions to a larger extent than households. Specifically, foreign corporate loans account for approximately 88 percent of the real sector's external debt, making up 13 percent of total corporate debt. By contrast, households take loans mainly from domestic credit institutions, their external debt holding only 2.5 percent of total debt (December 2024).

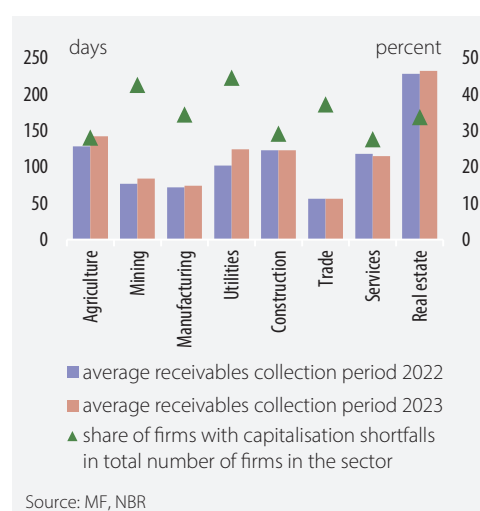
Foreign intercompany loans are a main component of debt, accounting for 44 percent of corporate debt and 31.6 percent of total real sector debt (December 2024). Their annual growth rate was faster than that of financial debt (10.5 percent versus 8.9 percent for total debt, December 2024).

Due to the narrowing of the interest rate spread between leu- and EUR-denominated loans, on the back of the monetary policy decisions adopted in the euro area and domestically, the pace of increase of foreign currency debt of non-financial corporations slowed down gradually in the course of 2024 (6.7 percent in December 2024 as against 9.6 percent in December 2023). However, the foreign currency financial debt of firms accounted for 56 percent of corporate debt and for a third of real sector debt (December 2024). By contrast, households' foreign currency-denominated loans declined further (-12 percent, December 2024, annual terms), the new loans in foreign currency holding less than 0.5 percent of the credit flow. Behind this stood the NBR's borrower-based macroprudential measures differentiated by loan currency. In the recent periods characterised by multiple uncertainties and adverse developments, these measures proved efficient in enhancing the resilience of debtors and supporting a sustainable debt level. Specifically, the median level of indebtedness at loan origination stood at 35 percent for leu-denominated loans and at 25 percent for foreign currency-denominated loans (December 2024), down by 10 percentage points as compared to the time of implementation of the cap on the level of indebtedness in January 2019.

¹⁸³ The cycle is calculated using the Christiano-Fitzgerald filter, assuming the maximum length of a cycle is 14 years.

Since the onset of the COVID-19 pandemic and the outbreak of geopolitical conflicts, the resilience of non-financial corporations has been repeatedly put to the test, the main challenges including the increases in labour costs, expenses on raw materials and consumables, as well as in funding costs, which were not matched by a proportional growth in productivity. Thus, according to the 2023 data, the financial health of firms in Romania deteriorated as compared to 2022, despite seeing an improvement versus 2021. The companies' perception on their own economic and financial standing in April-September 2024¹⁸⁴ showed a relatively unchanged situation for half of non-financial corporations in Romania, whereas 40 percent of respondents flagged a worsening.

Chart 4.3
Average receivables collection period and share of firms with capitalisation shortfalls at sectoral level



The funding model of non-financial corporations, relying largely on trade credit (31 percent of debt), was sluggish in 2023 too, posing challenges to liquidity and payment discipline of firms, with a high contagion potential, while also hindering the access to bank loans. Specifically, the receivables collection period remains well above the maximum period of 60 days established by law and above the European average (55 days), i.e. at 86 days. By sector, real estate companies, followed by agricultural firms, face the highest difficulties in

collecting receivables (232 days and 142 days respectively), Chart 4.3. Moreover, non-financial corporations' capacity to meet their interest expense payments (interest coverage ratio – ICR, calculated as the EBIT-to-interest expenses ratio) deteriorated, as a significant share of firms, i.e. approximately a third, were vulnerable to interest rate hikes (EBIT-to-interest expenses ratio below 2.5), their number being 35 percent higher than in the year before.

Firms' level of indebtedness, calculated as the debt-to-equity ratio, improved in 2023, dropping to 158 percent (-9 percentage points versus 2022). Most companies operating in the domestic economy are classified as either having a level of indebtedness below 1 (46 percent of total firms) or negative equity (31 percent). Thus, the undercapitalisation of firms remains a chronic issue and is closely linked to the financing pattern and the low level of financial education among managers. The number of firms with capital shortfalls grew by 9 percent in 2023 in annual terms to approximately 260.5 thousand, accounting for a third of total firms economy-wide. The capitalisation needs of these companies run at lei 147 billion, the equivalent of EUR 29.5 billion, an amount higher than the funds allocated to Romania under the National Recovery and Resilience Plan (NRRP), i.e. EUR 28.5 billion.

¹⁸⁴ NBR's Survey on the access to finance of the non-financial corporations in Romania, December 2024

Box 7. Characteristics and risks associated with banking sector exposures to the government sector

The interlinkage of the banking sector and the government sector has become stronger over the past years, with credit institutions' direct claims on the general government (loans and government securities) placing Romania first among the EU countries in what concerns the share of sovereign exposures in total bank assets (Chart A). In addition to direct exposures, the link between banks in Romania and the government sector also takes the form of indirect exposures, i.e. the government-backed loans to the real sector, as well as of exposures associated with the capacity of main shareholder in the case of two credit institutions.

Although government guarantee schemes may help improve financial intermediation, state intervention in the credit market may enhance risks to financial stability via several channels, such as: (i) overheating certain markets (e.g. real estate market) and over-stimulating demand for certain groups of goods (e.g. dwellings, motor vehicles), (ii) strengthening the link between the banking sector and the government sector, (iii) mitigating the effect of borrower-based macroprudential measures and, last but not least, (iv) widening the budget deficit.

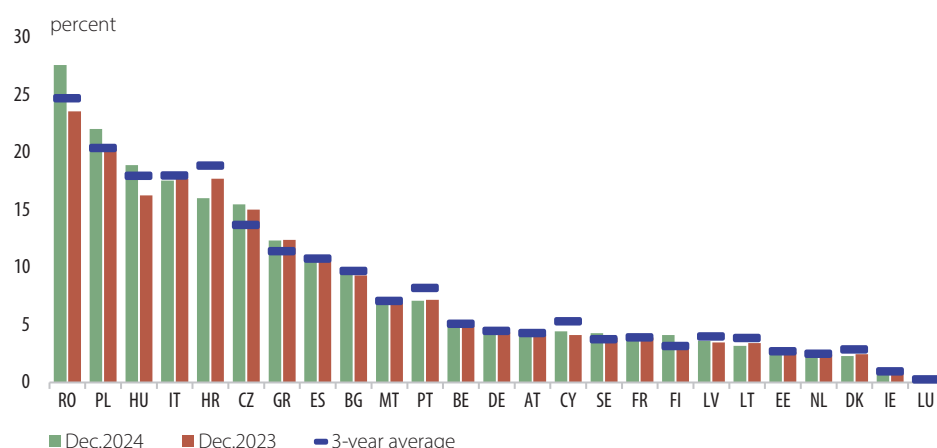


Chart A

The share of claims on the government sector (loans and securities) in total bank assets

Source: ECB, ESRB

Government-backed loans to non-financial corporations have witnessed an exponential rise starting with 2020 H2, amid the implementation and, subsequently, the extension of government support programmes for firms in the context of the COVID-19 pandemic. As a result of these funding programmes, the stock of government-guaranteed loans in December 2024 (lei 35.8 billion) was more than 10 times higher than that recorded in June 2020. These programmes played a major part in supporting bank lending since their implementation, but they have caused several vulnerabilities to financial stability. A potential risk of government-backed exposures stems from their concentration at the level of credit institutions, with six banks granting approximately 80 percent of total loans with guarantees via the National Credit Guarantee Fund for SMEs (guarantees provided by the state as well as by the Fund on own account). Moreover, the credit

risk associated with these exposures increased significantly during 2024, from less than 3 percent at the beginning of the year to approximately 5 percent in December 2024, exceeding the average NPL ratio of the non-financial corporations sector. Firms with outstanding government-guaranteed loans have a higher level of indebtedness as compared to other firms with loans, most of them being small- and medium-sized enterprises, a category that is more vulnerable to unfavourable economic conditions.

As for households, “First Home”/“New Home” loans are the most important category of government-guaranteed loans in terms of volume and programme duration. Over the past years, the volume of new “First Home”/“New Home” loans fell sharply, their value dropping in 2022 to half of that recorded in 2018 (lei 2 billion versus lei 4.2 billion, according to the National Credit Guarantee Fund for SMEs), while in 2023, their value fell to less than a quarter of that posted in 2018 (lei 572 million). On the one hand, these developments occurred amid the stepwise decrease in the guarantee ceiling and hence the gradually lower government intervention, from approximately lei 2.5 billion in 2017 to lei 1 billion in 2024. On the other hand, the housing loan market saw a significant expansion, due to the reversal of the gap between the costs of the two categories of products and the households’ need to have access to higher amounts as a result of increases in residential property prices and incomes, as well as of the enhanced housing affordability based on standard housing loans.

Households continued to strengthen their wealth and resilience¹⁸⁵ to shocks, amid the increase in financial assets (+9.4 percent in 2024 Q4, annual terms) and the decline in debt service-to-income ratio (Chart 4.4). The borrower-based macroprudential measures implemented by the NBR were essential in this vein, the sector’s aggregate level of indebtedness (debt service-to-gross disposable income ratio) being three times lower than that recorded after the 2007-2008 financial crisis (3.9 percent in December 2024 versus 11.4 percent in December 2009).

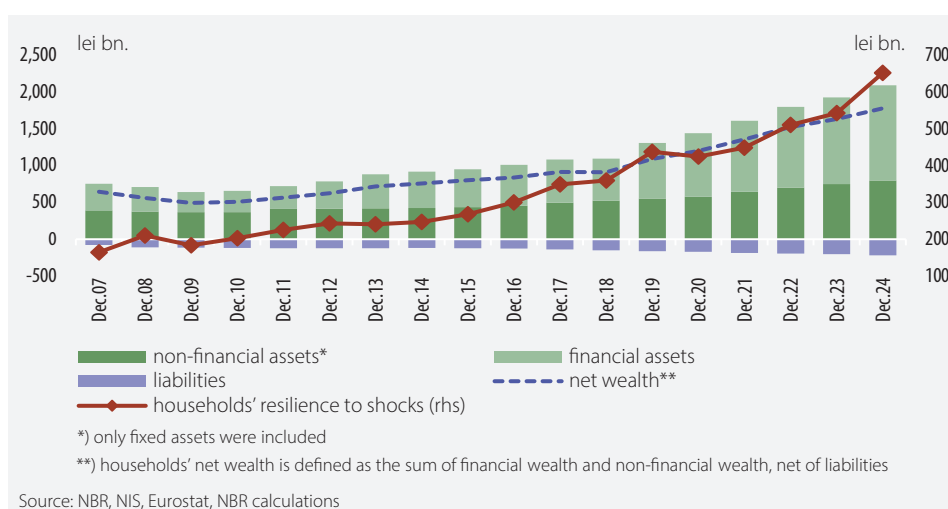


Chart 4.4
Households' net wealth

¹⁸⁵ Resilience is defined as the value of households' disposable income remaining after covering debt service and subsistence expenses. According to the OECD, subsistence expenses are defined as 50 percent of the median income.

Household saving in the form of deposits rose to lei 380 billion in December 2024 (annual dynamics of 12.4 percent), of which time deposits hold a prevailing share of 53 percent. However, households' investment portfolio has diversified in recent years, due to a growing interest in debt securities, fostered by the attractive yields on government security issues under the "Fidelis" and "Tezaur" programmes. Moreover, given the faster ageing of the population and the rising pressure on the public pension system, households have shown an increasing preference for private pensions as a saving alternative, with an annual growth of 19 percent in 2024 Q4. In this context, households continued to maintain their net creditor position vis-à-vis the banking sector, the loan-to-deposit ratio decreasing significantly in the post-pandemic period, from 64 percent in December 2019 to 50 percent in December 2024. This was ascribable to the quicker increase in deposits than bank loans (12.4 percent for deposits versus 9.2 percent for loans in December 2024 year on year), due *inter alia* to interest rates stabilising at higher levels.

At aggregate level, the debt servicing capacity of the real sector has remained adequate, albeit posting mixed developments in 2024. On the one hand, households' capacity to service debt improved towards end-2024, the non-performing loan ratio going below 3 percent in December 2024, from approximately 3.2 percent a year earlier. On the other hand, the quality of loans to non-financial corporations worsened slightly, the NPL ratio standing at 4.1 percent in December 2024, from 3.7 percent in the same year-ago period. Behind this stood chiefly the rise in the NPL ratio for government-guaranteed loans (from 2.5 percent in December 2023 to 4.9 percent in December 2024), although more than half of these loans were not past due, being classified as non-performing loans based on the unlikeness to pay criterion. In this context, the risks associated with the excessive interconnection between the central government and the banking sector (bank-sovereign nexus) need to be closely monitored (Box 7). Furthermore, credit risk is higher for certain loan segments, namely for loans to SMEs (NPL ratio of 4.8 percent versus 2.7 percent for large companies, December 2024), exposures to the commercial real estate market (NPL ratio of 4.8 percent against 4.1 percent for non-financial corporations at aggregate level) and consumer loans to households (NPL ratio of 5 percent compared with 1.6 percent for housing loans, December 2024).

The prospects for the materialisation of private sector credit risk largely depend on the macroeconomic context marked by high uncertainty amid the heightened global geopolitical tensions. Specifically, the default rate one year ahead is forecasted to pick up further on both corporate loans (from 3.2 percent in December 2024 to 5.3 percent in December 2025) and the two main segments of household loans (from 0.22 percent in December 2024 to 0.25 percent in December 2025 for housing loans and from 2.9 percent to 3.1 percent for consumer credit in the same period).

In 2024, the real estate market witnessed a revival on both residential and commercial segments. In the residential real estate market, the supply of properties available for sale declined amid the sustained growth of construction costs, whereas demand for residential property remained robust, on the back of higher wage income. Thus, residential property prices continued to grow, but at a slower pace than in 2024 H1 (4 percent in 2024 Q4 versus 6.8 percent in 2024 Q2, in annual terms).

However, Romania records one of the lowest positive annual dynamics at European level, standing well below its regional peers (18.3 percent in Bulgaria, 10.4 percent in Poland, 13 percent in Hungary and 8.4 percent in Czechia). The banking sector's exposure to the residential real estate market remained significant (lei 116.1 billion, 63 percent of total bank loans to households, December 2024), while the quality of housing loans portfolio was adequate (NPL ratio of 1.6 percent, December 2024). The borrower-based macroprudential measures implemented by the National Bank of Romania have played an essential role in this respect, regulating the loan-to-value ratio for exposures secured by residential property, depending on the number of properties held by the borrower and the currency of the loan.

Commercial real estate market developments were favourable too, the investment volume reaching EUR 733 million in 2024, which is 47 percent higher than the total volume traded in 2023¹⁸⁶. The main capital-generating segment (40 percent of investment volume) was that of industrial and logistic spaces, the advantages associated with the still lower land prices and labour costs at regional level, as well as the infrastructure works and the Schengen accession further attracting numerous investments in Romania's industrial and logistics market. According to the latest assessments of the vulnerabilities related to the commercial real estate sector in Romania, risks remain manageable and on an improving trend, given the favourable developments in 2024. Romania was assessed as fully compliant with Recommendation A of ESRB recommendation on vulnerabilities in the commercial real estate sector in the European Economic Area¹⁸⁷, the monitoring of systemic risks stemming from the CRE market being considered adequate and continuously improving¹⁸⁸.

2.2. Banking sector

The Romanian banking sector maintained an adequate financial and prudential position in 2024. However, banks are recommended to take a prudent stance in the following period, amid the further complex macro-financial environment defined by the need to address domestic economic imbalances and the high global uncertainty. The associated challenges can contribute to the heightening of credit risk, interest rate risk and cyber risk.

Structural balance sheet developments supported banks' profit-making capacity, helping consolidate liquidity and solvency positions. The assets¹⁸⁹ of the Romanian banking sector (gross value) rose by 7.4 percent in 2024 (to lei 915.6 billion, December 2024, Chart 4.5). Credit institutions with majority domestic capital hold an increasing proportion of the market share of assets (37.5 percent of total gross assets, December 2024), due *inter alia* to the mergers and acquisitions carried out in recent years.

¹⁸⁶ CBRE, Romania Real Estate Investment Volumes Q4 2024

¹⁸⁷ <https://www.esrb.europa.eu/pub/pdf/recommendations/esrb.recommendation221201.cre~65c7b70017.en.pdf>

¹⁸⁸ Summary Compliance Report for Recommendations ESRB/2022/9 and ESRB/2016/14

¹⁸⁹ According to monetary statistics data, gross assets of the banking sector were used.

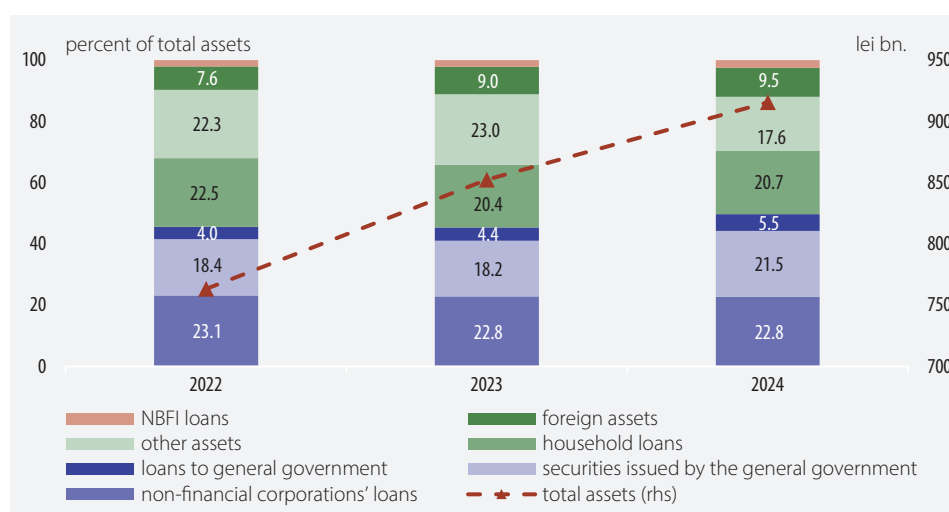


Chart 4.5
Breakdown of bank assets

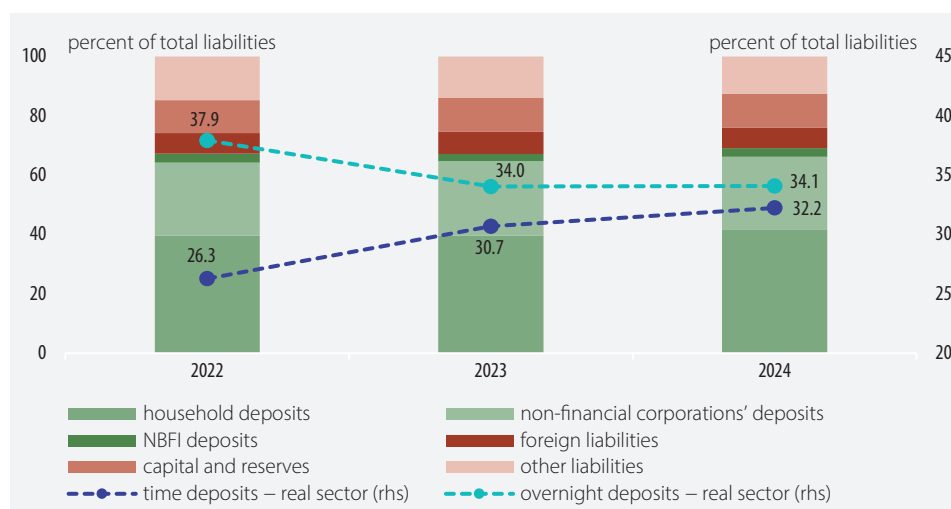
Loans to the private sector accounted for 46 percent of banks' on-balance sheet assets (Chart 4.5). Their annual dynamics (8.8 percent) were significantly lower than those of government security holdings (26.7 percent), showing a strengthening of the sovereign-bank nexus. The currency composition shows that the largest part of private sector credit is denominated in lei (70 percent), with household loans in domestic currency holding a higher share of the corresponding stock (90.8 percent). Loans to non-financial corporations and non-monetary financial institutions accounted for 25.3 percent of assets, posting an annual growth rate of 8.6 percent in 2024, relatively similar to that of household loans (9.2 percent, December 2024). The share of foreign assets in total assets expanded to 9.5 percent.

The changes in the composition of assets show an increased preference for exposures to the central government (27 percent of total assets, December 2024), particularly for debt securities issued by the Romanian government (21.5 percent of assets, Chart 4.5). In 2024, government securities (lei 196.9 billion) were the main driver of the growth in bank assets, while loans to the general government expanded as well (annual dynamics of 34.5 percent to lei 50.1 billion). Although government security holdings have favourable effects on liquidity indicators, they amplify a recurrent vulnerability of the Romanian banking sector, namely that related to the deepening of the sovereign-bank nexus. More than a fifth (21.1 percent) of the government securities held by banks are denominated in foreign currency, due *inter alia* to the favourable prudential treatment stipulated in the transitory provisions of Regulation (EU) 2024/1623. The interconnection of banks with the government sector is also shown by the guarantees provided under different government programmes aimed at fostering lending to certain real sector segments (4.8 percent of assets, December 2024; see Box 7 for further details), as well as by the increase in the market share of banks with majority state-owned capital (14.2 percent).

The composition of bank liabilities shows the prevalence of deposits (80.8 percent, December 2024), 82 percent of them being deposits held by the domestic real sector. The share of real sector deposits in total liabilities was 66 percent (Chart 4.6). Overnight deposits held a prevailing share in total real sector deposits, i.e. 51.4 percent. The stock of overnight deposits increased in the course of 2024, favouring the decline

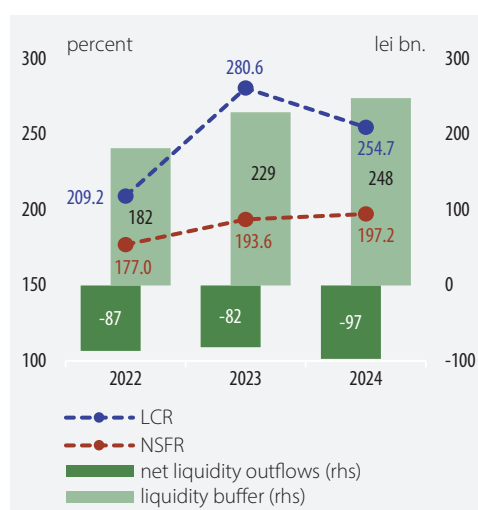
in the average funding cost and, implicitly, supporting profitability, but the annual dynamics were lower than those of households' time deposits (7.4 percent versus 12.8 percent). The average funding cost of leu-denominated time deposits of the real sector – the main component of the real sector's time deposits – dropped to 5.1 percent (December 2024) versus 6.1 percent (December 2023), remaining however significantly higher than that of overnight deposits (interest rate of 0.73 percent in 2024).

Chart 4.6
Breakdown of bank liabilities



As compared to end-2023, household saving followed an upward trend, the stock of household deposits with banks rising by 12.4 percent. The share of household deposits in total liabilities stood at 41.5 percent (Chart 4.6). Deposits of non-financial corporations increased as well, amounting to lei 226.7 billion (December 2024), while those of non-monetary financial institutions went up, but remained at low levels.

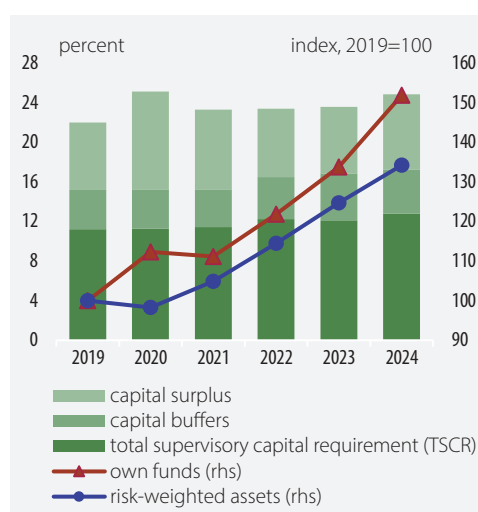
Chart 4.7
Evolution of the main
liquidity indicators



In light of these favourable structural developments, the liquidity position of the Romanian banking sector remained adequate in 2024, with liquidity indicators standing comfortably above the minimum requirements and the European averages. The LCR was 254.7 percent in December 2024 against 163.4 percent in the EU. The decrease in the aggregate LCR (from 280.6 percent in December 2023, Chart 4.7) was ascribed to the stronger advance in net liquidity outflows (19.1 percent), as compared to the growth rate of the liquidity buffer, the numerator considered in relation to the indicator (8.1 percent).

The net stable funding ratio (NSFR) improved marginally during 2024, i.e. to 197.2 percent, faring better than the EU average of 127.1 percent (December 2024).

Chart 4.8
Total capital ratio
and its determinants



The adequate solvency indicators show the resilience of the banking sector in Romania. Total capital ratio increased further in 2024 as compared to the year before (24.9 percent, December 2024, Chart 4.8), standing above the EU average of 20.2 percent. The upward dynamics of total capital ratio in the post-pandemic period were ascribed to the persistent rise in own funds, against the background of adequate profitability, at a swifter pace than that of risk-weighted assets (Chart 4.8). Due to the stronger link with the government sector, the overall risk ratio

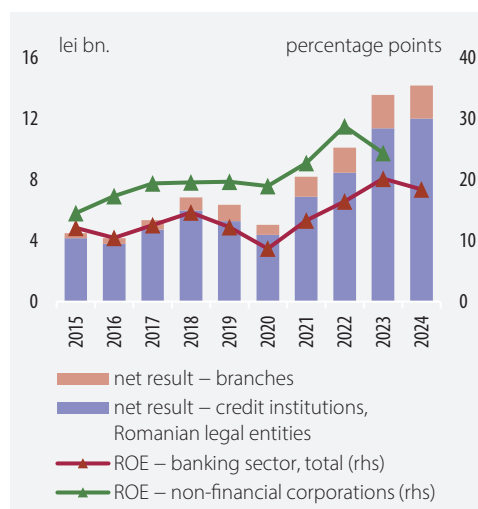
declined to 27.4 percent in 2024 versus 37.5 percent in 2019, having positive effects on capital requirements. The macro- and microprudential policies supported the conservative approach to dividend distribution, credit institutions recording an average annual profit retention rate of 59 percent over the past decade, which resulted in the strengthening of own funds. The overall capital requirements (OCR) have increased steadily since 2019, underpinned by both micro- and macroprudential policies reflected in the combined buffer rate. The capital surplus above the overall capital requirements (OCR ratio of 17.3 percent, December 2024) provides the banking sector with resources to enhance financial intermediation and absorb the effects of potential macroeconomic shocks.

The breakdown shows that the risk-weighted assets come largely from capital requirements for credit risk, while those for operational risk (including also the exposure to cyber risk) have not increased significantly in recent years. Nevertheless, digital banking and the current geopolitical situation can enhance the impact of cyber risk from a broader systemic perspective (Box 8). The treatment of risks will be influenced by the adoption of Directive (EU) 2024/1619 and Regulation (EU) 2024/1623 implementing the Basel III framework in the EU. These pieces of legislation introduce, among others, more granular requirements for credit risk under the standardised approach, adjustments of internal models for credit risk with limitations in relation to the standardised approach, and they change the treatment of market risk once with the implementation of the “Fundamental review of the trading book” or that of operational risk (by using a revised standardised model). They also set forth several transitory measures aimed at facilitating the gradual transition of credit institutions to stricter capital requirements provided for by the regulation.

The 2024 solvency stress test of credit institutions showed the resilience of the Romanian banking sector, supported by a robust operational capacity and an initial sound position, especially among large banks. A number of small-sized banks with low operational efficiency could record deficits by the end of the forecast horizon should the tested scenarios materialise. At aggregate level, the total capital ratio would gradually increase to 28.2 percent in 2026, according to the baseline scenario (assuming non-dividend distribution). In the adverse scenario, the solvency ratio

could decrease to 20.2 percent in 2026, as a result of the fall in operating income and the losses from the increased manifestation of credit risk. The potential materialisation of macroeconomic scenarios would entail the deterioration of asset quality, the NPL ratio for loans to the real sector rising in both the baseline and adverse scenarios.

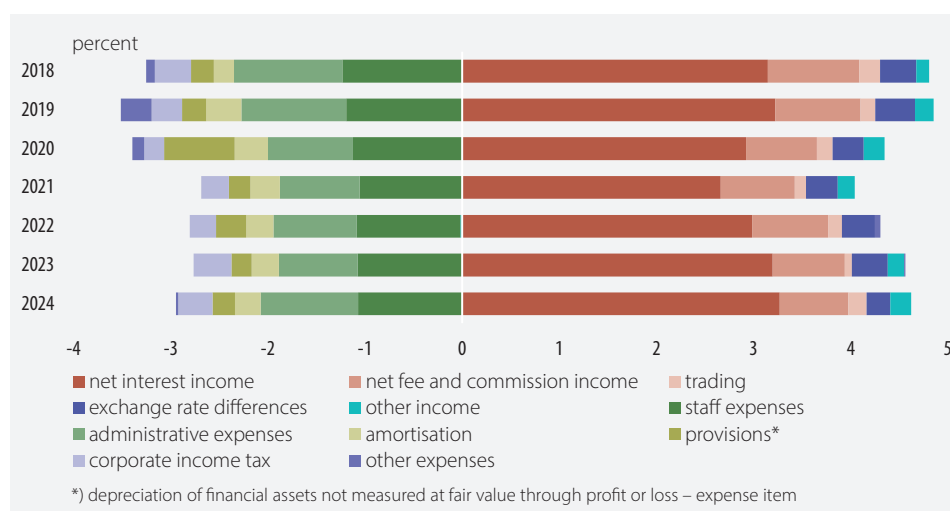
Chart 4.9
Profitability of banks
and non-financial corporations



Banks' profit-making capacity consolidated in 2024, especially in the case of credit institutions, Romanian legal entities, while the aggregate net profit rose to lei 14.2 billion. Profitability ensures resources for increasing own funds and strengthening the financial and prudential indicators of banks. There are also banks that recorded losses in 2024, their market share accounting for merely 0.26 percent of assets. In 2024, bank profitability indicators decreased slightly (ROE: 18.4 percent, Chart 4.9, ROA: 1.7 percent). The return on equity

of the banking sector further exceeded the EU average (10.5 percent, December 2024), but stood persistently and significantly below the historical averages of non-financial corporations (24.3 percent in 2023). Operational efficiency deteriorated in the course of 2024 (50.8 percent), returning to the EBA-defined medium-risk bucket. The tax on banks' turnover (approximately lei 1.29 billion in 2024) contributed to the increase in operating expenses and negatively impacted the efficiency indicators.

Chart 4.10
Income and expense items
in average assets of the
banking sector



The determinants of profitability show, on the income side, an increase in the prevailing contribution of net interest income (3.3 percent, relative to banks' average assets, the largest share recorded in recent years, Chart 4.10). The second largest component of operating income, i.e. net fee and commission income, grew by 6 percent in nominal terms in 2024, accounting for 0.7 percent of assets. In the case of operating expenses, staff costs remained unchanged relative to average assets

(1.1 percent in the past three years, Chart 4.10), making up 46 percent of total operating expenses. Thus, wage increases maintained staff costs at a steady level, despite the staff cuts made by banks on a continuous basis over the past decade. The increase in efficiency seen in the post-pandemic period abated in 2024, the administrative expenses going up by 38 percent in annual terms, due *inter alia* to the implementation of the turnover tax. IT expenses, which surged amid the step-up in digitalisation efforts, were another component contributing to the rise in administrative expenses. In recent years, a determinant of the positive profitability dynamics has been the low impairment loss on financial assets (0.23 percent of assets, December 2024).

Asset quality indicators consolidate the financial and prudential position of the Romanian banking sector. They stand in the EBA-defined low-risk bucket (Chart 4.11) at aggregate level and for the groups of large banks and banks with a market share

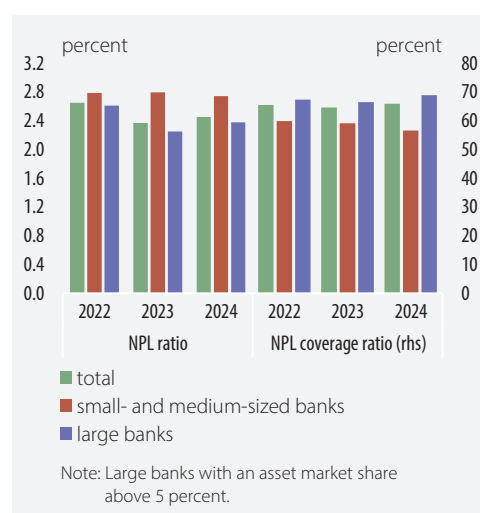


Chart 4.11
Asset quality by bank size

below 5 percent. The NPL ratio (2.5 percent, December 2024) rose marginally from a year ago, while the NPL coverage ratio remained at an adequate average level (66.0 percent, December 2024) and more prudent in comparison to the European average (41.2 percent, December 2024). The restructured loans ratio went down as well to a low risk level (1.4 percent, December 2024).

The variability of the NPL ratio among banks was lower in 2024. There is a persistent discrepancy between large banks and other banks in terms of asset

quality. Large banks have a lower NPL ratio (2.4 percent) and a higher NPL coverage ratio (69 percent) as compared to other banks.

Box 8. Impact of cyber risk on the banking sector

The intensive digitalisation of European banking sectors, as shown by the use of advanced technologies and digital infrastructures, and the implications of current geopolitical tensions increased the relevance of cyber risk.

According to the European Union Agency for Cybersecurity (ENISA), the European financial sector was targeted by approximately one third of the cyber incidents of significant impact reported from 2020 to 2024 under Directive (EU) 2022/2555 on measures for a high common level of cybersecurity across the Union. These incidents are compounded by many other less relevant cyberattacks. An ENISA report¹⁹⁰ based on both public and internal sources, showed that, from

¹⁹⁰ ENISA threat landscape: finance sector January 2023 to June 2024

January 2023 to June 2024, European banks were affected by 46 percent of the cyber incidents targeting the finance sector. EBA's Risk Assessment Questionnaire¹⁹¹ also points to an increasing number of cyber incidents on financial institutions in 2024 H1 as against 2023. More than half of the surveyed banks reported that they had been the victim of at least one cyberattack in the first half of 2024.

From a prudential perspective, cyber risk is treated as a part of operational risk; however, it may amplify other risks too, potentially leading to systemic implications. In this context, the European regulatory authorities approached cyber risk through several initiatives meant to mitigate risks. On the one hand, the Digital Operational Resilience Act – DORA (Directive (EU) 2022/2556 and Regulation (EU) 2022/2554) has become effective since January 2025, aiming to enhance digital operational resilience. According to DORA, financial entities, including banks, investment firms, crypto-asset service providers, shall manage ICT risk, report major ICT-related incidents and improve ICT third-party risk monitoring, with the general purpose of enhancing the resilience of these entities in case of operational disruptions. On the other hand, the ESRB assessed from a macroprudential perspective the key characteristics of potentially systemic cyber incidents and identified financial policy instruments, as well as operational tools that could be used by European countries to respond to cyber incidents. In this vein, it issued Recommendation ESRB/2021/17 on a pan-European systemic cyber incident coordination framework for relevant authorities.

At European level, the cyber risk assessment framework implies the monitoring of prevention measures and cyber risk materialisation. A number of central banks developed and extended this framework based on cyber risk stress tests from a micro- or macroprudential perspective. Authorities such as the Bank of England, the Danish Financial Supervisory Authority (DFSA), the European Central Bank (ECB) or Banco de Portugal have conducted such stress tests over the past years, while the NBR started to carry out this exercise as of 2024. The systemic nature, contagion channels and the modelling of cyber risk interconnectedness are challenges for many European authorities, in their attempt to develop sound cyber resilience testing techniques.

In Romania, the NBR has assessed the cyber risk that could affect the smooth functioning of the banking sector from multiple perspectives. The central bank takes into account the implementation of EU legislation in this field, as well as the development of a framework for cyber risk monitoring, analysis and response, *inter alia* together with other relevant entities for interconnectedness of cyber risk materialisation. So far, cyberattacks have not caused major disruptions in the banking services provided to customers, nor have they impaired the quality of such services in the case of banks in Romania. However, they may create economic instability (due to the contagion effects to real and public sectors), as a result of the financial and reputational losses that could be incurred by the affected banks. These losses may affect confidence in the banking sector, which can lead to bank runs. Hence, relevant authorities are recommended to monitor cyber risk.

¹⁹¹ Operational risks and resilience | European Banking Authority

Moreover, it is necessary to implement measures for the prevention and detection of such incidents at the level of banks and financial infrastructure, as well as response and recovery strategies in the aftermath of attacks.

In order to assess financial stability implications generated by banking sector digitalisation and cyber risk, the NBR conducted at end-2023 a survey addressed to all credit institutions in Romania. According to the input provided by the 27 respondents (out of the total 34 banks), the most frequent incidents on banks in the recent period were those classified as Distributed Denial of Service (DDoS), i.e. a fraudulent attempt to exhaust or block computer resources, which did not have a significant impact on those institutions or their customers. 16 respondent banks (with a cumulative market share of 40 percent) were not targeted by cyberattacks in 2023. Out of the remaining 11 banks that were targeted by cyberattacks, only two (cumulative market share of 22 percent) managed to counter these attacks and incur zero losses, while nine of them were affected by these incidents. The additional measures taken by credit institutions to assess cyber resilience include various tabletop exercises¹⁹², tests of effective DDoS protection, phishing simulations, network security testing, Ransomware Readiness Evaluation¹⁹³ exercises.

An additional step to developing the assessment framework was made in 2024, when the NBR conducted a cyber stress test of the banking sector. The scenarios were compiled in cooperation with the relevant national authorities, the questionnaire submitted to most banks in Romania including selected elements from the ECB's cyber resilience stress test. From a microprudential perspective, the exercise was conducted to raise awareness, the results being also used as additional input in the supervision of credit institutions. From a macroprudential perspective, the exercise focused on capturing the effects on banking sector stability in the event of cyberattacks materialising, which could lead to withdrawals of real sector deposits. The stress test enabled the improvement in the stress testing of banking sector liquidity and the identification of response policies should extreme cyber risk scenarios materialise. In order to prevent the occurrence of cyber risk, it is necessary to stimulate prevention, by increasing credit institutions' readiness and raising general public awareness on the risks posed by the widespread use of digital fraud methods, such as access to personal information via cloned websites that mimic legitimate financial institutions, provision of personal data to unauthorised persons or the provision of so-called "urgent" information at the request of credit institutions facing cyberattacks.

¹⁹² Simulations of cyberattacks in a controlled environment, without a direct effect on real systems. Participants discuss and analyse cybersecurity scenarios, identify vulnerabilities and formulate response strategies.

¹⁹³ Simulations of ransomware attacks, whereby a malware blocks users' access to devices and data (through file encryption).

2.3. Non-bank financial sector

The role of non-bank financial institutions in lending to the real sector has grown over the past years, NBFI loans posting double-digit growth rates in the post-pandemic period (13.6 percent in 2024, 14.2 percent in 2023 and 15.2 percent in 2022). NBFI loans to non-financial corporations take a significant share (78 percent, December 2024), but they carry foreign exchange risk, as most of them are denominated in foreign currency (84 percent of NBFI loans to firms and 66 percent of total NBFI loans to companies and households, December 2024). By contrast, NBFI loans to households are mostly denominated in domestic currency (90 percent, December 2024). These are almost entirely consumer loans.

NBFI loans pose a higher credit risk, the difference in the asset quality of NBFIs versus banks being visible at aggregate level and across the main credit segments. Specifically, the quality of NBFI loans to households is lower than that of bank loans to households (NPL ratio of 7.9 percent versus 1.4 percent, according to the definition of loans more than 90 days past due, December 2024). As for consumer loans, the NPL ratio is 5 percentage points higher (7.9 percent versus 3 percent in the case of consumer loans from banks, December 2024).

NBFI loans to non-financial corporations fared better than NBFI loans to households (with an NPL ratio of 2.7 percent against 7.9 percent), but worse than the same category of bank credit (2.7 percent versus 1.9 percent, December 2024, according to the definition of loans more than 90 days past due). NBFI loans to firms are mostly directed towards services and trade (55 percent), ahead of agriculture (17 percent) and construction (14 percent). Leases prevail among these loans, regardless of the field of activity. By business sector, the highest NPL ratios are linked to firms in agriculture (3.9 percent, December 2024) and construction (3.5 percent).

2.4. Financial markets

Investor sentiment on global financial markets remained relatively upbeat overall in the course of 2024, despite the macroeconomic and geopolitical environment riddled with persistent uncertainties, amid a momentous election year worldwide as well. Specifically, while the risk of a sudden adjustment of the risk premium in international financial markets was further high throughout 2024, riskier assets reported increases on the whole, despite episodes of more pronounced volatility¹⁹⁴, which had a limited impact on the financial system. Capital markets ended the year in positive territory, in both the US and Europe, as well as at regional and local level, with the BET index gaining 8.8 percent at end-2024 versus end-2023. Developments in early 2025 were marked by elevated volatility, amid uncertainties generated by global trade policies, driven by the new US administration, with significant adjustments in all capital markets at the beginning of April 2025.

¹⁹⁴ In this vein, noteworthy is the high volatility in early August, particularly in the equity markets in Japan and the US, but also in foreign exchange and bond markets, given the significant unwinding of carry trades with the Japanese yen as funding currency – for a more in-depth discussion, see, for example, “The market turbulence and carry trade unwind of August 2024”, *BIS Bulletin*, No. 90.

Similarly to the developments on the international scene, yields on long-term government bonds in the secondary market witnessed episodic swings in the first part of 2024, under the impact of both global factors, amid successive revisions of investor expectations on the outlook for the monetary policy stance of major central banks, and domestic factors, as a result of the uncertainties surrounding the fiscal consolidation, also in an electoral context. Starting in November, long-term yields embarked on a sharply upward, albeit strongly fluctuating path, amid the high volatility of the global risk appetite in that period and the heightened uncertainty generated by the electoral events in Romania, fuelling investor fears about the fiscal position and the external position of the economy (also reflected in the cost of credit risk protection related to government securities¹⁹⁵). An additional relevant factor from this perspective was the decision taken by Fitch in December to revise the outlook on Romania's sovereign rating (BBB-) from "stable" to "negative".

The foreign exchange market did not experience major fluctuations, the local currency remaining one of the most stable in the region. Vis-à-vis the euro, the leu stayed within the 4.96-4.98 range throughout 2024. The US dollar strengthened by 4.2 percent against the leu in December 2024 compared to December 2023 (monthly averages).

3. Instruments supportive of prudential supervision and financial stability

3.1. Central Credit Register (CCR)¹⁹⁶

In 2024, the banking and financial sector continued to increase its exposures to households and companies, the lending activity of the credit institutions and of the non-bank financial institutions enlisted in the Special Register, which report credit risk information to the CCR, posting positive dynamics. Specifically, the number of borrowers, the number of loans and commitments, and the amounts due rose by 9.8 percent, 9.5 percent and 11.5 percent respectively, in year-on-year comparison.

Looking at the relevant indicators, the activity of credit institutions showed their prevailing importance, whereas the NBFIs accounted for relatively small shares in the total credit risk data reported to the CCR, i.e. 12.1 percent of total borrowers, 12.2 percent of the number of loans and commitments, 8.4 percent of total amounts due and 7.7 percent of total overdue amounts.

¹⁹⁵ Referring to the CDS on government bonds, which in Romania grew by almost 25 basis points from the beginning of November to the end of the year, while in the other countries in the region they remained relatively stable during the same period.

¹⁹⁶ The CCR conducts its activity in compliance with NBR Regulation No. 2/2012 on the organisation and functioning of the Central Credit Register operated by the National Bank of Romania, recast. The reporting institutions to the CCR are credit institutions, non-bank financial institutions enlisted in the Special Register opened at the NBR, electronic money institutions and payment institutions granting payment services-related loans. The information about a borrower, natural entity or non-bank legal entity, is reported to the CCR when the value of loans granted and commitments assumed by the reporting institution on behalf of the borrower is of at least lei 20,000.

The main indicators calculated and monitored by the CCR based on the information reported by credit institutions and NBFIs are presented in Tables 4.1-4.3 and in Chart 4.12.

Table 4.1
Main indicators used
by the CCR – credit institutions

	31 December 2023	31 December 2024	percentage change Dec. 2024/Dec. 2023
Number of credit institutions	32	32	0.0
Number of borrowers (thou.), of which:	1,713	1,871	9.2
Individuals	1,585	1,741	9.8
Legal entities	128	131	2.3
Share of borrowers (individuals) in total borrowers	92.5	93.1	0.6
Number of borrowers with overdue loans (thou.)	206	205	-0.5
Number of loans and commitments (thou.)	3,104	3,386	9.1
Number of overdue loans (thou.)	297	300	1.0
Total amounts due (lei mill.), of which:	525,247	584,812	11.3
Individuals	168,148	185,989	10.6
Legal entities	357,100	398,823	11.7
Share of amounts due by individuals in total amounts due	32.0	31.8	-0.6
Overdue amounts (lei mill.)	16,146	17,542	8.6

Source: CCR

Table 4.2
Main indicators used by the CCR
– non-bank financial institutions
and payment institutions

	31 December 2023	31 December 2024	percentage change Dec. 2024/Dec. 2023
Number of non-bank financial institutions enlisted in the Special Register	79	76	-3.8
Number of borrowers (thou.), of which:	218	248	13.8
Individuals	101	114	12.9
Legal entities	117	134	14.5
Share of borrowers (individuals) in total borrowers	46.3	46.0	-0.6
Number of borrowers with overdue loans (thou.)	26	29	11.5
Number of loans and commitments (thou.)	418	469	12.2
Number of overdue loans (thou.)	47	52	10.6
Total amounts due (lei mill.), of which:	47,427	53,477	12.8
Individuals	4,970	6,052	21.8
Legal entities	42,458	47,425	11.7
Share of amounts due by individuals in total amounts due	10.5	11.3	7.6
Overdue amounts (lei mill.)	1,190	1,458	22.5

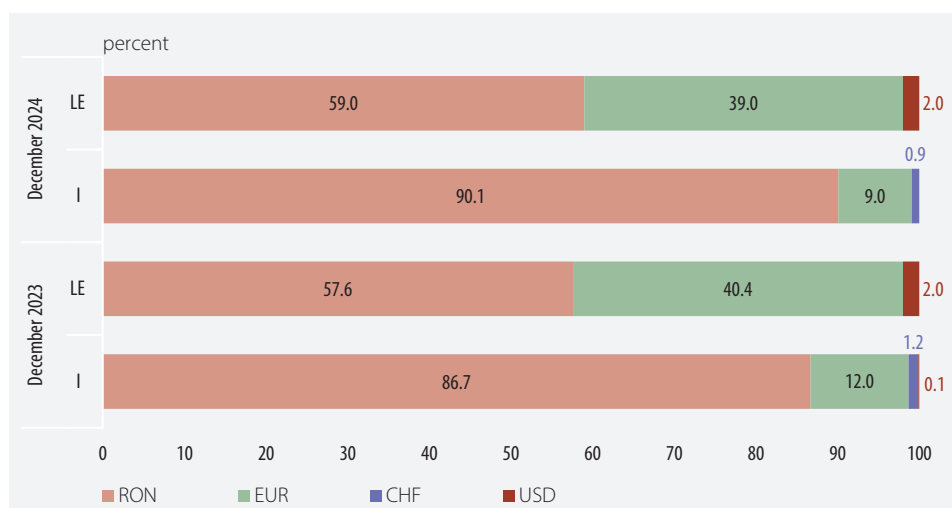
Source: CCR

Table 4.3
Other information
on the CCR activity

	31 December 2023	31 December 2024	percentage change Dec. 2024/Dec. 2023
Number of groups of clients*	1,317,070	1,376,427	4.5
Total number of queries (mill.)	2.2	2.1	-4.5
Share of queries made by reporting institutions for potential borrowers	51.5	57.2	11.1
Number of petitioners who requested information on the data reported about themselves to the CCR	524	549	4.8

*) when setting the scope of the group, the reporting institutions take into consideration the following: a) the criteria laid down in the legislation in force to include individuals/legal entities in a group of connected clients (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012); b) the reporting institution should have exposures to at least one entity in the group

Chart 4.12
Breakdown by currency
of bank loans to individuals (I)
and legal entities (LE)



3.2. Payment Incidents Register (PIR)¹⁹⁷

For 2024, the analysis of the information in the PIR database shows increases in the numbers of payment incidents and account holders who generated payment incidents, as well as in rejected amounts. The main indicators calculated and monitored based on the information reported by credit institutions to the PIR are presented in Table 4.4 and Chart 4.13.

Table 4.4
Main indicators used by the PIR

	2023	2024	annual change (%) 2024/2023
Number of account holders reported with payment incidents	9,630	10,715	11.3
Number of payment incidents	33,761	38,797	14.9
Average number of payment incidents perpetrated by one account holder	3.5	3.6	2.9

¹⁹⁷ The Payment Incidents Register (PIR) conducts its activity in compliance with NBR Regulation No. 7/2023 on the organisation and functioning of the Payment Incidents Register operated by the National Bank of Romania, as amended via NBR Regulation No. 3/2024, and manages the information specific to payment incidents related to cheques, bills of exchange and promissory notes. Credit institutions and the Romanian branches of foreign credit institutions are the reporting institutions to the PIR.

– continued –

	2023	2024	annual change (%) 2024/2023
Number of account holders with suspended cheque-writing privileges	190	225	18.4
Number of individuals who caused payment incidents	57	75	31.6
Rejected amount (lei mill.)	2,134.7	2,719.8	27.4
Average rejected amount (lei thou.)	63	70	11.1
Number of queries in the PIR database (mill.)	13.7	14.3	4.3
Number of petitioners who requested information on the data reported about themselves to the PIR	33	37	12.1

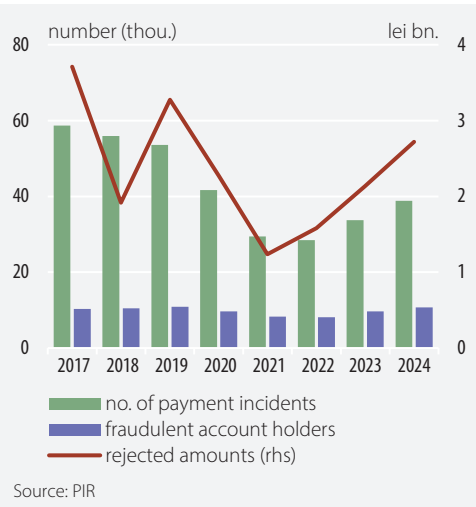
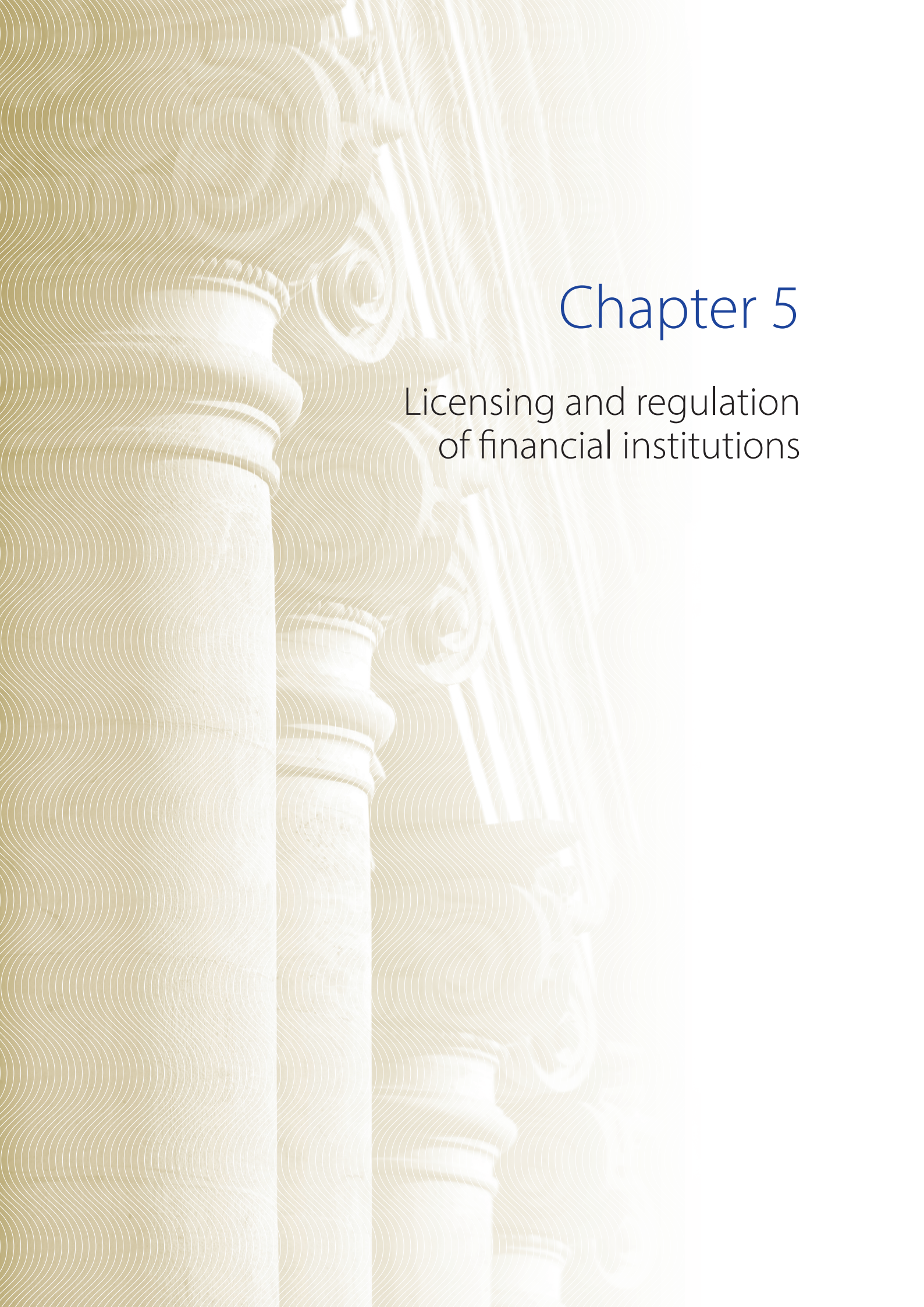


Chart 4.13
Main indicators of payment incidents (2017-2024)

The distribution of payment incidents reported to the PIR reveals that 15 credit institutions (60 percent of the reporting institutions) reported 99.1 percent of the total number of payment incidents, accounting for 94.7 percent of the total rejected amounts. The most frequent reason for refusal was the complete or partial lack of funds (56.6 percent of total reasons for rejection in 2024 versus 60.8 percent in 2023).



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Chapter 5

Licensing and regulation of financial institutions

1. Licensing and notification of financial institutions

Authorisation of credit institutions

The National Bank of Romania's prerogative powers in relation to the authorisation of credit institutions are set out in Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy, as amended and supplemented by Law No. 227/2007, as subsequently amended and supplemented. In 2024, the NBR granted no authorisation to any credit institution.

During 2024, the branch in Romania of a credit institution based in another EU Member State (The Netherlands) was registered with the Credit Institutions Register: Credit Europe Bank N.V. – Bucharest Branch.

Over the same period, the following entities were erased from the Credit Institutions Register: Banca Cooperatistă Danubius Brăila, as a result of the merger through absorption with Banca Cooperatistă Putna Focșani (the absorbing entity), and Alior Bank S.A. Warsaw – Bucharest Branch.

Furthermore, as of 3 January 2025, Banca de Investiții și Dezvoltare S.A. was entered into the Development Banks Register.

Authorisation of payment institutions

By virtue of its powers in the area of regulation, authorisation and prudential supervision of payment institutions under Law No. 209/2019 on payment services and amending some legal acts, and under NBR Regulation No. 4/2019 on payment institutions and account information service providers, as subsequently amended and supplemented, in 2024, the National Bank of Romania authorised and entered the payment institution TOKEN PAYMENT SERVICES S.R.L. into the Register of payment institutions and account information service providers – Section 1 – Payment institutions (application for authorisation submitted during the same year).

Moreover, 11 other applications for authorisation as a payment institution were submitted to the NBR in 2024, one of which was rejected during the same year, while 10 were still under examination at end-2024.

Authorisation of electronic money institutions

The NBR's prerogatives in the area of authorisation of electronic money institutions are set out in Law No. 210/2019 on the issue of electronic money and NBR Regulation No. 5/2019 on electronic money institutions. During 2024, the National Bank of Romania

authorised and entered the electronic money institution FILBO PAY S.A. into the Register of Electronic Money Institutions – Section 1 – Electronic money institutions.

Notification of non-bank financial institutions

In 2024, the notification and registration of the newly established non-bank financial institutions carried on. In compliance with Law No. 93/2009 on non-bank financial institutions, as subsequently amended and supplemented, 4 NBFIs were entered into the General Register, 7 such institutions into the Special Register, and 117 entities into the Entry Register.

At the same time, 9 NBFIs were erased from the General Register, 6 NBFIs from the Special Register and 39 NBFIs from the Entry Register. Additionally, 6 applications for registration in the General Register were rejected in 2024.

2. Legal framework for institutions within the regulatory scope of the National Bank of Romania

Government Emergency Ordinance No. 135/2024 amending and supplementing Government Emergency Ordinance No. 202/2008 on the enforcement of international sanctions provided clarifications on the NBR's powers as regards restrictive measures and correlated the sanctions regime applied by the NBR with the regime on anti-money laundering and countering the financing of terrorism.

2.1. Prudential regulation and bank recovery and resolution regulation

The following steps forward have been taken since 2024 regarding prudential regulation and bank recovery and resolution regulation:

- a) With regard to transposing and/or implementing the EU legal acts in this field, the following was undertaken:
 - Transposing into primary legislation the provisions of Directive (EU) 2022/2556 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the financial sector.

Specifically, Law No. 16/2025 amending and supplementing some legal acts in the financial field, published in *Monitorul Oficial al României*, Part I, No. 234 of 17 March 2025, was adopted. This law amended the primary legislative framework, namely:

- (i) Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy, as amended and supplemented by Law No. 227/2007, as subsequently amended and supplemented (GEO No. 99/2006), so as to introduce provisions that set

the following obligations: (i) credit institutions' business model should be supplemented to meet IT system requirements as well. These IT systems should be established and managed in accordance with the Digital Operational Resilience Act (DORA), (ii) the risks highlighted by the digital operational resilience testing within the supervisory review and evaluation process conducted by the NBR, as the competent authority for the prudential supervision of credit institutions, should be included explicitly, and (iii) ICT third-party service providers to which credit institutions have outsourced certain activities should provide information at the NBR's request.

Transposing into domestic law the provisions of the Corrigendum to Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

Specifically, the technical provisions of the Corrigendum to Directive (EU) 2019/878 were transposed into secondary legislation by NBR Regulation No. 8/2024 amending and supplementing NBR Regulation No. 5/2013 published in *Monitorul Oficial al României*, Part I, No. 809 of 14 August 2024.

- (ii) Law No. 209/2019 on payment services and amending some legal acts and Law No. 210/2019 on the issue of electronic money to align the terminology to Regulation DORA, as well as to narrow the scope of the appropriate mitigation measures and control mechanisms to manage operational and security risks provided by Law No. 209/2019 only for post office giro institutions that provide payment services pursuant to the applicable national legal framework so as to allow the proper implementation of the DORA Regulation by the remaining payment services providers.
 - Transposing into national law Directive (EU) 2024/1174 of the European Parliament and of the Council of 11 April 2024 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities (Daisy Chains Directive). This Directive is part of the legislative package known as the reform of the Crisis Management and Deposit Insurance framework (CMDI), which includes targeted proportionality requirements to the treatment of internal MREL in bank resolution groups. The transposition was completed by publishing Law No. 40/2025 in *Monitorul Oficial al României*, Part I, No. 304 of 7 April 2025.
- b) Regulations issued by the National Bank of Romania
- Regulation No. 4/2024 on the authorisation of a bridge institution published in *Monitorul Oficial al României*, Part I, No. 621 of 1 July 2024. The regulation sets forth the authorisation conditions and the documents based on which the NBR, in its capacity as competent authority, authorises a bridge institution by taking into consideration, *inter alia*, the European framework for the authorisation of credit institutions, namely Commission Delegated Regulation (EU) 2022/2580, a directly applicable legal act setting out the information that should accompany an authorisation application of a credit institution, including the situations when the

competent authority may depart from the requirements of this regulation. Once Regulation No. 4/2024 entered into effect, the provisions related to the authorisation of a bridge institution in NBR Regulation No. 12/2020 on the authorisation of credit institutions and changes in their situation were repealed.

- NBR Regulation No. 8/2024 amending and supplementing NBR Regulation No. 5/2013 on prudential requirements for credit institutions. Along with transposing the provisions of the Corrigendum to Directive (EU) 2019/878, the regulation introduced amendments to outsourcing, by transposing the provisions of EBA Guidelines on outsourcing arrangements (EBA/GL/2019/02 of 25 February 2019).
- NBR Regulation No. 11/2024 amending and supplementing NBR Regulation No. 5/2013 on prudential requirements for credit institutions published in *Monitorul Oficial al României*, Part I, No. 987 of 2 October 2024. The regulation sets forth the preferential treatment in the relationship of credit institutions with development banks established by virtue of Law No. 207/2022 regulating some measures on the general framework applicable to the establishment and functioning of development banks in Romania, in the context of determining the capital requirements for credit risk and of applying risk weights equivalent to those applicable to the central government for exposures to development banks.
- NBR Regulation No. 1/2025 on amending and supplementing some legal acts issued by the National Bank of Romania, published in *Monitorul Oficial al României*, Part I, No. 489 of 26 May 2025. The regulation concerns the adjustment of the secondary regulatory framework in effect country-wide with a view to accommodating the compliance of credit institutions, payment institutions and electronic money institutions with the cyber security requirements set forth in Regulation (EU) 2022/2554 on digital operational resilience for the financial sector.
- The NBR continued to take steps to prepare the secondary prudential regulatory framework applicable to national development banks based on the prudential framework applicable to universal credit institutions.

Thus, in 2024, the NBR issued Regulation No. 12/2024 on prudential requirements for development banks amending and supplementing NBR Regulation No. 4/2023 on prudential requirements for development banks. It introduces provisions according to which the NBR should register development banks in a register published on the official website of the National Bank of Romania, similarly to the requirement to enter credit institutions in a register as provided by Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy, as amended and supplemented.

- To implement NCMO Recommendation No. R/6/2024 on the capital buffer for other systemically important institutions in Romania, the NBR issued Order No. 1/2025 on the buffer for credit institutions authorised in Romania and identified as other systemically important institutions (O-SIIs).

2.2. Accounting regulations

In 2024, the NBR issued Order No. 2/2024 and Order No. 4/2024, published in *Monitorul Oficial al României*, Part I, No. 494 of 29 May 2024 and No. 808 of 14 August 2024 respectively, with a view to updating the yearly and half-yearly reporting requirements to meet the information needs of the Ministry of Finance (NBR Order No. 2/2020 and NBR Order No. 10/2012) so as to ensure a uniform reporting system economy-wide.

To prepare the annual accounting reporting framework applicable to non-bank financial institutions so as to meet the information needs of the Ministry of Finance, from the perspective of IFRS implementation as a basis of accounting starting 1 January 2023, the NBR issued Order No. 3/2024, published in *Monitorul Oficial al României*, Part I, No. 495 and No. 495bis of 29 May 2024.

To transpose into the accounting regulatory framework (NBR Order No. 27/2010 and NBR Order No. 6/2015) applicable to entities within the central bank's accounting regulatory scope the provisions of:

- Directive (EU) 2022/2464 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD), the NBR issued Order No. 1/2024, published in *Monitorul Oficial al României*, No. 499 of 30 May 2024.
- Commission Delegated Directive (EU) 2023/2775 amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups, the NBR issued Order No. 5/2024, published in *Monitorul Oficial al României*, No. 1108 of 6 November 2024.

To update the FINREP reporting framework at solo level applicable to credit institutions (NBR Order No. 9/2017), as well as the reporting framework for financial and accounting statistical information applicable to branches in Romania of credit institutions having their head offices in other EU Member States (NBR Order No. 10/2017), in accordance with the amendments made to the FINREP reporting framework, the NBR issued Order No. 8/2024, published in *Monitorul Oficial al României*, Part I, No. 1219 and No. 1219bis of 4 December 2024.

To update the reporting framework applicable to non-bank financial institutions for prudential oversight/supervision purposes (NBR Order No. 4/2022), the NBR issued Order No. 7/2024, published in *Monitorul Oficial al României*, Part I, No. 1219 and No. 1219bis of 4 December 2024.

2.3. Other legal acts applicable to institutions within the scope of the NBR

The NBR issued Regulation No. 9/2024 amending and supplementing NBR Regulation No. 4/2019 on payment institutions and account information service providers, as subsequently amended and supplemented, published in *Monitorul Oficial al*

României, Part I, No. 752/1 August 2024, to cover the credit risk arising from payment services-related loans granted by these entities. This Regulation includes measures for strengthening the regulatory framework for credit risk by introducing a requirement for payment institutions granting payment services-related loans to maintain own funds that should cover, at all times, in addition to the own funds requirements related to payment services, at least 8 percent of the total risk-weighted exposure of the payment institution in the form of payment services-related loans.

- On 13 March 2025, Government Emergency Ordinance No. 10/2025 amending and supplementing Law No. 129/2019 on preventing and combating money laundering and terrorist financing, as well as amending and supplementing some legal acts was published in *Monitorul Oficial al României*. This was prepared with a view to transposing the amendments made to Directive (EU) 2015/849 on preventing and combating money laundering and terrorist financing via Article 38 of Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain crypto-assets and includes amendments made to correlate it with Regulation (EU) 2023/1114 on markets in crypto-assets, as well as measures for implementing Regulation (EU) 2023/1113.

2.4. Convergence of prudential supervision tools and practices used nationwide with the best European practices

To ensure convergence of prudential supervision tools and practices used nationwide with the best European practices, the national regulatory framework continued to incorporate the Guidelines released by the European Banking Authority (EBA) in the areas of prudential banking and bank recovery and resolution. In this vein, the regulatory provisions in EBA Guidelines are incorporated into the secondary regulatory framework, while guideline recommendations meant to clarify and illustrate the regulatory provisions in NBR regulations are incorporated into instructions. Furthermore, as for those provisions in the Guidelines including compliance requirements for competent authorities, the National Bank of Romania, in its capacity as competent authority, disclosed its decision to apply them via releases published on its official website, thereby informing about considering the provisions of the said Guidelines during its activities in its capacity as competent authority.

Since 2024, the NBR has analysed and incorporated into its regulatory framework the following Guidelines:

- Technical provisions included in EBA Guidelines on outsourcing arrangements (EBA/GL/2019/02 of 25 February 2019), incorporated into NBR Instructions No. 3 of 5 August 2024 on outsourcing arrangements;
- EBA Guidelines on the benchmarking of diversity practices, including diversity policies and gender pay gap under Directive 2013/36/EU and Directive (EU) 2019/2034 (EBA/GL/2023/08 of 18 December 2023), incorporated into NBR Instructions No. 1 of 27 June 2024 on the benchmarking of diversity practices and gender pay gap;
- EBA Guidelines on overall recovery capacity in recovery planning (EBA/GL/2023/06 of 19 July 2023), incorporated into NBR Instructions No. 5 of 26 September 2024

on overall recovery capacity in recovery planning and the press release of 3 October 2024 on EBA Guidelines on overall recovery capacity in recovery planning (EBA/GL/2023/06);

- EBA Guidelines on resubmission of historical data under the EBA reporting framework (EBA/GL/2024/04 of 9 April 2024), incorporated into NBR Instructions No. 1/2025 on resubmission of data reported regularly by credit institutions under the EBA and the national reporting frameworks and the press release of 5 February 2025 on EBA Guidelines on resubmission of historical data under the EBA reporting framework (EBA/GL/2024/04).

The National Bank of Romania, through its representatives in the EU institutions and bodies, has played an active part, by formulating positions, in the preparation of EU strategies in the central bank's fields of competence. In this context, mention should be made of the participation in the negotiations on the European legislative framework for: (i) payment services (proposal for a directive on payment services and electronic money services in the internal market and proposal for a regulation on payment services in the internal market (PSD3/PSR)); (ii) the crisis management and deposit insurance (CMDI) framework; (iii) the Basel III package comprising two EU legal acts, namely Directive (EU) 2024/1619 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (CRD VI) and Regulation (EU) 2024/1623 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (CRR 3), and (iv) the package on anti-money laundering and countering the financing of terrorism (AML/CFT).

3. Regulatory guidelines in 2025

- Looking at the transposition into domestic law of Directive (EU) 2024/1619 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (CRD VI), the NBR will engage by: (i) providing technical support to the legislator to prepare and complete the draft legal acts (primary legislation) and (ii) preparing the draft legal acts (secondary legislation) with a view to ensuring the transposition of some technical provisions set forth in the European directive;
- To amend and supplement the regulatory framework applicable to credit institutions in areas such as authorisation, merger of savings and loan banks, internal governance, assessment of the suitability of members of the management body and key function holders, risk management, assessment and reporting of interest rate risk arising from non-trading book activities, approval of using the internal ratings-based (IRB) approach for credit risk;
- To formulate proposals concerning the review of the legal framework ensuring the transposition of Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC, with regard to matters within the NBR's remit;

- To supplement the legal and regulatory framework to transpose Directive (EU) 2023/2864 amending certain Directives as regards the establishment and functioning of the European single access point (ESAP);
- To provide technical support to the legislator to complete the draft legal act ensuring the transposition of Article 146 of Regulation (EU) 2023/1114 on markets in crypto-assets and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (MiCAR) amending Directive 2013/36/EU;
- In 2023, Regulation (EU) 2023/1114 on markets in crypto-assets and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (MiCAR) was published, regulating markets in crypto-assets and setting specific rules for issuers of crypto-assets and entities that provide services related to crypto-assets. The regulation can be applied directly, but it requires the adoption of a national legal act enabling its implementation. As concerns its involvement in the crypto-asset market, the NBR has assumed the obligations under the MiCAR Regulation, namely the powers it has in its capacity as a central bank, a prudential supervisory authority of issuers of e-money tokens (EMT) and electronic money institutions that are issuers of EMT, and as a resolution authority of credit institutions that are issuers of EMT and asset-referenced tokens (ART);
- Thus, in the crypto-asset market, the NBR will continue to provide technical support to the legislator to complete the draft legal act with a view to ensuring the enforcement of Markets in crypto-assets regulation (MiCAR) in the central bank's fields of competence;
- To continue preparing the secondary prudential regulatory framework applicable to development banks based on the prudential framework applicable to universal credit institutions (CRD/CRR/other EU regulations/technical standards/EBA guidelines, national regulations – NBR Regulation No. 5/2013 on prudential requirements for credit institutions, as subsequently amended and supplemented) and the World Bank's recommendations;
- In order to improve the current regulatory framework for payment services as regards the outsourcing of operational functions by aligning the national requirements with the provisions of EBA Guidelines on outsourcing arrangements (EBA/GL/2019/02), to accommodate a number of issues in the process of authorisation and to incorporate the EBA recommendations made under EBA/REP/2023/01 *Report on the peer review on authorisation under PSD2*, the central bank aims to adjust the secondary regulatory framework for payment institutions;
- The central bank aims to adjust the secondary regulatory framework for electronic money institutions in order to: (i) enhance the transparency of implementing the principle of proportionality in order to facilitate the market access of these entities, (ii) cover the credit risk arising from payment services-related loans granted by these entities and (iii) incorporate the EBA recommendations made under EBA/REP/2023/01 *Report on the peer review on authorisation under PSD2*, given that they also apply to electronic money institutions;
- To further ensure the participation in the negotiation of the European legislative framework for payment services (proposal for a directive on payment services and

electronic money services in the internal market and proposal for a regulation on market services in the internal market), a context in which the NBR aims, *inter alia*, to clarify certain aspects that were subject to different interpretations at European level in the enforcement of the current regulatory framework in the field, identified in its authorisation and supervision activities;

- To analyse the requests from the Permanent Representation of Romania amid the negotiations with the European Parliament on the European Commission's proposal to review the bank crisis management and deposit insurance (CMDI) framework and to formulate opinions on these requests;
- To provide technical support to the legislator amid the efforts made to correlate the national legal framework for financial collateral (GEO No. 9/2004 on certain financial collateral arrangements transposing Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements) with the special legislation applicable to the Bank Deposit Guarantee Fund (BDGF);
- To provide technical support to the legislator to prepare the draft legal acts (primary legislation) with a view to ensuring the transposition of the new anti-money laundering (AML) Directive and implementation of the AML Regulation, as well as to adjust the related secondary regulations, according to the central bank's fields of competence;
- To provide technical support to the legislator amid the Parliament's efforts to amend Law No. 129/2019 with a view to removing the deficiencies identified by expert assessors, following the fifth round of mutual assessment coordinated by the Moneyval Secretariat within the national system for preventing and combating money laundering and terrorist financing;
- To provide technical support to the legislator amid the Parliament's efforts to pass Government Emergency Ordinance No. 10/2025 amending and supplementing Law No. 129/2019 on preventing and combating money laundering and terrorist financing, as well as on amending and supplementing some legal acts;
- To further comply with the European Banking Authority's guidelines in the field of anti-money laundering and countering the financing of terrorism and in order to ensure convergence of prudential supervision tools and practices used nationwide with the best European practices in areas such as the authorisation of credit institutions, internal governance and assessment of the suitability of members of the management body and key function holders in the case of credit institutions, management of environmental, social and governance (ESG) risks, guidelines issued pursuant to Regulation (EU) 2023/1114 (MiCAR), according to the obligations assumed by the NBR, the recovery and resolution framework, operational resilience, on-balance-sheet securitisation;
- To review the NBR's regulatory framework and the prudential supervision tools and practices in order to comply with the new requirements of restrictive measures (Emergency Ordinance No. 135/2024 amending and supplementing Government Emergency Ordinance No. 202/2008 on the enforcement of international sanctions, Guidelines EBA/GL/2024/14 on internal policies, procedures and controls to ensure the implementation of Union and national restrictive

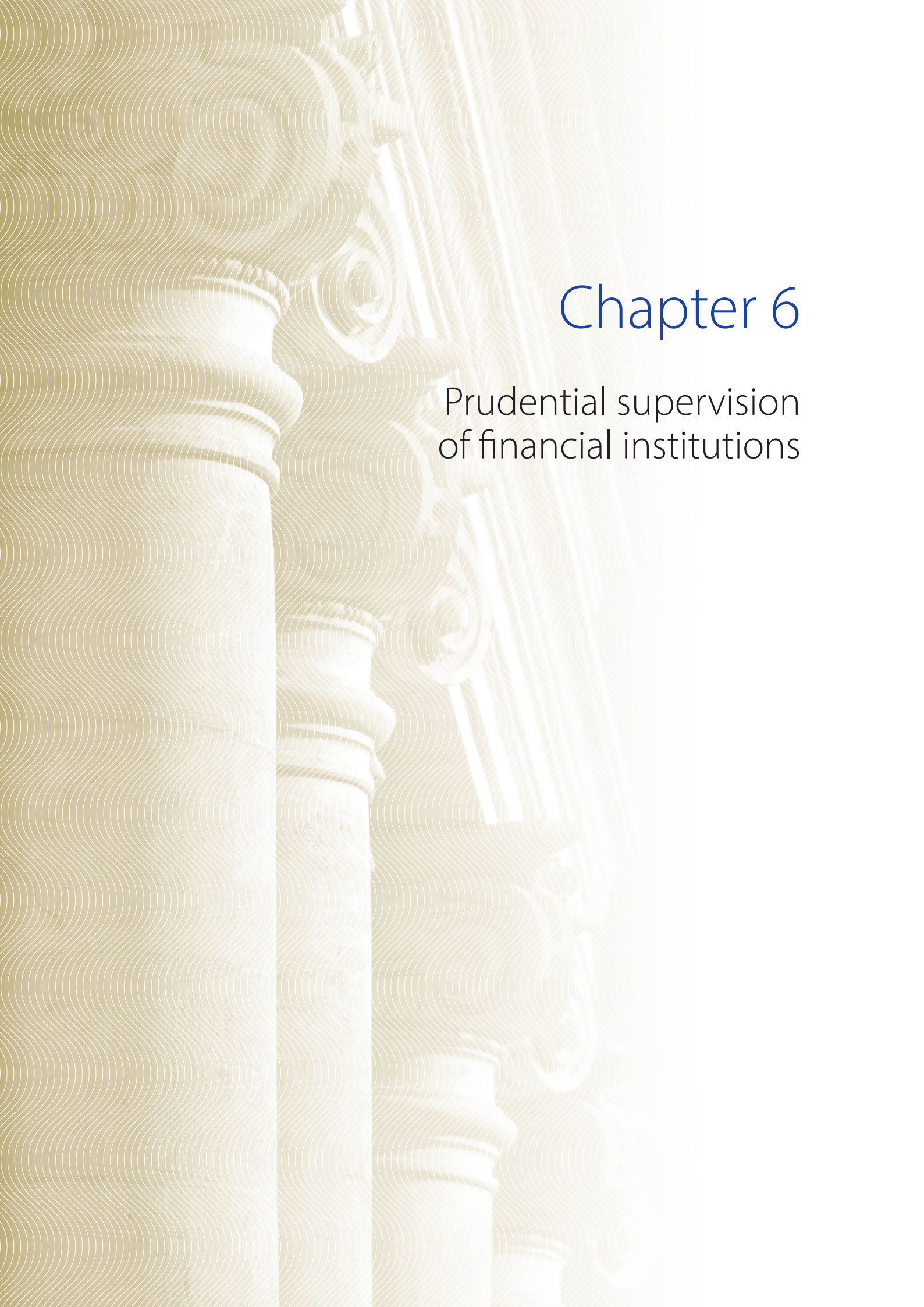
measures, Guidelines EBA/GL/2024/15 on internal policies, procedures and controls to ensure the implementation of Union and national restrictive measures under Regulation (EU) 2023/1113);

- To formulate proposals concerning the review of the legal and regulatory framework for non-bank financial institutions with a view to applying the “same activity, same risk, same regulation” principle, namely to set common rules for activities with same risk profile, to prevent regulatory arbitrage and to increase the resilience of these institutions to risks, in order to ensure and safeguard the financial stability of this sector.

In the field of the accounting and financial reporting framework, the objectives are as follows:

- to update the accounting regulations applicable to the entities within the NBR’s regulatory scope (NBR Order No. 27/2010 and NBR Order No. 6/2015), in order to implement the amendments to the EU accounting regulatory framework (ESAP – Directive (EU) 2023/2864 amending certain Directives as regards the establishment and functioning of the European single access point) and national level, other relevant legislative amendments, as well as the proposals following the actual implementation of regulations;
- to update reporting regulations so as to meet the information requirements of the Ministry of Finance (annual and half-yearly accounting reports), for the entities within the NBR’s regulatory scope, in order to ensure a uniform reporting system economy-wide;
- to regulate credit institutions’ obligation to report to the NBR the information on sold non-performing loans, in the context of transposing Directive (EU) 2021/2167 on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU via GEO No. 15/2024;
- to update the FINREP reporting framework at solo level, with a view to including the amendments that the EBA can make to the consolidated FINREP reporting framework, the regular reporting framework for branches in Romania of credit institutions having their head offices in other Member States and that for the drafting of regular IFRS-compliant financial statements at solo level, applicable to non-bank financial institutions, following the update of the applicable accounting regulations and the proposals following the actual implementation of the reporting requirements;
- to update the regulation governing the foreign exchange regime in line with the developments in the relevant EU and national regulatory framework;
- to participate in the working groups of the EU Council, the European Commission and the European Banking Authority when the said groups address issues related to regulation and licensing and disseminate opinions.





Chapter 6

Prudential supervision of financial institutions

1. Supervision of credit institutions

As at 31 December 2024, 24 credit institutions, Romanian legal persons, operated in Romania, their aggregate net assets totalling lei 780,037.0 million. By type of capital, these included six credit institutions with majority domestic private capital, two credit institutions with fully or majority state-owned capital, and 16 credit institutions with majority foreign capital. As far as branches of foreign credit institutions are concerned, as at 31 December 2024, eight branches of credit institutions based in EU Member States operated on the territory of Romania, their total assets amounting to lei 101,811.5 million.

In addition, 327 credit institutions signalled their intention to provide banking services directly on the territory of Romania, according to the notifications received by the National Bank of Romania from competent supervisory authorities in other EU Member States by 12 May 2025.

1.1. Size and structure of the banking system

As at 31 December 2024, net assets in the balance sheet of the Romanian banking system totalled lei 881,848.5 million, up 9.8 percent year on year.

The total number of credit institutions operating in Romania remained the same at end-2024, changes occurring in structure, in the breakdown by type of capital (Table 6.1).

	number of credit institutions, end of period	
	2023	2024
Credit institutions, Romanian legal entities, of which:	24	24
Fully or majority state-owned capital	2	2
Majority private capital, of which:	22	22
– majority domestic capital	4	6
– majority foreign capital	18	16
Branches of foreign credit institutions	8	8
Total credit institutions	32	32

Table 6.1

Credit institutions by ownership

The market share by net assets held by credit institutions with majority state-owned capital widened from 13.7 percent as at 31 December 2023 to 14.3 percent as at 31 December 2024 (Table 6.2). Credit institutions with majority domestic private capital posted a substantial increase in their share in total net assets from 20.7 percent to 23.3 percent during the same period, once two credit institutions with majority foreign capital entered this category following their sale. Looking at credit institutions with majority foreign capital (including branches of foreign credit institutions), their

share in the domestic banking system narrowed from 65.6 percent to 62.4 percent, chiefly on account of a decrease in their number.

Table 6.2
Market share of credit institutions

	end of period			
	Net assets			
	2023		2024	
	lei mill.	%	lei mill.	%
Credit institutions with domestic capital, of which:	276,277.8	34.4	331,179.4	37.6
– with majority state-owned capital	110,074.1	13.7	126,075.3	14.3
– with majority private capital	166,203.7	20.7	205,104.1	23.3
Credit institutions with majority foreign capital	433,928.9	54.0	448,857.6	50.9
I. Credit institutions, Romanian legal entities	710,206.7	88.4	780,037.0	88.5
II. Branches of foreign credit institutions	93,133.9	11.6	101,811.5	11.5
Total credit institutions with majority private capital, including branches of foreign credit institutions	693,266.5	86.3	755,773.2	85.7
Total credit institutions with majority foreign capital, including branches of foreign credit institutions	527,062.8	65.6	550,669.1	62.4
Total credit institutions (I+II)	803,340.6	100.0	881,848.5	100.0

The changes in credit institutions also reflected in their market share by capital (Table 6.3). Thus, the share of credit institutions with domestic capital in the aggregate capital of the banking system expanded from 41.6 percent as at 31 December 2023 to 51.6 percent as at 31 December 2024, while the share of credit institutions with majority foreign capital (including branches of foreign credit institutions) dropped from 58.4 percent as at 31 December 2023 to 48.4 percent as at 31 December 2024.

Table 6.3
Credit institutions as a share in aggregate capital

	end of period			
	Share/endowment capital			
	2023		2024	
	lei mill.	%	lei mill.	%
Credit institutions with domestic capital, of which:	12,787.5	41.6	16,381.1	51.6
– with majority state-owned capital	4,014.8	13.1	4,014.8	12.6
– with majority private capital	8,772.7	28.5	12,366.3	39.0
Credit institutions with majority foreign capital	17,330.4	56.3	14,958.2	47.2
I. Credit institutions, Romanian legal entities	30,117.9	97.9	31,339.3	98.8
II. Branches of foreign credit institutions	630.8	2.1	380.5	1.2
Total credit institutions with majority private capital, including branches of foreign credit institutions	26,733.9	86.9	27,705.0	87.4
Total credit institutions with majority foreign capital, including branches of foreign credit institutions	17,961.2	58.4	15,338.7	48.4
Total credit institutions (I+II)	30,748.7	100.0	31,719.8	100.0

The territorial network of credit institutions shrank in 2024, amid the changes across the banking system driven by the digitalisation trends in their activity and the completion of some acquisitions and mergers between such institutions.

In 2024, the shareholding structure of credit institutions in the Romanian banking system witnessed several substantial changes, as a result of acquisitions and mergers, as follows:

- in May 2024, Intesa Sanpaolo S.p.A., the parent bank of Intesa Sanpaolo România S.A., directly acquired a controlling stake accounting for 99.98 percent of the share capital and the voting rights of First Bank S.A. The acquisition marked the beginning of the gradual integration of First Bank S.A. into Intesa Sanpaolo Group, which is to be completed via the merger by absorption of First Bank S.A. by Banca Comercială Intesa Sanpaolo România S.A., estimated to take place in 2025 Q4;
- in July 2024, Banca Transilvania S.A. directly acquired a controlling stake accounting for 100 percent of the share capital and the voting rights of OTP Bank România S.A. The acquisition preceded the merger by absorption of the two banks, which was completed on 28 February 2025;
- at end-July 2024, a group of Romanian investors completed the acquisition of Porsche Bank România S.A. Previously, in June 2024, the acquired bank had changed its name to Credex Bank S.A.;
- in November 2024, UniCredit S.p.A. acquired 90.1 percent of the share capital of Alpha Bank România S.A. from Alpha International Holdings Single Member S.A. The acquisition marked the beginning of the gradual integration of Alpha Bank România S.A. into UniCredit Banking Group, which is to be completed via the merger by absorption of Alpha Bank România S.A. by UniCredit Bank S.A., estimated to occur in the latter half of 2025;
- In November 2024, the National Bank of Romania approved the cross-border merger by absorption of Credit Europe Bank (România) S.A., Romanian legal entity (the absorbed entity), by Credit Europe Bank N.V., legal entity established and operating in compliance with the Dutch law (the absorbing entity), the effective date of the merger being 1 January 2025. Credit Europe Bank N.V., the absorbing entity in the above-mentioned cross-border merger, continued to operate in Romania as of 1 January 2025, following the merger, under the name Credit Europe Bank N.V. Amsterdam Bucharest Branch;
- Revolut Bank UAB Vilnius Sucursala București, the Romanian branch of Revolut Bank UAB (Lithuanian entity), began its actual operations on 25 November 2024;
- Alior Bank S.A. Varșovia Sucursala București, the Romanian branch of Alior Bank (Polish entity), ceased operations on the territory of Romania on 6 December 2024, being erased from the records of the National Trade Register Office.

1.2. Performance of the banking sector

The Romanian banking sector remained resilient in 2024, a year marked by the worsening of macroeconomic equilibria, *inter alia* as a result of regional and international geopolitical developments. Despite these challenges, the fulfilment of prudential requirements and the preservation of adequate levels of indicators contributed to the proper functioning of the banking system.

Profitability strengthened, with financial results exceeding those in the year before and credit institutions that ended the year on a profit accounting for 78 percent. Solvency indicators stood above regulatory requirements, and asset quality placed the banking sector in the EBA-defined low-risk bucket, due to the further low ratios

of non-performing loans and restructured loans, as well as given the high NPL coverage ratio.

Monitoring of own fund requirements. Capital adequacy

Throughout 2024, the solvency indicators of credit institutions – total capital ratio, Tier 1 capital ratio and Common Equity Tier 1 capital ratio – remained at adequate levels compared to the regulatory requirements. In 2024, the total capital ratio increased across the banking system, from 23.6 percent in December 2023 to 24.9 percent in December 2024 (Table 6.4), amid the faster dynamics of total own funds compared to those of the total risk exposure amount (TREA).

Indicators	percent	
	2023	2024
Capital adequacy		
Total capital ratio (solvency ratio)	23.6	24.9
Tier 1 capital ratio	20.7	22.2
Common Equity Tier 1 capital ratio	20.2	21.7
Leverage ratio	8.1	8.6
Asset quality		
Loans and advances to non-bank customers (gross)/Total assets (gross)	52.4	53.0
Loans and advances to bank customers (gross)/Total assets (gross)	19.9	16.5
Impaired assets of non-bank customers (net)/Total loans to non-bank customers (net)	0.9	0.9
Impaired assets of non-bank customers (net)/Total assets (net)	0.5	0.5
Impaired assets of non-bank customers (net)/Total liabilities	0.5	0.5
Non-performing loan ratio (EBA definition) ¹	2.4	2.5
Profitability		
ROA (Net income, annualised/Total assets, average)	1.8	1.7
ROE (Net income, annualised/Total equity, average)	20.1	18.4
Liquidity		
Immediate liquidity	49.6	49.4
1) Following the implementation of the new IFRS 9 standard on 1 January 2018 and pursuant to the provisions of NBR Order No. 9/2017, the "non-performing loan ratio (EBA definition)" is calculated as a ratio of the gross carrying amount of non-performing loans and advances to the total gross carrying amount of loans and advances.		

Table 6.4
Key indicators of
the banking system

Thus, while TREA increased by 7.6 percent, total own funds rose by 13.5 percent. In terms of volume, total own funds of credit institutions amounted to lei 79,110.6 million as at 31 December 2024, whereas TREA equalled lei 317,765.7 million on the same date.

The breakdown shows that total own funds consist mainly of high-quality capital components, namely Tier 1 capital and implicitly Common Equity Tier 1 capital (89.0 percent and 87.3 percent, respectively).

The significant shares of these components in total own funds ensure a good resilience of the Romanian banking system in the short and medium term at least.

Specifically, in December 2024, Tier 1 capital and Common Equity Tier 1 capital amounted to lei 70,400.0 million and lei 69,049.1 million respectively, i.e. 15.4 percent and 15.7 percent above the same year-earlier readings.

At end-2024, the leverage ratio of credit institutions in Romania was 8.6 percent (according to a transitional definition) and 8.1 percent (according to a fully phased-in definition), i.e. well above the 3 percent minimum requirement.

Monitoring of asset quality

In the course of 2024, Romania's banking sector painted a positive picture in terms of asset quality indicators. The key indicators measuring asset quality across the banking system, such as the non-performing loan ratio and the non-performing loan coverage ratio (2.5 percent and 66.0 percent in December 2024) place the Romanian banking sector in the EBA's low-risk bucket. The restructured loans ratio continued to improve, reaching 1.4 percent in December 2024 and falling into the EBA's low-risk bucket (below 1.5 percent) for the first time.

The average NPL ratio of the banking system remained relatively stable throughout the year, hovering around 2.5 percent, on a slight increase from December 2023 (2.4 percent). Behind the dynamics of the NPL ratio stood the 10.4 percent rise in the stock of non-performing loans versus December 2023, which exceeded the 5.5 percent upswing in total loans.

The NPL coverage ratio of the banking sector increased over the course of 2024, adding 1.4 percentage points compared to end-2023 (64.6 percent), which ensured a good buffer for covering potential losses. At the same time, this indicator stood comfortably above the EU average (41.2 percent, December 2024), with Romania ranking second (after Croatia) among the 30 countries reporting to the EBA.

The restructured loans ratio improved in the period under review, going down to 1.4 percent as at 31 December 2024, from 1.6 percent at end-2023. These dynamics were mainly ascribable to a decrease in the stock of restructured loans by 9.2 percent from December 2023, as well as to a 5.5 percent rise in lending against December 2023.

The share of loans classified in Stage 2 of impairment under IFRS 9 in total loans further improved, reaching 11.4 percent in December 2024 (versus 13.7 percent in December 2023). The adjustments for this category of loans totalled approximately lei 5 billion in December 2024. This indicator's performance points out the expectations of asset quality deterioration, its decrease being a potential positive indication in estimating future developments in the NPL ratio.

Monitoring of liquidity requirements

In the course of 2024, the Romanian banking sector further showed a good capacity to manage possible liquidity shocks, having an adequate liquidity level, given the persistence of multiple uncertainties at global level following the escalation of geopolitical tensions and the heightening of armed conflicts, as well as amid the important election year worldwide.

The liquidity of the banking system, determined based on the liquidity coverage ratio (LCR), remained well above the regulatory requirement for the aggregate indicator, i.e. 254.7 percent as at 31 December 2024 versus the minimum requirement of 100 percent, pointing to a sizeable stock of high-quality liquid assets in a 30-day stress scenario; it stood significantly above the level of the EU banking system, which came in at 163.4 percent on the same date.

In December 2024, the net stable funding ratio (NSFR) ran at 197.2 percent, further exceeding the 127.1 percent European average which indicated a good capacity of banks in Romania to manage possible vulnerabilities in terms of stable funding. The European regulatory requirement for the net stable funding ratio (NSFR) is of at least 100 percent.

Banks are mainly funded by deposits from the real sector (non-financial corporations and households) and therefore, given the credit institutions' preference for traditional funding sources, the funding risk for the Romanian banking sector remains low. Deposits taken from non-bank customers expanded by 11.1 percent compared to end-2023 (from lei 636,285.1 million in December 2023 to lei 706,675.5 million in December 2024), while funds raised from parent banks decreased by approximately 10.8 percent in the course of 2024, reaching lei 18,364.2 million.

Although Romania's banking sector ranks favourably compared to those of other European countries in terms of liquid assets in its portfolio, further showing a good capacity to manage possible liquidity shocks in a volatile macroeconomic environment, banks need to remain cautious in the period ahead, due to geopolitical tensions and uncertainties that may negatively impact the borrowers' creditworthiness, and to the higher cyber risk posed by the increase in financial services digitalisation, in order to prevent a potential operational crisis from turning into a liquidity crisis.

Profitability¹⁹⁸

In 2024, the Romanian banking system recorded positive developments in terms of profit, reflecting a strengthened financial performance of credit institutions. At the end of the year, the net profit of the Romanian banking system amounted to lei 14,197.4 million. In terms of profitability, the trends were slightly on the wane, with both ROE and ROA falling below the 2023 levels.

Out of the 32 credit institutions operating in Romania, 25 posted positive financial results, with an aggregate net profit of lei 14,610.6 million, while 7 credit institutions recorded losses of lei 413.2 million, which indicates an overall solid performance at system level despite specific difficulties.

Net profit expanded by 5.0 percent (lei 669.7 million) against the previous year, mainly as a result of the lei 1,182.7 million rise in operating profit, which was mitigated by the 15.1 percent increase in net impairment loss, from lei 1,560.7 million at end-2023 to lei 1,796.7 million at end-2024.

¹⁹⁸ This section covers credit institutions, Romanian legal entities, and branches of foreign credit institutions.

	Net assets		Own funds*	
	lei mill.	%	lei mill.	%
1. Credit institutions with majority domestic capital, of which:	331,179.4	37.56	28,555.4	36.09
1.1. State-owned credit institutions, of which:	126,075.3	14.30	9,037.7	11.42
1. CEC Bank	99,335.5	11.27	6,955.6	8.79
2. Exim Banca Românească	26,739.8	3.03	2,082.1	2.63
1.2. Credit institutions with majority private capital, of which:	205,104.1	23.26	19,517.7	24.67
1. Banca Transilvania	184,272.3	20.90	16,391.6	20.72
2. OTP Bank	16,781.4	1.90	2,400.8	3.04
3. Banca Centrală Cooperatistă Creditcoop	1,846.3	0.21	373.5	0.47
4. Salt Bank	1,262.3	0.14	192.2	0.24
5. Techventures Bank	806.0	0.09	39.9	0.05
6. Credex Bank	135.8	0.02	119.7	0.15
2. Credit institutions with majority foreign capital, of which:	448,857.6	50.90	50,555.2	63.91
1. Banca Comercială Română	120,676.7	13.69	13,476.9	17.04
2. BRD – Groupe Société Générale	85,945.2	9.75	10,214.5	12.91
3. Raiffeisen Bank	82,131.0	9.31	7,988.0	10.10
4. UniCredit Bank	72,576.0	8.23	8,537.6	10.79
5. Alpha Bank	22,483.2	2.55	2,411.3	3.05
6. Garanti Bank	16,693.4	1.89	2,077.2	2.63
7. Libra Internet Bank	12,714.6	1.44	1,554.6	1.97
8. Vista Bank	8,793.5	1.00	818.1	1.03
9. Banca Comercială Intesa Sanpaolo	8,005.3	0.91	1,043.2	1.32
10. First Bank	7,531.8	0.85	786.2	0.99
11. Patria Bank	4,486.2	0.51	490.1	0.62
12. Credit Europe Bank	2,935.8	0.33	766.8	0.97
13. ProCredit Bank	2,872.4	0.33	246.7	0.31
14. BCR Banca pentru Locuințe	561.7	0.06	71.9	0.09
15. Banca Română de Credite și Investiții	390.0	0.04	42.7	0.05
16. Aedificium Banca pentru Locuințe	60.8	0.01	29.4	0.04
I. Total credit institutions, Romanian legal entities (1+2)	780,037.0	88.46	79,110.6	100.00
II. Branches of foreign credit institutions, of which:	101,811.5	11.54	...	...
1. ING Bank N.V., Amsterdam	78,085.7	8.85	...	...
2. Citibank Europe plc, Dublin	15,679.1	1.78	...	...
3. BNP Paribas S.A. Paris	3,327.1	0.38	...	...
4. TBI Bank EAD Sofia	2,692.0	0.30	...	...
5. Banque Banorient France S.A. Paris	839.8	0.10	...	...
6. Revolut Bank UAB Vilnius	646.3	0.07	...	...
7. BNP Paribas Personal Finance S.A. Paris	464.7	0.05	...	...
8. Bank of China (CEE) Ltd	76.8	0.01	...	...
Total credit institutions (I+II)	881,848.5	100.00	...	...
*) branches of foreign credit institutions do not report own funds				

Table 6.5
Net assets and own funds
as at 31 December 2024

In 2024, operating profit stood 6.6 percent higher than in the year before. However, operating expenses witnessed a larger increase (+21.1 percent or lei +3,434.6 million,

mainly on account of the rise in administrative expenses) than operating income (+13.5 percent or lei +4,617.3 million).

The breakdown of operating income highlights the ongoing prevalence of net interest income with a 70.9 percent share in total operating income at end-2024, slightly above the 70.3 percent share at end-2023. In addition, net fee and commission income remained a significant item in total operating income with a 15.3 percent share, falling from 16.3 percent the previous year.

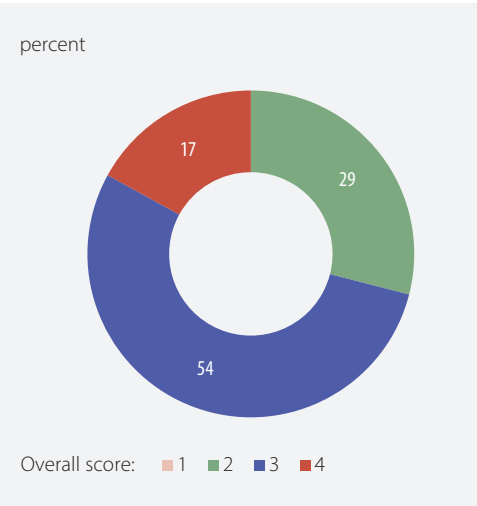
As for profitability indicators, return on assets (ROA) stood at 1.7 percent at end-2024, down 0.1 percentage points versus 2023. This was accounted for by the 12.0 percent rise, on average, in total assets (from lei 752,174.7 million to lei 842,597.9 million), while net profit grew by 5.0 percent.

Return on equity (ROE) went slightly down by 1.7 percentage points compared to the previous year, reaching 18.4 percent at end-2024. Behind this stood the sharper increase in total equity by 14.6 percent on average compared to the rise in net profit, the former totalling approximately lei 76,996.9 million at end-2024.

1.3. Assessment of banking risks

In the exercise of the tasks conferred on it by the regulatory framework on credit institution supervision, the National Bank of Romania ensures, by conducting supervisory activities and the supervisory review and evaluation process (SREP), an ongoing assessment of the risks and viability of credit institutions and takes, when appropriate, the necessary measures to prevent and contain specific banking risks.

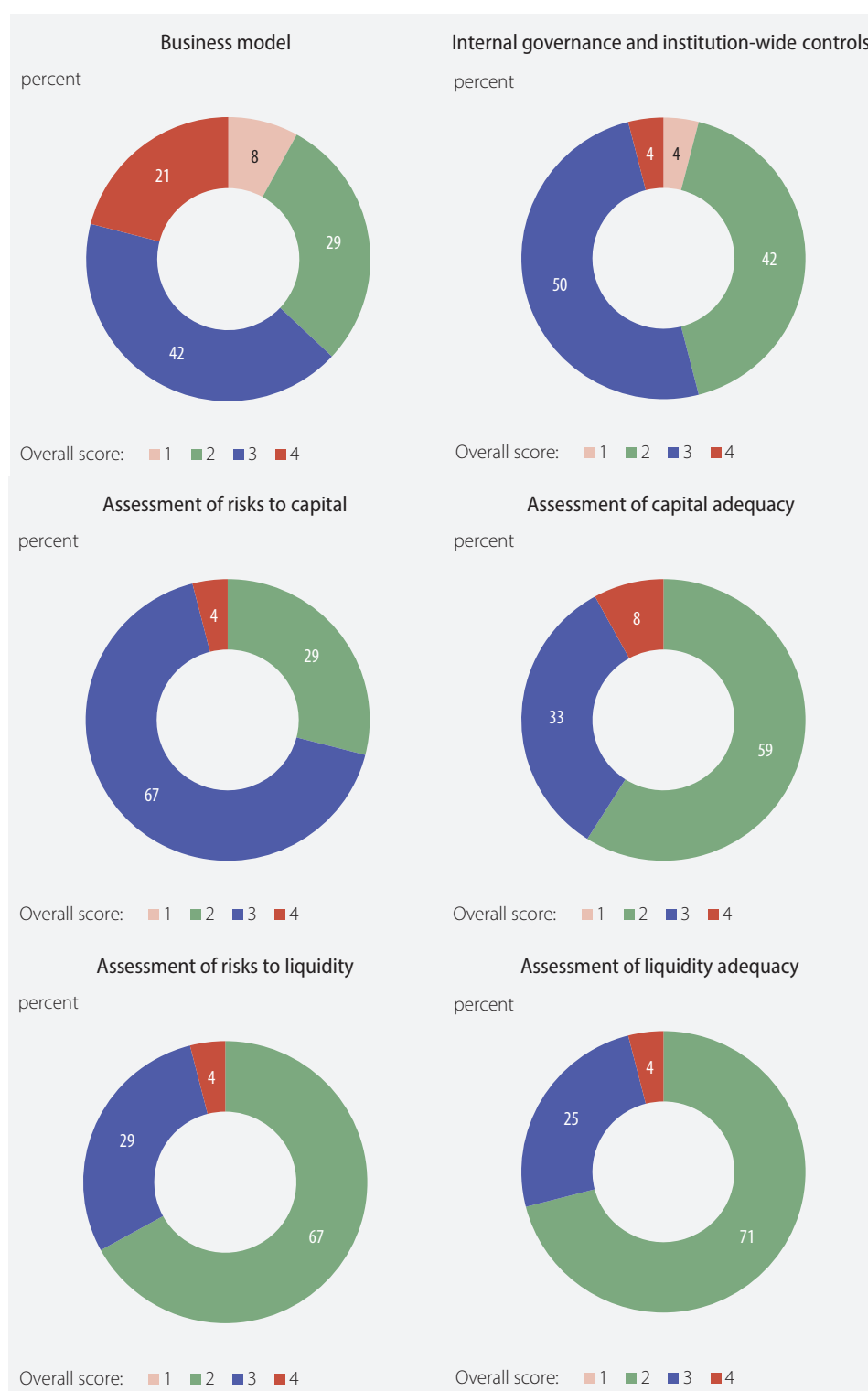
Chart 6.1
Distribution of credit institutions
by overall SREP score



At end-2024, following SREP, the scores were assigned as follows: 29 percent of the 24 credit institutions were assigned an overall score of 2 (medium-low risk), 54 percent an overall score of 3 (medium-high risk), 17 percent an overall score of 4 (high risk), and none received an overall score of 5 (Chart 6.1).

At the same time, the average and median of total SREP capital requirements (TSCR) across the banking system were of 12.9 percent and 12.8 percent.

Looking at credit institutions from the viewpoint of SREP elements by score assigned (Chart 6.2), a score of 2 was given in most cases to liquidity adequacy, risks to liquidity and funding, as well as capital adequacy (71 percent, 67 percent and 59 percent, respectively, of the assessed institutions). A score of 3 was mostly assigned to the assessment of risks to capital, internal governance and business model (67 percent, 50 percent and 42 percent, respectively, of the assessed institutions).

**Chart 6.2**

SREP elements by score assigned

In line with the supervisory examination programme for credit institutions for 2024, throughout the year 18 supervisory actions involving credit institutions, Romanian legal entities (17 actions), and branches of foreign credit institutions (one action) were conducted. Of the total 18 planned supervisory actions, 15 actions were on-site and off-site assessments of credit institutions, two were off-site actions and one was an on-site action.

In addition to the scheduled activities, five ad hoc thematic reviews with specific supervisory objectives were also conducted at credit institutions (four off-site actions and one on-site action) (Table 6.6).

Table 6.6
Topics of ad hoc
thematic reviews in 2024

No.	Topics of thematic reviews	No. of reviews
1	Compliance with legal provisions on own funds and their minimum level to cover risks	1
2	Meeting the requirement on the liquidity coverage ratio	1
3	Compliance with the method of calculating the liquidity coverage ratio	1
4	Compliance with legal provisions on the drafting of reports on own funds and own funds requirements on an individual and consolidated basis	1
5	Compliance with the capital plan of the credit institution	1
Total		5

The key objectives of supervisory activities for 2024, set out in accordance with those defined by the European Banking Authority in the European Supervisory Examination Programme (ESEP) for 2024, referred to: liquidity and funding risk; interest rate risk for non-trading book activities; operationalisation of recovery plans.

The preparation of the supervisory examination programme for 2024 considered both the priorities identified by the European Banking Authority in the European Supervisory Examination Programme (ESEP) for 2024 and the findings of the supervisory review and evaluation processes (SREP) conducted in the previous years.

The ongoing risk assessment included: (i) the assessment of the credit institutions' business model and strategy; (ii) the assessment of internal governance arrangements and institution-wide controls; (iii) the assessment of individual risks to capital; (iv) the assessment of capital adequacy; (v) the assessment of individual risks to liquidity and funding; (vi) the assessment of liquidity adequacy, as well as the overall SREP assessment.

Table 6.7
Supervisory measures imposed
in 2024 pursuant
to GEO No. 99/2006 on credit
institutions, as subsequently
amended and supplemented

No.	Measure	No. of cases
1	Maintaining own funds at a level higher than minimum capital requirements	15
2	Strengthening the provisions on governance and internal capital management	14
3	Imposing specific liquidity requirements	12
4	Reducing the risk inherent to activities, products and systems	3
5	Limiting operations of credit institutions	2
Total		46

With a view to improving the management framework, the implemented strategies, processes and mechanisms and to ensuring an adequate organisation of the activity of credit institutions, based on its supervisory reports, the NBR imposed supervisory measures (Table 6.7) and sanctions, i.e. written warnings and fines (Table 6.8).

Table 6.8

Sanctions imposed in 2024 pursuant to GEO No. 99/2006

Type of sanction	No. of cases	Banks	Board members	Executives	Managers
Written warning	5	4	-	-	-
Fine	2	2	-	-	-
Total	7	6	-	-	-

Information about the sanctions imposed on credit institutions in accordance with Article 229(1) of Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy, as subsequently amended and supplemented, which were not challenged under Article 275 or those for which objections were definitively rejected, as well as information regarding the type and nature of the breach and the identity of the sanctioned natural or legal person is available on the NBR's website, under the Supervision section, published in accordance with the legal transparency requirements related to the supervisory authority provided in Article 234(4) of Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy, as subsequently amended and supplemented.

Table 6.9

Number of persons in the category of those referred to in Article 108 of GEO No. 99/2006, subject to the NBR's approval in 2024

	TOTAL, of whom:	Approved by the NBR	Rejected for non-compliance with the conditions stipulated by the special law*	Rejected following the NBR's assessment made pursuant to Article 109 of GEO No. 99/2006	Request for approval withdrawn by the credit institution
Executives	36	32	2	-	2
Board members	46	41	3	-	2
Key function holders	47	44	-	1	2
Total	129	117	5	1	6

*) Government Emergency Ordinance No. 75/1999 on financial audit, recast

In 2024, in the prior approval process conducted by the National Bank of Romania, pursuant to the applicable legal framework (Article 108 of Government Emergency Ordinance No. 99/2006), 129 requests for prior approval were processed related to credit institutions' board members, executives and key function holders, including individuals who were assigned new responsibilities (Table 6.9).

2. Supervision of guarantee schemes

For the purpose of deposit guaranteeing, the Bank Deposit Guarantee Fund operates in Romania as the statutory deposit guarantee scheme, set up in accordance with Government Ordinance No. 39/1996 on the establishment and operation of the Bank Deposit Guarantee Fund, recast, as subsequently amended and supplemented.

At present, the activity carried out by the Fund is regulated by Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, as subsequently amended and supplemented.

At end-2024, credit institutions' deposits covered by the Bank Deposit Guarantee Fund amounted to lei 335,013.3 million, up by 10.3 percent versus the end of the previous year, which indicates the persistence of the upward trend seen over the past five years.

3. Supervision of non-bank financial institutions, payment institutions and electronic money institutions

Pursuant to its mandate under the provisions of Law No. 93/2009 on non-bank financial institutions, as subsequently amended and supplemented, the National Bank of Romania conducts the prudential supervision of non-bank financial institutions listed in the Special Register, both based on the information provided via the reports submitted and by performing on-site inspections at their head offices and territorial units. Moreover, the NBR ensures the oversight of non-bank financial institutions listed in the General Register, mainly based on the information provided by these entities via the reports submitted.

Furthermore, according to the provisions of Law No. 209/2019 on payment services and amending certain legal acts, and of Law No. 210/2019 on the issue of electronic money, the National Bank of Romania conducts the prudential supervision of authorised payment institutions, Romanian legal persons, including of the payment activity carried out through their branches and agents, as well as the prudential supervision of authorised electronic money institutions, including of the electronic money issue and payment services provision carried out through their branches and agents.

In the course of 2024, the NBFIs sector showed a tendency to stabilise (in terms of both number and key aggregate financial indicators), just as in 2023. Moreover, payment institutions and electronic money institutions continued to follow the stabilising trend seen in the previous years.

3.1. Non-bank financial institutions

The number of NBFIs in the General Register dropped from 184 at end-2023 to 179 at end-2024.

By type of lending activity, in line with the sections in the General Register, 165 institutions (92.2 percent) were recorded under "Multiple lending activities", a slightly higher share than that reported at end-2023 (91.3 percent).

The share capital of NBFIs increased by 7.9 percent against end-2023, amounting to lei 4,641 million as at 31 December 2024, and their aggregate assets (net) totalled lei 64,962.3 million, up by 12.8 percent versus end-2023.

Loans and advances (net carrying amount) equalled lei 60,635.08 million, of which receivables from financial lease operations accounted for lei 27,920.28 million and receivables from customer transactions made up lei 26,748.49 million.

Table 6.10
Breakdown of NBFIs by activity
as at 31 December 2024

Activity	Special Register (1)		General Register* (2)		General Register(1+2)	
	No.	%	No.	%	No.	%
Multiple lending activities	77	93.9	88	90.7	165	92.2
Financial leases	0	0.0	7	7.2	7	3.9
Issuing guarantees and assuming commitments, including credit guarantee	2	2.4	0	0.0	2	1.1
Consumer loans	2	2.4	1	1.0	3	1.7
Micro loans	0	0.0	0	0.0	0	0.0
Factoring	0	0.0	1	1.0	1	0.6
Financing of commercial transactions	1	1.2	0	0.0	1	0.6
Housing and/or mortgage loans	0	0.0	0	0.0	0	0.0
Discounting	0	0.0	0	0.0	0	0.0
Forfaiting	0	0.0	0	0.0	0	0.0
Other financing means in the form of loans	0	0.0	0	0.0	0	0.0
Total	82	100.0	97	100.0	179	100.0

*) excluding NBFIs entered in the Special Register

Impaired assets of non-bank customers (net) held 3.6 percent of the total loan portfolio of non-bank customers (net) and 3.05 percent of asset value (net).

Table 6.11
Key indicators of the NBFi sector
as at 31 December 2024*

Indicator	lei mill.**		
	Special Register	General Register***	General Register
Share/endowment capital*	4,167.1	473.9	4,641.0
Total assets (net)	63,203.7	1,758.6	64,962.3
Loans and advances (net carrying amount), of which:	59,215.0	1,420.1	60,635.1
– receivables from customer transactions	25,737.3	1,011.2	26,748.5
– receivables from operations with credit institutions	5,408.0	272.8	5,680.7
– receivables from financial leases	27,811.8	108.5	27,920.3
Impaired assets of non-bank customers (net)/Total loans to non-bank customers (net), %	3.4	12.6	3.6
Impaired assets of non-bank customers (net)/Total assets (net), %	2.9	8.0	3.0
Impaired assets of non-bank customers (net)/Total liabilities (%)	3.5	13.1	3.6
Retained earnings/Loss carried forward	3,532.2	60.9	3,593.2
Profit for the year 2024	1,617.6	83.1	1,700.6
ROA (Net income/Total assets, %)	2.56	4.72	2.62
ROE (Net income/Total equity, %)	16.23	12.28	15.98
Number of contracts	1,732,638	139,491	1,872,129
Number of customers, of which:	1,592,574	124,264	1,716,838
– individuals	1,375,813	120,071	1,495,884
– legal entities	216,761	4,193	220,954

*) including data reported by NBFIs that are also payment institutions

**) excluding "ROA", "ROE", "Number of contracts", "Number of customers", "Impaired assets of non-bank customers (net)/Total loans to non-bank customers (net)", "Impaired assets of non-bank customers (net)/Total assets (net)" and "Impaired assets of non-bank customers (net)/Total liabilities"

***) excluding NBFIs entered in the Special Register

In 2024, the return on assets (ROA) and the return on equity (ROE) reported by non-bank financial institutions were similar to those recorded in 2023.

The aggregate profit of the NBFIs listed in the Special Register equalled lei 1,617.57 million, while the NBFIs entered only in the General Register recorded a profit of lei 83.06 million, the total profit of the non-bank financial sector amounting to lei 1,700.63 million.

The table below sets out the breakdown of the share/endowment capital by country of origin for the NBFIs entered in the Special Register as at end-2024.

Country of origin	Share/Endowment capital		percent
	in total capital	in total foreign capital	
Romania	62.71		
Germany	11.73	31.45	
Austria	5.29	14.18	
United Kingdom	4.33	11.62	
Italy	3.58	9.59	
Cyprus	3.37	9.03	
Sweden	2.37	6.37	
Netherlands	1.84	4.94	
Latvia	0.96	2.56	
France	0.86	2.31	
Luxembourg	0.86	2.31	
Other	2.10	5.64	

Table 6.12
Share/endowment capital
by country of origin
as at 31 December 2024

The share of domestic capital increased slightly compared with end-2023, from 61.5 percent to 62.7 percent.

As for the other countries holding stakes in the share/endowment capital of the NBFIs listed in the Special Register, at end-2024, Germany came in first (31.45 percent of total foreign capital), ahead of Austria (14.18 percent), the United Kingdom (11.62 percent), Italy (9.59 percent) and Cyprus (9.03 percent). These five countries jointly accounted for 75.86 percent of foreign capital.

Thus, the breakdown of the share/endowment capital by country of origin shows the notable influence of the European financial industry on the Romanian NBFIs sector, as well as a possible sensitivity of this sector to the economic developments in the other European countries.

Prudential supervision and oversight of NBFIs

Prudential supervision and oversight of NBFIs consisted in monitoring the drafting and submission of regular reports and the changes in the institutions' standing, as well as in on-site inspections at the offices of non-bank financial institutions and off-site inspections from the head office of the National Bank of Romania by the dedicated NBR staff via e-mail and secure data transfer applications. These actions

resulted in supervisory reports and sanctions enforced or measures imposed, as appropriate, in accordance with the legal provisions in force.

In line with the supervisory examination programme for 2024, the NBR staff carried out 12 inspections at the offices of non-bank financial institutions, the objectives of 10 of them being the organisation and conduct of accounting, as well as checking the drafting of reports submitted to the NBR, internal governance and institution-wide controls, significant risk management, and the conduct of internal audit in NBFIs, while the other two inspections focused on credit risk management.

In addition, following the off-site monitoring/supervision of the drafting and submission of regular reports, of the changes in the institutions' standing, as well as of compliance with the prudential requirements set by regulations, 23 supervisory reports were prepared.

Based on the findings in the above-mentioned on-site and off-site reports, the NBR imposed fines or sanctions in the form of a written warning in 22 cases, whereas in 10 cases the central bank also imposed remedial measures to correct deficiencies.

During 2024, seven NBFIs were sanctioned with the suspension of their lending activity and four institutions were subject to a sanction of erasure from the registers of non-bank financial institutions kept by the National Bank of Romania and to a ban on lending.

3.2. Payment institutions

At end-2024, 11 payment institutions and 20 agents through which they performed payment services in Romania and abroad were listed in the Payment Institutions Register. Moreover, four of the authorised payment institutions are also non-bank financial institutions, being entered in the General Register. In the course of 2024, the prudential supervision of payment institutions was conducted based on the analysis of the reports and of the changes in the institutions' standing, submitted by payment institutions in compliance with the applicable legal provisions.

During 2024, 12 requests for prior approval were processed related to board members and executives responsible for payment services provision within payment institutions and agents through which these entities perform payment services in Romania and abroad.

3.3. Electronic money institutions

At end-2024, the Register of Electronic Money Institutions included three such institutions, one of which is also a non-bank financial institution.

In the course of the year under review, the prudential supervision of electronic money institutions was conducted based on the analysis of the reports submitted and of the changes in the institutions' standing, in compliance with the applicable legal provisions.

During 2024, three requests for prior approval were processed related to board members and executives responsible for the issue of electronic money.

4. Supervising the prevention of money laundering and terrorist financing and enforcing international sanctions

The National Bank of Romania supervises the implementation of the legal framework governing the prevention of money laundering and terrorist financing and the enforcement of international sanctions across: (i) credit institutions, Romanian legal entities, including their branches abroad, their agents, distributors and majority-owned subsidiaries abroad, as well as their activity carried out directly on the territory of another EU Member State and the branches of credit institutions, foreign legal entities, carrying out their activity on the territory of Romania; (ii) payment institutions, Romanian legal entities, including their activity conducted directly in another EU Member State, and the branches of payment institutions located in other EU Member States, as well as their agents and distributors; (iii) electronic money institutions, Romanian legal entities, including their activity conducted directly in another EU Member State, and the branches of electronic money institutions located in other EU Member States, as well as their agents and distributors; (iv) non-bank financial institutions listed in the Special Register and non-bank financial institutions registered with the General Register, which are also licensed to operate as payment institutions or electronic money institutions.

In 2024, the National Bank of Romania was represented in the Interinstitutional Committee for the Preparation of the National Strategy for Preventing and Combating Money Laundering and Terrorist Financing and the related Action Plan, appointed by Prime Minister's Decision No. 2 of 4 January 2024, that drafted and approved the above-mentioned documents.

At the same time, the central bank took further steps to strengthen the supervision of credit institutions and financial institutions, which fall under its supervisory remit, in terms of the risks they are exposed to. In order to achieve the objectives, account was taken, *inter alia*, of the results of the national assessment of money laundering and terrorist financing risks, namely the Strategic Risk Mitigation Action Plan designed to mitigate the risks identified when carrying out the national assessment of money laundering and terrorist financing risks, adopted by the Inter-Institutional Council on 23 February 2023, as well as of the results of the evaluation by the Council of Europe's Moneyval Committee (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism), according to the Evaluation Report of the Fifth Mutual Evaluation Round of Moneyval, adopted at the Plenary Meeting of May 2023 and published on the FATF website on 24 July 2023, i.e. the Action Plan to mitigate the risks identified, and last but not least the National Strategy for Preventing and Combating Money Laundering and Terrorist Financing and the related Action Plan.

Thus, the year 2024 continued to be marked especially by: (i) the concern for enhancing interinstitutional, national and international cooperation capacities; in this respect mention needs to be made of the National Bank of Romania's participation in 21 meetings of AML/CFT colleges set up by the competent authorities in the European Union, and (ii) the concentration of institutional efforts towards strategic developments in the field.

During 2024, 45 supervisory actions were conducted with a focus on the activity performed by the supervised institutions for preventing money laundering and terrorist financing and for enforcing international sanctions. Of these, 23 were carried out at credit institutions and Romanian branches of foreign credit institutions and 22 at non-bank financial institutions, payment institutions, electronic money institutions and Romanian branches of foreign institutions. In compliance with the programme and themes of assessment and verification of the entities supervised by the central bank, as approved by the Supervisory Committee of the National Bank of Romania, the supervisory actions included 15 on-site inspections and 12 off-site monitoring actions. At the same time, in addition to the scheduled supervisory actions, in the context of the off-site monitoring activity, 18 other ad hoc supervisory actions were performed.

Following the checks carried out, the NBR imposed 19 orders to remedy the deficiencies and issued three letters of recommendations. Moreover, after the deficiencies found, 13 administrative sanctions were applied to supervised institutions, of which 5 warnings and 8 fines totalling lei 490,000. Furthermore, in accordance with the provisions of Art. 26 para. (2) of Law No. 129/2019 on preventing and combating money laundering and terrorist financing, as well as amending and supplementing some legal acts, during 2024, 36 notifications were submitted to the National Office for Prevention and Control of Money Laundering on non-compliance with the above-mentioned provisions found during the inspection/supervisory actions.

In the current context of international security, the increased complexity of the regulations on international sanctions, the frequency of their adoption and the impact on the national banking and financial system called for a quick response capacity and posed a challenge for both the supervised entities and national competent authorities, and the European Union, which has consistently attempted to provide functional mechanisms and lend support to the Member States – for this purpose, it launched the EU Sanctions Helpdesk, a platform that provides support in complying with European Union restrictive measures (also known as sanctions).

At national level, during 2024, the National Bank of Romania made a significant contribution to updating Government Emergency Ordinance No. 202/2008 on the implementation of international sanctions.

In supervising how entities apply international sanctions, the National Bank of Romania continued to consider:

- (a) sending recommendations to improve the internal framework for managing the risk of non-enforcement of international sanctions to all credit institutions, Romanian legal entities and branches of credit institutions, foreign legal entities, as well as to two branches of payment institutions in other EU Member States;
- (b) corresponding with entities subject to supervision by the central bank on international sanctions imposed by the UN Security Council and the European Union and disseminating relevant information such as the Common High Priority Items List prepared by the European Commission, the manner of applying Regulation (EU) 2022/263 etc.;
- (c) organising work meetings with representatives of some of the supervised entities in order to ensure the proper enforcement of sanctions specific to the banking sector;
- (d) making analyses, at the request of the European Commission, in light of the new regulations on the sanctions imposed against the Russian Federation and the Republic of Belarus;
- (e) publishing on the National Bank of Romania's website, in the Supervision section, Implementation of international sanctions sub-section, the lists of consolidated international sanctions of competent international organisations, as well as the relevant guidelines and notes.

Moreover, in 2024 central bank representatives participated in: (i) the meetings of the Inter-Institutional Council to ensure the general cooperation framework for the implementation of international sanctions (CIISI) in Romania, established in accordance with Government Emergency Ordinance No. 202/2008 on the enforcement of international sanctions, as subsequently amended and supplemented; (ii) the meetings of the Inter-ministerial Committee "International sanctions" established pursuant to Prime Minister's Decision No. 269/2022; (iii) the meetings of the Commission Expert Group on Union restrictive measures and extra-territoriality;

In relation to the specific tasks in the field of international sanctions, the National Bank of Romania cooperated, within the limits of the applicable legal framework, with the other public authorities and institutions, including by providing information from the perspective of its remit.

At international level, the National Bank of Romania participated on an ongoing basis, in its capacity as member with voting rights, in the meetings of the Standing Committee on anti-money laundering and countering terrorist financing (AMLSC), set up within the European Banking Authority, thus contributing to the exchange of relevant information on area-specific current and emerging risks and to the harmonisation of supervisory practices across the EU, as well as to the approval of draft opinions, guidelines, regulatory and implementing technical standards, recommendations, and other publications, as appropriate, compiled in cooperation with the AMLSC and adopted by the European Banking Authority.

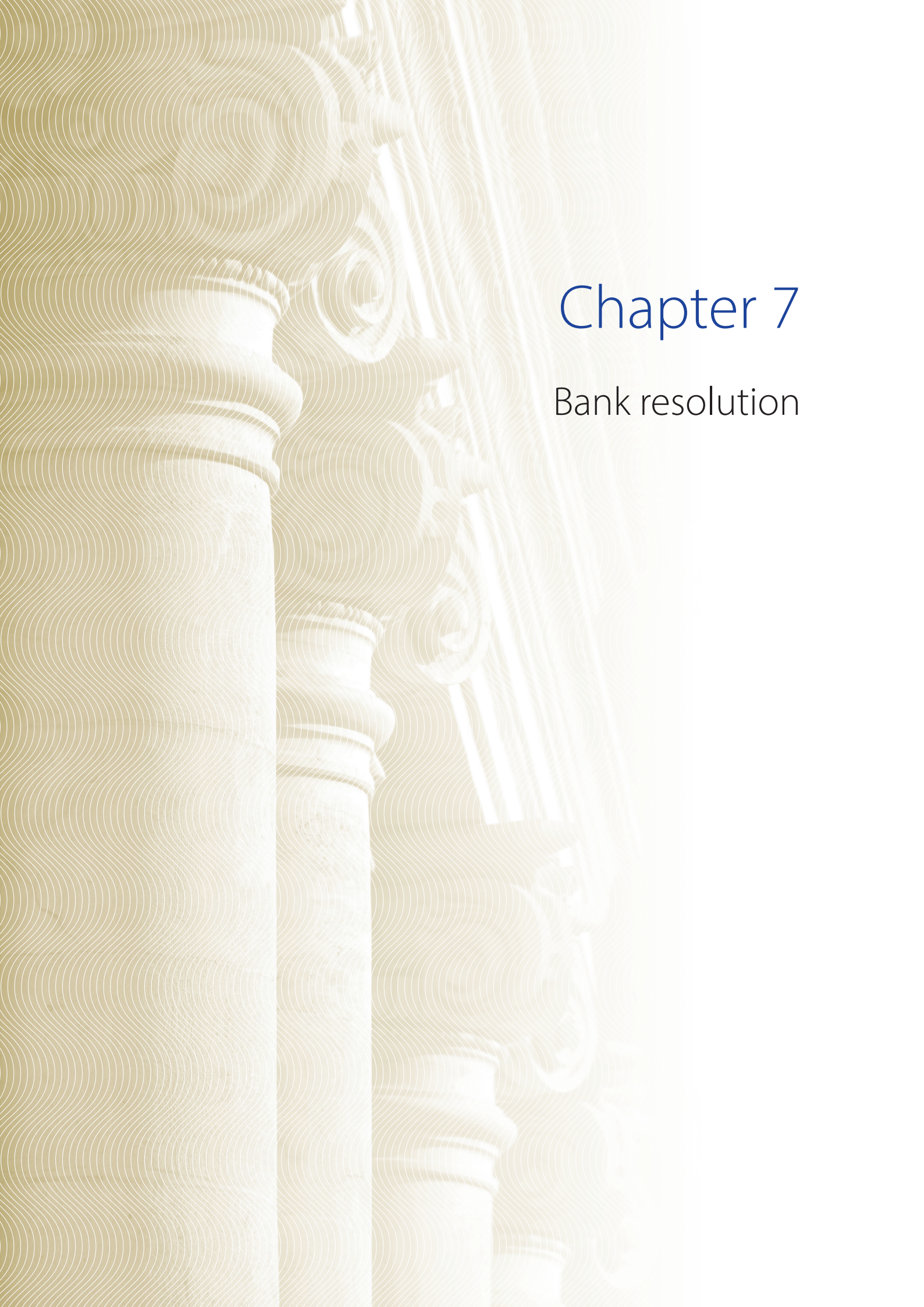
The National Bank of Romania continued to participate, in its capacity as member, in the meetings of the Commission Expert Group on Money Laundering and Terrorist Financing. Furthermore, the central bank contributed relevant opinions to the

meetings of the Working Group established within the Council of the European Union, on the legislative proposals to strengthen the EU's anti-money laundering and countering the financing of terrorism rules, adopted or currently under discussion¹⁹⁹.

Also in 2024, the National Bank of Romania signed the Memorandum on the designation of the single common representative of the Romanian AML/CFT supervisory authorities within the General Board of the European Authority for Anti-Money Laundering and Countering the Financing of Terrorism – AMLA, in accordance with Article 57 of Regulation (EU) 2024/1620. The Memorandum approved the appointment of a representative of the NBR executive management as the single common representative of the Romanian AML/CFT supervisory authorities in the General Board, in its supervisory composition, and of the Director of the Supervision Department as an alternate member.

The Supervision Department monitors the activities in the AMLA file and ensures cooperation at European and national levels, both within the fora and bilaterally, through active participation, including by contributing points of view, in order to ensure the efficiency of the supervisory processes and of AML/CFT specific activities.

¹⁹⁹ (i) Regulation (EU) 2024/1113 of the European Parliament and of the Council of 31 May 2024 on information accompanying transfers of funds and certain crypto-assets and amending Directive (EU) 2015/849 (recast), (ii) Regulation (EU) 2024/1620 establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010, (iii) Regulation (EU) 2024/1624 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and (iv) Directive (EU) 2024/1640 on the mechanisms to be put in place by the Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Directives (EU) 2015/849 and (EU) 2019/1937, and repealing Directive (EU) 2015/849

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Chapter 7

Bank resolution

1. Planning and preparing the resolution

1.1. Current activity of resolution planning

In 2024 as well, resolution planning was the NBR's main activity in its capacity as resolution authority (NBR/RA), given that credit institutions in Romania continued to carry out operations smoothly.

The resolution plans for local credit institutions were updated according to the usual calendar. At the same time, in the case of significant subsidiaries and branches of cross-border banking groups in Romania, the NBR/RA further contributed to group resolution plans and participated, in line with the legal provisions, to the activities of resolution colleges, in order to adopt the joint decisions on group resolution plans and the MREL requirements.

The resolution strategies set in the previous planning cycle were maintained. Given that the four major corporate events²⁰⁰ in the period under review had deadlines for completing the integration of the institutions taken over that went beyond end-2024, credit institutions with a resolution strategy in the event of failure further accounted, in terms of number, for half of all banks, Romanian legal entities, while in terms of total assets, their share came close to 96 percent. Large local banks and the subsidiaries of cross-border groups with MPE resolution strategies continued to prefer the bail-in tool, whereas the subsidiaries of cross-border groups with SPE resolution strategies preferred to resort to write-down or conversion of relevant capital instruments and eligible debt instruments. Conversely, for local medium-sized resolvable credit institutions the sale of business or the bridge bank tool remained the main options considered.

The operationalisation of resolution strategies continued to be the main line of activity in bank resolution planning. The monitoring of credit institutions' progress on resolvability sought compliance with EBA Guidelines on improving resolvability (EBA/GL/2022/01), as these entered into force at the beginning of 2024. Additionally, the format of banks' resolvability self-assessment report was established, also, where appropriate, with regard to developing the capabilities set forth in EBA Guidelines for institutions and resolution authorities to complement the resolvability assessment for transfer strategies (Transferability guidelines) – EBA/GL/2022/11. The conclusions of the analysis of these documents will contribute to developing the programmes to test the resolvability of institutions within the scope of the NBR in its capacity as resolution authority, in accordance with Guidelines amending EBA Guidelines to introduce a new section on resolvability testing (EBA/GL/2023/05).

²⁰⁰ OTP Bank, Alpha Bank and First Bank being taken over by other credit institutions, Romanian legal entities, and Credit Europe Bank being turned into a branch

In order to strengthen the institutional framework for the resolution of banks failing or likely to fail, the NBR/RA, together with the Bank Deposit Guarantee Fund and the Magyar Nemzeti Bank in its capacity as resolution authority, entered a technical assistance programme for the operationalisation of transfer strategies, with funding from the Technical Support Instrument managed by the European Commission.

1.2. Decision-making on the minimum requirement for own funds and eligible liabilities (MREL)

In 2024, the NBR updated the policy on setting the minimum requirement for own funds and eligible liabilities (MREL) for credit institutions within the field of competence of the National Bank of Romania, in its capacity as resolution authority; the main change referred to determining the additional amount the resolution authority deems necessary for resolution entities that resort to bail-in to sustain sufficient market confidence (i.e., market confidence charge – MCC) similarly to the approach of the Single Resolution Board (SRB). Specifically, starting with the 2024 planning cycle, in the case of these resolution entities for which the MCC is set at the default value, the NBR/RA may apply an adjustment, namely reducing the MCC by up to 20 percent of the default value, taking into account the specific elements of each case and each credit institution’s situation, especially the progress made towards resolvability. Additionally, updating the MREL policy also focused on the approach to set the MREL target for entities resolvable through liquidation in order to transpose Directive (EU) 2024/1174 (Daisy Chains Directive), as well as on aspects related to checking the compliance with eligibility conditions of debt instruments while monitoring the MREL by the NBR/RA, based on a self-assessment template, *inter alia* by providing, on a case by case basis, a legal opinion to certify that the instrument issued observes the MREL legal conditions.

Given the entry into effect of the minimum requirement for own funds and eligible liabilities as of 1 January 2024, following the end of the transitional period provided by the legislation in force, the NBR/RA’s efforts to follow-up on the build-up of adequate internal resources to allow the financing of potential resolution

actions focused on monitoring activities for compliance with the updated MREL target on a continuous basis.

The NBR/RA issued new administrative orders to implement the MREL for both local credit institutions and those that are part of cross-border groups.

For resolvable institutions, where the MREL also includes the recapitalisation amount, the weighted average MREL target as at 31 December 2024 was 24.74 percent of total risk exposure

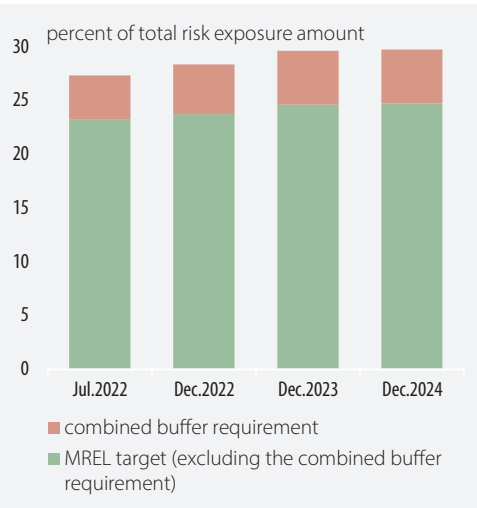
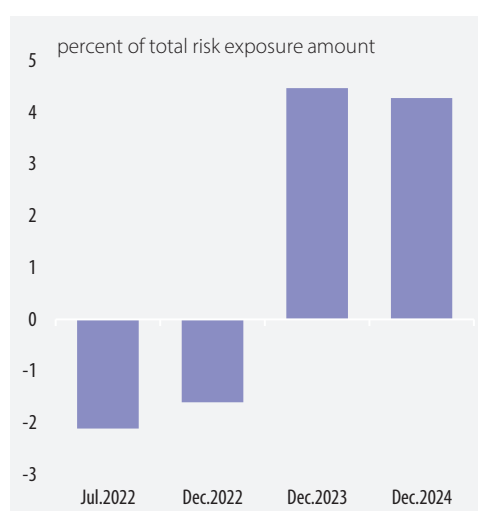


Chart 7.1
MREL target

amount (without the combined buffer requirement), which was a quasi-similar level to that recorded at end-2023, i.e. 24.63 percent of total risk exposure amount (Chart 7.1).

In view of the 2024 increase by 11.3 percent in the reporting base (total risk exposure amount) to lei 335.8 billion, the aggregate MREL in nominal terms was higher in 2024, i.e. up by lei 8.76 billion to lei 83.1 billion for resolvable credit institutions, out of which lei 42 billion is the requirement imposed by the NBR/RA, in addition to own funds requirements.

Chart 7.2
Shortfall against the final MREL target including the combined buffer requirements



The MREL resources of resolvable credit institutions saw, as at 31 December 2024, a cumulative surplus of lei 14.34 billion against the MREL target (plus the combined buffer requirement), up by lei 0.88 billion versus end-2023. The higher MREL capacity was ascribed to the increase in the stock of eligible debt instruments by lei 5.77 billion, to lei 40.54 billion, as well as to the rise in own funds by lei 5.61 billion, to lei 73.69 billion. Although the surplus of eligible resources against the MREL target (including the combined buffer)

increased in nominal terms, the relative level posted a slight adjustment, amid the faster rise in the calculation base (Chart 7.2).

MREL eligible resources were further raised via issues of senior non-preferred (SNP) bonds on the international capital market and SNP loans from parent banks by non-resolution entities, namely subsidiaries of cross-border banking groups with Single Point of Entry (SPE) resolution strategies. In 2024, the volume of new issues of eligible liabilities, including renewals, was lei 8.98 billion.

At the same time, prior (ad hoc) permissions to reduce MREL eligible liabilities, with or without replacing them with other instruments, were granted upon the request of four credit institutions, for the first time, pursuant to the provisions of Commission Delegated Regulation (EU) 2023/827 laying down regulatory technical standards amending Delegated Regulation (EU) No 241/2014 as regards the prior permission to reduce own funds and the requirements related to eligible liabilities instruments (the permission regime).

2. National and international communication and cooperation

In 2024, the NBR/RA continued to cooperate with other European institutions on bank resolution topics, actively participating in the meetings of the EBA's Resolution Committee (ResCo) and the working sub-groups of this committee, as well as formulating technical opinions on the various topics within the scope of bank resolution, such as: (i) the EBA's regulatory documents (regulatory technical standards, implementing technical standards, guidelines, etc.); (ii) the handbook on independent valuers; (iii) the deeper understanding of the lessons learned from the banking stress episodes in 2023 H1²⁰¹ in resolution planning, in the content of plans, resolvability assessment, and the activity of resolution colleges; (iv) the assessment of MREL instruments; (v) integrated reporting.

At end-November 2024, a delegation of the Single Resolution Board (SRB) led by Mr. Dominique Laboureix, SRB Chair, made a country visit to Romania, at the NBR's head office, as part of the visits made by SRB representatives to EU Member States that are not part of the Banking Union. The main topics addressed were the risks, vulnerabilities and outlook of the banking sector, strategic priorities and policies in the field of bank resolution, as well as developments in national and European regulations. The key messages highlighted the importance of authorities' preparedness to manage a possible financial crisis, the role of trust in the authorities and between authorities, and the importance of interinstitutional cooperation. The SRB delegation also visited with the leadership of the Ministry of Finance and the Romanian Association of Banks. The visit showed the firm commitment of both institutions to strengthen the existing cooperative relation, in order to improve authorities' level of preparedness to face a possible banking crisis and to safeguard financial stability.

Also worth noting in terms of international cooperation was the continued participation in the EBA's European Resolution Examination Programme (EREP); specifically, the NBR/RA was involved in the second²⁰² EREP and, additionally, in preparing the third²⁰³ one. The EREP priorities for 2024 were a natural continuation of those set out for the previous year, whose fulfilment extends over several years. However, these were updated to show the end of the transition period of the resolution framework, as the guidelines on improving resolvability and transferability respectively entered into effect. Specifically, the EREP priorities set for 2024 focused on the following: (i) MREL monitoring, (ii) operationalisation of the resolution strategy, (iii) management information systems for valuation (i.e. development of information systems able to provide the necessary data for valuation in the event of resolution), and (iv) liquidity in resolution.

The NBR in its capacity as competent authority and resolution authority signed a Memorandum of Understanding with the European Central Bank and the Single

²⁰¹ In the US and Switzerland

²⁰² EBA's 2024 Resolution Convergence Report, published in August 2024

²⁰³ EBA's 2025 Resolution Convergence Report, which will be published in 2025.

Resolution Board regarding cooperation and exchange of information to achieve its tasks with regard to bank recovery and resolution.

In order to enhance dissemination and improve the efficiency and impact of the central bank's messages to the interested categories of target audiences, the NBR organised the fifth edition of the annual conference entitled *The Bank Resolution Framework. Current issues and prospects*. The topics brought to the attention of credit institutions included: the developments in the European resolution authority – new strategic vision; the end of the transition period for banks to reach the target of the minimum requirement for own funds and eligible liabilities (MREL); the progress made in preparing the resolution and the expectations of the resolution authority on improving resolvability; the shift from building/developing credit institutions' capabilities to testing them; the expected developments in the regulatory framework, etc. Among the attendees were representatives from credit institutions, as well as from other Romanian institutions with responsibilities in the current resolution framework (Bank Deposit Guarantee Fund, Financial Supervisory Authority, Ministry of Finance).

3. Bank Resolution Fund

The build-up of the Bank Resolution Fund's (BRF) resources continued in the period under review. The amount went up by lei 0.36 billion against end-2023, totalling lei 3.37 billion. The contributions of all credit institutions set for 2024 were paid in full.

Thus, the BRF's target level of at least 1 percent of the amount of covered deposits of credit institutions authorised on the territory of Romania was fulfilled within the deadline set by the applicable regulations, given that the total amount of the calculation basis was lei 335.01 billion at the end of the reference period, while coverage reached 100.62 percent at end-2024.

The same as in the previous years, the estimated, non-binding level of the BRF contributions for the next year was also communicated to credit institutions to help them prepare their annual balance sheets.

4. Regulatory framework for bank resolution

The resolution framework was extended at the level of primary legislation through the transposition of Directive (EU) 2024/1174 of the European Parliament and of the Council of 11 April 2024 amending Directive 2014/59/EU and Regulation (EU) No 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities (Daisy Chains Directive). Since the entry into force of the legal act amending Law No. 312/2015, the resolution authority no longer determines nor imposes the MREL to liquidation credit institutions, unless it deems necessary to set

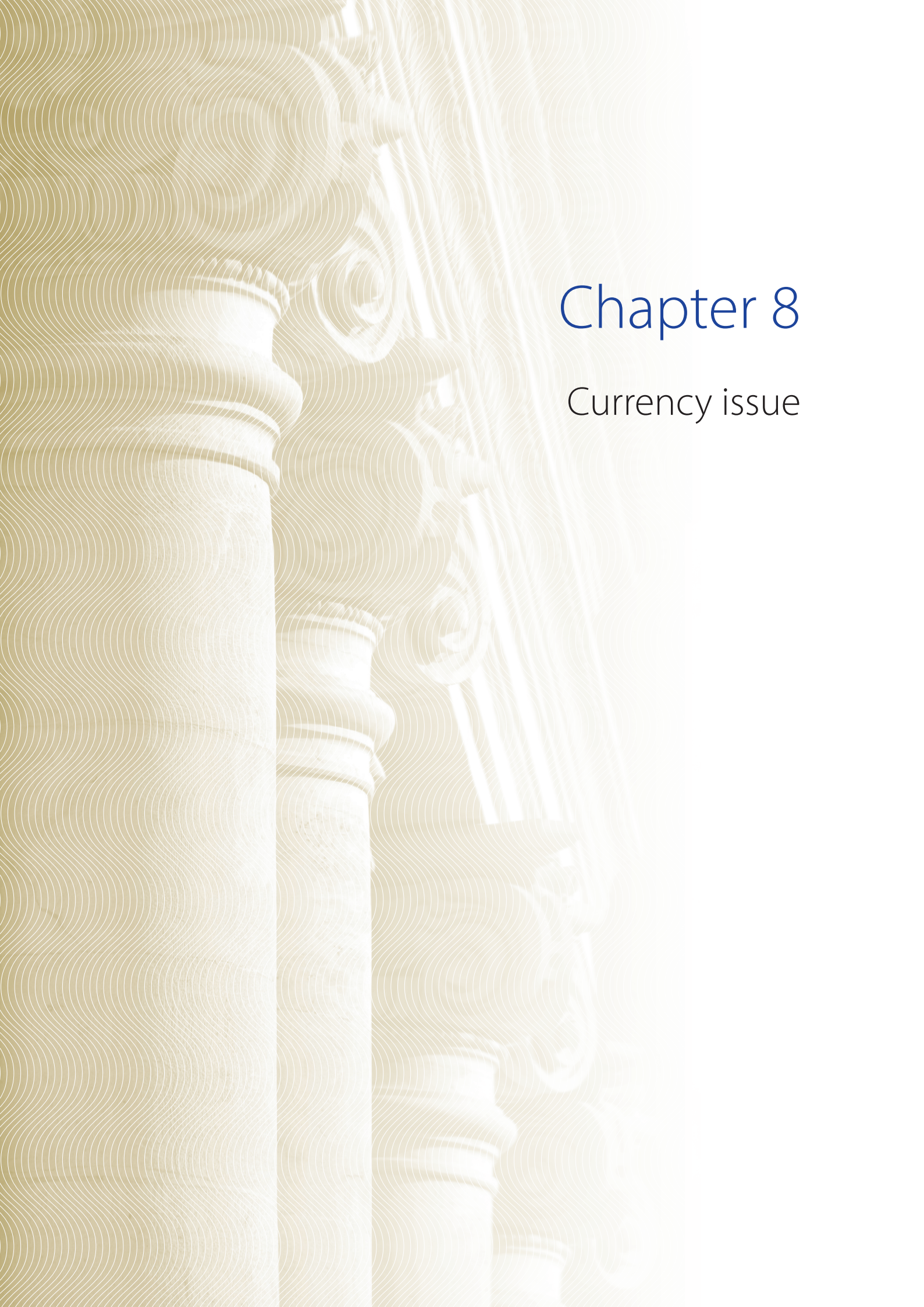
the MREL above own funds, namely the loss absorbing capacity, taking particularly into account any potential impact on financial stability and contagion risk in the financial system, including with respect to the financing capacity of deposit guarantee schemes. At the same time, liquidation entities for which the MREL is not determined are not subject to the permission to reduce eligible liabilities pursuant to Art. 77 para. (2) and Art. 78a of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as subsequently amended and supplemented, and the holdings of own funds instruments in liquidation entities for which the MREL is not determined are not deducted at the level of the intermediate entity belonging to the same resolution group. As for the resolution groups, according to the Daisy Chains Directive, the resolution authority may allow a credit institution that is an intermediate entity in a resolution group to comply with the internal MREL on a consolidated basis (not individual), whenever the intermediate entity is subject to additional own funds requirements on a consolidated basis only and all the other conditions laid down in the legal framework are met.

Relevant additions to the primary regulatory framework are also expected for operational resilience issues, once with the transposition into the national law of Directive (EU) 2022/2556 as regards digital operational resilience for the financial sector (DORA Directive), which will bring additional elements to credit institutions' resolution planning and resolvability assessment. The main amendments proposed in the field of bank resolution aim to demonstrate the capacity of ensuring digital operational resilience and assess the reliability of arrangements on the use of ICT services in terms of robustness and enforceability in the event of resolution of the institution, particularly the networks and systems supporting critical functions and core business lines of the institution. Specifically, the Law transposing the DORA Directive was adopted and published in *Monitorul Oficial al României*, Part I, No. 234 of 17 March 2025 – Law No. 16/2025 amending and supplementing some legal acts in the financial field and is implemented together with the related implementing regulation.

The secondary legislation was supplemented by NBR Regulation No. 4/2024 on the authorisation of a bridge institution. This sets forth the authorisation conditions and the documents accompanying the authorisation application based on which the National Bank of Romania, in its capacity as competent authority, authorises a bridge institution.

Another piece of Level 2 legislation is NBR Regulation No. 8/2024 amending and supplementing NBR Regulation No. 5/2013 on prudential requirements for credit institutions which, together with NBR Instructions No. 3/2024 on outsourcing arrangements, ensures the transposition at national level of EBA Guidelines on outsourcing arrangements. In terms of bank resolution, these requirements are part of the resolvability framework.



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Chapter 8

Currency issue

In 2024, the NBR supplied the necessary currency in terms of quantity, value and denomination composition to ensure smooth money circulation, and took appropriate measures to raise the quality of Romanian banknotes and coins in circulation.

1. Developments in currency in circulation outside banks

In 2024, the value of currency outside banks expanded by 14,2 percent (up to lei 131,429.9 million²⁰⁴), the pace of increase being 5.5 percentage points faster than that recorded in 2023.

In 2024, the currency in circulation outside banks preserved some of its seasonal patterns. Specifically, annual seasonal factors played a significant part in this indicator's developments, high monthly growth rates being recorded in: (i) April (4.2 percent), under the impact of Easter, (ii) November (1.6 percent) and December (2.7 percent), due to the increased demand for currency specific to the winter holidays, and (iii) June (1.6 percent) and August (1.5 percent), as a result of paid holidays. Over the remaining months, the value of currency outside banks reported more modest increases (0.9 percent in July and September, 0.7 percent in February, 0.6 percent in March and October) or even decreases (-1.6 percent in May and -0.2 percent in January).

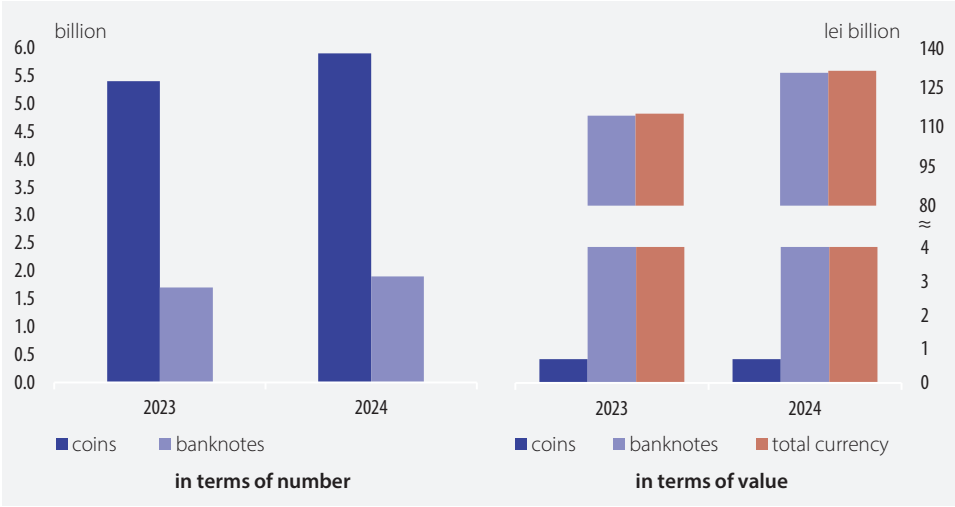
Currency outside banks reached a record high of lei 134,553 million for the year under review (+14.7 percent versus the 2023 peak) on 20 December 2024, due to the increased demand for currency specific to the winter holidays.

At end-2024, the number of banknotes outside banks was 1,939.9 million, up 13.3 percent year on year, and the number of coins amounted to 5,872.9 million, up 3.9 percent from end-2023. At the end of the year under review, the value of banknotes outside banks posted a 14.3 percent increase year on year, whereas the value of coins stood 5.8 percent higher than at end-2023 (Chart 8.1).

Banknotes outside banks reported rises in terms of number across all denominations: leu 1 (+16.1 percent), lei 5 (+5.4 percent), lei 10 (+5.4 percent), lei 50 (+11.1 percent), lei 100 (+8.8 percent), lei 200 (+20.4 percent) and lei 500 (+12.3 percent).

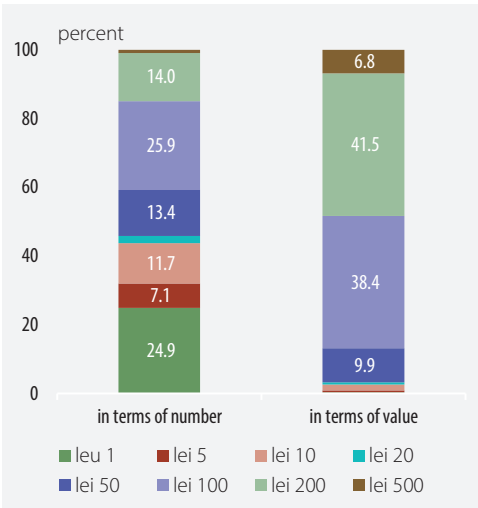
²⁰⁴ Lei 127,445.8 million, excluding the cash in automated teller machines and automated exchange teller machines

Chart 8.1
Composition of currency outside banks in 2023 and 2024



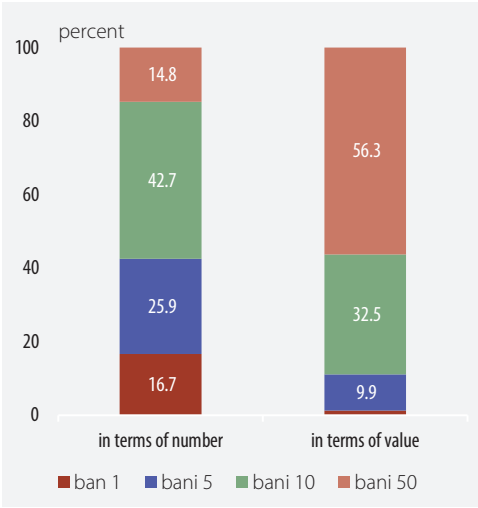
As for the lei 20 denomination, which was put into circulation on 1 December 2021, the number of banknotes outside banks at end-2024 was 188.4 percent higher versus the end of the prior year.

Chart 8.2
Denomination composition of banknotes in circulation in 2024



The lei 100 banknote was the most frequently used, its share in the total number of banknotes outside banks standing at 25.9 percent, followed by the leu 1 banknote (24.9 percent) and the lei 200 banknote (14.0 percent). The lei 500 banknote held the lowest share of the total number of banknotes outside banks, i.e. 0.9 percent. Given the date when the new note with face value of lei 20 was put into circulation, its share in the total number of banknotes outside banks came in at 2.1 percent at end-2024.

Chart 8.3
Denomination composition of coins in circulation in 2024



The banknotes most frequently used for loading ATMs, namely the lei 200, lei 100 and lei 50 denominations, continued to take the highest shares of the total value of banknotes outside banks, i.e. 41.5 percent, 38.4 percent and 9.9 percent, respectively (Chart 8.2).

The number of all coin denominations increased by comparison to 2023, percentages varying between 1.8 percent (for the ban 1 coin) and 7.5 percent (for the bani 50 coin).

In terms of value, the bani 50 and the bani 10 denominations covered 88.8 percent of the total value of coins outside banks, the largest share being held by the bani 50 coin (56.3 percent; Chart 8.3).

At end-2024, the number of notes and coins outside banks per capita amounted to 102 and 308, respectively, i.e. 12 notes and 11 coins more than at end-2023.

2. NBR's cash payments and collections in its relation with credit institutions/the State Treasury

Payments

In 2024, the total value of currency used for NBR's payments to credit institutions/ the State Treasury stood at lei 32,090.3 million, up 39.0 percent compared to 2023.

The number of banknotes put into circulation via payments was 487.7 million, up 38.2 percent year on year, and their value climbed by +39.1 percent to lei 32,048.3 million.

Banknotes put into circulation via payments reported increases in terms of number across all denominations: lei 1 (+30.9 percent), lei 5 (+53.8 percent), lei 10 (+14.0 percent), lei 20 (+302.1 percent), lei 50 (+44.8 percent), lei 100 (+27.2 percent), lei 200 (+50.8 percent) and lei 500 (+14.9 percent).

Such developments led to declining shares of the lei 1, lei 10, lei 100 and lei 500 banknotes used for payments by the central bank by up to 3.2 percentage points against the previous year, whereas the shares of lei 5, lei 20, lei 50 and lei 200 notes increased by up to 3.8 percentage points versus 2023.

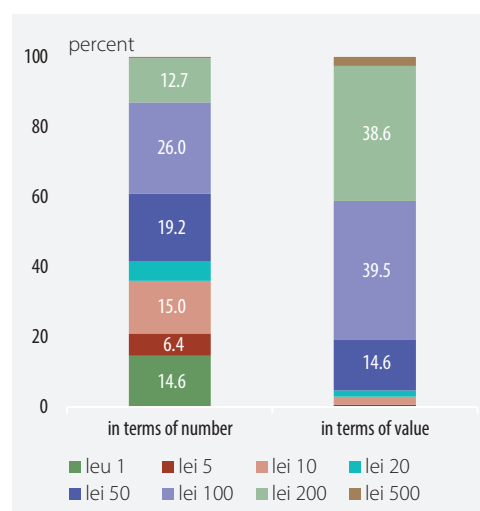


Chart 8.4
Denomination composition
of banknotes used
for payments in 2024

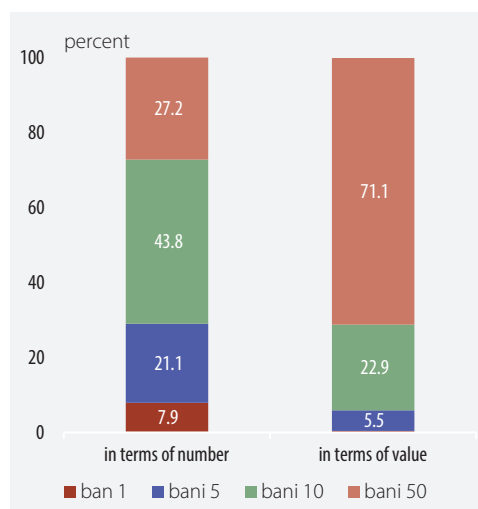
In terms of value, the lei 5, lei 20, lei 50 and lei 200 notes consolidated their shares in the total value of banknotes put into circulation via payments (up by 0.1 percentage points for the lei 5 banknotes, 1.1 percentage points for the lei 20 note, 0.6 percentage points for the lei 50 banknote and 3.0 percentage points for the lei 200 note). The shares of lei 1, lei 10, lei 100 and lei 500 notes in the payments made by the central bank receded by up to 3.7 percentage points (Chart 8.4).

In 2024, 219.5 million coins were withdrawn by credit institutions/the State Treasury from the central bank, up 6.5 percent from the year before. The number of coins withdrawn from the central bank increased for almost all denominations: bani 1 (+23.1 percent), bani 10 (+3.1 percent) and bani 50 (+16.8 percent). By contrast,

the bani 5 coin posted a 2.7 percent decrease in terms of quantity. The bani 10 coin further held the highest share in the total number of coins used for payments, namely 43.8 percent, ahead of the bani 50 coin (with a 27.2 percent share).

In terms of value, the composition of denominations used for payments to credit institutions/the State Treasury changed compared to 2023, more obviously in the case of the bani 50 coin, with a 2.8 percentage point increase (up to 71.1 percent; Chart 8.5).

Chart 8.5
Denomination composition of
coins used for payments in 2024



Collections

In 2024, the NBR's cash collections amounted to lei 14,702.5 million, up 4.3 percent against 2023. The deposits of credit institutions/the State Treasury returned to the NBR 277.6 million banknotes, i.e. 7.7 percent more than the previous year. The notes collected reported rises in terms of number versus 2023 for the following denominations: leu 1 (+17.2 percent), lei 5 (+13.8 percent), lei 10 (+16.0 percent), lei 100 (+4.1 percent), lei 200 (+10.1 percent) and lei 500 (+5.1 percent). By contrast, the lei 50 banknote posted a 3.0 percent decrease in terms of quantity.

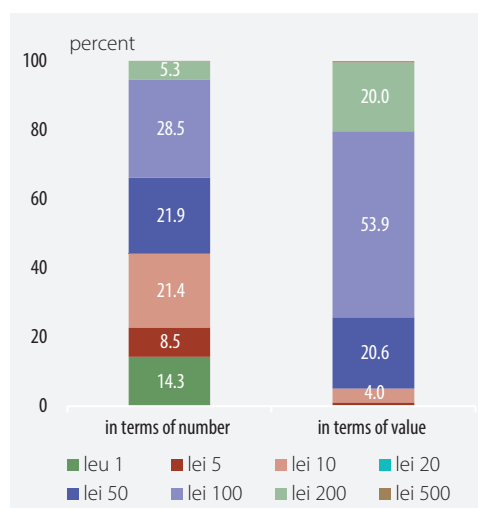
As for the new note with face value of lei 20, the deposits of credit institutions/ the State Treasury with the central bank in 2024 amounted to 367,303 banknotes

of this denomination, which were considered unfit for currency circulation (worn out and deteriorated).

The largest share in the total number of notes collected from credit institutions/ the State Treasury was held by the lei 100 denomination (28.5 percent), ahead of the lei 50 note (21.9 percent).

As regards the share taken in the total value of banknotes collected, the lei 100 denomination accounted for 53.9 percent, followed by the lei 50 note with 20.6 percent (Chart 8.6).

Chart 8.6
Denomination composition
of banknotes collected in 2024



In 2024, 0.3 million coins were returned to the central bank, down 56.2 percent from the year before. All denominations reported declines in terms of number: ban 1

(-25.0 percent), bani 5 (-49.1 percent), bani 10 (-69.0 percent) and bani 50 (-48.6 percent). The bani 50 coin took the highest share of the total number of coins collected (45.7 percent), the bani 10 coin ranking second (29.3 percent).

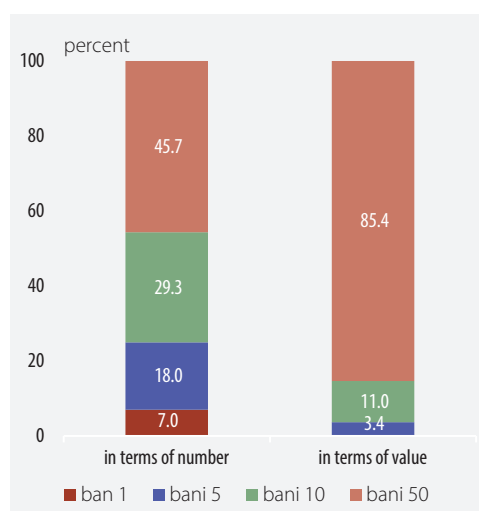


Chart 8.7
Denomination composition
of coins collected in 2024

In 2024, the value of coins deposited by credit institutions/the State Treasury with the NBR's regional branches amounted to lei 0.1 million (down 52.0 percent from 2023), the bani 10 and bani 50 coins jointly accounting for 96.4 percent (Chart 8.7).

3. Currency processing and withdrawal from circulation of unfit currency

Throughout 2024, 447.2 million banknotes were processed in the processing centres of the National Bank of Romania (i.e. 65.7 million banknotes more than the previous year), out of which 95.3 million were sorted as unfit for currency circulation. This corresponded to an average unfit banknote rate of approximately 21.3 percent, i.e. 3.8 percentage points lower than that recorded in 2023.

The unfit rate changed for almost all denominations compared to the prior year, yet to different extents. Increases were seen as follows: 9 percentage points for the lei 1 note, 21 percentage points for the lei 5 banknote, 14 percentage points for the lei 10 note, 0.8 percentage points for the lei 20 banknote and 0.6 percentage points for the lei 200 note. Decreases were recorded for the following denominations: 11 percentage points for the lei 50 banknote, 5 percentage points for the lei 100 note and 0.3 percentage points for the lei 500 banknote.

Moreover, some 1.5 million coins were processed in 2024 (51 thousand coins less than the year before), with 236 thousand coins being sorted as unfit for currency circulation.

4. Numismatic issues

In 2024, the National Bank of Romania launched 16 numismatic issues, including 20 coins, out of which 5 were of gold, 13 of silver and 2 of copper-plated tombac. The maximum mintage differed depending on the metal the coins were made of, namely 5,000 gold coins, 65,000 silver coins and 10,000 copper-plated tombac coins that were issued.

The National Bank of Romania put into circulation, for numismatic purposes, a commemorative collector banknote to mark 185 years since the birth of King Carol I and a special sheet consisting of four banknotes with face value of lei 10. The print number was 30,000 banknotes and 5,000 special sheets, respectively.

The central bank also put into circulation, for numismatic purposes, a mint set with a maximum mintage of 5,000 coins dedicated to the 2024 Summer Olympic Games.

The following table sets out the data regarding the 2024 numismatic issues.

Numismatic issue	Metal and face value
Constantin Brâncuși – Romanian sources and universal perspectives	a silver coin with face value of lei 10
270 years since the birth of Gheorghe Șincai	a silver coin with face value of lei 10
200 years since the birth of Avram Iancu	a gold coin with face value of lei 500 a silver coin with face value of lei 10 a copper-plated tombac coin with face value of leu 1
90 years since the establishment of the Bucharest Emergency Clinical Hospital	a silver coin with face value of lei 10
20 years since Romania's accession to NATO	a silver coin with face value of lei 10 a copper-plated tombac coin with face value of leu 1
100 years since Romania gained the first Olympic medal	a silver coin with face value of lei 10
125 years since the birth of George Călinescu	a silver coin with face value of lei 10
125 years since the birth of George Matei Cantacuzino	a silver coin with face value of lei 10
130 years since the birth of Camil Petrescu	a silver coin with face value of lei 10
145 years since the birth of Cecilia Cuțescu-Storck	a silver coin with face value of lei 10
145 years since granting Romanian citizenship to Mauriciu Brociner, the first Romanian Army officer of Jewish descent	a silver coin with face value of lei 10
150 years since the birth of Constantin I. Parhon	a silver coin with face value of lei 10
80 years since the unfolding of Operation "Neptune"	a gold coin with face value of lei 100 a silver coin with face value of lei 10
300 years since the building of Stavropoleos Monastery Church in Bucharest	a gold coin with face value of lei 100 a silver coin with face value of lei 10
History of Gold – The Apahida Hoard	a gold coin with face value of lei 10
400 years since the birth of Metropolitan Bishop Dosoftei	a gold coin with face value of lei 100
2024 Summer Olympic Games	The mint set comprises the Romanian coins in circulation of ban 1, bani 5, bani 10, bani 50 and a silver medal.

Table 8.1
The 2024 numismatic issues

5. Detected leu counterfeits

In 2024, counterfeit Romanian banknotes checked by the National Bank of Romania totalled 2,048, down 34.92 percent from the previous year. The monthly distribution of counterfeits was as follows:

Table 8.2
Monthly distribution
of counterfeits

2024											
Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
418	341	199	174	303	80	151	60	126	134	34	28

The number of counterfeits by denomination was as follows:

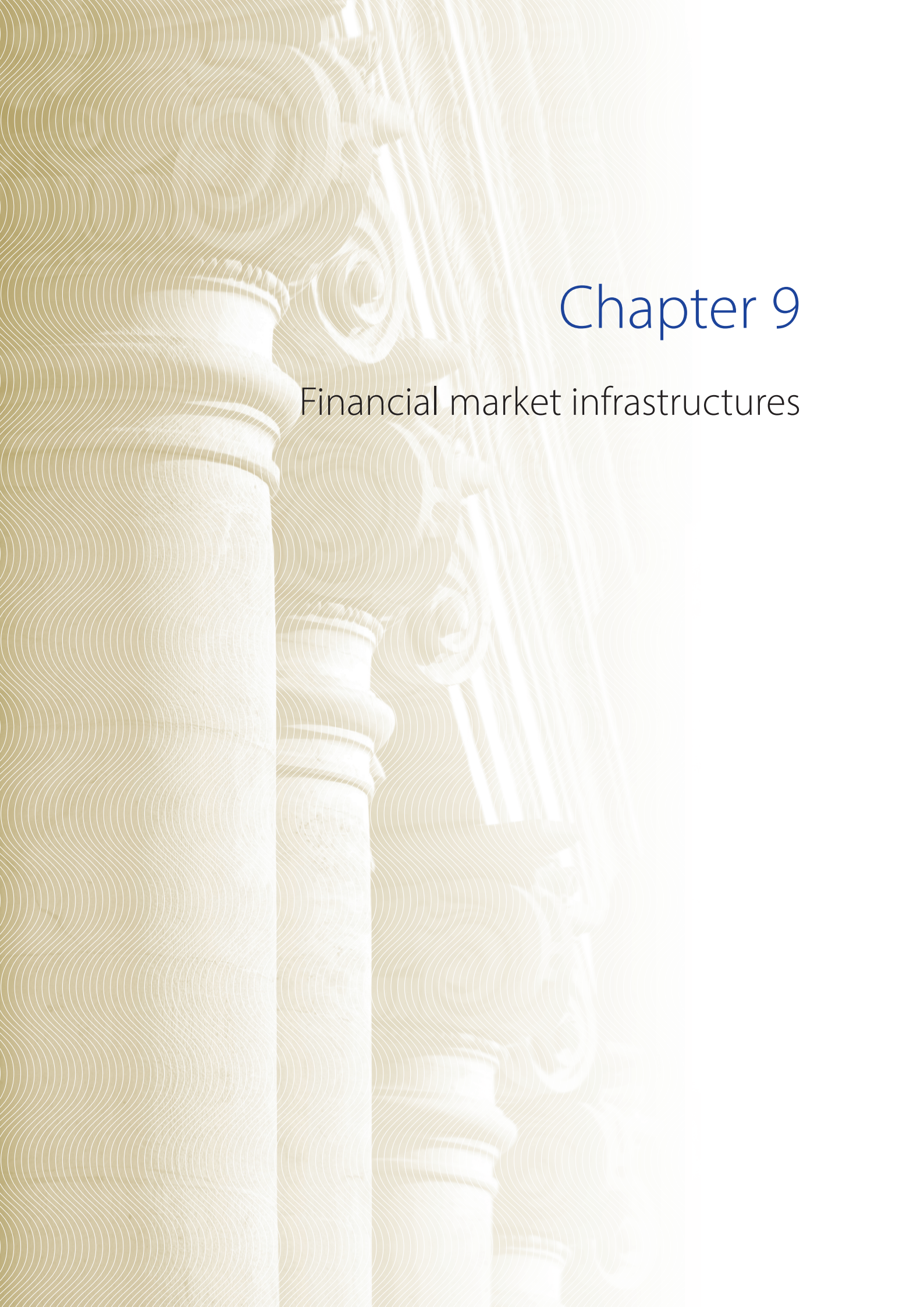
Table 8.3
Counterfeits by denomination

Denomination	Number of counterfeits
leu 1	0
lei 5	0
lei 10	4
lei 20	0
lei 50	38
lei 100	1,956
lei 200	45
lei 500	5

Out of the total number of counterfeit banknotes, 214 were seized during specific police operations before entering circulation, whereas 1,834 were found in circulation.

The lei 100 denomination recorded the highest number of counterfeits, i.e. 1,956 banknotes (out of which 214 were seized by the police), ahead of the lei 200 banknote (45 counterfeits) and the lei 50 banknote (38 counterfeits).

Some 0.97 counterfeits were found per 1 million authentic banknotes in circulation versus 3.07 counterfeits in 2023.

The background of the slide features a photograph of classical architectural columns, partially obscured by a semi-transparent white vertical band on the right. Overlaid on the left side of the image is a pattern of thin, concentric, wavy lines in a light beige color.

Chapter 9

Financial market infrastructures

According to its statutory tasks, the National Bank of Romania promotes the smooth functioning of payment systems with a view to ensuring financial stability and maintaining public confidence in the national currency. The main tool whereby this objective is achieved, beside the regulation, authorisation and oversight of the payment systems, consists in the facilities that the National Bank of Romania provides for ensuring efficient and robust payment and settlement systems.

To this end, the National Bank of Romania operates a series of financial market infrastructures, namely ReGIS, SaFIR and TARGET-România, through which it provides funds and/or securities settlement services at national level.

1. ReGIS

General aspects

ReGIS is the national real time gross settlement system²⁰⁵ (RTGS) for payments in lei, owned and operated by the National Bank of Romania, which settles central bank's monetary policy operations, interbank operations, payments on customers' account, (regardless of their value), as well as payments related to other national financial market infrastructures. The system provides the real-time processing and settlement of payment instructions, on an individual basis, with the settlement being made in central bank money, with immediate finality.

ReGIS is pivotal to the national financial market, due to its essential role in the central bank's monetary policy operations, as well as due to its interactions with all other national financial market infrastructures. For this reason, by Order of the NBR Governor²⁰⁶, the system falls under the scope of Law No. 253/2004 on settlement finality in payment and securities settlement systems, as subsequently amended (transposing into national law Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems, as subsequently amended).

On 5 February 2024, the National Bank of Romania successfully launched an improved version of the ReGIS system application. The new version of the ReGIS system application complies with the international standard ISO 20022 for financial messaging between financial institutions and provides advanced facilities for liquidity

²⁰⁵ The system provides the real-time processing and settlement of transactions, on an individual basis, with the settlement being made in central bank money, with immediate finality.

²⁰⁶ Order No. 65 of 7 March 2024 of the NBR Governor is currently applicable.

management, that allow the optimisation of participants' financial resources, as well as a new pricing scheme, in line with European practices. The system also offers new functionalities for the transmission and reception of payment messages, including in contingency situations, ensuring the continuity of settlement of transactions. At the same time, this streamlining has significantly improved the speed and safety of transactions processed through the ReGIS system, reducing operational risks and processing costs.

In 2024, ReGIS further contributed to the smooth operation of money market and forex market, as well as to the successful implementation of the National Bank of Romania's monetary policy, considering that central bank's monetary policy operations are processed solely through this system.

Participation in the system

At end-2024, the system counted 38 participants (30 credit institutions, the National Bank of Romania, the State Treasury and 6 ancillary systems – SENT, SENT-PI, SaFIR, RoClear, VISA Europe and MasterCard Europe), with all participants benefiting from an optimised infrastructure capable of supporting the requirements of the national financial market.

Payments in ReGIS

The volume and value of payments settled in ReGIS went up by 20.84 percent and 28.49 percent respectively in 2024 against the previous year, while the average value per transaction increased by approximately 27.47 percent (Table 9.1).

	Volume (no. of transactions; thou.)		Value (lei bn.)		Average value per transaction (lei mill.)
	Total	Daily average	Total	Daily average	
2023	10,307	41.23	25,206	100.82	2.45
2024	12,455	49.42	32,388	128.52	2.60
Change (%)	20.84	19.87	28.49	27.47	6.34

Table 9.1
Payments traffic in ReGIS

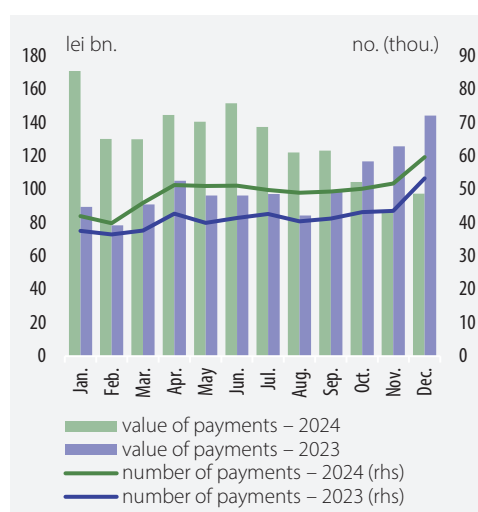
The maximum volume of payments daily settled through ReGIS was recorded in December 2024 (90,065 transactions/day), while the maximum value of payments daily settled in this system was posted in January 2024 (lei 197 billion/day).

The composition²⁰⁷ of payments in ReGIS in 2024 (Table 9.2) shows that payments made by participants on customers' account (pacs.008 SWIFT messages) prevailed (92.71 percent of the volume of payments settled in the system), their total value remaining, however, relatively low (only 11.20 percent of the value of payments settled). By contrast, the volume of payments made by participants on their own behalf and account (pacs.009 /pacs.009 cov SWIFT messages) was relatively subdued

²⁰⁷ The values also include payments initiated by FIN MT103 and MT/202 messages (based on the message standard used by the old ReGIS system prior to its replacement on 5 February 2024) for the period spanning 1 January to 3 February 2024. As of 5 February 2024, all messages initiated in the ReGIS system are ISO 20022 messages.

Chart 9.1

Payments in ReGIS, irrespective of their value, in 2024 compared to 2023 (daily average)



(6.56 percent of the number of payments settled), but their value was higher (22.05 percent of the value of payments settled via the system).

At the same time, payment transactions involving direct debit/credit of participants' settlement accounts (direct transfer) posted a low volume (0.73 percent of the number of transactions settled via the system), while reporting a notably high value (66.75 percent of the value of transactions settled via the system).

Table 9.2

Composition of payments in ReGIS in 2024

	percent		
Payments*	pacs.008	pacs.009/pacs.009 cov	Direct transfer
Total volume	92.71	6.56	0.73
Total value	11.20	22.05	66.75

*) the values also include FIN MT messages for the period 1 January – 3 February 2024, when MT103/202 payments were settled in ReGIS (based on the messaging standard used by the former ReGIS system, replaced on 5 February 2024)

Market concentration remained comparable to that in the previous year in terms of both the volume and value of payments settled through ReGIS (the top five credit institutions accounting for 63.56 percent and 61.07 percent, respectively, of the market).

In 2024, the average availability of ReGIS, i.e. the extent to which participants could use the system without any incidents during the operating days, was 100 percent.

During 2024, the participants maintained an adequate and efficient liquidity management, with the value of the repo intraday liquidity provided by the National Bank of Romania accounting for 0.20 percent of the total value of transactions settled in the system.

2. SaFIR

General aspects

SaFIR is a securities depository and settlement system (Securities Settlement System – SSS) owned and operated by the National Bank of Romania, in its capacity as central securities depository (CSD). The system is a depository for government securities issued in the interbank market, the certificates of deposit issued by the National Bank of Romania and other fixed-income financial instruments set forth by the NBR executives.

SaFIR is pivotal to the national financial market, due to its interactions with all the other payment and settlement systems, as well as due to its essential role in the central bank's monetary policy operations and lending facilities aimed at ensuring smooth settlement in ReGIS. For this reason, by NBR Governor's Order No. 65 of 7 March 2024, the system falls under the scope of Law No. 253/2004 on settlement finality in payment and securities settlement systems, as subsequently amended (transposing into national law Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems, as subsequently amended).

Participation in the system

At end-2024, SaFIR counted 33 participants, out of which: 28 credit institutions, the National Bank of Romania, the Ministry of Finance and 3 securities depository and settlement systems – the Central Depository, Clearstream Banking and Euroclear Bank.

Face value of government security issues deposited with SaFIR

At end-2024, the overall face value of outstanding issues of leu-denominated government securities came in at lei 379.68 billion, up 21.32 percent versus end-2023, while the overall face value of the issues of euro-denominated government securities amounted to EUR 2.81 billion, down 1.75 percent versus end-2023.

Transactions in SaFIR

SaFIR processes transactions performed by participants in relation to the issuer (settlement of the primary market's results, interest and/or coupon payments, partial/optional/total redemption) and transactions carried out by participants in the secondary market (sale/purchase transactions, financial collateral arrangements, repo transactions, portfolio transfers).

Chart 9.2
Volume and value of transactions in government securities settled in SaFIR in 2024 (delivery-versus-payment), the value of intraday repo transactions

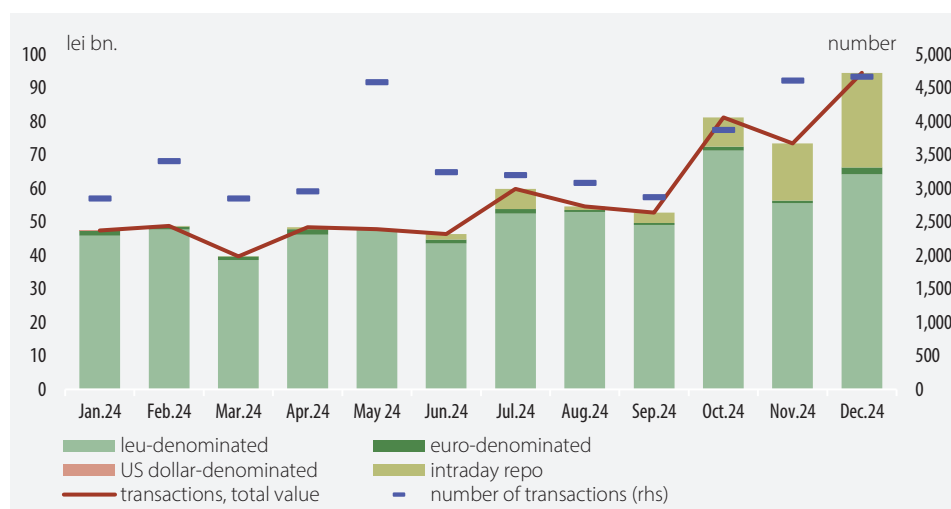


Chart 9.2 shows the volume and value of sale/purchase transactions (including reverse transactions), while Table 9.3 provides a comparative picture of them in 2024 versus 2023.

	Volume (no. of transactions)		Value of transactions (EUR bn.)	
	Total	Daily average	Total	Daily average
2023	33,598	135	123	0.5
2024	42,324	168	140	0.6

Table 9.3
Transactions in government
securities settled in SaFIR

During 2024, the National Bank of Romania maintained an adequate and efficient liquidity management across participants, ensuring on a permanent basis the liquidity they needed to settle payments and securities transactions through intraday repo transactions. In 2024, the total value of the intraday repo liquidity provided by the National Bank of Romania accounted for 10 percent of the total value of transactions settled in the system. Based on participants' daily individual needs to ensure liquidity flows and on the liquidity deficit in the banking system, the value and volume of intraday repo transactions fluctuated, with the highest levels being reported in November and December 2024.

3. TARGET-România

General aspects

TARGET services are settlement services provided by the Eurosystem (the European Central Bank and the central banks of EU Member States that adopted the euro) in order to allow the free movement of money, securities and collateral inside Europe. TARGET services include T2 (RTGS services), T2S (securities settlement services) and TIPS (TARGET Instant Payment Settlement services).

TARGET is legally structured as a multiplicity of payment systems composed of all TARGET component systems. In its capacity as central bank connected to TARGET, the National Bank of Romania operates TARGET-România, i.e. the national component, and thus provides TARGET services on the territory of Romania.

Considering the importance of TARGET at European level, its national components are governed by national laws transposing Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems, as subsequently amended. Thus, by NBR Governor's Order No. 65 of 7 March 2024, TARGET-România also falls within the scope of Law No. 253/2004 on settlement finality in payment and securities settlement systems, as subsequently amended.

Participation in the system

The participation in TARGET-România is governed by the system rules set forth by National Bank of Romania Order No. 3/2022 on TARGET-România system rules,

as subsequently amended and supplemented, which transposes into domestic law the relevant provisions of Guideline (EU) 2022/912 of the European Central Bank of 24 February 2022 on a new-generation Trans-European Automated Real-time Gross Settlement Express Transfer system (TARGET) and repealing Guideline 2013/47/EU (ECB/2012/27) (ECB/2022/8), as subsequently amended and supplemented.

At end-2024, the number of participants in TARGET-România amounted to 21 (namely 18 credit institutions, the ancillary system SENT, run by Transfond, the RoClear securities settlement system operated by the Central Depository, and the National Bank of Romania) that used TARGET services in their capacity as:

- Dedicated Cash Account (DCA) holders for T2 services (19);
- DCA holders for T2S services (8);
- DCA holders for TIPS services (2).

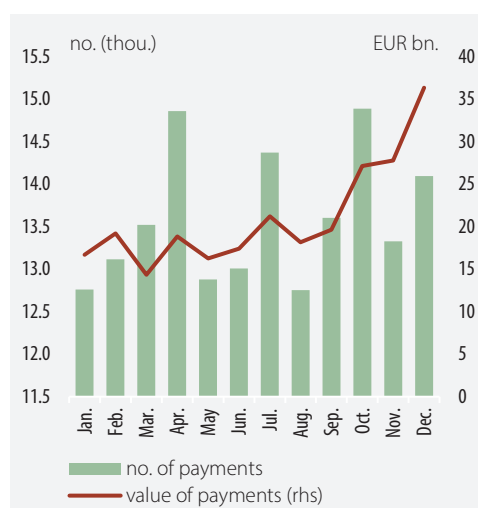
Transactions in TARGET-România

The volume of payments settled via T2 (real-time gross settlement services) increased by 1.9 percent in 2024 versus 2023, while the value of settled payments went up by 44.4 percent (Table 9.4).

Table 9.4
Traffic of payments
settled via the real-time gross
settlement service (T2)

	Volume (no. of transactions)		Value of transactions (EUR mill.)	
	Total	Daily average	Total	Daily average
2023	160,231	623	175,449	683
2024	163,210	643	253,373	998
Change (%)	1.9	3.1	44.4	46.1

Chart 9.3
Payments settled via
the real-time gross settlement
service (T2)

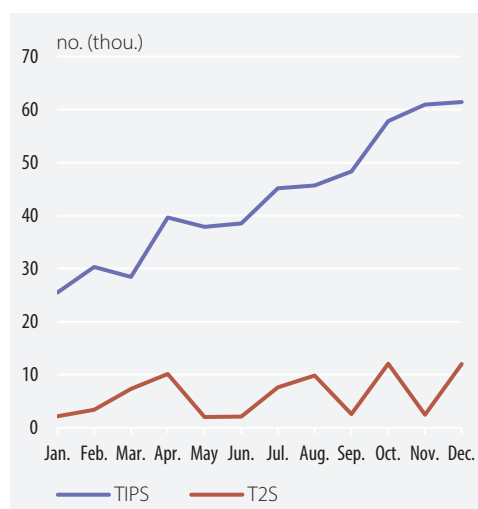


The monthly volume of payments settled via T2 in 2024 fluctuated, the monthly average coming in at 13,601 payments. In 2024, the volume of settled payments reached a high of 14,892 in October and posted a low of 12,755 in August (Chart 9.3).

Moreover, the monthly value of settled payments fluctuated in the course of 2024, recording a EUR 14,360.92 million low in March and a EUR 36,377.49 million high in December (Chart 9.3).

The composition by category of payments settled through T2 in 2024 shows the prevalence of cross-border payments over national payments (accounting for 75.44 percent of the total volume of payments settled through this service and for 82.72 percent of their value). Yet this behaviour is normal, considering that this system settles euro-denominated payments only, with most domestic payments being denominated in lei.

Chart 9.4
Traffic settled via TIPS
and T2S services



As for TIPS (TARGET Instant Payment Settlement) services, the average monthly volume of transactions carried out by the two DCA holders for TIPS services in 2024 amounted to 43,310, the highest volume of payments being recorded in December, i.e. 61,425 and the lowest in January, i.e. 25,501 (Chart 9.4).

Looking at T2S services (securities settlement services), the volume of transactions processed fluctuated throughout 2024, with a minimum of 2,021 payments being recorded in May

and a maximum of 12,072 payments being reported in October; the average monthly volume of payments settled in 2024 came in at 6,142 transactions (Chart 9.4)

In 2024, participants maintained an adequate and efficient liquidity management and no gridlock situations occurred due to the lack of funds in the participants' settlement accounts.

4. Oversight of financial market infrastructures and payments

Authorisation of payment systems and securities settlement systems

The National Bank of Romania performs its legal tasks concerning the regulation, authorisation, supervision and oversight of the payment systems and securities settlement systems in Romania, as well as of their operators, with a view to promoting the safe and efficient functioning of the systems and preventing the systemic risk from materialising.

In 2024, BLIK ROMANIA S.A. submitted an application for the authorisation of the instant payment system called BLIK ROMANIA, dedicated mainly to payments to online retailers. The application was accompanied by supporting documents, in compliance with the provisions of NBR Regulation No. 3/2018 on the oversight of financial market infrastructures and payment instruments. Following the analysis of the documents, as well as the on-site inspections conducted by the NBR during 2024 at the premises of BLIK ROMANIA in Romania and Poland, the NBR issued the operating license together with a set of necessary steps to be taken by BLIK ROMANIA until the actual operationalisation of the system at the latest.

During 2024, in collaboration with the Financial Supervisory Authority (FSA) and the European Securities and Markets Authority (ESMA), the NBR participated in the College established for licensing the national central counterparty CCP.RO Bucharest S.A., in line with the requirements of Regulation (EU) No 648/2012 of the

European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories (EMIR).

The activity of the College licensing CCP.RO Bucharest S.A. resulted in five meetings between the authorities involved (two in 2023 and three in 2024), organised both physically and online. The discussions within the College focus on the information to be provided by CCP.RO in order to prepare all the documents, especially relative to the validity of the risk model, the compliance with the operational resilience requirements laid down in Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (DORA) and the performance of functionality and operational resilience tests by CCP.RO. In parallel with supporting the licensing process, the NBR was also involved in bilateral technical discussions with the representatives of CCP.RO Bucharest S.A. in order to ensure compliance with the above-mentioned requirements. In 2024, the NBR continued to review the authorisation documents, based on EMIR provisions, and further clarifications, updates, information and documents were required. At the same time, the NBR actively participated in the operational and continuity tests conducted by CCP.RO during 2024, formulating remarks on the system functionalities, the risk model adequacy under normal and stress conditions, on testing the business continuity in case of disaster, the safe operation of the system and on ensuring traceability.

Given the need to comply with the legislation in force, namely the new EMIR Regulation and the new DORA Regulation, as well as in view of the test results indicating operational issues that required to be addressed, CCP.RO Bucharest S.A. is to update the licensing file and resubmit it, once all deficiencies identified have been resolved.

In 2024, the system rules governing SENT (run and operated by Transfond S.A.) were amended and supplemented. The amendments envisaged the launch of the new service related to the Instant Payments Component in RON (IPC RON), based on the RoPay Scheme, which ensures the initiation via mobile electronic devices of an immediate (instant) payment between the bank accounts of the participants' customers. In addition, the NBR, in its capacity as relevant licensing and supervisory authority, endorsed a series of amendments to the system rules governing the securities settlement system RoClear operated by the Central Depository. These amendments envisaged mainly the completion of the operationalisation of the Guarantee Fund designed to cover the transactions by means of the Central Depository's net securities settlement system, in the event of the counterparty risk materialising, as well as the provision of updates and additional information to better understand and harmonise the provisions of the Code with the relevant legislative changes.

Measures adopted by the central bank for containing the risks to the functioning of payment and settlement systems and for boosting their efficiency

According to its statutory tasks, the NBR monitored on a continuous basis the functioning of payment systems and securities settlement systems. This central bank-specific activity envisages meeting the following objectives: safeguarding

financial stability, providing an adequate channel for monetary policy transmission, ensuring the systems' efficiency and effectiveness, system operators complying with the legal framework, as well as maintaining public confidence in payment systems, payment instruments and the domestic currency.

During 2024, payment and settlement systems continued to run normally and safely. Operational incidents were minor. The oversight of critical participants in the payment and settlement systems monitored by the NBR revealed several operational incidents in the case of two critical participants. These were investigated by the NBR and remedial action plans were proposed including specific implementation deadlines.

A comprehensive assessment of the securities settlement system SaFIR (run and operated by the NBR) was completed against its compliance with the requirements of NBR Regulation No. 3/2018 on the oversight of financial market infrastructures and payment instruments. The conclusions of the assessment indicated that there were no major risks to the smooth functioning of SaFIR and its participants, but identified issues that required an improved risk management framework; recommendations were made, including implementation deadlines, in order to comply with the legislative changes in the field of cyber and operational resilience.

Conducting TIBER-RO tests

In accordance with NBR Regulation No. 6/2022 on the framework for conducting TIBER-RO cyber resilience tests, the NBR coordinates the TIBER-RO tests throughout their execution. In line with this regulation, the administrators of financial market infrastructures under the central bank's oversight, as well as the credit institutions designated as critical participants in these infrastructures are bound to run, on a regular basis, external cyber resilience tests (threat Intelligence-based tests), which are cyber-attack simulations by advanced and persistent entities, including organised crime groups or state actors. These tests are based on the information obtained by a team specialised in the analysis of cyber threats and vulnerabilities specific to the tested entity and take approximately 6-9 months. During 2024, the NBR coordinated nine TIBER-RO tests organised by financial entities under its remit. The NBR also participated, as an observer, in the running of two TIBER-EU tests under the coordination of EU national central banks. The test results showed a good level of resilience, overall, of the tested institutions and the vulnerabilities identified during the tests were subject to remediation plans, thus preventing possible future cyber incidents.

The protection of national critical infrastructures in the banking and financial sector within the scope of the NBR

The National Bank of Romania, in its capacity as public authority responsible for the protection of national critical infrastructures (NCIs) in the banking and financial sector, the banks and payment systems sub-sectors, carried out the annual process for identifying the NCIs in its area of responsibility, in accordance with the provisions of Art. 9(1) of Government Emergency Order No. 98/2010 on the identification, designation and protection of critical infrastructures.

In 2024 as a whole, the NBR representatives participated in six meetings of the Interinstitutional Working Group for the protection of national critical infrastructures. The group prepared and finalised the draft Law on the resilience of critical entities, as well as amending and supplementing certain legal acts, the purpose of which was to transpose into national law the provisions of Directive (EU) 2022/2557 on the resilience of critical entities and repealing Council Directive 2008/114/EC. Following these actions, Law No. 294/2024 on the resilience of critical entities, as well as amending certain legal acts was published in November 2024; it transposes into national law the provisions of Directive (EU) 2022/2557. Pursuant to the provisions of this legal act, the National Bank of Romania is the sectoral competent authority for critical entities in the banking sector and has a number of obligations, including to identify and support critical entities in the banking sector.

The central bank also verified compliance of owners/operators/managers of NCIs with their obligations under Government Emergency Ordinance No. 98/2010 on the identification, designation and protection of critical infrastructures, and endorsed an operational security plan.

Supervision of the conduct of credit institutions in Romania concerning investment activities and services and reporting of transactions in financial instruments of money and foreign exchange markets

After being assigned the responsibility for overseeing the conduct of credit institutions providing investment services in money market and foreign exchange market instruments, the central bank completed a first series of on-site inspections at the premises of all credit institutions authorised to provide investment services and activities. These inspections, carried out in 2019-2020 and 2022-2023, focused mainly on compliance of credit institutions' procedures and organisation with investor protection requirements, transaction reporting and the prevention of market abuse in the money and foreign exchange markets.

Compared to the previous years' objectives, the inspections organised in 2024 aimed also to harmonise the procedural framework of credit institutions with the relevant guidelines issued by ESMA and implemented by NBR Order No. 354/2023 on the conduct of credit institutions providing investment services and activities on the money and foreign exchange markets, in accordance with Art. 2 para. (2) and para. (3) of Law No. 126/2018 on markets in financial instruments, and to conduct random checks on the compliance of documentation and records related to specific transactions. In addition, the inspection teams analysed the daily transaction reports submitted by credit institutions in accordance with the legal obligations in order to assess and identify possible discrepancies. Following the inspections carried out during 2024, deficiencies were identified regarding the compliance by credit institutions with the provisions of Law No. 126/2018 on markets in financial instruments and the regulations issued for its application. The NBR's recommendations aimed at harmonising the internal regulations of the credit institutions under review with the investment services and activities actually performed. No major problems were identified, and the weaknesses were remedied in an efficient manner by the

respective credit institutions, based on the recommendations formulated by the National Bank of Romania.

During 2024, the NBR carried out a software development project which facilitates the analysis of transaction report data, by standardising data sources and building visualisations and alerts to ensure rapid analysis of large volumes of granular transaction data, monitor the functioning of the money and foreign exchange markets, identify potential market abuses and swiftly apply the necessary legal measures.

Participation in the regulatory process at EU level

Given its prerogatives to supervise interest rate benchmarks, the National Bank of Romania was involved in 2024 in the negotiations conducted within the Council of the European Union on amending Regulation (EU) No 1011/2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds. The amendments aim to reduce the administrative burden on administrators and users of all types of indices, including interest rate benchmarks. In this context, the proposed amendments envisaged, *inter alia*, the removal of the significant and non-significant benchmarks from the scope of the Regulation. Thus, only the interest rate benchmarks recognised as critical would have remained within the scope of the Regulation. However, in order to be designated critical, a benchmark must meet certain criteria, such as a quantitative threshold of over EUR 500 billion and no market-led substitutes, which, for example, the ROBID-ROBOR index does not meet. Therefore, Romania raised the issue of interest rate benchmarks which, following the amendments, would no longer have fallen within the scope of the Regulation. In view of these reasons, with the support of other Member States, it was agreed to also keep in place significant indices, not only critical ones, within the scope of the Regulation. The national competent authority may designate an index as significant if it deems it to be particularly important for the national economy. The amendments to the EU Regulation have been approved and are due to come into force from 1 January 2026.

At the same time, in 2024, the NBR was involved in finalising the wording of Regulation (EU) 2024/2987 of the European Parliament and of the Council amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets, following its participation in technical negotiations within the Council of the European Union in 2023.

In the course of 2024, the NBR was involved in the negotiation of legislative proposals at EU level concerning: (i) the revision of the regulatory framework provided for by Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC with a view to enhancing the functioning of the payments market by addressing the barriers to the new types of payment services and the improvement of the level of protection and security of payment services

users, (ii) the development of a digital currency issued by the European Central Bank, known as digital euro, that would complement banknotes and coins as an innovative technology-based payment, and (iii) the development of instant payments in euro, which is a major technological innovation in the area of payments, enabling the transfer of funds, including outside normal working hours, making them immediately available to end-users – EU consumers and businesses in the EU – for consumption and investment.

The year 2024 saw the completion of the programme organised and supported by the European Commission in order to provide assistance to the National Bank of Moldova (NBM), for regulating the oversight of financial market infrastructures and payment services. The programme envisaged the finalisation of measures for the harmonisation of the legal and regulatory framework in the Republic of Moldova with the *acquis communautaire*, the adoption of best practices and standards for overseeing financial market infrastructures and payment services, the training of the NBM staff and the creation of an internal framework of working procedures with a view to monitoring financial market infrastructures and payment services in the Republic of Moldova. In addition, it aimed at providing technical assistance to the NBM for joining the Single Euro Payments Area (SEPA) by preparing the adherence pack required by the European Payments Council, a process that resulted in the Republic of Moldova's acceptance to SEPA.

Participation in the regulatory process at national level

During 2024, the NBR actively participated in the process of preliminary inter-institutional consultation and approval of the draft emergency ordinance on establishing a framework for the cybersecurity of networks and information systems in the national civilian cyberspace, initiated by the National Cyber Security Directorate (NCSD), which represents the transposition of Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972, and repealing Directive (EU) 2016/1148 (NIS 2 Directive). Following technical consultations and correspondence with the NCSD, the final version of the draft emergency ordinance fully reflected the observations and proposals of the NBR, which gave a favourable opinion on the final wording of the legislative text.

During the period under review, steps were successfully taken to amend the provisions of Law No. 126/2018, including for the purpose of clarifying the powers of the National Bank of Romania relative to the provision by credit institutions of transactions and investment services in financial instruments, such as government securities, regardless of where the latter are actually traded or admitted to trading. The amendments brought legal certainty on the segregation of the NBR's and FSA's powers, consolidating the NBR's supervisory scope over the money market.

The NBR was also involved in the preparation of the draft law for the implementation of Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and

amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (DORA). The draft legal act establishes, at national level, the competent authorities responsible for the information and communication technology (ICT) risk management in the financial sector and the applicable sanctioning regime. Thus, the NBR was designated as the single public authority in the financial sector, at national level, responsible for TLPT (threat-led penetration testing) matters, as well as for receiving notifications about major operational and security incidents and for reporting them to the European authorities.

Security, oversight and innovation in the field of payments

The National Bank of Romania has been updating on a continuous basis the payment regulations in order to ensure the safety and efficiency of payment instruments/services, to maintain public confidence in the financial system and promote a safe and efficient payment market.

In this vein, in 2024, the NBR issued Regulation No. 1/2024 amending and supplementing NBR Regulation No. 3/2018 on the oversight of financial market infrastructures and payment instruments with a view to supplementing the provisions on the information to be communicated by payment services providers upon notification of putting

into circulation electronic payment instruments, with the main objective of increasing the security of digital payments.

Looking at the major operational and security incidents reported to the NBR by payment services providers²⁰⁸, over the past four years their number declined overall, as shown by Chart 9.5 (including incidents that were reclassified as non-major following the subsequent assessment), the year 2024 posting a 43 percent decrease compared to 2020.

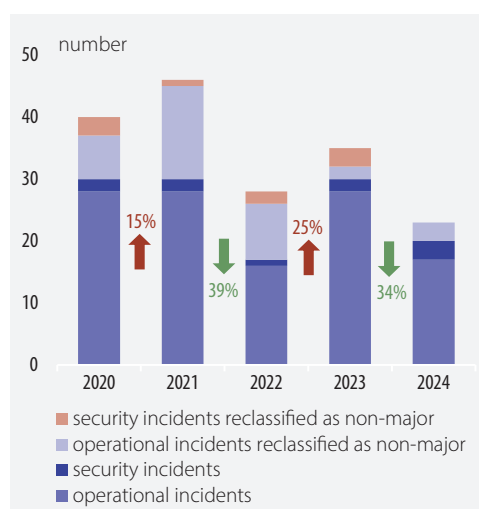


Chart 9.5

Evolution of major incidents, including incidents reclassified as non-major

The declining trend is attributable to payment services providers (PSPs) further introducing appropriate measures to manage the operational and security risks related to the payment services they provide.

The major incidents affected:

- the availability of services relating to: (i) issuance of payment instruments, (ii) initiation of payments, (iii) information on accounts, (iv) acceptance of payment instruments, (v) cash deposits and withdrawals from a payment account, (vi) card payment initiation and credit transfer transactions, (vii) direct debit, (viii) functioning of a payment account and (ix) money remittance;

²⁰⁸ According to Art. 219 of Law No. 209/2019 on payment services and amending some legal acts

- functional areas: (i) clearing; (ii) communication; (iii) indirect settlement; (iv) direct settlement; (v) authentication/authorisation.

In 2024, the number of payment services users affected by a single major incident (including incidents subsequently reclassified as non-major) ranged between 54 and 308,732, while the number of payment transactions affected by a major incident ranged between 88 and 617,463. These figures are approximate values since, if payment services providers cannot provide actual values for these criteria, they have the possibility to provide estimates, representing the normal level for the previous year.

Looking at the impact of major incidents reported in 2024, the number of payment services users affected by incidents decreased by approximately 23 percent, but the number of payment transactions affected by incidents increased by roughly 15 percent compared to 2023. Added up, this information reveals that the impact on consumers declined by about 38 percent compared to the previous year. The analysis of payments reported for 2024 H1 overall (representing the sum of credit transfer payment transactions and card-based payment transactions) shows that the number of payment transactions affected by incidents accounts for 0.0715 percent of total payments and for 0.0334 percent of the value of payments affected by incidents.

The major incidents were caused by various reasons such as: system or process failure, application/software failure, technical service provider failure, human error and Distributed Denial-of-Service (DDoS) attacks. Eight major incidents were caused by events facing third-party technical service providers for PSPs.

The central bank monitors on a continuous basis the security measures applied by payment services providers in order to manage such risks, by conducting on-site and off-site inspections. During this process, subject to analysis were the security measures adopted by certain providers, considering factors such as specific developments, threats, vulnerabilities and risks associated with the resources used in providing payment services.

The National Bank of Romania monitors, on an ongoing basis, the innovative solutions in the field of payment services and payment instruments by means of the FinTech Innovation Hub contact point. Two Fintech entities were granted authorisation as payment institution and electronic money institution respectively. In addition, 14 other entities initiated a prior consultation process or a procedure to obtain an authorisation as a payment institution or an electronic money institution.

At the same time, the activity of Fintech entities authorised by the National Bank of Romania as payment institutions, classified as payment initiation service providers, witnessed a significant increase in 2023, as shown by a twofold rise in the volume of payment transactions, matched by a pick-up in their value by approximately 41 times. This upward trend gained momentum during 2024, leading to both a larger volume (by 14 times) and a higher value (by about 132 times) as compared to the previous year.

Also, in the course of 2024, the National Bank of Romania endorsed the RoPay payment scheme, developed across the banking community, with input from the Romanian Association of Banks and Transfond S.A. The RoPay scheme enables payment services providers to provide users with modern instant payment services, including point-of-sale payments, based on the scanning of a QR code, the use of the mobile phone number to identify the payee, deep-linking and the contactless technology, all of them integrated in mobile banking applications installed on users' devices.

Developments in the payments market

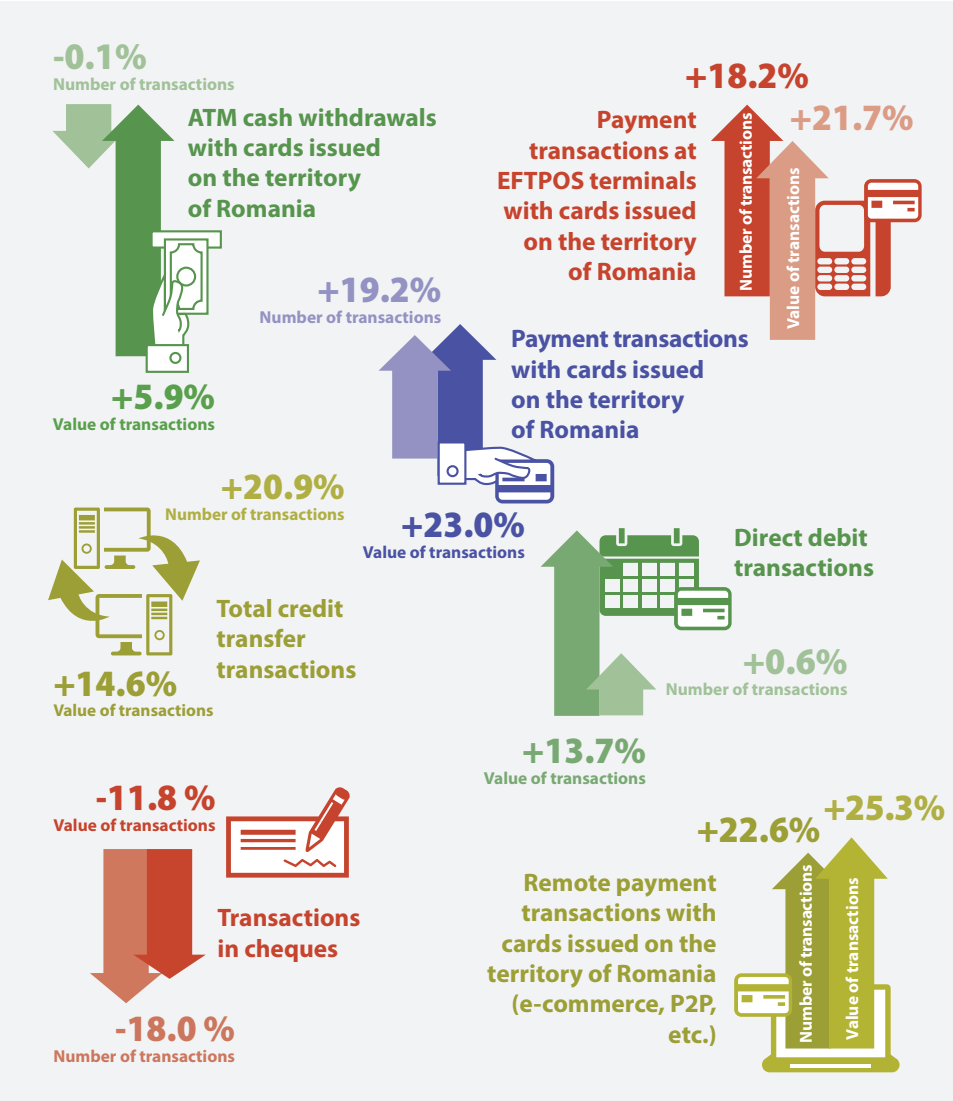
During 2024, as compared to 2023, the NBR received by approximately 3 percent less complaints denouncing and/or questioning certain aspects related to the payment services used. The analysis of the requests received revealed that 83 percent of all reported frauds referred to various social engineering scenarios whereby payers are manipulated into providing security features or giving access to payment accounts, i.e. up by 28 percent compared to the previous period. The scenarios used to manipulate the payers are built on various social engineering schemes whereby attackers take actions:

- (a) in order to obtain access to the payment account through mobile banking and/or mobile token applications. These scenarios are based on the fact that some applications use features that can be compromised by phishing;
- (b) by using deep fake and vishing technologies, they gain access to the payment accounts of payment services users through remote access applications.

The NBR monitors on a continuous basis the evolution of frauds and fraud patterns and issues recommendations and provides guidance to payment services providers on additional security measures that can be implemented to identify and avoid fraud. Among the NBR recommendations to payment services providers in 2024 are:

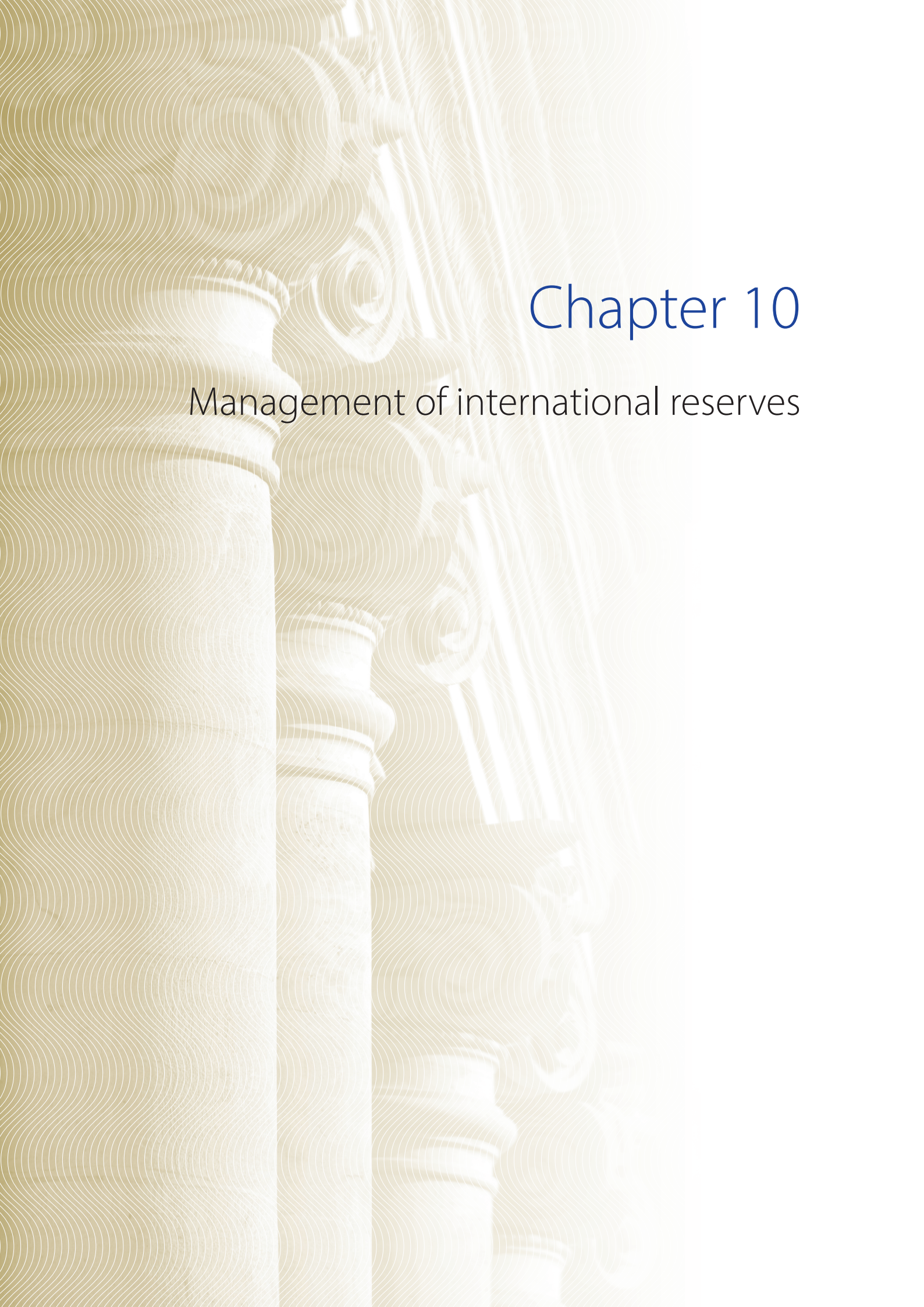
- (a) the implementation of the Beneficiary Name Display Service (BNDS), which makes a correlation between the IBAN code and the beneficiary's name, in light of the banking sector's need to prevent frauds related to the change of payment details. This service is currently offered by 19 payment services providers;
- (b) the implementation of daily trading limits and real-time transaction monitoring tools, the application of a strong customer authentication mechanism for situations where the payer attempts to: (i) change trading limits, (ii) change the password for access to internet/mobile banking to initiate remote payment transactions, or (iii) remotely renew/re-activate security features, as well as the running of public campaigns to inform and raise awareness;
- (c) additional measures that may be applied by payment services providers when enrolling/activating mobile banking and software token applications, as follows:
 - (i) developing tools and mechanisms for verifying the identity of the payment services user during the strong customer authentication procedure upon installing mobile banking applications and soft tokens;
 - (ii) applying additional procedures to verify

the identity of the user; (iii) sending warning notifications to payment services users about the installation/activation of mobile/security applications, especially when users enrol in geographical locations other than those normally used.



²⁰⁹ The fluctuations refer to the annual rates of increase/decrease recorded in 2024 compared to the data reported in 2023.



The background of the slide features a photograph of classical architectural columns, partially obscured by a semi-transparent white vertical band on the right. Overlaid on the left side is a decorative pattern of thin, wavy, concentric lines in a light beige color.

Chapter 10

Management of international reserves

Romania's international reserves play a key role in reducing foreign exchange market volatility, helping to ensure the conditions for the central bank to achieve, through its specific policies, the objectives of price stability and financial stability. International reserves consist of liquid assets that can be traded on international markets; thus, their adequate volume not only enables the proper management of Romania's foreign public debt service, but also increases confidence in the authorities' capacity to manage crises and, given the quality of economic policies, contributes to improving the costs of the country's external loans.

Emerging economies with access to capital markets at reasonable costs, like Romania, usually make recourse to foreign currency reserves – part of international reserves – for precautionary purposes, in order to tackle the risks stemming from a possible deterioration of the current account deficit.

As part of its international reserve management activity, the NBR seeks to ensure an adequate level of reserves, so that several objectives are cumulatively fulfilled. Liquidity and safety come first, ahead of profit-making, and the NBR has a low risk propensity when carrying out reserve management activities. Thus, the value of international reserves is maximised while complying with prudent risk limits, so that they are always available when needed.

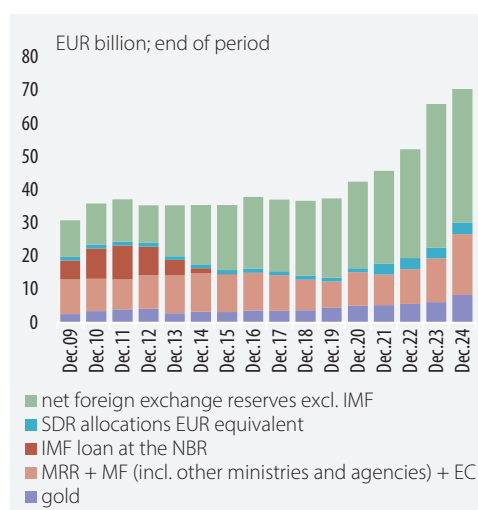
The latest global trends envisage an active part played by central banks in promoting sustainable investment. As regards the management of international reserves, this role can be played by investing part of the reserves in such assets.

1. Developments in Romania's international reserves in 2024

At end-2024, Romania's international reserves amounted to EUR 70,491 million (Chart 10.1) – of which foreign currency reserves made up 88.2 percent and monetary gold accounted for 11.8 percent –, up EUR 4,508 million versus end-2023. The gold stock remained unchanged at 103.6 tonnes, out of which 61.2 tonnes stored with the Bank of England. In terms of value, Romania's gold reserves went up EUR 2,142.2 million from end-2023 (to EUR 8,356 million), as a result of the rise in the gold price on international markets.

2024 was a remarkable year for the gold market, with a significant price increase that reached a historical peak of USD 2,787 per ounce, exceeding the average price estimates ranging between USD 1,947 and USD 2,170 per ounce, as published by analysts at the beginning of the year. This price hike of over 35 percent was driven by the heightened risks on international financial markets, stemming from factors

Chart 10.1
International reserves



such as geopolitical tensions, central banks' monetary policies and, towards the end of the year, the uncertainty surrounding the outcome of the US presidential elections.

Since 2010, central banks have changed their approach to gold reserves, halting sales and becoming net buyers. In 2024, for the fifteenth year in a row, central banks continued their purchases despite high prices, with traditional buyers from Asia and the Middle East being joined by countries from Europe and Latin

America. These purchases exceeded 1,000 tonnes for the third consecutive year, as part of a passive diversification strategy of sovereign investors away from the US dollar, and in an effort to strengthen reserves with an asset considered stable over the long term.

In geopolitical terms, 2024 was marked by the escalation of the conflict between Russia and Ukraine, as well as by heightened tensions in the Middle East. These events led to an increase in the geopolitical risk index, often correlated with declines on stock markets and a rise in the price of gold as a safe haven asset. In times of crisis and uncertainty, investors turn to gold, reinforcing its role as a hedge against global instability.

In the period under review, foreign currency reserves expanded by EUR 2,365 million, coming in at EUR 62,135 million at 31 December 2024. The key factors that led to a change in reserves were the following: the cash proceeds from the Ministry of Finance's bond issues on domestic and external markets, the inflows into the European Commission's account, the repayments on foreign loans and guarantees, the interest payments and capital repayments on the foreign currency-denominated public debt, the changes in credit institutions' required reserves.

The movements in the currencies of the reserves managed by the NBR had an overall positive effect in 2024 on the market value of international reserves expressed in euro equivalent. The average yield on foreign currency-denominated assets invested in 2024 rose slightly against 2023, despite the downward trend in returns on global financial markets, especially in the latter half of the year, as more and more central banks lowered key interest rates. Under these circumstances, the differential between the returns on investments in foreign currency assets and the interest rates on the central bank's foreign liabilities remained positive, but narrowed compared to 2023, as a result of the increase in foreign currency liabilities in the first half of the year, when interest rates were still at higher levels. The investment policy pursued by the NBR in accordance with the foreign reserve management strategy for 2024 continued to be prudent.

2. Management of international reserves in a highly uncertain economic and financial environment

2.1. External economic and financial developments

In 2024, the investment environment was characterised by the further volatility of both macroeconomic indicators and financial markets. These developments made it extremely difficult to forecast the probability distribution of expected returns on financial assets and rendered the management of Romania's international reserves even more challenging. In addition, the new economic and financial environment led to a significant increase in uncertainty, a reshaping of correlation regimes and, consequently, a reduction or even disappearance – for some periods – of diversification opportunities.

The year 2024 was marked by a fundamental shift in the economic narrative and, implicitly, in the rhetoric of central banks in developed economies regarding the desirable monetary policy stance.

Thus, during 2024, most central banks in advanced economies resorted to monetary policy easing, the sole exception being the Bank of Japan, which decided to put an end to its policy of negative interest rates and initiate the normalisation of the monetary policy stance.

The European Central Bank started its monetary policy easing cycle in June 2024 by cutting the key interest rate by 25 basis points. Further downward adjustments of the main monetary policy instrument by 25 basis points each followed in the September and November 2024 meetings, resulting in a cumulative decrease of 75 basis points and reaching 3.25 percent at end-2024.

In a similar manner, in June 2024 the Bank of Canada initiated its interest rate cutting cycle and made three successive cuts of 25 basis points each and two decreases of 50 basis points each over the remainder of the year, bringing the rate down to 3.25 percent. Meanwhile, the Bank of England started its monetary policy easing cycle in August 2024, lowering its key rate in two successive steps of 25 basis points each to 4.75 percent by the end of the year.

Despite the clear signals coming from the above-mentioned decisions regarding the outlook for a reversal of global monetary policy stances, market participants remained primarily focused on the timing and pace of monetary policy easing by the Federal Reserve (FED). Thus, in its September 2024 meeting, the FED decided to cut the key interest rate by 50 basis points bringing it down to 5 percent, though most market participants had expected a smaller adjustment of only 25 basis points. According to the press release accompanying this monetary policy decision, policymakers opted for a larger rate cut to ensure a pre-emptive adjustment of monetary policy, aimed at limiting the worsening of labour market conditions and supporting a smooth adjustment of the economy. Subsequently, in its monetary policy meetings in

November and December 2024, the FED decided to implement further rate cuts of 25 basis points each, bringing the key interest rate down to 4.50 percent.

Fixed-income markets reacted accordingly. The term structure of yields on securities eligible for the NBR international reserve management reached a turning point in the two-year maturity segment. Thus, in the course of 2024, while expectations about policy rate cuts reflected mainly in the short-term segment and then dissipated towards the medium- and long-term horizon, the faster pace of passive reduction in the balance sheet via the partial reinvestment of maturing bonds held by central banks and, as of November 2024, the economic measures envisaged by the new US administration in terms of tax cuts and tariff and non-tariff restrictions automatically contributed to the increase in long-term yields, which are highly sensitive to duration risk.

In this context, US Treasury security yields declined sharply by 50 to 100 basis points for maturities of up to 2 years and rose by up to 50 basis points across the 3- to 10-year maturities. Similar developments, albeit of a slightly lower magnitude, were recorded in the German and euro area markets more broadly. Conversely, in the United Kingdom the government bond yield curve witnessed a quasi-parallel upward shift of around 100 basis points, mainly amid the revision of the expected path of the Bank of England's monetary policy rates.

Turning to international foreign exchange markets, in the first part of the year the US dollar saw episodes of appreciation against most reserve currencies, which translated into a definite upward trend in 2024 Q4. Overall, apart from some transitory episodes of risk aversion, the developments on international foreign exchange markets were driven by the divergence in economic cycles and, implicitly, by the expected monetary policy rate differential.

2.2. The manner to achieve strategic goals

In 2024, the focus was placed on the key strategic parameters for international reserve management set by the NBR Board at end-2023 for 2024. They were further aimed to ensure a framework based on the diversification of the NBR's balance sheet risks and on investment safety and liquidity, which would allow for the highest possible investment performance throughout the strategy implementation period via a prudent and effective reserve management.

The key strategic parameters monitored by the NBR while managing international reserves in 2024 were:

- the composition of the foreign currency reserve: euro – 40 to 75 percent of total; US dollar – 10 to 35 percent of total; other currencies – at most 35 percent of total;
- an average duration of up to 1 year and 7 months for the foreign currency reserve as a whole;
- an investment tranche aimed at improving the returns on international reserve management;

- categories of eligible issuers: (i) the US government; (ii) government agencies or agencies sponsored by the US government; (iii) the governments of EU Member States; (iv) government agencies or agencies sponsored by the governments of EU Member States; (v) the Government of Japan; (vi) the Government of China; (vii) other governments rated at least A-; (viii) supranational institutions; (ix) private entities, issuers of covered bonds;
- the maximum exposure to private entities that are issuers of covered bonds: 10 percent of international reserves;
- the maximum exposure to private entities other than issuers of covered bonds: 10 percent of international reserves.

In 2024, the NBR continued to invest in sustainable bonds issued by the already approved issuers, which have the same credit risk as the conventional bonds issued by them.

Foreign currency reserves were further managed in a dynamic and flexible manner, with a focus on identifying and capitalising on new opportunities in the global financial markets, yet without prejudice to the NBR's investment safety and liquidity objectives. In order to earn additional income, the NBR made tactical adjustments to the currency composition of reserves, as well as portfolio shifts by class of fixed-income issuer. Moreover, the NBR continued to favour a relatively dynamic management of portfolio duration and yield curve exposures. Additional risks were taken in a cautious and effective manner, in accordance with the objectives and risk parameters defined by the annual strategy for international reserve management as well as by other relevant provisions and considerations.

Similarly to the currency composition of the NBR's foreign liabilities, of Romania's public and publicly guaranteed debt service and of the country's international trade, the euro further held the largest share of foreign exchange reserves (50.8 percent) at end-2024 as well, ahead of the US dollar (26.3 percent; Chart 10.2).

Chart 10.2
Composition of Romania's foreign
exchange reserves at end-2024

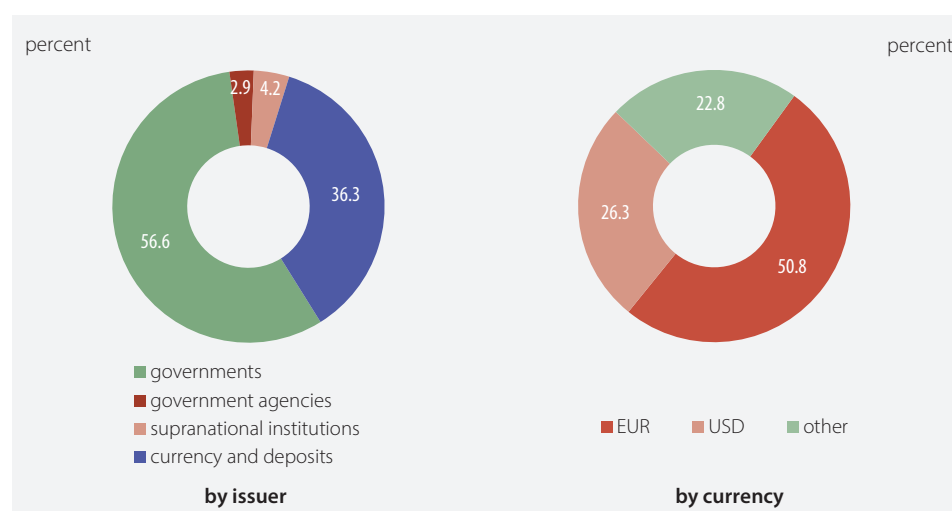
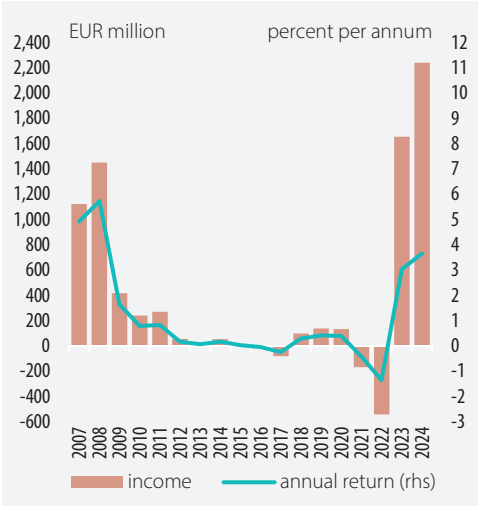
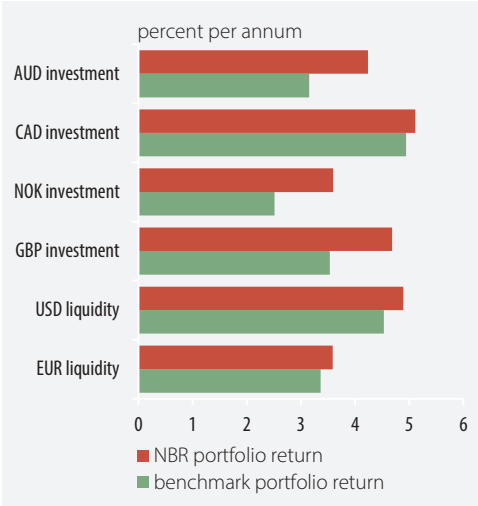


Chart 10.3
Returns on portfolio management



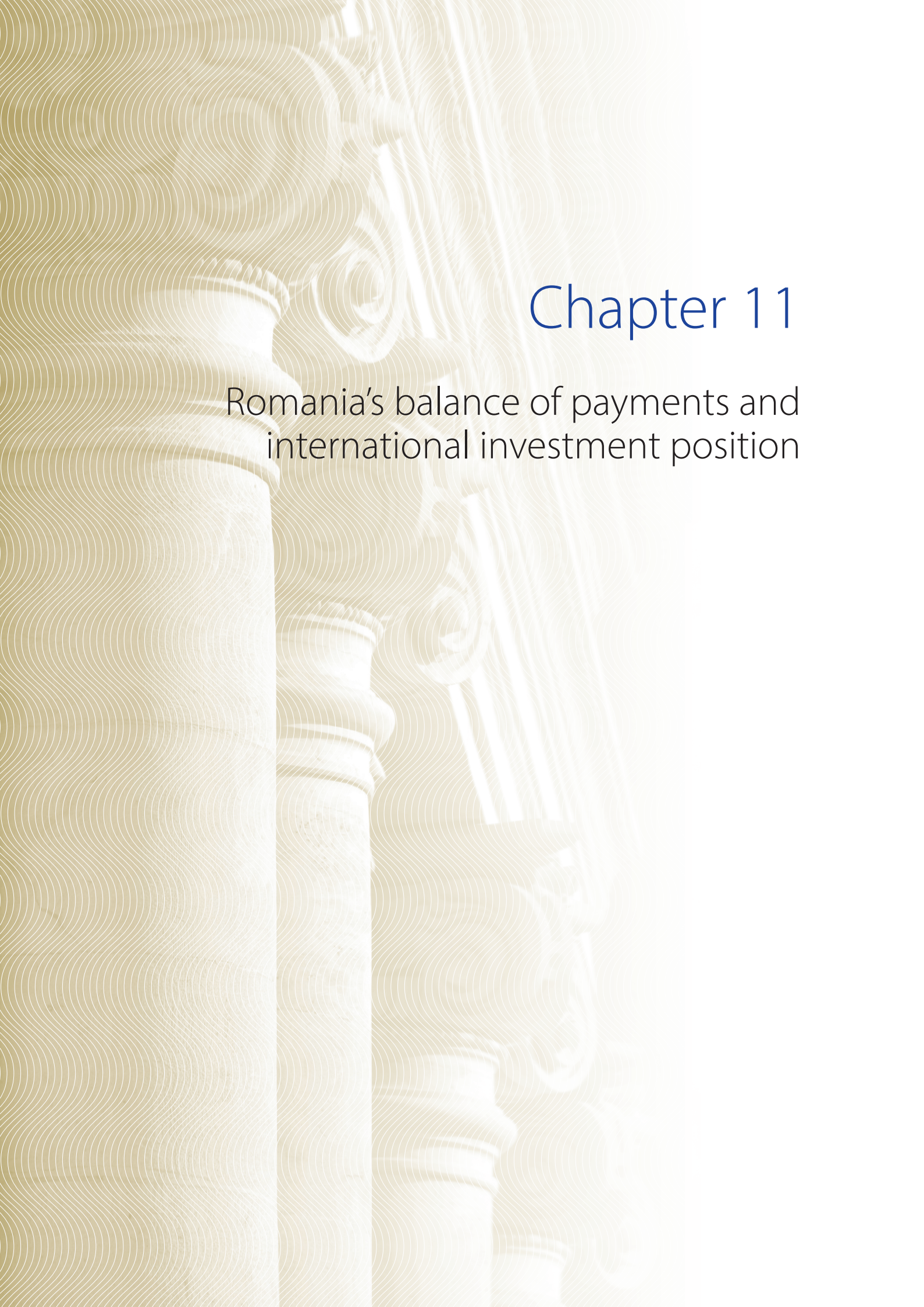
The higher returns on investments made as part of the international reserve management in 2024 compared to 2023, as well as the positive effect of capital gains following the decline in yields on fixed-income securities during the year boosted investment income and the annual return on portfolio management from 3.04 percent in 2023 to 3.65 percent in 2024 (Chart 10.3). At the same time, income from portfolio management climbed from EUR 1,655 million (euro equivalent) to EUR 2,241 million (euro equivalent).

Chart 10.4
Comparative returns – NBR vs benchmark portfolios



The annual returns on the NBR's EUR- and USD-denominated liquidity portfolios stood at 3.58 percent and 4.89 percent, respectively. Investment portfolios – denominated in pound sterling, Norwegian krone, Canadian and Australian dollars – posted annual returns of 4.68 percent, 3.59 percent, 5.11 percent and 4.24 percent, respectively (Chart 10.4), whereas the JPY-, CNY- and NZD-denominated holdings recorded average returns of 0.03 percent, 1.46 percent and 4.82 percent, respectively.





Chapter 11

Romania's balance of payments and
international investment position

1. Current account and capital account

Current account

In 2024, the balance-of-payments current account deficit stood at EUR 29,586 million, accounting for 8.4 percent of GDP, compared to 6.6 percent of GDP a year earlier (Table 11.1).

	EUR million	
	2023	2024
Goods, net	-29,012	-32,933
Exports (FOB)	86,531	86,263
Imports (FOB)	115,543	119,196
Services, net	13,307	11,353
Primary income, net	-8,012	-9,385
Secondary income, net	2,226	1,379
Current account balance	-21,491	-29,586

Table 11.1
Current account

Developments in the current account deficit were influenced by the deeper shortfalls on trade in goods and primary income, along with the lower surpluses on trade in services and secondary income.

The deficit on trade in goods widened by 13.5 percent against the previous year, to EUR 32,933 million, accounting for 9.3 percent of GDP, up from 8.9 percent of GDP. Nearly half of the trade in goods deficit (47.8 percent) owed to two groups of goods, i.e. chemical and plastic products (EUR -10,556 million) and mineral products (EUR -5,182 million). The geographical breakdown shows that 78.2 percent of the deficit stemmed from intra-EU trade (EUR -25,757 million).

Exports inched down 0.3 percent to EUR 86,263 million, pointing to a setback for the first time after 2020, given the softer external demand from Romania's main trading partners EU-wide. The share of exports of goods in GDP narrowed to 24.4 percent from 26.7 percent in the previous year. Compared to 2023, the breakdown of exports by group of goods shows declines in shares of four merchandise groups in total exports (with agri-food items recording the largest one, i.e. 1.6 percentage points, down to 12.4 percent), whereas the other four groups reported increases in shares (the most sizeable being from 45.1 percent to 47.3 percent for machinery, apparatus, equipment and transport means).

Imports of goods totalled EUR 119,196 million, up 3.2 percent or EUR 3,653 million from 2023, boosted by stronger domestic consumption and exchange rate developments, but also incorporating the base effect of the drop recorded in the

previous year (-2.1 percent). Nevertheless, the share of imports of goods in GDP narrowed by 1.9 percentage points to 33.7 percent. In terms of breakdown, there was a relative stability, except for the increase in the share of imports of agri-food products (by 0.3 percentage points to 11.6 percent of total imports), offset by the reduction in the share of imports of mineral products (from 8.6 percent to 8.3 percent).

The coverage of imports by exports fell from 74.9 percent in 2023 to 72.4 percent, while the openness of the Romanian economy²¹⁰ slipped 4.2 percentage points to 58.8 percent.

The trade in services surplus amounted to EUR 11,353 million, the 14.7 percent decrease arising from the contraction in exports of transport services, together with the rise in imports of travel and transport services. The share of services surplus in GDP narrowed by 0.9 percentage points to 3.2 percent.

The deficit on primary income deepened, reaching EUR 9,385 million, compared to EUR 8,012 million in 2023, mainly due to the higher volume of interest payments on bonds issued by the general government and to lower receipts from compensation of employees. The primary income deficit-to-GDP ratio ran at 2.7 percent, close to the year-earlier level of 2.5 percent.

The secondary income surplus equalled EUR 1,379 million, down 38.0 percent from a year earlier, amid the decline in inflows of EU funds in the form of current transfers (European Social Fund – ESF). The share of secondary income surplus in GDP narrowed to 0.4 percent from 0.7 percent in the previous year.

Current account deficit financing was covered up to approximately a third by direct investment, capital transfers and other net inflows to the capital account, with issues of government securities and other debt instruments topping up the rest.

Capital account

In 2024, the positive capital account balance stood at EUR 4,218 million, less than half the year-earlier reading, a trend induced by the decline in inflows of EU funds in the form of capital transfers, particularly from the European Regional Development Fund (ERDF) and the Recovery and Resilience Facility (NRRP). The capital account surplus narrowed against 2023 to 1.2 percent from 2.7 percent as a share in GDP.

2. Financial account

In 2024, the negative financial account balance doubled year on year to reach EUR 21,167 million, reflecting net inflows for the ninth year in a row. The year-on-year performance was marked by a slower rise in reserve assets, together with an uptick in net inflows of other investment.

²¹⁰ Openness of the economy was calculated as follows: (exports of goods + imports of goods)/GDP*100.

	EUR million	
	2023	2024
Financial account	-10,456	-21,167
Net acquisition of assets	20,793	5,023
Net incurrence of liabilities	31,249	26,190
Direct investment	-6,365	-5,698
Net acquisition of assets	1,703	1,067
Net incurrence of liabilities	8,068	6,765
Portfolio investment	-13,772	-12,518
Net acquisition of assets	1,489	1,196
Net incurrence of liabilities	15,261	13,714
Financial derivatives	188	63
Net acquisition of assets	188	63
Other investment	-3,777	-3,804
Net acquisition of assets	4,143	1,907
Net incurrence of liabilities	7,920	5,711
Reserve assets	13,270	790
Net acquisition of assets	13,270	790

Table 11.2
Financial account

Direct investment reported net inflows in amount of EUR 5,698 million, 10.5 percent lower than in the previous year. Investment by non-residents in Romania ran at EUR 5,730 million, with equity²¹¹ totalling EUR 4,332 million, the remainder being the net value of debt instruments²¹² (EUR 1,398 million). In 2024, more than three quarters of direct investment by non-residents in Romania²¹³ came from the Netherlands, Germany, Switzerland, Italy and Belgium.

In 2024, portfolio investment recorded net inflows of EUR 12,518 million, down 9.1 percent versus 2023, following the decline in non-residents' equity stakes in the capital of resident non-financial corporations and the decrease in debt instruments issued by resident banks and acquired by non-residents.

Other investment displayed net inflows worth EUR 3,804 million, up slightly against 2023 (EUR 3,777 million), amid lower net inflows of other assets/liabilities of the general government related to EU funds.

3. Romania's international investment position

The international investment position saw its net debit balance worsen to EUR 150.3 billion at end-2024 compared to EUR 133.5 billion at end-2023.

²¹¹ Including the estimated net reinvestment of earnings

²¹² It includes loans in any form between the non-resident investor and the resident company, as well as other debt instruments.

²¹³ In terms of the share in net inflows of direct investment by non-residents in Romania in 2024 (preliminary data)

Composition of foreign assets and liabilities

At end-2024, foreign assets stood at EUR 147.9 billion, up 7.5 percent versus the end of the prior year. The composition of foreign assets by main component of the investment position was similar to that of the previous year. Specifically, reserve assets further prevailed (47.7 percent, or EUR 70.5 billion), ahead of other investment (29.1 percent, or EUR 43 billion), direct investment (14.7 percent, or EUR 21.7 billion) and portfolio investment (8.4 percent, or EUR 12.4 billion).

At end-2024, foreign liabilities ran at EUR 298.2 billion, up 10 percent from the end of the preceding year. The composition of foreign liabilities remained roughly the same in the course of 2024 as well, with direct investment recording a prevalent share (47.4 percent of total, i.e. EUR 141.2 billion). In year-on-year comparison, portfolio investment grew markedly at end-2024 to EUR 82.3 billion (27.6 percent of total), while other investment amounted to EUR 74.2 billion (24.9 percent of total foreign liabilities).

Gross external debt

At 31 December 2024, gross external debt came in at EUR 204.9 billion, up 11.8 percent against a year earlier.

Long-term external debt increased by 13.1 percent from end-2023, standing at EUR 155 billion, as a result of net transactions (EUR +19.3 billion) and exchange rate changes (EUR +1.1 billion). Changes in debt security prices and other changes were equivalent to EUR -2.4 billion.

Long-term external debt service equalled EUR 24.7 billion, up 17 percent over a year before. Principal repayments totalled EUR 19.6 billion (versus EUR 17.1 billion in 2023) and payments of interest and commissions came in at EUR 5 billion (against EUR 4 billion in 2023).

Long-term external debt by institutional sector shows that, at end-2024, the general government sector further held the largest share of 68.7 percent (EUR 106.4 billion), up 17 percent from a year earlier, ahead of other sectors on 23.6 percent (EUR 36.5 billion). The breakdown of general government debt by instrument points to a net increase of EUR 12.3 billion under portfolio instruments in the form of government securities and a net increase of EUR 2.1 billion under foreign borrowings. As against 2023, deposit-taking corporations except the central bank, accounting for 5.6 percent of long-term external debt, posted a similar balance in 2024, i.e. EUR 8.6 billion. Compared to a year earlier, the monetary authority (2.2 percent of long-term external debt) also recorded a similar balance of special drawing rights (SDR) allocations from the IMF, i.e. EUR 3.4 billion.

The analysis of long-term external debt by creditor reveals a 9.7 percent rise in loans from international institutions (EUR 22.5 billion at end-2024 compared with EUR 20.6 billion at end-2023), due mostly to net transactions related to external debt performed by multilateral creditors such as the International Bank for Reconstruction

and Development and the European Investment Bank (EUR 1.7 billion). The share of private financing sources was significant in 2024 as well, with the access to international private capital markets being underpinned in January, February, May and September via government securities issues adding up to EUR 10.4 billion and USD 6.1 billion. In 2024, coupons posted different percentages depending on the date of issue, ranging from 5.125 percent to 6 percent for EUR-denominated bonds and between 5.75 percent and 6.375 percent for USD-denominated securities. Government securities launched on international capital markets during 2024 had maturities ranging from 5 years to 20 years.

Looking at the composition by original maturity at the end of 2024, external debt with a maturity of over five years continued to hold a majority share in long-term external debt (86.2 percent), up slightly from the previous year (84.2 percent), exerting further a favourable impact on average maturity in the indebtedness strategy. External public debt falling due in more than five years accounted for 64.6 percent of total debt (EUR 100.1 billion) and private debt for 21.6 percent (EUR 33.5 billion).

The breakdown of long-term external debt by currency at the end of the period under review reveals that the euro was in the lead (72.1 percent), ahead of the leu (13.7 percent), the US dollar (11.1 percent), the SDR (2.2 percent), the Swiss franc (0.5 percent) and other currencies (0.4 percent).

At end-2024, long-term external debt held 43.8 percent of GDP, up 1.6 percentage points from end-2023. Long-term external debt service ratio added 2.9 percentage points to 19.6 percent at end-2024 from 16.7 percent at end-2023 (Table 11.3).

Table 11.3
Key external
indebtedness indicators

	percent	
	2023	2024
Gross external debt/GDP	56.5	57.9
Net external debt/GDP	19.1	21.8
Long-term gross external debt/GDP	42.2	43.8
Long-term gross external debt/exports of goods and services	108.5	123.1
Long-term gross external debt service ratio	16.7	19.6

Short-term external debt ran at EUR 49.9 billion at end-2024, with its balance standing 7.9 percent higher against the previous year on the back of net capital inflows, changes in debt security prices and other changes adding to EUR 3.4 billion. Exchange rate changes were equivalent to EUR 289 million. Short-term external debt service equalled EUR 67.7 billion, with the corresponding debt service ratio reaching 53.8 percent at end-2024, 2.7 percentage points lower than at end-2023. The contraction occurred amid significantly lower capital outflows to direct investors, related to debt instruments with a maturity of up to 1 year, whose value dropped from EUR 34.4 billion in 2023 to EUR 30.6 billion at the end of 2024. Short-term trade credit granted by non-residents also recorded a downward trend in outflows, falling to EUR 12.6 billion at end-2024 from EUR 13.9 billion a year earlier. Repayments into non-residents' short-term deposits expanded by EUR 1.4 billion at end-2024.

Net external debt

At end-2024, net external debt increased to EUR 77.2 billion from EUR 62 billion in 2023, due largely to the upswing in the net external debt of the general government sector. Net external debt from direct investment was on the rise as well from the prior year, the same as that of other sectors (Table 11.4).

	EUR million					
	2023			2024		
	Gross external debt	External assets in the form of debt instruments	Net external debt	Gross external debt	External assets in the form of debt instruments	Net external debt
	(1)	(2)	(3) =(1)-(2)	(1)	(2)	(3) =(1)-(2)
General government	91,816	15,619	76,197	107,361	15,853	91,507
Cash and deposits	391	27	363	183	30	153
Debt instruments under portfolio investment	61,265	656	60,609	73,638	638	73,000
Loans	15,117	1,829	13,288	17,213	1,926	15,286
Trade credits and advances	137	3,939	-3,802	396	4,924	-4,529
Other foreign liabilities/assets	14,906	9,168	5,738	15,931	8,335	7,596
Central bank	3,307	60,326	-57,019	4,533	62,506	-57,973
Special drawing rights	3,305	3,326	-21	3,411	3,433	-22
Cash and deposits	1	21,022	-21,021	1,122	19,470	-18,348
Debt instruments under portfolio investment		35,977	-35,977		39,603	-39,603
Deposit-taking corporations except the central bank	12,870	15,365	-2,494	12,887	17,229	-4,342
Cash and deposits	8,603	9,616	-1,013	7,265	11,312	-4,046
Debt instruments under portfolio investment	4,174	4,765	-591	5,536	5,075	460
Loans	0	837	-837	0	782	-782
Other foreign liabilities/assets	93	146	-53	86	61	25
Other sectors	27,937	14,992	12,945	29,425	15,874	13,551
Cash and deposits		3,650	-3,650		4,103	-4,103
Debt instruments under portfolio investment	863	1,830	-967	830	1,633	-803
Loans	13,662	78	13,584	14,980	63	14,916
Insurance, pension and standardised guarantee schemes	206	706	-500	242	868	-626
Trade credits and advances	13,120	8,699	4,421	13,285	9,171	4,115
Other foreign liabilities/assets	86	29	57	88	35	53
Debt instruments under direct investment	47,309	14,988	32,321	50,687	16,212	34,475
Total	183,239	121,289	61,950	204,893	127,674	77,218

Table 11.4
Romania's external debt

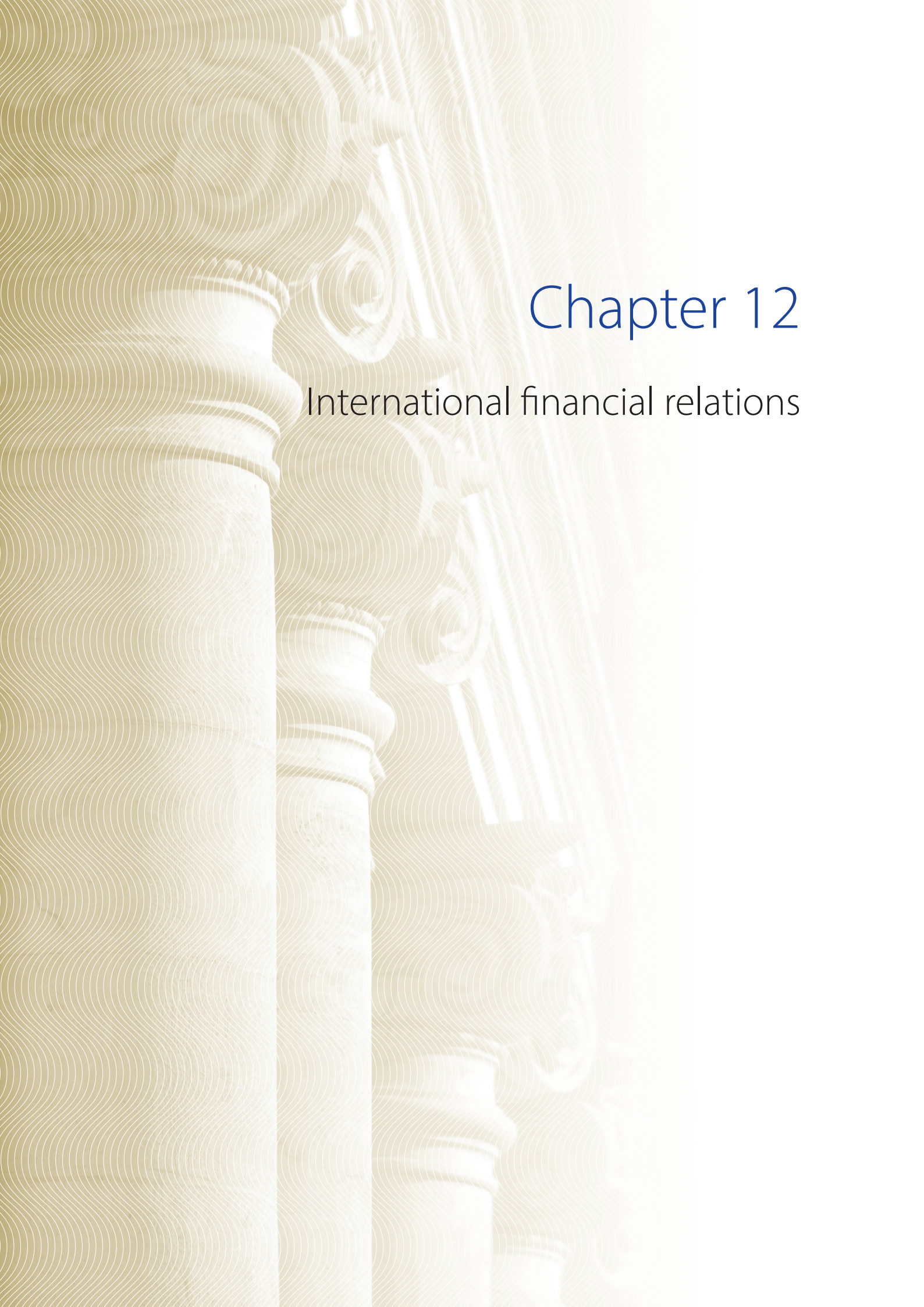
At end-2024, the general government sector reported a higher debtor position, with net external debt standing at EUR 91.5 billion, compared to EUR 76.2 billion in the year before, amid new EUR- and USD-denominated government securities issues in amount of approximately EUR 16 billion.

The net external debt of deposit-taking corporations except the central bank reached EUR -4.3 billion (from EUR -2.5 billion in 2023), owing to the EUR 1.7 billion increase in the stock of foreign assets in the form of deposits. External liabilities in the form of portfolio investment of this sector went up EUR 1.4 billion at end-2024.

Other sectors recorded a net debtor position of EUR 13.6 billion, up from EUR 12.9 billion in 2023, mostly on the back of a higher balance of foreign borrowings in amount of EUR 1.3 billion.

Behind the expansion in the central bank's net creditor position to EUR -58 billion versus EUR -57 billion in 2023 stood the EUR 3.6 billion advance in the securities investment portfolio.

Debt instruments under direct investment rose to EUR 34.5 billion at end-2024, from EUR 32.3 billion a year earlier, as a result of the surge in debt instruments in the form of intercompany loans and trade credit.

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Chapter 12

International financial relations

According to its Statute, the NBR may participate, under the mandate assigned by the Parliament, in international financial, banking, and monetary or payment organisations/institutions and may become a member thereof.

Hence, the NBR has, over time, paid special attention to international financial relations in its capacity as a member institution or as a representative of Romania, and also as a depositary of the Romanian state's holdings in international financial institutions. The benefits of collaborating with these organisations include accessing financial resources, receiving technical assistance and exchanging experience on central banks' best practices, as well as actively participating in debates concerning the global financial and monetary system, via representatives in the management of these fora, and in the various meetings organised by them.

Moreover, the NBR has strengthened cooperative relations with central banks in other countries, including non-members of the European System of Central Banks, both bilaterally and multilaterally, through working meetings between the NBR representatives and their counterparts, or participations in regional meetings.

1. International Monetary Fund

Romania has been a member of the International Monetary Fund (IMF) since 1972, its quota subscription (subscribed and paid-up capital) currently amounting to SDR 1,811.4 million, i.e. 0.38 percent of the IMF's share capital. In 2024, Romania received SDR 0.695 million from the IMF as net interest.

2. World Bank Group

Romania is a member of all institutions that are part of the World Bank Group, namely the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) – which together make up the World Bank, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).

International Bank for Reconstruction and Development

Romania joined the International Bank for Reconstruction and Development (IBRD) in 1972, holding 9,050 shares, or 0.30 percent, of the bank's capital, and a voting power accounting for 0.32 percent of total.

The *Country Partnership Framework for Romania (CPF) for fiscal years 2025-2029*, endorsed by the World Bank Group's Board of Executive Directors on 18 September 2024, prioritises three high-level outcomes: (i) improving human capital outcomes, (ii) creating better job opportunities in a more competitive economy through unlocking private capital, and (iii) increasing resilience and speeding up the green transition. The specific objectives include to: (i) improve transition to tertiary education for the poor and vulnerable, (ii) improve access to modern healthcare, (iii) connect the poor and vulnerable to jobs, (iv) strengthen capacity to build transport infrastructure, (v) improve capacity to attract private investment at regional and local level, (vi) accelerate capital market development and access to finance, and (vii) improve preparedness to natural disasters and climate change.

International Development Association

Romania joined the International Development Association (IDA) on 12 April 2014, its current voting power accounting for 0.30 percent of total.

Financial institutions affiliated to the World Bank

Romania joined the International Finance Corporation (IFC) in 1990, and it currently holds a 0.22 percent voting power within the organisation. The activity of this organisation is complementary to that of the IBRD and IDA, focusing exclusively on the private sector. Moreover, Romania has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1992, and it currently holds a voting power of 0.55 percent.

3. Bank for International Settlements

The NBR has been a member of the Bank for International Settlements (BIS) since the latter's establishment in 1930 and holds 8,564 shares in the BIS capital, on which it receives dividends. In 2024, for the financial year ending 31 March 2024, the NBR received dividends amounting to USD 4.171 million (equivalent to SDR 3.168 million).

Financial Stability Board's Regional Consultative Group for Europe

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. The Bank for International Settlements (BIS) ensures the funding of the FSB by voluntary contributions from Members and hosts its Secretariat. In 2011, for the purpose of expanding the scope of FSB activity beyond the G20 countries and reflecting the global nature of the financial

system, six Regional Consultative Groups (RCGs) were set up within the FSB. Romania, through representatives of the NBR and the Ministry of Finance, has been a member of FSB RCG Europe since 25 June 2018.

4. European Bank for Reconstruction and Development

Romania is a founding member of the European Bank for Reconstruction and Development (EBRD), and it currently holds 14,407 shares worth EUR 163.43 million, a contribution that accounts for 0.52 percent of the bank's total subscribed capital.

The EBRD invests in the countries of operations based on a country strategy. Romania Country Strategy 2020-2025 pursues three strategic priorities, namely to: (i) promote investment in sustainable infrastructure and regional development; (ii) support productivity through corporate expansion, innovation and skills upgrade; and (iii) expand financial intermediation and capital markets. The EBRD is in the process of conducting consultations with the Romanian authorities to formulate a new Country Diagnostic aimed at reassessing strategic priorities for the 2025-2030 period.

By 31 January 2025, the EBRD provided Romania with financial assistance totalling roughly EUR 11.644 billion by way of 560 projects, 83 percent of which were channelled to the private sector.

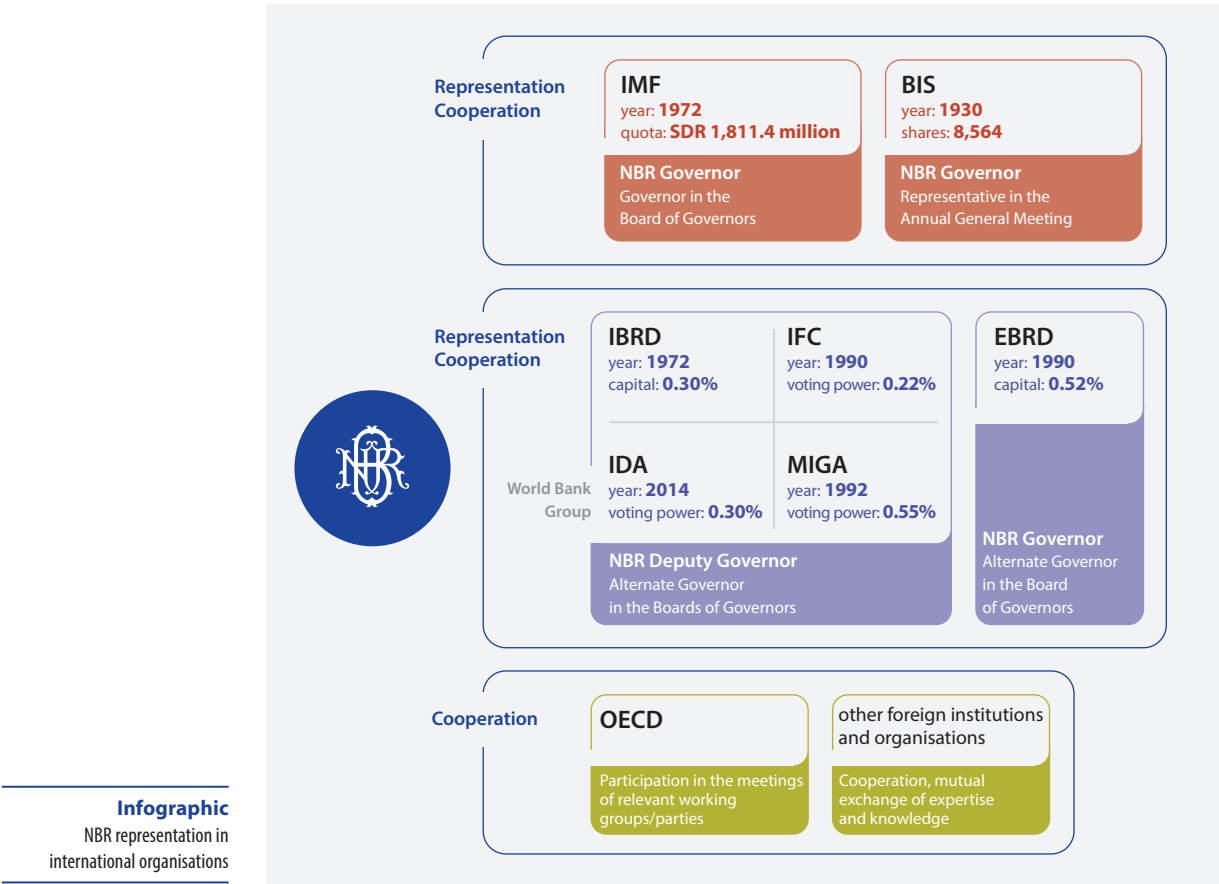
5. Organisation for Economic Cooperation and Development

In 2024, Romania continued its efforts to join the Organisation for Economic Cooperation and Development (OECD), mainly by organising missions to assess the alignment of national legislation with this organisation's requirements in various areas of activity and by delivering the related country presentations. The NBR was involved in the accession process, within its statutory scope, mainly via:

	Activity	Period
1	Participating in the assessment conducted by the Economic and Development Review Committee on the 2024 edition of the <i>Economic Survey</i> of Romania, as well as in the related presentation. The <i>Economic Survey</i> is a comprehensive analysis of Romania's economic developments, addressing key economic challenges and providing public policy recommendations.	January 2024
2	Organising the OECD mission assessing Romania's alignment with the provisions of the legal instruments under the responsibility of the OECD Committee on Financial Markets.	February 2024
3	Participating in the assessment conducted by the Working Party on Financial Consumer Protection, Education and Inclusion, and in the preparation of the related presentation.	March 2024
4	Participating in the assessment conducted by the International Network on Financial Education, and in the preparation of the related presentation.	March 2024
5	Coordinating the drafting of the related assessment report presentation for the meeting of the OECD Committee on Financial Markets.	May 2024

Table 12.1
Romania's accession efforts
to the OECD

The NBR's involvement included, apart from contributing to the drafting of assessment reports in areas within its scope, the delivery of presentations on Romania's alignment with various OECD legal instruments. In this regard, two presentations were delivered: (i) an assessment report on Romania's alignment with the provisions of the legal instruments falling under the responsibility of the OECD Committee on Financial Markets, presented at the Committee meeting on 23 May 2024, and (ii) an assessment report on Romania's alignment with the requirements of the International Network on Financial Education, presented at the Network meeting on 26 March 2024. Moreover, the NBR took part in the activities of OECD working structures relevant to central banking, i.e. the Committee on Financial Markets, the Advisory Task Force on the OECD Codes of Liberalisation, and the four working groups/parties of the Committee on Statistics and Statistical Policy, by attending their meetings and other specific events.



6. Participation of the National Bank of Romania in foreign institutions and organisations

The National Bank of Romania aims to promote international cooperation with entities that carry out activities generally in the field of economic and financial research and specifically in the banking field, in order to ensure a mutual exchange of expertise and knowledge.

In 2024, the National Bank of Romania continued its collaboration with various foreign bodies, international think tanks in the field of economic research, and relevant international institutions in the field of scientific research, and helped disseminate domestically the findings of global scientific studies, along with the knowledge gained from international events and meetings on economic, and financial and monetary issues. Through the cooperation with these entities, central bank representatives participated in these events, liaising an exchange of expert insights.

In 2024, the National Bank of Romania²¹⁴ further contributed to the activity of the working groups within the Network for Greening the Financial System²¹⁵ (NGFS), in its capacity as a full member of this international organisation, and the NGFS disseminated research results in the area of greening the international financial system²¹⁶. At the United Nations Biodiversity Conferences (UNEP COP16)²¹⁷ and the Climate Change Conference (UNFCCC COP29)²¹⁸, the NGFS reaffirmed the collective commitment to addressing the challenges posed by climate change, biodiversity loss and nature degradation²¹⁹. In this respect, the NGFS committed to continuing its supportive role in the collective effort to green the global financial system and to align international financial flows with the objectives of the Paris Agreement²²⁰ and the Global Biodiversity Framework²²¹. The NGFS also committed to further strengthening the capacity of the international financial system to manage

²¹⁴ The National Bank of Romania became an institutional member of the NGFS on 16 September 2020 (<https://www.bnr.ro/16426-comunicat-privind-aderarea-bnr-la-reteaua-pentru-ecologizarea-sistemului-financiar>).

²¹⁵ The NGFS is an international body of central banks and financial system supervisory authorities willing, on a voluntary basis, to exchange experiences, share best practices, and contribute to the development of environmental and climate risk management in the financial sector during the transition to a sustainable economy. The NGFS working groups can be found on the organisation's website (<https://www.ngfs.net/en/about-us/governance>).

²¹⁶ The NGFS publications presenting the results of economic research are available on the organisation's website and can be accessed for consultation (<https://www.ngfs.net/en/publications-and-statistics/ngfs-publications>).

²¹⁷ COP16 was held in Cali, Colombia, from 21 October to 1 November 2024 (<https://www.cbd.int/article/agreement-reached-cop-16>).

²¹⁸ COP29 was held in Baku, Azerbaijan, from 11 to 22 November 2024 (<https://cop29.az/en/media-hub/news/%20statement-from-the-cop29-presidency>).

²¹⁹ The NGFS joint statement was published on 25 October 2024 (https://www.ngfs.net/system/files/import/ngfs/medias/documents/ngfs_publishes_the_cali_baku_pledge_to_enable_action.pdf).

²²⁰ Romania signed and ratified the United Nations Framework Convention on Climate Change under Law No. 24/1994, and the Paris Agreement under Law No. 57/2017 (<https://gov.ro/ro/romania-ca-stat-parte-in-procesul-climatic-international>).

²²¹ The Kunming-Montreal Global Biodiversity Framework (GBF) was adopted under the rotating presidency held by China during the fifteenth meeting of the Conference of the Parties (COP 15), hosted by Canada from 7 to 22 December 2022, following a consultation and negotiation process under the aegis of the United Nations Environment Programme (UNEP). This historic Framework, which supports the achievement of the Sustainable Development Goals and builds on the Convention's previous Strategic Plans, sets out an ambitious pathway to reach the global vision of a world living in harmony with nature by 2050. <https://www.cbd.int/gbf>. Among the Framework's key elements are 4 goals for 2050 and 23 targets for 2030 (<https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf>).

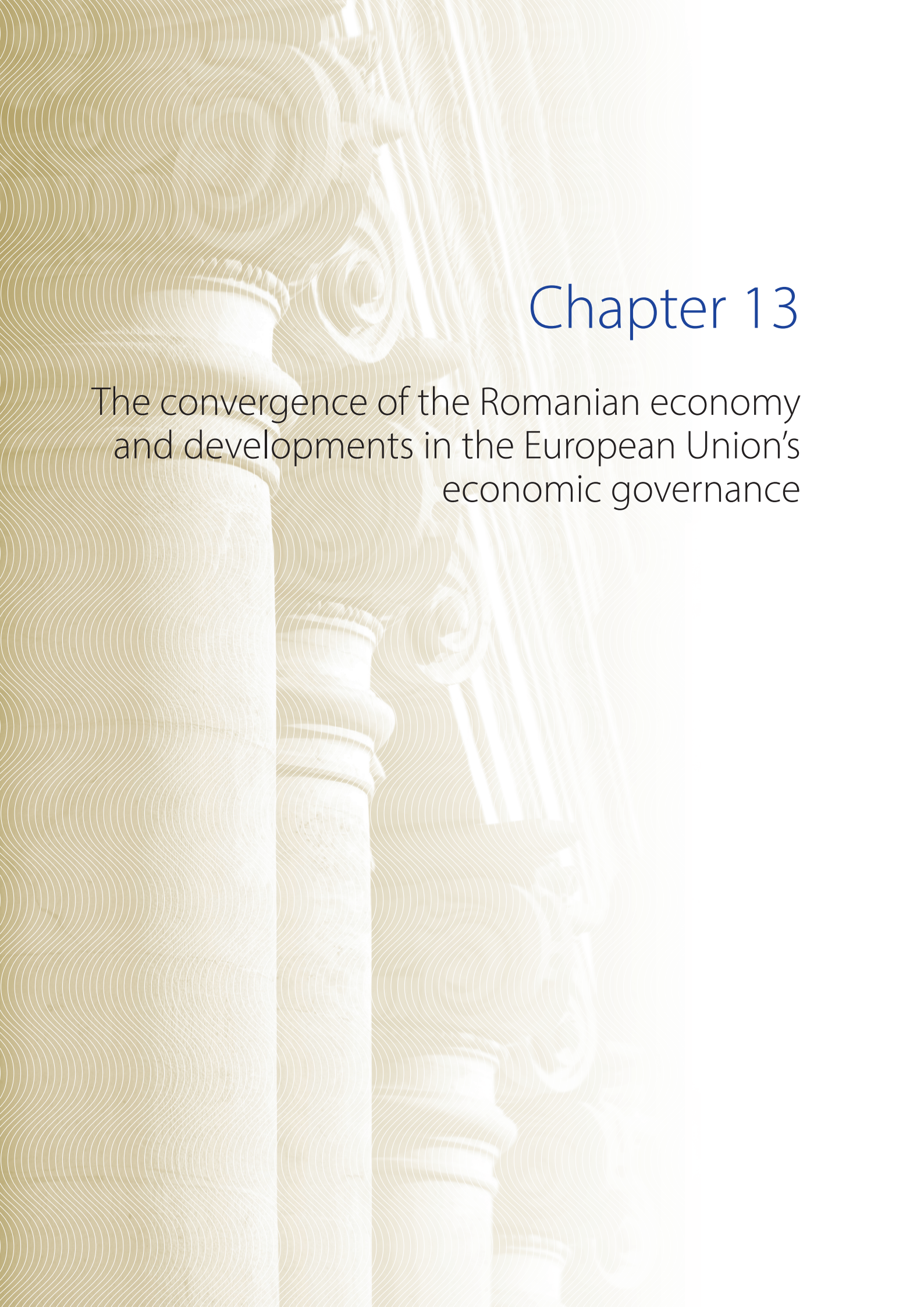
climate- and nature-related risks, and to facilitating action in this regard through relevant tools and research.

As of 2023, the National Bank of Romania, in partnership with Babeş-Bolyai University (UBB) in Cluj-Napoca and the ERMAS Association, has organised the Annual Scientific Conference of Romanian Academic Economists from Abroad (ERMAS). The 10th edition of the annual ERMAS conference was held in Cluj-Napoca between 24 and 26 July 2024, and was jointly organised by the Babeş-Bolyai University and the National Bank of Romania²²². In this context, related events sought to boost the international promotion of Romania's economic and financial research. The conference featured five plenary sessions, a special session with presentations and discussions on the results of economic research conducted by doctoral students, and nine sets of parallel sessions, which facilitated thematic presentations and discussions across 17 economic research panels²²³.

²²² <https://www.bnr.ro/23416-2024-7-cuvant-de-deschidere-in-cadrul-conferintei-stiinti>

²²³ Details on the 2024 edition of the ERMAS Conference are available on the National Bank of Romania's website at: <https://www.bnr.ro/23806-conferinta-stiintifica-anuala-a-economistilor-romani-din-mediul-academic-din-strainatate-2024>





Chapter 13

The convergence of the Romanian economy
and developments in the European Union's
economic governance

1. The convergence of the Romanian economy

The assessment of the convergence process highlights the stronger volatility of the main indicators monitored since 2020, as a result of a series of economic shocks associated with the global health crisis and the escalation of geopolitical tensions.

Table 13.1 shows the progress made in meeting the convergence criteria stipulated in the Maastricht Treaty (based on which nominal convergence progress is assessed) in 2024 as a whole.

	Maastricht criteria	Romania 2024
Inflation rate (HICP) (percent, annual average)	≤1.5 pp above the average of the three best-performing EU Member States ¹	5.8 (2.5: reference value)
General government deficit* (percent of GDP)	below 3 percent	9.3
Government debt* (percent of GDP)	below 60 percent	54.8
Exchange rate vs the euro (2-year maximum percentage change)	±15 percent	+0.8/-1.1 ²
Long-term interest rates (percent p.a., annual average)	≤2 pp above the average of the three best-performing EU ¹ Member States in terms of price stability	6.3 (5.1: reference value)
*) ESA 2010 methodology 1) The reference value for end-2024 was calculated by taking into account Italy, Lithuania and Finland. 2) Maximum percentage changes in the exchange rate versus the euro during January 2023 – December 2024. Calculations are based on daily data series, by reference to the average for December 2022. Source: Eurostat, NBR calculations		

Table 13.1
Maastricht criteria
(nominal convergence indicators)

After complying with all the criteria stipulated in the Maastricht Treaty in July 2015 – November 2017 (without participating, however, in the ERM II), Romania continued to see inflation rates, long-term interest rates and the general government deficit-to-GDP ratio overshooting the reference values over the last years, with significant deviations being further reported for 2024. The general government debt-to-GDP ratio stood below the threshold set forth by the Treaty, but it followed an upward trend over the past years.

The year 2024 was marked by a further moderation in global inflationary pressures – including in Romania – following the substantial price hikes seen in 2022 generated by a series of shocks, mainly supply-side shocks, which affected energy, food and non-energy commodity prices. The decline in the inflation rate in 2024 was primarily driven by central banks' monetary policy tightening measures and by the favourable corrections in energy prices, especially electricity and natural gas prices.

Thus, in Romania, the average annual inflation rate, calculated based on the Harmonised Index of Consumer Prices (HICP), decreased to 5.8 percent in December 2024 from

9.7 percent in December 2023, remaining however above the 2.5 percent reference value of the Maastricht criterion on price stability. Nevertheless, the gap with the reference value narrowed compared with the previous year.

Chart 13.1
Inflation rate (HICP)

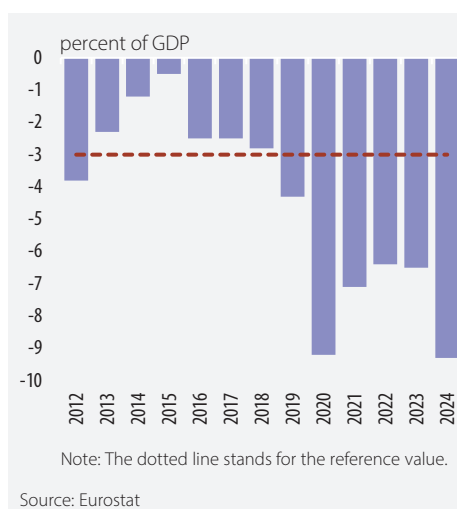
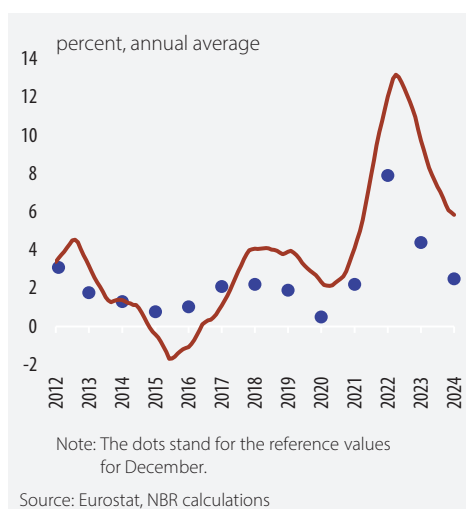


Chart 13.2
General government deficit
(ESA 2010 methodology)

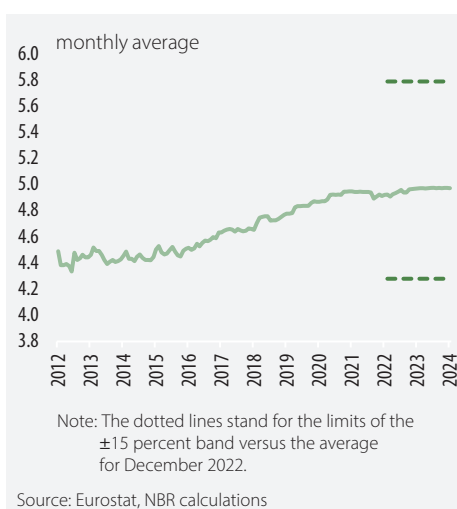
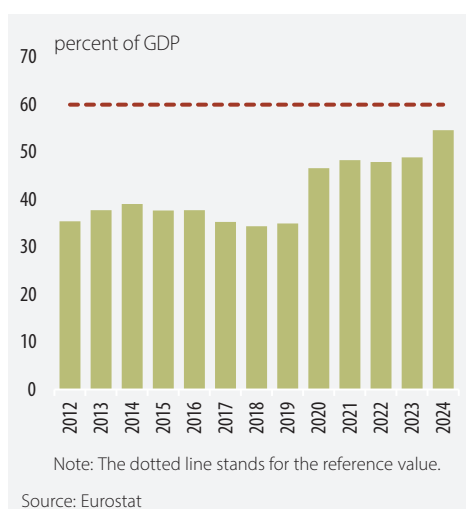


Chart 13.4
EUR/RON exchange rate

Chart 13.3
Public debt
(ESA 2010 methodology)

After a significant increase in 2020, amid the pandemic outbreak crisis, the general government deficit-to-GDP ratio (Chart 13.2) exhibited subsequently a moderating trend, following the start of the fiscal and budgetary consolidation. However, in 2024, this path saw a reversal, reflected in the deepening fiscal imbalance and a significant deviation from the deficit target set forth in the initial budget.

Thus, the general government deficit had been planned to reach 5 percent of GDP (4.9 percent of GDP according to ESA 2010 methodology), but the target was revised to 6.9 percent of GDP in the context of the September 2024 budget revision. However, the budget execution at the end of the year showed a cash deficit of 8.6 percent of GDP and of 9.3 percent of GDP according to ESA 2010 methodology. This level was well above the European Commission Autumn 2024 forecast (7.9 percent of GDP) and remains markedly above the 3 percent-of-GDP reference value set by the convergence criteria.

The widening of the deficit was fuelled by the pick-up in expenditures, mainly capital ones, but also current expenditures, amid public sector wage hikes and higher social security spending. This increase in expenditures occurred despite a notable improvement in tax revenues, including those from social contributions, as a share of GDP compared to the previous year.

In this context, the Government of Romania drafted the National Medium-Term Fiscal-Structural Plan²²⁴ for 2025-2031 which aims to correct budget imbalances and bring the general government deficit back below the 3 percent-of-GDP reference value.

The public debt-to-GDP ratio (Chart 13.3) amounted to 54.8 percent in 2024, adding almost 6 percentage points from 2023. Although the level remains below the reference value specified in the convergence criteria, the dynamics of this indicator point to higher readings starting with 2020, in step with the deterioration of the fiscal position.

Over the past ten years, the exchange rate of the leu against the euro saw a relatively stable evolution (Chart 13.4), posting significantly lower fluctuations than the fluctuation margin allowed by the ± 15 percent standard band, even in the context of political uncertainty and persistent twin deficits in the economy. This stability also reflected in the evolution of some synthetic indicators, such as the sovereign risk premium.

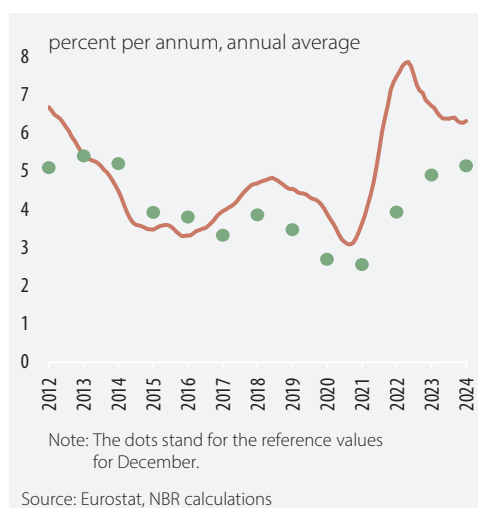


Chart 13.5

Long-term interest rates

The long-term interest rate continued to exceed the reference value in 2024 too, amid the build-up of macroeconomic imbalances and economic and political uncertainties. Consequently, rating agencies revised the outlook on Romania's sovereign rating to negative. A return to a stable outlook depends on a substantial correction of the twin deficits. However, in 2024, the gap with the reference value narrowed (Chart 13.5), amid lower inflation expectations in Romania.

The sustainable compliance with nominal convergence criteria depends on a high structural alignment, assessable based on indicators such as GDP per capita, the sectoral structure of the economy, external openness and the intensity of trade with the EU.

The upward trajectory of GDP per capita, which saw a temporary halt in 2020 amid the pandemic crisis, continued throughout 2024 (Chart 13.6), when Romania's GDP

²²⁴ Source: https://economy-finance.ec.europa.eu/document/download/64332c57-5463-4390-aa2a-10b3384c798e_ro?filename=national_medium-term_fiscal-structural_plan_romania_ro.pdf&prefLang=en

per capita reached approximately 75 percent of the euro area average, up 1 percentage point from 2023.

At structural level, over the past decade, there was a gradual convergence towards the euro area configuration, especially by the almost continuous advance in the share of services (Chart 13.7) which reached 49 percent of GDP in 2024, nearing the euro area level. By contrast, the share of industry fell to 18 percent, i.e. 1.6 percentage points below the 2023 level, while that of agriculture narrowed to 3 percent of GDP.

Chart 13.6
GDP per capita in Romania

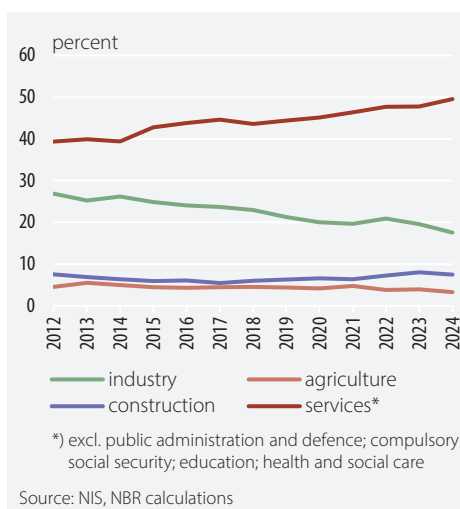
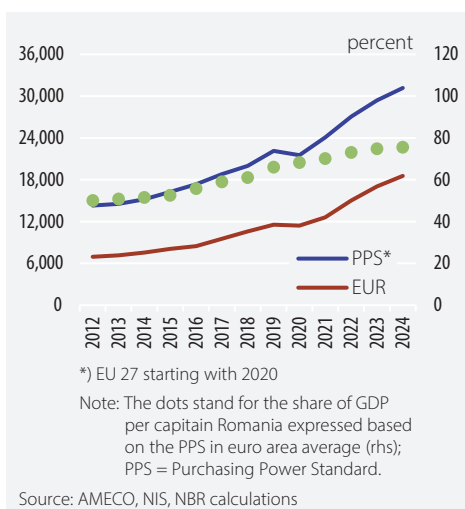


Chart 13.7
Share of economic sectors in GDP

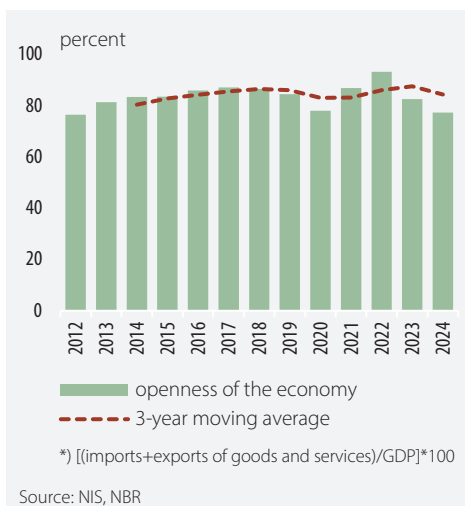


Chart 13.8
Openness of the economy*

After the historical peak of 93 percent in 2022 and the decline in 2023, the openness of the economy continued to decrease, reaching 77 percent in 2024 (Chart 13.8). Similar levels were recorded only in 2020, in the context of the pandemic shock. Looking at the trade integration with the European Union, the share of trade with EU Member States amounted to 73 percent in 2024, increasing for the second year in a row, although still below pre-pandemic levels.

Given the complexity of the real convergence process, the analysis framework can be extended by monitoring several dimensions such as the sustainability of the external

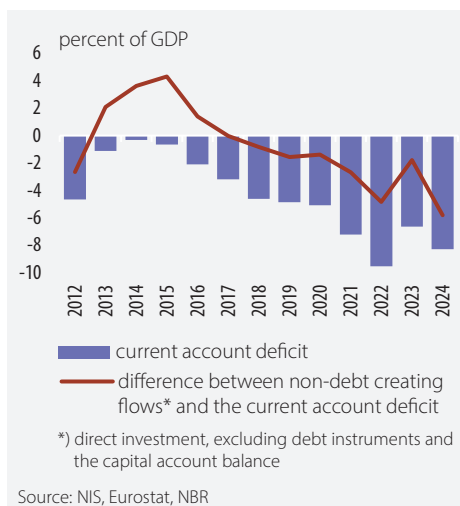


Chart 13.9
Current account deficit and financing through stable flows

position or the development of the banking and financial system and its integration with the European one. The analysis is complemented by the Macroeconomic Imbalance Procedure Scoreboard aiming to monitor some indicators (which also include other dimensions such as the labour market) against a set of criteria.

The current account deficit widened in 2024 to 8.3 percent of GDP (Chart 13.9), after narrowing in 2023. Thus, the average for the past three years exceeded by 4.1 percentage points the 4 percent-of-GDP indicative threshold for external sustainability set by the European Commission²²⁵. Deficit coverage by non-debt-creating flows fell sharply to 30 percent, i.e. the lowest level in a decade.

The integration of the banking sector with that of the euro area is high, mainly due to the prevalence of the capital originating in EU Member States in the shareholding structure of credit institutions operating in Romania. However, indirect financial intermediation (the share of private sector credit in GDP excluding NBFIs) remained low, standing at 23 percent of GDP in 2024 compared with 78 percent in the euro area. Direct financial intermediation (stock market capitalisation-to-GDP ratio) stood well below that in the euro area throughout the post-EU accession period.

2. Developments in the European Union's economic governance

During 2024, the European Commission continued to look at and assess key macroeconomic developments at EU level, focusing on potential imbalances that may arise in the context of the gradual economic recovery in the post-pandemic period. The *Alert Mechanism Report* (AMR) published in December 2024 is key to identifying and correcting these imbalances, notably by the analysis of the Scoreboard indicators that uses actual data for 2023 and 2024 (in part) and forecasts for subsequent years. At the same time, this edition of the *Report* is the first to be based on the updated Scoreboard²²⁶.

After looking at the macroeconomic climate conditions in the EU countries, the *Alert Mechanism Report* highlighted the need for in-depth analyses for ten of them, namely Cyprus, Estonia, Germany, Greece, Italy, the Netherlands, Romania, Slovakia, Sweden and Hungary.

For Romania, the data available upon the preparation of the *Report* pointed to values above the indicative thresholds in the Scoreboard for the net international investment position (NIIP), the current account balance and unit labour costs. The NIIP remained in 2023 at a level similar to that reached in the previous year, i.e. at around -40 percent

²²⁵ For further details, see the European Commission's website, the section on "Macroeconomic Imbalance Procedure Scoreboard".

²²⁶ The main changes to the Scoreboard are detailed in Box 1 of the Communication from the European Commission to the European Parliament, the Council and the European Economic and Social Committee on the *Alert Mechanism Report 2025*.

of GDP. Over the period ahead, this indicator is, nevertheless, little likely to go back in line with the indicative threshold in the Scoreboard, against the background of less optimistic prospects for nominal growth, but also of a further substantial need for external financing (capital transfers from the European Union and foreign direct investment covering only half of the government's external financing needs in 2023). However, the NIIP composition is dominated by non-defaultable instruments, notably foreign direct investment. The current account deficit widened and exceeded the indicative threshold in the Scoreboard amid high domestic demand, fuelled in turn by large fiscal deficits. Unit labour costs continued to exhibit very fast dynamics in 2023 and 2024²²⁷, in the context of wage hikes claimed against the background of accelerating inflation (alongside repeated minimum wage increases) and stagnating labour productivity.

In addition to safeguarding macroeconomic equilibrium, the European governance framework aims to increase the performance and stability of the banking sector. In this context, in March 2024 the European Council amended both the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR) to include new requirements related to subscription chains (Daisy Chains). The new Directive improved the legislative framework governing the internal minimum requirement for own funds and eligible liabilities ('MREL') for credit institutions in the European Union by giving the resolution authorities the power of setting internal MREL on a consolidated basis subject to certain conditions. Furthermore, the new rules provide that liquidation entities will not be obliged to comply with an MREL requirement, unless the resolution authority decides otherwise.

Carrying on the reforms, the EU Council adopted in May 2024 new regulations to increase the resilience of banks to economic shocks by strengthening their supervision and reinforcing risk management. By amending the provisions of Basel III standards, the new rules aim to limit the risk of excessive reductions in banks' capital requirements, harmonise minimum requirements applicable to the authorisation of branches of third-country banks and also set a transitional prudential regime for crypto assets and introduce amendments to enhance banks' management of Environmental, Social and Governance (ESG) risks.

Risk anticipation in the banking sector and crisis management were further strengthened in the summer of 2024. Thus, in June, the EU Council agreed on a negotiating mandate on the review of the crisis management and deposit insurance (CMDI) framework for banks. The main aim of this reform is to increase the resilience of the European banking sector by introducing additional safeguards on the use of national deposit guarantee scheme (DGS) funds or the Single Resolution Fund (SRF) funds – to avoid unintended consequences or moral hazard, but also an appropriate distribution of their efforts.

At the informal European Council meeting in November 2024 in Budapest, EU heads of state or government once again advocated the need to complete the Banking

²²⁷ The ULC indicator (average percentage increase over the last three years) has been non-compliant with the relevant Scoreboard criterion since 2016.

Union in order to allow full harmonisation of the rules, instruments and policies of financial institutions across the EU. The agenda at the November 2024 Summit also stressed the importance of creating a Savings and Investments Union, with the European Commission actually adopting, a few months later, in March 2025, the strategy for the development of this union. The initiative aims at creating a single market for capital that allows the mobilisation of savings towards the most productive investments, an objective also included in the EU's response strategy to the challenges of the current period, referred to in Mario Draghi's report "The Future of European Competitiveness".

According to this document, the global events in recent years bring to the fore the need for the European Union to engage in a comprehensive transformation process, with a focus on three major directions: (i) accelerating innovation and identifying new growth engines, (ii) decarbonising and reducing energy prices, while also transitioning to a circular economy, and (iii) reducing dependence on non-EU countries, especially in the area of security, in the context of growing global geopolitical instability. The response strategy is built on four buildings blocks, namely the need to create a single energy and transport market, the rethinking of trade, industrial and competition policies, the increase in capital market integration or reforming governance in the EU. The final building block is particularly aimed at reducing the regulatory burden in the business environment, given that in 2024 more than 60 percent of European companies deemed the administrative regulations to be a hindrance to investment.

In 2024, the National Bank of Romania worked further with the other supervisory authorities through supervisory colleges, which are structures that ensure optimum dissemination of information and make joint decisions on capital and liquidity adequacy and on supervised credit institutions' recovery plans. Furthermore, the central bank participated in the meetings of resolution colleges – governed by the Single Resolution Board or by group-level resolution authorities from other Member States in which the consolidating supervisor is also located – set up with a view to making common decisions on group-level resolution plans.

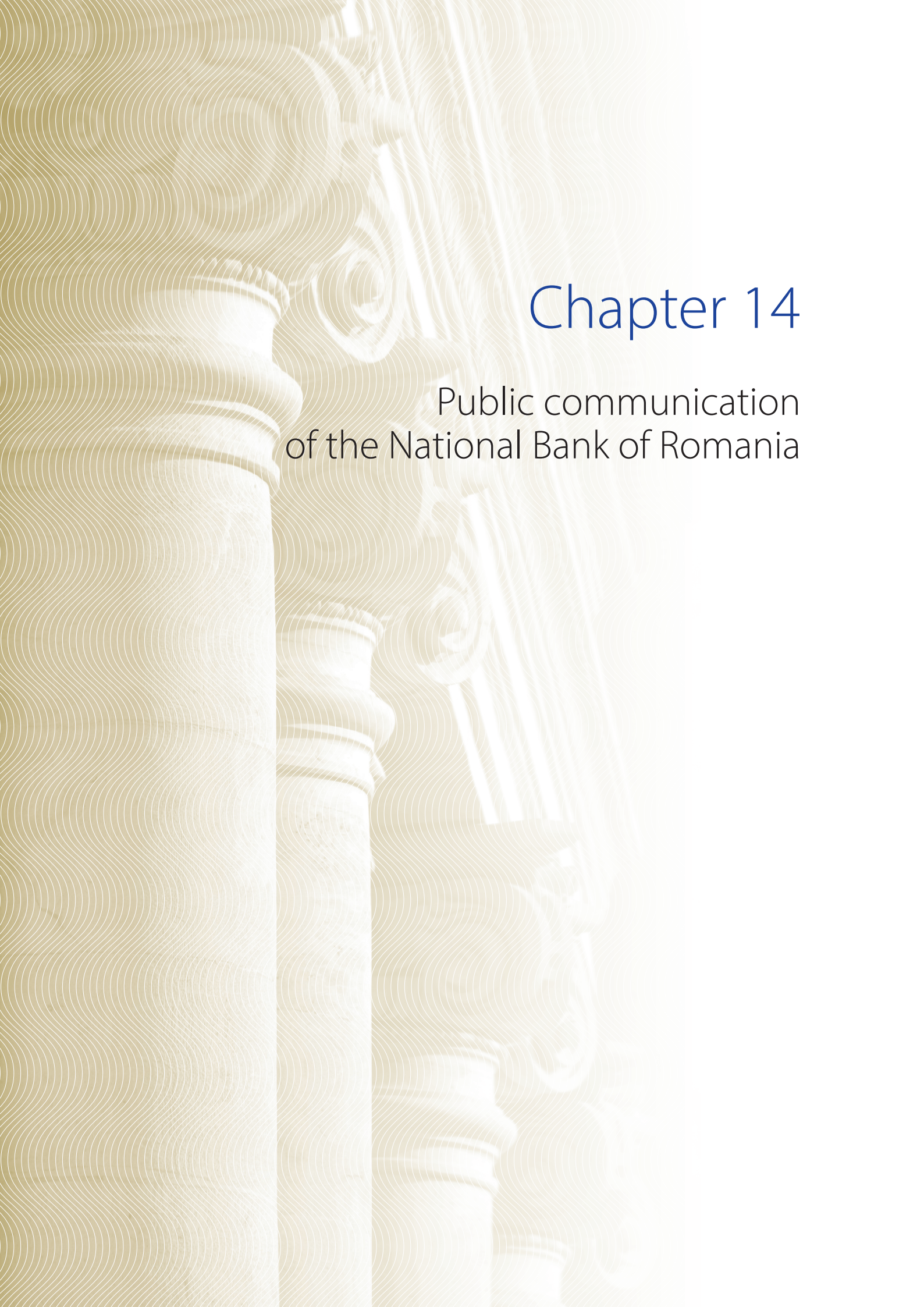
For the purpose of fighting money laundering and terrorist financing, the NBR cooperates with foreign counterparts through official communications, participation in Anti-Money Laundering supervisory colleges, prudential colleges, and in other supervisory/regulatory fora, as well as through bilateral meetings or informal communications on good practices, etc. A novelty in this area was the publication on 19 June 2024 of Regulation (EU) 2024/1620 establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 which entered into force on 26 June 2024. The regulation aims to establish the European Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) which is also tasked with the supervision of obliged entities that pose a high risk with regard to money laundering/terrorist financing (ML/TF) in the EU, as well as to facilitate joint analyses and cooperation between financial intelligence units (FIUs).

Thus, in 2024, the National Bank of Romania signed the Memorandum on the 'Appointment of a single common representative of the Romanian AML/CFT supervisory

authorities in the General Board of the European Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA), according to Art. 57 of Regulation (EU) 2024/1620'. By means of this Memorandum, a representative from the executive management of the National Bank of Romania was appointed as the single common representative of the AML/CFT supervisory authorities in Romania in the General Board of AMLA, in its supervisory composition, alongside the Director of the Supervision Department, as an alternate representative. The Supervision Department monitors the activities in the AMLA file and ensures cooperation at European and national levels, both within the fora and bilaterally, through active participation, also contributing views, in order to ensure the efficiency of the supervisory processes and AML/CFT specific activities.

The introduction of Regulation (EU) 2022/2554 on digital operational resilience (DORA), applicable as of 17 January 2025, is also essential in ensuring harmonisation with the EU digital governance standards and strengthening the cybersecurity of the Romanian financial system. This Regulation establishes a unified framework for managing information and communication technology (ICT) risks across EU financial entities. The main purpose of DORA is to ensure that all financial entities, including their critical IT service providers, remain resilient in the event of cyber and operational incidents.



The background of the page features a photograph of classical architectural columns, likely from a grand building. Overlaid on this image is a pattern of thin, wavy, concentric lines in a light beige or gold color, creating a textured, ripple-like effect across the entire page.

Chapter 14

Public communication
of the National Bank of Romania

1. Public relations

In 2024, the National Bank of Romania's communication and public relations activity was aimed at correctly, promptly, and adequately informing the general public, experts, public institutions, and the media of the decisions and policies adopted by the central bank in pursuit of its tasks, in compliance with Law No. 312/2004 on the Statute of the National Bank of Romania.

The internal context in which the NBR carried out its activity, as reflected by the public messages of central bank officials throughout 2024, was defined by the swings in the inflation rate – from 7.41 percent in January 2024, in line with the forecasts, to 5.14 percent in December 2024 –, by the economic vulnerabilities stemming from the budget deficit, as well as by the measures taken by the authorities in the electoral context.

In 2024, NBR representatives steadily provided the public with information and explanations on developments in inflation, interest rates and exchange rates, as well as with warnings on the budget deficit and the envisaged fiscal measures.

The communication and public relations strategy was to ensure transparency, celerity and a high level of accessibility of information on monetary policy decisions and the measures for safeguarding financial stability, as well as on the central bank's role and functions. To this end, NBR officials and experts offered substantiated explanations – via press conferences, press statements, and numerous articles on the *OpiniiBNR.ro* blog or in the media – in order to improve the public's knowledge about the main topics: monetary policy, lending, the banking system, exchange rates, and economic developments.

In keeping with its mandate and with the principles of transparency and institutional accountability, the NBR proactively and openly shares information resulting from statistical data and reports that the central bank produces in compliance with the legal framework in force, assessments and rationale so as to inform the general public in an accurate manner.

In 2024, the NBR ensured ongoing communication with the public and the media also by publishing 121 press releases on: monetary policy decisions (eight press releases), macroprudential oversight and developments in statistical indicators relevant to the banking sector and the economy in general, numismatic issues, the gold reserve stored by the NBR with the Bank of England, events dedicated to NBR exhibitions, etc.

Moreover, the National Bank of Romania informed the public about the framework arrangement concluded with the European Central Bank to provide euro liquidity to the NBR via a repo line until 31 January 2025.

The direct institutional communication of the National Bank of Romania also involved organising media events, such as the four press conferences to present the quarterly *Inflation Report*, where monetary policy decision were explained.

In addition, the NBR hosted or organised events, in which the media and experts in various fields participated with a view to informing the public on topics of interest for society and the economic environment: the Annual Seminar on Financial Stability organised by the National Bank of Romania and the International Monetary Fund, the conference entitled “Challenges of the Modern Central Banks”, the Annual Scientific Conference of Romanian Academic Economists from Abroad – 2024, the Forum on financial education – the 2nd edition – “Digital security of users of financial products and services”, etc.

The NBR marked 144 years since its establishment and celebrated “The Year of Avram Iancu” with a special event, with the media present, in which the NBR Governor and the President of the Romanian Academy participated, where the exhibition “Avram Iancu. The Man. The Hero. The Legend. 200 years since his birth” was opened and the anniversary coin marking 200 years since the birth of Avram Iancu was presented.

A significant event for the National Bank of Romania was the travelling exhibition entitled “The gold Treasure of the National Bank of Romania sent to Moscow and never returned – A claim older than a century”. In 2024, the exhibition was showcased at the European Parliament headquarters in Brussels, as well as in Washington D.C., Chişinău, and Sibiu. Events on this topic also took place over time in Krakow, Warsaw, Vienna, Bremen, Tel Aviv; the campaign started after 1990 with the republishing of the documents kept at the National Bank of Romania regarding the transport of the Treasure to Moscow during World War I. Media interest in the Brussels event on 5 March 2024 translated into 426 articles. Among these, more than 130 articles relayed the NBR’s press release (using a balanced tone), while the other referred to the adoption of the European Parliament resolution on the return of Romanian national treasure illegally appropriated by Russia and relayed the subsequent international commentary.

The NBR’s official communication was supplemented by the OpiniiBNR.ro blog via articles authored by NBR experts. In 2024, 19 central bank representatives wrote editorials, comments, and opinions on both the NBR blog and in other publications, which generated 772 appearances in the media. These provided explanations about monetary policy decisions (implications for and impact on the inflation rate), budget deficit, digital currencies, the impact of artificial intelligence, etc. Among the most cited and relayed articles written by NBR representatives were: *Raportul Draghi – Concluzii de interes și ocazii de dezvoltare pentru România/Politici regionale și globale în domeniul schimbărilor climatice. Provocări și oportunități pentru România/Premise pentru creșterea investițiilor străine directe în Europa Centrală și de Est. Cazul României* (Leonardo Badea), *Viitorul României este în Europa* (Cristian Popa), *Poate inteligența*

artificială (AI) preveni crizele financiare? (Daniel Dăianu), *Cum am pregătit noi viitoarea recesiune* (Lucian Croitoru).

Furthermore, the NBR provided answers to 89 requests for information and clarification received from journalists, up from 77 in the previous year.

In terms of media exposure, in 2024, the NBR's activity was presented in 9,823 articles. Most of them (95.6 percent) used a balanced tone, whereas 3.9 percent (379) used a negative tone, and 0.5 percent (54) used a positive tone.

In 2024 too, most articles referring to the NBR were broadcast on TV via 4,305 airings (news, programmes, talk shows), as well as in 3,483 online articles.

Central bank representatives were featured in 1,171 TV appearances (interviews, statements, videos from press conferences, etc.), constantly providing the public with information and explanations on developments in inflation, interest rates and exchange rates, as well as warnings on the budget deficit and the envisaged fiscal measures. 102 TV airings included press statements and explanations made by the NBR's spokesperson.

Monetary policy remained the most hotly debated media topic in 2024 as well, with 3,094 articles on the topic (97.7 percent using a balanced tone, 1.3 percent employing a negative tone, and 0.9 percent having a positive tone). About half of the articles (49.7 percent) referred to monetary policy decisions (including criticisms and comments), their impact, and key rate projections. Other 48.6 percent of the news focused on developments in and outlook for inflation, as well as its drivers.

Another major category of information provided to the public by the NBR related to economic indicators and data on economic developments. In 2024, this information, conveyed via press releases as well as statements by NBR representatives, generated 1,780 news reports and press articles (97.1 percent with a balanced tone, 2.7 percent with a negative tone, and 0.1 percent with a positive tone). Much of the articles assessed (48 percent) analysed economic indicators (balance of payments and external debt, FDI, budget deficit, etc.), 12 percent focused on NBR officials' statements on signs of a recession or economic crisis, while the rest discussed other topics of interest: Romania's accession to the OECD, the performance of Romanian companies, the deterioration of financial and monetary conditions.

In 2024, the NBR's online communication featured the launch of a new version of the NBR website and the BNR Direct app, as well as the strengthening of the strategy to convey messages to the general public, which led to a significant increase in audience and visibility, chiefly on Instagram and LinkedIn²²⁸.

²²⁸ The online communication channels used by the NBR apart from the official website are LinkedIn, YouTube, Instagram, X, the OpiniileBNR.ro blog, and the mobile apps Leul Românesc and BNR Direct.

Infographic

New version of the NBR website



The central bank's main communication channel remained the official website (www.bnr.ro), where statistical data (exchange rates, interest rates, financial market indicators) were disseminated in real time and other types of information such as press releases, publications, conferences or speeches were promoted. At end-2024, a new version of the website was launched, which took into account current trends and best practices in the field, such as implementing mobile first graphical interfaces and applying the UX (user experience) principles of brevity, clarity and user-centred design. With a modern and optimised mobile design, the new interface is perfectly adapted for every type of display, ensuring a seamless experience on desktops, smartphones or tablets. Intuitive navigation and improved accessibility provide access to key information faster and easier, with clear menus and a well-organised structure. The increased interactivity enables users to fill in online forms directly, to subscribe to the newsletter for the latest updates and to interact more smoothly with the NBR's services. Thanks to the website's advanced functionality, exchange rates are automatically collected and displayed in real time, alongside interactive charts, for a better analysis of financial data.

Throughout the year, depending on the needs identified in terms of the relevance of some topics on the public agenda or on the focus on increasing the visibility of the main types of information related to the bank's activity (such as monetary policy, financial stability, currency and numismatic issues, payment systems, museum and financial education, etc.), these were brought to the public's attention also via social networks, with messages adapted to the specifics of each platform and its audience.

Therefore, in 2024, the NBR's presence on social media platforms gained further ground by promoting manifold subjects meant to facilitate the understanding of certain economic concepts, to enhance institutional transparency and to strengthen confidence in the central bank's decisions. In addition, there was a focus on the ongoing development of the NBR's communication tools and channels, aiming not only to correctly and promptly inform the general public about the central bank's decisions, activities and initiatives, but also to receive constant feedback. Specifically, the topics and messages were adjusted to accommodate the specifics of each

communication channel and the users' interest, which was assessed based on likes, interaction or sharing.

In 2024, the NBR's Instagram account (@bancanationala_romania) saw a significant increase in visibility. Nearly 8,000 new users brought the total number of followers to 36,000 at the end of the year (+28.6 percent from the previous year). 103 posts were published, which garnered 97,507 likes. One notable achievement was the blue checkmark awarded in June 2024, after numerous requests sent during the year. This shows that Instagram confirmed the authenticity of the NBR's account, which strengthens the institution's credibility and authority, protects against fake accounts, and assures the public that the information comes straight from the NBR, thus improving the interaction and impact of the messages conveyed. This helped in particular with the fraud awareness campaign, divided into three main posts: simulating a fraudulent phone call, comparing a real speech with a deepfake²²⁹, and an informative post about fraud. These totalled more than 1,000 likes, 18 comments, 69 saves, and approximately 40,000 views. The post on 10 July that put the spotlight on how to exchange burnt banknotes at the NBR's branches went viral, amassing approximately 3,250,000 views, 46,000 likes, and over 500 comments; it was also picked up by several news channels, which amplified the message and proved the impact that social media can have on the dissemination of public interest information. Reels were the prevailing post format, with the most interaction and visibility. All the top 15 posts of 2024 were reels, showing that this type of content is the most efficient in attracting the public's attention and entailing significant interactions.

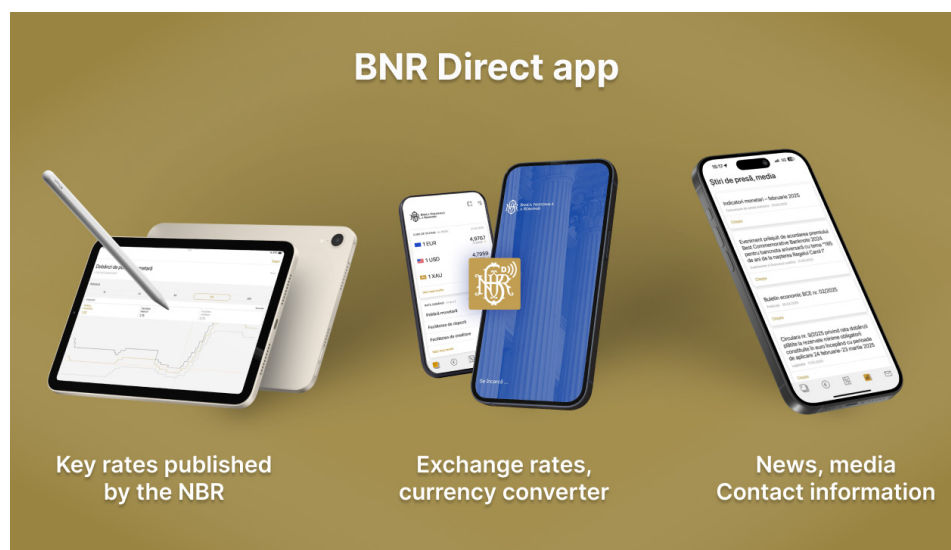
As for LinkedIn, the @National Bank of Romania account continues to provide useful information for the economic and financial community on this platform. The promoted topics fell under the following categories: economy (overviews of technical materials such as regular reports and publications, accompanied by explanatory visual elements such as infographics or banners), research (presentation of scientific papers written by economic and financial experts), and human resources (recruitment announcements as well as the NBR's participation in the job fair organised by the Bucharest University of Economic Studies on 15 May 2024). In addition, events organised by the NBR were also announced, which garnered the most attention, highlighting the video summaries of press conferences held by the NBR Governor on the occasion of launching the *Inflation Report*, as well as other articles dedicated to NBR officials participating in international conferences or various events under the central bank's financial education projects. At end-2024, approximately 72,200 followers were recorded (11.1 percent more than in 2023, meaning there were 7,200 new followers). In terms of numbers, 167 new articles were published, with 1,332,301 possible impressions, 19,986 likes, and over 1,465 shares (the number of posts went down slightly, but follower interaction grew significantly). The 112,087 video views and more than 22,000 minutes viewed show that the video format is appreciated on this platform and proved effective for conveying complex messages.

²²⁹ An audio or video deepfake presents fake content created with the help of artificial intelligence, fake video or audio recordings that may look and sound real.

The @bnr_ro account maintained a constant activity on X throughout 2024, promptly informing the public (7,890 followers) about the decisions, activities and initiatives of the central bank, the content being adapted to be easily picked up by news agencies. Since the NBR's X account is followed particularly by foreign journalists and experts, as well as government institutions, diplomats or professionals in the economic and financial areas, its content is mainly in English, with some messages being translated into Romanian as well.

In addition, the NBR uploads to its YouTube channel (@bnrro) the videos of press briefings/conferences, seminars and symposiums organised at the bank's head office. On this platform, the NBR recorded more than 500 new subscribers, reaching a total of 4,470 subscribers.

The mobile app Leul Românesc, which provides information on the notes and coins issued by the NBR in recent years and offering responses to the most frequent requests received from the public with regard to checking banknotes' authenticity, reported a remarkable number of downloads. To date, the app was downloaded by 10,912 iOS users and 1,475²³⁰ Android users. This confirms users' interest in the digital educational content offered by the NBR and signals opportunities for additional optimisation and promotion to increase the app's level of use.



Infographic
BNR Direct app

In 2024, a new digital communication channel in the form of the BNR Direct app was finalised. This facilitates user access to essential financial information, such as the exchange rate and currency converter, key rates, as well as the latest press releases, economic analyses and contact information.

A new version of the www.opiniibnr.ro blog was launched in June 2024 and was also adapted to the current technological trends and best practices in the field. In 2024, the OpiniiBNR.ro blog registered a significant increase from the previous year in terms

²³⁰ This number solely reflects the current version of the app, published after a major update in 2024. When this update was made, the app was reuploaded to Google Play Store as a new package, which meant that the previous version was no longer distributed and, implicitly, the download statistics were reset.

of visibility and user engagement. Although the number of articles published was smaller than in 2023 (30 versus 38), the unique views rose markedly to more than 29,000.

In 2024, the NBR further presented the *Inflation Report* in HTML and expanded the number of publications presented in this format by adding the *Annual Report* and the *Balance of Payments and International Investment Position*. The new format allows the content to be viewed optimally both on widescreen monitors (desktops) and narrow screen devices such as mobile phones or tablets.

Overall, among the most relevant events promoted online in 2024 were the conferences dedicated to the *Inflation Report*, accompanied by video summaries, as well as many of the events organised at the central bank's head office. Among these, the best interactions were generated by the Open Doors Days event, as well as the exhibition entitled "Avram Iancu. The Man. The Hero. The Legend", celebrating 200 years since the birth of the great revolutionary of 1848, and the one entitled "A different kind of treasure: Romania's champions", organised to mark 100 years since Romania won the first Olympic medal.

2. NBR publications

The NBR continues to provide a wide range of information to financial and banking experts and the general public via its portfolio of publications available in several formats, i.e. print, pdf and HTML. Starting with the February 2023 *Inflation Report*, the HTML format of NBR publications was launched, and the portfolio of publications in this format was gradually extended to include the *Annual Report* and the *Romania's Balance of Payments and International Investment Position*. This new format aims to enhance accessibility to the information in the NBR's *Reports*, as well as to increase flexibility and the number of options available to readers.

The NBR's portfolio of publications includes a series of *Reports* issued at different time intervals: (i) the *Annual Report*, providing a detailed presentation of the domestic macroeconomic developments and the international context, as well as of the activities carried out by the central bank in the period under review; (ii) the *Inflation Report*, quarterly detailing the analysis framework and, implicitly, the rationales behind the monetary policy decisions; (iii) annual publications focusing on the external sector, namely *Romania's Balance of Payments and International Investment Position* and *Foreign Direct Investment in Romania*; (iv) *Financial Accounts*, detailing the financial developments in the institutional sectors of the economy; (v) the *Financial Stability Report*, reflecting the domestic challenges to financial stability, as well as the developments at EU level in prudential regulations; (vi) the *Monthly Bulletin*, containing a synthetic analysis of the main economic and monetary policy developments in the reviewed period and a detailed statistical section.

Moreover, in 2024, two editions of the *Systemic Risk Survey* were published, quarterly summarising the opinions of top 11 banks in Romania (by asset value) on systemic

risks, possible consequences on the financial system and banks' capacity to manage them if they materialise. In addition, the NBR continued to conduct the surveys dedicated to the relationships between the real sector and the banking sector – *Survey on the Access to Finance of the Non-financial Corporations in Romania* and the *Bank Lending Survey*.

The fourth edition of the *Climate risk dashboard* for the banking sector in Romania was published in 2024 in a new format. It aims to capture the main developments in the field of climate change and green finance based on indicators classified in five categories, as follows: (i) real economy, (ii) physical risk, (iii) transition risk, (iv) green finance, and (v) government policies.

During 2024 and the first part of 2025, five papers reflecting the results of the NBR's research activity were published in the *Caiete de studii/Occasional Paper Series*.

In 2024, the "National Bank of Romania Library" collection reissued the three-volume book entitled *Sistemul bănesc al leului și precursorii lui* (The Leu's Currency System and its Precursors) by Academician Costin C. Kirițescu. The launch of the new issue of this seminal work for Romania's economic history is to take place in the course of 2025.

3. Public information activity

External communication focusing on direct public information is centred on adequately managing the provision of public interest information upon request and the settlement of petitions to the NBR, and is carried out by observing the limitations established by the related primary legislation, i.e. Law No. 544/2001 on free access to public interest information and Government Ordinance No. 27/2002 on the regulation of petition settlement activity, as approved, and amended and supplemented by Law No. 233/2002.

From this perspective, in order to fulfil the priority objective of the communication and public relations activity – to inform the general public in an accurate and prompt manner –, the available tools and resources were used to: (i) handle the written petitions and requests to access public interest information (1,733 requests, 154 of which were based on the provisions of Law No. 544/2001), (ii) handle telephone calls (620 requests) and (iii) provide information demanded verbally at the Information-Documentation Point (409 requests).

Looking at quantity, the total number of written requests went down slightly compared to the previous year, in terms of both petitions and requests grounded on Law No. 544/2001. The total number of verbal requests also followed a downtrend, with the number of telephone calls declining the most, by one third. By comparison, the number of visitors to the Information-Documentation Point dropped by almost a tenth, similarly to the number of written requests.

The implementation within the institution of the transparency principles established by the legal framework is assessed via the *Report on the access to public interest information and the handling of petitions* in 2024. The *Report* is drawn up each year by taking into account the provisions of the applicable legal framework and is published on the NBR website, in the dedicated section (<https://www.bnr.ro/12227-rapoarte-privind-informarea-publica>). It contains a detailed analysis of the direct public information activity carried out by the central bank, *inter alia* in terms of the category of applicants, the way of submitting petitions and the volume of works, the way in which the requests for public interest information were treated and handled, as well as the most relevant topics taken into account by petitioners and applicants for public interest information.

4. The NBR Archives and Library

Besides the activities aimed at taking over and archiving documents created and received by the institution's structures, the NBR Archives continued, in 2024 as well, to preserve, process and turn to account the central bank's historical archives.

The reading parlour of the NBR Archives was open to the public throughout the year, except in August and December. Ten researchers registered for consulting the historical archives and were provided expert assistance in order to prepare research papers on: (i) Romania's monetary and financial situation in the interwar period; Romanian banknote issues and withdrawals (1881-1989); (ii) the Romanian-Hungarian relations between 1920 and 1960 (the issue of Hungarian optants and the agrarian fund, as well as loans granted by Romania to Hungary); the Romanian-Croatian relations between 1941 and 1944; (iii) taking stock of the cabins in the Făgăraş Mountains; art collections and cultural items during the communist era; access to the NBR's documentary heritage; (iv) the famine of 1945-1947; King Carol II and King Michael I in the NBR's documents. The researchers consulted, in physical and electronic format, 195 archival units and were issued copies of documents from 68 archival units.

The turning to account of the documents in the NBR Archives consisted in: (i) preparing materials for the bilingual exhibition (Romanian and English): *The gold Treasure of the National Bank of Romania sent to Moscow and never returned – A claim older than a century*, which travelled to Brussels, Washington D.C., New York, Chişinău, and Sibiu; (ii) organising the 32nd edition of the "Cristian Popişteanu" Banking History and Civilisation Symposium, with the topic: *In memoriam Ioan G. Bibicescu and Dimitrie M. Burillianu*; (iii) participating in radio shows with the topics: *The gold Treasure of the National Bank of Romania sent to Moscow – A claim older than a century*, *The Gold Stock of the National Bank of Romania (1880-2020)*; *September-December 1944, the first months of Romanian-Soviet collaboration. A financial perspective based on documents kept in the NBR's Archive*; (iv) national historical and cultural figures on the banknotes issued by the NBR after 1990; commemorating the Mehedinţi-born governors Ioan G. Bibicescu and Dimitrie M. Burillianu, etc.; (v) preparing, presenting, and publishing in specialised magazines a number of articles dedicated to the NBR's Treasure sent to Moscow in

World War I, the role of the NBR's gold reserve in supporting the economic lines of action set in the April 1964 Statement of the Romanian Workers' Party, the economic consequences of the Truce Convention in September 1944; (vi) solving petitions regarding the release of information/archive documents related to petitioners' rights; and (vii) further collecting data for creating the database of statistical and historical data based on the NBR's balance sheets in the 1880-1947 period under the "South Eastern European Monetary History Network (SEEMHN)".

In 2024, the endowment and organisation of the NBR Archives' storage rooms, alongside the developments in this line of activity and the provided services, were the subject of the presentations delivered by the specialised staff during the visits organised for archivist students.

The activity of the NBR Library was focused on informing and providing documents for the institution's experts, as well as the outside public; 22 external users requested access to the reading parlour of the NBR Library for documentation in order to prepare papers on: (i) Counterfeit currency and other cash equivalents, Drivers behind developments in tax revenues to the government budget; (ii) Impact of technology on payment transactions, Financial crime in the Metaverse; (iii) the Chrissoveloni Palace, the NBR Treasure sent to Moscow during World War I; (iv) Business development: the key organ for the seizing of opportunities and the evolutionary growth of the firm; (v) Taxation and diplomacy in Romania; (vi) Art collections and heritage items during the communist era, etc. Moreover, eight requests were made regarding the provision of additional bibliographic references, electronic copies of various documents kept by the NBR Library, information on the availability of certain publications, etc.

The NBR Library's book stock was enriched with 598 titles of Romanian and foreign academic literature on economic, financial and banking matters. At the end of the year, the library's collection totalled 23,907 bibliographic units.

Managing the collections implied, aside from taking stock of the new entries, making references in the online catalogue, thus cataloguing and indexing 2,341 new resources, so that 56,135 bibliographic units were recorded at end-2024.

Due to the ongoing updating of the online catalogue, external users enjoyed easy access to the library's resources, which translated into 3,938 queries.

In order to inform the public, a leaflet with the NBR Library's new entries was drafted and uploaded to the central bank's website on a monthly basis.

Date	Event
1 February 29 February 28 March 26 April 20 June 26 September 31 October	Bucharest Economic Analysis and Research Seminar
6 February	Financial education event under the Let's Talk about Money and Banks programme
14 February	Discussion on the paper entitled <i>O istorie morală a politicilor monetare și fiscale</i> , author: Valentin Lazea
15 February 15 May 9 August 11 November	Press conferences presenting the <i>Inflation Report</i>
28 February 21, 28 March 25-26 April 4 June 28-31 October 18-21 November	Financial education seminars under the "BNR – EconomicHub" project at the NBR's head office (28 February), Prahova agency (21 March), Braşov agency (28 March), Sibiu agency (25-26 April), Suceava agency (4 June), Mureş agency (28-31 October), Galaţi agency (18-21 November)
29 February 18-22 March 28-31 October	Seminars under the <i>Pro Oeconomia</i> project at the NBR's head office (29 February), Braşov agency (18-22 March), Iaşi Regional Branch (28-31 October)
4-8 March	Event in the series of international events on <i>The Treasure of the National Bank of Romania sent to Moscow – A claim older than a century</i> organised in Brussels, Belgium
12-13 March 24 April 30 May	Conference: <i>Antreprenariat de TOP</i> organised at the "Babeş-Bolyai" University in Cluj-Napoca, the West University of Timişoara, Cluj Regional Branch, Sibiu agency
16 May	Annual anniversary conference AAFBR 2024 – 16th edition
20 May	Conference: <i>The Bank Resolution Framework. Current issues and prospects</i> , 5th edition
23 May	The annual "Cristian Popișteanu" Banking History and Civilisation Symposium, 32nd edition: <i>In memoriam Ioan G. Bibicescu and Dimitrie Burilleanu</i>
19 March	NBR-EIB conference: <i>Transforming for Competitiveness</i>
11 April	Financial education forum on the topic <i>Your money's safety depends on your financial knowledge, awareness and behaviour</i> , 2nd edition
10-11 April	The final stage of the "Eugeniu Carada" national banking and financial education competition in Cumpătu-Sinaia
23 April	Annual NBR-BUES conference – 3rd edition
30 May	Annual Payments Forum – 3rd edition
13 June 18-19 June 9-10 July	Financial education seminars in partnership with Compania Națională Poșta Română S.A. at Sibiu agency (13 June), Braşov agency (18-19 June), Cluj Regional Branch (9-10 July)
June-September	The <i>Financial education workshops for teachers</i> project at the NBR's regional branches and agencies
1-5 July 25-30 August	Financial education urban camp
4-5 July	Meeting of the Resolution Committee of the European Banking Authority (ResCo)

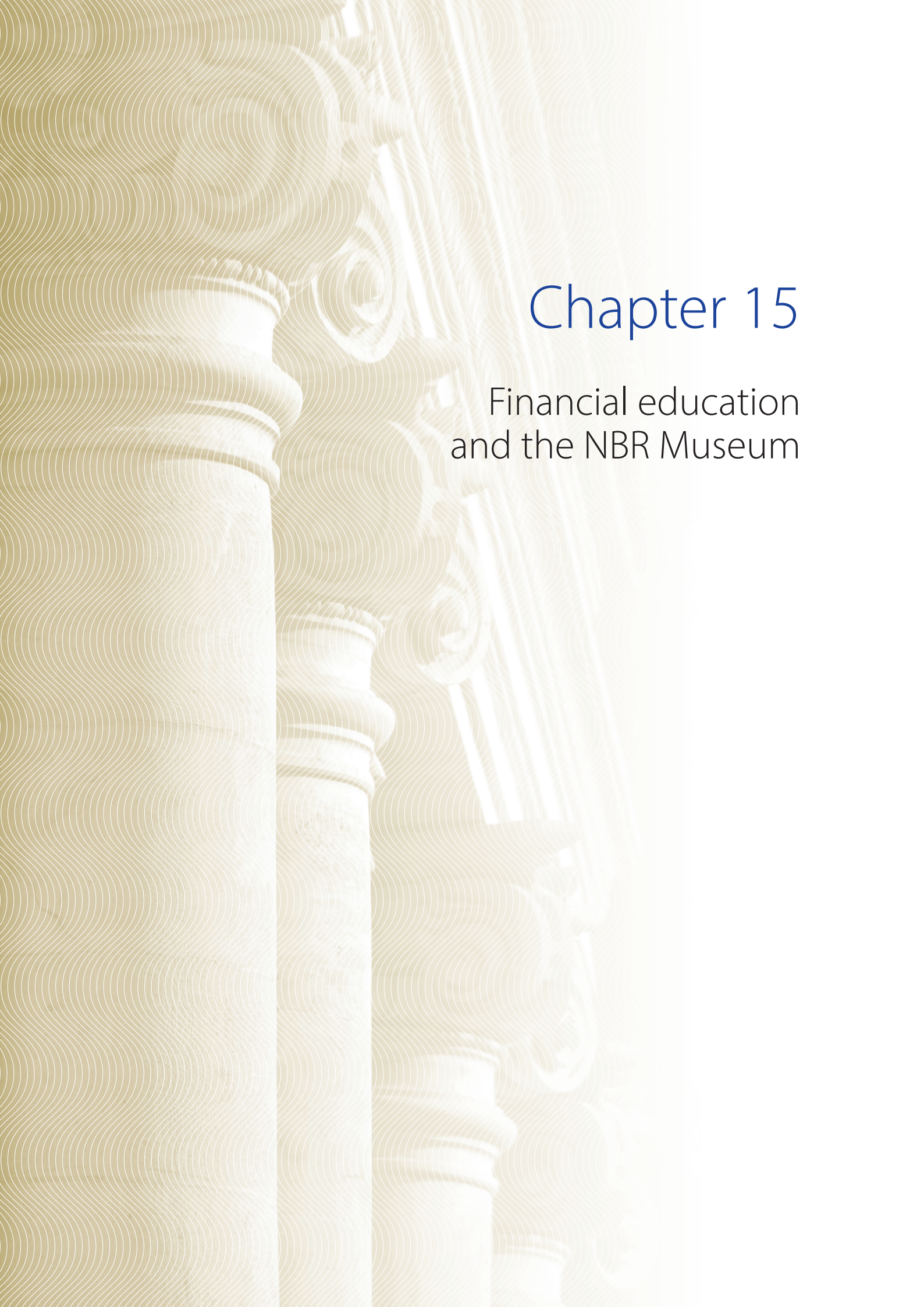
Table 14.1

Events focusing on monetary, banking and financial matters, organised by the National Bank of Romania in 2024

– continued –

Date	Event
11 July	Discussions on the paper entitled <i>Stabilitatea financiară și politica macroprudențială</i> (written by several authors within the Financial Stability Department: Florian Neagu, deputy director, Matei Kubinski and Alexie Alupoaei, senior experts)
23-28 July	Annual Scientific Conference of Romanian Academic Economists from Abroad – ERMAS 2024
26-27 September	Meeting of the Statistics Committee of the European System of Central Banks (STC)
1 October	International scientific conference: <i>Challenges of the Modern Central Banks</i> , held by the Governor of the Bank of Israel, Amir Yaron
2-5 October	Annual Seminar on Financial Stability – 15th edition, <i>On financial (in)stability and systemic risks in a world with high uncertainty and multiple disequilibria</i>
16-17 October	Working meetings of representatives of resolution authorities for the Raiffeisen Bank International and Erste banking groups
24 October	“Strategica” International Conference – <i>Innovation and responsibility: leading people and building sustainable economies</i> under the aegis of ACADEMICA BNR
7 November	Debate on John Maynard Keynes' <i>Indian Currency and Finance</i> (1913), <i>A Tract on Monetary Reform</i> (1923), and <i>A Treatise on Money</i> (1930), organised in collaboration with the Babeș-Bolyai University in Cluj-Napoca at the Cluj Regional Branch
14-18 November	Event in the series of international events on <i>The Treasure of the National Bank of Romania sent to Moscow – A claim older than a century</i> organised in Chișinău, Republic of Moldova
19-21 November	Seminar entitled <i>Monetary policy and research</i> under the regional technical assistance programme for central banks in Western Balkan countries





Chapter 15

Financial education
and the NBR Museum

1. The NBR Museum

The exhibitions organised by the NBR Museum in 2024 at the bank's head office, in the territorial network of branches and agencies, as well as at partners' headquarters, brought in the largest number of visitors ever recorded, with no fewer than 78,526 visitors who came to view not only the permanent exhibition, but also the 10 temporary exhibitions organised in collaboration with prestigious partner institutions at national level.

Thus, to celebrate *200 years since the birth of Avram Iancu*, from April to May 2024, the public visited the temporary exhibit *Avram Iancu. The Man. The Hero. The Legend*, in partnership with the National History Museum of Romania, the King Ferdinand I National Military Museum, the National Union Museum in Alba Iulia, the National History Museum of Transylvania – Cluj-Napoca, the Lucian Blaga Central University Library – Cluj-Napoca, the National Archives of Romania – Alba county service. Visitors had the rare opportunity to view the 1848 revolutionary's personal items all in one place. Presented for the first time were some of the production stages of the lei 5,000 banknote, the 1992-1993 issues (printing plates, banknote sheets and colour composition) featuring Avram Iancu's portrait.

From April to July 2024, the NBR Museum arranged the first large-scale exhibition at the headquarters of a partner institution, i.e. the Brukenthal National Museum in Sibiu. The exhibition entitled *The Power of the Leu. The History of Money in Romania*, took visitors on a journey into the monetary history of Romania, from the first coins minted in the 14th century in Wallachia and Moldavia (the ducats of Vladislav Vlaicu and the groschen of Petru Muşat) to the polymer-based notes issued by the National Bank of Romania. The history of the national currency was depicted through 504 exhibits marking momentous events: the setting-up of the national monetary system in 1867, the issue of mortgage notes in 1877, the establishment of the National Bank of Romania and its banknote issues since 1880 up to the present day, the great moments in Romania's history and the influence they had on monetary history (World War I, World War II, the dawn of the communist era, the democratic regime established in 1990). The exhibition was organised so as to give visitors the opportunity to regard money not only as monetary insignia with immediate value and use, but also as artistically valuable and socially significant objects that have been, over time, meaningful tools for conveying the authorities' message.

As a result of the partnership with the Brukenthal National Museum and upon the request of Regina Maria Municipal Museum in Iaşi, from end-October 2024 the exhibition was hosted by the Braunstein Palace in Iaşi until the beginning of May 2025. In both Sibiu and Iaşi, the exhibition was also used as a teaching aid for the financial education lessons held at the NBR's branches and agencies.

Opened on the occasion of putting into circulation, for numismatic purposes, the commemorative coin to mark 100 years since Romanian athletes won the first Olympic medal (Paris 1924 Olympic Games), the third temporary exhibition entitled *A different kind of treasure: Romania's champions* was organised in partnership with the Romanian Olympic and Sports Committee and in collaboration with the Sports Museum and the Argeş County Museum. Guests were given the chance to view no fewer than 186 medals, diplomas, and trophies, along with equipment that belonged to our Olympic champions. The exhibition was launched in the presence of 27 Romanian Olympic champions and medallists, as well as the chairs of the European Olympic Committees, and was opened to the public from 5 June to 2 December 2024.

Between November 2024 and February 2025, the NBR Museum organised at the headquarters of the Museum of History, Culture and Christian Spirituality of Dunărea de Jos in Galaţi the temporary exhibition *Christian inscriptions in monetary issues (4th-21st centuries)*. The exhibition featured some of the most valuable Byzantine coins in the NBR's collection, which, beside their immediate economic utility, were a significant means of spreading Christianity since the time of Constantine the Great via their images and symbols. At the same time, commemorative coins issued by the National Bank of Romania over the last decades were also presented. These were dedicated to celebrating events and prominent members of the clergy, as well as some figures from Galaţi, and each of them were accompanied by templates and coin minting dies, so that visitors could also find out information about the technology behind coin minting.

In the context of the adoption on 14 March 2024 by the European Parliament of the *Resolution on the return of the Romanian national treasure illegally appropriated by Russia*, which recognised the Romanian State's legally valid claim on the 91.5 tonnes of fine gold evacuated to Moscow during World War I, the NBR Museum started organising thematic corners on this issue in its branches and agencies. In parallel, a novel exhibition was designed using a glass display case, installed in front of the institution's head office between December 2024 and February 2025. The public had access to information and images regarding the NBR's gold reserve from 1881 to 1917, Romania's state-of-affairs during World War I, the two shipments of the treasure to Moscow, the seizure of the gold reserve by the Bolsheviks, how the matter unfolded during the interwar period and the communist regime, as well as the efforts undertaken by the central bank for the international recognition of its claim on the gold reserve of 91.5 tonnes of fine gold. In order to capture this episode of the NBR's institutional history as realistically as possible, the exhibition also featured a few shipping crates containing replicas of gold bars and of the lei 20 coin issued in 1870, which were similar to those sent to Russia.

Throughout 2024 as well, the efforts aimed at enhancing the transparency of the NBR's activity carried on, with the fourth edition of the Open Doors Days being organised; thus, for two days, the NBR's Old Palace welcomed 1,888 people. To enhance visibility at territorial level and to turn to account the NBR's cultural heritage, on the occasion of this event in April 2024, the NBR Museum prepared three temporary exhibitions adapted to the available space in the buildings of the NBR branches and agencies, as follows: *History of the Lei 20 Banknote* (Cluj Regional Branch, Constanţa

Regional Branch, Suceava agency), *Romania's Banknotes* (Buzău agency, Brăila agency, Mureş agency) and *Beginnings of the Romanian Currency* (Dolj Regional Branch, Timiș Regional Branch, Maramureş agency). At the same time, the *History of the Leu* exhibition travelled to the Constanța Regional Branch, while the *Zoomoney – World Fauna on Notes and Coins* was showcased at the Prahova agency.

Beside the exhibition activity, the collection managed by the NBR Museum was further processed as well, with new pieces being added during 2024, coming to a total of 51,000 items. The photographic archiving also continued and the storage of pieces was reorganised, as one of the museum's storage facilities received new equipment.

Given the launch of the new NBR website, the information content of the NBR Museum subsite (<https://muzeu.bnr.ro>) was restructured and the sections dedicated to temporary exhibitions were added, so that the public should have all the necessary information related to the exhibition concept (the story behind the artefacts displayed and the connection between them and a certain historical period or figure to which they belonged), visiting hours, institutional partners and access, in order to pre-empt frequently asked questions about location, transport means in the area, public parking and visiting rules. The section is still undergoing changes to allow real-time updates to the visiting hours.

2. Financial education

In 2024, the programmes, projects, and events related to economic and financial education organised by the Financial Education and Museum Department were attended by 119,911 participants at both the bank's head office and its branches and agencies or at the headquarters of partner universities, as follows:

- 118,251 participants in projects targeting pupils and students;
- over 1,660 participants in projects and activities targeting adults.

NBR's educational and public communication programmes

The programme *Let's Talk about Money and Banks* continued in its already established format and using the same coordinates. Its content was focused on organising debates and presentations for pupils from schools and high schools in urban and rural areas on relevant economic and financial issues, which were held by lecturers from the specialised departments and from NBR branches and agencies.

At the head office, some of the financial education activities, namely the meetings between lecturers within the department and pupils and students, as well as other members of the public, were held in a specially designated area within the NBR.

In February-April 2024, the NBR organised, in partnership with the Bank Deposit Guarantee Fund (BDGF) and with the support of the Ministry of Education, the second

edition of the “Eugeniu Carada” national banking and financial education competition intended for eleventh grade pupils. The aim of this project is to improve the understanding of economic notions and processes, such as money market, forex market, European Union – economic integration mechanisms, to prepare high school students to become consumers of financial and banking products and services in an informed manner, as well as to enhance awareness of their rights and obligations in order to manage their own finances responsibly.

In March 2024, over 6,000 pupils aged between 13 and 15 from 390 schools, high schools, and colleges countrywide, entered the sixth edition of the national final of the European Money Quiz competition, organised by the Romanian Association of Banks in partnership with the National Bank of Romania, the Financial Supervisory Authority, the Ministry of Finance, and the Romanian Banking Institute. Among the first-place winners, two pupils with the best score, from Spiru Haret National College and Nicolae Labiş Secondary School in Bucharest, represented Romania in the European final of this competition, which was held in Brussels on 19 April 2024.

More than 12,000 pupils from 130 educational establishments attended the financial education presentations held by NBR lecturers under the international project Global Money Week. This year’s theme was “Protect your money, secure your future”.

Between 8 and 12 April, the National Bank of Romania celebrated the Financial Education Week and arranged a series of educational activities for pupils and teachers in pre-university education.

In the context of celebrating Financial Education Day on 11 April, the NBR head office hosted the second edition of the Financial Education Forum on the topic “Your money’s safety depends on your financial knowledge, awareness and behaviour”.

The National Bank of Romania was present, in 2024 as well, on the online platform Joblandia. This aims to facilitate high schoolers’ access to information or documentation visits to companies listed on the platform so as to offer them a hands-on perspective on organisations and the labour market, in order to educate, inform and support them in choosing a career in the economic or financial and banking field. Participants took the opportunity to discover the working environment specific to the institution and to hold talks with the bank’s employees in a proper setting, in order to gain a concrete perspective on the profession of economist.

In 2024, under the “NBR – StudentHub” programme, lecturers in the financial education service and from the NBR’s branches and agencies delivered presentations (both in person and online) to economics and non-economics students throughout the entire university year in several universities in Bucharest and across the country. The interactions in the form of seminars and debates focused on providing clear and accurate information on the functions and role of the National Bank of Romania or on economic concepts impacting day-to-day activities (for example, monetary policy, inflation, exchange rate, banking products and services, and so on).

On 19 August 2024, the seminar entitled “Digital transformation for new business models” was organised at the NBR’s head office, under the aegis of the 18th edition of the International Summer School of the Bucharest University of Economic Studies – Bucharest Summer University 2024. The event was attended by roughly 70 participants, students from the Faculty of Finance and Banking with the Bucharest University of Economic Studies and from other economic faculties from abroad, teaching staff and NBR lecturers.

Building on the first two successful editions, between 14 and 22 September 2024, the third “School of Modern Finance” took place, with the participation of 30 master’s students specialised in economics and selected through competition, from the Academy of Economic Studies of Moldova and other higher education institutions with economic faculties from the Republic of Moldova. The students attended lectures held by NBR experts in collaboration with the Bucharest University of Economic Studies and took part in meetings with prominent figures from the financial and banking field in Romania, which contributed to refining their specialised knowledge and skills.

On 24 October 2024, the 12th edition of the *Strategica* international conference (organised in partnership with the National University of Political Studies and Public Administration) entitled “Innovation and Responsibility: Leading People and Building Sustainable Economies” took place. The event gathered together almost 100 guests, representatives of academia from the country and abroad, of the financial and banking community, of higher education, NBR Board members, as well as central bank experts.

Under the NBR – *EconomicHub* programme six events were organised, between February and October, at both the NBR’s head office and its branches and agencies in Ploieşti, Braşov, Sibiu, Suceava and Târgu-Mureş, in which a total of 250 representatives of local business communities took part. The topics discussed generally referred to issues related to the Romanian economy’s structural imbalances and the solutions to correct them, inflation, recent developments in local economies, risks and benefits associated with digital payment instruments. Discussions were led by the NBR Board members, representatives of the specialised NBR departments, as well as representatives of the management of the Romanian Association of Banks.

Under the NBR – *Pro Oeconomia* project three events were organised in February, March, and October, in Bucharest, Braşov, and Iaşi, where presentations were held by NBR Board members and representatives of the management of specialised NBR departments. Its general objective is to enhance the understanding of some fundamental economic notions and phenomena, including the issues relating to the central bank’s role and functions, and the implications of its decisions on the domestic economy, as well as to conveying NBR-relevant messages to the general public or target groups (representatives of local authorities, academia, the student community, teaching staff, the local business environment).



In December 2024, the fourth issue of the Financial Education Magazine came out. It was published in Romanian and featured the following topic: *Do students need financial education? Their teachers answer*. The articles described the manner in which the need for financial education is perceived by Gen Z, the benefits of knowing economic and financial information, and financial education as a path leading to equilibrium and overcoming social and economic uncertainties. This issue included contributions from professors from universities in Bucharest, Iași, Craiova and Cluj-Napoca.

Projects carried out by the NBR in partnership with other institutions

The financial education urban camp returned for its sixth edition, as the project carried out in collaboration with the Financial Supervisory Authority, the Romanian Association of Banks, the Ministry of Finance and the Ministry of Education featured two sessions in 2024.

The first session was dedicated, for the first time, to teachers in Bucharest and took place from 1 to 5 July 2024 at the NBR's Professional Training and Social Activity Centre in Bucharest. Activities targeted teachers from schools and high schools. The second session focused, for the third year in a row, on disadvantaged children on 25-30 August 2024, at the NBR's Professional Training and Social Activity Centre in Cumpătu-Sinaia.

Approximately 40 people participated in each of the events, namely teachers, pupils and representatives of the Ministry of Finance/National Agency for Fiscal Administration, the Financial Supervisory Authority, the Romanian Association of Banks and the NBR.

Under the Antreprenoriat de TOP project, three events were organised, aiming to launch and present the project's key milestones.

On 12 March 2024, the Conference presenting the project aimed at improving the financial education of entrepreneurs in Romania took place, in cooperation with the Babeş-Bolyai University in Cluj-Napoca. On 13 March, the NBR's Regional Branch in Cluj hosted a workshop dedicated to Cluj-based entrepreneurs, attended by representatives of the business environment (SMEs), together with officials of the National Bank of Romania, the Romanian Association of Banks, the Financial Services Association – ALB Romania and of the academia. The topics discussed referred to the digitalisation of companies' activity, access to EU funds, access to funding via banking and leasing products and services, good financial management lessons, etc.

On 24 April 2024 and 30 May 2024, conferences were held to showcase the project on improving the financial education of entrepreneurs in Romania, in cooperation with Lucian Blaga University of Sibiu and the West University of Timișoara.

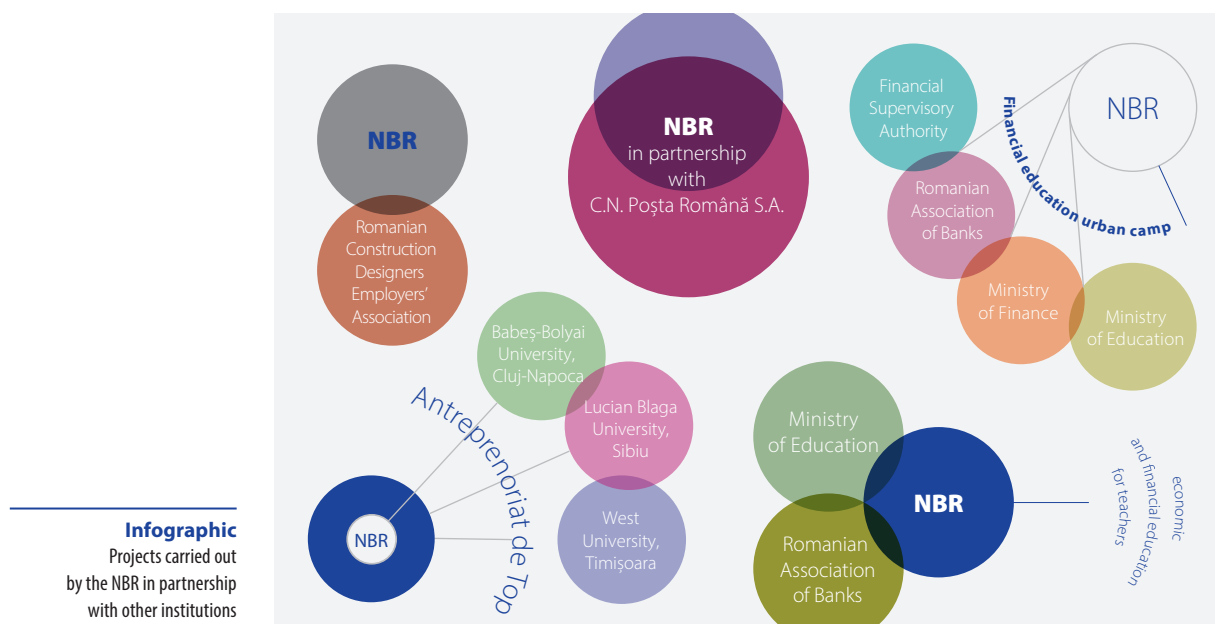
The partnership between the NBR and Compania Națională Poșta Română S.A. materialised into a new agreement spanning three years. Given the broad territorial infrastructure and geographical distribution of the regional centres of Compania Națională Poșta Română S.A., the programme of activities will comprise two series of interactions at the regional branches and Brașov and Prahova agencies and one series in each of the remaining agencies (totalling 25 interactions).

Between June and November 2024, 12 financial education seminars were organised with employees of Compania Națională Poșta Română S.A., as follows: two at the Cluj, Constanța and Timiș Regional Branches and Brașov and Prahova agencies, and one at the Sibiu and Maramureș agencies.

Economic and financial education for teachers – via this programme, run by the NBR together with the Romanian Association of Banks and the Ministry of Education, with the help of the Romanian Banking Institute, groups of specialised trainers (teachers) are prepared. They will acquire the knowledge and skills specific to the economic and financial field, which they will present and pass along, in their turn, to educational establishments, at the Economic and Financial Education classes.

During 2024, 275 teachers from all over the country participated in this programme accredited by the Ministry of Education, on the online platform provided by the Romanian Banking Institute.

The NBR and the Romanian Construction Designers Employers' Association concluded and signed a three-year partnership agreement in February 2024. It aims to prepare studies, analyses, research papers and reports with the ultimate objective of promoting them within economic development programmes, as well as to disseminate economic and financial knowledge.



On 3 April, representatives of the Romanian Construction Designers Employers' Association proposed to organise a high-level conference at the NBR's head office entitled "Construction and Sustainable Development of Romania". Approximately 120 people attended the event.

The conference also included a panel discussion on "Creating a Stable Environment for Development", which invited to speak representatives of the Bucharest Stock Exchange, the Romanian Association of Banks, the Financial Supervisory Authority, the Romanian Construction Designers Employers' Association, the chairpersons of the Chamber of Deputies' Committee on Industries and Services and the Committee on Public Administration and Territorial Planning.

New projects launched in 2024

Financial education workshops for teachers – the project is aimed at teachers from schools and high schools, both in their capacity as consumers of financial products and services and interlocutors, transmitters and multipliers of educational messages for pupils.

Between July and August 2024, the National Bank of Romania, through its units in 17 cities and in partnership with the Ministry of Education, the Romanian Association of Banks, the Romanian Banking Institute and the Bank Deposit Guarantee Fund organised 24 economic and financial education workshops attended by more than 600 teachers from pre-university education.

Lecturers provided relevant information on the central bank's tasks, the role and functioning of the banking system, principles and strategies of saving, devising and monitoring a personal budget with recommendations for making correct and informed choices to improve their personal financial situation, the use of modern

means of payment and the related fraud risks, principles and features of credit products, etc.

Through this project, the exchange of experience on the students' economic and financial education needs was ensured, as well as the appropriate methodologies for how to interact with them.

Teachers and financial education – this pilot-project aimed to open up a channel for dialogue between central bank specialists and teachers in Bucharest who teach economic subjects: Economic and Financial Education in the 8th grade, Entrepreneurial Education in the 10th grade and Economics in the 11th grade.

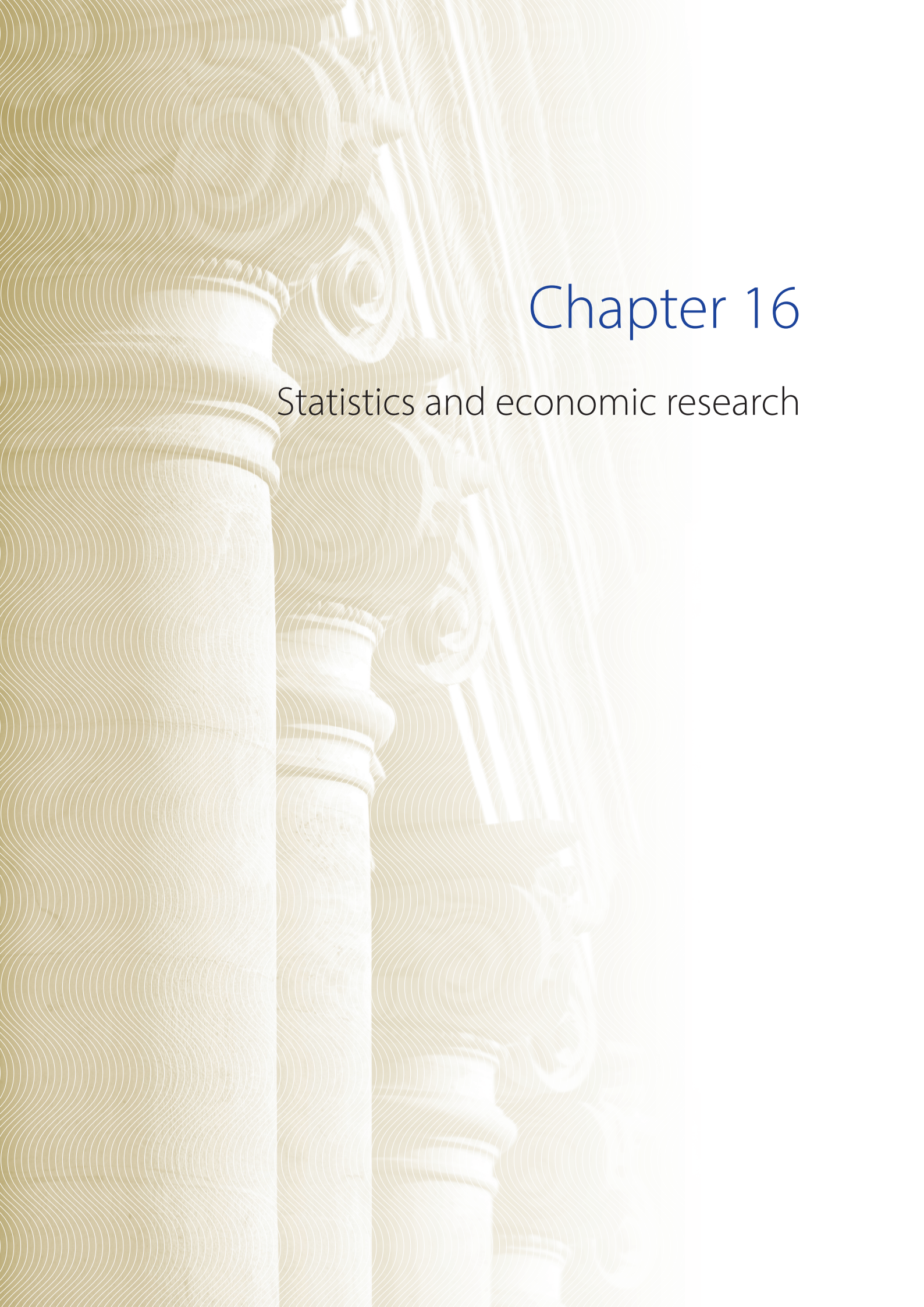
Specifically, on 18 October 2024, a roundtable that brought together high school teachers in Bucharest was held at the NBR's head office. Discussions focused on: developing exchanges of experience between NBR specialists and teachers; delivering financial education presentations to teachers; identifying students' specific needs that can be addressed by the NBR in order to find solutions to enhance the impact of central bank's financial education projects.

The planning and development of the NBR's financial education projects, alongside the specific events of the Museum and Financial Education Department, were carried out with the participation of the bank's entire territorial network. The NBR's head office in its capacity as coordinator and assessor of the financial and banking education activity organised, on its premises, between 12 and 13 September 2024, similarly to the last three years, working meetings with all the colleagues involved in financial education and communication activities within the NBR agencies, where the issues faced in the day-to-day activity, strategies to address various projects, as well as guidelines for the 2024-2025 school year were discussed.

Participation in international working groups and projects

As for the Museum and Financial Education Department's role in international cooperation, the most noteworthy issues are the following:

- conclusion of the OECD/INFE assessment on Romania's accession in the area of consumer protection and financial education (the formal announcement was sent in March 2024), as part of the preparation process for Romania's accession to the OECD; the Museum and Financial Education Department was directly involved in every single stage of the process (from self-assessment of the present situation to the final interview with member countries);
- further cooperation with the INFE, which in the context of Romania's efforts to gain OECD membership becomes more complex; thus, during the November 2024 meeting (held in Indonesia), the NBR officials expressed the intention that one of the next annual meetings be organised in partnership with INFE, in Bucharest, in 2026. This was formalised via an e-mail sent to the OECD Secretariat in December 2024.

The background of the slide features a photograph of classical architectural columns, partially obscured by a semi-transparent white vertical band on the right. Overlaid on the left side of the image is a pattern of thin, concentric, wavy lines in a light beige or gold color.

Chapter 16

Statistics and economic research

1. Statistical activity

The key statistical activities of the National Bank of Romania include the collection, production and dissemination of a broad range of statistical data, such as national financial accounts, monetary and financial statistics, external sector statistics, securities statistics and credit and payment risk statistics, necessary as inputs substantiating the macroeconomic policy decisions and the central bank's analysis and research work.

As part of the process of accession to the Organisation for Economic Co-operation and Development (OECD), the National Bank of Romania continued to be involved in assessing Romania's alignment with the Recommendation of the Council on Good Statistical Practice (OECD/LEGAL/0417). Specifically, the National Bank of Romania participated, together with the National Institute of Statistics (NIS), in the closing mission of the OECD peer-review in the field of statistics in November 2024 with the aim of finalising the assessment report scheduled for end-January 2025 and preparing the meeting of the Committee on Statistics and Statistical Policy (CSSP). During the closing session of the OECD mission, the NIS-NBR Joint Action Plan was presented. The document focused on developing the activities necessary to implement the recommendations made by OECD representatives, in particular to conduct the Household Finance and Consumption Survey (HFCS²³¹), to strengthen the quality management system for statistics and metadata, as well as to identify new statistical data sources. These actions had deadlines set for the end of 2024.

In the course of 2024, representatives of the Statistics Department participated in the consultations initiated by the International Monetary Fund, the United Nations and the Organisation for Economic Co-operation and Development. This was part of the process that started in 2021 to update the international statistical standards in force (System of National Accounts, 2008; Balance of Payments and International Investment Position Manual, 6th edition; and the OECD Benchmark Definition of Foreign Direct Investment, 4th edition).

Moreover, from 25 to 27 September 2024, the National Bank of Romania hosted the annual thematic meeting of the ESCB Statistics Committee (STC) at the NBR head office. Attending the event were 79 persons, including representatives of national central banks, ECB, Eurostat, the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB²³²), EBA, as well as national authorities within the Single

²³¹ Provisions of Guideline (EU) 2025/333 of the European Central Bank of 31 January 2025 on statistical information to be reported on household wealth, income and consumption (ECB/2025/3), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32025O0333&home=ecb>

²³² The Committee on Monetary, Financial and Balance of Payments Statistics, an advisory body set up following EU Council Decision No 856 of 13 November 2006, composed of representatives of the European Central Bank, Eurostat, national central banks and the national statistical institutes of EU Member States

Supervisory Mechanism. At this meeting talks focused on the main challenges in the field of statistics produced by ESCB members.

The main activities carried out in the course of 2024 in the area of national financial accounts concerned: (i) the regular reporting of data series according to the ECB's medium-term strategy for quarterly financial accounts as well as of the annual financial accounts to Eurostat in the new data structure²³³; (ii) the continuation of the project to expand and update the app for the compilation of financial accounts in the Data Warehouse – Business Intelligence by including the new current reporting requirements of the ECB, Eurostat and the OECD, and by integrating the requirements and changes in the related methodological frameworks²³⁴; (iii) the development of functional specifications for the automatic retrieval of data series from monetary and financial statistics in the Data Warehouse – Business Intelligence (DW-BI) IT system and their implementation in the IT systems compiling the statistics on monetary balance sheet, statistics on investment funds, statistics on non-bank financial institutions recorded in the General Register and the statistics on insurance companies; (iv) and preparations to implement the benchmark revision of the national financial accounts for 2025, including the new app features.

In the area of external sector statistics, work focused on four main topics: (i) the harmonised update of the methodological framework for external sector statistics and national accounts by taking part in consultations initiated by the international institutions coordinating this process (IMF, ECB, OECD and Eurostat), (ii) the preparation of activities specific to this statistical field in view of Romania's accession to the OECD, through collaboration with OECD experts in the assessment of statistics production, as well as via participation, with observer status, in the meetings of the Working Party on Trade in Goods and Services Statistics (WPTGS), (iii) the 2024 benchmark revision of the data series in the field of external sector statistics for the period 2010-2023, in line with the harmonised revision policy at EU level, and (iv) the transmission to Eurostat of the data series on international trade in services, broken down by the units corresponding to the types of enterprises and the manner in which data are provided, pursuant to Regulation (EU) 2019/2152²³⁵.

Moreover, in 2024, the Statistics Department, in its capacity as a business operator, ensured the smooth functioning of the following IT systems (with the technical support provided by the Digital Solutions Department):

- SIRBNR, the IT system for reporting to the National Bank of Romania, whereby credit institutions submit 36 statistical, financial and prudential reports;
- RAPDIR, the direct reporting system, whereby entities from all institutional sectors submit 16 statistical and prudential reports;

²³³ The updated ESA 2010 – Transmission programme of data (Annex B of the European System of National and Regional Accounts in the European Union, as defined in Regulation (EU) 2023/734 of the European Parliament and of the Council of 15 March 2023 amending Regulation (EU) No 549/2013 on the European system of national and regional accounts in the European Union and repealing 11 legal acts in the field of national accounts)

²³⁴ Guideline (EU) 2021/827 of the European Central Bank of 29 April 2021 amending Guideline ECB/2013/24 on the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts (ECB/2021/20) OECD requirements on financial assets and liabilities of households and by investment sector

²³⁵ Regulation (EU) 2019/2152 on European business statistics, repealing 10 legal acts in the field of business statistics

- the Data Warehouse – Business Intelligence (DW-BI) system, the NBR's sole data repository that integrates aggregated data and information from internal and external sources, thus providing the NBR users with an adequate analytical and reporting tool;
- Central Credit Register (CCR), whereby information on credit risk and card frauds is managed; and
- Payment Incidents Register (PIR), whereby information on payment incidents related to cheques, bills of exchange, promissory notes is managed.

The activities of the CCR and PIR are set out in Chapter 4, the section on instruments supportive of prudential supervision and financial stability.

In 2024, the same as in previous years, the National Bank of Romania conducted four direct surveys among resident companies; the samples, representative for the local economy, included in each case more than 6,000 entities, mostly non-financial corporations. Three of the surveys, with quarterly frequency, were aimed at obtaining information necessary to compile Romania's balance of payments and international investment position, whereas the fourth, with half-yearly frequency, collected information necessary for financial stability purposes.

The four direct surveys conducted by the NBR are as follows:

- survey on foreign direct investment;
- survey on international trade in services;
- survey on financial information in relation to non-residents other than that on foreign direct investment; and
- survey on the access to finance of non-financial corporations in Romania.

2. Economic research

Economic research activity within the National Bank of Romania focused, in 2024 as well, similarly to previous years, on applied topics, its main purpose being to substantiate the decision-making process.

2.1. Macroeconomic modelling

The past few years have been marked by large-scale economic shocks – the energy crisis, bottlenecks in global supply chains and escalating geopolitical tensions – that called for the development of new analytical tools to monitor macroeconomic conditions. Within this framework, a “signal” composite indicator was constructed by applying the Principal Component Analysis, a project presented in detail in *Occasional Paper* No. 37/2024 entitled “The Economic Conditions Index for Romania (ECI-RO) and its signals during the recent crises”. In addition, monthly and weekly heat maps were developed to highlight at an early stage the atypical dynamics of

indicators correlated with economic activity. The criteria for highlighting extreme values were based on the positioning of the dynamics of these indicators in relation to the historical statistical distributions.

Recent uncertainties have revealed the need to assess developments in economic activity in real time using a wider range of information. Thus, in order to investigate the possible use of non-parametric methods in the formulation of short-term forecasts of GDP and its components, an avenue envisaged the use of approaches recently developed in the literature, such as composite QFM (Quantile Factor Model) and machine learning methods, particularly the BART (Bayesian Additive Regression Trees) model.

The multiple external shocks overlapping the uptrend in the openness of Romania's economy underline the country's potential vulnerability from the perspective of the pass-through of adverse effects via the exchange rate. In this vein, a research work was undertaken to analyse, from a microeconomic perspective, the effect of a notable change in the nominal exchange rate on several key performance indicators of companies in Romania. The event considered was the depreciation of the exchange rate of the leu against the euro in the run-up to the Great Recession, the effect being tested via the foreign currency debt channel ('balance sheet effect'). Based on the Difference-in-Differences methodology, a significant negative impact of the depreciation was found on all key performance indicators, yet this was lower or sometimes statistically insignificant for exporters. Results are robust in multiple alternative specifications.

Elevated uncertainty implied sizeable risks to the forecasts. It is therefore essential to devise an alternative empirical framework of analysis, centred on quantification of risks. In this respect, work was undertaken to integrate the Macro-at-Risk procedure – which allows the quantification of risks to future developments in economic activity and prices based on the latest available statistical data – into the NBR's approaches. Specifically, a line of research amid the fast-paced pay rises in recent years and the slow disinflation entailed studying the interaction between price growth and wage dynamics in the private sector by employing this methodology. Past developments were subject to analysis so as to identify the risk of the 'price-wage spiral' effect materialising. The main outcomes are presented in Box 3 of the November 2024 *Inflation Report*.

The analysis of the dynamics of job creation and job destruction plays a key role in understanding the labour market and economic activity in general. Specifically, several factors were identified, which have an impact on the dynamics of the number of employees and wages: profit dynamics, labour shortages or the innovation process. Some of the results of this research topic were presented in a series of boxes in the *Inflation Report* during 2024: the Box entitled "The effect of labour shortages on wage growth and number of employees" published in the August 2024 *Inflation Report* and Box 2 entitled "The impact of profits on wage growth" in the November 2024 *Inflation Report*.

Turning to the medium-term analysis and forecast model, the methodology for estimating the Total Factor Productivity (TFP) gap and thus the decomposition of the output gap was supplemented in order to closely follow the European Commission's approach. The latter is based, among other benchmarks, on establishing a direct link between the TFP gap and a synthetic indicator of production capacity and confidence in the economy.

In the course of 2024, the Middle East conflict took new forms. Geopolitical tensions tended to become permanent and the heightening ones between Iran and Israel posed new challenges to the smooth running of trade and investment flows. Against this background, the series of economic investigations into the potential impact of the conflict in this area continued in the year under review. Potential direct effects of a high magnitude stemming from the trade, financial or labour migration channels were not identified, owing to the relatively low direct exposure of Romania's economy to developments in this region. By contrast, the indirect impact was assessed as possibly more significant, with energy prices likely to be hit by some of the strongest effects, given that Middle East countries are key players in the global oil market.

In this context, a line of research was aimed at broadening the analysis on how oil price movements feed through to the key domestic macroeconomic variables, considering both the decisive role this resource plays in the national energy mix and the highly volatile oil market over the past few years. The results are presented in Box 3. Another issue of interest was the pass-through of exchange rate changes into the dynamics of various price categories. Empirical evidence shows there are asymmetries conditional on the direction of changes (depreciation versus appreciation) and magnitude differences depending on the stage of the production chain.

EU funds are an important tool for cushioning adverse shocks. However, in the case of the NRRP, repeated departures from the schedule for submitting payment requests to the EC were noted, as well as project implementation delays. These dysfunctions called for in-depth analyses focusing on investment projects at high risk of failing to be completed on time, on the causes of these developments and possible solutions to speed up the absorption of NRRP funds. In-house research revealed more favourable dynamics for the implementation of projects in areas such as sustainable transport, tax reform and pension reform.

Climate change and transition policies exert long-lasting effects on the economy. The year 2024, one of the warmest on record, was marked by a number of extreme weather events, pointing to the need to make climate risk a systemic element of macroeconomic analysis. Against this backdrop, further steps were taken to include the impact of climate change into the NBR's forecasting framework. Specifically, during 2024, the exploration of the existing analysis toolkit employed by other institutions continued, with a greater focus on the use of the Climate Policy Assessment Tool developed by the International Monetary Fund and the World Bank. Building upon this instrument, scenarios on the impact of climate policies have been formulated and subsequently presented in the publication entitled *România – Zona Euro Monitor* No. 16/2024. In addition, the aim was also to explore the literature with a view

to identifying regional climate models that would allow the differentiated study of physical risks in Romania, on the one hand, and that of climate models with endogenous monetary policy, on the other hand.

2.2. Financial stability

In 2024, the main research topics approached in the field of financial stability were as follows:

- (a) “Households’ and companies’ access to cash or bank services” – the study is based on a questionnaire targeting bank subsidiaries and branches in Romania in 2024, which collected information on the location of ATMs and bank units, alongside details about cash availability and withdrawals. It examined access to cash in different regions of Romania, highlighting the discrepancies between urban and rural areas, based on an innovative approach that integrates geospatial data and uses advanced instruments for analysis and visualisation in order to make a thorough assessment of the territorial distribution of bank unit network. The results were published in the Special feature of the December 2024 *Financial Stability Report*.

The conclusion is that the use of cash in Romania remains essential, especially in the areas with limited access to financial services and low degree of financial education and digital skills. The differences between urban and rural areas underscore the need to expand bank infrastructure in order to support financial inclusion, particularly in isolated communities. The geospatial analysis underlines the importance of a balanced territorial coverage, while the identification of regions with limited access to cash enables the implementation of corrective measures to support local economic development. A strategic distribution of bank infrastructure can facilitate the access of households and firms to financial services, contributing to their integration in the economic system.

- (b) The paper entitled “Trusting Deep Learning Networks for Credit Default Predictions under Imbalanced Data: Investigation of Potential Bias” addresses the ethics issues associated with the use of Machine Learning (ML) systems in predicting default rates. A series of research papers highlighted the existence of discrimination in lending markets. In this case, discrimination refers to the erroneous rejection of some loan applicants or to imposing higher interest rates on certain social categories. The standard methods used to identify discrimination, such as the Statistical Parity (SP) and the Disparate Impact (DI), rely on the following core principle: equal people, then equal rights. For instance, Bartlett *et al.* (2019), using datasets from the US, emphasised that, during 2009-2015, between 0.74 and 1.3 million people belonging to minorities were rejected due to discrimination when applying for a loan.

The rationale behind this paper is to put forward a robust approach to investigate if using modern artificial intelligence and machine learning technologies comes with ethics issues. The proposed approach is based on the idea that false positive errors for the protected attribute (a characteristic that can be related to discrimination in the lending process) and the unprotected attribute should be similar for debtors with similar risk features. Specifically, when debtor risks are assessed using Debt

Service-to-Income (DSTI) ratio, it can be concluded that there are no ethics issues if, for false positive errors, the DSTI distribution for the protected attribute is similar to that for the unprotected attribute.

In order to assess the similarity of these two distributions, the authors use the concept of stochastic dominance, employing a number of direct and indirect methods to confer robustness to conclusions. Unlike most studies in the field, this paper used a comprehensive sample (874,000 consumer and housing loans in Romania), covering the period from June 2023 to June 2024 (the default rate for the dataset being of 1.78 percent). In terms of methodology, the authors define a pyramidal network architecture with four hidden layers of neurons, the results obtained showing there is no statistical evidence of ethics issues generated by the use of a Deep Learning model.

- (c) “Assessment of macroprudential policy in Romania – the role of capital buffers”²³⁶ focuses on analysing the capital buffers applied to credit institutions since these instruments have become legally effective at national level and up to now, as part of the decision-making process on the implementation of macroprudential policy in Romania. In addition to presenting the conceptual framework for the periodical assessment of the macroprudential policy stance overall, the paper provides an in-depth review of each of the three capital buffers, i.e. the countercyclical capital buffer (CCyB), the other systemically important institutions buffer (O-SII) and the systemic risk buffer (SyRB), as follows: (i) presentation of the instrument and the transmission mechanism, (ii) experience with using the capital buffer in Romania and the EU and (iii) efficiency and effectiveness of buffer implementation. The fourth capital buffer referred to in the European legislation, i.e. the capital conservation buffer, was not assessed individually, as this instrument is uniformly implemented at EU level, being applicable to all credit institutions, irrespective of their size, business model or the phase of the financial cycle.

2.3. Economic papers and analyses

Supply-side shocks, which were manifest especially in 2022, prompted significant hikes in companies’ production costs that were passed on to consumer prices. In addition, the question arose as to whether the step-up in the inflation rate mirrored only the cost performance or included also an increase in the firms’ margins with a view to improving corporate profits. Under these circumstances, the box entitled “Profit developments over a period of high inflation” in the February 2024 *Inflation Report* underscored that 2022, marked by the inflation rate hitting a two-decade high, did not see a systematic increase in the firms’ profitability, as the share of profits in value added narrowed for approximately 51 percent of firms and widened for almost 49 percent of them. In most sectors, profitability figures were broadly similar in 2021 and 2022, the notable exceptions being the energy and ICT sub-sectors, where this indicator posted rises. Hence, the assumption that local firms did not display any systematic behaviour in using positive cost shocks as an opportunity to raise profits appears more plausible.

²³⁶ *Caiete de studii*, No. 62

Another relevant factor from the perspective of inflationary pressures in the Romanian economy, with a perennial nature, refers to the labour shortage, causing enterprises to offer higher wages in order to retain their employees. This is mirrored further in pick-ups of ULC and consumer price dynamics. The box entitled “The inflationary impact of labour shortage” in the November 2024 *Inflation Report* highlights, on the one hand, the effects of labour shortages on the wage dynamics in each sector of activity – among the areas that stand out from this perspective being postal and courier activities, accommodation and food service activities, but also some industrial sub-sectors. On the other hand, the analysis uses a detailed, multisectoral general equilibrium model to identify the effect of labour shortage on the aggregate inflation rate, revealing that the magnitude of this factor’s contribution is quantitatively significant, ranging from 2 to 3 percentage points between 2017 and 2023 (2.2 percentage points in 2024 H1).

The after-effects of the commodity market turmoil were also a topic of interest in terms of price rigidity and the manner in which firms respond to various shocks. Using a web scraping database (the prices of the main food categories in the consumer basket, which were collected on a daily basis), the Box entitled “Flexibility of food prices amid the supply shocks in 2022”, published in the May 2023 *Inflation Report*, analysed changes in the behaviour of prices with the focus on three groups of products, i.e. edible oils, milk and dairy products, meat and meat products (accounting for a significant share in the CPI food basket). The results show that the reaction of the retail food sector to an upward shock on costs is relatively fast and consists of more frequent price hikes, without noticeable changes in their size. At the same time, the enhanced flexibility of prices during the 2022 turmoil was short-lived and the influence of nominal shocks on real variables remained unchanged in this respect.

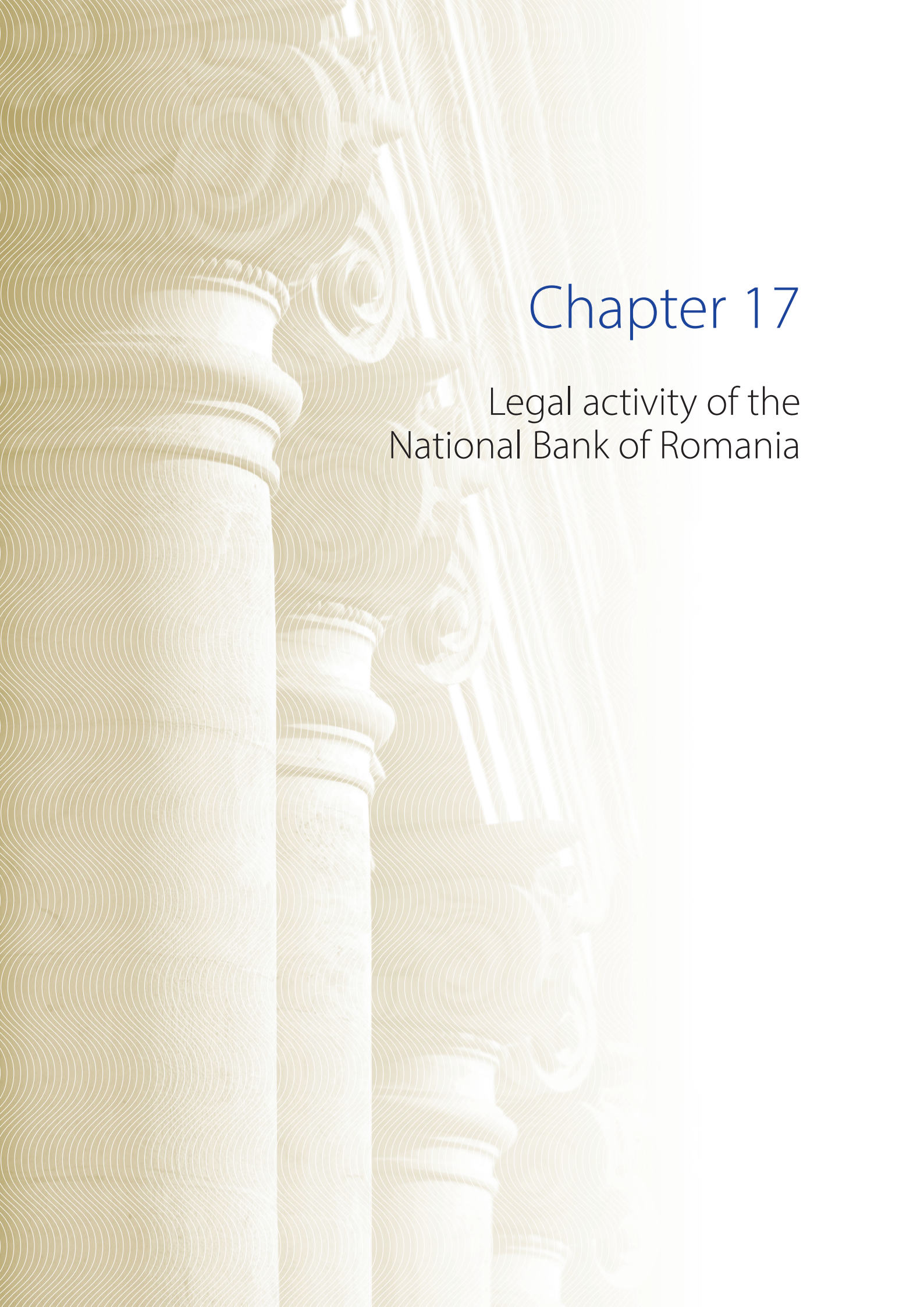
The role of imported inflation was the topical issue of the Box entitled “Imported inflation – How important is it?” in the August 2023 *Inflation Report*. The theoretical framework puts the spotlight on three channels of interest in terms of CPI dynamics, namely the domestic channel, the foreign channel and the substitution channel (between the two categories of goods). Imported goods showed a favourable price differential in the period under review (2018-2021) for the food and light industries, while for other groups of goods domestic prices were generally lower. At the same time, the propensity for imports follows an upward trend, albeit relatively less sloped, so that (domestic and external) direct influences prevail in terms of inflation rate, and the substitution channel plays a less significant role. Furthermore, a counterfactual exercise showed that the change in consumer behaviour in an extreme manner, i.e. by completely removing either domestic or imported goods, would send inflation higher than in the present situation, where consumption is diversified.

2.4. Guidelines and objectives of the research activity in 2025

During 2025, the lines of research are aimed at: (i) developing BVAR models for the medium-term forecast of macroeconomic variables (inflation, economic growth, nominal wage dynamics); (ii) further studying the integration of the climate risk toolkit into the forecasting framework; (iii) assessing the impact of market

concentration on wage and employment levels; (iv) implementing the Macro-at-Risk methodology for the quantification of risks to economic activity and inflation; and (v) developing Term Structure of Growth-at-Risk models, applicable to the medium-term forecast horizon, with a view to reaching an integrated view of the term structure of macroeconomic risks.

The issue of reshaping the US trade policy by imposing tariffs is a topical one for the central bank during 2025. The research work will seek to capture both the effects that would stem from containing the direct trade relationship between Romania and the United States of America, as well as those associated with the cut in US imports from the euro area, given that the domestic economy is highly integrated into the EU's production networks. Moreover, inflation will further be a matter of interest – issues such as the effect of climate change on price dynamics or potential changes in the price-setting mechanism seen in recent years, marked by a high inflation rate, are under consideration.

The background of the slide features a photograph of classical architectural columns, likely from a bank building, with a series of thin, wavy, golden lines overlaid on the left side.

Chapter 17

Legal activity of the
National Bank of Romania

The main objective of the NBR's legal function is to ensure that the provisions of primary and secondary legislation are correctly interpreted and applied at institutional level, with regard to the exercise of all the powers conferred upon the central bank by law, and that the technical approaches and solutions employed are legally substantiated and pose minimal legal risks.

In the course of 2024, as well as in January-February 2025, the Legal Department responded to the requests made by the NBR Board, the executive management and the other NBR organisational structures, while abiding by the high standards of quality and timeliness, by:

- approving or preparing opinions on draft legal acts regarding financial and banking matters, initiated by ministries and other authorities, or under debate in the Parliament of Romania, as well as on draft legal acts related to the secondary legislation;
- providing legal assistance, in all the NBR's areas of activity, either on request or on its own initiative in case of identification of legal risks;
- representing the NBR's interests in relation to judicial bodies, insolvency practitioners, court enforcement officers and notaries public.

During the period under review, the Legal Department examined, with a view to approving or formulating opinions:

- draft legal acts submitted for review to the NBR, which were adopted and published in *Monitorul Oficial al României*, Part I, specifically:
 - Government Emergency Ordinance No. 71/2024 amending and supplementing some legal acts, and setting forth measures to prevent and combat advertising and aggressive communication techniques used by entities not registered in the Financial Supervisory Authority's Register (*Monitorul Oficial al României*, Part I, No. 591/25 June 2024);
 - Government Emergency Ordinance No. 121/2024 amending and supplementing Government Emergency Ordinance No. 7/2024 approving the "Farmer's credit" State aid scheme, in the context of the crisis caused by Russia's aggression against Ukraine, and amending Article 12(1) of Law No. 218/2005 on stimulating the absorption of funds allocated to Romania for agriculture, rural development, fisheries and maritime affairs, managed by the Ministry of Agriculture and Rural Development, through financial instruments such as guarantees and loans, and to support national agricultural policy objectives, and Government Emergency Ordinance No. 84/2023 establishing a coordinated consultation and response mechanism in the context of the implementation of the export authorisation system introduced by Ukraine for agricultural products (*Monitorul Oficial al României*, Part I, No. 1039/16 October 2024);

- Government Emergency Ordinance No. 135/2024 amending and supplementing Government Emergency Ordinance No. 202/2008 on the enforcement of international sanctions (*Monitorul Oficial al României*, Part I, No. 1221/4 December 2024);
- Government Emergency Ordinance No. 155/2024 establishing a framework for the cybersecurity of networks and information systems within the national civilian cyberspace (*Monitorul Oficial al României*, Part I, No. 1332/31 December 2024);
- Government Emergency Ordinance No. 10/2025 amending and supplementing Law No. 129/2019 on preventing and combating money laundering and terrorist financing, as well as on amending and supplementing some legal acts (*Monitorul Oficial al României*, Part I, No. 225/13 March 2025).
- Law No. 6/2024 amending and supplementing Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms, as well as on amending and supplementing some legal acts in the financial field (*Monitorul Oficial al României*, Part I, No. 12/8 January 2024);
- Law No. 145/2024 amending and supplementing Law No. 158/2020 amending, supplementing, and repealing some legal acts, as well as setting forth certain measures for implementing Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (*Monitorul Oficial al României*, Part I, No. 473/22 May 2024);
- Law No. 243/2024 on consumer protection with regard to the total cost of credit and the sale of loans (*Monitorul Oficial al României*, Part I, No. 807/13 August 2024);
- Law No. 263/2024 on the acceptance of the increase in Romania's quota in the International Monetary Fund (*Monitorul Oficial al României*, Part I, No. 1064/23 October 2024);
- Law No. 290/2024 amending and supplementing Law No. 227/2015 on the Tax Code (*Monitorul Oficial al României*, Part I, No. 1163/21 November 2024);
- Law No. 294/2024 on the resilience of critical entities, and amending some legal acts (*Monitorul Oficial al României*, Part I, No. 118/29 November 2024);
- Law No. 306/2024 amending Law No. 126/2018 on markets in financial instruments, amending and supplementing Government Emergency Ordinance No. 32/2012 on the undertakings for collective investment in transferable securities and investment management companies, and amending and supplementing Law No. 297/2004 on the capital market, and amending and supplementing Law No. 74/2015 on alternative investment fund managers (*Monitorul Oficial al României*, Part I, No. 1228/6 November 2024);
- Law No. 11/2025 amending and supplementing Law No. 24/2017 on issuers of financial instruments and market operations (*Monitorul Oficial al României*, Part I, No. 193/5 March 2025);

- Law No. 16/2025 amending and supplementing some legal acts in the financial field (*Monitorul Oficial al României*, Part I, No. 234/17 March 2025);
- Law No. 40/2025 amending and supplementing Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms, as well as on amending and supplementing some legal acts in the financial field (*Monitorul Oficial al României*, Part I, No. 304/7 April 2025);
- Law No. 87/2025 amending and supplementing Law No. 361/2022 on the protection of whistleblowers in the public interest (*Monitorul Oficial al României*, Part I, No. 482/23 May 2025);
- Government Decision No. 452/2024 supplementing Article 4 of Government Decision No. 924/2023 on the selection procedure, the remuneration of the executive president, executive vice-presidents and non-executive directors of the Board of Directors of Exim Banca Românească S.A. (*Monitorul Oficial al României*, Part I, No. 409/30 April 2024).
- draft laws and legislative proposals at different stages of the legislative procedure in the Parliament of Romania, namely:
 - Draft Law amending and supplementing Law No. 70/2015 of 2 April 2015 on strengthening financial discipline relative to cash collections and payments and on amending and supplementing Government Emergency Ordinance No. 193/2002 on introducing modern payment systems (Chamber of Deputies Pl-x No. 154/2024);
 - Draft Law approving Government Emergency Ordinance No. 15/2024 on credit servicers and credit purchasers, as well as amending and supplementing some legal acts on credit agreements for consumers (Chamber of Deputies Pl-x No. 226/2024);
 - Draft Law approving Government Emergency Ordinance No. 4/2024 establishing temporary support measures for agricultural producers to address the effects of the 2023 soil drought and the consequences of Russia's aggression against Ukraine (Chamber of Deputies Pl-x, No. 105/2024);
 - Draft Law on the tasks of the National Bank of Romania in the field of the protection of consumers of financial and banking products and services, and amending certain legal acts (Chamber of Deputies Pl-x 350/2024);
 - Draft Law approving Government Emergency Ordinance No. 2/2025 amending Government Emergency Ordinance No. 52/2016 on credit agreements for consumers relating to immovable property, and amending and supplementing Government Emergency Ordinance No. 50/2010 on credit agreements for consumers (Chamber of Deputies Pl-x No. 68/2025);
 - Legislative proposal amending and supplementing Law No. 93/2009 on non-bank financial institutions, as subsequently amended and supplemented (Chamber of Deputies Pl-x No. 279/2024);
 - Legislative proposal on ensuring the right to cash payment on the territory of Romania by repealing Law No. 70/2015 (Chamber of Deputies Pl-x No. 53/2024);
 - Legislative proposal on strengthening ties between Romanians abroad and the home country (Chamber of Deputies Pl-x 621/2024 – the legislative procedure ended);

- Draft Law approving Government Emergency Ordinance No. 10/2025 amending and supplementing Law No. 129/2019 on preventing and combating money laundering and terrorist financing, as well as on amending and supplementing some legal acts (Chamber of Deputies Pl-x No. 107/2025);
- Legislative proposal on establishing the “Family Household Subsidies” Programme (B625/2024 – procedure closed);
- Legislative proposal amending and supplementing Law No. 514/2003 on the organisation and practice of the legal adviser profession (B715/2023 – withdrawn by the initiator).
- other draft legal acts sent to the NBR for consultation and/or endorsement:
 - Draft Law supplementing Government Ordinance No. 9/2004 on certain financial collateral agreements;
 - Draft law on official statistics in Romania, as well as on amending and supplementing some legal acts;
 - Draft law on the resilience of critical entities, as well as amending and supplementing some legal acts;
 - Draft Government Decision on providers of exchange services between virtual currencies and fiat currencies;
 - Draft Decision approving the Regulation on the organisation and functioning of the Interinstitutional Council for the Implementation of International Sanctions, established to ensure the general cooperation framework for the enforcement of international sanctions in Romania;
 - Draft Government Decision amending and supplementing the Methodological Norms on the enforcement of Government Emergency Ordinance No. 193/2002 on introducing modern payment systems.
- secondary regulations and draft legal acts related to the secondary legislation issued by the NBR or sent for consultation by other institutions:
 - Regulation No. 1/2024 amending and supplementing NBR Regulation No. 3/2018 on the oversight of financial market infrastructures and payment instruments (*Monitorul Oficial al României*, Part I, No. 134/16 February 2024);
 - Regulation No. 3/2024 amending NBR Regulation No. 7/2023 on the organisation and functioning of the Payment Incidents Register operated by the National Bank of Romania (*Monitorul Oficial al României*, Part I, No. 568/18 June 2024);
 - Regulation No. 4/2024 on the authorisation of a bridge institution (*Monitorul Oficial al României*, Part I, No. 621/1 July 2024);
 - Regulation No. 5/2024 on minimum reserve requirements (*Monitorul Oficial al României*, Part I, No. 617/1 July 2024);
 - Regulation No. 6/2024 amending and supplementing NBR Regulation No. 4/2021 on reporting statistical data and information to the National Bank of Romania (*Monitorul Oficial al României*, Part I, No. 617/1 July 2024);

- Regulation No. 7/2024 amending NBR Regulation No. 1/2000 on the money market operations conducted by the National Bank of Romania and the standing facilities granted to eligible participants (*Monitorul Oficial al României*, Part I, No. 617/1 July 2024).
- Regulation No. 8/2024 amending and supplementing NBR Regulation No. 5/2013 on prudential requirements for credit institutions (*Monitorul Oficial al României*, Part I, No. 809/14 August 2024);
- Regulation No. 11/2024 amending and supplementing NBR Regulation No. 5/2013 on prudential requirements for credit institutions (*Monitorul Oficial al României*, Part I, No. 987/2 October 2024);
- Regulation No. 12/2024 amending and supplementing NBR Regulation No. 4/2023 on prudential requirements for development banks (*Monitorul Oficial al României*, Part I, No. 1286/19 December 2024);
- Order No. 1/2024 amending and supplementing NBR Order No. 27/2010 approving the Accounting Rules consistent with the International Financial Reporting Standards, and amending and supplementing NBR Order No. 6/2015 approving the Accounting Rules consistent with EU directives (*Monitorul Oficial al României*, Part I, No. 499/30 May 2024);
- Order No. 2/2024 amending and supplementing the Annex to NBR Order No. 2/2020 approving the Methodological norms on preparing the annual accounting reports designed to meet the information requirements of the Ministry of Public Finance, applicable to credit institutions (*Monitorul Oficial al României*, Part I, No. 494/29 May 2024);
- Order No. 3/2024 approving the Methodological Norms on preparing the annual accounting reports designed to meet the information requirements of the Ministry of Finance, applicable to non-bank financial institutions (*Monitorul Oficial al României*, Part I, No. 495/29 May 2024);
- Order No. 4/2024 amending and supplementing NBR Order No. 10/2012 approving the half-yearly accounting reporting system applicable to the entities within the National Bank of Romania's accounting regulatory scope (*Monitorul Oficial al României*, Part I, No. 808/14 August 2024);
- Order No. 5/2024 amending and supplementing NBR Order No. 27/2010 approving the Accounting Rules consistent with the International Financial Reporting Standards, and amending and supplementing NBR Order No. 6/2015 approving the Accounting Rules consistent with EU directives (*Monitorul Oficial al României*, Part I, No. 1108/6 November 2024);
- Order No. 7 amending and supplementing NBR Order No. 4/2022 approving the Methodological Norms on the drafting of regular financial statements at solo level, consistent with the International Financial Reporting Standards, applicable to non-bank financial institutions for prudential oversight/supervision purposes (*Monitorul Oficial al României*, Part I, No. 1219/4 December 2024);
- Order No. 8/2024 amending and supplementing NBR Order No. 9/2017 approving the Methodological norms on the FINREP reporting framework at solo level, in compliance

with the International Financial Reporting Standards, applicable to credit institutions for prudential purposes, and NBR Order No. 10/2017 approving the Methodological norms on preparing regular reports containing financial and accounting statistical information, applicable to the branches in Romania of credit institutions from other Member States (*Monitorul Oficial al României*, Part I, No. 1219 /4 December 2024);

- Order No. 970/2024 amending Order No. 318/2022 issued by the Minister of Finance approving the Framework Regulation on market operations in government securities on the domestic market (*Monitorul Oficial al României*, Part I, No. 512/31 May 2024);
- Norm No. 1/2024 on the uniform method of filling in the mentions in payment orders to the Ministry of Finance – State Treasury in electronic messages used in payment systems (*Monitorul Oficial al României*, Part I, No. 141/20 February 2024);
- Norm No. 2/2024 for implementing NBR Regulation No. 10/2024 on the secondary market for government securities operated by the National Bank of Romania (*Monitorul Oficial al României*, Part I, No. 836/22 August 2024);
- Regulation No. 1/2024 on the selection of credit institutions to be mandated by the Bank Deposit Guarantee Fund to make compensation payments (*Monitorul Oficial al României*, Part I, No. 1234/9 December 2024);

Separately, the draft legal acts that were subject to legal analysis included those which:

- lay down measures for the implementation of Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (DORA Regulation), of Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro, and ensure the transposition into national law of Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and functioning of the European single access point, Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

Furthermore, opinions were prepared with respect to the legislative issues in the questionnaires submitted to the NBR by international institutions and positions were expressed on the enactment in the national law of the regulatory acts drawn up by European authorities (the European Banking Authority, the European Systemic Risk Board).

In addition, comments and proposals were formulated with regard to the draft legislation under debate at EU level that falls within the NBR's scope, in particular that concerning the draft regulations on: the establishment of the digital euro, crypto-asset markets and digital operational resilience, anti-money laundering and

countering the financing of terrorism, the European deposit insurance framework, and crisis management in the banking sector.

As part of the NBR's activity in the legal field within the European System of Central Banks, the NBR's legal experts participated, *inter alia*, in the meetings of the Legal Committee, cooperated with the representatives of the ECB's Directorate General Legal Services and its peers in the national central banks of EU Member States, and examined the relevant documents sent by the ECB via written procedure.

During the period under review, the Legal Department received numerous requests for legal opinions/legal assistance relative to the central bank's fields of competence, issuing, *inter alia*, 187 opinions on internal regulations, 121 opinions on draft and legislative proposals of the Parliament and/or the Government of Romania, 128 opinions on NBR regulations related to the secondary legislation, 433 opinions on various requests submitted by individuals or legal entities, 677 opinions on public procurement contracts, 20 opinions on requests related to personal data managed by the central bank, 376 papers for the steering committees, 275 notices of garnishments, as well as 2,942 opinions on the central bank's current activity.

The opinions concerned:

- the drafting and concluding of contracts with NBR's international and national counterparties;
- public supply, public service and public works contracts and addenda thereto, concluded both under Romanian public procurement legislation and as a result of EPCO framework agreements;
- the activity of the NBR in its capacity as a prudential supervisory authority, the competent authority in authorising financial institutions, other than credit institutions or in its capacity as a resolution authority;
- various requests from individuals/legal entities, public institutions, namely the Ministry of Internal Affairs and the Public Ministry, requests related to the personal data managed by the central bank, with an aim also to provide clarifications on the interpretation and application of the provisions of secondary legislation and regulations within the NBR's scope;
- the application and interpretation of legislation governing employment relations, public procurement, public and private property, companies, copyright and related rights, taxation, inventory management, as well as other relevant areas for the smooth running of the NBR's current activities;
- the completion of legal procedures concerning foreclosure, examining and responding to the documentation related to foreclosure requests through garnishment of bank accounts of credit institutions/wages of NBR employees by court enforcement officers in accordance with the relevant legal regulations.

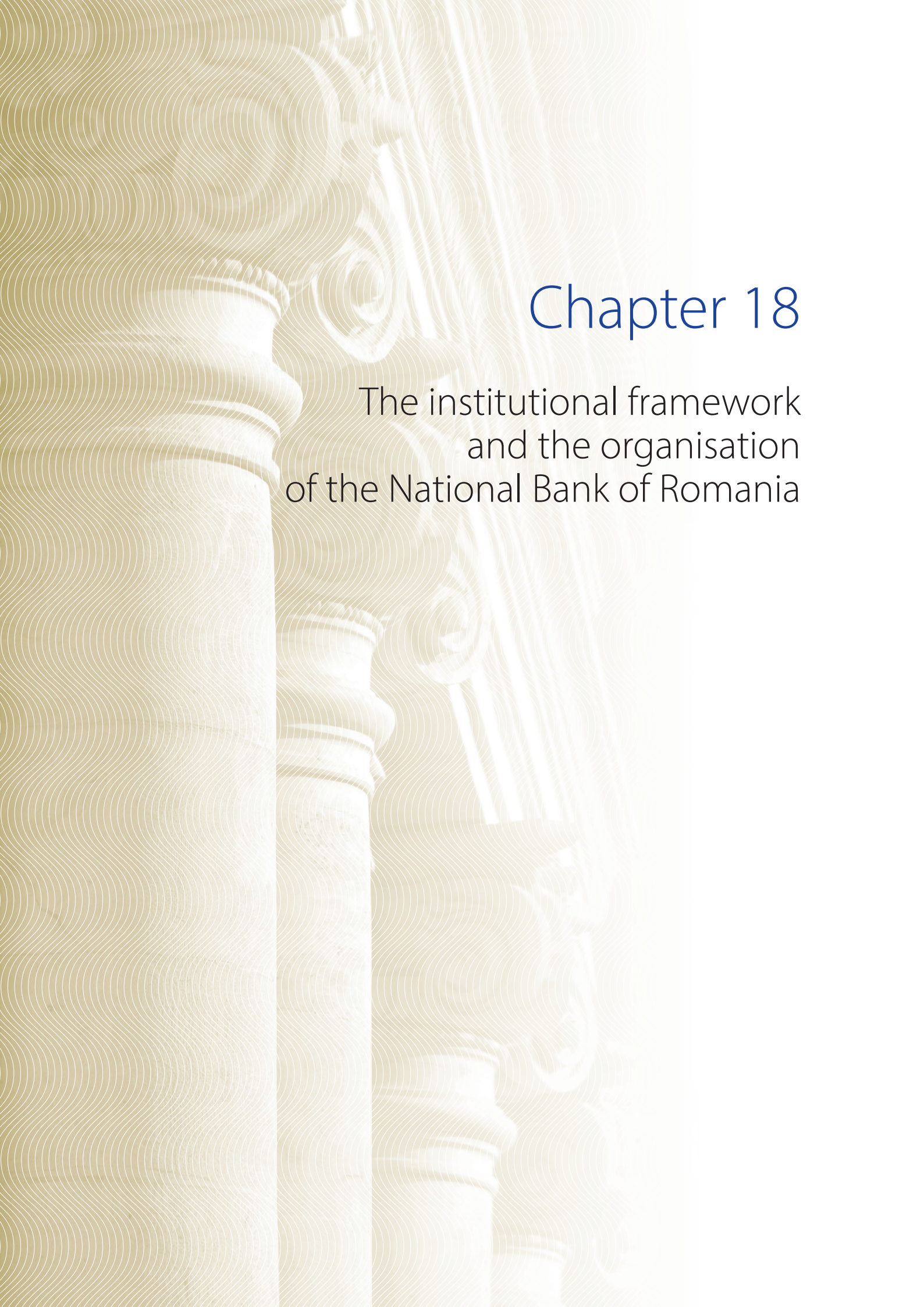
During the period under review, the Legal Department handled 129 cases pending before competent courts across the country. With a view to settling these disputes in

a favourable manner, it prepared 173 papers to substantiate the NBR's procedural position, in order to defend and enforce the central bank's rights.

Furthermore, the Legal Department formulated 217 replies to requests from courts, from other institutions with administrative and judicial functions, from prosecution authorities, as well as from other bodies located both in Bucharest and across the country, concerning the communication of information or documents in cases in which the NBR was not a party to the proceedings.

Another component of NBR's legal activity is also the settlement of appeals lodged against acts issued by the NBR for the imposition of sanctions and the grant of measures. In 2024, the Legal Department represented the central bank's interests before the High Court of Cassation and Justice, which dismissed the appeal lodged against a decision of the Board ordering the delisting of a non-bank financial institution.



The background of the page features a photograph of classical columns, likely from a historical building, rendered in a light, faded tone. Overlaid on this is a pattern of thin, wavy, concentric lines in a golden-brown color, creating a textured, organic effect.

Chapter 18

The institutional framework
and the organisation
of the National Bank of Romania

The National Bank of Romania is the central bank of Romania and an independent public institution. Its activity is governed by Law No. 312/2004 on the Statute of the National Bank of Romania (hereinafter referred to as the “NBR Statute”).

The primary objective of the National Bank of Romania is to ensure and maintain price stability. The main tasks of the National Bank of Romania are:

- to design and implement the monetary policy and the exchange rate policy;
- to conduct the authorisation, regulation and prudential supervision of credit institutions, and to promote and oversee the smooth functioning of the payment systems with a view to ensuring financial stability;
- to issue banknotes and coins as legal tender to be used on the territory of Romania;
- to set the exchange rate regime and to oversee its observance;
- to manage the international reserves of Romania.

1. Decision-making bodies and corporate governance

The National Bank of Romania is run by the Board of Directors, which is made up of nine members appointed by Parliament – based on a proposal of the standing committees of the two Chambers –, with the nomination of the executive management of the NBR. The Board members are appointed for a five-year mandate which may subsequently be renewed. According to the law, members of the Board may not be members of Parliament or of a political party, and they may not be Court officials or public servants. The National Bank of Romania Board is made up by: (i) a Chairman who is also the Governor of the National Bank of Romania; (ii) a Vice Chairman who is also the First Deputy Governor; (iii) seven members, two of them deputy governors and the other five not on the payroll of the NBR.

The National Bank of Romania Board is the decision-making body of the institution in accordance to the law and with respect to: (i) setting the monetary and exchange rate policies and supervising their accomplishment; (ii) the authorisation, regulation and prudential supervision or, as applicable, oversight of credit institutions, payment institutions and non-bank financial institutions, as well as oversight of the payment systems and securities settlement systems in Romania, their operators included; (iii) the bank’s internal organisation. Moreover, the Board establishes the main courses of action concerning the operational management and assigns the tasks to the NBR staff.

On behalf of the Board, the Governor shall submit to Parliament the *Annual Report* of the National Bank of Romania by 30 June of the following year. The document presents the NBR activities, the annual financial statements and the audit report, discussed without being put to the vote, during the joint session of the two Chambers of Parliament.



Mugur Constantin Isărescu
Governor,
Chairman of the Board

Members of the National Bank of Romania Board

appointed by the Parliament of Romania via Decision No. 27 of 1 October 2024



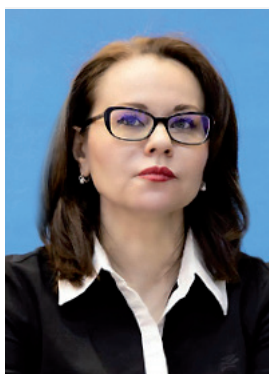
Leonardo Badea
First Deputy Governor,
Vice Chairman of the Board



Florin Georgescu
Deputy Governor,
Member of the Board



Cosmin Marinescu
Deputy Governor,
Member of the Board



Aura-Gabriela Socol
Member of the Board



Roberta-Alma Anastase
Member of the Board



Alexandru Nazare
Member of the Board



Csaba Bálint
Member of the Board



Cristian Popa
Member of the Board

Legislative act

Decision No. 27 of 2024

Monitorul Oficial, Part I, No. 988 of 2 October 2024

Entry into force on 11 October 2024

Decision No. 27/2024 on appointing the members of the National Bank of Romania Board

Pursuant to the provisions of Article 67 of the Constitution of Romania, as republished, and of Article 32(1) and Article 33(2)-(4) of Law No. 312/2004 on the Statute of the National Bank of Romania, as subsequently amended,

the Parliament of Romania adopts this Decision.

Single Article. – The persons listed in the Annex hereto are hereby appointed as members of the Board of the National Bank of Romania, upon nomination by the executive management of the said institution, for a five-year period, as of 11 October 2024.

This Decision was adopted by the Chamber of Deputies and the Senate during the joint session of 1 October 2024, in line with the provisions of Article 76(2) of the Constitution of Romania, as republished.

for the PRESIDENT OF THE CHAMBER OF DEPUTIES

for the PRESIDENT OF THE SENATE

PETRE-FLORIN MANOLE

VIRGIL GURAN

Bucharest, 1 October 2024.

No. 27.

ANNEX

National Bank of Romania's Board

- | | |
|--------------------------|--|
| 1. Mugur Isărescu | Chairman of the Board and Governor of the National Bank of Romania |
| 2. Leonardo Badea | Vice Chairman of the Board and First Deputy Governor of the National Bank of Romania |
| 3. Florin Georgescu | member of the Board and Deputy Governor of the National Bank of Romania |
| 4. Cosmin Marinescu | member of the Board and Deputy Governor of the National Bank of Romania |
| 5. Aura-Gabriela Socol | member of the Board and Deputy Governor of the National Bank of Romania |
| 6. Roberta-Alma Anastase | member of the Board and Deputy Governor of the National Bank of Romania |
| 7. Alexandru Nazare | member of the Board and Deputy Governor of the National Bank of Romania |
| 8. Csaba Bálint | member of the Board and Deputy Governor of the National Bank of Romania |
| 9. Cristian Popa | member of the Board and Deputy Governor of the National Bank of Romania |

The Board of the National Bank of Romania
during 11 October 2019 – 10 October 2024

1. Mugur Isărescu	Chairman of the Board and Governor of the National Bank of Romania
2. Florin Georgescu	Vice Chairman of the Board and First Deputy Governor of the National Bank of Romania
3. Leonardo Badea	member of the Board and Deputy Governor of the National Bank of Romania
4. Eugen Nicolăescu	member of the Board and Deputy Governor of the National Bank of Romania
5. Csaba Bálint	member of the Board and Deputy Governor of the National Bank of Romania
6. Gheorghe Gherghina	member of the Board and Deputy Governor of the National Bank of Romania
7. Cristian Popa	member of the Board and Deputy Governor of the National Bank of Romania
8. Dan-Radu Ruşanu	member of the Board and Deputy Governor of the National Bank of Romania
9. Virgiliu Stoenescu	member of the Board and Deputy Governor of the National Bank of Romania

In order to ensure the effectiveness of the decision-making process, the following three operational bodies are responsible for the performance of the main tasks of a central bank: the Monetary Policy Committee, the Supervisory Committee, and the Foreign Reserve Management Committee. These committees have their own rules of procedure, which define in detail their composition and specific tasks and responsibilities.

The Monetary Policy Committee (MPC) is a standing advisory and decision-making body. It is made up of 13 members and is chaired by the NBR Governor. The committee's tasks focus on the central bank's primary objective and relate mainly to the specifics of the monetary policy strategy and operational framework, monetary policy formulation and implementation, as well as the associated economic research. In particular, the MPC discusses and defines the content, structure and configuration of monetary policy analysis reports/papers, of the macroeconomic projections over various time horizons, as well as of proposals on the monetary policy stance, which are subsequently submitted to the NBR Board for review and approval. Moreover, the MPC supports the monetary policy decision-making process by discussing, approving and making available to the NBR Board, on a regular basis, certain analyses/research papers prepared by the specialised departments on research areas/topics relevant to monetary policy conduct. At the same time, the MPC members discuss, analyse and propose to the NBR Board, whenever needed, revisions to certain features of the monetary policy strategy and of its tool kit, with a view to calibrating them in order to achieve the central bank's primary objective and bringing them into line with the ECB's standards in the field. According to the annual calendar of quarterly forecasting rounds approved by the NBR Board, the year 2024 saw 16 MPC meetings, with eight other meetings being held January through May 2025.

The Supervisory Committee is a standing advisory and decision-making body composed of nine members and chaired by the NBR Governor.

Its tasks mainly relate to the assessment of the functioning of entities supervised or monitored by the NBR, based on studies, information notes, reports and analyses drawn up and regularly submitted by the specialised departments, with regard to the following: developments in financial performance, asset quality, management of operating risks and their inclusion in the required levels of prudential indicators; developments in terms of financial stability, identifying, monitoring and assessing systemic risks and those related to systemically-important credit institutions; the need to amend the provisions of the regulations applicable to entities supervised or monitored by the NBR, according to the specific legislation and the relevant international practice; evolution of individual and sectoral exposure to the risks of money laundering and terrorist financing, including compliance with international sanctions regimes.

In 2024, the Supervisory Committee passed decisions in 24 meetings, while nine other meetings were held January through May 2025, the analysed materials relating primarily to: (i) the notification of the intention to acquire qualifying holdings in the share capital of credit institutions; (ii) applications submitted by credit institutions, Romanian legal entities, pursuant to prudential regulations, for approval of changes in their standing as concerns the Board members and/or executives, expansion of their scope of business, the financial auditor, operations on preferential terms set forth in the employee incentive and benefit plans, exemption from the assignment of risk weights to subsidiaries, mergers, etc.; (iii) requests from credit institutions regarding the use of internal ratings-based approach/the return to the standardised approach for the calculation of risk-related capital requirements; (iv) proposals to ascertain the legal termination of the validity of some credit institutions' authorisations, following the completion of merger by absorption processes, as well as proposals to erase certain non-bank financial institutions and, implicitly, to impose a ban on lending; (v) the prudential supervision programme also in the field of preventing and combating money laundering and terrorist financing, as well as the enforcement of international sanctions for credit institutions, non-bank financial institutions, payment institutions and electronic money institutions; (vi) draft regulatory acts to be issued by the central bank or other authorities concerning the activity of credit institutions, non-bank financial institutions, payment institutions and electronic money institutions; (vii) the implementation of the EBA Guidelines in the national legal framework and/or in supervisory practices, from the perspective of the central bank's powers; (viii) legislative proposals for transposing EU regulations in the field of institutions under the regulatory scope of the NBR; (ix) proposals for positions, to European bodies, in the negotiations regarding draft laws at EU level in the fields of competence of the respective department; (x) proposals on the NBR's strategy for assuming powers in certain areas, including those concerning the entities within the NBR's remit, with a view to implementing directly applicable European legal acts at national level; (xi) proposals for applications for authorisation as an electronic money institution or a payment institution; (xii) the monitoring of developments in terms of financial stability, identification of systemically-important credit institutions, monitoring and assessment of systemic risks, analyses regarding the recalibration of

macroprudential instruments – capital buffers, the reciprocity of macroprudential policy measures and specific analyses such as monitoring the lending terms and conditions, regular stress tests of the banking sector's solvency and liquidity or the developments and perspectives related to the digitalisation of credit institutions; (xiii) disclosures regarding the activity of the Central Credit Register and of the Payment Incidents Register; (xiv) other matters in connection to the functioning of banks, payment institutions and electronic money institutions.

The Foreign Reserve Management Committee (FRMC) is a standing body whose tasks consist in achieving, via tactical decisions, the strategic objectives set by the NBR Board in the area of foreign reserve management. The Committee is made up of 11 members and is headed by the NBR Governor. In line with the tasks defined by the NBR Board, it constantly analyses global developments in economic and financial environment and formulates proposals for the reserve management strategy, examines compliance of portfolios with strategic and tactical guidelines and assesses their monthly performance, makes recommendations on implementing new financial instruments and draws up the list comprising eligible entities for transactions, securities issuers and assets eligible for investment. The FRMC convenes and takes decisions whenever required by financial market developments, when summoned by the chairman or the vice chairman, acting as a substitute for the former.

The high uncertainty surrounding trade policies at global level has heightened the risk of a potential misalignment between inflation developments and economic growth, which would complicate the reaction function of some central banks in advanced economies. These developments, should they materialise, would lead to a notable increase in risk aversion and, implicitly, in the volatility of prices for the main financial asset classes, which would exert a major impact on Romania's international reserve management activity. Under these circumstances, the NBR further pursued a prudent management of international reserves with a focus on investment safety and liquidity objectives.

The Committee for Preparing the Changeover to the Euro set up at the NBR is an advisory body analysing the preparatory activity ahead of euro adoption. It is a formal discussion forum providing support to central bank decisions on the path to joining the Economic and Monetary Union.

The Payments Committee, established in 2022, is an advisory body that supports the NBR Board in achieving its tasks with regard to promoting and monitoring the smooth functioning of payment systems and instruments in Romania, as well as of those related to the authorisation and supervision of payment services and instruments. The objectives of this committee include: to identify the necessary measures to consolidate the retail payments market and develop an integrated payments market, to propose measures to support the development of the payments market, including to enhance the security of payments and preserve users' confidence in payment instruments and services, or to identify the barriers limiting the increase in financial inclusion from the perspective of payment services, the instruments used and the

related costs. Depending on the topics discussed, representatives of payment service providers in Romania, including of FinTech companies and the business environment, of central government authorities, as well as of other entities with relevant payment duties may be invited to the committee's meetings.

The Financial Market Infrastructure Management Committee (FMIMC) set up in 2017 is a standing advisory body for the NBR Board that plays a part in the decision-making process, within the limits imposed by the Board. The FMIMC is in charge of the general management of financial market infrastructures operated by the central bank (generically referred to as IPF-BNR). The FMIMC is made up of five members and is chaired by a senior executive member, acting as a collective governing body (college). It is tasked with submitting proposals to the NBR Board regarding strategically important issues related to the IPF-BNR development and functioning. Moreover, it carries out the tasks set by the Board, *inter alia* those concerning the development and implementation of new infrastructures, and also the operation of the IPF-BNR information security management system.

The Risk Committee is a standing advisory body subordinated to the NBR Board, with the aim of supporting the latter in overseeing the risk management process within the central bank.

The Committee has 12 members, with the NBR Governor acting as chairman and the First Deputy Governor as vice chairman.

The main tasks of the Risk Committee comprise: (i) analysing and approving the regulation framework for the risk management process within the NBR and monitoring its observance and enforcement within the institution; (ii) analysing and approving the on-topic materials addressed to the Board; (iii) overseeing the updated, overall risk landscape and endorsing the risk exposure limits and the suggested plans for their treatment; (iv) formulating recommendations with a view to improving the performance of the NBR's organisational structures with regard to the management of risks associated with their activities.

The Audit Committee is an advisory body, independent from the NBR's executive management, and its purpose is to support the NBR Board in supervising the bank's internal control, risk management and governance processes, as well as the internal and external audit mechanisms.

It consists of the five non-executive Board members. As of 11 October 2024, the Audit Committee's composition changed, subsequent to Decision No. 27 of 1 October 2024 of the Parliament of Romania, which appointed the new NBR Board.

According to the internal regulation in force, this Committee convenes at least once every three months and whenever necessary, and the Internal Audit Department ensures its Secretariat.

Throughout 2024, the Audit Committee convened in four meetings and four consultations took place, during which documents related to its competence were analysed or endorsed, as appropriate.

The Committee for Strategy, Planning and Coordination of Initiatives and Projects. The need to better align the IT&C strategy with the NBR's strategic vision, to make the best use of the resources required to implement projects and programmes with a digital component, as well as to establish an appropriate framework for the organisation and functioning of the activity of initiative assessment and programmes and projects coordination, prompted the set-up of the Committee for Strategy, Planning and Coordination of Initiatives and Projects. Its secretariat is provided by the Digital Solutions Department. This committee ensures the governance of both the IT&C and cybersecurity functions, as well as of the portfolio of programmes and projects that have a digital component within the NBR.

External control layers

The NBR Statute provides for two external control layers, namely: (i) the financial auditor, which is appointed to audit the annual financial statements of the NBR, and (ii) the Court of Accounts, which conducts the subsequent audit of commercial operations carried out by the central bank, which are reflected in the income and expenditure budget and in the annual financial statements.

Internal control layers

In order to ensure a proper governance and an effective internal control system, the National Bank of Romania makes use of the model of the three lines of defence:

- The first line of defence is made up of the executive management and staff of each organisational structure, who are to identify and manage the risks associated with their own activities, and to implement internal control measures, in compliance with the applicable regulations.
- The second line of defence consists of the specialised organisational structures that provide support and expertise to the first line of defence and which include specific functions regarding: operational risk management, compliance, requirements of legality and regularity, preventive financial control, cybersecurity, personal data protection, business continuity, foreign reserves risk management.
- The third line of defence consists in the internal audit which provides independent and objective assurance and advisory services, with the aim of adding value and improving NBR's operations. Internal audit supports the bank in meeting its objectives, by systematically and methodically assessing the processes of risk management, control and governance and by making recommendations for increasing their efficacy.

In line with international best practices in the field of corporate governance, the Internal Audit Department has a dual reporting line, intended to ensure its independence and objectivity in fulfilling its tasks. Thus, it is administratively

subordinated to the NBR Governor and functionally subordinated to the Audit Committee.

In 2024, 26 audit engagements were completed, resulting in recommendations for improving and strengthening governance, risk management and internal control. The formulated conclusions and recommendations were communicated to the management of the audited departments, to the executive management and the Audit Committee.

Moreover, the Internal Audit Department continued to provide assistance to the team that carries out the external audit of the NBR's financial statements, by expediting the exchange of information and documents with the departments involved in the audited process.

In the period under review, the ongoing professional development of the staff was a constant feature, with the purpose of obtaining and preserving the national and international certifications in the field.

In its activity, the Internal Audit Department applies the International Professional Practices Framework, issued by the Institute of Internal Auditors (IIA), the working methodology provided in the NBR's Internal Auditing Handbook and the ESCB's Internal Auditors Committee (IAC) Manual, as well as the best practices in the field, including those related to IT&C audit, cybersecurity and cyber resilience.

The compliance function

In the course of 2024, the Compliance Division focused on updating the internal regulatory framework in accordance with the applicable legislative developments, and on implementing the compliance policy for processes related to integrity in exercising the function and prevention of conflicts of interest. In terms of current tasks, its main activities were:

- The establishment of tools and mechanisms specifically aimed at preventing and combating discrimination, promoting equal opportunities and equal treatment of men and women, as well as preventing and combating harassment on grounds of sex and psychological harassment in the workplace, by integrating them into the NBR's internal regulations.
- The completion of the substantive revision of the Code of Ethics for NBR employees No. 1/04.06.2014, in light of the legislative package on preventing and combating harassment on grounds of sex and psychological harassment in the workplace, as well as the alignment with the ECB's Ethics Framework and the best practices on compliance in ethics and integrity.
- The further implementation of the legal framework on whistleblowers in the public interest, by directly managing the channels for receiving reports and investigating the instances of non-compliance.

- The analysis and issuance of compliance opinions with regard to potential conflicts of interest in recruitment, promotion and internal mobility processes.
- The issuance of opinions/points of view upon request from departments or staff members, aimed at assessing the premises for materialisation of any conflicts of interest or instances of incompatibility (actual or potential).

As for ensuring and promoting an ethical culture within the NBR, the activities carried out by the Compliance Division focused on informing, advising and training employees on topics specific to the compliance function.

Throughout 2024, the compliance function was carried out in strict accordance with the independence principle. During this period, there was no interference, pressure or other influence directly or indirectly affecting the conduct of specific activities or the professional integrity of the staff involved.

The Compliance Division maintained, in a consistent and effective manner, the cooperation with the ECB's Governance and Compliance Office, which fulfils the compliance function within this institution. This cooperation materialised through both direct bilateral contacts and active participation in conferences and working sessions organised on topics relevant to the compliance area.

[The governance of the *regies autonome* subordinated to the National Bank of Romania](#)

The National Bank of Romania is empowered to represent the interests of the State in the boards of directors of the two *regies autonome*, the State Mint and the NBR Printing Works, which operate based on economic management and financial autonomy in subordination to the central bank, in accordance with the provisions of Government Decision No. 231/1991 on the establishment of the *regies autonome* the State Mint and the NBR Printing Works.

These are public enterprises that carry out activities of national interest and contribute to the NBR's task of issuing banknotes and coins as legal tender on the territory of Romania, in order to meet the cash requirements in accordance with the real needs for currency in circulation.

In 2024, the governance of the *regies autonome* subordinated to the NBR was carried out in accordance with the applicable legal provisions in force, in compliance with the principles of transparency, accountability and efficiency.

2. The relationship of the NBR with the Parliament of Romania and other state institutions

As regards institutional communication, the National Bank of Romania maintains an ongoing dialogue with the Parliament of Romania. The cooperation consists mainly of:

- (i) formulating opinions on draft legal acts at the direct request of parliamentary committees, or indirectly, at the request of some initiators (the Ministry of Finance, the National Authority for Consumer Protection, other public authorities) or of the Presidential Administration. Pursuant to Article 3 of Law No. 312/2004 on the NBR Statute, central public authorities ask for the central bank's opinion on any draft legal act concerning the fields related to the NBR's tasks;
- (ii) formulating opinions, preparing supporting documents or participating in the discussions/meetings of the standing committees of the two Chambers of Parliament on topics such as monetary policy, financial stability, bank resolution, European affairs, payment systems;
- (iii) preparing and submitting supporting documents during the parliamentary procedure to exert control in relation to the compliance of EU legislative proposals with the principles of subsidiarity and proportionality;
- (iv) delivering opinions and participating in the meetings of the standing committees of the two Chambers of Parliament during the parliamentary procedure to review the draft documents prepared by EU institutions;
- (v) submitting to the presidents of the two Chambers of Parliament and to the economic committees not only the *Annual Report* (a statutory duty), but also the *Inflation Report* and the *Financial Stability Report* – two of the central bank's key communication tools explaining its actions meant to ensure price stability and financial stability;
- (vi) drawing up materials for the preparation of events organised by Parliament or in which its representatives take part;
- (vii) preparing replies to specific interpellations that Members of Parliament submitted to the central bank.

Throughout 2024, the NBR was actively involved in providing information and formulating substantiated opinions concerning a series of legislative initiatives, together with other public authorities such as the Ministry of Finance, the Ministry of Justice, the Ministry of Internal Affairs, the Ministry of Labour, Family, Youth and Social Solidarity, the Ministry of Agriculture and Rural Development, the National Office for Prevention and Control of Money Laundering, on: (i) amending Law No. 129/2019, following the adoption of the Regulation on information accompanying transfers of funds and certain crypto-assets and the recommendations of Moneyval experts; (ii) amending Government Ordinance No. 9/2004; (iii) the possibility for economic operators to purchase gold and silver bullions, including their evaluation in the light of the NBR's powers; (iv) endorsing the draft Law amending and supplementing some legal acts in the financial field, alongside their recitals; (v) the worksheets corresponding to any draft legislative proposals within the scope of the central bank

that would be submitted for Government approval in the latter half of 2024, in the context of implementing the working methodology for the operationalisation of the Annual Work Plan of the Government; (vi) the preliminary interinstitutional consultation regarding the draft law supplementing Annex 2 point 8 – Financial services, products and markets and anti-money laundering and the prevention of terrorist financing – of Law No. 361/2022 on the protection of whistleblowers in the public interest, category Regulations and recitals; (vii) the urgent endorsement of the draft Law on the resilience of critical entities, as well as on amending and supplementing some legal acts; (viii) the Government Emergency Ordinance amending and supplementing some legal acts, as well as establishing some measures to prevent and combat advertising and aggressive communication techniques used by entities not registered in the Financial Supervisory Authority's Register; (ix) the Government Legislative Programme for 2025; (x) the draft Law amending and supplementing Law No. 24/2017 on issuers of financial instruments and market operations; (xi) the draft Government Emergency Ordinance amending and supplementing some legal acts related to private pensions; (xii) the draft Government Emergency Ordinance approving the "Farmer's credit" State aid scheme, in the context of the crisis caused by Russia's aggression against Ukraine; (xiii) the comments and proposals made by the Romanian Banking Association during the public consultation about the draft Law on amending and supplementing some legal acts in the financial field; (xiv) the draft Law amending and supplementing Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms, along with its recitals; (xv) the partial transposition of Directive (EU) 2023/2864 amending certain Directives as regards the establishment and functioning of the European single access point; (xvi) letter no. XXXV/5118/3.12.2024 regarding the request for endorsement of the legislative proposal on the establishment of the Household Subsidy Programme.

In addition, the NBR representatives took part in the meetings of the parliamentary committees in the Chamber of Deputies or the Senate of Romania in order to express the central bank's opinions on a number of legislative proposals.

Specifically, in the Chamber of Deputies, the NBR was represented at meetings of the Committee for Budget, Finance and Banking and the Committee for Economic Policy, Reform and Privatisation, or for expressing opinions on legislative proposals with regard to: (i) the draft Law amending and supplementing Law No. 93/2009 on non-bank financial institutions, as subsequently amended and supplemented (PLx 279/2024); (ii) the draft Law amending and supplementing Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms; (iii) the draft Law approving Government Emergency Ordinance No. 15/2024 on credit servicers and credit purchasers, as well as amending and supplementing some legal acts on credit agreements for consumers.

Among the Senate's committees whose meetings were attended by the NBR representatives were the Committee on Economic Affairs, Industries and Services, the Committee on Budget, Finance, Banking and Capital Market, the Committee on Legal Matters, Appointments, Discipline, Immunities and Validations, the Committee

for Defence, Public Order and National Security, and the IT&C and AI Committee. The following were discussed during those meetings: (i) the legislative proposal amending and supplementing Law No. 93/2009 on non-bank financial institutions, as subsequently amended and supplemented; (ii) the draft Law approving Government Emergency Ordinance No. 10/2025 amending Law No. 129/2019; (iii) the letter No. XXXV/4136/07.10.2024 regarding the request for endorsement of the legislative proposal on the liaison of Romanians abroad with their home country; (iv) the legislative proposal approving GEO No. 15/2024 on credit servicers and credit purchasers, as well as amending and supplementing some legal acts on credit agreements for consumers; (v) the legislative proposal amending and supplementing some legal acts in the financial field, ensuring the transposition of Directive (EU) 2022/2556 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the financial sector.

In addition to the participation of NBR representatives in meetings, the Secretariat-General of the Government requested opinions on a number of issues such as: (i) the endorsement by the National Bank of Romania of the legislative proposal amending and supplementing Law No. 93/2009 on non-bank financial institutions, as subsequently amended and supplemented (b81/26.02.2024); (ii) the endorsement or issuance of a reasoned opinion regarding the support or rejection respectively of the legislative proposal on the responsibilities of the National Bank of Romania in the field of protecting the consumers of financial and banking services, and amending certain legal acts.

Throughout 2024, answers were given to four questions from MPs on the following topics: the steps taken by the NBR over the past 30 years to launch the procedures for the repatriation of the NBR Treasure in the Russian Federation; Romania's participation in the International Finance Corporation and its implications; the methods used to comparatively monitor the interest rate policies of commercial banks in Romania and the potential measures envisaged to prevent discrepancies between lending rates in Romania and those in other countries; the NBR's compliance with European regulations on the harmonisation of interest rate policies, as well as the measures taken by the NBR to prevent the depreciation of the national currency, and the stage of transposing, at central bank level, the EU delegated acts.

The Legal Department represented the NBR in the EU Litigation Working Group where, under the coordination of the Government Agent for the Court of Justice of the European Union, issues related to litigation and pre-litigation procedures pertaining to financial and banking legislation were discussed.

3. Organisational developments

3.1. Human resources management

Developments in the NBR's organisation chart

In 2024, the NBR's organisational structure continued to be adapted to the activity changes in the bank's organisational structures, with the Board adopting a series of organisational measures designed to support the decision-making process and to enhance clarity and coherence between the names of certain structures or sub-structures and their specific tasks, as outlined below:

- establishment of the Legal Advice on Supervisory Acts and Bank Governance Division within the Supervision Department

Against the background of the recent developments in the prudential regulatory framework at both national and European levels, this new division took over the tasks that were previously carried out by the Legal Advice on Supervisory Acts and Petitions Office, together with the activity of recording the changes in the credit institutions' status, including the assessment of the suitability of members of the institutions' management body and key function holders; this task used to be performed by the two divisions in charge with credit institution supervision.

- reorganisation of the Secretariat Department through the dissolution of the Events Organisation and Protocol Division whose tasks were divided among two new divisions: Protocol Division and Events Organisation Division

The separation of event organisation and protocol activities was justified by the need to eliminate potential operational risks arising from the overlap of distinct and complex activities (meetings of the bank's senior management organised in cooperation with the Ministry of Foreign Affairs, the Ministry of Finance and other institutions, reunions of ESCB structures/substructures, etc.).

- establishment of the STP Office within the Monetary Policy Operations Division, a change in the Market Operations Department.

This amendment was adopted in order to ensure business continuity at optimal parameters and to diminish the operational risks generated by the management of the integrated STP (Straight Through Processing) system through the overlap of business activities with technical ones.

- reorganisation of the Legal Department via:
 - (i) the dissolution of the Banking and Financial Law Division and of the Prudential Legislation and Corporate Law Office, with their tasks being assigned to the Banking and Financial Law & International Legal Cooperation Division;
 - (ii) the name change of the two offices within the Banking and Financial Law & International Legal Cooperation Division as follows:

- the Prudential Legislation & Banking and Financial Activities Office becomes the Banking Law and Financial Markets Office;
- the Prudential Legislation and Corporate Law Office becomes Monetary Law, International Cooperation and Internal Governance Office.

The partial restructuring of the Legal Department was driven by the need to optimise internal processes in order to avoid overlapping tasks and areas of expertise, as well as to strengthen cohesion in legal advisory and consultancy activities.

- reorganisation of the NBR Chancellery, by merging the Executives' Offices and Document Management Division with the Board Secretariat Division. This measure aimed to optimise internal processes and increase coherence in the organisational framework and the document workflow related to the offices of the executive management and Board members.
- establishment of the Electronic Documents Office within the Secretariat Department in order to carry out the additional activities as functional administrator of the future electronic document management application. The new platform will digitalise the flows of documents within the National Bank of Romania and will also archive them according to the laws in force.
- name change for three out of the five divisions in the Payments Department in order to better match their names with their activities, as follows:
 - Financial Instruments Depository and Settlement Division becomes SaFIR Division;
 - Financial Messages Processing Division becomes Financial Messaging Infrastructure Division;
 - TARGET2 Division becomes TARGET Division²³⁷.

The aforementioned changes did not impact the existing staff members assigned to the respective structures.

Update of specific internal regulations

In the course of 2024, in order to ensure compliance with the legal provisions on combating discrimination, ensuring equal opportunities and treatment of men and women, and preventing and combating harassment on grounds of sex and psychological harassment in the workplace (Government Decision No. 970/12.10.2023), the NBR Board approved amendments to internal regulations, mainly aimed at:

- supplementing the obligations incumbent upon the National Bank of Romania, as employer, with regard to ensuring equal opportunities and treatment of men and women, as well as preventing and combating harassment on grounds of sex and psychological harassment in the workplace;

²³⁷ As of 20 March 2023, the former TARGET2 system was replaced by TARGET, following the completion of the Eurosystem's T2-T2S consolidation project.

- supplementing the rights of employees with the provisions mandated by the legislation on equal opportunities and treatment of men and women.

Chart 18.1
Vacancies in the NBR's head office
as at 31 December 2024

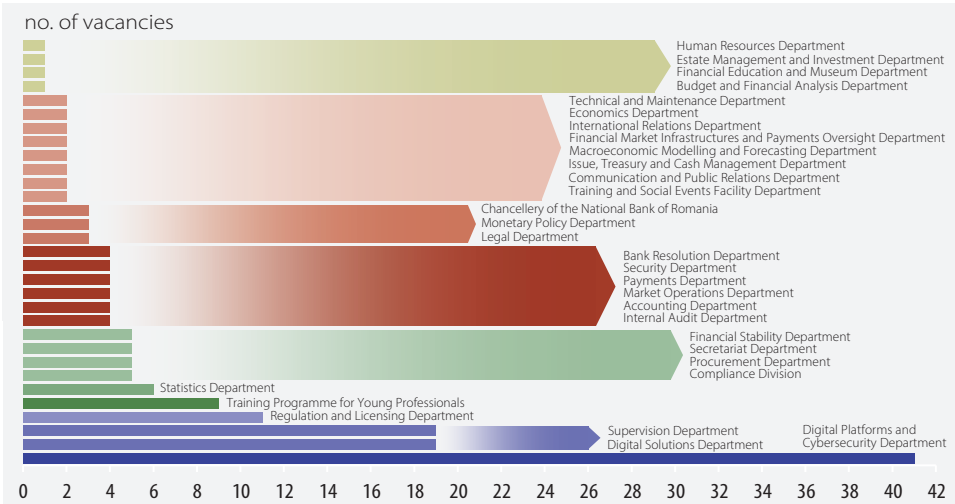
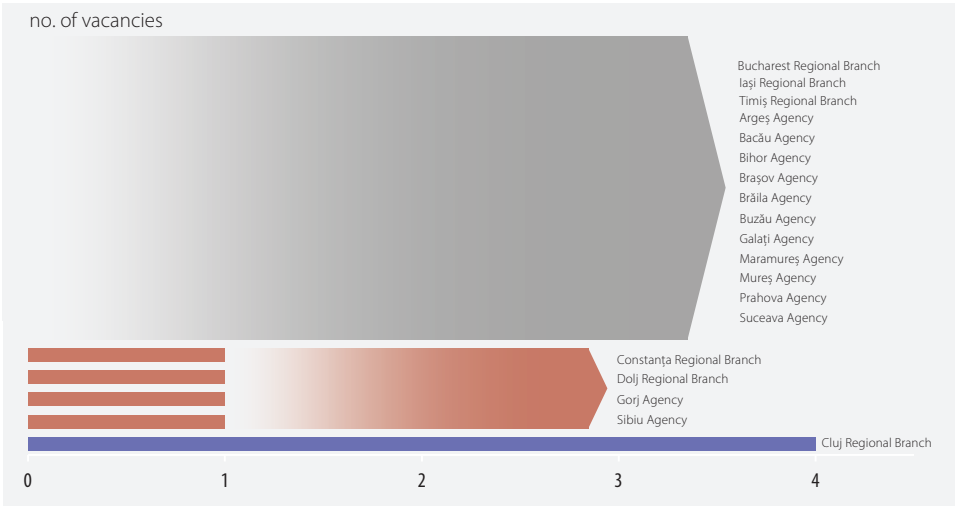


Chart 18.2
Vacancies in the NBR's territorial
units as at 31 December 2024



Statistical data on the NBR staff

The year 2024 saw a staff turnover rate of 3.7 percent, the National Bank of Romania reporting 2,125 employees as at end-December 2024, compared to 2,095 employees at end-2023.

From 1 January to 31 December 2024, the NBR organised 143 external recruitment processes for 185 vacancies, with 101 successful candidates out of the total of 1,613 who applied.

In the same period, the National Bank of Romania organised 59 internal recruitment processes to fill 66 vacancies, for which 91 candidates applied and 47 were successful.

Throughout 2024, 40 employees were promoted to higher non-managerial positions and another 12 advanced to managerial ranks.

Professional training of the NBR staff

Throughout 2024, 667 members of the NBR staff cumulated a total of 1,075 attendances at professional training programmes, held by external (Romanian and foreign) lecturers. Of these, 62 percent were attendances at training courses with a view to developing technical skills, and were focused on topics such as: supervision, regulatory framework, financial markets (35.54 percent), cybersecurity, digital finance, new technologies and data (38.55 percent), audit and compliance (6.17 percent), risk management (5.57 percent), sustainability and green economy (4.97 percent), legal, human resources, international relations, financial education and others (9.94 percent).

The NBR further cooperated with the European Central Bank in organising the international seminar “Enhancing Your Emotional Intelligence”. It should be mentioned that since 2009, the National Bank of Romania has hosted a total of 50 professional training courses organised in cooperation with the ECB.

Via a partnership with Datacamp – an online learning platform specialised in digital education for data science, programming and statistical analysis, which offers interactive courses in languages such as Python, R and SQL – about 100 employees were granted access to this platform with the aim of acquiring data processing skills. The most frequently attended courses were *Introduction to Power BI*, *Introduction to Python*, *Introduction to ChatGPT*, *Introduction to Artificial Intelligence* and *Introduction to Data Literacy*. This reflects a clear trend towards strengthening knowledge in the fields of data analysis, AI and related tools, contributing to the development of the bank staff’s digital skills.

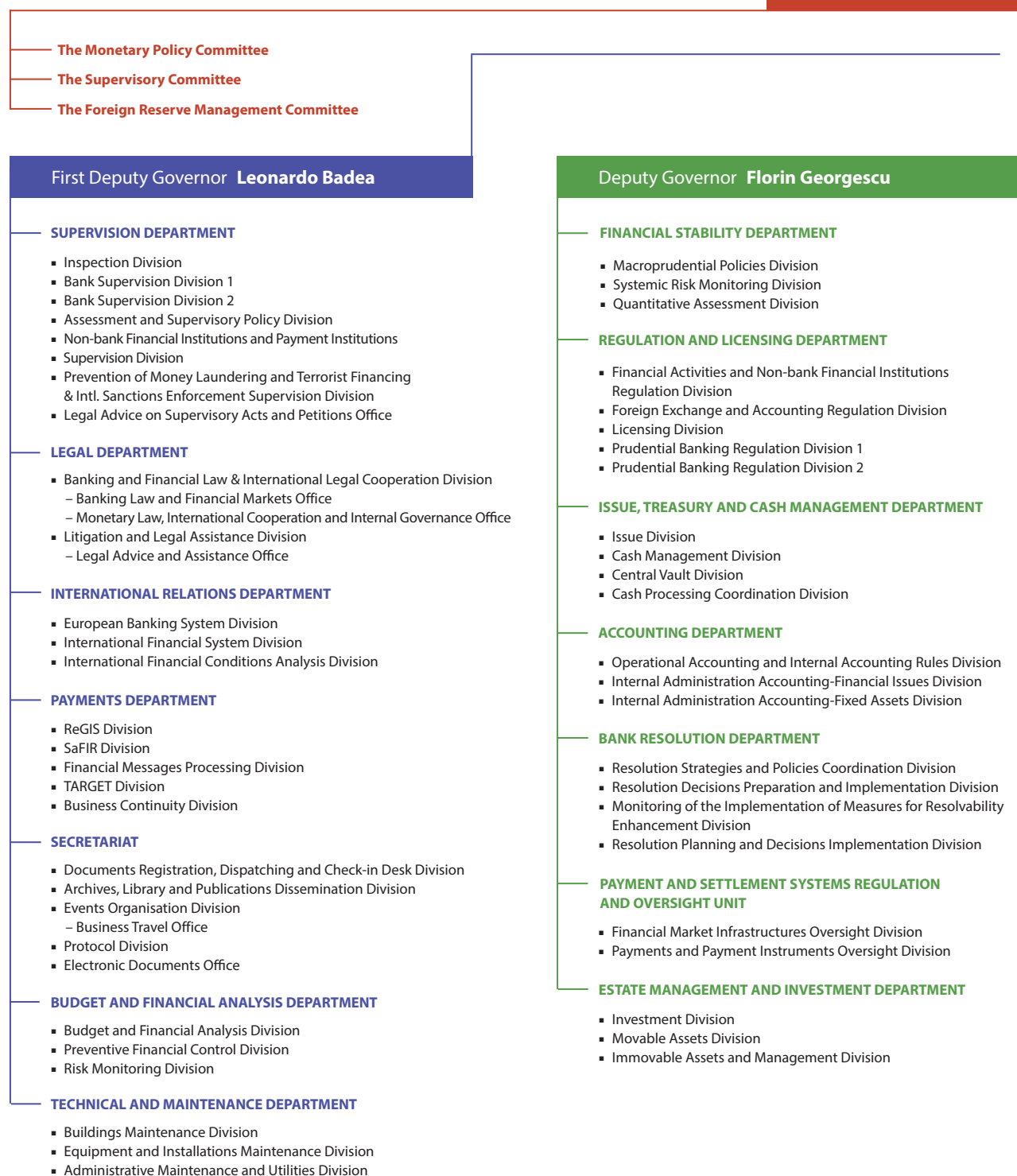
Out of the total number of employees who attended professional development programmes, 38 percent were for courses aimed at developing managerial and soft skills. Thus, programmes like Situational Leadership, Emotional Resilience, Time Management, Stress Management, Public Speaking, Interpersonal Collaboration and Assertive Communication, along with three team-building sessions, cumulated a total of 205 participants.

As for training courses and other forms of professional development held by in-house lecturers, 1,057 NBR employees participated in such programmes that covered a wide range of topics such as: methodological and practical issues regarding the direct statistical research via RAPDIR, planning and conducting public procurement, implementation of operational risk management, updates on accounting, fiscal legislation and the impact on IT apps, business continuity plan, emergency situations and occupational safety and health, etc.

Organisation Chart of the National Bank of Romania as at 31 December 2024

BOARD OF

Governor



Note:

Colour patterns show the departments' coordination.

*) The Internal Audit Department reports functionally to the Audit Committee and administratively to the Governor of the National Bank of Romania.

DIRECTORS

Mugur Isărescu

Deputy Governor **Cosmin Marinescu****MONETARY POLICY DEPARTMENT**

- Monetary Policy Analysis and Strategy Division
- Liquidity Management Division

ECONOMICS DEPARTMENT

- Economic Analysis and Short-Term Forecasting Division
- Publications Division
- Translation and Editing Division

MACROECONOMIC MODELLING AND FORECASTING DEPARTMENT

- Macroeconomic Forecasting Models Division
- Macroeconomic Assessment Models Division

STATISTICS DEPARTMENT

- Monetary and Financial Statistics Division
- Balance of Payments Division
- Direct Statistical Reporting Division
- Statistical Data Processing Division
- SIRBNR Data Management Division
- Credit Risk Statistics Division

DIGITAL SOLUTIONS DEPARTMENT

- Systems of Applications and Databases Division
- Systems Analysis and Integration Division
- Software Development Division
- Software Testing Division
- Programme and Project Portfolio Management Division

FINANCIAL EDUCATION AND MUSEUM DEPARTMENT

- Museum
- Financial Education Division

TRAINING AND SOCIAL EVENTS FACILITY DEPARTMENT

- Training Support Division
- Social Events Division
- Auxiliary Activities Division
- Cafeteria Division
- Training and Social Events Units

PROCUREMENT DEPARTMENT

- Standardisation, Planning and Monitoring Division
- Procurement Contracts Award Division
 - EPCO Related Procurements Office
- Purchase Order Division
- Methodology and Contracting Division

COMPLIANCE DIVISION**REGIONAL BRANCHES AND AGENCIES**

The Audit Committee

INTERNAL AUDIT DEPARTMENT*

- General Audit Division 1
- General Audit Division 2

CHANCELLERY

- The Euro Office
- Financial Economy – Real Economy Office
- Role, Developments and Prospects of Central Banks Office
- Cryptocurrency and Digital Currency Office
- Sustainability and Green Economy Office
- The Executives' Offices and Document Management
- Governor's Control Office
- Information Management and Protection Division
- Administration of Special Computer Systems and Personal Data Protection Division

MARKET OPERATIONS DEPARTMENT

- Monetary Policy Operations Division
 - STP Office
- State Treasury Operations Division
- Foreign Reserves Management Division
- Back Office Division
- Foreign Reserves Risk Management Division

HUMAN RESOURCES DEPARTMENT

- Organisation and Planning Division
 - Payroll Office
- Human Resources Management Division
- Training and Career Development Division

SECURITY DEPARTMENT

- Crisis Management & Business Continuity Division
- Internal Protection Division
- Special Transport Division
- Security Systems Division
 - Emergency Intervention Office
- Transport and Maintenance Division
- Territorial Network Coordination Division

DIGITAL PLATFORMS AND CYBERSECURITY DEPARTMENT

- Strategy and Architecture for IT Infrastructure and Security Division
- Operating Systems and Data Storage Division
- Data Networking Division
- IT Security Operations Division
- IT Security Testing Division
- Financial Market Infrastructure Management Division
- User Support Division
- Asset Management and Support Division

COMMUNICATION AND PUBLIC RELATIONS DEPARTMENT

- Media Relations Division
- Intranet and Internal Communication Division
- Online Communication Division
- Multimedia Support Division
- Public Relations and Documentation Division

3.2. Information technology

During 2024, the hardware infrastructure of the NBR data centres was further modernised and tailored to the increasing requirements for data processing, storage and transfer, as follows:

- launch of the technological upgrade for the data/voice communication infrastructure in the NBR data centres;
- an improved capacity for high-speed transfer of large volumes of data, in order to ensure the required parameters for implementing load balancing between the NBR data centres;
- implementation of a new WiFi access system in the head office;
- completion of the technological upgrade for storage infrastructure, which features faster access and real-time data replication between the data centres in Bucharest;
- development of processing infrastructure at the backup premises;
- implementation of hosting infrastructure and security systems for the new version of the NBR website.

Taking into consideration the stronger IT risks, the monitoring of security alerts collected by all firewalls within the NBR's IT system was increased. Building on the existing enhanced system for protection against cyberattacks, the following additional protection measures have been implemented:

- development of the solution that ensures protection of the NBR systems connected to the internet against DDoS (Distributed Denial of Service) attacks, a hybrid solution which enabled the filtering of volumetric attacks exceeding 50Gbps;
- procurement and deployment of cloud-based threat intelligence services (Software as a Service – SaaS) which provide access to notifications of new vulnerabilities or attacks, malware analyses, indicators of compromise and reports of cyberattacks that have occurred internationally;
- renewal of subscriptions and licenses for the equipment used for telemetry data flow analysis and e-mail services protection;
- enhancement of the NBR's web traffic security infrastructure by adding new capabilities aimed at improving the IT system security posture;
- launch of pilot projects meant to introduce AI-based functionalities into the protection system against cyber threats.

Further steps have also been taken with regard to the improvement of the governance framework for cyber and IT security, as follows:

- ensuring an adequate framework for conducting security assessments according to the Threat Intelligence-based Ethical Red Teaming (TIBER-EU) methodology adopted at European level and TIBER-RO at national level;

- providing an efficient framework for IT security risk management by conducting risk analyses for all initiated projects, as well as for major changes to the NBR's IT infrastructure;
- coming into line with the best IT security standards;
- ensuring a high level of cybersecurity risk awareness.

The Digital Solutions Department was set up in December 2023 with the following main tasks: database administration, analysis, development, testing and maintenance of software applications, administration and maintenance of application servers, as well as managing projects with a digital component.

During 2024, the main priority was to ensure the Department's effective functioning and to update the operational framework in line with the new organisational structure. A number of new activities were launched, such as programme and project management and software testing, for which specific procedures were designed and for which qualified experts were successfully hired. As a result, the occupancy rate of specialist positions within the authorised staff complement increased from 40 percent to 60 percent.

As regards the main projects for which the Digital Solutions Department ensures the project management function, in addition to the contribution of experts with specific roles, special mention deserve: the first stage of the project to expand the infrastructure with a view to ensuring operational continuity, the document management platform, the electronic platform for public procurement, the entrepreneurship education platform, and the integrated solution for HR management and remuneration.

In the course of 2024, the Department successfully carried out numerous projects aimed at ensuring compliance with legislative amendments, implementing reporting requirements from domestic and international bodies, increasing the efficiency of various activities within the central bank and optimising the performance of operating IT systems, such as:

- expanding and upgrading the IT reporting platforms: SIRBNR (reporting from credit institutions and other types of financial institutions), RAPDIR (direct statistical reporting) and EBA-ITS (supervisory and resolution ITS reporting), in order to meet new internal methodological requirements or those made by the European Central Bank and the European Supervisory Authorities;
- implementing the principles of democratising access to collected reporting data and providing technical support for extending the use of interactive data visualization tools (Power BI type) by end users;
- updating and completing the DW-BI application for National Financial Accounts in order to expand analytical and statistical reporting capabilities;
- migrating applications currently under development to a more efficient technological infrastructure based on Oracle EXADATA, while updating the database and server

software components used for data analysis in the DW-BI and the Central Credit Register;

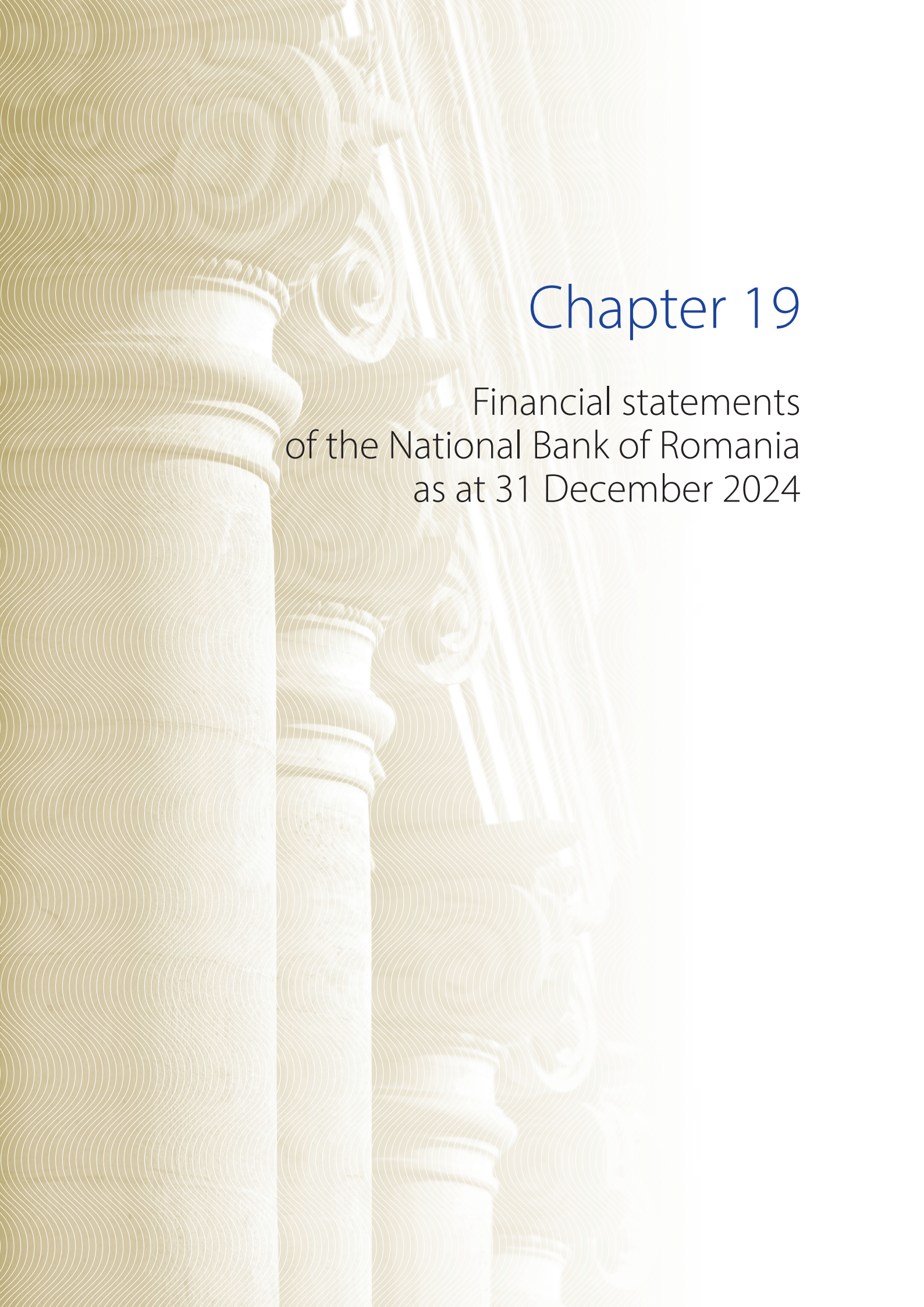
- in-house development of applications requested by the specialised departments and maintenance of operating software solutions.

All projects undertaken by the Digital Solutions Department in 2024 primarily focused on ensuring the availability of existing application platforms, alongside the technological upgrade of certain components, the strengthening of cybersecurity and the improved efficiency of end-user activities.

Significant progress was also achieved in analysing and assessing new technologies, such as artificial intelligence, with a view to identifying ways for their optimal and secure integration into the NBR's IT&C strategy.

The Digital Solutions Department is working to accelerate the adoption of new technologies and trends in IT system design and development, in line with the NBR's strategy, current and future needs, and the guiding principles for IT&C development: modularity, flexibility, security and resilience.



The background of the page features a photograph of classical columns, likely from a historical building, rendered in a light, faded tone. Overlaid on this is a pattern of thin, wavy, concentric lines in a golden-brown color, creating a textured, ripple-like effect across the left and central portions of the page.

Chapter 19

Financial statements
of the National Bank of Romania
as at 31 December 2024

1. Overview

Pursuant to Law No. 312/2004 on the Statute of the National Bank of Romania, starting with the financial year 2005, the NBR has been applying the International Accounting Standards used by the national central banks, which are acknowledged by the European Central Bank and for which it issued its own rules based on EU regulations²³⁸.

By the actions taken, the National Bank of Romania implements the appropriate monetary policy to achieve its primary objective and fulfils the other tasks specified in the law, without focusing on business-related objectives such as profit maximisation. Nonetheless, in its activity, the NBR has shown a steady concern for the efficient use of the available resources, also by capping its administrative and staff costs. Thus, in the year under review, the administrative and staff costs stood about 13 percent lower than the budgeted figure, their share in total operating expenses falling to 8 percent in 2024 from 11 percent in 2023. In addition, in 2024, the *operating result* of the National Bank of Romania (net of unrealised losses arising from the revaluation of some foreign currency holdings and of net income from buildings and land revaluation) was substantial, i.e. operating profit worth lei 5,646,954 thousand.

The financial result as at 31 December 2024 was significantly better than in the previous year. Specifically, in 2024 the NBR posted a profit amounting to lei 3,842,740 thousand, up 58 percent (lei 1,414,087 thousand) from that recorded in 2023 (lei 2,428,653 thousand). This was primarily the result of:

- *operating profit* worth lei 5,646,954 thousand, up 16 percent or lei 798,533 thousand from the previous year's figure (lei 4,848,421 thousand);
- unrealised losses arising from the mark-to-market of foreign currency-denominated securities amounting to lei 259,774 thousand, 0.3 percent or lei 690 thousand lower than similar losses reported as at 31 December 2023 (lei 260,464 thousand);
- unrealised losses arising from the revaluation of net foreign currency assets amounting to lei 1,548,606 thousand, 28 percent or lei 610,698 thousand lower than similar losses reported as at 31 December 2023 (lei 2,159,304 thousand);
- net income from buildings and land revaluation as at 31 December 2024 amounting to lei 4,166 thousand (2023: 0).

²³⁸ Guideline ECB/2024/31

2. Recognition of monetary policy operations and the impact on the financial result

The liquidity surplus on the money market continued to increase in the first part of 2024, but narrowed subsequently, more sharply in Q4, and was further mopped up by the central bank via the *deposit facility*. This led to *significant interest expenses*. In addition, *coupon income* was recorded on leu-denominated government securities purchased by the NBR – mostly in 2020 – with a view to consolidating structural liquidity in the banking system in order to contribute to the smooth financing of the real economy and the public sector. This income was lower than the interest expenses associated with monetary policy operations (for *leu-denominated required reserves* and the *deposit facility*), resulting in a *net loss* from monetary policy operations of lei 2,533,787 thousand in 2024. This reflects the cost of pursuing the primary objective of the central bank set by law, i.e. to ensure and maintain price stability.

The summary balance sheet as at 31 December 2024 (Table 19.1) shows the following:

- foreign assets accounted for 98 percent of total assets;
- monetary policy assets (chiefly securities held for monetary policy purposes) made up 0.8 percent of total assets;
- currency in circulation accounted for 38 percent of total liabilities;
- deposits the NBR took from credit institutions as minimum required reserves (in lei, euro and US dollars) held 17.6 percent of total liabilities;
- holdings in the deposit facility used by credit institutions took 4.2 percent of total liabilities;
- deposits of the State Treasury with the NBR (in lei and foreign currency) made up 17.4 percent of total liabilities;
- foreign liabilities represented 9.2 percent of total liabilities.

Table 19.1
NBR balance sheet structure
as at 31 December 2024

ASSETS	Average annual return – % –	LIABILITIES	Average annual interest rate – % –
		Currency in circulation 38.0%	-
Foreign assets 98.0%	4.0	Minimum required reserves 17.6% (11.8% in lei and 5.8% in foreign currency: 5.81% in euro and 0.01% in US dollars)	lei: 0.79 EUR: 0.14 USD: 0.52
Monetary policy assets 0.8%	5.5	Deposits of credit institutions/ deposit facility 4.2%	5.95
		Deposits of the State Treasury 17.4% (0.01% in lei and 17.39% in foreign currency: 16.79% in euro, 0.25% in US dollars and 0.35% in other foreign currency)	lei: 0.79 EUR: 3.72 USD: 5.17
		Foreign liabilities 9.2%	2.27
		Capital, reserves a.s.o. 13.1%	-
Other assets 1.2%	-	Other liabilities 0.5%	-

The NBR recorded a positive operating result while pursuing the primary objective of the central bank set by law, i.e. to ensure and maintain price stability, and the above-mentioned balance sheet structure resulted as at 31 December 2024.

In 2024, asset management resulted in an annual return of 4.0 percent for foreign assets and of 5.5 percent for monetary policy assets. Looking at liabilities (sources of assets), the corresponding average annual interest rates (paid by the NBR) were – mostly – lower than the annual return on assets. Thus, the NBR made an *operating profit*.

Consequently, the positive financial result reported by the National Bank of Romania was mainly determined by the net income from the management of foreign currency assets and liabilities; in 2024, the net income from the management of foreign currency assets and liabilities totalled lei 8,928,968 thousand, up 21 percent or lei 1,565,423 thousand from that recorded in 2023, which amounted to lei 7,363,545 thousand.

3. Recognition of foreign currency asset/liability management operations

At end-2024, foreign assets expressed in lei increased slightly by lei 21,503,478 thousand or 6 percent in nominal terms and by lei 3,955,307 thousand

or 1 percent in real terms from 31 December 2023.

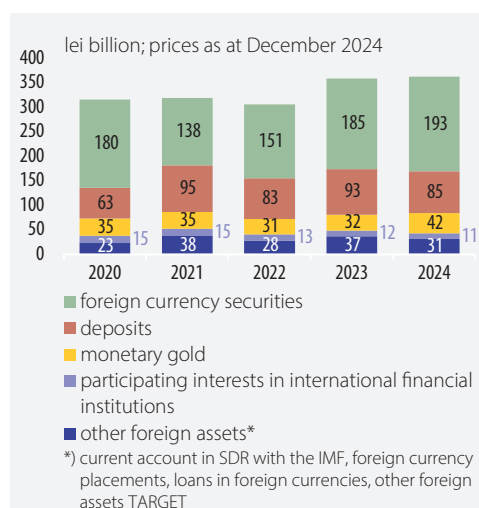


Chart 19.1
Foreign assets of the NBR
at year-end 2020-2024

An adequate level of international reserves is one of the most important factors supporting a country's external creditworthiness; as far as the National Bank of Romania is concerned, foreign assets accounted for around 98.0 percent of total balance sheet assets as at 31 December 2024.

According to the external auditor's report, the financial statements give a true and fair view of the bank's financial position as at 31 December 2024,

as well as of its financial performance for the said financial year.

In 2024, the management of foreign currency assets and liabilities generated income equalling lei 12,609,413 thousand and expenses totalling lei 3,680,445 thousand, which entailed net income amounting to lei 8,928,968 thousand (Table 19.2), up 21 percent or lei 1,565,423 thousand from that recorded in 2023, which was

tantamount to lei 7,363,545 thousand. The positive result owed to the high-quality management of foreign assets (accounting for the largest share of the central bank's total assets).

Table 19.2
Result of transactions
conducted in 2024

	lei thousand		
	Income	Expenses	Profit/Loss
Foreign currency securities	7,346,417	75,750	7,270,667
Other foreign currency holdings and operations	5,261,908	3,604,181	1,657,727
Gold	1,088	514	574
Total	12,609,413	3,680,445	8,928,968

4. Effects of changes in the exchange rates and in the market prices of international reserve assets

Given the objective need to preserve relatively high foreign exchange reserves and a diversified currency composition of reserves with a view to securing external creditworthiness, the exchange rate movements in international markets generate differences arising from the revaluation of foreign currency positions.

At the end of the financial year, the effects of changes in the exchange rate of the leu versus the euro and of the currencies making up the NBR's foreign currency reserves versus the euro are measured based on the difference between the revaluation rate²³⁹ and the average cost of the foreign currency positions held by the central bank.

Moreover, the effects of the changes in the market prices of international reserve assets are measured based on the difference between the market price of assets (gold and foreign currency-denominated securities) and their average cost or net average cost.

As at 31 December 2024, positive developments as compared with 31 December 2023 were observed as follows:

- significant unrealised gains totalling lei 43,411,046 thousand – up 46 percent from those recorded as at 31 December 2023 – arising from the revaluation of gold holdings and of some foreign currency holdings were recorded in the special revaluation account (Table 19.3), thus consolidating the NBR's equity;
- unrealised losses amounting to lei 1,808,380 thousand – down 25 percent from those recorded as at 31 December 2023 – arising from the mark-to-market of some foreign currency-denominated securities and the revaluation of some foreign currency holdings were recorded in the income statement as expenses.

²³⁹ The revaluation rate is the exchange rate calculated and published by the National Bank of Romania on the last business day of the month. It is used for the revaluation of foreign currency positions.

	lei thousand	
	Unrealised gains (recognised in the special revaluation account under liabilities)	Unrealised losses (recognised in the profit and loss account)
Foreign currency securities	671,551	259,774
Other foreign currency holdings	5,010,075	1,548,606
Gold and other precious metals	37,729,420	-
Total	43,411,046	1,808,380

Table 19.3
Revaluation differences
– international reserves –
as at 31 December 2024

5. The NBR's budgeted income statement for 2024

The budgeted income statement defines the annual financial framework that ensures the adequate funding sources for the central bank's activity in order to fulfil its primary objective and legal tasks, in accordance with the provisions of Law No. 312/2004 on the Statute of the National Bank of Romania and in compliance with the principle of financial independence applicable to central banks that are ESCB members.

The National Bank of Romania is fully funded from own income generated as a result of the operations specific to central banks. Ensuring budget balance and capping the bank's administrative and staff costs are among its steady concerns for the good financial management of resources.

Drawing up the 2024 budgeted income statement took into account a prudent approach in sizing income and expenses. They were planned so as to ensure that the budget balance was maintained, even amid significant uncertainty surrounding the dynamics of macroeconomic variables underlying the budget plan, the global economic, financial and geopolitical environment and the investment climate, as well as the increase in the average costs of foreign currency holdings.

A significant factor that acted towards curbing the planned level of the estimated financial result was the probable materialisation, at the end of the year, of some changes in exogenous components, implying the recognition in the corresponding expenditure accounts of the unrealised losses arising from the revaluation of fixed-income securities and foreign currency positions.

The financial result recorded as at 31 December 2024 was a profit totalling lei 3,842,740 thousand, lei 2,605,051 thousand higher than the budgeted figure of lei 1,237,689 thousand, on the back of prudent budget planning and with the positive contribution of total income, which posted a larger increase than the projected level, whereas total expenses reported a lower execution rate (Table 19.4).

Indicators	2024		Execution rate
	Budgeted	Actual	
	lei thousand	lei thousand	%
	(1)	(2)	(3)=(2)/(1)
Total income,	11,529,084	12,993,882	112.7
<i>of which:</i>			
Interest income	10,383,916	11,539,076	111.1
Fees and commissions income	226,035	254,395	112.5
Income from foreign currency operations	832,881	974,873	117.0
Income from securities operations	54,702	184,090	336.5
Income from operations with precious metals	-	1,088	-
Income from provisions	5	32	640.0
Other income from specific operations	7,700	10,543	136.9
Income from fixed assets revaluation	-	4,254	-
Other income	23,844	25,531	107.1
Total expenses,	(10,291,395)	(9,151,142)	88.9
<i>of which:</i>			
Interest expenses	(6,100,670)	(6,235,605)	102.2
Fees and commissions expenses	(11,279)	(9,801)	86.9
Expenses from foreign currency operations	(9,157)	(79,057)	863.3
Expenses from securities operations	(14,371)	(3,199)	22.3
Expenses from operations with precious metals	(797)	(514)	64.5
Expenses (unrealised losses) from revaluation differences	(3,000,000)	(1,808,380)	60.3
Currency issue expenses	(262,163)	(240,354)	91.7
Expenses from provisions	-	(4,448)	-
Losses arising from unrecoverable receivables not covered by provisions	-	-	-
Other expenses from specific operations	(15,743)	(8,314)	52.8
Staff costs	(559,914)	(553,669)	98.9
Administrative expenses	(165,513)	(87,909)	53.1
Depreciation of fixed assets	(42,957)	(55,697)	129.7
Expenses from fixed assets revaluation	-	(88)	-
Other operating expenses	(108,831)	(64,107)	58.9
Profit for the year	1,237,689	3,842,740	310.5

Table 19.4
Budgeted income statement
for 2024

The total income earned in 2024 amounted to lei 12,993,882 thousand, which shows a budget execution rate of 112.7 percent compared to the planned level for the period under review. This favourable development was underpinned by the similar dynamics of all income categories. Interest income, income from foreign currency operations and income from securities operations made a greater contribution to the budget execution on the income side, on account of developments in the policy rates of the central banks relevant to international reserve management, of exchange differences arising from the outflows from foreign currency positions, which followed higher paths than expected, as well as of the market price effect arising from sales of foreign currency-denominated securities.

In 2024, total expenses amounted to lei 9,151,142 thousand, accounting for 88.9 percent of the planned expenses, mainly on the back of lower-than-expected unrealised losses arising from the revaluation of foreign currency assets and liabilities

as at 31 December 2024, which amounted to lei 1,808,380 thousand, making up 60.3 percent of the planned losses.

By reference to the budget plan, certain expenditure categories posted higher levels than those planned, interest expenses and expenses from foreign currency operations exerting a stronger impact. Their change was mainly ascribable to the higher-than-projected average actual amount in the State Treasury's EUR-denominated current account, to which added the opposite effect of the lower-than-planned level of interest expenses on deposits taken from credit institutions.

Administrative expenses, other operating expenses and staff costs were lower than planned, which reflects the steady concern for the good financial management of own resources.

For details on the contents of income and expenses categories for 2024, see the notes to the income statement in the financial statements section.

6. Conclusions

The financial position of the National Bank of Romania as at 31 December 2024 strengthened considerably, its equity (Table 19.5) being markedly positive (lei 48,516,886 thousand), up 43 percent or lei 14,488,294 thousand from 31 December 2023 (lei 34,028,592 thousand). This includes the following items:

- *statutory capital*, fully provided by the state, amounting to lei 30,000 thousand;
- *own reserves created by the bank's activity*, totalling lei 4,768,413 thousand (up 16 percent from 31 December 2023), reflecting an efficient management of the resources available to the bank; these include: reserves built up by yearly distributions, over time, of the bank's profit (under *statutory reserves* and *own sources for investment financing*), reserves from the revaluation of the bank's fixed assets, and other reserves;
- *special revaluation account*, recording a substantial amount of lei 43,411,046 thousand (up 46 percent from 31 December 2023), consisting mainly of the significant unrealised gains arising from the revaluation of gold holdings and of some foreign currency holdings;
- *profit for the year*, totalling lei 3,842,740 thousand;
- *profit distribution at 31 December* for the annual distributions set by law (paying to the state budget an amount of lei 3,074,171 thousand representing its share of 80 percent of the bank's net income and increasing the statutory reserves by an amount of lei 461,142 thousand).

Table 19.5
Equity

	31 December 2024 (lei thousand)	31 December 2023 (lei thousand)	Percentage change (%)
Capital	30,000	30,000	-
Reserves	4,768,413	4,100,988	16
Special revaluation account	43,411,046	29,703,311	46
Profit for the year	3,842,740	2,428,653	58
Profit distribution	-3,535,313	-2,234,360	58
Total	48,516,886	34,028,592	43

In addition, the **operating financial result** for 2024 (net of unrealised losses arising from the mark-to-market of some foreign currency holdings and of net income from buildings and land revaluation) was substantial, consisting in a profit of lei 5,646,954 thousand, 16 percent higher than that posted in 2023 (Table 19.6). Under the circumstances, mention should be made of the increase in profit from foreign currency asset/liability management operations as compared to 2023, which was partially offset by the higher loss arising from monetary policy operations (representing the cost of pursuing the primary objective of the central bank set by law, i.e. to ensure and maintain price stability). After the recording of unrealised losses arising from the revaluation of some foreign currency holdings and of net income from buildings and land revaluation as at 31 December 2024, the final financial result at end-2024 was a profit amounting to lei 3,842,740 thousand, 58 percent or lei 1,414,087 thousand higher than that in the prior year (lei 2,428,653 thousand).

Table 19.6
Operating result

Activity	Operating result (lei thousand)		Annual change
	2024	2023	%
Monetary policy	-2,533,787	-1,833,062	38
Management of foreign currency assets and liabilities	8,928,968	7,363,545	21
Currency issue and payment settlement	-7,960	-27,087	-71
Other operations	-740,267	-654,975	13
Total operating result	5,646,954	4,848,421	16

Profit distribution for the financial year 2024. Pursuant to Law No. 312/2004 on the Statute of the National Bank of Romania, the largest part of the profit, i.e. lei 3,074,171 thousand, representing a share of 80 percent of the bank's net income, was transferred to the state budget. In addition, an amount of lei 461,142 thousand was allocated to increase the statutory reserves (accounting for 60 percent of the profit that remained after deducting the share owed to the state, i.e. 80 percent of the bank's net income). The remaining profit, amounting to lei 307,427 thousand, is to be distributed in 2025 in line with the legal provisions.

Financial statements
of the National Bank of Romania
as at 31 December 2024
(audited by KPMG)

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the Financial Statements is provided as a free translation from Romanian which is the official and binding version



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Independent Auditors' Report

(free translation¹)

To the Board of Directors of the National Bank of Romania

25 Lipscani street, district 3, Bucharest
Unique Registration Code: 361684

Opinion

1. We have audited the financial statements of the National Bank of Romania ("the Bank"), which comprise the balance sheet as at 31 December 2024, the income statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.
2. The financial statements as at and for the year ended 31 December 2024 are identified as follows:

• Capital and reserves:	Lei thousands 48,516,886
• Profit for the year:	Lei thousands 3,842,740
3. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance for the year then ended in accordance with the Norm for organizing and conducting the accounting of the National Bank of Romania no. 1/2007 ("Norm no. 1/2007") with subsequent amendments.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Law and we have fulfilled our other ethical

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

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responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

5. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Norm 1/2007 with subsequent amendments and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
6. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.
7. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Refer to the original signed Romanian version

For and on behalf of KPMG Audit S.R.L.:

FURTUNA CEZAR-GABRIEL

registered in the electronic public register of financial auditors and audit firms under no AF1526

KPMG Audit SRL

registered in the electronic public register of financial auditors and audit firms under no FA9

Bucharest, 15 May 2025

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BALANCE SHEET AS AT 31 DECEMBER 2024

		lei thousand	
	Note	31 December 2024	31 December 2023
Cash and other cash equivalents		41,870	42,539
Precious metals and stones,		478,070	359,187
<i>out of which:</i>			
Non-monetary gold		399,683	299,171
Other precious metals and stones		78,387	60,016
Foreign assets,		362,907,575	341,404,097
<i>out of which:</i>			
Current account in SDR with the IMF	4	17,075,856	16,546,760
Monetary gold	5	41,532,654	30,885,609
Demand deposits placed	6	46,816,597	49,101,810
Term deposits placed	7	38,679,044	39,470,165
Placements in foreign currencies	8	3,048,458	2,748,413
Securities in foreign currencies	9	192,976,358	175,586,264
Loans in foreign currencies	10	9,458,542	13,173,144
Participating interests in international financial institutions,	11	11,477,242	11,128,276
<i>out of which: quota at the IMF</i>		11,308,598	10,964,228
Other foreign assets TARGET	24	1,842,824	2,763,656
Securities held for monetary policy purposes,		3,039,743	3,968,441
<i>out of which:</i>			
Securities in RON	12	3,039,743	3,968,441
Securities in foreign currencies		-	-
Loans to credit institutions,	13	-	-
<i>out of which:</i>			
Loans under litigation		21,787	21,787
Provisions for credit risk – principal		(21,787)	(21,787)
Other assets,		2,475,894	2,817,025
<i>out of which:</i>			
Tangible and intangible fixed assets	14	1,399,712	1,315,080
Inventories		4,987	5,130
Participating interests	15	3,099	2,713
Settlement account with the State Budget	16	955,061	1,395,470
Accruals and prepaid expenses		79,265	66,153
Revaluation differences for off-balance sheet items		616	2,589
Other assets,		110,287	102,613
<i>out of which:</i>			
Goods of numismatic, philatelic, historical, cultural, artistic importance		32,225	29,477
Provisions for doubtful assets	17	(77,133)	(72,723)
Accrued interest receivables		1,306,557	1,201,054
Accrued interest receivables	18	1,312,625	1,207,122
Provisions for credit risk – interest	19	(6,068)	(6,068)
Total assets		370,249,709	349,792,343

Notes from page 315 to 350 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2024

		lei thousand	
	Note	31 December 2024	31 December 2023
Currency in circulation	20	140,679,099	123,294,176
Foreign liabilities,		33,885,986	27,462,809
<i>out of which:</i>			
To international financial institutions	21	11,309,338	10,971,784
Demand deposits taken	22	5,589,945	21,603
Counterpart of special drawing rights allocated by the IMF	23	16,986,703	16,469,422
Due to credit institutions and other financial institutions,	24	82,530,707	110,348,941
<i>out of which:</i>			
Current accounts of the credit institutions (including minimum reserves in RON)		43,692,928	57,442,039
Amounts withheld under special arrangements		2,340	2,752
Deposits of the credit institutions		15,416,325	37,540,640
Deposits of the financial institutions		6	11
Foreign currency minimum reserves		21,575,817	12,598,900
Accounts of bankrupt credit institutions		467	943
Other liabilities Target		1,842,824	2,763,656
Current account of the State Treasury	25	64,414,322	54,383,209
Other liabilities,		77,516	87,783
<i>out of which:</i>			
Sundry creditors		56,504	68,584
Salaries and other personnel related liabilities		93	78
Settlement account with the State Budget		17,933	15,412
Accruals and income collected in advance		252	1,166
Other liabilities		2,734	2,543
Accrued interest payables	26	145,193	186,833
Capital and reserves,		48,516,886	34,028,592
<i>out of which:</i>			
Capital		30,000	30,000
Reserves	28	4,768,413	4,100,988
Special revaluation account	29	43,411,046	29,703,311
Profit for the year		3,842,740	2,428,653
Profit distribution for the year	41	(3,535,313)	(2,234,360)
Total liabilities and equity		370,249,709	349,792,343

The financial statements were approved by the Board of Directors on 14 May 2025 and were signed on its behalf by:

Governor
Mr. Mugur Isărescu

Notes from page 315 to 350 are an integral part of these financial statements.

INCOME STATEMENT FOR THE YEAR ENDED AT 31 DECEMBER 2024

		lei thousand	
	Note	31 December 2024	31 December 2023
Interest income	30	11,539,076	9,018,187
Interest expense	31	(6,235,605)	(5,071,661)
Net result from interest		5,303,471	3,946,526
Fees and commissions income	32	254,395	226,083
Fees and commissions expense	33	(9,801)	(11,184)
Net result from fees and commissions		244,594	214,899
Net realized gains arising from foreign currencies operations	34	895,816	1,389,155
Realized gains arising from securities operations	35	180,891	172,868
Realized gains/losses arising from precious metals operations	36	574	(436)
Unrealized losses from revaluation differences	37	(1,808,380)	(2,419,768)
Net result of financial operations		(731,099)	(858,181)
Currency issue expenses	38	(240,354)	(221,373)
Expenses/income from provisions		(4,416)	2,991
Other expenses from specific operations		(8,314)	(5,576)
Other income from specific operations		10,543	7,333
Net result of specific operations		(242,541)	(216,625)
Other income		25,531	23,110
Staff costs		(553,669)	(496,024)
Administrative expenses		(87,909)	(76,861)
Depreciation of tangible and intangible fixed assets		(55,697)	(49,312)
Net income from buildings and land revaluation		4,166	-
Other operating expenses		(64,107)	(58,879)
Net profit for the year		3,842,740	2,428,653
Quota for the state budget		3,074,171	1,942,922

The financial statements were approved by the Board of Directors on 14 May 2025 and were signed on its behalf by:

Governor
Mr. Mugur Isărescu

Notes from page 315 to 350 are an integral part of these financial statements.

Notes to the financial statements for the year ended at 31 December 2024

1. General information

The National Bank of Romania (the “Bank” or “NBR”) was set up in 1880 as the Central Bank of Romania. The current registered headquarters are located in 25 Lipscani Street, Bucharest, Romania. The Bank is managed by nine members of the Board of Directors. In accordance with the legislation, the executive management of the Bank is exercised by the Governor (Mr. Mugur Isărescu), the First Deputy Governor (Mr. Leonardo Badea) and two Deputy Governors (Mr. Florin Georgescu and Mr. Cosmin Marinescu). The other 5 members of the Board of Directors are: Mrs. Aura-Gabriela Socol, Mrs. Roberta-Alma Anastase, Mr. Alexandru Nazare, Mr. Cristian Popa and Mr. Csaba Bálint. The Parliament appoints the members of the Board of Directors for a period of five years, the last appointment being made in October 2024. The Bank is fully owned by the Romanian State. The actual number of employees as at 31 December 2024 is of 2,125 (31 December 2023: 2,095 employees).

The Bank’s operations were governed by the “Law on the Statute of the National Bank of Romania” (Law no. 312/2004), effective since 31 July 2004, except for a number of provisions related to statutory financial reporting that became effective commencing on 1 January 2005. The purpose of the Law no. 312/2004 is to ensure the compliance of the NBR statute with the European Union legislation and, particularly, with the provisions of the European Community Treaty regarding the independence of the Central Bank.

In accordance with the legislation in force, the primary objective of the Bank is to ensure and maintain price stability. Furthermore, the Bank has the exclusive right to issue banknotes and coins and the responsibility to regulate and supervise the Romanian banking system.

2. Significant methods and accounting policies

a) Statement of compliance

The financial statements of the NBR are prepared in accordance with the Norm for organizing and conducting the accounting of the National Bank of Romania no. 1/2007, as subsequently amended and supplemented (no. 1/2008, no. 3/2008, no. 1/2010, no. 2/2010, no. 4/2011, no. 1/2014, no. 1/2017, no. 1/2019 and no. 2/2021) and include the balance sheet, the income statement and the explanatory notes. The NBR Norm no. 1/2007 as subsequently amended and supplemented lays down the basic accounting principles and rules, the structure and the content of the annual financial statements having as a general purpose the compliance with the provisions of the accounting standards applicable to central banks and recognized by the European

Central Bank (i.e.: Guideline ECB/31/2024), except for the formats which are mandatory only in case of reporting data to the ECB for Eurosystem financial reporting purposes.

b) Basis of preparation

The financial statements are prepared on a going concern basis and are presented in Romanian lei (RON), rounded to the nearest thousand. They are prepared under the historical cost convention, except for the gold and foreign currency securities booked at market value, respectively buildings and land at fair value. Income and expenses are recognized in the accounting period in which they are earned or incurred, according to the accrual's principle.

c) The transfer of the Bank's net revenues to the State Budget

The Bank is exempt from paying income tax, but in accordance with the Law no. 312/2004, it distributes on a monthly basis to the State Budget its share of 80 percent of the fiscal profit (the accounting profit remained after excluding the expenses related to the sundry debtors provisions – see Note 17b) and deducting the loss related to previous financial years that remained uncovered from other sources).

The final adjustments related to the financial statements are performed until the deadline for submitting the annual financial statements, according to the law, based on a special rectifying statement.

d) Accounting principles

Substance over form: transactions are accounted for and presented in accordance with their substance and economic reality and not merely with their legal form.

Prudence: the valuation of assets and liabilities, as well as the revenues and expenses recognition, are carried out prudently. However, prudence does not allow for a deliberate understatement of assets and income or overstatement of liabilities and expenses.

Going concern principle: The NBR as the central bank of Romania will function for the foreseeable future.

Comparability: the criteria for evaluation of the balance sheet items and for results recognition must be consistently applied to ensure the comparability of data in the financial statements.

Subsequent events to the balance sheet date: assets and liabilities are adjusted for events that occur between the annual balance sheet date and the date on which the financial statements are approved by the Board of Directors, if these events affect the condition of assets or liabilities existing at the balance sheet date. No adjustment is made, but disclosure is required, for those events occurring after the balance sheet

date that do not affect the condition of assets and liabilities at the balance sheet date, but which are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions.

Materiality: deviations from the accounting rules, including those affecting the income statement, are allowed only if they can reasonably be judged to be immaterial for the overall context and for the presentation of the Bank's financial statements.

The accruals principle: income and expenses are recognized in the accounting period in which they are earned or incurred and not in the period in which they are collected or paid.

Faithful representation: to be credible, the information must accurately present the transactions and other events that it aims to present.

Neutrality: the information contained in the financial statements must be neutral, i.e. free from influence and without the aim of achieving a predetermined result or objective.

Financial year cut-off: all revenues and expenses of the corresponding financial exercise will be booked, without considering the date of the amounts' receipt or payment.

Intangibility of the opening balance sheet: the opening balance sheet of a financial year must correspond to the closing balance sheet of the previous year, except for the corrections imposed by the legislation in force.

Principle of non-compensation: the values of the assets cannot be compensated with the values of the liabilities, nor the income with the expenses, except for the compensations allowed by the legislation in force.

Deviations from accounting principles: deviations from these general principles will be allowed only in exceptional cases. The explanatory notes will present the deviations, their reasons and an evaluation of the effect of the deviations on the Bank's debts, the financial position and the financial result.

e) Estimates

In preparing the financial statements in accordance with the provisions of the Norm no. 1/2007, as subsequently amended and supplemented, the management is required to make estimates and assumptions that affect the reported amounts for assets, liabilities, revenues and expenses for the reporting period. Actual results could differ from these estimates. The estimates are periodically revised and, if necessary, adjustments are recorded in the income statement of the period when they occur. Although these individual estimates carry a degree of uncertainty, their cumulative effect on the financial statements is deemed immaterial.

f) Recognition of assets and liabilities

Financial and other assets/liabilities are recognized in the balance sheet only when:

- it is probable that future economic benefits associated with the asset/liability will flow in or out of the Bank's patrimony;
- all the risks and benefits associated with the asset/liability have been effectively transferred to/from the Bank; and
- assets and liabilities values can be reliably measured.

Financial assets and liabilities are initially recognized at acquisition value.

g) Foreign currency position

The currency position represents the net balance in a certain currency, determined as the difference between total receivables (balance sheet assets and off-balance sheet accounts similar to assets) and total payables (balance sheet liabilities and off balance sheet accounts similar to liabilities) denominated in the respective currency, with some exceptions. Monetary gold is considered as a foreign currency, representing the gold position. The SDR currency is considered as a distinct currency; transactions that affect the SDR net position are either denominated in SDR or transactions that follow the structure of the SDR basket.

Items that are not included in the foreign currency position are: cash in foreign currencies, foreign currencies in transit, sundry creditors, sundry debtors, transactions under clarification and prepayments.

h) Average cost method

The average cost method applies to the following:

- the foreign currency position, including SDR;
- the monetary gold position;
- the foreign currency securities portfolio – for each ISIN/CUSIP (security series);
- the securities held for monetary policy purposes.

The long/short foreign currency position represents the net balance in a certain currency, determined as the difference between total receivables (balance sheet assets and off-balance sheet accounts similar to assets) and total payables (balance sheet liabilities and off balance sheet accounts similar to liabilities) denominated in the respective currency – when total receivables are above/bellow total payables.

The average cost of the foreign currency holdings is calculated daily as an indirect foreign exchange quotation (RON/one foreign currency unit). For the long foreign currency position, net purchases of currencies made during the day, considered at the average cost of the purchases made during the day, are added to the previous day's closing balance, in order to determine the new average cost of the position. In case of

net sales, the average cost of the foreign currency position remains unchanged. The same principles apply to the gold holdings. In case of a short position, the reverse treatment to the above-mentioned approach is applied. Thus, the average cost of the liability position is affected by net outflows, while net inflows reduce the position at the existing average cost and generate realized gains or losses.

The average cost of the foreign currency securities holdings is determined for each ISIN/CUSIP (security series) by dividing the transaction value of the entire holding to the nominal value of the holding. For each security series, all purchases made during the day are added to the previous day's holding to determine a new weighted average cost.

The net average cost of the foreign currency securities is determined for each security series by dividing the holding at average cost – adjusted with the cumulated premium or discount amortization – to the corresponding nominal value of the holding. Premiums or discounts resulting from the securities purchases are amortized over the remaining life of the securities using the internal rate of return method.

The gains or losses resulting from transactions in foreign currencies or monetary gold and from transactions with foreign currencies securities are determined based on the average cost of the respective holding (Note 2i and Note 2j).

In accordance with the revaluation procedure (Note 2p), at the end of the financial year, the revaluation rate and the revaluation price of the securities become the new average cost of the foreign currency holding and the new net average cost of the foreign currency securities, while the unrealized losses for the respective foreign currency position or holding of ISIN/CUSIP are recorded as expenses as at 31 December.

i) Foreign currency transactions

The operations denominated in foreign currencies are converted into RON at the official exchange rate valid on the trade date. The monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted into RON at the exchange rate valid at that date.

The deposits denominated in foreign currency (sight and term) – in accounts held with international institutions, central banks, foreign banks, etc. – are booked at their nominal value. Interest receivable is recorded according to the accruals principle.

Forward and spot foreign currencies purchases and sales performed as part of foreign currency/RON swaps are recognized in off-balance-sheet accounts from the trade date until the settlement date at the spot rate of the transactions and recognized in balance-sheet accounts on settlement date. The difference between spot and forward rates is treated as payable or receivable interest. The foreign currency position is affected by the accrued interest payables or receivables denominated in foreign currency.

In accordance with the average cost method for long foreign currency position, any sale of foreign currency (outflow from the foreign currency position) generates realized gain/loss calculated as follows:

- if the daily acquisitions exceed the daily sales, then the gain/loss arising from the daily sales is computed as the total sales multiplied by the difference between the average price of the daily sales and the average cost of the daily acquisitions;
- if the daily sales exceed the daily acquisitions, then the gain/loss arising from the daily sales is computed as the sum of the following:
 - the gain/loss arising from the sales covered by the daily acquisitions, computed as the total daily acquisitions multiplied by the difference between the average price of the daily sales and the average cost of the daily acquisitions;
 - the gain/loss arising from the sales covered by the previous day's foreign currency holdings, computed as the daily net sales multiplied by the difference between the average price of the daily sales and the average cost of the respective foreign currency position on the preceding day.

j) Foreign currency securities

Premiums/discounts arising from the securities acquisitions are amortized over the remaining life of the securities using the internal rate of return method.

The amortization of the discount/premium is booked daily based on the accruals principle and is disclosed as part of the interest income/expense. The accrued interest receivables for securities in foreign currencies are calculated and recorded on a daily basis, based on the accruals principle, being converted into RON at the Bank's exchange rate of the day.

The gain/loss arising on sale of securities is determined as the nominal value of the securities sold multiplied with the difference between the sale price and the average cost of the respective security. The components of the aforementioned gain/loss are the following:

- the market price effect, representing the nominal value of the securities sold multiplied with the difference between the sale price and the net average cost of the respective security – booked in the profit and loss account on the settlement date – the line "Net realized gains/losses arising from securities operations";
- the interest rate effect, representing the nominal value of the securities sold multiplied with the difference between the net average cost and the average cost of the respective security – booked in the profit and loss account through the daily amortization of the related premiums/discounts on foreign currency securities – the line "Interest expense/income".

The gain/loss from the mark-to-market revaluation is determined as the difference between the market price and the net average cost.

The Bank performs securities lending under a program conducted by an European bank. The Bank records the income from commissions and books in the off-balance sheet accounts the securities lent and the securities received as collateral. The transactions are recorded on the balance sheet, at least at the end of the reporting period, if the collateral is provided in the form of cash, placed on an NBR's account, and if this cash is still not invested.

k) Securities held for monetary policy purposes

Securities held for monetary policy purposes in local and foreign currency are booked using the average cost method (see Note 2h). As at the end of month, these can be booked at market value based on the monetary policy considerations. Securities booked at cost are subject to an impairment test as at the end of the year. All premiums and discounts are amortized. The receivables related to securities (coupons) are calculated and booked daily according to the accruals principle.

l) Loans to domestic credit institutions and other entities

Loans are disclosed in the balance sheet at the value of the outstanding principal, adjusted with the provision for credit risk, in order to reflect the recoverable amount. Likewise, this balance sheet item includes the loans granted to credit institutions based on securities transfers accompanied by a repurchase arrangement.

m) Participating interests

In accordance with the Norm no. 1/2007 as subsequently amended and supplemented, the participating interests, including those reflecting a significant influence, are booked at acquisition cost.

n) Tangible and intangible fixed assets

The tangible and intangible fixed assets are presented in the financial statements at cost or fair value, less any accumulated amortization.

At least once in 3 years, the fixed assets in the categories *Constructions* and *Land* are revaluated. The resulting favorable differences are booked as *Reserves* if no previous decrease was recognized as an expense; favorable differences are booked as income to compensate the previous expense representing a decrease of the asset value. The resulting unfavorable differences are compensated with the previous favorable revaluation differences for each asset; the remaining unfavorable differences are booked as expenses. For the financial years when NBR does not revalue the constructions and land, NBR may carry out impairment tests.

All maintenance and current repair operations (which do not upgrade the initial characteristics of fixed assets), the periodical and occasional revisions, the service operations are recognized in the income statement, irrespective of their value; their value is not included in the value of the fixed assets. Other repair costs are booked in the income statement if their individual value is less than the threshold

laid down in the NBR’s Norm no. 1/2014; if the individual value of these operations is equal to or higher than the aforementioned threshold and the operations improve the technical parameters of the fixed assets, or if the operations are mandatory for securing a normal functioning of the assets, the costs increase the value of the fixed assets.

Any expense related to the replacement at various times of components/parts are booked in the income statement if their individual value is less than the threshold laid down in the NBR’s Norm no. 1/2014; if their individual value is higher than the aforementioned threshold, the costs increase the value of the fixed assets.

Expenses related to construction of property are capitalized and amortized once the assets are put in use.

The amortization is calculated on a straight-line basis over the duration of economic use of each class of tangible assets. The amortization is accounted for as a write – down of the value of the assets. Land is not depreciated. The duration for each category is as follows:

Buildings and other constructions	5-80 years
Equipment	3-25 years
Motor vehicles	5 years
Computer equipment (hardware and software)	3-5 years

o) Currency in circulation

The Bank elaborates the program for banknotes and coins issuance, it provides the related printing, distribution and administration services for the currency reserve, in order to meet the cash requirements in accordance with the real needs for currency in circulation.

The currency in circulation is booked at the nominal value of the banknotes and coins which are actually put into circulation.

The costs of printing banknotes and minting coins are booked as expenses on the accounting period when they occur, not when they are paid.

p) Revaluation

The revaluation of currency positions is performed on a monthly basis and booked in the special revaluation account, as the difference between the revaluation exchange rate (the official rate calculated and published on the last working day of the month) and the average cost of the foreign currency position. The assets (participation with the IMF) and liabilities (allocations and deposit from the IMF) denominated in SDR are also revalued on 30 April and 31 December, based on the exchange rates communicated by the International Monetary Fund.

The mark-to-market is performed on a monthly basis both for the holdings of monetary gold and for the foreign currency securities, with the exceptions listed below; the revaluation differences are recorded in balance-sheet adjustments accounts. The revaluation of gold is performed based on the price in RON per defined weight unit of gold, derived from the RON/USD exchange rate and the fixing quotation on the London Bullion Market. The revaluation of securities is performed by comparing the market price at the end of the month with the net average cost of the respective security holding. Short-term securities commercial paper types are booked at cost plus accumulated discount (these instruments are not traded on a secondary market). The securities held for monetary policy purposes are booked at cost or market value based on the monetary policy considerations.

Offsetting unrealized losses for securities, currencies or gold against unrealized gains in other securities, currencies or gold is not allowed.

At the end of the financial year, the unrealized losses resulting from the revaluation of assets and liabilities are charged to the income statement without the possibility of subsequent cancellation against new unrealized gains obtained in future financial periods. Subsequently, the average cost of the foreign currency position and the net average cost of the foreign currency securities, for which revaluation unfavorable differences were recognized as expenses, becomes equal with the revaluation rate and the market price of the securities, respectively. At the end of the financial year, the unrealized gains resulting from the revaluation of foreign currency assets and liabilities are booked in the special revaluation account.

q) Pension obligations and employee benefits

The Bank makes payments to the Romanian State funds for its Romanian employees for pension, healthcare and unemployment benefits. During 2024, as well as during the previous years, all the employees of the Bank were included in the State pension system. Also, starting with the year 2007, according to the legal framework, all eligible employees of the Bank have been included in the private pension system.

In compliance with the collective labor agreement currently in force, on the retirement of its employees, the Bank pays benefits based on the salary as at the date of retirement and on the number of years of working with NBR. The collective labor agreement is subject to the annual approval of the Board of Directors. The Bank recognizes the retirement benefits on the date when the employee's individual employment contract expires.

r) Income and expense recognition

Income and expenses are recognized in accordance with the accruals principle. The losses or gains arising from the sale of foreign currencies, gold or securities holdings are accounted for in the income statement. These realized gains/losses are determined as the difference between the sale price and the average cost of the respective asset.

The unrealized revaluation gains are not recognized as income, but they are booked in the special revaluation account.

There is no netting of unrealized losses for securities, currencies or gold against unrealized gains in other securities, currencies or gold. At the end of the year, the unrealized losses for other assets are charged to the income statement if they exceed the revaluation gains previously recorded in the corresponding revaluation account.

s) Capital and statutory reserves

The capital is fully owned by the Romanian State and it is not divided into shares. As at 31 December 2024 and 31 December 2023 the Bank's capital amounted to RON 30,000 thousand. *The statutory reserves* have been set up on 1 January 2005 in accordance with the Law no. 312/2004, incorporating the remaining balance of the reserve fund.

As at both 31 December 2024 and 2023, the statutory reserves were increased by distributing 60 percent of the annual profit that remained after paying to the State its share of 80 percent of the Bank's net revenues.

t) Profit distribution

The 2024 remaining profit (after distribution to the State Budget of its share of 80 percent of the Bank's net revenues) is distributed in accordance with the Law no. 312/2004 regarding the Statute of the National Bank of Romania (see Note 41).

3. Risk management policies

The main risks associated with the activities of the Bank are financial and operational risks, arising from the responsibility of the Bank to ensure and maintain price stability. The main types of risks to which the Bank is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes interest rate risk, currency risk and price risk.

a) Credit risk

The Bank is exposed to credit risk as a result of its trading, lending and investment activities.

The credit risk associated with trading and investing activities is managed through the Bank's managing international reserves procedures. The risk is mitigated by selecting counterparties meeting the eligibility criteria, by monitoring their activities and ratings, as well as by using the exposure limits method.

The eligible issuers approved by the Board of Directors as part of the foreign reserves administration strategy for 2024 are: (i) the USA government; (ii) governmental

agencies or agencies sponsored by the USA government; (iii) governments of the European Union member states; (iv) governmental agencies or agencies sponsored by the European Union member states governments; (v) the Japanese government; (vi) Chinese government; (vii) other governments that benefit from the minimum rating A-; (viii) supranational institutions; (ix) private entities issuing assets-collateralized bonds. As at 31 December 2024, the international reserves portfolio has an A minimum rating (S&P), different from the AA minimum rating (S&P) as at 31 December 2023.

The structure of the foreign assets and related interest accruals by geographical areas of the counterparties is presented in the following table.

	lei thousand	
	31 December 2024	31 December 2023
EURO zone	177,357,254	194,205,698
USA	97,428,987	68,703,305
Others	89,369,716	79,615,742
Total	364,155,957	342,524,745

As part of its monetary and exchange rate policies, the Bank is entitled to grant loans to domestic credit institutions. The Bank's credit risk arising from granting short-term loans in RON to domestic credit institutions, including the lending facility, is managed based on specific instruments. The amount of credit exposure in this regard is represented by the carrying amounts of the loans on the balance sheet. Short-term loans in RON, repo operations, lending facility and other credits extended to banks are normally secured with eligible assets (by example: treasury securities issued by the Romanian Government). However, the Bank may, in special circumstances, grant unsecured loans to banks and other credit institutions to prevent systemic crises. The Bank also monitors the depreciation indicators for securities held for monetary policy purposes in RON in order to manage the related credit risk. As at 31 December 2024 and 31 December 2023, no depreciation was determined for RON securities held for monetary policy purposes.

The Bank books credit risk provisions for the impairment of such loans, in accordance with its own accounting norms, drawn up under the approval of the Board of Directors and the advisory approval of the Ministry of Finance. Adjustments for the impairment of loans are charged to the income statement as specific expenses and are offset against the carrying value of the loans and accrued interest receivables. Loans are written off and charged to the income statement as they become unrecoverable and all the legal procedures have been carried out for their recovery.

The financial assets are reviewed to determine whether there is any indication of impairment. If any such indication occurs, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

The adjustments for the impairment of the assets are fully/partially reversed if there has been a change in the estimates previously used to determine the recoverable amount of the respective assets. A provision for impairment is fully/partially reversed only to the extent that the asset's carrying amount does not exceed the net carrying amount that would have been determined if no impairment provision had been recognized in previous years.

b) Liquidity risk

The Bank is the last resort lender to credit institutions in Romania. The main objective of its daily operations is to ensure adequate liquidity on the domestic market. The Bank also manages the foreign currency reserves, through planning and diversification, in order to ensure that foreign exchange obligations are timely met.

The breakdown of the Bank's liabilities (RON thousand) by maturities as at 31 December 2024 is the following:

	Maturity				lei thousand
	Up to one month, inclusively	Over one month to three months inclusively	Over three months	No maturity	Total
Currency in circulation	-	-	-	140,679,099	140,679,099
Due to international financial institutions	-	-	-	11,309,338	11,309,338
Demand deposits taken	5,589,945	-	-	-	5,589,945
Counterpart of special drawing rights allocated by the IMF	-	-	-	16,986,703	16,986,703
Current accounts of the credit institutions (including RON minimum reserves)	43,692,928	-	-	-	43,692,928
Amounts withheld under special arrangements	2,340	-	-	-	2,340
Deposits of the credit institutions	15,416,325	-	-	-	15,416,325
Deposits of financial institutions	6	-	-	-	6
Foreign currency minimum reserves	21,575,817	-	-	-	21,575,817
Accounts of bankrupt credit institutions	467	-	-	-	467
Other liabilities of credit institutions - Target	1,842,824	-	-	-	1,842,824
Current account of the State Treasury	64,414,322	-	-	-	64,414,322
Other liabilities and interest payables	222,709	-	-	-	222,709
Total*	152,757,683	-	-	168,975,140	321,732,823

*) it does not include the Bank's capital, funds and reserves

As at 31 December 2023:

					lei thousand
	Maturity				Total
	Up to one month, inclusively	Over one month to three months inclusively	Over three months	No maturity	
Currency in circulation	-	-	-	123,294,176	123,294,176
Due to international financial institutions	-	-	-	10,971,784	10,971,784
Demand deposits taken	21,603	-	-	-	21,603
Counterpart of special drawing rights allocated by the IMF	-	-	-	16,469,422	16,469,422
Current accounts of the credit institutions (including RON minimum reserves)	57,442,039	-	-	-	57,442,039
Amounts withheld under special arrangements	2,752	-	-	-	2,752
Deposits of the credit institutions	37,540,640	-	-	-	37,540,640
Deposits of financial institutions	11	-	-	-	11
Foreign currency minimum reserves	12,598,900	-	-	-	12,598,900
Accounts of bankrupt credit institutions	943	-	-	-	943
Other liabilities of credit institutions – Target	2,763,656	-	-	-	2,763,656
Current account of the State Treasury	54,383,209	-	-	-	54,383,209
Other liabilities and interest payables	274,616	-	-	-	274,616
Total*	165,028,369	-	-	150,735,382	315,763,751
*) it does not include the Bank's capital, funds and reserves					

c) Market risk – generated by changes in the value of assets and liabilities held, as presented below:

(i) Interest rate risk

The Bank faces interest rate risk, mainly due to exposure to unfavorable market interest rate fluctuations, which affects the market value of interest-bearing assets/liabilities. Thus, as at 31 December 2024, NBR recorded expenses with unfavorable differences from market value revaluation of foreign currency securities in amount of RON 259,774 thousand (31 December 2023: RON 260,464 thousand).

As part of Romania's international reserve management, the interest rate risk is managed both by establishing the average target durations of the portfolios and the deviation limits from them, as well as by diversifying the exposures by maturities and issuers.

For identifying the optimum strategic risk parameters, the following items are taken into consideration: the role of the international reserves, the NBR's objectives and risk

tolerance, the NBR's assets and liabilities profile, interest rate perspectives and other relevant considerations. As part of the strategy of Romania's international reserves, approved by the Board of Directors of the Bank for 2024, respectively for the period 2022-2023, an average duration up to one year and seven months (1.6 years) was established for the entire foreign currency reserve; the Board approved two additional duration limits as follows: aggregated for MMKT (Money Market) and liquidity tranches – one year and five months (1.4 years); investment tranche – two years and six months (2.5 years).

For the financial assets and liabilities denominated in RON, the Bank follows the current interest rates available in the market. Obtaining a positive margin is not always possible given that the levels of these assets and liabilities are dictated by the objectives of the monetary policy. However, the Bank constantly monitors the costs of implementing this policy against the estimated benefits.

(ii) Currency risk

The Bank is exposed to currency risk through its foreign currency transactions and its holdings of foreign currency assets and liabilities. As at 31 December 2024 and 31 December 2023, the main net assets held by the Bank were denominated in EUR and USD. Due to the volatility of the exchange rate on the financial markets, there is a consequent risk of decrease/increase in the RON value of the monetary assets/liabilities denominated in foreign currencies. Open foreign exchange positions represent a source of currency risk.

In order to reduce the potential losses that may be generated by unfavorable exchange rate fluctuations, but within the limits of its international reserves management objectives, the Bank is currently implementing a portfolio diversification policy, with the aim of achieving a balanced distribution across currencies. Assets and liabilities denominated in EUR, USD and other currencies as at the balance sheet date are presented in Note 39.

The revaluation exchange rates of the main foreign currencies and monetary gold as at the end of the year were:

Currency	31 December 2024	31 December 2023	% variation
1 Euro = RON	4.9741	4.9746	-0.01
1 US Dollar = RON	4.7768	4.4958	+6.25
1 gram Gold = RON	401.0611	298.2747	+34.46

(iii) Price risk

The Bank is exposed to this risk due to fluctuations in market price for assets held as a result of variations in interest rates, exchange rates and other factors. Monetary gold and foreign exchange denominated securities are booked at market value (Notes 5 and 9). The market values of the securities held for monetary policy purposes are disclosed in Note 12.

d) Operational risk and other risks

The war in Ukraine and associated sanctions during 2022-2024 and the 2023-2024 Middle East conflict generated uncertainty and induced risks to the perspective of the economic activity, negatively influencing the global risk appetite. However, the Bank did not register a direct impact on the results of its operations or on the continuity of its activity.

According to its statute (Law no. 312/2004 on the Statute of the National Bank of Romania), the Bank's primary objective is to ensure and maintain price stability. Also, the National Bank of Romania supports the general economic policy of the Government without prejudice to its primary objective.

During the first semester of 2024, the Bank kept constant the representative interest rates and cut 0.25 percentage points in July and August, then maintained constant the monetary policy interest rate to the level of 6.50 percent, as well as the interest rates related to the lending facility, respectively the deposit facility, to 7.50 percent and 5.50 percent, respectively. In addition, the minimum reserve requirement ratios on both RON and foreign currency-denominated liabilities of credit institutions were kept at the existing levels (8 percent and 5 percent respectively). The decisions aimed to ensure and maintain price stability over the medium term, in line with the inflation flat target of 2.5 percent ± 1 percentage point, in a manner conducive to achieving sustainable economic growth.

Given the market dysfunctions due to the COVID-19 pandemic and in order to prevent a possible need of euro liquidity, in 2020, ECB and NBR agreed over an arrangement to provide euro liquidity under a repo line. It was initially agreed that the repo line would remain in force until 31 December 2020, then the financial arrangement was successively extended several times until 15 January 2024 and thereafter 31 January 2027. Under a repo line, the ECB can provide euro liquidity to a foreign central bank in exchange for adequate collateral; under this repo line, NBR could borrow up to EUR 4.5 billion from the ECB. The NBR did not actually draw any amount from this loan.

4. Current account in SDR with the IMF

Each IMF member state has an SDR current account with the International Monetary Fund (IMF) used for loan agreements and other related operations between member states and the IMF. This account bears the same interest rate as the IMF SDR allocations. As at 31 December 2024, the SDR current account of the Bank held with IMF amounted to SDR 2,738,754 thousand representing the equivalent of RON 17,075,856 thousand (31 December 2023: SDR 2,738,079 thousand representing the equivalent of RON 16,546,760 thousand).

5. Monetary gold

	lei thousand	
	31 December 2024	31 December 2023
Gold bullions in standard form	11,192,039	8,323,673
Coins	5,777,612	4,294,088
Deposits abroad	24,563,003	18,267,848
Total	41,532,654	30,885,609

The Bank's total gold holdings – in total weight of 103,556.92 kg was revalued at the revaluation price of 401.0611 RON per gram (31 December 2023: the revaluation price was of 298.2747 RON per gram for the Bank's gold holdings in total weight of 103,547.53 kg). As at 31 December 2024, the Bank has gold at international standards in custody abroad amounting to RON 24,563,003 thousand (31 December 2023: RON 18,267,848 thousand). As at 31 December 2024, the Gold in custody abroad is not pledged and there are no restrictions on its repatriation.

6. Demand deposits placed

	lei thousand	
	31 December 2024	31 December 2023
Demand deposits placed:		
– with international financial institutions	4,715,052	2,618,638
– with central banks	42,101,213	46,482,961
– with foreign banks	332	211
Total	46,816,597	49,101,810

On 31 December 2024, the position “demand deposits with international institutions” includes the amount available at BIS of RON 4,715,052 thousand (31 December 2023: RON 2,618,638 thousand) which represents the equivalent of AUD 175,439 thousand (31 December 2023: AUD 15,084 thousand), CAD 510,105 thousand (31 December 2023: CAD 358,474 thousand), NOK 5,575,494 thousand (31 December 2023: NOK 2,634,793 thousand); GBP 7,210 thousand (31 December 2023: GBP 18,470 thousand), USD 19,048 thousand (31 December 2023: USD 14,025 thousand), NZD 3,155 thousand (31 December 2023: NZD 6,278 thousand), EUR 0.37 thousand (31 December 2023: EUR 0.35 thousand), CNY 7,431 thousand (31 December 2023: CNY 5,599 thousand) and CHF 2 thousand (31 December 2023: CHF 2 thousand).

The position “demand deposits placed with central banks” includes, mainly, three demand deposits set up with institutions outside the European Union in the amount of RON 12,070,677 thousand representing JPY 396,318,633 thousand (31 December 2023: RON 14,353,450 thousand representing JPY 452,290,855 thousand), in the amount of RON 2,803 thousand representing USD 587 thousand (31 December 2023: RON 2,696 thousand representing USD 600 thousand) and respectively in the amount of RON 277 thousand representing AUD 93 thousand (31 December 2023: RON 281 thousand, representing AUD 92 thousand); it also includes three sight deposits established with European central banks in the amount of RON 29,569,827 thousand

representing EUR 5,944,759 thousand (31 December 2023: RON 30,099,022 thousand representing EUR 6,050,541 thousand) and, respectively, RON 56,534 thousand representing EUR 11,366 thousand (31 December 2023: RON 1,050,053 thousand representing EUR 211,083 thousand), and respectively in the amount of RON 392,149 thousand representing CHF 74,262 thousand (31 December 2023: RON 970,771 thousand representing CHF 180,891 thousand), the balance of the Bank as a direct participant in TARGET in the amount of RON 6,723 thousand representing EUR 1,352 thousand (31 December 2023: RON 5,055 thousand representing EUR 1,016 thousand), as well as other deposits. On July 4, 2011, the Bank implemented in Romania the TARGET system (the trans-European fund transfer system with real-time gross settlement). This system represents a channel for the interbank processing of payments in euros, both those made in the banks' own names and on behalf of their customers.

As at 31 December 2024, the item "Demand deposits with foreign banks" contains the foreign currency demand deposit held with an institution from the European Union in amount of RON 332 thousand (31 December 2023: RON 211 thousand).

The breakdown by currency of the demand deposits is presented in Note 39.

7. Term deposits placed

	lei thousand	
	31 December 2024	31 December 2023
Term deposits:		
– with international institutions	6,211,564	7,050,200
– with central banks	32,467,480	32,419,965
Total	38,679,044	39,470,165

As at 31 December 2024, this item includes *the term deposits held with an international institution* amounting to RON 6,211,564 thousand, out of which: RON 2,256,371 thousand (representing CNY 3,448,000 thousand), RON 1,898,100 thousand (representing NOK 4,500,000 thousand), RON 2,057,093 thousand (representing NZD 766,000 thousand), respectively *term deposits held with central banks* in amount of RON 32,467,480 thousand, out of which: RON 296,780 thousand (representing AUD 100,000 thousand), RON 332,300 thousand (representing CAD 100,000 thousand), RON 19,896,400 thousand (representing EUR 4,000,000 thousand), RON 11,942,000 thousand (representing USD 2,500,000 thousand). All deposits have a maturity of less than one year.

As at 31 December 2023, this item includes *the term deposits held with an international institution* amounting to RON 7,050,200 thousand, out of which: RON 2,148,848 thousand (representing CNY 3,399,000 thousand), RON 2,214,000 thousand (representing NOK 5,000,000 thousand), RON 1,788,192 thousand (representing NZD 630,000 thousand), RON 899,160 thousand (representing USD 200,000 thousand), respectively *term deposits held with central banks* in amount of RON 32,419,965 thousand, out of which: RON 1,009,404 thousand (representing AUD 330,000 thousand), RON 220,434 thousand (representing CAD 65,000 thousand), RON 25,345,587 thousand

(representing EUR 5,095,000 thousand), RON 5,844,540 thousand (representing USD 1,300,000 thousand). All deposits have a maturity of less than one year.

8. Placements in foreign currencies

	lei thousand	
	31 December 2024	31 December 2023
Placements at World Bank, out of which:		
– deposits	95,083	85,083
– securities	2,953,375	2,663,330
Total	3,048,458	2,748,413

According to the technical assistance and assets administration contract, signed in 2017, the World Bank continued to grant NBR technical assistance and manage in 2024 the assets investment portfolio denominated in USD – allocated by NBR through the program Reserves Advisory and Management Program (RAMP).

As at 31 December 2024, the placements administrated by the World Bank are as follows:

- deposits amounting to RON 95,083 thousand – the equivalent of USD 19,905 thousand (31 December 2023: RON 85,083 thousand – the equivalent of USD 18,925 thousand);
- securities amounting to RON 2,953,375 thousand, the equivalent of USD 618,275 thousand (31 December 2023: RON 2,663,330 thousand, the equivalent of USD 592,403 thousand).

These are managed in compliance with the policies for the international reserve management as described in Note 3.

9. Securities in foreign currencies

	lei thousand	
	31 December 2024	31 December 2023
Discount treasury bills, out of which:		
– European Union Treasuries	50,447,455	66,591,918
– Non – EU Treasuries	4,516,914	3,467,728
– Foreign banks and international institutions	475,869	743,907
– International financial institutions (EIB, IBRD, NIB, EBRD, BIS)	1,261,451	4,344,717
Coupon treasury bills, out of which:		
– European Union Treasuries	46,291,956	53,047,630
– Non – EU Treasuries	71,096,614	31,855,750
– Foreign banks and international institutions	7,564,738	5,595,170
– International financial institutions (EIB, IBRD, NIB, EBRD, BIS)	11,321,361	9,939,444
Total	192,976,358	175,586,264

As at 31 December 2024, the Bank's portfolio includes securities in foreign currency in the total amount of RON 192,976,358 thousand (31 December 2023: RON 175,586,264 thousand), of which securities lent under the "GC Access" program carried out by a European bank in the total amount of RON 24,442,415 thousand consisting of RON 587,982 thousand (AUD 198,121 thousand), RON 435,132 thousand (CAD 130,945 thousand), RON 23,192,427 thousand (EUR 4,662,638 thousand), RON 59,739 thousand (GBP 9,965 thousand) and RON 167,135 thousand (NOK 396,242 thousand). On 31 December 2023, the securities lent under the "GC Access" program carried out by a European bank were in the total amount of RON 20,849,922 thousand consisting of RON 1,521,651 thousand (AUD 497,467 thousand), RON 112,151 thousand (CAD 33,070 thousand), RON 18,988,204 thousand (EUR 3,817,031 thousand), RON 225,759 thousand (GBP 39,451 thousand) and RON 2,156 thousand (NOK 4,870 thousand). Coupon bonds issued by European Treasuries, non-European Treasuries, foreign banks and other financial institutions have a fixed or variable interest rate.

As at 31 December 2024, the Bank's portfolio includes commercial bills, representing zero-coupon securities and short-term discount securities (maturity less than one year) in the amount of RON 70,784,666 thousand – the equivalent of EUR 12,951,553 thousand, NOK 1,790,143 thousand, CAD 528,861 thousand, JPY 54,981,400 thousand, USD 386,332 thousand and GBP 55,021 thousand (31 December 2023: RON 96,038,704 thousand – the equivalent of EUR 18,138,082 thousand, NOK 3,821,726 thousand, CAD 1,022,537 thousand and GBP 113,414 thousand).

10. Loans in foreign currencies

As at 31 December 2024, the Bank has overnight placements at Federal Reserve System amounting to RON 9,458,542 thousand – the equivalent of USD 1,980,100 thousand (31 December 2023: RON 13,173,144 thousand – the equivalent of USD 2,930,100 thousand). The interest is booked as income for the Bank.

11. Participating interests in international financial institutions

	lei thousand	
	31 December 2024	31 December 2023
Romania's quota at the IMF	11,308,598	10,964,228
Participating interest in the Bank for International Settlements	110,314	106,922
Participating interest in the European Central Bank	58,330	57,126
Total	11,477,242	11,128,276

The Bank has registered in this category the share of participation in international financial institutions. In accordance with Law no. 97/1997 and Law no. 312/2004, the Bank exercises all the rights and obligations arising from Romania's membership at the IMF. As at 31 December 2024, the total Romania's participation quota in

the IMF amounts to SDR 1,811 million, the same level as at 31 December 2023 (SDR 1,811 million). The Bank acts as a depository for the deposits of the IMF related to the participation quota.

12. RON securities held for monetary policy purposes

Starting from 2020, the NBR adopted measures to mitigate the impact of the situation generated by the coronavirus epidemic on the Romanian population and companies, in order to ensure macroeconomic stability and the proper functioning of the banking system, financial markets for the benefit of the Romanian population and companies. One of the measures was the purchase by the NBR of government securities in RON on the secondary market in order to strengthen the structural liquidity of the banking system in order to contribute to the financing of the real economy and the public sector.

On 31 December 2024, the Bank registered securities in this category in the amount of RON 3,039,743 thousand (31 December 2023: RON 3,968,441 thousand); these are booked at cost. On 31 December 2024 and 31 December 2023, no impairments were determined on these securities. We note that, on 31 December 2024, the market value of the RON securities held for monetary policy purposes is RON 2,959,272 thousand (31 December 2023: RON 3,926,072 thousand).

13. Loans to credit institutions

	lei thousand	
	31 December 2024	31 December 2023
Loans under litigation	21,787	21,787
Provisions for credit risk – principal	(21,787)	(21,787)
Total	-	-

The credits under litigation outstanding as at 31 December 2024 consist of the remaining credit in the amount of RON 8,578 thousand granted to Credit Bank S.A., according to the Emergency Ordinance no. 26/2000 regarding the authorization of the National Bank of Romania to grant a loan to cover the population's requests for withdrawal of deposits with the Bank "Renașterea Creditului Românesc" – Credit Bank S.A. (31 December 2023: RON 8,578 thousand) and the remaining loan in the amount of RON 13,209 thousand (31 December 2023: RON 13,209 thousand) granted to Credit Bank S.A. before the bank's bankruptcy, both of the loans being granted until the year 2000.

The specific provisions for credit risk as at 31 December 2024 and 31 December 2023 include the provisions registered by the Bank for the remaining loans previously mentioned.

14. Tangible and intangible fixed assets

	lei thousand				
	Land and buildings	Equipment	Work in progress	Intangible assets	Total
<i>Cost or revalued amount</i>					
As at 31 December 2023	1,196,060	273,691	50,874	198,367	1,718,992
Additions	23,913	33,155	25,620	22,945	105,633
Disposals	(5)	(7,050)	(31,472)	(143)	(38,670)
Adjustments with the accumulated depreciation (for revaluation)	(37,401)	-	-	-	(37,401)
Net revaluation differences	66,169	-	-	-	66,169
As at 31 December 2024	1,248,736	299,796	45,022	221,169	1,814,723
<i>Accumulated depreciation</i>					
As at 31 December 2023	31,032	198,279	-	174,601	403,912
Depreciation for the year	13,507	19,584	-	22,606	55,697
Disposals	(4)	(7,050)	-	(143)	(7,197)
Adjustments with the accumulated depreciation (for revaluation)	(37,401)	-	-	-	(37,401)
As at 31 December 2024	7,134	210,813	-	197,064	415,011
Net book value:					
As at 31 December 2023	1,165,028	75,412	50,874	23,766	1,315,080
As at 31 December 2024	1,241,602	88,983	45,022	24,105	1,399,712

On 31 December 2024 and 2023, the "equipment" category does not contain fixed assets purchased through financial leasing contracts.

As at 31 December 2024, the land and constructions have been revalued at fair value by an ANEVAR accredited evaluator, in accordance with the recommendations of the International Valuation Standards (IVS 300 - Valuations for financial reporting). As at 31 December 2024, the accumulated depreciation has been offset against the gross carrying amount and the net carrying value was set at the revaluation value. The revaluation gains/losses were booked in the balance sheet under the item "Reserves". The unfavorable differences are compensated with the favorable differences recorded from previous revaluations, for each revalued asset; if the unfavorable differences exceed the favorable differences previously booked for the same asset, the difference is booked as expense (31 December 2024: RON 87 thousand). The favorable differences which compensate the previous revaluation expenses are booked as income (31 December 2024: RON 4,253 thousand). Furthermore, the evaluator has revised the useful life for some of the Bank's buildings (the duration for eight buildings was increased by 5 years).

15. Participating interests

The participating interests are accounted for at cost, in accordance with the provisions of the Norm no. 1/2007, as subsequently amended and supplemented; thus, these financial statements are not consolidated.

The participating interests in the amount of RON 3,099 thousand (31 December 2023: RON 2,713 thousand) include the shares held by the Bank in TRANSFOND S.A. (33 percent participation in the capital representing RON 2,240 thousand on 31 December 2024 and 31 December 2023) – a joint-stock company that provides settlement services for some interbank operations for banks in Romania, respectively 31 shares in SWIFT – of which 8 shares purchased through the reallocations from 2006 (and unchanged from the reallocation from 2008), 13 shares acquired through the reallocations from 2021 and 10 shares acquired through the reallocations from 2024, in total amount of EUR 173 thousand, respectively RON 859 thousand (31 December 2023: EUR 95 thousand, respectively RON 473 thousand). No impairment adjustments were required.

A summary of the financial information of TRANSFOND S.A. is disclosed in the following table:

	lei thousand	
	31 December 2024	31 December 2023
Equity	114,002	95,024
Total assets	130,245	108,646
Net profit for the year	77,246	58,268

16. Settlement account with the state budget

The balance as at 31 December 2024 comprises mainly the receivables from the state budget (RON 949,788 thousand) based on the previous payments of the Bank performed in order to comply with the legal obligation regarding the State's share of 80 percent of the net revenues of the Bank (the receivables from the state budget as at 31 December 2023: RON 1,390,513 thousand).

17. Provisions for doubtful assets

	lei thousand	
	31 December 2024	31 December 2023
Provisions for:		
Guarantees paid by NBR, as a guarantor for Credit Bank S.A. (a)	75,417	70,981
Other provisions related to assets (b)	1,716	1,742
Total	77,133	72,723

- a) As at 31 December 2024, the RON equivalent of the guarantees paid by the Bank, as guarantor for Credit Bank S.A., amounted to RON 75,417 thousand (31 December 2023:

RON 70,981 thousand). These foreign currency guarantees were revaluated as at 31 December 2024 and 31 December 2023.

- b) This item includes the provisions against sundry debtors in litigation.

The provisions from a) and b) represent adjustment figures for the balance sheet items included in "Other assets".

18. Accrued interest receivables

	lei thousand	
	31 December 2024	31 December 2023
Accrued interest receivables from:		
Foreign currency securities	1,027,960	725,574
Foreign currency deposits and placements	220,422	395,074
Securities in RON held for monetary policy purposes	58,175	80,406
Loans granted to credit institutions	6,068	6,068
Total	1,312,625	1,207,122

19. Provisions for credit risk – interest

As at 31 December 2024 and 31 December 2023, the provision for credit risk – interest amounted to RON 6,068 thousand for the interest receivable for the loan granted to Credit Bank S.A., in accordance with the Emergency Ordinance no. 26/2000 regarding the authorization of the National Bank of Romania to grant a loan to cover the population's requests for the withdrawal of deposits with the Bank "Renașterea Creditului Românesc" – Credit Bank S.A.

20. Currency in circulation

	lei thousand	
	31 December 2024	31 December 2023
Banknotes	139,857,511	122,514,374
Coins	821,588	779,802
Total	140,679,099	123,294,176

21. Due to international financial institutions

	lei thousand	
	31 December 2024	31 December 2023
IMF deposits	11,308,621	10,964,249
Other	717	7,535
Total	11,309,338	10,971,784

As at 31 December 2024, the IMF deposits amounted to RON 11,308,621 thousand – the equivalent of SDR 1,811,404 thousand (31 December 2023: RON 10,964,249 thousand – SDR 1,811,404 thousand). The Bank acts as a depository for the deposits of the IMF related to the Romania's participation quota.

22. Demand deposits taken

The balance as at 31 December 2024 on this item comprises the demand deposits taken from the European Commission amounting to RON 5,589,945 thousand – the equivalent of EUR 1,123,810 thousand (31 December 2023: RON 21,603 thousand – EUR 4,343 thousand).

23. Counterpart of special drawing rights allocated by the IMF

This item includes SDR allocations bearing the same interest rate as the SDR current account with the IMF. As at 31 December 2024, the SDR allocations from the IMF amounted to RON 16,986,703 thousand – the equivalent of SDR 2,720,913 thousand (31 December 2023: RON 16,469,422 thousand – the equivalent of SDR 2,720,913 thousand) with an annual interest rate of 3.159 percent as at end of 2024 and respectively 4.103 percent as at end of 2023.

24. Other foreign assets TARGET/Due to credit institutions and other financial institutions

On 4 July 2011, the Bank implemented in Romania the system TARGET (the trans-European real-time gross settlement system). This system represents a channel for processing the euro interbank payments performed by the banks on their own behalf or on behalf of their customers. As at 31 December 2024, the Bank has in its balance sheet, both as assets and as liabilities, the balance of *the TARGET current accounts of credit institutions* amounting to RON 1,842,824 thousand, representing EUR 370,484 thousand (31 December 2023: RON 2,763,656 thousand representing EUR 555,553 thousand).

As at 31 December 2024, the current accounts of credit institutions and other financial institutions held at the NBR amounted to RON 82,530,707 thousand (31 December 2023: RON 110,348,941 thousand). The main components are presented below.

As at 31 December 2024, the Bank has in its records RON current accounts of credit institutions (including RON minimum reserves) amounting to RON 43,692,928 thousand (31 December 2023: RON 57,442,039 thousand) – accounts used for the irrevocable and unconditional final settlement of funds' transfers. The Bank establishes the regime of the RON minimum reserves that credit institutions should maintain in these accounts.

As at 31 December 2024, the foreign currency minimum reserves of credit institutions amounted to RON 21,575,817 thousand representing EUR 4,326,603 thousand and USD 11,485 thousand (31 December 2023: RON 12,598,900 thousand representing

EUR 2,522,841 thousand and USD 10,849 thousand). The bank establishes the minimum reserves regime in foreign currency that credit institutions should maintain in these accounts.

As at 31 December 2024, the Bank has in its records RON deposits of credit institutions amounting to RON 15,416,325 thousand (31 December 2023: RON 37,540,640 thousand). In the beginning of 2024, the liquidity excess on the monetary market continued to increase, but restrained subsequently, more pronounced during quarter 4, and it was absorbed furthermore through the deposit facility by the central bank.

25. Current account of the State Treasury

	lei thousand	
	31 December 2024	31 December 2023
Current account of the State Treasury:		
– in RON	31,273	1,511,338
– in foreign currencies	64,383,049	52,871,871
Total	64,414,322	54,383,209

In 2024 and 2023, the RON current account of the State Treasury has borne the same interest rates as the RON minimum required reserves of the credit institutions. The EUR current accounts of the State Treasury have borne the Euro Short-Term Rate – €STR during 2024 and also during 2023; the USD current account of the State Treasury has borne an interest rate equal with the FED funds rate²⁴⁰.

26. Accrued interest payables

	lei thousand	
	31 December 2024	31 December 2023
Accrued interest payables for:		
Deposits taken, SDR allocations and other items	138,199	168,273
Current accounts of credit institutions	6,915	18,441
Current accounts of the State Treasury	79	119
Total	145,193	186,833

27. Transactions with related parties

The Romanian Government, through the State Treasury, maintains current accounts with the Bank, the operations being subject to commission fees starting 31 December 2005. Furthermore, the Bank acts as a registry agent on behalf of the State Treasury for the government bonds and treasury certificates, manages the foreign currency reserves and facilitates the payments and receipts for Romania's foreign public debt.

²⁴⁰ The Federal Funds OverNight Average rate (a volume-weighted average)

Through the members appointed to the Boards of Directors, the Bank exercises significant influence over two other State institutions: the NBR Printing Works (its Board consisting of 5 members of which 3 appointed by NBR) and the State Mint (its Board consisting of 5 members of which 3 appointed by NBR).

In 2024, the total purchases of banknotes, coins and other specific purchases from the aforementioned two entities amounted to RON 248,854 thousand (2023: RON 229,275 thousand). In 2024, total sales to these entities were in amount of RON 244 thousand (2023: RON 18 thousand). As at 31 December 2024, the Bank had receivables with the NBR Printing Works amounting to RON 51,635 thousand and with the State Mint amounting to RON 6,274 thousand, as well as a debt with the State Mint amounting to RON 2,098 thousand, respectively amounting RON 3,271 thousand with the NBR Printing Works; all the aforementioned amounts were subsequently settled according to the contracts. All transactions with these two entities were carried out under normal commercial terms and conditions.

The Bank has a significant influence over TRANSFOND S.A., an entity in charge with the settlement activities of some domestic interbank operations, created in 2000. Until 19th March 2018, TRANSFOND S.A. administrated REGIS²⁴¹ and SaFIR²⁴² systems – taken over by the Bank from this date. Currently, TRANSFOND S.A. continues to administrate the SENT²⁴³ system.

28. Reserves

	lei thousand	
	31 December 2024	31 December 2023
Statutory reserves	1,901,356	1,440,214
Other reserves	1,570,620	1,425,227
Revaluation gains – fixed assets and other assets	1,296,437	1,235,547
Total	4,768,413	4,100,988

As at both 31 December 2024 and 31 December 2023, the statutory reserves were increased by 60 percent distribution of the remaining profit, after paying the quota to the State.

The item *Other reserves* (non-distributable) comprise the following:

- a) As at 31 December 2024 and 31 December 2023 – reserves previously set up from the fund designated for:
 - tangible assets (RON 14,451 thousand);
 - the sources financing the Bank's investments (RON 57,629 thousand);
 - IMF participations (RON 318,532 thousand);
 - BIS participations (RON 44,550 thousand);

²⁴¹ REGIS is the gross real-time settlement system

²⁴² SaFIR is the module for treasury bills and certificates of deposit issued by the National Bank of Romania

²⁴³ SENT is the system for low value payments

- b) Reserves set up according to the law, representing the Bank's own financing sources for investments – amounting to RON 971,530 thousand as at 31 December 2024 (31 December 2023: RON 825,810 thousand);
- c) Other reserves amounting to RON 163,928 thousand as at 31 December 2024 (31 December 2023: RON 164,255 thousand).

The revaluation gains represent the difference between the fair value and the net book value of tangible fixed assets, except for those booked in the profit and loss account.

29. Special revaluation account

	lei thousand	
	31 December 2024	31 December 2023
Unrealized gains from revaluation of gold holdings, precious metals and stones	37,729,420	26,961,957
Unrealized gains from revaluation of assets and liabilities denominated in foreign currency	5,010,075	2,400,332
Securities denominated in foreign currency (market value revaluation)	671,551	341,022
Total	43,411,046	29,703,311

As at 31 December 2024 and 31 December 2023, the amounts recorded in the special revaluation account represent favorable revaluation differences.

During 2024 and 2023, the Bank recorded long positions for all currencies in portfolio as well as for gold (total claims exceeding total debts in a given currency).

30. Interest income

	lei thousand	
	2024	2023
Foreign currency operations		
Interest and similar income from:		
Foreign currency securities	7,089,776	5,733,191
Foreign currency placements	3,617,487	2,405,954
Current account in SDR	644,150	638,435
Total interest income from foreign currency operations	11,351,413	8,777,580
RON operations		
Interest and similar income from:		
Securities in RON held for monetary policy purposes	186,420	208,411
Loans to domestic credit institutions	4	38
Other income	1,239	32,158
Total interest income from RON operations	187,663	240,607
Total interest income (foreign currency and RON)	11,539,076	9,018,187

In 2024, the interest income from foreign currency operations comprises, mainly, the net income from foreign currency securities in amount of RON 7,089,776 thousand (representing the sum of coupon income in amount of RON 2,402,027 thousand and discount amortization income in amount of RON 4,760,300 thousand minus premium amortization expenses in amount of RON 72,551 thousand), the interest on foreign currency placements in amount of RON 3,617,487 thousand and the interest for the SDR current account in amount of RON 644,150 thousand.

In 2023, the interest income from foreign currency operations comprises, mainly, the net income from foreign currency securities in amount of RON 5,733,191 thousand (representing the sum of coupon income in amount of RON 1,529,140 thousand and discount amortization income in amount of RON 4,269,629 thousand minus premium amortization expenses in amount of RON 65,578 thousand), the interest on foreign currency placements in amount of RON 2,405,954 thousand and the interest for the SDR current account in amount of RON 638,435 thousand.

In 2024, the interest income from transactions denominated in RON comprises, mainly, the net income resulting from RON securities held for monetary policy purposes in amount of RON 186,420 thousand (2023: RON 208,411 thousand) – representing the sum of coupon income in amount of RON 160,118 thousand (2023: RON 196,576 thousand) and discount amortization income in amount of RON 36,524 thousand (2023: RON 29,671 thousand) minus premium amortization expenses in amount of RON 10,222 thousand (2023: RON 17,836 thousand), the income from repo/loans operations with credit institutions in amount of RON 4 thousand (2023: RON 38 thousand), as well as other income in amount of RON 1,239 thousand (2023: RON 32,158 thousand).

31. Interest expense

	lei thousand	
	2024	2023
Foreign currency operations		
Interest and similar expenses from:		
Minimum reserves, deposits taken and other interest	22,508	20,054
Operations with International Monetary Fund	640,029	634,496
Current account of the State Treasury	2,852,854	2,375,568
Total interest expense from foreign currency operations	3,515,391	3,030,118
RON operations		
Interest and similar expenses from:		
Deposits of credit institutions	2,403,319	1,774,728
Minimum reserves of credit institutions	298,497	239,780
Current account of the State Treasury	18,398	27,035
Total interest expense from RON operations	2,720,214	2,041,543
Total interest expense (foreign currency and RON)	6,235,605	5,071,661

In 2024, the interest expense from foreign currency operations comprises, mainly, the interest paid on current account of the State Treasury in amount of RON 2,852,854 thousand, respectively the interest expense for the IMF SDR allocations in amount of RON 640,029 thousand.

In 2023, the interest expense from foreign currency operations comprises, mainly, the interest paid on current account of the State Treasury in amount of RON 2,375,568 thousand, respectively the interest expense for the IMF SDR allocations in amount of RON 634,496 thousand.

32. Fees and commissions income

	lei thousand	
	2024	2023
Fees and commissions income:		
– in RON	230,235	192,535
– in foreign currencies	24,160	33,548
Total fees and commissions income	254,395	226,083

Fees and commissions income in RON in amount of RON 230,235 thousand (2023: RON 192,535 thousand) comprises the commission income from the settlement of operations of credit institutions and of the State Treasury.

The income from fees and commissions in foreign currencies amounting to RON 24,160 thousand (2023: RON 33,548 thousand) arises from foreign currency securities lending (through an agent).

33. Fees and commissions expense

	lei thousand	
	2024	2023
Fees and commissions expenses:		
– in RON	69	6
– in foreign currencies	9,732	11,178
Total fees and commissions expense	9,801	11,184

The expenses with fees and commissions in amount of RON 9,801 thousand (2023: RON 11,184 thousand), arise mainly from the fees paid for the EUR operations performed through TARGET, the commissions paid for foreign currency securities lending through an agent and from the IMF operations.

34. Net realized gains arising from foreign currencies operations

	lei thousand	
	2024	2023
Income from foreign currency operations		
Income from exchange rate differences	955,236	1,387,774
Dividends on BIS owned shares	19,637	14,839
Total income from foreign currency operations	974,873	1,402,613
Expenses from foreign currency operations		
Expenses from exchange rate differences	(76,477)	(10,938)
Other expenses from foreign currency operations	(2,580)	(2,520)
Total expenses from foreign currency operations	(79,057)	(13,458)
Net realized gains from foreign currency operations	895,816	1,389,155

The income and expenses from exchange rate differences for 2024 and 2023 financial years were generated by the outflows from foreign currencies long positions and were calculated using the average cost method (see Note 2i).

35. Realized gains arising from securities operations

	lei thousand	
	2024	2023
Income from securities operations	184,090	179,888
Expenses from securities operations	(3,199)	(7,020)
Realized gains arising from securities operations	180,891	172,868

The income/expenses represent the market price effect resulting from the sales of securities denominated in foreign currencies, based on the average cost method (see Note 2j).

36. Realized gains/losses arising from precious metals operations

	lei thousand	
	2024	2023
Income from operations with precious metals	1,088	-
Expenses from operations with precious metals	(514)	(436)
Realized gains/losses arising from precious metals operations	574	(436)

Expenses from operations with precious metals represent the fees paid for depositing the gold with a foreign depository.

37. Unrealized losses from revaluation differences

	lei thousand	
	2024	2023
Expenses with unfavorable revaluation differences		
Market value revaluation of foreign currency securities	259,774	260,464
Exchange rate revaluation of foreign currency holdings	1,548,606	2,159,304
Unrealized losses from revaluation differences	1,808,380	2,419,768

Unrealized losses represent the unfavorable differences between the market value of foreign currency securities as at 31 December and their net average cost, as well as the unfavorable differences from foreign currency holdings revaluation using the revaluation exchange rate (see Note 2p).

38. Currency issue expenses

Currency issue expenses include the expenses arising on printing banknotes and minting coins. As at 31 December 2024, these amounted to RON 240,354 thousand (2023: RON 221,373 thousand).

39. Foreign currency risk

The breakdown of the Bank's assets (RON thousand) by currencies as at 31 December 2024 is the following:

	lei thousand						
	RON	EUR	USD	SDR	Gold	Other	Total
Cash and other cash equivalents	41,668	96	106	-	-	-	41,870
Non-monetary gold	-	-	-	-	399,683	-	399,683
Other precious metals and stones	78,387	-	-	-	-	-	78,387
Current account in SDR with the IMF	-	-	-	17,075,856	-	-	17,075,856
Monetary gold	-	-	-	-	41,532,654	-	41,532,654
Demand deposits placed	-	29,633,111	94,058	-	-	17,089,428	46,816,597
Term deposits placed	-	19,896,400	11,942,000	-	-	6,840,644	38,679,044
Placements in foreign currencies	-	-	3,048,458	-	-	-	3,048,458
Securities in foreign currencies	-	107,170,096	56,429,551	-	-	29,376,711	192,976,358
Loans in foreign currencies	-	-	9,458,542	-	-	-	9,458,542
Participating interests in international financial institutions	-	58,330	-	11,418,912	-	-	11,477,242
Other foreign assets Target	-	1,842,824	-	-	-	-	1,842,824
RON securities held for monetary policy purposes	3,039,743	-	-	-	-	-	3,039,743
Loans under litigation	21,787	-	-	-	-	-	21,787
Provisions for credit risk – principal	(21,787)	-	-	-	-	-	(21,787)
Tangible and intangible fixed assets	1,399,712	-	-	-	-	-	1,399,712
Inventories	4,987	-	-	-	-	-	4,987
Participating interests	2,240	859	-	-	-	-	3,099
Settlement account with the State Budget	955,061	-	-	-	-	-	955,061
Accruals and prepaid expenses	79,265	-	-	-	-	-	79,265
Revaluation differences for off-BS sheet accounts	616	-	-	-	-	-	616
Other assets,	110,287	-	-	-	-	-	110,287
<i>out of which:</i>		-	-	-	-	-	
Goods of numismatic, philatelic, historical, cultural and artistic importance	32,225	-	-	-	-	-	32,225
Provisions for doubtful assets	(77,133)	-	-	-	-	-	(77,133)
Accrued interest receivables	64,244	476,487	392,298	94,930	-	284,666	1,312,625
Provisions for credit risk – interest	(6,068)	-	-	-	-	-	(6,068)
Total assets	5,693,009	159,078,203	81,365,013	28,589,698	41,932,337	53,591,449	370,249,709

39. Foreign currency risk (continued)

The breakdown of the Bank's liabilities and equity (RON thousand) by currency as at 31 December 2024 is the following:

	lei thousand						
	RON	EUR	USD	SDR	Gold	Other	Total
Currency in circulation	140,679,099	-	-	-	-	-	140,679,099
Due to international financial institutions	-	-	717	11,308,621	-	-	11,309,338
Demand deposits taken	-	5,589,945	-	-	-	-	5,589,945
Counterpart of special drawing rights allocated by the IMF	-	-	-	16,986,703	-	-	16,986,703
Current accounts of the credit institutions	43,692,928	-	-	-	-	-	43,692,928
Amounts withheld under special arrangements	2,340	-	-	-	-	-	2,340
Deposits of the credit institutions	15,416,325	-	-	-	-	-	15,416,325
Deposits of the financial institutions	6	-	-	-	-	-	6
Foreign currency minimum reserves	-	21,520,955	54,862	-	-	-	21,575,817
Accounts of bankrupt credit institutions	467	-	-	-	-	-	467
Other liabilities of credit institutions Target	-	1,842,824	-	-	-	-	1,842,824
Current account of the State Treasury	31,273	62,177,980	910,577	-	-	1,294,492	64,414,322
Sundry creditors	56,504	-	-	-	-	-	56,504
Salaries and other employees related liabilities	93	-	-	-	-	-	93
Settlement account with the State Budget	17,933	-	-	-	-	-	17,933
Accruals and income collected in advance	252	-	-	-	-	-	252
Other liabilities	2,734	-	-	-	-	-	2,734
Accrued interest payables	6,574	43,355	884	94,311	-	69	145,193
Total liabilities, excluding capital and reserves	199,906,528	91,175,059	967,040	28,389,635	-	1,294,561	321,732,823
Net assets/(net liabilities)*	(194,213,519)	67,903,144	80,397,973	200,063	41,932,337	52,296,888	48,516,886

*) represent the Bank's capital and reserves

39. Foreign currency risk (continued)

The breakdown of the Bank's assets (RON thousand) by currencies as at 31 December 2023 is the following:

	lei thousand						
	RON	EUR	USD	SDR	Gold	Other	Total
Cash and other cash equivalents	42,361	84	94	-	-	-	42,539
Non-monetary gold	-	-	-	-	299,171	-	299,171
Other precious metals and stones	60,016	-	-	-	-	-	60,016
Current account in SDR with the IMF	-	-	-	16,546,760	-	-	16,546,760
Monetary gold	-	-	-	-	30,885,609	-	30,885,609
Demand deposits placed	-	31,154,148	65,758	-	-	17,881,904	49,101,810
Term deposits placed	-	25,345,587	6,743,700	-	-	7,380,878	39,470,165
Placements in foreign currencies	-	-	2,748,413	-	-	-	2,748,413
Securities in foreign currencies	-	122,782,158	23,827,842	-	-	28,976,264	175,586,264
Loans in foreign currencies	-	-	13,173,144	-	-	-	13,173,144
Participating interests in international financial institutions	-	57,127	-	11,071,149	-	-	11,128,276
Other foreign assets Target	-	2,763,656	-	-	-	-	2,763,656
RON securities held for monetary policy purposes	3,968,441	-	-	-	-	-	3,968,441
Loans under litigation	21,787	-	-	-	-	-	21,787
Provisions for credit risk – principal	(21,787)	-	-	-	-	-	(21,787)
Tangible and intangible fixed assets	1,315,080	-	-	-	-	-	1,315,080
Inventories	5,130	-	-	-	-	-	5,130
Participating interests	2,240	473	-	-	-	-	2,713
Settlement account with the State Budget	1,395,470	-	-	-	-	-	1,395,470
Accruals and prepaid expenses	66,153	-	-	-	-	-	66,153
Revaluation differences for off-B/S sheet accounts	2,589	-	-	-	-	-	2,589
Other assets,	102,613	-	-	-	-	-	102,613
<i>out of which:</i>		-	-	-	-	-	
Goods of numismatic, philatelic, historical, cultural and artistic importance	29,477	-	-	-	-	-	29,477
Provisions for doubtful assets	(72,723)	-	-	-	-	-	(72,723)
Accrued interest receivables	86,475	469,179	264,875	114,966	-	271,627	1,207,122
Provisions for credit risk – interest	(6,068)	-	-	-	-	-	(6,068)
Total assets	6,967,777	182,572,412	46,823,826	27,732,875	31,184,780	54,510,673	349,792,343

39. Foreign currency risk (continued)

The breakdown of the Bank's liabilities and equity (RON thousand) by currencies as at 31 December 2023 is the following:

	lei thousand						
	RON	EUR	USD	SDR	Gold	Other	Total
Currency in circulation	123,294,176	-	-	-	-	-	123,294,176
Due to international financial institutions	6,860	-	675	10,964,249	-	-	10,971,784
Demand deposits taken	-	21,603	-	-	-	-	21,603
Counterpart of special drawing rights allocated by the IMF	-	-	-	16,469,422	-	-	16,469,422
Current accounts of the credit institutions	57,442,039	-	-	-	-	-	57,442,039
Amounts withheld under special arrangements	2,752	-	-	-	-	-	2,752
Deposits of the credit institutions	37,540,640	-	-	-	-	-	37,540,640
Deposits of the financial institutions	11	-	-	-	-	-	11
Foreign currency minimum reserves	-	12,550,127	48,773	-	-	-	12,598,900
Accounts of bankrupt credit institutions	943	-	-	-	-	-	943
Other liabilities of credit institutions Target	-	2,763,656	-	-	-	-	2,763,656
Current account of the State Treasury	1,511,338	45,535,903	7,296,898	-	-	39,070	54,383,209
Sundry creditors	68,584	-	-	-	-	-	68,584
Salaries and other employees related liabilities	78	-	-	-	-	-	78
Settlement account with the State Budget	15,412	-	-	-	-	-	15,412
Accruals and income collected in advance	1,166	-	-	-	-	-	1,166
Other liabilities	2,543	-	-	-	-	-	2,543
Accrued interest payables	18,312	45,068	9,065	114,245	-	143	186,833
Total liabilities, excluding capital and reserves	219,904,854	60,916,357	7,355,411	27,547,916	-	39,213	315,763,751
Net assets / (net liabilities)*	(212,937,077)	121,656,055	39,468,415	184,959	31,184,780	54,471,460	34,028,592
*) represent the Bank's capital and reserves							

40. Commitments

As at 31 December 2024 the Bank has in custody the following promissory notes:

- a promissory note issued by the Ministry of Finance in favor of the Multilateral Investment Guarantee Agency amounting to USD 601 thousand – the equivalent of RON 2,869 thousand (31 December 2023: USD 601 thousand – the equivalent of RON 2,700 thousand);
- three promissory notes issued by the Ministry of Finance in favor of the International Development Association (IDA) amounting to RON 16,174 thousand (31 December 2023: RON 16,174 thousand).

41. Profit distribution

In 2024, the Bank recorded a profit amounting to RON 3,842,740 thousand. According to the law, the 80 percent share of the Bank's net revenue amounting to RON 3,074,171 thousand was settled with the state budget. Of the remaining profit (RON 768,569 thousand), 60 percent (RON 461,142 thousand) was allocated for increasing the statutory reserves. The remaining amount of RON 307,427 thousand will be distributed in 2025, according to the law, in the following order for:

- a) the Bank's financing sources for its own investments;
- b) the employees profit-sharing scheme;
- c) the reserves at the Board's disposal.

In 2023, the Bank recorded a profit amounting to RON 2,428,653 thousand. According to the law, the 80 percent share of the Bank's net revenue amounting to RON 1,942,922 thousand was settled with the state budget. Of the remaining profit (RON 485,731 thousand), 60 percent (RON 291,438 thousand) was allocated for increasing the statutory reserves. The remaining amount of RON 194,293 thousand was distributed in 2024 according to the law.

Governor
Mr. Mugur Isărescu

Abbreviations

AML	Anti-Money Laundering
BIS	Bank for International Settlements
CCR	Central Credit Register
CPI	Consumer Price Index
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
EIB	European Investment Bank
ESA	European System of Accounts
ESCB	European System of Central Banks
ESRB	European Systemic Risk Board
EU	European Union
Eurostat	Statistical Office of the European Union
FAO	Food and Agriculture Organisation of the United Nations
FATF	Financial Action Task Force
FSA	Financial Supervisory Authority
GDP	Gross Domestic Product
HICP	Harmonised Index of Consumer Prices
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technology
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IMF	International Monetary Fund
INFE	International Network on Financial Education
IRCC	benchmark index for loans to consumers
MF	Ministry of Finance
MRR	Minimum reserve requirements
NBFI	non-bank financial institution
NCMO	National Committee for Macroprudential Oversight
NIS	National Institute of Statistics
NPL	non-performing loans
OECD	Organisation for Economic Co-operation and Development
OPCOM	Romanian gas and electricity market operator
PIR	Payment Incidents Register
ROBOR	Romanian Interbank Offered Rate
SDR	Special Drawing Rights
SME	small- and medium-sized enterprise
TiVA	Trade in Value Added
ULC	unit labour costs
WB	World Bank

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