

NATIONAL
BANK OF
ROMANIA

Financial Stability Report December 2025

Year X (XX), No. 19 (29)
New series

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NOTES

The *Financial Stability Report* was prepared by the Financial Stability Department under the coordination of Deputy Governor Florin Georgescu.

The team would like to thank the colleagues in the Monetary Policy Department, Economics Department, Statistics Department, Macroeconomic Modelling and Forecasting Department, Supervision Department, Regulation and Licensing Department, International Relations Department, Bank Resolution Department, the Financial Market Infrastructures and Payments Oversight Department and Legal Department for their comments.

The *Report* was examined by the National Bank of Romania Board and approved in its meeting of 9 December 2025.

Factual information was updated based on data available by 27 November 2025.

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ISSN 1843-3251 (print)
ISSN 1843-326X (online)

Contents

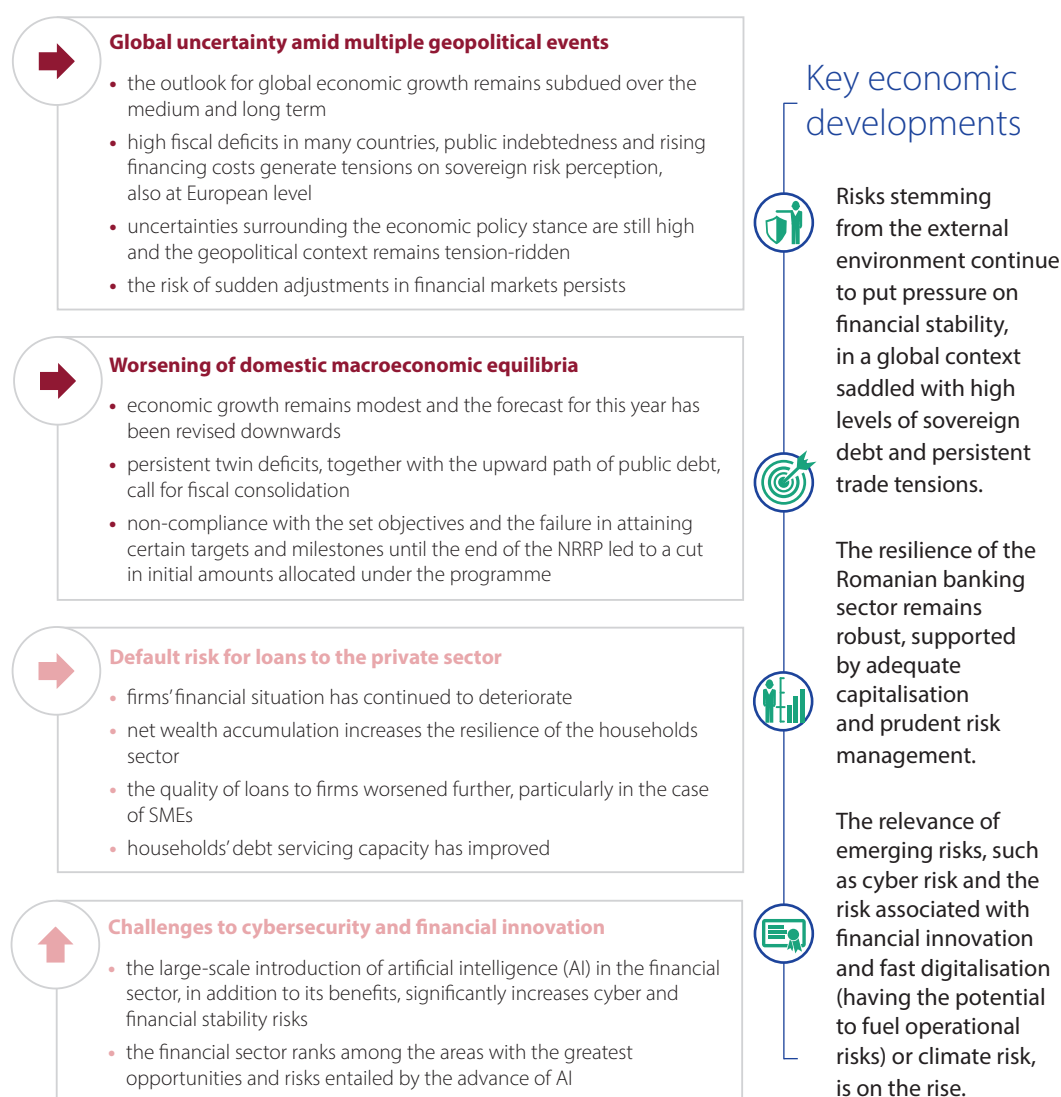
OVERVIEW	5
1. INTERNATIONAL AND DOMESTIC ECONOMIC AND FINANCIAL ENVIRONMENT	18
1.1. International economic and financial development	19
Box 1. Changes in the international monetary system	25
1.2. Domestic macroeconomic developments	29
1.3. Non-financial sector indebtedness	35
 2. REAL SECTOR	 40
2.1. Non-financial corporations	41
2.1.1. Non-financial corporations' economic and financial performance	41
Box 2. Uptake of artificial intelligence technologies in the non-financial corporations sector in Romania	49
2.1.2. Financial discipline of non-financial corporations	52
Box 3. The NCMO working group on government loan guarantee programmes	55
2.2. Households	59
2.2.1. Households' balance sheet and saving behaviour	59
Box 4. Composite indicator of household vulnerabilities	60
Box 5. Household financial inclusion and connectivity in the digital era	63
2.2.2. Households' capacity to service debt	67
Box 6. The role of the Alternative Banking Dispute Resolution Centre (ABDRC) in supporting financial stability	70
2.3. Real estate sector	72
2.3.1. Residential and commercial real estate markets	72
2.3.2. Risks generated by the residential real estate sector and real estate lending to households	77
2.3.3. Risks generated by the commercial real estate sector and mortgage-backed lending to non-financial corporations	81
Box 7. Borrower-based measures for commercial real estate (CRE) exposures	84

3. THE FINANCIAL SECTOR	88
3.1. Banking sector	90
3.1.1. Resilience of the banking sector	90
Box 8. Emerging risks from cyber threats	95
3.1.2. Asset quality	96
3.1.3. Structural adjustments and implications for profitability	99
3.1.4. Interconnection of banks with the government sector and its implications for market risk	103
3.2. Non-bank financial institutions	104
4. FINANCIAL SYSTEM INFRASTRUCTURE – STABILITY OF PAYMENT AND SECURITIES SETTLEMENT SYSTEMS	107
4.1. Stability of payment systems	107
4.2. Securities settlement systems	109
4.3. Operational and security incidents affecting payment services providers	110
4.4. Technological innovation and payment services security	112
5. FINANCIAL STABILITY, REGULATORY FRAMEWORK AND MACROPRUDENTIAL POLICIES	113
5.1. Capital buffers applicable to credit institutions, Romanian legal entities	113
5.2. The activity of the NBR in its capacity as resolution authority	116
Special feature. Interconnectedness between the banking sector and the non-bank financial institutions sector	119
Abbreviations	126
Tables	127
Charts	127

OVERVIEW

Risks to financial stability have remained elevated since the previous *Report*, reflecting the vulnerabilities that accumulated both domestically and globally. Geopolitical uncertainties, unpredictability surrounding trade policy developments and high asset valuations in some segments of capital markets continue to fuel a volatile environment that may send disruptive effects to the economy and financial markets. The resilience of the Romanian banking sector remains robust, being underpinned by adequate capitalisation and prudent risk management.

Figure 1. Main risks to financial stability in Romania



■ severe systemic risk, ■ high systemic risk, ■ moderate systemic risk, ■ low systemic risk

Note: The colour of arrows shows risk intensity. Their direction indicates the outlook for risk in the period ahead.

On the external front, risks to financial stability are still high. While progress on trade relations, including those between the US and the EU and China, respectively, and the efforts to unwind the situation in the Middle East are positive developments, uncertainty about the economic policy stance remains elevated internationally and the geopolitical context is still plagued by tensions. Global economic activity has proved resilient, as the effects of the expansion in trade protectionism have been relatively contained so far, *inter alia* as a result of the frontloading of imports before the new tariffs were introduced, yet the outlook for growth remains subdued over the medium and long term, and the balance of risks is tilted to the downside.

The persistently elevated fiscal deficits at international level, together with high public indebtedness and rising financing costs, continue to fuel tensions related to sovereign risk perceptions, also in some European economies. Nevertheless, investor sentiment on global financial markets remained positive, supporting the ongoing uptrend in prices of higher-risk assets from already high levels, as well as maintaining rather low volatility both from a historical perspective and in light of the present macroeconomic and geopolitical context.

On the domestic front, recent developments point to a further relatively sluggish pace of economic activity (0.3 percent in 2025 Q2, in annual terms), in an environment marked by persistent uncertainties both internationally and domestically, *inter alia* amid the lengthy budget consolidation process and the still high twin deficits, i.e. the fiscal and current account deficits. In 2025 Q3, according to estimates¹, the local economy grew by 1.6 percent, marginally lower than the dynamics recorded in the same year-ago period (1.7 percent in 2024 Q3, in annual terms). The economic growth projections for this year were revised downwards, ranging from 0.7 percent (European Commission estimate, November 2025) to 1 percent (IMF estimate, October 2025). Further implementation of reforms and fiscal consolidation would put the fiscal deficit on a path compatible with meeting the targets agreed for the coming years and with stabilising public debt dynamics.

The persistence of high twin deficits continues to be one of the main systemic risks at national level. Further to the package enacted in December 2024, the implementation of the fiscal measures adopted in July 2025², alongside the pending initiatives for the budget consolidation that has commenced in 2025, is anticipated to take some pressure off the twin deficits, but also to weigh on domestic aggregate demand, in a context where economic growth remains subdued from a historical perspective.

In the first nine months of 2025, the cash-based budget execution posted a deficit of lei 102.5 billion, i.e. approximately 5.4 percent of GDP, similarly to the deficit in the same year-ago period. The fiscal package implemented in July is expected to have a rather modest impact on the full-year deficit, but stronger effects are foreseen as from 2026. Against this background, the September budget revision sets a deficit

¹ NIS Press Release No. 290/14 November 2025 (Romanian only)

² The main measures of the fiscal package adopted in July 2025 are aimed both at raising budget revenues, by increasing the standard VAT rate and the excise duties on motor fuels, alcohol and tobacco, enlarging the tax base by introducing a 10 percent health insurance contribution applied to pensions upwards of lei 3,000/month, raising the taxes on dividends and bank incomes and at containing public spending, also by further freezing public-sector wages and pensions in 2026. For further details, see Law No. 141/2025 on certain fiscal and budgetary measures.

target of 8.4 percent of GDP for 2025. Over the medium term, the deficit is seen to narrow gradually, in line with the excessive deficit procedure commitments and the *National Medium-Term Fiscal-Structural Plan* agreed with the European Commission. However, the future evolution of the deficit is still saddled with significant uncertainties, stemming from both domestic factors – *inter alia* implementation risks and past slippages from budget targets – and external factors, associated with the international macroeconomic and geopolitical developments, with possible implications for government revenues and expenditures, defence spending included.

Fiscal consolidation remains of the essence also for ensuring a sustainable path of public debt, which was stuck to the steep uptrend that it had embarked upon during the pandemic, reaching 57.2 percent of GDP at mid-2025 (up 6.1 percentage points from the same year-ago period; ESA methodology). Moreover, in order to prevent the confidence of investors and rating agencies from eroding, and thus to preclude a potential rise in the sovereign risk premium, the volatility of capital flows and the pressure on the exchange rate, with a direct impact on financial stability as a whole, fiscal consolidation must remain a national priority.

The fiscal adjustment can also help alleviate the pressures on the persistent external imbalance, given that the previous years' expansionary fiscal policy was a major driver of the current account deficit widening by boosting household incomes and pushing domestic demand above the response capacity of domestic supply.

Under the circumstances, a high EU funds absorption rate can play a major part in meeting financing requirements, beyond the broader contribution of these funds to economic growth. Romania initially benefited from a financial allocation of EUR 28.5 billion (loans and grants) under the Recovery and Resilience Facility, as well as from EUR 31 billion in cohesion policy funds. Overall, the funds allocated under the two mechanisms account for more than 15 percent of Romania's GDP. Nevertheless, the delays in the implementation of the targets and milestones set under the National Recovery and Resilience Plan (NRRP) had a negative impact on the absorption pace of the allocated amounts, with only EUR 10.7 billion being collected (November 2025), i.e. less than 40 percent of the initially allocated amount.

Because of non-compliance with the stated objectives and the impossibility of achieving some targets and milestones by the end of the programme, the European Commission approved in October the revision of NRRP allocations to Romania by removing the projects "most at risk of not being completed", switching some investments from the loan component to the grant component and making other cost-related changes. The updated plan has brought the allocation down to EUR 21.41 billion, of which grants further amount to approximately EUR 13.57 billion, while the value of loans fell to EUR 7.84 billion. The reduced capacity to collect the allocated amounts translates into a considerable loss of funding opportunities, the more so as the programme ends in August 2026 and the unused amounts will create a shortfall difficult to cover by resorting to other instruments. In addition, the areas targeted by these investments, such as transport infrastructure, the energy sector and digital transformation, are strategically important for the country's long-term economic growth.

The capacity of households and firms to repay their debts is largely contingent on their financial soundness. At present, contrasting trends take shape between the two segments of the real sector.

The household sector is in the low-risk area in terms of vulnerabilities, supported by a sustainable level of indebtedness, also amid the borrower-based macroprudential measures that were implemented by the National Bank of Romania. At the same time, the accumulation of net wealth increases households' resilience, providing an important buffer in the event of adverse shocks affecting incomes or general economic conditions. Net wealth continued to rise (up 7.9 percent in June 2025, in annual terms), doubling its value compared to the pre-pandemic period. Looking ahead, vulnerabilities could be amplified by the slowdown in real disposable income growth amid high inflation and as a result of fiscal consolidation measures, as well as by developments in economic activity.

In 2024, non-financial corporations in Romania faced multiple challenges. The primary issue to be managed was the increase in costs (up 5.4 percent in annual terms), especially personnel costs (up 12.9 percent), whereas turnover grew by 4.4 percent. Companies viewed fiscal or regulatory issues applicable to firms as the second most pressing category of challenges, according to an NBR-led survey. Respondents stated that access to funding remained a minor challenge. Moreover, in addition to the economic situation at national level, firms in Romania reported that the sector-specific economic situation also weighed on their activity.

Against this background, the overall financial health measure of the non-financial corporations sector deteriorated slightly in 2024, but it remained outside the risk area. The breakdown shows that the financial health measure decreased for both SMEs and large companies, while staying comfortably above the risk area for each segment as well. At sectoral level, a number of economic sectors have remained in or have entered the risk area (i.e. agriculture and real estate in the former case and utilities in the latter). The financial health of firms that took loans continues to be better than that of companies without bank loans and above the risk area, albeit slightly worsening, similarly to the developments at aggregate level.

The profitability of the non-financial corporations sector stayed significantly in positive territory in 2024, yet on the wane, the aggregate net result being 4.5 percent lower year on year at lei 163 billion. The substantial profits made over the past five years (lei 783 billion in 2020-2024) also call for their use to consolidate firms' balance sheets via reinvestment of profits, with a view to strengthening their capacity to manage less favourable situations. Increasing resilience is all the more important for the companies facing structural vulnerabilities (for further details, see Section 2.1.1).

Persistent losses remain a vulnerability of non-financial corporations on the aggregate and one of the root causes leading to their undercapitalisation. Out of the 305 thousand loss-making firms in 2024, approximately 26 percent (80 thousand) incurred losses in each of the last three years. In addition, 4 percent of loss-making firms in 2024 (13 thousand) incurred losses in each of the past eight years.

The weak payment discipline in the economy is targeted by a number of measures concerning the activity of firms in Romania, which were incorporated into a draft law³ that the government presented in Parliament as a matter of confidence in September 2025. The most important measures include: (i) capital requirements differentiated by the firm's turnover (lei 500 for companies with turnover lower than lei 400 thousand and lei 5,000 for turnover above this threshold), (ii) the obligation to hold a payment account in Romania, (iii) provisions on inactive companies and their dissolution, (iv) limitation of deductibility of expenses with affiliates, and (v) the possibility to assign shares of a limited liability company only provided that it meets its outstanding tax obligations. The financing structure of firms in Romania did not change substantially against 2023, remaining a source of vulnerability for many of them. Trade debt continues to play a central part in corporate financing, accounting for the second largest component of liabilities and owners' equity (lei 465.8 billion, or 17.4 percent), after equity. Even though trade credit can support firms in managing cash flows and liquidity over the short term, it is generally costlier and riskier than bank financing⁴. In addition, total liabilities to shareholders and affiliated entities amounted to lei 324.4 billion (9 percent of total liabilities and owners' equity). The volume of loans from shareholders and affiliates has remained, for more than a decade, higher than the volume of bank loans granted to companies in Romania. This is one of the causes of Romania posting the lowest level of financial intermediation compared to the rest of the EU Member States. The loans taken from local financial institutions (banks and NBFIs) further account for a small share of total funding sources, i.e. 8.8 percent, the same as in 2023.

The divergent trend in the debt servicing capacity observed in the past for non-financial corporations and households has persisted since the previous *Report*. On the one hand, the quality of bank loans to households continued to improve, with the non-performing loan ratio dropping to 2.85 percent in September 2025 (down 0.4 percentage points from September 2024). Conversely, the payment discipline of non-financial corporations worsened, with the NPL ratio reaching 5.1 percent in September 2025, against 3.8 percent in the same year-ago period.

Some lending segments continue to face greater risks. One of them comprises government guaranteed loans granted by banks to non-financial corporations. The national loan guarantee programmes launched since 2020 have generated an extensive portfolio of loans accessed by firms that are diverse in terms of size, age, location and business activity. Given that the quality of loan recipients was not a central criterion, as the term of these portfolios progressed, asset quality deterioration risks have materialised. In 2024, the financial discipline of non-financial corporations weakened amid economic uncertainties, also affecting the quality of bank loans, i.e. the NPL ratio for the government-backed loans to firms rose to 9 percent in September 2025 (up 5.1 percentage points over the past 12 months). The Analysis of

³ Law on measures for the recovery and efficient use of public resources, amending and supplementing some legal acts (PL-x No. 246/2025). The law was sent for promulgation but, following a constitutional challenge, the Constitutional Court of Romania found that certain provisions are unconstitutional (Constitutional Court Decision No. 481/2025) and sent it back to Parliament.

⁴ For further details, see the Special feature in the *Financial Stability Report*, June 2024.

the NCMO Working Group on government loan guarantee programmes⁵ highlights the need for the authorities to gear guarantee schemes towards investments and strategic sectors with a view to ensuring both a stronger economic impact and an optimal use of public resources (for further details, see Box 3).

Other riskier lending segments refer to: loans to SMEs (an NPL ratio of 6.1 percent versus 3.2 percent for large companies, September 2025), exposures to the commercial real estate market (an NPL ratio of 5.7 percent, September 2025) and consumer loans to households (an NPL ratio of 4.7 percent against 1.5 percent for housing loans, September 2025).

Geopolitical and trade-related developments maintain an elevated degree of uncertainty regarding the repayment capacity of households and firms alike, by heightening the risks to macroeconomic equilibria and financial soundness of the real sector. Starting from the data in the baseline macroeconomic scenario, the outlook is mixed. On the one hand, the average probability of default is estimated to rise for the loans to non-financial corporations from 3.2 percent in September 2025 to 4 percent in September 2026, while in the household segment it is expected to see a slight deterioration for consumer loans (from 2.9 percent in September 2025 to 3.2 percent in September 2026). On the other hand, for the loans to households for house and land purchase, the probability of default is projected to stay flat at 0.2 percent over the same time horizon.

The year 2024 was characterised by an increasing number of cyber threats to Romania's civil space, highlighting a digital context marked by volatility and uncertainty. The banking sector in Romania was targeted by multiple DDoS (Distributed Denial-of-Service) cyberattacks, aimed at disrupting online services, but banks managed to contain the impact and strengthen their cybersecurity. In the same year, cybersecurity came under significant pressure nationwide: computer fraud increased by approximately 40 percent year on year and malware, or "malicious software", rose by almost 287 percent. At the same time, more than 27 million cybersecurity events were reported, reflecting the scale and diversity of threats⁶. The National Cyber Security Directorate (DNSC) assesses the level of cyber threats in Romania as high.

The financial sector counts among the areas with the greatest opportunities and risks entailed by the advance of artificial intelligence (AI), due to the sizeable share of complex cognitive tasks and its high data dependency. Artificial intelligence drastically changes the financial sector, providing significant opportunities for increasing efficiency and cutting costs in many areas⁷. Turning to payment systems, AI enables the swift processing of large volumes of transaction data, fraud detection and compliance with Anti-Money Laundering (AML) regulations. Additionally, in the field of lending, AI tools can assess debt servicing capacity, and in insurance AI can support risk assessment, premium setting and application processing, including via

⁵ Analysis of the NCMO Working Group on government loan guarantee programmes (Romanian only)

⁶ National Cyber Security Directorate, *Annual Report, 2024* (Romanian only)

⁷ *Annual Economic Report*, BIS, 2024

automated image and document analysis. Overall, AI enables financial institutions to identify complex patterns in seemingly unstructured data, thus enhancing efficiency and mitigating operational risk.

Nonetheless, the widespread adoption of artificial intelligence across the financial sector significantly heightens cyber and financial stability risks. AI-enabled systems may be vulnerable to manipulation, compromise or abuse of data, which may weigh on the integrity and functioning of the financial infrastructure.

Banking sector

The Romanian banking sector's resilience to potential shocks stemming from the challenging macroeconomic environment and the uncertainty-ridden geopolitical context remains adequate, as highlighted by the results of the latest solvency stress tests conducted periodically. The capital and liquidity buffers ensure a good capacity for addressing financial risks, but challenges and vulnerabilities require the adoption of a prudent stance.

The main financial soundness indicators are in the EBA-defined low-risk bucket in terms of solvency (total capital ratio: 23.9 percent, September 2025), liquidity (liquidity coverage ratio: 240.1 percent and net stable funding ratio: 190.5 percent, September 2025), asset quality (NPL coverage by provisions: 65.1 percent and NPL ratio: 2.9 percent, September 2025), profitability (ROE: 18.4 percent and ROA: 1.7 percent, September 2025), as well as of operational efficiency (48.1 percent, September 2025). The banking sector's performance is similar to or above the EU average for most categories of financial and prudential indicators. Profitability is a key pillar for preserving banking sector stability, but the specific indicators remain at levels significantly lower than those recorded in the real sector. The increase in the turnover tax in the context of fiscal consolidation measures has a manageable impact at bank level, yet it affects the operational efficiency. Lending to the real sector holds significant but still untapped potential, as also shown by the below par loan-to-deposit ratio seen over the past decade.

The new CRR III/CRD VI prudential framework has not entailed significant changes in total risk-weighted assets since it was implemented in Romania in January 2025. Specifically, in March 2025, credit risk-weighted assets posted a 1.5 percent increase that was offset by the decline in capital requirements for operational risk.

While the banking sector indicators paint an overall positive picture, there are several lingering challenges to banking sector stability: (i) a worsening trend in asset quality, in an uncertain macroeconomic environment marked by structural imbalances; (ii) a strong link with the government sector, which is at the highest level among EU countries; (iii) an increased relevance of emerging risks, such as cyber threats – associated with financial innovation and fast-paced digitalisation, based also on artificial intelligence solutions, which could amplify operational risks – or climate risks.

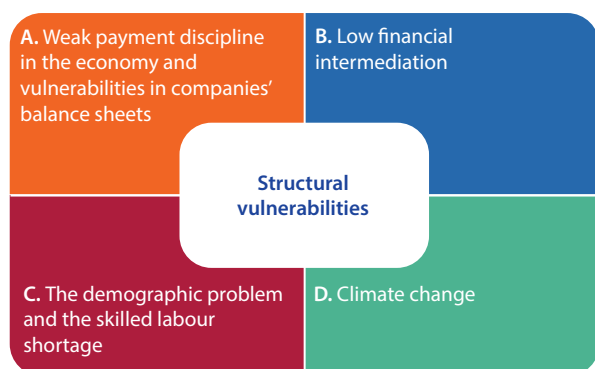
Table 1. Risk indicators for the banking sector

Risk indicators	EBA-defined prudential range								EU average
		2019	2020	2021	2022	2023	2024	Sep. 2025	2025 Q2
Solvency									
Tier 1 capital ratio	>15% [12%-15%] <12%	20.1	23.2	20.9	20.5	20.7	22.2	21.5	17.8
CET1 capital ratio	>14% [11%-14%] <11%	20.0	23.1	20.8	20.0	20.2	21.7	20.5	16.3
Total capital ratio		22.0	25.1	23.3	23.4	23.6	24.9	23.9	20.4
Leverage ratio	>8% [5%-8%] <5%	10.2	10.3	8.6	8.5	8.1	8.6	8.7	5.9
Asset quality									
Non-performing loan ratio	<3% [3%-8%] >8%	4.1	3.8	3.4	2.7	2.4	2.5	2.9	1.8
Non-performing loan coverage by provisions	>55% [40%-55%] <40%	60.8	63.3	66.1	65.5	64.6	66.0	65.1	41.7
Ratio of restructured loans and advances	<1.5% [1.5%-4%] >4%	2.5	2.4	2.6	2.0	1.6	1.4	1.4	1.4
Profitability									
ROA		1.3	1.0	1.4	1.5	1.8	1.7	1.7	0.7
ROE	>10% [6%-10%] <6%	12.2	8.7	13.3	16.4	20.1	18.4	18.4	10.7
Cost-to-income ratio	<50% [50%-60%] >60%	54.3	53.8	53.9	52.1	47.6	50.8	48.1	52.4
Balance sheet									
Loan-to-deposit ratio for households and non-financial corporations	<100% [100%-150%] >150%	69.5	63.6	64.0	65.7	61.0	62.4	65.3	106.4
Liquidity coverage ratio – LCR	>140% [110%-140%] <110%	242.6	292.5	238.8	209.2	280.6	254.7	240.1	161.6
Net stable funding ratio, NSFR					177.0	193.6	197.2	190.5	127.7
best bucket intermediate bucket worst bucket									
Source: NBR, EBA									

Structural vulnerabilities

Cyclical and structural vulnerabilities are strongly interconnected, reinforcing each other during times of tensions in the macroeconomic environment. As a result, the macroprudential policy treats them as complementary elements of the same risk profile, underscoring the need for integrated policies aimed at mitigating the build-up of cyclical risks and, simultaneously, at reducing the underlying rigidities and weaknesses, Figure 2.

Figure 2. Map of structural vulnerabilities to financial stability in Romania



A. Undercapitalised companies are a significant structural vulnerability in the Romanian economy, as they have weak financial bases and therefore are unable to withstand economic shocks or make long-term investments. These firms have a high insolvency risk and can be used for tax evasion or fiscal optimisation purposes, affecting the business environment, budget revenue collection and financial stability.

According to 2024 data, approximately one third of total firms in the economy (282.1 thousand) have equity below the regulatory threshold, the share being on a slight rise from the year before (31.3 percent in 2023). These companies play an important part in terms of debt creation (holding 27 percent of the sector's total debt), but also account for a material share of total assets (11 percent) and contribute to the employment of a significant part of labour force (12 percent of employees in the economy). The recapitalisation needs of firms with capital shortfalls amount to lei 160.5 billion (2024), the equivalent of over 9 percent of GDP and approximately equal to the aggregate net profit of firms in 2024 (lei 166.6 billion).

Undercapitalised companies can have a disruptive role in the business relations of firms in the economy, both downstream (for customers) and upstream (for suppliers).

In the course of 2024, they were engaged in more than 15.2 million transactions in the downstream supply chain (out of 615.2 million reported transactions), with total sales of lei 128.8 billion (accounting for 6.7 percent of total goods and services sold at national level⁸). Undercapitalised companies can hold significant shares in specific downstream sectors, the most relevant being: (i) information and communications (33 percent of total sales to this segment), (ii) cultural activities (20 percent), (iii) real estate transactions (18 percent) and (iv) electricity and gas (17 percent).

Undercapitalised companies are also an important link for a number of sectors in the upstream supply chain. In 2024, firms with capital shortfalls purchased, in over 7.4 million transactions with upstream businesses (out of 90.6 million reported transactions), goods and services in total amount of lei 79.8 billion (accounting for 4.8 percent of total goods and services supplied at national level⁸). Undercapitalised

⁸ According to the information reported in Form 394

companies can hold significant shares in the total purchases made from specific supplier sectors, the most relevant being: (i) information and communications (19.4 percent of total sales of this segment), (ii) goods- and service-producing activities of private households for own use (13 percent), (iii) cultural activities (12.9 percent), (iv) accommodation and food service activities (10.2 percent) or (v) real estate transactions (8.5 percent).

Undercapitalised companies are a main factor behind the worsening of payment discipline in the economy, as they account for approximately 56 percent of total overdue payments of firms. Moreover, they hold 50.6 percent of overdue payments to suppliers and 69.6 percent of overdue payments to the general government budget.

The issues in firms' balance sheets also reflect in the loose payment discipline in the economy, as the volume of overdue payments of non-financial corporations in Romania to non-banks remained on an upward trend, increasing by 3.2 percent in annual terms in 2024. At the same time, the average payables payment period rose to 83 days (from 78 days in 2023 and 71 days in 2022), translating into a longer receivables collection period, i.e. 93 days (from 86 days in 2023 and 84 days in 2022), well above the maximum period of 60 days established by law. The prevalence of trade credit as a funding source for non-financial corporations in Romania (approximately 17.4 percent of liabilities and owners' equity versus an 8.8 percent share for loans from banks and NBFIs, 2024) is correlated with the long payables payment and receivables collection periods, amplifying the vulnerabilities to liquidity and solvency risks. In this context, insolvency has remained relatively unchanged since the beginning of the year (24.3 thousand firms, September 2025 data), but the number of companies undergoing insolvency proceedings declined by about 7 percent as compared to the pandemic period (26.2 thousand firms, September 2020 data).

The National Committee for Macroprudential Oversight (NCMO) has issued since 2018 recommendations⁹ aimed at reducing vulnerabilities in companies' balance sheets, particularly for the purpose of improving the corporate insolvency framework and addressing the situation of firms with equity below the regulatory threshold. Some recommendations were transposed into the package of fiscal measures adopted by the government in September 2025¹⁰. One of the important measures is aimed at reducing the number of firms with negative equity, by amending Law No. 31/1990 on commercial companies in order to enable the easier debt-for-equity swap and put in place new requirements to increase the share capital when net assets fall below the regulatory threshold. These measures, alongside regulations on firms' inactivity, can contribute to eliminating the companies used for fiscal optimisation and tax evasion purposes, thus strengthening the financial soundness of the business environment in Romania. The adequate implementation of the new legal provisions can support the increase in budget revenue collection, reduce the informal economy and, implicitly, correct the fiscal deficit. In addition, the proposed measures can stimulate financial

⁹ NCMO Recommendation No. R/2/2018 on implementing some measures related to firms' financial soundness

¹⁰ Law on measures for the recovery and efficient use of public resources, amending and supplementing some legal acts (PL-x No. 246/2025)

intermediation – which is at the lowest level among EU countries – and facilitate the access to finance by boosting the number of bankable companies.

B. Low financial intermediation represents a significant structural vulnerability, with direct implications for the economy's capacity to support investments for sustainable development. Romania further ranks last among EU Member States in terms of bank assets-to-GDP ratio (49.7 percent in 2025 Q2 versus the EU average of 210.4 percent), well behind peer countries in the region (Poland 96 percent, Bulgaria 96.4 percent, Hungary 108.3 percent)¹¹.

The low degree of financial intermediation is correlated with a modest level of financial inclusion, which affects disproportionately the vulnerable categories, i.e. low-income individuals, with lower education or living in rural areas. Even though the degree of financial inclusion has risen in recent years, Romania still stands below the European average, with significant gaps among various socio-demographic groups (see Box 5).

C. Romania is facing a double structural challenge: the demographic decline and the increasingly visible skilled labour shortage. The drop in the birth rate, the long-lasting migration and the active population ageing lead to a significant reduction in human resources available in the labour market.

The demographic problem remains pressing, with the population on a steady decline (-0.5 percent¹² on 1 July 2025 in annual terms). The demographic ageing trend has steepened, so that the number of the elderly (aged 65 and above) is 35.4 percent larger than that of the young (0-14 years). As a counterweight to these adverse demographic developments, migration dynamics recorded a favourable performance, with Romania witnessing positive net migration as of 2022, which marked the first trend reversal after almost two decades of negative net migration¹³. Even though the balance of international migration was positive in 2024, with the number of immigrants exceeding that of emigrants by 58.8 thousand, this failed to make up for the negative natural change of population (-102 thousand people, according to 1 January 2025 data). Romania ranks topmost in the EU as regards the share of immigrants with Romanian citizenship, accounting for 57.8 percent of total immigrants (data for 2023)¹⁴. Personal remittances to Romania are further high, confirming their major importance for household income and for the country's external balance. However, workers' remittances have declined slightly as of late (-8.9 percent in the period from 2024 Q3 to 2025 Q2, in annual terms), especially those coming from Germany (-16.7 percent) and Italy (-14.6 percent), possibly amid economic changes or the relocation of part of the Romanian workers. This might also point to a returning trend of Romanians established abroad, either temporarily or definitively, marking a shift in the population migration dynamics.

¹¹ Real sector credit-to-GDP ratio was 26.7 percent in 2025 Q2, which also places Romania last in the EU, behind neighbouring countries (Poland 37.4 percent, Bulgaria 56 percent, Czechia 58.6 percent and Hungary 35 percent, according to Financial Accounts data).

¹² Data refer to population by residence, according to NIS Press Release No. 275 of 28 October 2025 (Romanian only)

¹³ OECD (2025), *OECD Reviews of Labour Market and Social Policies: Romania 2025*

¹⁴ Migration to and from the EU, Eurostat

In parallel, the education and the professional training systems need to adapt to the skills required by an economy undergoing technological transformation. From this perspective, the low employment rate and the modest level of education of the young in Romania represent major challenges. In 2024, almost one out of five persons aged 15-29 was neither in employment nor in education and training¹⁵. Moreover, the employment rate of recent graduates in the EU was 82.3 percent, yet Romania stood below this average, with only 75 percent¹⁶, one of the lowest levels in the Union, alongside Italy (69.6 percent) and Greece (73.2 percent), indicating the need for better correlation between the education system and the labour market. Differences largely reflect the education level and the relevance of acquired skills relative to labour market requirements. In addition, lifelong learning is essential for preserving a competitive workforce, yet adult participation in continuing education remains low, i.e. 8.9 percent, below the EU average of 13.5 percent (2024).

D. Climate change is equally a source of major opportunities, but also significant risks for Romania. In the period from 1900 to 2021, Romania was confronted with more than 100 catastrophic events (including 53 floods, 11 earthquakes, 20 extreme temperature events and two major droughts), which impacted over 2 million people, caused nearly 5,000 deaths and generated losses and damages in excess of USD 17.2 billion¹⁷. Risks and potential damages from flooding and seismic events are on the upside, due to climate change and the infrastructure requiring modernisation and consolidation works. The government liability from losses in the event of a major disaster could exceed 0.4 percent of GDP, given the vulnerability of the residential building stock (estimated to account for more than 50 percent of potential losses) and of public assets. Against this background, investments channelled to energy-efficient and sustainable projects can significantly contribute to mitigating infrastructure vulnerability in the face of climate change and natural catastrophes. Thus, earmarking financial resources for sustainable projects not only protects the environment, but also consolidates the safety of communities, ensuring long-term economic development and better adjustment to the new climate conditions.

Special feature

The non-bank financial sector dynamics and the stronger nexus with the banking sector are a rising concern globally, especially given that non-bank institutions are more vulnerable to the elevated uncertainty surrounding macroeconomic and geopolitical developments.

In Romania, non-bank financial institutions (NBFIs) make up one of the most important components of the non-bank financial sector, with the closest ties to the banking sector.

There are various channels for the pass-through of risks, implying both a direct impact materialised in bank exposure to the non-bank financial sector and capital

¹⁵ Young persons neither in employment nor in education and training by labour status (NEET rates)

¹⁶ Employment rates of recent graduates, Eurostat

¹⁷ World Bank, Systematic country diagnostic update - Romania

and liquidity impacts on credit institutions, in the event of a massive withdrawal of NBFIs commitments. The only segment exhibiting a significant connection from the perspective of both assets and liabilities is that of NBFIs.

The level of banking sector exposures to NBFIs witnessed a sizeable advance, largely on account of the increase in lending, particularly in the period from December 2021 to June 2025. In June 2025, the annual growth rate of bank loans to NBFIs was 12.8 percent, slightly below the 13.3 percent dynamics of the overall portfolio of private sector credit. Exposure to NBFIs via the credit channel is concentrated in five banks jointly accounting for 88 percent of the total stock of bank loans to NBFIs entities (June 2025). From the NBFIs perspective, 10 entities benefited to the largest extent from the rise in bank loans (92 percent of bank credit to NBFIs, June 2025). According to the analysis, banks did not increase the exposure to NBFIs in order to engage in regulatory arbitrage of capital requirements, but for meeting these entities' funding needs, as leasing activities developed, and for the partial substitution of external funding.

Even though, at present, the risks associated with this interlinkage are still low, their evolution warrants close monitoring, given the potential strengthening of the nexus between the banking sector and NBFIs, amid the expansion of the latter's activity and the wide share of foreign currency financing.

1. INTERNATIONAL AND DOMESTIC ECONOMIC AND FINANCIAL ENVIRONMENT

On the external front, risks to financial stability are still high. While progress on trade relations, including those between the US and the EU and China, respectively, and the efforts to unwind the situation in the Middle East are positive developments, uncertainty about the economic policy stance remains elevated internationally and the geopolitical context is still plagued by tensions. Global economic activity has proved resilient, as the effects of the expansion in trade protectionism have been relatively contained so far, *inter alia* as a result of the frontloading of imports before the new tariffs were introduced. The outlook for growth remains subdued over the medium and long term, and the balance of risks is tilted to the downside.

The persistently elevated fiscal deficits at international level, together with high public indebtedness and rising financing costs, continue to fuel tensions related to sovereign risk perceptions, also in some European economies. Nevertheless, investor sentiment on global financial markets remained positive, supporting the ongoing uptrend in prices of higher-risk assets from already high levels, as well as maintaining rather low volatility both from a historical perspective and in light of the present macroeconomic and geopolitical context. Thus, the main risks to financial stability worldwide remain similar to those highlighted in the previous *Report*, pertaining, on the one hand, to the risk of price corrections in international capital markets, potentially exacerbated by forced sales under financial stress, and, on the other hand, to the vulnerabilities related to public debt sustainability in the current context.

On the domestic front, recent developments point to a further relatively sluggish pace of economic activity (0.3 percent in 2025 Q2 in annual terms), in an environment marked by persistent uncertainties both internationally and domestically, *inter alia* amid the lengthy budget consolidation process and the still high twin deficits, i.e. the fiscal and current account deficits. Further implementation of reforms and fiscal consolidation are likely to support the gradual resumption of economic growth in the period ahead on a more sustainable basis.

The persistence of twin deficits continues to be one of the main systemic risks at national level. Further to the package enacted in December 2024, the implementation of the fiscal measures adopted in July 2025, alongside the pending initiatives, is anticipated to take some pressure off the twin deficits, but also to weigh on domestic aggregate demand, in a context where economic growth remains subdued from a historical perspective. Under the circumstances, a high EU funds absorption rate can play a major part in meeting financing requirements, beyond the broader contribution of these funds to economic growth. Romania initially benefited from

a financial allocation of EUR 28.5 billion (loans and grants) under the Recovery and Resilience Facility, as well as from EUR 31 billion in cohesion policy funds. Overall, the funds allocated under the two mechanisms account for more than 16 percent of Romania's GDP. Nevertheless, the delays in the implementation of the targets and milestones set under the National Recovery and Resilience Plan (NRRP) had a negative impact on the absorption pace of the allocated amounts, with only EUR 10.7 billion being collected (November 2025), i.e. less than 40 percent of the initially allocated amount.

Because of non-compliance with the stated objectives and the impossibility of achieving some targets and milestones by the end of the programme, the European Commission approved in October the revision of NRRP allocations to Romania by removing the projects "most at risk of not being completed", switching some investments from the loan component to the grant component and making other cost-related changes. The updated plan has brought the allocation down to EUR 21.41 billion, of which grants further amount to approximately EUR 13.57 billion, while the value of loans fell to EUR 7.84 billion. The reduced capacity to collect the allocated amounts translates into a considerable loss of funding opportunities, the more so as the programme ends in August 2026 and the unused amounts will create a shortfall difficult to cover by resorting to other instruments. In addition, the areas targeted by these investments, such as transport infrastructure, the energy sector and digital transformation, are strategically important for the country's long-term economic growth.

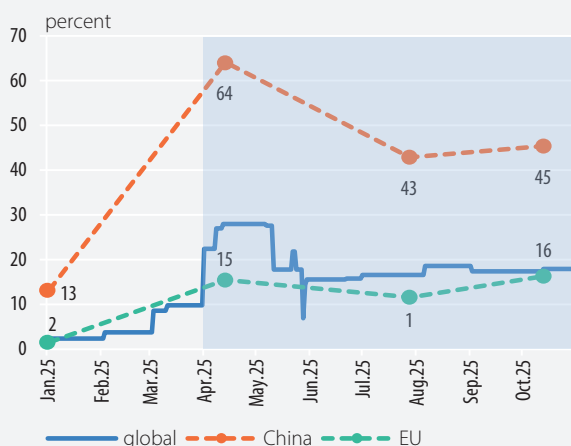
1.1. International economic and financial development

Risks to financial stability from external sources have remained high. While progress on trade relations, including those between the US and the EU and China, respectively, and the efforts to unwind the situation in the Middle East are positive developments, uncertainty about the economic policy stance remains elevated internationally and the geopolitical context is still plagued by tensions, particularly in Europe, amid the ongoing war in Ukraine (Charts 1.1 and 1.2). Global economic activity has proved resilient, as the effects of the expansion in trade protectionism have been relatively contained so far, yet the outlook for growth remains subdued over the medium and long term.

The elevated fiscal deficits at international level, together with high public indebtedness and rising financing costs, continue to fuel tensions related to sovereign risk perceptions, also in some European economies. Nevertheless, investor sentiment on global financial markets remained positive, supporting the ongoing uptrend in prices of higher-risk assets from already high levels, as well as maintaining rather low volatility both from a historical perspective and in light of the present macroeconomic and geopolitical context. Thus, the main risks to financial stability worldwide remain similar to those highlighted in the previous *Report*, pertaining, on the one hand, to the risk of price corrections in international capital markets and, on the other hand, to the vulnerabilities related to public debt sustainability in the current context. At the same time, non-bank financial institutions have strengthened their role in global financial

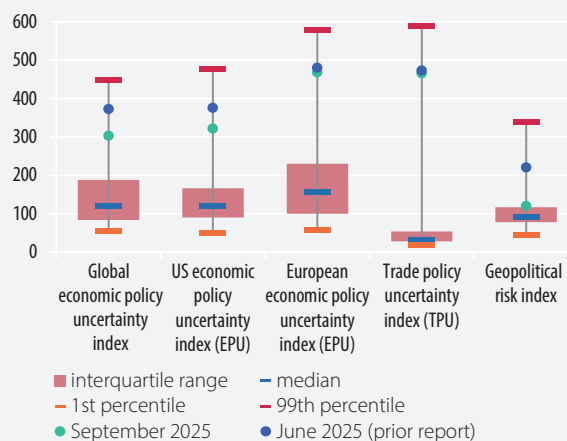
intermediation, as well as the linkages with the banking sector, which may heighten the risk of contagion and the increase in volatility under conditions of financial stress¹⁸.

Chart 1.1. U.S. average effective tariff rate (worldwide, for the EU and China)



Source: Yale Budget Lab, IMF (*World Economic Outlook*, October 2025)

Chart 1.2. Economic policy uncertainty and geopolitical risk indices



Source: Baker, Bloom & Davis (2016); Caldara, Iacoviello, Molloy, Prestipino & Raffa (2019); Caldara & Iacoviello (2021), NBR calculations

Since the release of the prior *Report*, global economic activity and international trade have remained relatively robust (Charts 1.3 and 1.4), owing in part to selective waivers and postponements of some trade tariffs initially announced by the US, alongside the subsequent conclusion of trade agreements and the frontloading of imports before the new tariffs were introduced.

In this context, the IMF revised its forecast for global economic growth to 3.2 percent in 2025, i.e. 0.4 percentage points above the April assessment¹⁹. At the EU level, the projection was likewise adjusted slightly upwards, *inter alia* amid the trade agreement concluded in August with the United States, which stipulates a reduction in custom tariffs to 15 percent for the bulk of traded products. However, the medium-term outlook remains subdued, particularly in Europe, compared to both historical averages and the expectations set before the expansion of trade protectionism. In the case of the US, revisions of the IMF forecasts reflect the supply-side shock caused by the implementation of tariffs²⁰.

Looking ahead, as the temporary effects stemming from the frontloading of imports fade and consumption and production decisions adjust to the new conditions²¹, the expansion of trade protectionism could have a more pronounced impact. Although short-term changes in supply chains have supported the resilience of

¹⁸ For a broader discussion, see IMF, *Global Financial Stability Report*, October 2025. For an analysis at the national level see the *Special feature*.

¹⁹ IMF, *World Economic Outlook*, October 2025

²⁰ Inflation was revised upwards and economic growth downwards, relative to the IMF October 2024 forecast – for more details, see IMF, *World Economic Outlook*, October 2025.

²¹ Given that import and export elasticities are typically lower in the short term compared to the medium and long term, trade flows tend to gradually adjust following relative price changes (due to the imposition of tariffs or exchange rate fluctuations).

international trade so far, their longer-term structural changes will probably unfold gradually, given the complexity of existing interconnections and the high relocation costs of production capacities. At the same time, the redirecting of trade flows towards alternative markets may be delayed by lingering uncertainties surrounding trade policies and ongoing negotiations, which diminish companies' incentives to engage in costly and potentially reversible adjustments, a trend already reflected in the slowdown of international investment. The build-up of successive trade and geopolitical tensions could accelerate the geoeconomic fragmentation²², with significant implications for international economic activity and financial stability, especially in the EU, which exhibits a relatively high level of trade openness²³.

Chart 1.3. Economic growth worldwide, in the EU and in European emerging countries

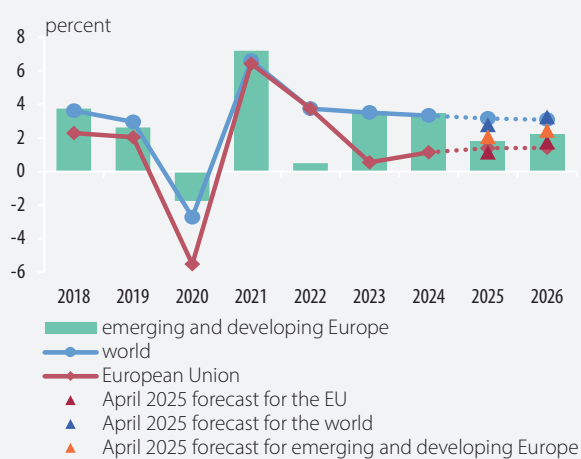
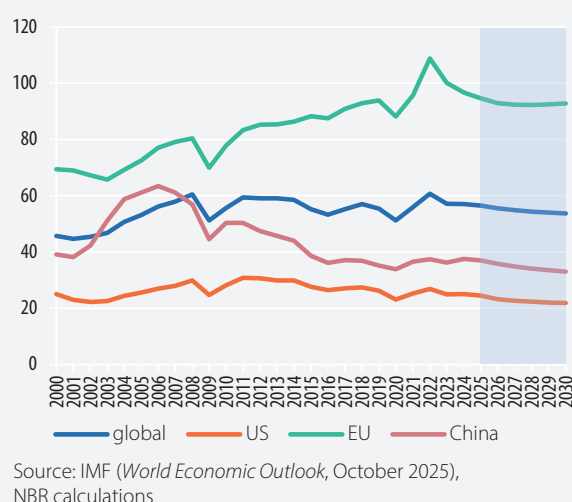


Chart 1.4. Trade openness of the economy – global, US, EU and China



CESEE economies (Romania included) have become more and more interconnected with the EU single market, which increases their sensitivity to economic and financial developments in the euro area and worldwide, both via trade channels and the pass-through of commodity and energy prices²⁴. Energy prices, including oil, are projected to decline moderately in 2025 and 2026, partly due to the slowdown in global demand growth²⁵; however, a potential re-escalation of geopolitical tensions could reverse this trend and reignite volatility in energy and commodity prices.

Against this backdrop, risks to financial stability worldwide are compounded by the high level of both public and private debt. Global total debt (public and private) reached a historical peak of approximately USD 338 trillion in 2025 Q2 (equivalent of around 324 percent of GDP), up by roughly USD 21 trillion from end-2024

²² See Gopinath, G., Gourinchas, P. O., Presbitero, A., and Topalova, P. (2024), "Changing global linkages: A new cold war?", IMF Working Paper No. 24/76.

²³ For a broader discussion, see ECB, *Financial Stability Review*, May 2025, Special feature B, "Risks to euro area financial stability from trade tensions".

²⁴ Also see IMF, *Regional Economic Outlook for Europe*, October 2025, Box 1 "CESEE in a Turbulent World: Spillovers from EU and Global Shocks". For an analysis regarding the impact of trade tariffs at the national level, also see "Box 1. The impact of the new US customs tariffs on Romania's international trade relations" in the *Inflation Report*, NBR, May 2025, as well as the "Special feature. Implications of the changes in global trade policies for financial stability" in the *Financial Stability Report*, NBR, June 2025.

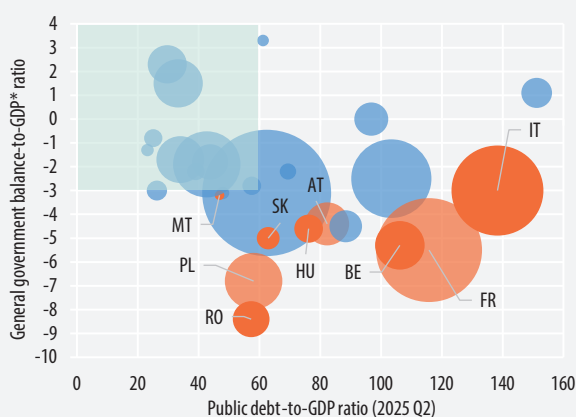
²⁵ World Bank, *Commodities Market Outlook*, October 2025

(IIF, *Global Debt Monitor*, September 2025). The breakdown shows that household and non-financial corporate debt accounts for almost half of total debt, equivalent of 150 percent of GDP. Although overall developments mask significant heterogeneities across sectors and countries, the global environment – marked by subdued economic growth, the gradual expiry of government support measures extended in prior years and by the ongoing trade tensions – heightens the risks to private debt sustainability by exerting pressure on the balance sheets of households and non-financial corporations, particularly in the sectors more exposed to changes in international trade.

Moreover, the current macroeconomic and geopolitical context is likely to intensify risks to the sustainability of public debt. Globally, the latter has risen considerably since the onset of the COVID-19 pandemic, reflecting the support measures implemented in response to successive shocks over recent years. Given that a significant share of public debt previously contracted at relatively low interest rates is expected to mature in the near future, its refinancing is likely to take place at higher costs, thereby amplifying both refinancing risks and pressures on public debt service. At OECD level, nearly 45 percent of sovereign debt is estimated to mature by 2027, while interest expenditure climbed to 3.3 percent of GDP in 2024 (up by 0.3 percentage points compared to 2023), surpassing government defence spending²⁶. In the coming period, global public debt is envisaged to continue its rise, given the elevated fiscal deficits (particularly in the US and China) and the growing need for defence and climate transition related expenditure. NATO member countries agreed to progressively enhance the defence spending target to 5 percent of GDP

by 2035 (from the current 2 percent), which entails a considerable budgetary effort for members with limited fiscal space.

Chart 1.5. Fiscal position of EU Member States (2025 Q2)



*) Autumn 2025 European Commission forecast for this year's general government balance

Note: The size of the circle corresponds to the size of the economy (nominal GDP in 2025 Q2). Countries shown in orange are subject to the excessive deficit procedure. The green area represents the fiscal space according to the Treaty on the Functioning of the European Union.

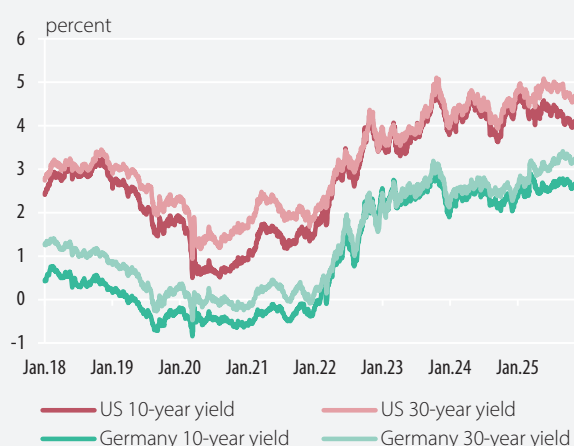
Source: Eurostat, European Commission

At the EU level, the public debt-to-GDP ratio stands at around 88 percent, but there are significant cross-country heterogeneities in terms of both public indebtedness and fiscal position (Chart 1.5). At present, nine member states, Romania among them (see Section 1.2 for details), are subject to the excessive deficit procedure under the new EU economic governance framework. In the long run, pressures on public spending in Europe are projected to rise substantially, reflecting both higher financing costs and adverse demographic trends, as well as the investment needs associated with climate transition and defence. These factors could lead to annual increases in public expenditure of almost 6 percent of GDP in advanced European economies by 2050, and around 8 percent of GDP in the economies of Central, Eastern and South-Eastern Europe²⁷.

²⁶ For further details, see OECD, *Global Debt Report*, March 2025.

²⁷ See IMF, "Long-term spending pressures in Europe", *Departmental Paper Series*, March 2025. Also see IMF, "How can Europe pay for things that it can't afford?", IMF Note No. 2025/004, November 2025.

Chart 1.6. Long-term (10Y and 30Y) government bond yields issued by the US and Germany



Source: Refinitiv

Persistent budget deficits resulted in substantial sovereign bond issuance, expanding the net supply of bonds on international markets, while the Fed and the ECB continued to gradually reduce their asset holdings over the reference period, with consequences for the composition of investor base for government bonds^{28,29}. These factors further fuelled the rises in term risk premia³⁰ and maintained the ongoing upward pressures on yields on long-term sovereign bonds, including in the US and Germany (Chart 1.6). Across Europe, the spreads of long-term government bonds issued by most countries versus Germany remained relatively stable over the period under review, with the exception of France, where public debt sustainability concerns, compounded by domestic political uncertainty, led to a widening of the

yield differential and a moderate increase in the cost of credit risk insurance for sovereign bonds³¹.

After the relatively sudden corrections in global financial markets at the beginning of April, triggered by the US announcement regarding the introduction of trade tariffs (the so-called *Liberation Day*), most of the capital market losses were recovered in a fairly brief span of time. This recovery was initially underpinned by the deferral of the implementation of tariff measures and by the launch of trade negotiations, which helped restore global risk appetite³². The continuation of the monetary policy easing cycle by several central banks worldwide, including the Federal Reserve, was also relevant in this respect over the reference period³³.

Specifically, capital markets showed a broad recovery, with stronger performances across Europe, while volatility declined to historically low levels (Chart 1.7).

At the same time, spreads on corporate bonds narrowed back to pre-tariff levels, approaching historical lows in both investment-grade and high-yield segments (Chart 1.8). In this context, the risk of sudden adjustments in global financial markets remains significant, given, on the one hand, investors' optimistic expectations regarding the future profitability of companies and the low volatility in capital markets, and, on the other hand, the ongoing macroeconomic and geopolitical

²⁸ For a broader discussion, also see IMF, *Global Financial Stability Report*, October 2025 or OECD, *Global Debt Report*, March 2025.

²⁹ In the wake of its October 2025 meeting, the Fed announced the end of its quantitative tightening programme as of December 2025.

³⁰ Reflecting the additional compensation requested by investors for making long-term investments to the detriment of rolling over short-term instruments. For a broader discussion regarding recent developments, see, for instance, IMF, *Global Financial Stability Report*, October 2025.

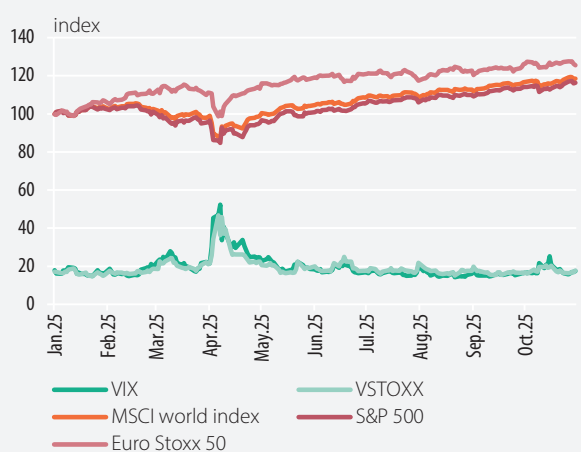
³¹ With regard to the CDS rates on the 5Y bonds issued by France.

³² Also see *BIS Quarterly Review*, September 2025, Box A: "Understanding the swift market recovery after the April 2025 tariff shock".

³³ During the period under review, the Fed cut its monetary policy rate twice at its September and October meetings, while the ECB kept its rate unchanged (after successive reductions implemented between May 2024 and June 2025).

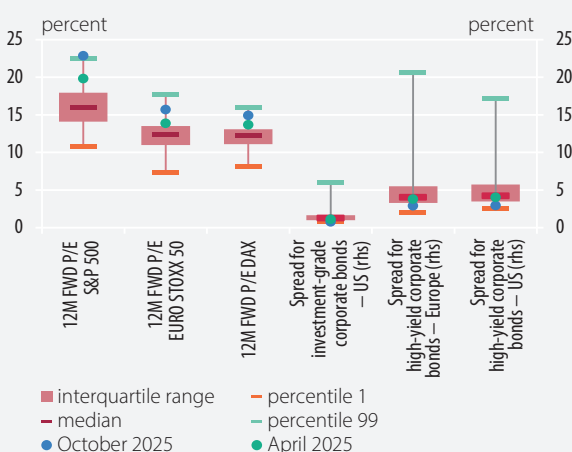
uncertainties. In the US, this risk is amplified by the high concentration of the S&P 500 Index, as approximately one third of its market capitalisation is accounted for by technology companies, for which expectations regarding future profitability are particularly elevated³⁴. This increases the likelihood that a reassessment of the sector's growth prospects could generate disproportionately large price corrections across the capital market.

Chart 1.7. Developments in global, US and European stock markets and their implied volatility



Source: Refinitiv, FRED, NBR calculations

Chart 1.8. Stock valuation indicators³⁵ and corporate bond spreads in the US and Europe



Source: Refinitiv, FRED, NBR calculations

On forex markets the US dollar recorded a relatively large depreciation following the US announcements regarding the introduction of trade tariffs, an atypical development given that these dynamics became manifest alongside the increase in long-term US Treasury yields, amid a flight-to-safety episode in international financial markets. This indicates a possible reassessment of investors' appetite for USD-denominated assets against the backdrop of the considerable rise in uncertainties surrounding the US economic policies³⁶. Although evidence in this regard is still limited, emerging signs point to a gradual adjustment in investors' geographical exposures, with flows to sovereign bond funds in the euro area and other advanced economies exceeding inflows to US funds in 2025 Q2. In parallel, the long-established positive correlations between US Treasuries and other assets deemed safe (such as gold) have weakened significantly since April 2025, reflecting a possible erosion of the role played by US Treasuries as safe haven assets³⁷ in times of financial stress, see also Box 1. A key driver behind the depreciation of the US dollar

³⁴ The increase in the S&P 500 in early 2025 came at a time when profit margin forecasts for major technology companies ("Magnificent 7": Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) were revised upwards, while estimates for the other companies in the index underwent downward adjustments, thereby enhancing the polarisation of valuations and the reliance of the stock market performance on a narrow corporate base – for a more in-depth analysis, see IMF, *Global Financial Stability Report*, October 2025.

³⁵ 12M forward price-to earnings (P/E) ratio is calculated as a stock's current price divided by analysts' estimated earnings per share (EPS), reflecting expectations of investors for the next 12 months.

³⁶ For further details, see, for instance, IMF, *Global Financial Stability Report*, April 2025, or ECB, *Financial Stability Report*, May 2025.

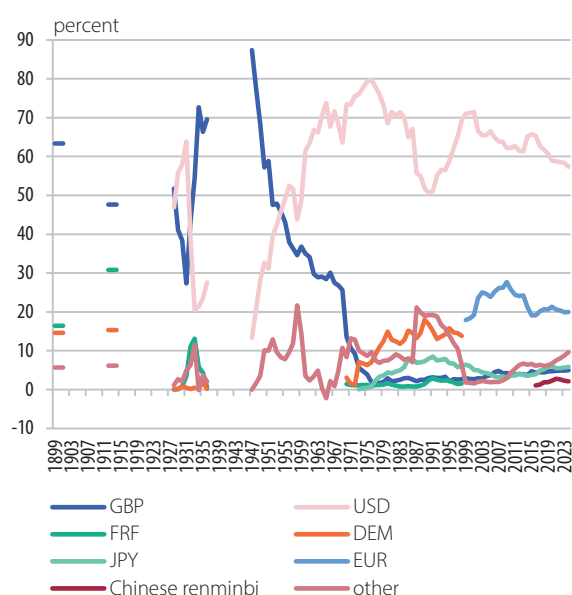
³⁷ Also see *BIS Quarterly Review*, September 2025, Box B, "The safe haven properties of US Treasuries and portfolio flows of global investors".

in April and May 2025 was the increased hedging activity of international investors, given their sizeable holdings of USD-denominated assets and the relatively low level of foreign currency hedging in the previous period³⁸.

Box 1. Changes in the international monetary system

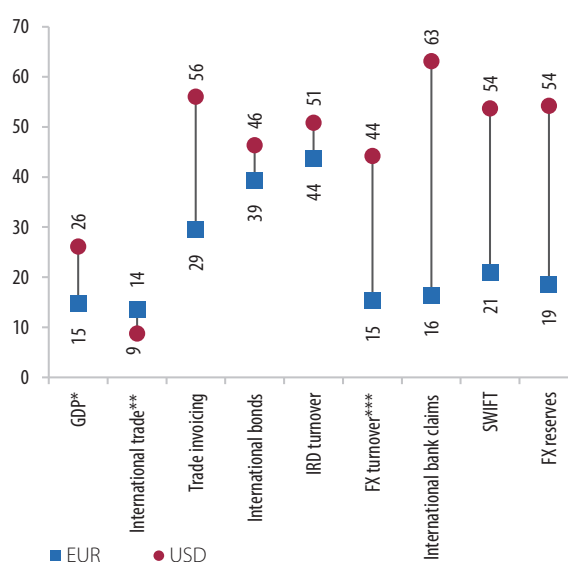
The international monetary system has been, over the past decades, a relatively stable framework for global trade and financial markets, its architecture developing around a single dominant currency. The US dollar has held the leading reserve currency status globally for more than seven decades³⁹, after having gradually taken over this role from the British pound sterling in the period following World War Two (Chart A).

Chart A. Composition of global foreign currency reserves



Source: Chițu, Eichengreen, Mehl, Global Currencies Database (CEMGCD)

Chart B. Importance of the USD and of its closest competitor, the EUR⁴⁰



Source: McGuire, von Peter and Zhu, 2024, "International finance through the lens of BIS statistics: The global reach of currencies", *BIS Quarterly Review*

The size and resilience of the US economy during the postwar period⁴¹, as well as the already important role of the dollar in financing international trade and

³⁸ Also see "US dollar's slide in April 2025: the role of FX hedging", *BIS Bulletin*, No. 105, June 2025.

³⁹ The unprecedented time span of the dollar's hegemony differentiates it from the previous periods of monetary dominance, such as that of the Dutch guilder or the pound sterling. Vicquéry, R. (2022), "The rise and fall of global currencies over two centuries", Working Paper No. 882, Banque de France

⁴⁰ * For GDP and international trade, weights are calculated for the US and euro area economies, while for all other items the shares are for the USD and EUR; ** China holds the largest weight in global trade (13.7 percent), ahead of the euro area (13.6 percent) and the US (8.75 percent); *** The weights regarding the volume of FX transactions are divided by two, in order for the total shares to add up to 100 percent.

⁴¹ For instance, in 1947, the United States accounted for over one fourth of the world economic output, calculated at purchasing power parity (Maddison Database, 2010). For a more comprehensive analysis, see for example: Eichengreen, B. (2011), *Exorbitant privilege: The rise and fall of the dollar and the future of the international monetary system*, Chapter 3.

the relatively well-developed US financial markets⁴², fostered the transition of the international monetary system from the pound sterling to the dollar. This transition was additionally underpinned by the geopolitical role of the US, and the Bretton Woods system strengthened the dollar's central role in the global monetary landscape, by establishing its gold convertibility and its status as a reference currency for countries with fixed exchange rate regimes⁴³. Afterwards, despite the suspension of its convertibility to gold in 1971, followed by the collapse of the Bretton Woods system, the US dollar continued to hold a dominant share, constantly accounting for more than half of global foreign currency reserves (Chart A).

These structural shifts in the international monetary system illustrate the general conditions that help a currency have a dominant position globally⁴⁴. First, it is about the size and stability of the economy, on one hand, and the importance in global trade, on the other. These factors generate demand for a country's currency, especially for invoicing and settlement needs internationally. Second, equally important are the financial market breadth and depth in the issuing economy, alongside a relatively high degree of capital account openness. Financial markets supply liquid and low-risk assets, demanded by central banks and investors alike, while the capital account enables the cross-border movement of funds⁴⁵. Third, the geopolitical role and the security capabilities enhance the international credibility of the currency⁴⁶, while having sound financial stability frameworks in place contributes to the resilience of reserve asset value in times of stress⁴⁷. Additionally, several mechanisms consolidate this status, especially the strategic complementarities in international trade⁴⁸, the network externalities related to transaction, financing and credit costs, as well as the global payment and trading infrastructures.

- ⁴² "The dollar had already overtaken the pound sterling as the leading form of trade credit (as the currency of denomination for what were known as 'trade acceptances' or 'bankers' acceptances') in the mid-1920s, [...supported by] the Federal Reserve System as a market maker in the New York market for bankers' acceptances. [There is also evidence] that the dollar also emerged as the pre-eminent international currency in global bond markets as early as 1929." (Mehl, A., Mlikota, M. and Van Robays, I. (2023), "How is a leading international currency replaced by another? Old versus new evidence", *The international role of the euro*, ECB). For a more in-depth analysis, see for example: Eichengreen, B. and Flandreau, M. (2012), "The Federal Reserve, the Bank of England, and the rise of the dollar as an international currency, 1914-39", *Open Economies Review*, Vol. 23, No. 1; Chițu, L., Eichengreen, B. and Mehl, A. (2014), "When did the dollar overtake sterling as the leading international currency? Evidence from the bond markets", *Journal of Development Economics*, Vol. 111, Issue C.
- ⁴³ For a more comprehensive analysis, see *inter alia*: Obstfeld, M. (2025), "The international monetary and financial system: A fork in the road", Andrew Crockett Memorial Lecture, BIS.
- ⁴⁴ Lagarde, C. (2025), "Earning influence: Lessons from the history of international currencies", speech at an event on Europe's role in a fragmented world organised by Jacques Delors Centre at Hertie School in Berlin, Germany, European Central Bank, 26 May
- ⁴⁵ For a broader discussion on the conditions underpinning the capacity of a currency to play the global reserve currency role, see for example: Krugman, P. R. (1984), "The international role of the dollar: Theory and prospect" in *Exchange Rate Theory and Practice*; Portes, R. and Rey, H. (1998), "The emergence of the euro as an international currency", NBER Working Paper No. 6424; US Department of the Treasury, Office of International Affairs (15 October 2009), "Report to Congress on international economic and exchange rate policies"; Iancu, A., Anderson, G., Ando, S., Boswell, E., Gamba, A., Hakobyan, S., Lusinyan, L., Meads, N. and Wu, Y. (2020), "Reserve currencies in an evolving international monetary system", IMF Departmental Paper No. 20/02, among many others.
- ⁴⁶ Chițu, L., Eichengreen, B. and Mehl, A. J. (2017), "Mars or Mercury? The geopolitics of international currency choice", NBER Working Paper 24145; Eichengreen, B. (2025), "Mars or Mercury rebooted: The Trump administration, the dollar, and the geopolitics of international currency choice", VoxEU Columns, CEPR
- ⁴⁷ Goldberg, L., Krogstrup, S., Lipsky, J. and Rey, H. (2014), "Why is financial stability essential for key currencies in the international monetary system?", VoxEU Columns, CEPR
- ⁴⁸ Gopinath, G. and Itkhoki, O. (2022), "Dominant currency paradigm: A review", *Handbook of International Economics*, Vol. 6, pp. 45-90

Up to now, these criteria supported the dominant position of the US dollar, yet in recent years some of them have come under increasing pressure. In terms of size and importance in international trade, the US economy continues to be the world's largest economy, and the USD is further the most frequently used currency for trade invoicing⁴⁹, although the United States holds only the third widest share in global trade. The euro has emerged as the main competitor, even though its share as an invoicing currency is currently about half that of the US dollar (Chart B). Behind the preference for the use of the dollar stand thick market externalities^{50,51} reflected by the much wider share of the USD as an invoicing currency relative to the US volume of trade. This status is strengthened by the large weight of the US dollar in the international payments system, with more than 50 percent of SWIFT messages pertaining to USD-denominated flows, as well as by the size of cross-border bank exposures in this currency (Chart B).

From the perspective of financial markets, the United States is in the lead as provider of liquid and safe financial assets. Outstanding sovereign bonds rated at least AA are just below 50 percent of GDP in the EU and above 100 percent in the US⁵². Moreover, the preference for the USD-denomination of bond issues remains high compared to that for the EUR-denomination, particularly in the financial sector, in the case of both banks and non-bank financial institutions⁵³. In addition, financial markets in the EU are further characterised by a high degree of fragmentation, one of the factors being the slow progress in implementing the integration policies under the Capital Markets Union (CMU) initiative⁵⁴. However, there are some signs of improvement, especially as regards equity markets and the banking sector⁵⁵. Several new initiatives, such as those under the Savings and Investments Union strategy, are supportive of the financial integration process and conducive to more efficient capital allocation in Europe.

From a geopolitical and institutional standpoint, the US benefits further from the long-term strategic influence, which increases confidence in the global role of the dollar. Nonetheless, the abrupt policy shifts in the recent period have triggered

⁴⁹ According to Gopinath and Itskhoki (2022), the theories of invoicing currency choice in international trade can be classified under three categories. The first refers to the use of money as a medium of exchange and advocates that a currency becomes and remains dominant as long as it ensures low transaction costs, through various mechanisms, including via the stability of the macroeconomic and political framework, which increases the likelihood of a coordination equilibrium between economic agents. Theories in the second category are based on the unit of account function and postulate that, once chosen, the invoicing currency is not adjusted in the short run, which is why they are also known as sticky price theories. Finally, there are the store of value theories, which cover the hedging motive, financing frictions, and costly default.

⁵⁰ Rey, H. (2001), "International trade and currency exchange", *Review of Economic Studies*, Vol. 68, No. 2, pp. 443-64

⁵¹ Across history, financial markets for assets denominated in a particular currency owed their swift development either to the advent of innovative technologies or to significant geopolitical shifts. Once the currency dominance is established, this status further helps consolidate the liquidity and depth of the associated financial markets and is often supported by increased investment in the institutional framework and in the market infrastructure. Coppola, A., Krishnamurthy, A. and Xu, C. (2023), "Liquidity, debt denomination, and currency dominance", NBER Working Paper No. 30984

⁵² Lagarde, C. (2025), "Earning influence: Lessons from the history of international currencies", speech at an event on Europe's role in a fragmented world organised by Jacques Delors Centre at Hertie School in Berlin, Germany, European Central Bank, 26 May

⁵³ The volume is more than twice higher in the case of USD for banks and almost seven times higher for NBFIs, according to BIS data. McGuire, P., von Peter, G., and Zhu, S. (2024), "International finance through the lens of BIS statistics: The global reach of currencies", *BIS Quarterly Review*.

⁵⁴ ECB, *Financial Integration and Structure in the Euro Area*, 2024

⁵⁵ de Guindos, L. (2025), "'More Europe' and financial integration", keynote speech at the annual Joint Conference of the European Commission and the European Central Bank on European Financial Integration, Brussels

an unprecedented level of uncertainty in multiple areas, including international trade, financial regulation and fiscal policy⁵⁶. Moreover, the EU reviewed its security policy in the new geopolitical context and embarked on a series of measures to strengthen coordination in the field of military procurement and to develop joint defence capabilities. Even though these action steps are still modest compared to the magnitude of the US capacities, they are indicative of the EU's increasing availability to play a more prominent strategic role. In the long run, such developments could help consolidate the Union's geopolitical position, which might support the role of the euro as an international reserve currency.

The evolution of the international monetary system over the medium and long term is difficult to anticipate, given the rare nature of these transformations, the limited past experiences and the significant geopolitical, economic and financial differences versus the periods when such changes occurred.

Three major scenarios can be put forward, according to the literature. The first envisages a continued hegemony of the US dollar, albeit in a more moderate manner, given the persistence and magnitude of network externalities⁵⁷. The second scenario refers to the emergence of a new dominant currency⁵⁸, which would imply that it is supported by an economy with robust growth⁵⁹, by possible institutional reforms⁶⁰ and/or by technological innovations generating visible cuts in transaction costs and major improvements in transaction and payment infrastructures, as well as by sufficiently high availability of liquid financial assets⁶¹. The third scenario assumes a transition toward a multipolar system, in which various currencies will be dominant in certain regions or market segments. In order for such an architecture to be stable, it requires sound international cooperation and credible policies⁶², backed by technologies enabling the conversion from one currency to another⁶³.

These scenarios can materialise gradually or, on the contrary, via more abrupt adjustments, amid fiercer currency competition, meaning that certain currencies might gain influence in specific regions or market segments. Such dynamics could increase volatility and uncertainty in international financial markets, as investors shift their portfolios, with potential adverse implications for global financial stability⁶⁴.

⁵⁶ See, for instance, Baker, S., Bloom, N. and Davis, S. (2016), "Measuring economic policy uncertainty" at policyuncertainty.com

⁵⁷ Gopinath, G. and Itskhoki, O. (2022), "Dominant currency paradigm: A review", *Handbook of International Economics*, Vol. 6, pp. 45-90

⁵⁸ Farhi, E. and Maggiori, M. (2018), "A model of the international monetary system", *Quarterly Journal of Economics* 133 (1), pp. 295-355

⁵⁹ Krugman, P.R. (1980), "Vehicle currencies and the structure of international exchange", *Journal of Money, Credit and Banking*, 12, pp. 513-526

⁶⁰ Carney, M. (2019), "The growing challenges for monetary policy in the current international monetary and financial system", speech at *Challenges for Monetary Policy*, a symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming

⁶¹ Carney (2019) claims that "technology has the potential to disrupt the network externalities". The still high cost of cross-border payments fosters innovation in this field.

⁶² Eichengreen, B. (2019), "Two views of the international monetary system", *Intereconomics*, 54 (4), pp. 233-236

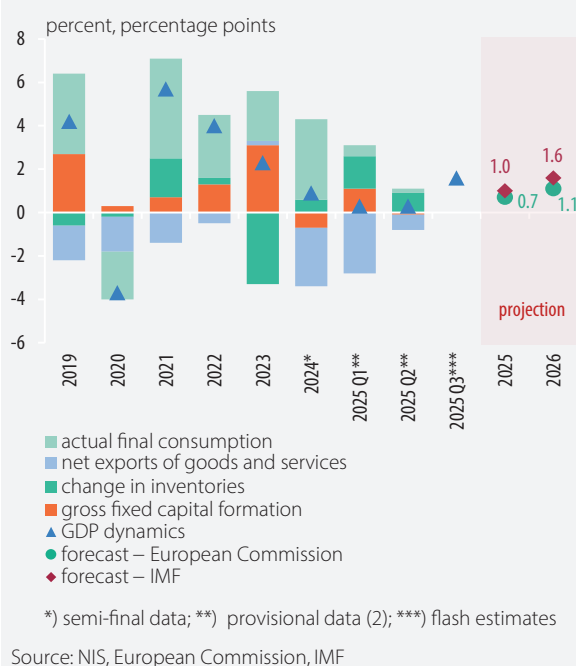
⁶³ Brunnermeier, M.K., James, H. and Landau, J.P. (2019), "The digitalization of money", NBER Working Paper No. 26300

⁶⁴ Previous experience suggests that an intense rivalry among currencies often precedes financial crises. Vicquéry, R. (2022), "The rise and fall of global currencies over two centuries", Working Paper No. 882, Banque de France

1.2. Domestic macroeconomic developments

Recent developments point to a further relatively sluggish pace of economic activity, in an environment marked by persistent uncertainties both internationally and domestically, particularly amid the ongoing fiscal consolidation process and the still high twin deficits. Further implementation of reforms and fiscal consolidation are likely to support the gradual resumption of economic growth in the period ahead on a more sustainable basis.

Chart 1.9. GDP dynamics and the contribution of their components



In 2025 Q2, the annual growth rate of real GDP stood at 0.3 percent⁶⁵, a level similar to that recorded in the previous quarter, amid a slowdown in consumption, which contributed by merely 0.2 percentage points to economic growth (Chart 1.9). The negative contribution of net exports narrowed to 0.7 percentage points, marking an improvement of 2.1 percentage points versus 2025 Q1, driven by both the recovery of exports and the deceleration in the rate of increase of imports. As regards investment, gross fixed capital formation made a marginally negative contribution of 0.1 percentage points to GDP growth. According to estimates⁶⁶, domestic economy advanced by 1.6 percent in 2025 Q3, very slightly below the rate recorded in the same year-ago period (1.7 percent in 2024 Q3, in annual terms⁶⁷). Against this backdrop, the IMF revised its GDP growth forecast for 2025⁶⁸ downwards to 1 percent (from 1.6 percent in April), while the European Commission anticipates an even weaker growth rate, of just 0.7 percent, according to its

November 2025 forecast. For 2026, GDP is projected to rise by up to 1.1 percent (Chart 1.9).

The cooling consumption and imports reflect the deceleration in households' average real net wage earnings (Chart 1.10). After strong rises in recent years, the annual dynamics of the real net wage followed a downward path during the first months of 2025, turning negative in 2025 Q3 and contributing to a deterioration in consumer confidence.

In this context, the persistence of high twin (fiscal and current account) deficits continues to be one of the main systemic risks at national level. Further to the package enacted in December 2024, the implementation of the fiscal measures

⁶⁵ NIS Press Release No. 259/10 October 2025 – gross series

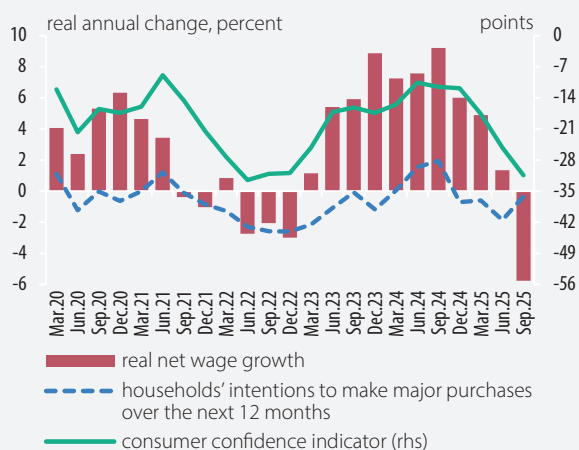
⁶⁶ NIS Press Release No. 290/14 November 2025

⁶⁷ NIS Press Release No. 7/10 January 2025

⁶⁸ IMF, *World Economic Outlook*, October 2025

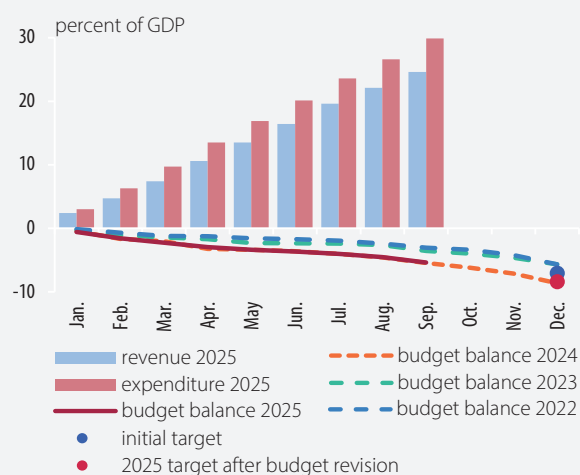
adopted in July 2025⁶⁹, alongside the pending initiatives for carrying on the budget consolidation, is anticipated to take some pressure off the twin deficits, by dampening domestic demand, with favourable effects on disinflation, but weighing on economic growth, which remains relatively subdued from a historical perspective.

Chart 1.10. Annual dynamics of average real net wage earnings and consumer confidence indicator



Source: NIS, European Commission, NBR calculations

Chart 1.11. General government balance – 9 months 2025



Source: MF

The budget execution for the first nine months of 2025 resulted in a deficit of lei 102.5 billion (cash methodology), i.e. 5.4 percent of GDP, close to that recorded in the same year-ago period (Chart 1.11). The fiscal package implemented in July 2025 is expected to have less pronounced effects on the full-year deficit, with its impact, as well as that of subsequent measures, being estimated to become more visible from 2026 onwards⁷⁰. Against this background, the September 2025 budget revision raises the deficit target for the current year to 8.4 percent of GDP (from 7 percent in the initial plan).

Over the coming years, the budget deficit is seen to narrow gradually, in line with the excessive deficit procedure commitments, in the context of the new (revised) EU economic governance framework⁷¹ and the *National Medium-Term Fiscal-Structural Plan* agreed with the European Commission. However, the future evolution of the deficit is still saddled with significant uncertainties, stemming from both domestic

⁶⁹ The main measures of the fiscal package adopted in July 2025 are aimed both at raising budget revenues, by increasing the standard VAT rate and the excise duties on motor fuels, alcohol and tobacco, enlarging the tax base by introducing a 10 percent health insurance contribution applied to pensions upwards of lei 3,000/month, raising the taxes on dividends and bank incomes and at containing public spending, also by further freezing public sector wages and pensions in 2026. For further details, see Law No. 141/2025 on certain fiscal and budgetary measures.

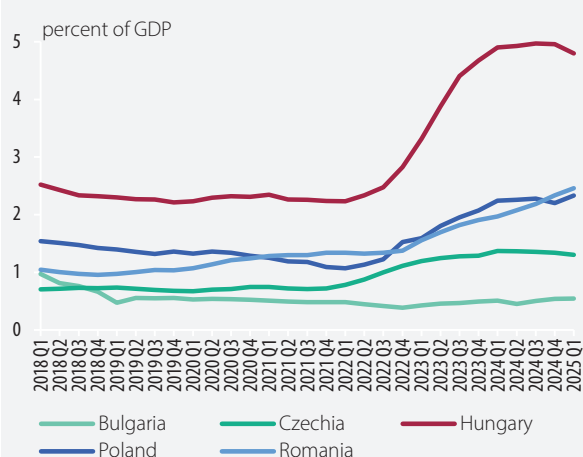
⁷⁰ According to Fiscal Council estimates, the fiscal package adopted in July 2025 is expected to reduce the budget deficit by around 0.6 percent of GDP in 2025 (excluding any optimisation of public investment spending). For 2026, the Fiscal Council forecasts a cash-based budget deficit of 6.5 percent, 1.9 percentage points lower than that anticipated for 2025. IMF estimates point to a similar correction, with the deficit projected to decline to around 6 percent of GDP in 2026, following an adjustment in the primary fiscal deficit of about 1.25 percentage points of GDP in 2025 and 2 percentage points in 2026. For further details, see the Fiscal Council's *Opinion on the First Budget Revision for 2025*, as well as the IMF's *Romania: Staff Concluding Statement of the 2025 Article IV Mission*, September 2025.

⁷¹ Romania has been subject to the excessive deficit procedure as of 3 April 2020. On 8 July 2025, the EU Council revised the recommendation addressed to Romania under the ongoing procedure, reiterating the need for corrective action and requesting the national authorities to submit, by 15 October 2025, the measures necessary to reduce the budget deficit and bring the excessive deficit procedure to an end by 2030. In addition to Romania, eight other EU Member States are currently subject to the excessive deficit procedure: Austria, Belgium, France, Hungary, Italy, Malta, Poland and Slovakia.

factors – *inter alia* implementation risks, given that, from a historical perspective, the budget execution has repeatedly deviated from the medium-term objectives set out in fiscal-budgetary planning documents – and external factors, associated with the international macroeconomic and geopolitical developments, which may adversely affect economic activity as well as government revenues and expenditures at national level, defence spending included⁷².

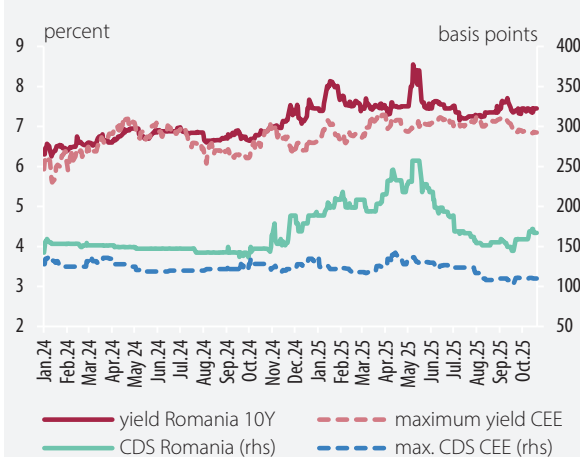
The budget execution in the first part of the year also points to an increase in government interest expenditure, consistent with regional (Chart 1.12) and global trends, as a significant share of sovereign debt worldwide has been refinanced in recent years at higher yields than those on the original issuances⁷³. Such pressures are expected to persist domestically as well, given the public debt financing and refinancing needs in the near term, alongside still elevated financing costs compared with previous years. The average time to maturity (ATM) for public debt has decreased slightly in recent years, while the average time to re-fixing (ATR – the average period until the next adjustment of the interest rate on total debt) has shortened⁷⁴.

Chart 1.12. General government interest expenditure as a share of GDP across CEE countries



Source: ECB

Chart 1.13. Long-term government bond yields and credit default swap (CDS) spreads



Source: Refinitiv, NBR calculations

At the same time, long-term government bond yields have remained relatively high on the secondary market, both from a historical perspective and compared to Romania's regional peers, despite the declines recorded in the latter part of 2025. These developments occurred amid an improvement in investor sentiment, reflected *inter alia* in the narrowing of the sovereign risk premium, partly owing to the easing of domestic political uncertainties following the completion of the electoral cycle

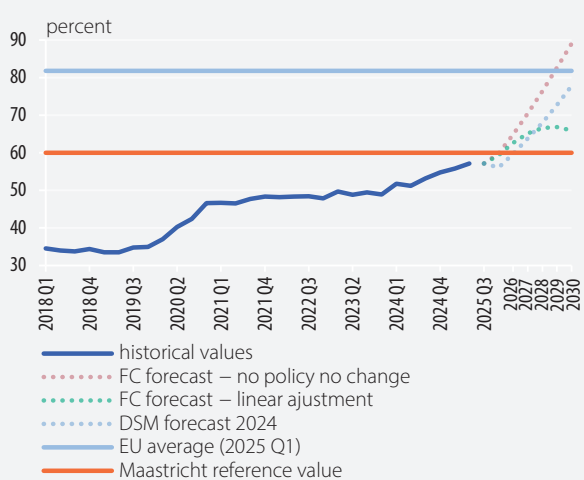
⁷² In line with trends observed at the European level, see also Section 1.1. In March, the EC presented the *Readiness 2030* plan, aimed at boosting Member States' defence and security investment through preferential lending and derogations under the Stability and Growth Pact. For Member States such as Romania, which face high borrowing costs, the financing flows available under this programme may provide important support.

⁷³ For a more in-depth analysis, see, for example, IMF, *Fiscal Monitor*, October 2025, or OECD, *Global Debt Report*, March 2025.

⁷⁴ To 6.3 years in June 2025 (from 6.7 years at end-2024 and 7.3 years at end-2023), below the indicative minimum target of 7 years set out in the 2024-2026 Government Debt Management Strategy. The only indicators that, in June 2025, stood beyond the limits set in the Strategy were the ATR (for total debt and domestic currency debt), as well as the ATM (for the same categories). For further details, as well as for a broader analysis of currency, refinancing and interest rate risk indicators associated with public debt, see the Ministry of Finance, *Public Debt Bulletin*, June 2025.

(Chart 1.13). An additional influence from this perspective, since the release of the previous *Report*, came from the decisions of the major rating agencies to maintain Romania's sovereign rating within the investment-grade category, while reaffirming the associated negative outlook, also following the implementation of the fiscal-budgetary package adopted in July⁷⁵. External factors were relevant as well, amid heightened investor concerns regarding the sustainability of public debt at global level, which exerted upward pressure on term risk premia and, in turn, on long-term government bond yields, including across Europe⁷⁶.

Chart 1.14. Public debt-to-GDP ratio



Source: ECB, MF, Fiscal Council, Debt Sustainability Monitor 2024

In this context, the public debt-to-GDP ratio stuck to the steep upward trend it had embarked upon during the pandemic, reaching 57.2 percent at mid-2025 (up 6.1 percentage points from the same period year-ago period, according to ESA methodology). This level is still below the EU average, albeit close to the 60 percent threshold set out in the Maastricht criteria, and the debt ratio is expected to remain on an upward trajectory in the period ahead (Chart 1.14). In the absence of fiscal consolidation, the Fiscal Council's assessments pointed to an unsustainable path of public debt, estimating average annual increases of more than 6 percentage points for the debt ratio and a breach of the 100 percent-of-GDP threshold by 2032, under a no-policy-change scenario⁷⁷.

Thus, fiscal consolidation remains of the essence for ensuring a sustainable path of public debt, in line with the commitments made to the European Commission, as well as for preventing the confidence of investors and rating agencies from eroding⁷⁸. A deterioration in confidence could exert upward pressures on the sovereign risk premium, increase the volatility of capital flows and the exchange rate⁷⁹, and, ultimately, weigh on overall financial stability, also given the sizeable holdings of government securities by banks, pension funds and insurance companies. The sovereign-bank nexus is among the most pronounced in the EU, with banks' claims on the general government – in the form of government securities and loans – accounting for around 27 percent of total assets in August 2025, thereby heightening the financial system's sensitivity to changes in perceptions of sovereign risk (for further details, see Section 3.1).

⁷⁵ Fitch maintained Romania's sovereign rating at BBB- on 15 August, Moody's reconfirmed the Baa3 rating on 12 September, and Standard & Poor's left the BBB- rating unchanged on 23 July.

⁷⁶ See also Section 1.1.

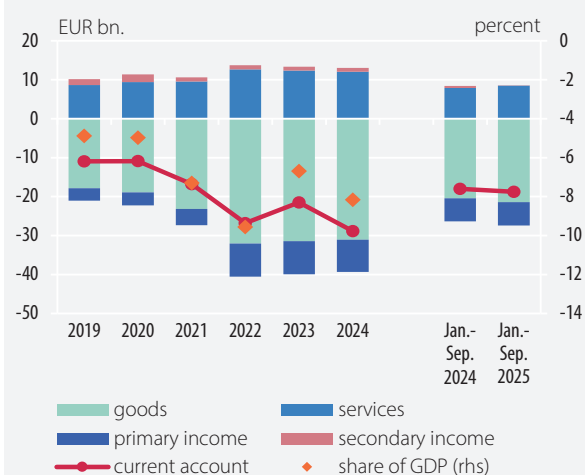
⁷⁷ For further details, see Fiscal Council's *Opinion on the 2025 First Budget Revision*, Annex 1.

⁷⁸ Given Romania's proximity to the lower bound of the investment-grade category, a sovereign rating downgrade could exert pressure on government security yields, *inter alia* by triggering potential fire sales driven by the institutional criteria of certain investment and pension funds, or by excluding government bonds from investment-grade bond indices.

⁷⁹ A potential depreciation of the domestic currency would also put additional pressures on government debt servicing costs, given that almost half of public debt was denominated in foreign currency at end-June 2025, predominantly in euro and, to a relatively lesser extent, in US dollars.

Moreover, the fiscal adjustment can help alleviate the pressures on the persistent external imbalance by curbing domestic demand, given that the previous years' fiscal expansion was a major driver of the current account deficit widening by boosting household incomes and pushing domestic demand above the response capacity of domestic supply⁸⁰.

Chart 1.15. Current account balance and its determinants



Source: NBR

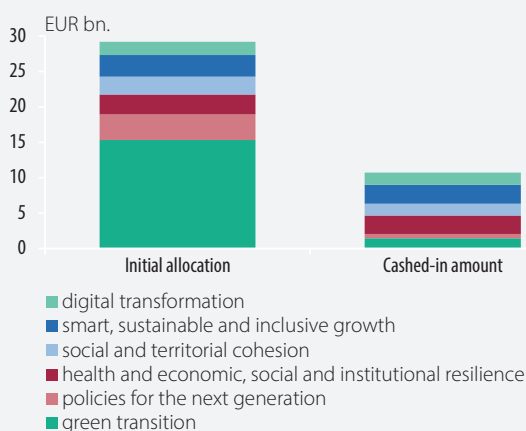
In January-September 2025, the current account deficit amounted to EUR 22.3 billion, up by 8.6 percent year on year (Chart 1.15). All major current account components, except for services, contributed to this rise, most notably the goods balance, with the trade deficit widening by 3.6 percent in the first nine months of 2025 compared with the same year-ago period. Recent developments have been shaped by the relatively unfavourable international environment, amid global trade and geopolitical tensions, with implications for the economic activity outlook of Romania's main trading partners and, implicitly, for the dynamics of external demand for Romanian goods and services.

The persistence of high twin deficits has led to a deterioration in Romania's net international investment position, which nonetheless remains below the 35 percent-of-GDP threshold set by the European Commission, as well as to the continuation of the upward trend in external debt. These developments mirror heightened external vulnerabilities, particularly in the scenario of a sudden halt in capital inflows – possible in the current environment of elevated uncertainty, marked by global financial volatility, reassessments of risk perception, or shifts in investor appetite towards emerging economies.

General government debt is the main component of external debt, accounting for approximately 54.9 percent of the total⁸¹, and continued to increase in 2025, rising by almost 14 percent January through August 2025 to EUR 121.95 billion. The breakdown shows short-term debt made up 22.2 percent of total external debt at end-August and was more than 100 percent covered by the NBR's foreign exchange reserves, pointing to a relatively low short-term refinancing risk. Nevertheless, the increase in external indebtedness and the persistence of high twin deficits call for enhanced monitoring of capital flow dynamics, as well as careful coordination of macroeconomic policies, aimed at ensuring a coherent, credible and predictable framework conducive to mitigating external vulnerabilities. From this standpoint, the implementation of structural reforms capable of boosting export competitiveness is also essential to reducing the external imbalance over the medium and long term.

⁸⁰ See Georgescu, F., Cazacu, A., Cojocaru, A. and Cozmăncă, B., "Fiscal and income incentives trigger imbalances in a partly functional market economy", *Economic Computation and Economic Cybernetics Studies and Research*, 2020. For a more recent analysis on the link between the fiscal deficit and the current account deficit, see also Dăianu, D., Dumitru, I. and Uzum, L., "The twin deficits syndrome – The case of Romania", *Journal for Economic Forecasting*, 2025.

⁸¹ Including FDI-related intercompany loans

Chart 1.16. Initial allocation versus the cashed-in amount by pillar under NRRP (November 2025)

Source: Ministry of Investments and European Projects, *NRRP scoreboard*

Against this background, a high absorption of EU funds can play a major part in meeting financing requirements, beyond the broader contribution of these funds to economic growth. Romania initially benefited from a financial allocation of EUR 28.5 billion (loans and grants) under the Recovery and Resilience Facility, as well as from EUR 31 billion in cohesion policy funds. Overall, the funds allocated under the two mechanisms account for more than 15 percent of Romania's GDP. Nevertheless, the delays in the implementation of the targets and milestones set under the National Recovery and Resilience Plan (NRRP) had a negative impact on the absorption pace of the allocated amounts, with only EUR 10.72 billion being collected (November 2025), i.e. less than 40 percent of the initially allocated amount (Chart 1.16). This level of

absorption is low, especially considering that the implementation period of the plan ends in less than a year.

This situation is not specific to Romania, being rather generalised in Central and Eastern Europe. The average absorption rate for the region stands at 46 percent, yet there are considerable differences across countries. Hungary records the lowest absorption rate, with cashed-in amounts less than 10 percent of the allocations, while Estonia, Czechia and Slovakia reported absorption rates above 60 percent. The weak capacity to attract EU funds, especially in the case of large recipient countries such as Romania and Poland, slows the economic convergence within the European Union.

Because of non-compliance with the stated objectives and the impossibility of achieving some targets and milestones by the end of the programme, the European Commission approved in October the revision of NRRP allocations to Romania⁸², by removing the projects "most at risk of not being completed", switching some investments from the loan component to the grant component and making other cost-related changes. The updated plan has brought the allocation down to EUR 21.41 billion, of which grants further amount to approximately EUR 13.57 billion, while the value of loans fell to EUR 7.84 billion. The largest curtailments referred to Component 4 (Sustainable transport), with cuts of more than EUR 2 billion due to significant delays in this section. Finally, the grant amount was maintained also after converting more than EUR 5 billion of loans into grants.

The absorption of cohesion policy funds by Romania is also low. Looking at national programmes, the actual absorption rate stands at 13.24 percent, and at 7.9 percent for regional programmes⁸³. The development region with the lowest absorption rate

⁸² Council Implementing Decision amending Implementing Decision (EU) (ST 12319/21 INIT; ST 12319/21 ADD 1) of 29 October 2021 on the approval of the assessment of the recovery and resilience plan for Romania: 2a78f7c0-45c5-40e3-ad06-ba93c236d5f8_en

⁸³ State of absorption for programmes financed by EU Funds 2021-2027 under the Cohesion Policy – 31 October 2025: State of absorption of EU Funds – Ministry of Investments and European Projects

is Bucharest-Ilfov (2.63 percent), while the North-West region is the best performing (16.22 percent).

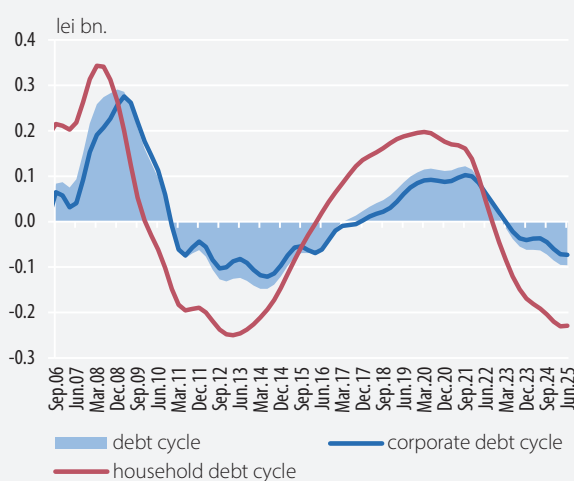
The reduced capacity to cash in the allocated amounts translates into a considerable opportunity loss for the Romanian economy, as the areas targeted by these investments, such as transport infrastructure, the energy sector and digital transformation, are strategically important for the country's long-term economic growth.

1.3. Non-financial sector indebtedness

Romania's economy remains in the downward phase of the debt cycle, which began at the onset of the COVID-19 pandemic (Chart 1.17).

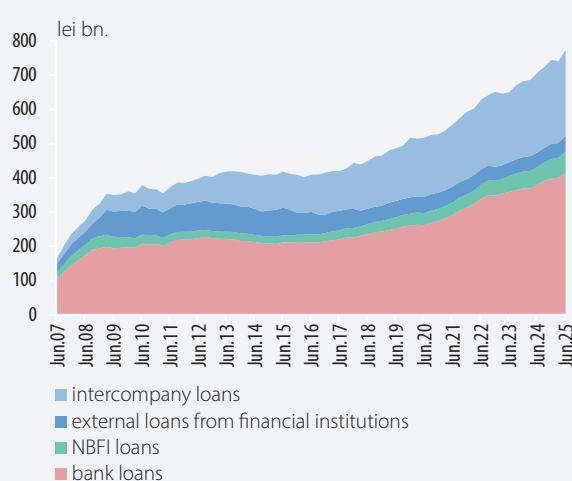
Total real sector debt increased by 9.3 percent in annual terms, to lei 773 billion at end-June 2025 (+lei 66 billion versus June 2024), making up 44.3 percent of GDP (Chart 1.18). Loans from non-residents rose by 7.6 percent year on year, to lei 296.3 billion, supported by both segments, namely intercompany loans (+7.3 percent) and external loans from financial institutions (+9.5 percent). As regards domestic debt, bank loans to the real sector picked up by 8.9 percent compared with June 2024, to lei 413 billion, while NBFIs soared by 20 percent against the same year-ago period, reaching lei 64 billion.

Chart 1.17. Real sector debt cycle⁸⁴



Source: NBR, NBR calculations

Chart 1.18. Real sector debt



Source: NBR

From the borrowers' perspective, both non-financial corporations and households saw sustained increases in their debt levels. Non-financial corporate debt rose to lei 574 billion (+6.2 percent versus June 2024), with positive dynamics across all financing sources, namely resident banks, NBFIs and external creditors. Household debt reached lei 229 billion in June 2025 (+7.6 percent year on year), with most of the

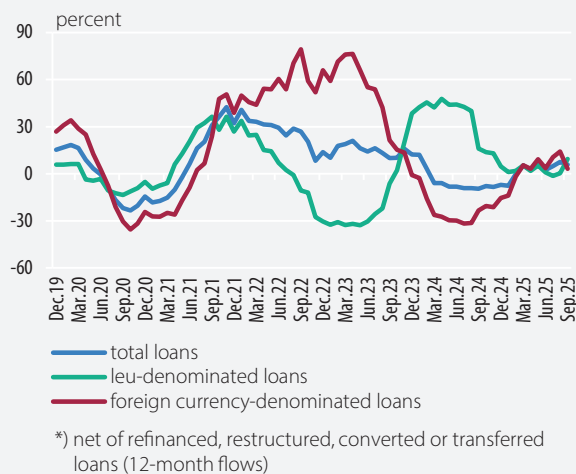
⁸⁴ The cycle is calculated using the Christiano-Fitzgerald filter assuming the length of the cycle is 14 years.

increase driven by bank loans (accounting for 80 percent of the rise), which expanded by 10 percent compared with the same period of the previous year.

After standing in negative territory between March 2024 and February 2025, the annual dynamics of 12-month flows of new loans turned positive as of March 2025 and stayed in positive territory through September 2025 (+5.9 percent in that month). This owed primarily to the faster pace of increase of foreign currency-denominated loans to non-financial corporations⁸⁵, which peaked at 14.2 percent in August 2025 before easing to 3.1 percent in September 2025, also against the backdrop of the key ECB rate cuts. Over the same period, the growth rate of new leu-denominated loans recorded largely modest values, except for September 2025, when it came in at 9.3 percent (Chart 1.19).

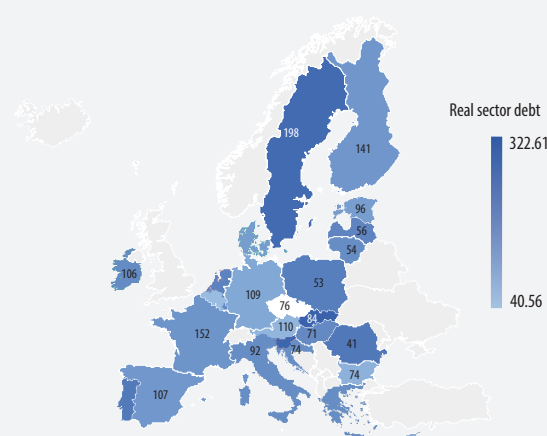
Romania's low level of financial debt continues to point to a low degree of financial intermediation in a European comparison. Romania further ranks last among EU Member States, with real sector debt standing at 40.7 percent of GDP, considerably below the EU average of 115.3 percent, according to data for 2025 Q2 (Chart 1.20). This contrasts sharply with the high debt levels in Western and Northern European economies – most notably the Netherlands, Denmark and Sweden – where real sector debt exceeds 150-200 percent of GDP.

Chart 1.19. Annual dynamics of new credit flows*



Source: NBR

Chart 1.20. Financial debt of non-financial corporations and households as a share of GDP (EU, 2025 Q2)



Source: ECB

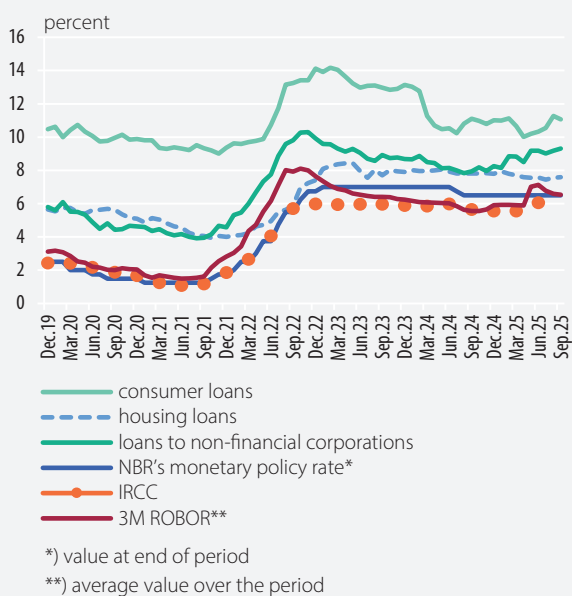
In Romania, total household debt stood at 12.7 percent of GDP, well below the EU average of 44 percent and the average for peer economies in the region (Bulgaria, Czechia, Hungary and Poland) of 24.5 percent. Non-financial corporations in Romania are likewise significantly less indebted than the EU average, with their debt amounting to 27.8 percent of GDP, compared with an EU average of 71.5 percent, given that bank loans account for only 11.8 percent of GDP in this segment.

⁸⁵ For further details on foreign currency lending to firms, see Section 2.1.

Since the previous *Report*, the main interbank money market rates increased markedly in May 2025, before witnessing gradual downward adjustments, remaining visibly above their April 2025 levels at end-Q3. These developments reflected changes in money market liquidity conditions and in banks' expectations regarding the outlook for interbank interest rates, in the context of the electoral events in early May – which triggered high uncertainties and entailed substantial capital outflows –, but also amid the subsequent easing of domestic political tensions, the formation of the new ruling coalition, as well as the setup and adoption of corrective fiscal measures, conducive to the alleviation of financial investor concerns about budget consolidation prospects. Against this background, the 3M ROBOR rate recorded a monthly average of 7.1 percent in June 2025, 1.2 percentage points higher than in March 2025, subsequently going down gradually to 6.60 percent in August 2025.

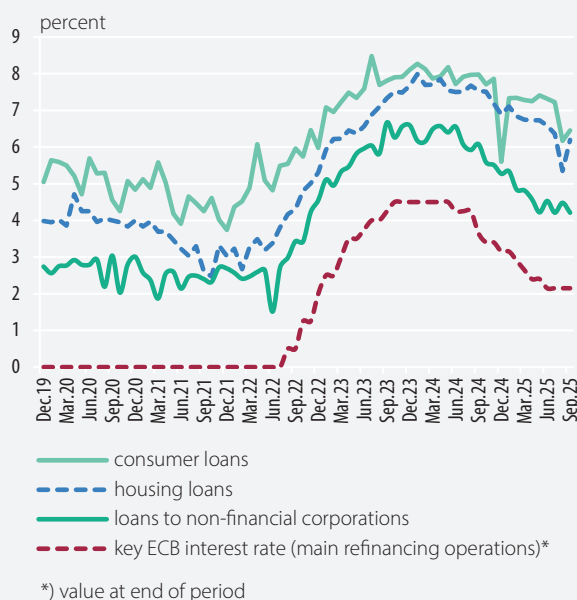
This evolution in the 3M ROBOR rate also reflected in the dynamics of banks' average lending rate on new business to non-financial corporations, which rose to 9.3 percent in September 2025 (+0.4 percentage points versus end-2025 Q1). In the household segment, the average interest rate on new consumer loans (annual percentage rate of charge – APRC) went up by 0.4 percentage points in September 2025 from 2025 Q1, to 11.1 percent. At the same time, the average interest rate on new housing loans edged down by 0.11 percentage points over the same period, to 7.6 percent (Chart 1.21).

Chart 1.21. Interest rates on new leu-denominated loans, IRCC, 3M ROBOR and the monetary policy rate



Source: NBR

Chart 1.22. Interest rates on new EUR-denominated loans and key ECB interest rate



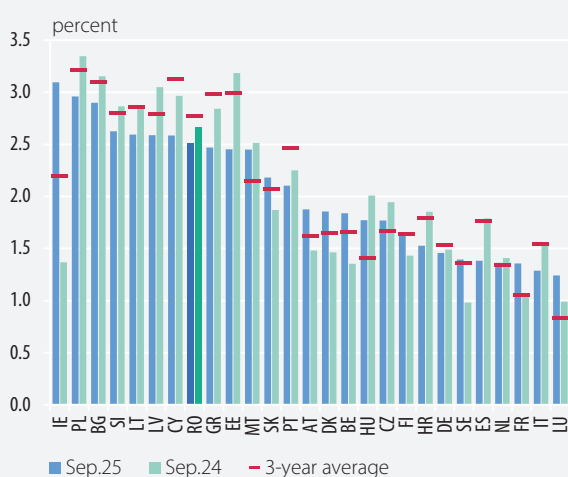
Source: NBR, ECB

Over the period since the previous *Report*, the ECB's Governing Council decided to lower the key ECB interest rates by 0.25 percentage points at the June 2025 meeting and to keep them unchanged at its meetings in July, September and October 2025. Therefore, the average interest rate on new EUR-denominated loans to households continued to follow a downward trend in 2025 Q2 and Q3 across both segments, reaching 6.4 percent for consumer loans in September 2025 (-0.8 percentage points

versus March 2025) and 6.2 percent for housing loans (-0.6 percentage points compared to March 2025). For non-financial corporations, the average interest rate on new EUR-denominated loans fluctuated slightly over the period, falling to 4.2 percent in September 2025, i.e. 0.6 percentage points below its March 2025 level (Chart 1.22).

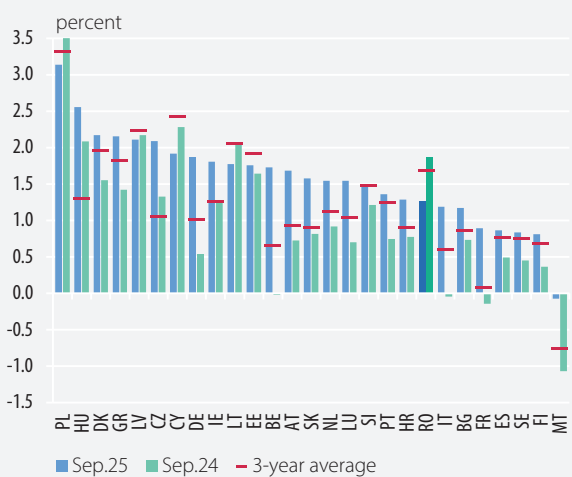
The lending margins on loans to the real sector in Romania are comparable to those in other European countries. Specifically, the lending margin for non-financial corporations stood at 2.5 percentage points in September 2025, 0.5 percentage points above the EU average and 0.2 percentage points below the level recorded in the same year-earlier period (Chart 1.23). As for housing loans, the lending margin applied by local credit institutions averaged 1.3 percentage points in September 2025, 0.3 percentage points lower than the EU average (Chart 1.24).

Chart 1.23. Lending margins, non-financial corporations



Source: ESRB, ECB

Chart 1.24. Lending margins, housing loans



Source: ESRB, ECB

The transition of the economy towards a low-carbon model may generate both opportunities and risks for the real sector and financial institutions. Banks' exposures to non-financial corporations operating in brown industries account for more than half of total exposures to non-financial corporations, albeit less than the EU aggregate level of 63 percent (December 2024). The Green Asset Ratio⁸⁶ (GAR) points to a limited alignment of Romanian credit institutions' financial assets with the sustainability criteria set out in the EU Taxonomy⁸⁷. The share of taxonomy-aligned loans remains very low for exposures to both households and non-financial corporations, with the GAR indicator standing at around 1 percent, below the EU level of 7.2 percent (December 2024 data)⁸⁸.

Conversely, as early as 2021, the National Committee for Macroprudential Oversight (NCMO) highlighted the need to sustainably enhance access to finance for projects

⁸⁶ The GAR measures the proportion of a credit institution's assets that finance or are invested in economic activities aligned with the EU Taxonomy, relative to total covered assets.

⁸⁷ EU taxonomy for sustainable activities

⁸⁸ EBA ESG dashboard. In Romania's case, the coverage ratio is around 50 percent, with only two credit institutions included in the analysis.

related to the climate change agenda and issued a series of recommendations to the competent authorities to this end⁸⁹. Looking at the household loan portfolio, climate-related loans make up 9 percent, largely in the form of housing loans (with green loans accounting for 14 percent of total housing loans, data as at September 2025). This development reflects the growing interest of credit institutions in supporting the green transition, as banks have introduced dedicated products in recent years – such as green housing loans, energy efficiency loans and financing for the installation of photovoltaic panels. Through these initiatives, the banking sector actively contributes to fostering sustainable investment and to reducing the carbon footprint of dwellings financed via such loans. By contrast, only 5 percent of bank loans to non-financial corporations are green loans, underscoring the need to raise awareness among firms of the economic and environmental benefits of sustainable investment.

⁸⁹ Analysis of the NCMO Working Group on supporting green finance

2. REAL SECTOR

Against the background of sharp cost increases, also fuelled by high inflation and interest rates, as well as in the context of fiscal pressures, the financial standing of non-financial corporations in Romania worsened in 2024. The financial health measure of non-financial corporations in Romania posted a slight deterioration both at aggregate level and in the main segments by size (SMEs and large companies), remaining, however, above the risk threshold. The financial health of firms with outstanding loans was further stronger than that of firms without bank loans, being above the risk area, in spite of a slight worsening, similar to the overall picture.

The profitability of the non-financial corporations sector stayed significantly in positive territory in 2024, yet on the wane, with the aggregate net result being 4.5 percent lower year on year at lei 163 billion. The substantial profits made over the past five years (lei 783 billion in 2020-2024) also call for their use to consolidate firms' balance sheets via reinvestment of profits, with a view to strengthening their capacity to manage less favourable situations. This is all the more important for the companies facing structural vulnerabilities.

The number of firms with capital shortfalls increased by 8 percent at end-2024 to 282.1 thousand. Firms with equity below the regulatory threshold accounted for a significant share of total active firms at end-2024 (32.6 percent). As of 2022, the recapitalisation needs of these firms have been on an upward trend, being estimated at around lei 160.5 billion in 2024 (+9.2 percent versus 2023), the equivalent of over 9 percent of GDP and approximately equal to the aggregate net profit of firms in 2024 (lei 166.6 billion).

Persistent uncertainties and challenges, both domestically and globally, can weigh on the resilience of the Romanian business environment. The upward trend in overdue payments to non-banks shows a worsening of non-financial corporations' financial discipline. At end-2024, the volume of overdue payments to non-banks stood 3.2 percent higher in annual terms, reaching lei 44 billion. The evolution was mostly driven by the advance in large companies' overdue payments. At the same time, the quality of the portfolio of bank loans posted a moderate deterioration across firms. At end-September 2025, the non-performing loan ratio came in at 5.1 percent, up by about 1.3 percentage points from the same year-ago period.

Households continued to show adequate resilience and strengthen their financial standing. This sector is in the low-risk area in terms of vulnerabilities, supported by a sustainable level of indebtedness, also against the backdrop of the borrower-based macroprudential measures implemented by the National Bank of Romania. At the same time, the accumulation of net wealth increases households' resilience, providing an important buffer in the event of adverse shocks affecting incomes or general economic conditions. Net wealth continued to rise (up 7.9 percent in June 2025,

in annual terms), doubling its value compared to the pre-pandemic period. Looking ahead, vulnerabilities could be amplified by the slowdown in real disposable income growth amid high inflation and as a result of fiscal measures, as well as by developments in economic activity.

The quality of bank loans to households improved, with the non-performing loan ratio dropping to 2.85 percent in September 2025, down 0.4 percentage points from September 2024. Over a 12-month horizon, according to estimates, the probability of default for housing loans will remain at 0.2 percent in September 2026, similar to the September 2025 level. For consumer loans, the probability of default is seen deteriorating slightly to 3.2 percent over the same period.

Overall, the vulnerabilities stemming from the real estate market remain at manageable levels. The link between the residential real estate market and the banking sector remains strong (around 62 percent of loans were secured by real estate, September 2025). Moreover, the banking sector's exposure to the commercial real estate sector (CRE loans) is significant, accounting for 51 percent of total loans to non-financial corporations, according to data as at September 2025. The quality of the portfolio of CRE loans is lower than that of the aggregate portfolio of loans to non-financial corporations, showing a slightly worsening trend, similar to the overall picture.

2.1. Non-financial corporations

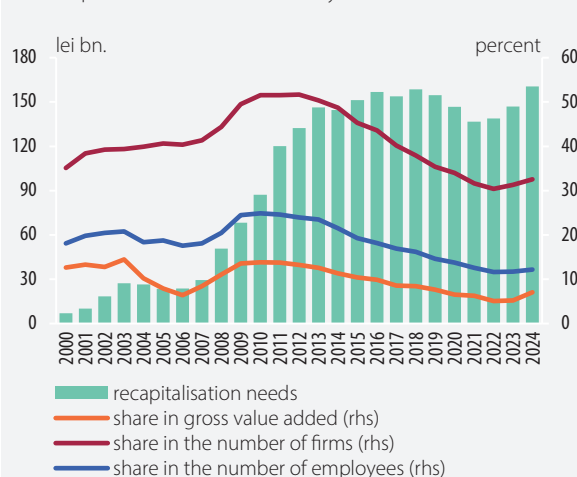
2.1.1. Non-financial corporations' economic and financial performance

In 2024, non-financial corporations in Romania faced multiple challenges. The primary issue to be managed was the increase in costs (+5.4 percent in annual terms),

especially personnel costs (+12.9 percent), whereas turnover grew by 4.4 percent. Companies viewed fiscal or regulatory issues applicable to firms as the second most pressing category of challenges. In addition to the economic situation at national level, firms in Romania showed that the sector-specific economic situation also weighed on their activity⁹⁰.

The undercapitalisation of Romanian companies remains a structural vulnerability in the economy. The number of firms with capital shortfalls rose by 8 percent at end-2024 to 282.1 thousand. Firms with equity below the regulatory threshold accounted for a significant share of total active firms at end-2024 (32.6 percent). As of 2022, these companies' recapitalisation needs have been on an upward trend, being estimated at around lei 160.5 billion in

Chart 2.1. Recapitalisation needs and the relevance of undercapitalised firms in the economy



Source: NBR, MF, NBR calculations

⁹⁰ The June 2025 and June 2024 Surveys on the access to finance of non-financial corporations in Romania.

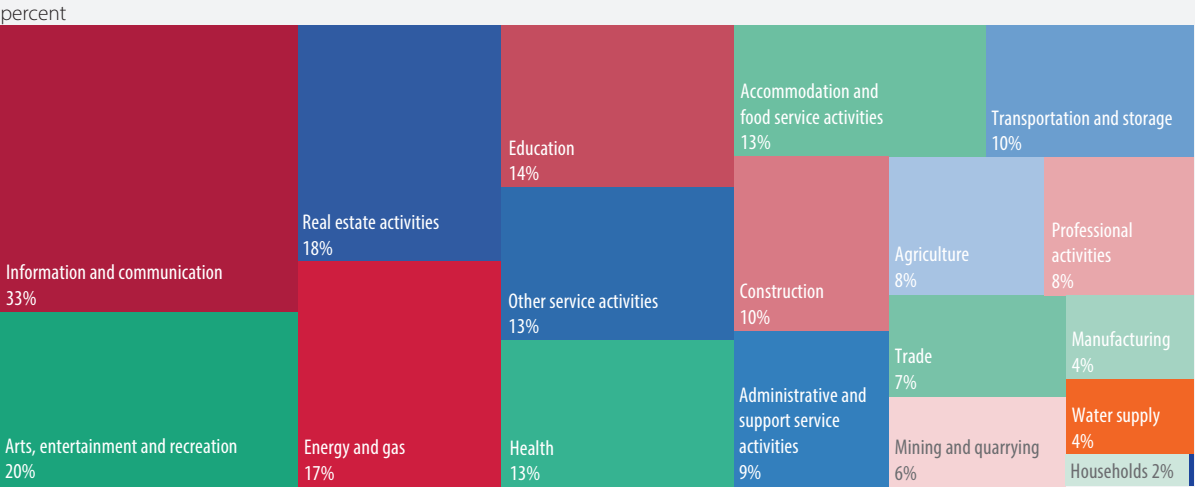
2024, up 9.2 percent from 2023 (Chart 2.1), the equivalent of over 9 percent of GDP and approximately equal to the aggregate net profit of firms (lei 166.6 billion).

Undercapitalised companies play a relatively important role in economic activity, as they (i) generate 7.1 percent of gross value added (GVA), (ii) hold 10.8 percent of total assets and (iii) hire 12.2 percent of the workforce. Moreover, these firms account for 27 percent of non-financial corporations’ total debt (lei 412 billion).

Undercapitalised companies can play a disruptive role in the business relations between firms in the economy, both downstream (for customers) and upstream (for suppliers).

In the course of 2024, they engaged in more than 15.2 million transactions in the downstream supply chain (out of a total of 615.2 million reported transactions), with total sales amounting to lei 128.8 billion (accounting for 6.7 percent of total goods and services sold at national level⁹¹). In specific downstream sectors, undercapitalised companies account for significant shares of total transactions, of which the most relevant refer to: (i) information and communication (33 percent of total sales to this sector), (ii) arts, entertainment and recreation (20 percent), (iii) real estate transactions (18 percent) or (iv) energy and gas (17 percent), Chart 2.2.

Chart 2.2. The role of undercapitalised companies in trade activity (customers) by business sector



Source: NAFA, NBR calculations

Undercapitalised companies are also an important link for a number of sectors in the upstream supply chain. In 2024, firms with capital shortfalls purchased, via 7.4 million transactions with upstream businesses (out of a total of 90.6 million reported transactions), goods and services in total amount of lei 79.8 billion (accounting for 4.8 percent of total sales of goods and services supplied at national level⁹²). Undercapitalised companies hold significant shares in the total purchases made from specific supplier sectors, the most relevant being: (i) information and

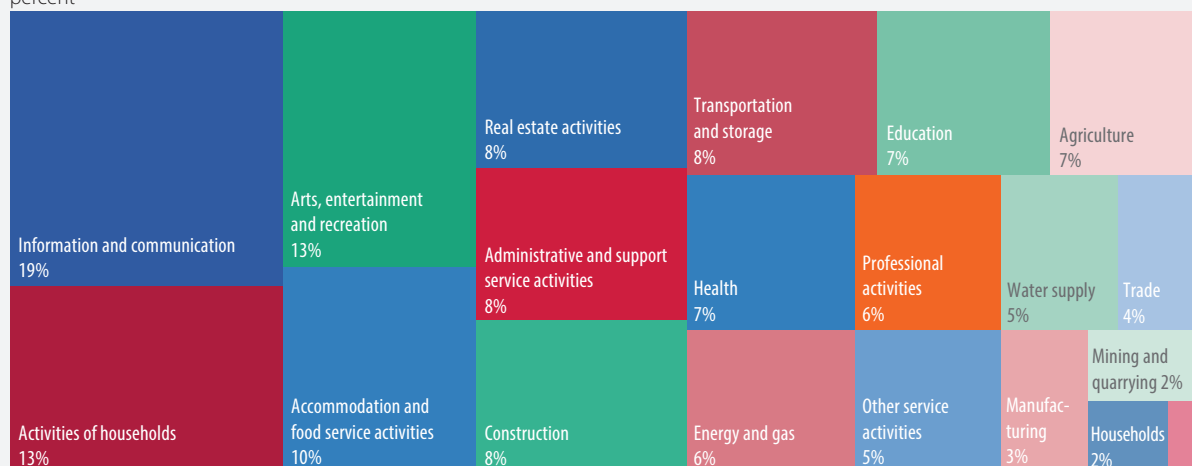
⁹¹ According to Declaration 394.

⁹² According to Declaration 394.

communication (19.4 percent of total sales of this segment), (ii) goods- and service-producing activities of private households for own use (13 percent), (iii) arts, entertainment and recreation (12.9 percent), (iv) accommodation and food service activities (10.2 percent) or (iii) real estate transactions (8.5 percent) Chart 2.3.

Chart 2.3. The role of undercapitalised companies in trade activity (suppliers) by business sector

percent



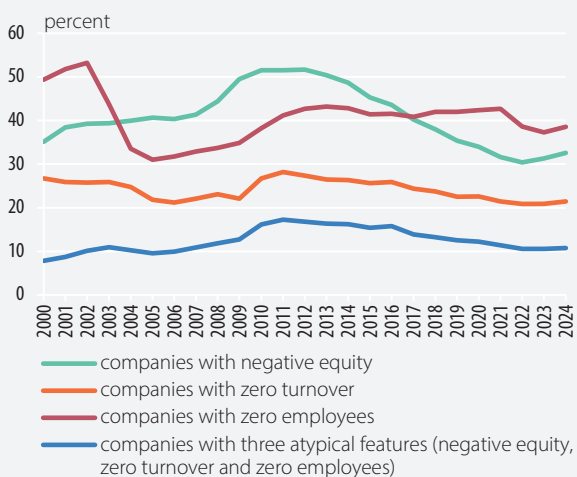
Source: NAFA, NBR calculations

Undercapitalised companies are a main factor behind the worsening of payment discipline in the economy, as they account for approximately 56 percent of total overdue payments of firms. Moreover, they hold 50.6 percent of overdue payments to suppliers and 69.6 percent of overdue payments to the general government budget.

The National Committee for Macroprudential Oversight (NCMO) has issued since 2018 recommendations⁹³ aimed at reducing vulnerabilities in companies' balance sheets, particularly for the purpose of addressing the situation of firms with equity below the regulatory threshold and improving the corporate insolvency framework. Some recommendations were transposed into the package of fiscal measures adopted by the Government in September 2025⁹⁴. One of the important measures is aimed at reducing the number of firms with negative equity, by amending Law No. 31/1990 on commercial companies in order to enable the easier debt-for-equity swap and put in place new requirements to increase the share capital when net assets fall below the regulatory threshold. These measures, alongside regulations on firms' inactivity, can contribute to eliminating the companies used for fiscal optimisation or tax evasion purposes, thus strengthening the financial soundness of the business environment in Romania. The adequate implementation of the new legal provisions can support the increase in budget revenue collection, reduce the informal economy and, implicitly, correct the fiscal deficit. In addition, the proposed measures can stimulate financial intermediation – which is at the lowest level among EU countries – and facilitate access to finance by boosting the number of bankable companies.

⁹³ NCMO Recommendation No. R/2/2018 on implementing some measures related to firms' financial soundness.

⁹⁴ Law on measures for the recovery and efficient use of public resources, amending and supplementing some legal acts (PL-x No. 246/2025).

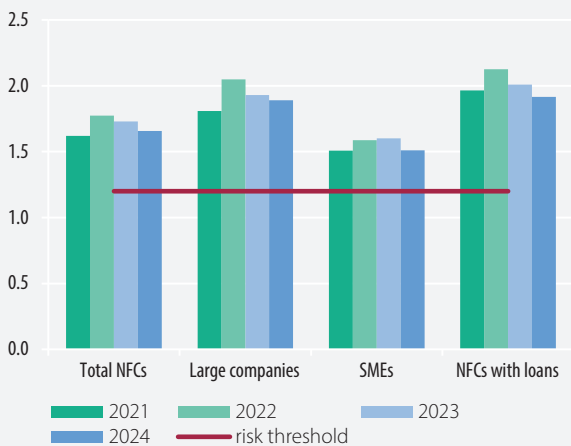
Chart 2.4. Share of atypical companies by feature

Source: NBR, MF, NBR calculations

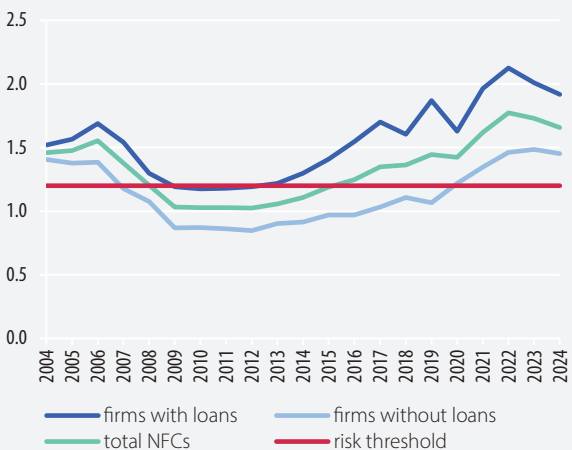
Other categories of atypical companies are also present in the Romanian economy (Chart 2.4).

In 2024, 32.6 percent of firms reported capital below the regulatory threshold (the vast majority were firms with negative equity), 21.5 percent of firms had zero turnover, and 38.6 percent zero employees. Moreover, 10.7 percent of non-financial corporations in Romania displayed all three atypical features.

The overall financial health measure⁹⁵ of the non-financial corporations sector deteriorated slightly in 2024, but it remained outside the risk area (Chart 2.5). This owed to a reduction in the asset turnover (sales-to-total assets ratio), the level of indebtedness (debt-to-equity ratio) and the return on assets. The breakdown shows that the financial health measure decreased for both SMEs and large companies, while staying comfortably above the risk area for each segment as well. At sectoral level, a number of economic sectors remained in or have entered the risk area (i.e. agriculture and real estate in the former case and utilities in the latter).

Chart 2.5. Overall financial health measure of the non-financial corporations sector (Z-score)

Source: MF, NBR, NBR calculations

Chart 2.6. The financial health measure of firms with outstanding loans

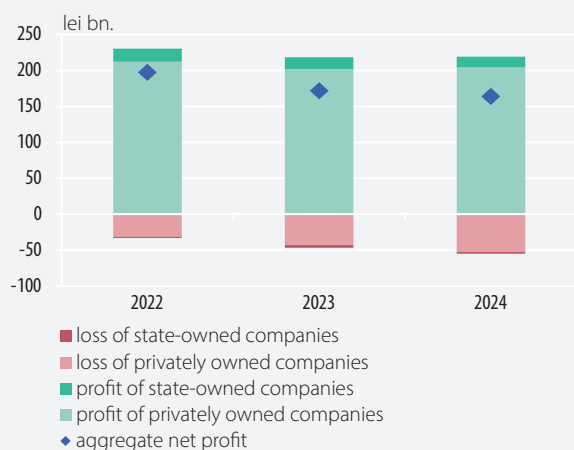
Source: MF, NBR, NBR calculations

The financial health of firms that took loans continues to be better than that of companies without bank loans and above the risk area, albeit slightly worsening, similarly to the developments at aggregate level (Chart 2.6). The main indicators showing that firms with outstanding loans fared better refer to a lower level of indebtedness and a better asset use efficiency. This may as well indicate the

⁹⁵ The overall financial health measure of non-financial corporations was determined based on the methodology developed by Edward I. Altman, "Predicting financial distress of companies: Revisiting the Z-score and ZETA models", 2000. Considering that the non-financial corporations sector in Romania is overwhelmingly made up of unlisted firms, the indicator was calculated based on the method adapted for private firms. Z-score was built based on the following formula: $Z' = 0.717(X1) + 0.847(X2) + 3.107(X3) + 0.420(X4) + 0.998(X5)$, where: X1 – Net current assets/Total assets; X2 – Net retained earnings/Total assets; X3 – EBIT/Total assets; X4 – Equity/Debt; X5 – Sales/Total assets.

positive effect that the oversight of an external creditor can have on firms' financial performance.

Chart 2.7. Net profit or loss of non-financial corporations by shareholding



Source: MF, NBR calculations

The profitability of the non-financial corporations sector stayed in positive territory in 2024, yet on the wane, the aggregate net result being 4.5 percent lower year on year at lei 163 billion (Chart 2.7). The substantial profits made over the past five years (lei 783 billion in 2020-2024) also call for their use to consolidate the firms' balance sheets via reinvestment of profits, with a view to strengthening their capacity to manage less favourable situations. Increasing resilience is all the more important for the companies facing structural vulnerabilities.

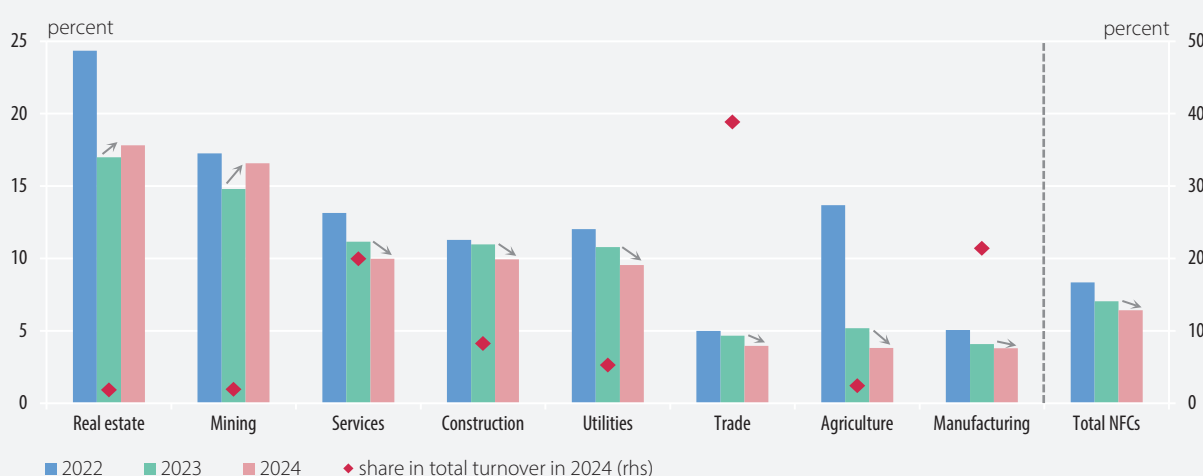
A number of 486 thousand of the 870 thousand companies that submitted financial statements for 2024 contributed to this positive result.

Approximately 93 percent of the aggregate net result owed to private companies. State-owned enterprises

posted an aggregate net result of lei 12.1 billion, 7 percent lower than a year prior, as a result of the drop in the net profit reported by some firms in the energy sector.

At sectoral level, profit margins decreased in 2024 for six out of the eight business sectors compared to the previous year. The highest net profit margin was further recorded by the real estate sector (17.8 percent, +0.8 percentage points versus 2023), ahead of mining (16.6 percent, +1.8 percentage points versus 2023). At the opposite end were manufacturing (3.8 percent, -0.3 percentage points versus 2023) and agriculture (3.8 percent, -1.4 percentage points versus 2023), Chart 2.8.

Chart 2.8. Net profit margin⁹⁶ by business sector

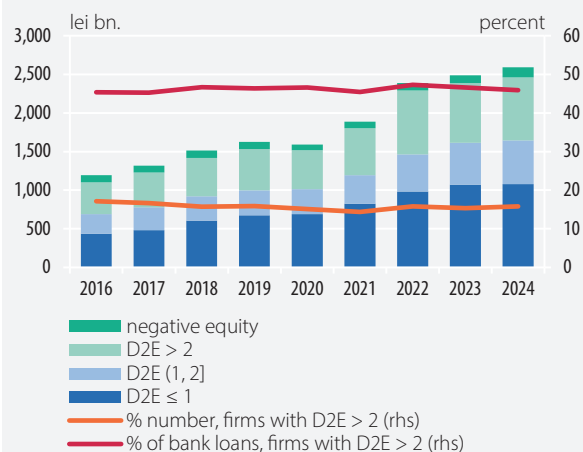


Source: MF, NBR calculations

⁹⁶ Net profit-to-sales ratio.

Persistent losses remain a vulnerability of the non-financial corporations on the aggregate and one of the root causes leading to their undercapitalisation. Out of the 305 thousand loss-making firms in 2024, approximately 26 percent (80 thousand firms) incurred losses in each of the last three years. In addition, 4 percent of loss-making firms in 2024 (13 thousand) incurred losses in each of the past eight years.

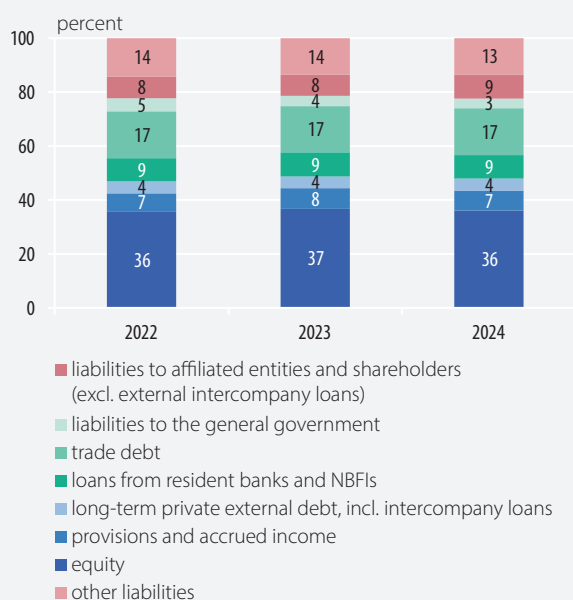
Chart 2.9. Distribution of turnover by firms' level of indebtedness (D2E)



Source: MF, NBR calculations

The level of indebtedness of non-financial corporations increased moderately in 2024, yet it remained below the signalling threshold (200 percent). Specifically, at aggregate level, the level of indebtedness (debt-to-equity ratio or D2E) reached 162.9 percent, up 4.7 percentage points from 2023. Looking at the distribution of firms by level of indebtedness, the share of companies with a level of indebtedness above the 200 percent signalling threshold remained relatively unchanged versus the previous year in terms of both number (16 percent of the total number of firms) and turnover (31 percent of the total turnover), Chart 2.9. By contrast, firms with a level of indebtedness below 100 percent accounted for a significant share of turnover (42 percent), which shows these companies' great potential to develop their activity, by resorting to financing from external sources.

Chart 2.10. Composition of liabilities and owners' equity of non-financial corporations



Source: MF, NBR, NBR calculations

The financing structure of firms in Romania did not change substantially against 2023, remaining an important vulnerability for a large proportion of firms. Trade debt plays a significant role in corporate financing, accounting for the second largest component of liabilities and owners' equity (lei 465.8 billion or 17.4 percent), after equity (Chart 2.10). Even though trade credit can support firms in managing cash flow and liquidity efficiently over the short term, it is generally costlier and riskier than bank financing⁹⁷. In addition, total liabilities to shareholders and affiliated entities amounted to lei 324.4 billion (9 percent of total liabilities and owners' equity). The volume of loans from shareholders and affiliates has remained, for more than a decade, higher than the volume of bank loans granted to companies in Romania.

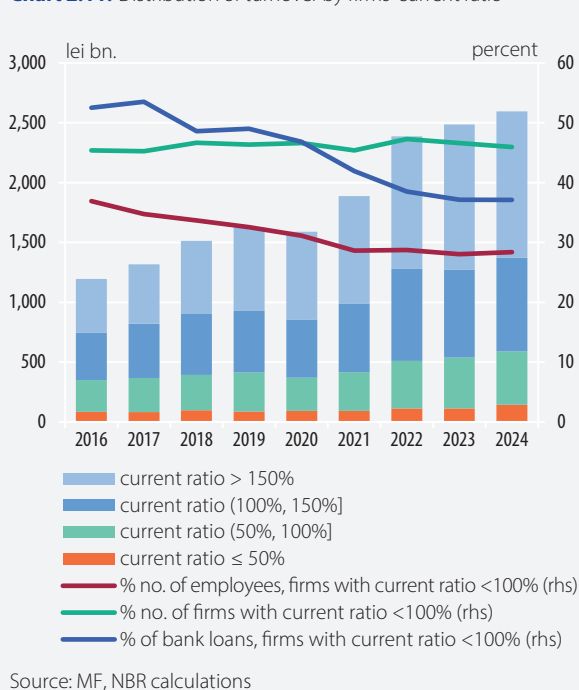
This is one of the causes of Romania posting the lowest level of financial intermediation compared to the rest of the EU Member States.

⁹⁷ For further details, see the Special feature in the *Financial Stability Report*, June 2024.

The loans taken from local financial institutions (banks and NBFIs) further account for a small share of total funding sources, i.e. 8.8 percent, the same as in 2023.

Non-financial corporations' interest coverage ratio continued to be on a downward trend in 2024 too. Thus, the aggregate interest coverage ratio (ICR, calculated as the EBIT-to-interest expenses ratio) stood at 602 percent, i.e. 57 percentage points lower than in 2023. The number of vulnerable companies⁹⁸ went up by 22 percent in 2024 compared with the previous year, accounting for 37 percent of the total number of firms reporting interest expenses. At sectoral level, the utilities sector accounted for the largest share of vulnerable companies (51 percent, +3 percentage points versus 2023), ahead of the real estate sector (49 percent, +2 percentage points versus 2023). At the same time, the construction sector reported the lowest share of vulnerable companies (32 percent, +2 percentage points versus 2023).

Chart 2.11. Distribution of turnover by firms' current ratio



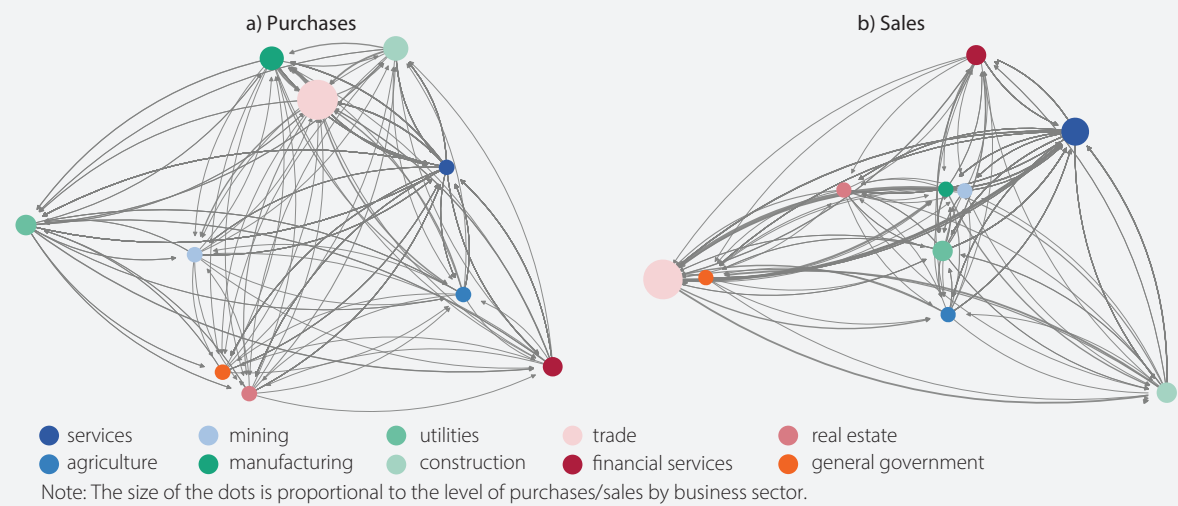
Non-financial corporations' liquidity improved slightly in 2024 compared with the previous year, but remained below the values seen in 2022. The current ratio amounted to 118.2 percent overall (up 0.5 percentage points versus 2023), remaining relatively comfortably above the 100 percent signalling threshold, while the quick ratio (which excludes inventories) reached 83.1 percent, i.e. 1 percentage point higher than in the prior year. Looking at firms' capacity to perform their current operations, the defensive interval ratio (DIR), which measures how long a company can continue to operate using only its current assets to cover its daily expenses, was 140 days, (+7 days versus 2023). The ultra-defensive interval ratio, i.e. the stricter indicator which takes into account only firms' most liquid assets, was 40.1 days. The breakdown shows that the number of firms with liquidity below the 100 percent signalling threshold increased by 10 percent versus 2023, yet their share in turnover, the number of employees and bank credit remained relatively unchanged (Chart 2.11). Thus, in 2024, although firms that reported a current ratio below 100 percent accounted for 46 percent of the total number of firms, they generated only 23 percent of turnover.

According to Declaration 394, trade was the sector accounting for most of the purchases and sales of goods and/or services performed in Romania (Chart 2.12). More specifically, it accounted for over 36 percent of purchases and about 34 percent of sales, being closely connected to manufacturing in what concerns both procurement (17.9 percent of purchases went to manufacturing) and supply (about 10 percent of total sales from manufacturing went to trade and 4.6 percent of total sales from trade

⁹⁸ Non-financial corporations vulnerable to interest expenses refer to firms with an EBIT-to-interest expenses ratio below 2.5, including loss-making firms.

went to manufacturing). Moreover, the general government had the closest link with the construction sector, accounting for 1.4 percent of total purchases.

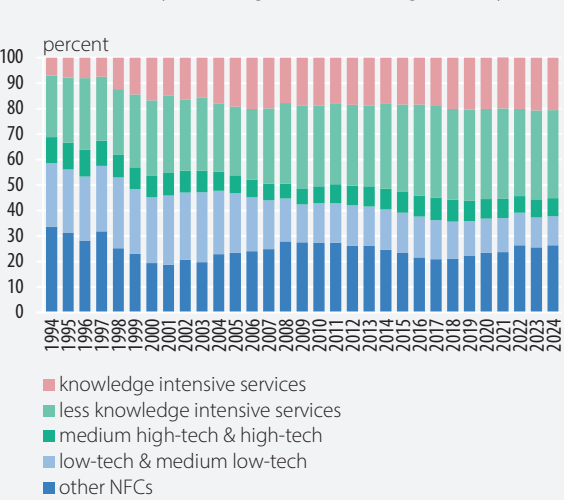
Chart 2.12. Linkages between the main business sectors (NACE codes) by type of transaction



Source: NAFA, NBR calculations

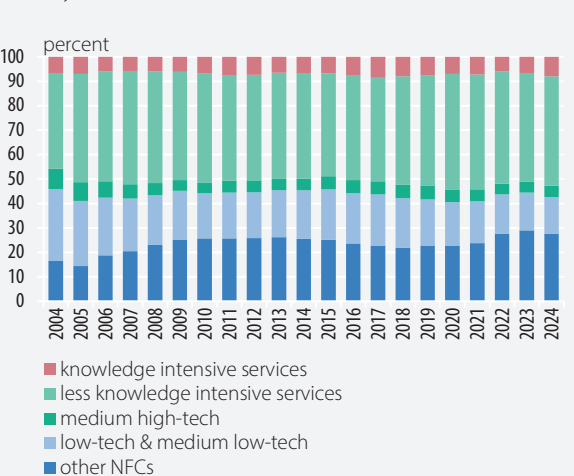
Under the circumstances, there is ample leeway to improve the structure of the economy, by increasing the role of companies that can generate higher value added and of innovative ones. At end-2024, only 0.8 percent of firms were involved in high-tech or medium high-tech industries, accounting for 7 percent of gross value added across the non-financial corporations sector (Chart 2.13). Another 26 percent of firms were engaged in knowledge-intensive service activities. The deployment of digital technologies on a larger scale, including artificial intelligence-based solutions (details in Box 2), would help improve firms' performance.

Chart 2.13. GVA by technological and knowledge intensity



Source: MF, NBR calculations

Chart 2.14. Banks' portfolio by technological and knowledge intensity



Source: MF, NBR calculations

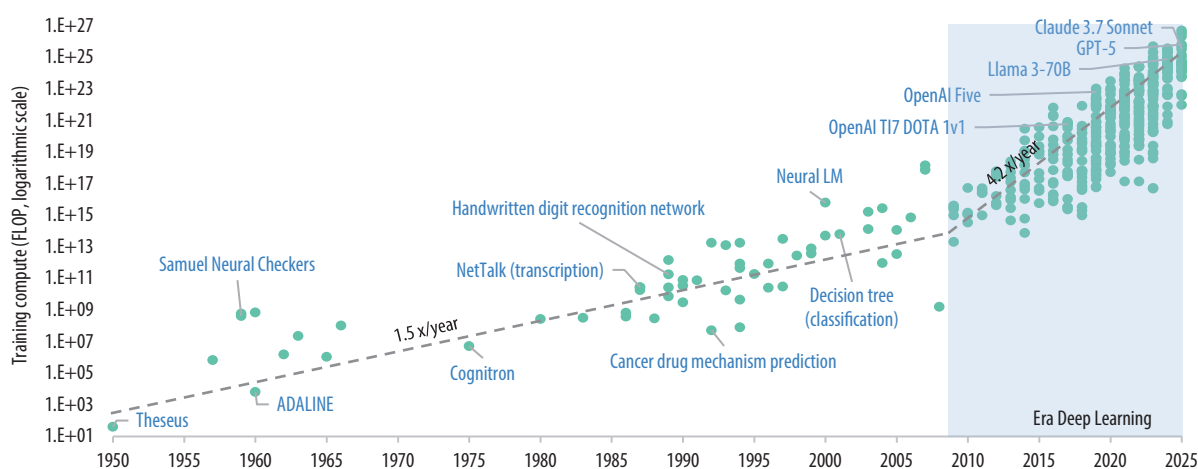
Credit institutions can also play a more important role in steering the economy towards areas generating higher value added, given that the composition of the

banking portfolio by technological criterion is similar to that of non-financial corporations overall (Chart 2.14).

Box 2. Uptake of artificial intelligence technologies in the non-financial corporations sector in Romania

Over the past decade, there has been remarkable progress in the field of artificial intelligence (AI), underpinned by the development of advanced machine learning techniques and the access to big data. The artificial intelligence progress is propelled by three main factors: algorithmic innovation, data usage and the computational power available for model training. While the algorithmic innovation and data usage are difficult to monitor, the computational power is an easily measurable metric, thus enabling the assessment of one of the main determinants of AI progress. Data point to an exponential increase in computational resources (Chart A), whose values doubled, on average, every half-year (approximately 5.8 months⁹⁹) in the 2010-2025 period and continue to rise significantly. The AI technology has spread much faster than any other transformative technology in human history, such as the internet, computer or electricity – being used by more than 1.2 billion people in less than three years¹⁰⁰.

Chart A. Training compute of main AI models over time



Source: EPOCH AI

Artificial intelligence boosts productivity and economic growth through automated processes, streamlined operations, as well as by supporting data-driven decisions, thus contributing to innovation and competitiveness. Academic research¹⁰¹ shows that labour productivity increases by approximately 2-3 percentage points per year after the adoption of AI technologies at firm level. According to a Google study, the large-scale integration of generative AI technologies in Romania over the next 10 years could boost economic growth by 5 percentage points or EUR 14-16 billion

⁹⁹ EPOCH AI, Data on AI Models

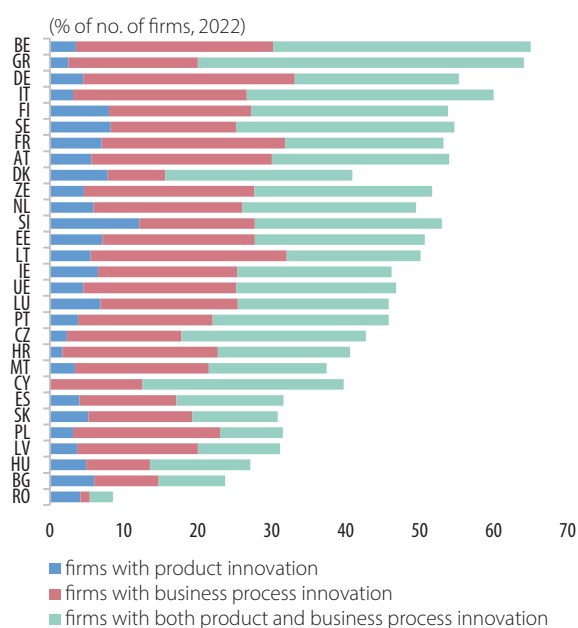
¹⁰⁰ Microsoft AI Diffusion Report, 2025

¹⁰¹ Acemoglu et al. (2022), Zhai and Liu (2023), Rammer, Fernandez and Czarnitzki (2022), Damioli, Roy and Vertesy (2022)

annually¹⁰². The gains would come from the increase in the productivity of employees working with generative AI, the freed-up time resulting from task automation and the re-employed time to value-creating activities. As regards the labour force, the study shows that 54 percent of jobs in Romania are expected to work directly with generative AI and see a boost in productivity. At the same time, 42 percent of jobs are likely to remain unaffected, with only 4 percent estimated to be exposed to the risk of job replacement by AI.

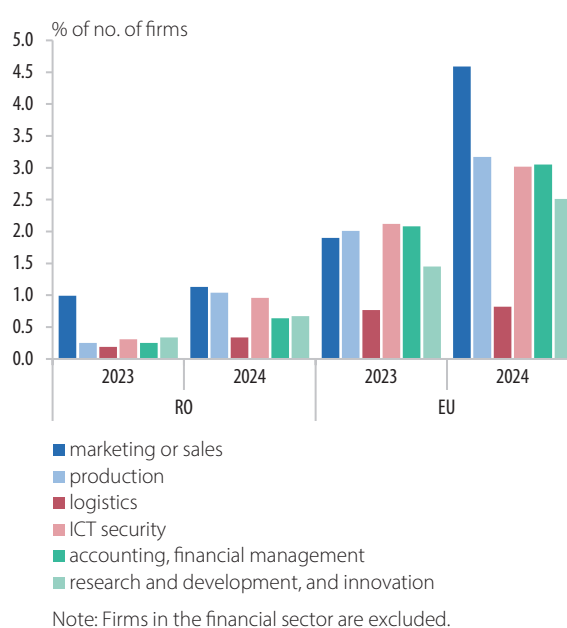
Nevertheless, significant research and development (R&D) deficiencies persist, alongside a low level of innovation among SMEs and start-ups, as well as a limited uptake of emerging technologies, which hinders competitiveness. Romania ranks last in the EU in terms of R&D spending, i.e. merely 0.46 percent of GDP in 2024, down from 0.52 percent of GDP in 2023. Out of the 2024 amount, the corporate sector allocated 0.3 percent of GDP, which indicates the low level of private sector participation in R&D activities. The share of innovative firms is the lowest in the EU, i.e. 8.8 percent (Chart B), Romania ranking among the few Member States with no unicorn startups¹⁰³ in the digital sector¹⁰⁴.

Chart B. Innovation activities of firms, by type of innovation



Source: Eurostat

Chart C. Use of artificial intelligence in firms, by purpose of use



Source: Eurostat

In the EU, AI startups raised approximately USD 10.4 billion¹⁰⁵ in venture capital financing in 2025 (by October). In Romania, AI startups attracted investments of around USD 53.8 million, which exceeded those recorded by peer economies in the region, such as Bulgaria (USD 9.4 million) or Czechia (USD 5.4 million).

¹⁰² The economic opportunity of Generative AI in Romania

¹⁰³ Start-ups in technology (or other innovative industries) with a market value of at least USD 1 billion, without being listed on the stock exchange

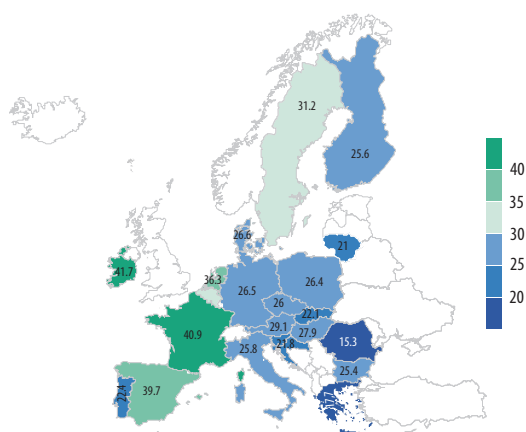
¹⁰⁴ Digital decade, DESI indicators 2025

¹⁰⁵ OECD.AI Policy Observatory

The use of artificial intelligence by Romanian firms remains, however, at a low level as compared to the EU average (3.07 percent of firms with at least 10 employees as compared to 13.5 percent in the EU, 2024). The AI is used mostly in marketing and sales (1.13 percent) and in production (1.04 percent), whereas the percentage of usage drops to less than 1 percent of firms in activities such as accounting, logistics and research and development, which highlights the still limited integration of AI technologies in economic activities (Chart C).

Chart D. AI diffusion index in Europe, 2025

percent



Source: Microsoft

According to Microsoft analyses¹⁰⁶, the AI diffusion index¹⁰⁷ in Romania is 15.3 percent (Chart D), hinting at the still incipient stage of a large-scale AI uptake and deep integration in economic and institutional processes, despite the increased interest in and integration of AI solutions. At the level of the EU, Ireland (41.7 percent) and France (40.9 percent) are on top, while globally, the United Arab Emirates (59.4 percent) and Singapore (58.6 percent) are leaders in terms of the use of AI among working-age adults, reflecting the long-term investment in digital connectivity and skills.

Technological infrastructure (reliable electricity, internet connectivity, data centres and digital and AI skills) and the dominant language (English) are

major obstacles to AI adoption¹⁰⁸. The main barriers to digitalisation as flagged by firms in Romania refer to¹⁰⁹ high costs (57 percent of firms), the complexity of the digitalisation process (45 percent of firms), the reduced access to finance (31 percent of firms) and the lack of digital skills (20 percent of firms), all of them slowing down the uptake of digital technologies. Only 27.7 percent of Romania's citizens – the lowest level in the EU – have at least basic digital skills, which is essential for the efficient use of digital technologies in the work environment. This highlights a significant deficit in labour force training for digital transition and underscores the need for investment in digital training and education at national level, especially that the lack of skilled staff is an ever growing challenge for many companies. However, as regards the career transition into AI occupations, Romania ranks among the top-performing EU Member States and comes in first among Central and Eastern European countries. Specifically, 72.6 percent¹¹⁰ of the people who shifted to AI occupations in the period from 2019 to 2024 come from non-AI activities, which indicates high professional mobility and a good vocational retraining to AI occupations.

¹⁰⁶ Microsoft AI Diffusion Report, 2025

¹⁰⁷ AI Diffusion Index captures how widely artificial intelligence technologies are adopted and integrated in the economy, society and public sector, based on factors such as the effective use of AI use by firms, investment in research, digital skills and support infrastructure.

¹⁰⁸ Microsoft AI Diffusion Report, 2025

¹⁰⁹ NBR, *Survey on the access to finance of non-financial corporations in Romania*, June 2025

¹¹⁰ OECD.AI Policy Observatory

At present, AI is primarily used for specific tasks aiming to increase productivity, automate internal processes or support customer services. AI is mainly perceived as an efficiency-enhancing instrument, being frequently¹¹¹ used for translations (49 percent), development of new ideas (31 percent), data analysis (22 percent), content customisation (22 percent) and text editing (21 percent). Moreover, at least one of ten employees uses AI to assist them in code writing or developing software solutions.

The digital technologies¹¹² most frequently used by firms operating in Romania are digital platforms that facilitate the interaction between customers and firms or among firms (21 percent of firms), followed by the Internet of Things (interconnected electronic devices that communicate without human intervention), implemented by 16 percent of firms. At the opposite end, the technologies with a low adoption rate among firms are virtual reality and drones (3 percent each), hinting at the significant untapped potential in these fields.

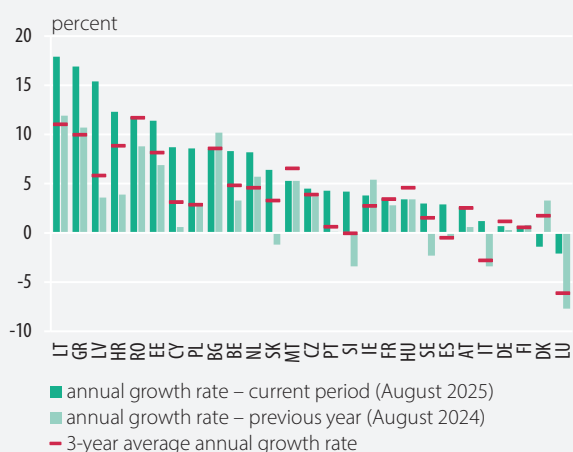
2.1.2. Financial discipline of non-financial corporations

Lending to non-financial corporations in relation to banks

Loans by local banks to non-financial corporations have expanded rapidly in the recent period, posting the highest average growth rate at EU level over the past three

years (+12 percent, Chart 2.15). This was driven primarily by foreign currency-denominated loans, which exposes companies to potential adverse exchange rate movements. It is therefore important for firms to borrow in the currency in which they earn their income, in order to mitigate or even eliminate foreign exchange risk.

Chart 2.15. Dynamics of loans to non-financial corporations in Europe



Source: ESRB, ECB

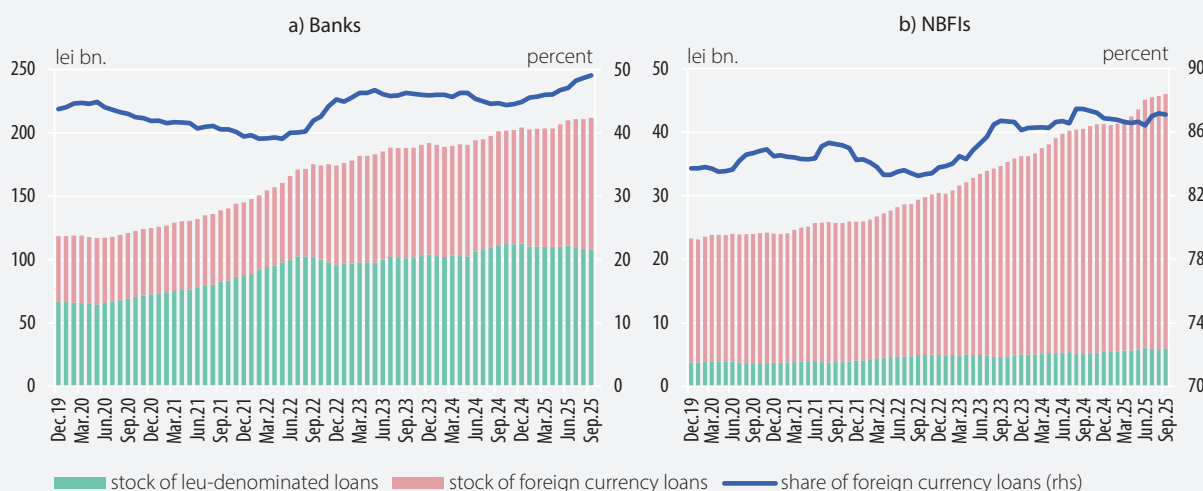
The foreign currency exposure of non-financial corporations remains significant within banks' corporate loan portfolio and continues to increase at a sustained pace. The annual growth rate of the foreign currency loan stock stood at 15.7 percent in September 2025, with the outstanding amount reaching lei 104 billion (Chart 2.16). Over the past 12 months, this growth rate ranged between 3 percent and 15.7 percent, well below the levels recorded in 2023, when it peaked at 39.3 percent in March. After 2023, the annual dynamics of foreign

currency loan flows moved into negative territory, returning to positive values in March 2025. Foreign currency loans account for 49.1 percent of banks' corporate loan portfolio (up by 4.4 percentage points compared to September 2024).

¹¹¹ AI in Business, Communication and Research, Reveal Marketing Research

¹¹² NBR, *Survey on the access to finance of non-financial corporations in Romania*, June 2025

Chart 2.16. Stock of loans by currency



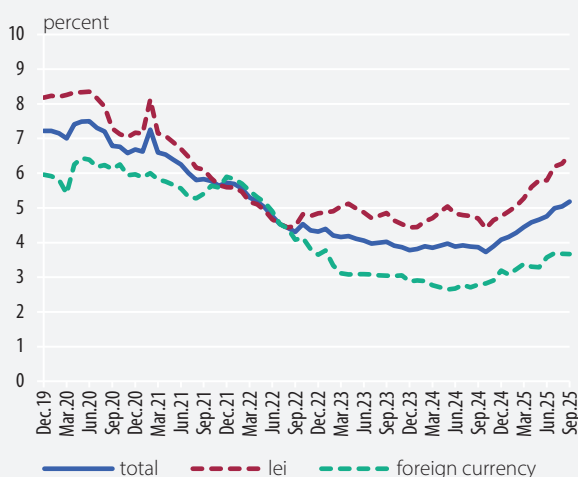
Against the backdrop of declining interest rates in the euro area and given that developments in Romania are closely tied to the progress of fiscal consolidation and to the path of the inflation rate, non-financial corporations may become more inclined towards foreign currency borrowing in the period ahead.

As for NBFIs, foreign currency loans continue to account for an overwhelming share of the total stock of corporate loans. Specifically, in September 2025, they made up 87.1 percent of total NBI loans to non-financial corporations (down by 0.3 percentage points from September 2024), amounting to lei 40 billion (up by 13 percent against the same year-earlier period), Chart 2.16. The preference for foreign currency financing reflects the prominence of leasing, which is the main lending product of the most important institutions in the sector, accounting for around 65 percent of total exposures.

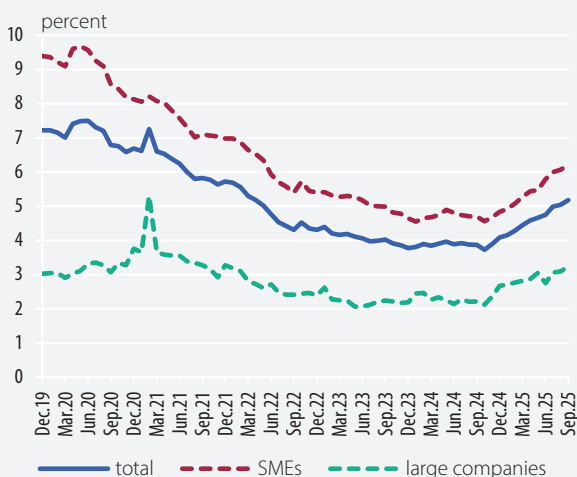
In the context of the challenges faced by the non-financial corporations sector, the quality of the loan portfolio deteriorated moderately. The non-performing loan (NPL) ratio reached 5.2 percent at end-September 2025 (Chart 2.17), up by 1.3 percentage points against the same year-ago period. The increase was driven mainly by exposures more than 90 days past due, which posted a 50 percent surge, compared with a 33 percent rise in exposures classified under “unlikely to pay”.

The credit risk associated with the foreign currency loan portfolio has so far not posed challenges for banks and NBFIs. In May 2024, the NPL ratio for foreign currency-denominated bank exposures reached a post-2015¹¹³ historical low of 2.6 percent, reflecting a steady decline from December 2019 to May 2024. Thereafter, the trend reversed, with the NPL ratio for foreign currency loans embarking on an upward path and coming in at 3.7 percent in September 2025 (Chart 2.17). Similar developments were seen in the case of foreign currency loans granted by NBFIs, where the NPL ratio stood at 2.5 percent, i.e. close to half of that for leu-denominated loans.

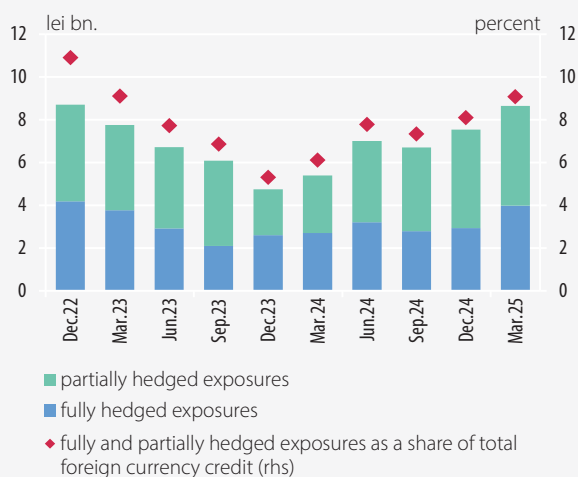
¹¹³ The year when the European Banking Authority (EBA) introduced the new definition of the NPL ratio.

Chart 2.17. NPL ratio by currency

Source: MF, NBR, NBR calculations

Chart 2.18. NPL ratio by company size

Source: MF, NBR, NBR calculations

Chart 2.19. Hedged foreign currency exposure, banking sector

Source: NBR, NIS, NBR calculations

The hedging¹¹⁴ of foreign currency-denominated loans is relatively low for both banks and NBFIs. In 2025 Q1, only 9.1 percent of total bank foreign currency exposures were hedged against exchange rate risk (Chart 2.19). For NBFIs, the hedging ratio was slightly lower, with 5 percent of exposures being partially or fully hedged, a level that showed limited variation over the period under review. However, based on the 2024 financial statements, the hedging ratio would increase by around 8 percentage points if the foreign currency holdings of non-financial corporations with outstanding foreign currency-denominated loans were taken into account. Another mitigating factor is that, unlike the composition of leu-denominated loans, where cash loans account for the bulk (61.5 percent of the total), foreign currency-denominated loans

are predominantly investment loans, mainly financing equipment purchases (40.3 percent).

If developments in foreign currency loans to non-financial corporations continue to point to a build-up of vulnerabilities to financial stability, macroprudential policy has several regulatory tools at its disposal, including: (i) the recalibration of the systemic risk buffer (SyRB) by introducing an additional criterion related to foreign currency lending or (ii) the implementation of a sectoral systemic risk buffer (sSyRB) applied to foreign currency credit to the private sector.

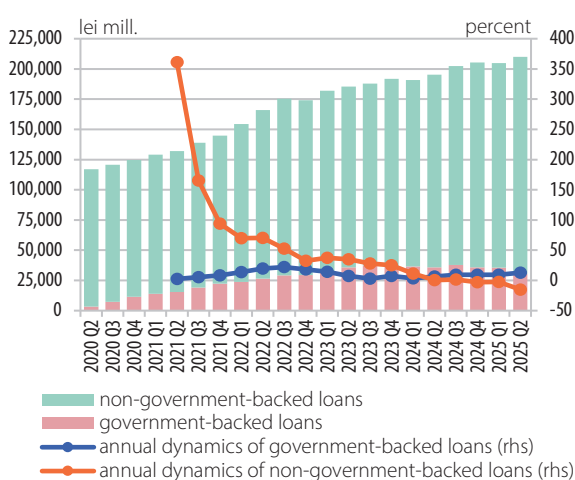
¹¹⁴ Hedged companies are defined as those whose income from exports of goods and services over the past four quarters exceeds their annual debt service, meaning that the ratio of exports to debt service is above 1. Partially hedged companies are those with an exports-to-debt service ratio between 0.5 and 1. Fully and partially hedged companies include all firms with a ratio above 0.5.

Another portfolio that needs close monitoring is that of government-backed loans to non-financial corporations, for which the NPL ratio reached 9 percent in September 2025, up by 5.1 percentage points from September 2024. Given the significant deterioration in the quality of the government-backed loan portfolio, the National Committee for Macroprudential Oversight issued a recommendation aimed at improving the effectiveness of government loan guarantee programmes and supporting the structural transformation of Romania's economy (for further details, see Box 3).

Box 3. The NCMO working group on government loan guarantee programmes

In December 2024, the General Board of the National Committee for Macroprudential Oversight (NCMO) decided to establish a Working Group on government loan guarantee programmes. Along with representatives of the Ministry of Finance, the Financial Supervisory Authority and the National Bank of Romania, officials from other ministries as well as representatives of the business environment, credit institutions and the academia were invited to participate in the group's works. The working group operated in the period from January to September 2025.

Chart A. Bank loans by government guarantee



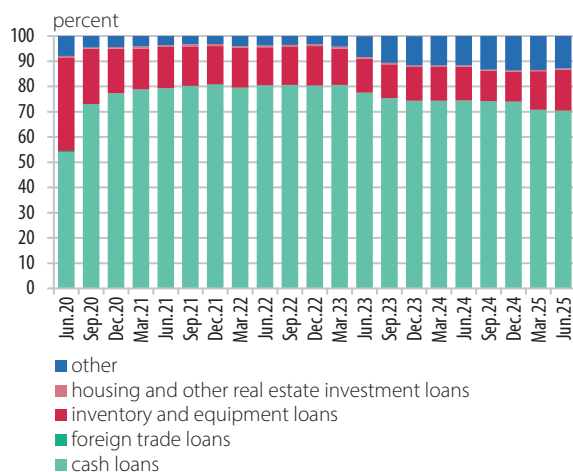
Source: NBR

Between 2020 and 2024, an unprecedented volume of guarantees were granted, i.e. more than lei 60 billion, which gave non-financial corporations a significantly larger access to finance. As from 2020, government-guaranteed exposures went through three stages, accompanied by a gradual reduction in the dynamics gap vis-à-vis unsecured exposures. By the end of 2021, they recorded annual increases exceeding 100 percent, also supported by an important base effect, given the very low initial level of guaranteed loans (2.7 percent in May 2020). In the 2022-2023 period, the average growth rate lost momentum to about 45 percent, whereas the share of these loans in the corporate portfolio reached a peak of 20 percent. Subsequent to end-2024, the stock of guaranteed loans started to decline, while financing without state guarantees continued to advance at an annual pace of approximately 10 percent (Chart A).

Loan guarantee programmes were instrumental in supporting and developing firms' access to finance during this period marked by some of the greatest economic challenges stemming from the COVID-19 pandemic and the price developments in energy markets, as well as by a number of geopolitical challenges. A considerable part of firms took out government-backed loans (27 percent of all companies with outstanding bank loans as at June 2025), with about a third of them having not resorted to bank financing in the past five years.

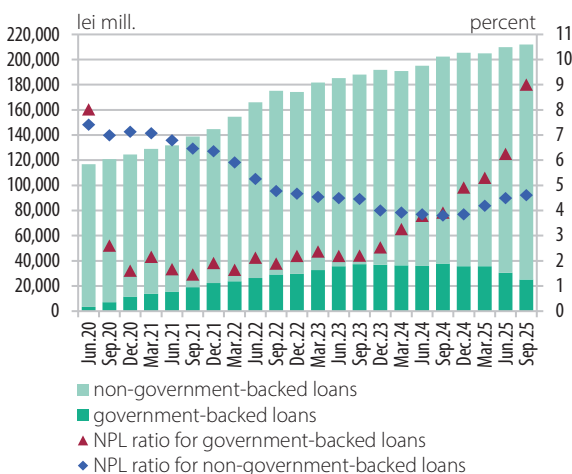
However, more than 70 percent of guaranteed loans were cash loans, while investment financing accounted, on average, for only 15 percent of the portfolio of guaranteed loans in the period from June 2020 to June 2025 (Chart B).

Chart B. Government-guaranteed loans by loan type



Source: NBR, MF, NBR calculations

Chart C. Guaranteed/non-guaranteed exposures and NPL ratios



Source: NBR

Overall, firms' performance did not change significantly in the years following their access to a government-backed loan. A favourable impact is visible only for the companies that took their first such loan in 2020. No positive effects were detected on turnover or gross value added, but there was a beneficial influence on the growth rate of the number of employees, regardless of the firm's size or sector.

Once with the coming to maturity of the guaranteed loan portfolios, the worsening of the quality of exposures became increasingly apparent. The financial discipline of non-financial corporations deteriorated in 2024 amid a challenging economic climate, which also affected the quality of bank credit. For the guaranteed loans, the non-performing loan ratio increased more sharply, up by 5.1 percentage points between September 2024 and September 2025 (to 9 percent from 4.9 percent) (Chart C).

With a view to enhancing the effectiveness of government credit guarantee programmes and to upholding the structural change of the economy as well as energy and food security, the Working Group identified four strategic sectors that could benefit from dedicated support. These areas are as follows: food security, energy security, defence industry and high value-added sectors, including the entities that use artificial intelligence in their activity. In addition, the Working Group recommends consolidating systemically important, cross-cutting areas, capable of accelerating the digital, industrial and green transitions, but also of increasing economic resilience.

At the end of its activity, the Working Group proposed six measures, approved by the NCMO General Council in its meeting in October 2025, which were structured

around three main lines of action. The first line is intended to put in place a general reference framework integrating best practices and common principles for the design and implementation of future government loan guarantee programmes, so that government interventions become more coherent and more effective. The second line highlights the importance of gearing these programmes towards strategic sectors for the Romanian economy in order to channel public resources where they can produce the heaviest impact. The third line aims at enlarging the range of financing instruments by promoting alternative solutions that facilitate access to capital in segments insufficiently covered by traditional bank financing and strengthening the role of the Romanian Investment and Development Bank in the banking system.

In October 2025, the Working Group's analysis was published¹¹⁵, and the six proposed measures were included in NCMO Recommendation No. 4/2025 on government credit guarantee programmes¹¹⁶.

In September 2025, in terms of company size, credit risk remained higher among SMEs, with an NPL ratio of 6.2 percent (+1.5 percentage points versus the same

year-ago period), compared to 3.1 percent for exposures to large companies. In the case of the latter, the NPL ratio was greater for domestic currency loans (3.4 percent) than for foreign currency loans (2.9 percent).

By sector, the mining industry recorded the highest NPL ratio, i.e. 17.7 percent in September 2025 (on a declining trend, down 5.6 percentage points from the beginning of the year), while real estate firms posted the lowest NPL ratio, i.e. 1.1 percent (down 0.3 percentage points against September 2024).

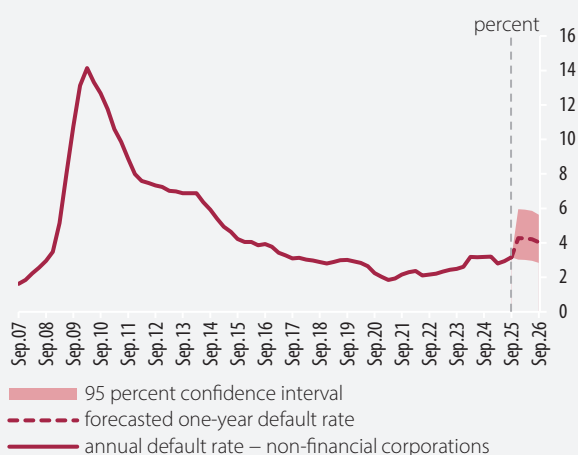
The annual default rate for non-financial corporations stood at 3.16 percent in September 2025, a relatively similar level to that recorded in the same year-ago period. Under the baseline macroeconomic scenario, credit risk is projected to increase over the year

ahead, with the average probability of default estimated to reach 4 percent in September 2026 (Chart 2.20).

Payment discipline in the economy

Persistent uncertainties and challenges, both domestically and globally, may affect the resilience of Romania's business environment. The upward trend in overdue payments to non-banks points to a worsening of financial discipline among non-financial corporations. At end-2024, the volume of overdue payments increased

Chart 2.20. Annual default rate and one-year forecast, the non-financial corporations sector



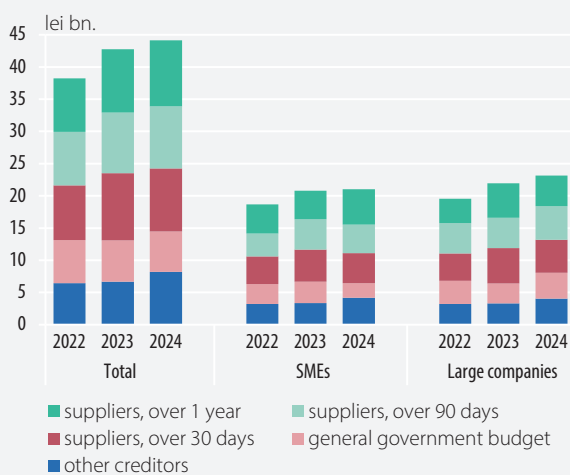
Source: NBR, MF, NBR calculations

¹¹⁵ https://www.cnsmmo.ro/res/ups/Raport_GL_CNSM.pdf

¹¹⁶ <https://www.cnsmmo.ro/res/ups/Recomandarea-CNSM-nr.-R-4-2025-.pdf>

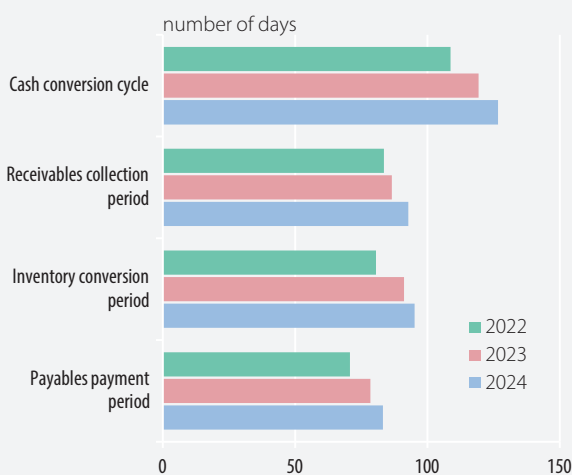
by 3.2 percent in annual terms, reaching lei 44 billion. This was driven chiefly by the rise in overdue payments among large companies, with surges being recorded for arrears to the general government budget (around 30 percent in annual terms) and to other creditors (up 22 percent versus December 2023), Chart 2.21. Among SMEs, the overdue payments to other creditors posted the fastest rate of change (+23 percent). Large companies account for overdue payments to non-banks amounting to approximately lei 23 billion, while the remaining lei 21 billion is attributable to SMEs. Overdue payments to suppliers recorded upward dynamics for those overdue by more than 90 days (+2.6 percent in annual terms) and over one year (+4.2 percent), reflecting growing difficulties for companies in settling trade payables within shorter time frames, while payments overdue by more than 30 days declined by 6.2 percent.

Chart 2.21. Overdue payments in the economy by company size



Source: MF, NBR

Chart 2.22. Operational efficiency indicators



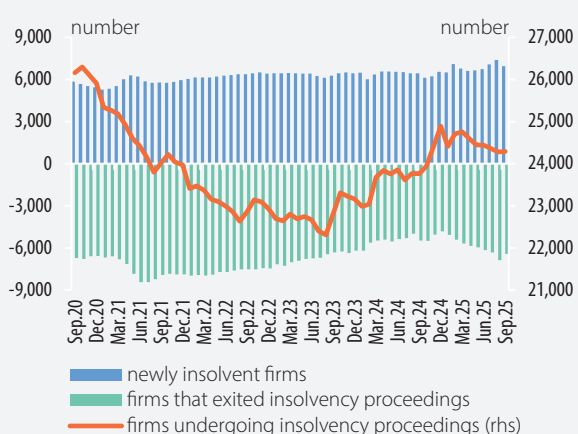
Source: NBR, NTRO

Operational efficiency indicators point to an economy-wide lengthening of payment and collection periods at end-2024, adversely affecting companies' cash flows (Chart 2.22). The average payables payment period rose steadily over the past three years to 83 days (December 2024), this extension signalling potential liquidity strains. The inventory conversion period increased gradually, reaching 95 days in December 2024, up from 81 days two years earlier, indicating a deterioration in logistics efficiency. A slowdown is also visible in receivables collection, with the average collection period standing at 93 days, well above the statutory maximum of 60 days set out in Law No. 72/2013 and extending relative to previous periods (86 days in 2023 and 84 days in 2022). Overall, these developments have negatively impacted the cash conversion cycle, implying a longer period required to turn invested resources into available liquidity, thereby intensifying pressure on cash flows and highlighting the need for working capital optimisation measures.

The number of major payment incidents rose by 1.5 percent October 2024 through September 2025 compared to the previous 12-month period. Total amounts picked up significantly by about 22 percent to almost lei 1.5 billion, owing largely to micro-enterprises, which accounted for 33 percent (down, however, by 18.3 percentage points from the October 2023 – September 2024 period). Specifically, the distribution

of amounts shifted away from micro-enterprises towards medium-sized firms (+8.4 percentage points), atypical companies (+7.4 percentage points) and large corporations (+4 percentage points). As for large corporations, while the number of payment incidents remained unchanged, the total amount increased by approximately lei 85 million (a rise of 71 percent).

Chart 2.23. The 12-month flow of newly insolvent firms, firms that exited insolvency proceedings, and firms undergoing insolvency proceedings



Source: NTRO, NBR calculations

The average monthly number of insolvent firms stood at 24.5 thousand between October 2024 and September 2025, with a slight downward trend in the final months of the period, reaching 24.3 thousand in September 2025 (Chart 2.23). Insolvent firms make a limited contribution to the economy, accounting for only 1.7 percent of gross value added (GVA) and 4.5 percent of total assets of the non-financial corporations sector as at December 2024. Nevertheless, such firms are significant in terms of the volume of non-performing loans they generate, making up 29 percent of the banking sector's non-performing loan portfolio in September 2025. The stability of the financial system also depends on improving the efficiency of the insolvency framework¹¹⁷.

The weak payment discipline in the economy is targeted by a number of measures concerning the activity of firms in Romania, which were incorporated into a draft law¹¹⁸ that the Government presented in the Parliament as a matter of confidence in September 2025. The most important proposed measures include: (i) capital requirements differentiated by the firm's turnover (lei 500 for companies with turnover lower than lei 400 thousand and lei 5,000 for turnover above this threshold), (ii) the obligation to hold a payment account in Romania, (iii) provisions on inactive companies and their dissolution, (iv) limitation of deductibility of expenses with affiliates, and (v) the possibility to assign shares of a limited liability company only provided that it meets its outstanding tax obligations.

2.2. Households

2.2.1. Households' balance sheet and saving behaviour

Households further posted an adequate level of resilience and strengthened their financial standing. The composite indicator of household vulnerabilities¹¹⁹ showed the

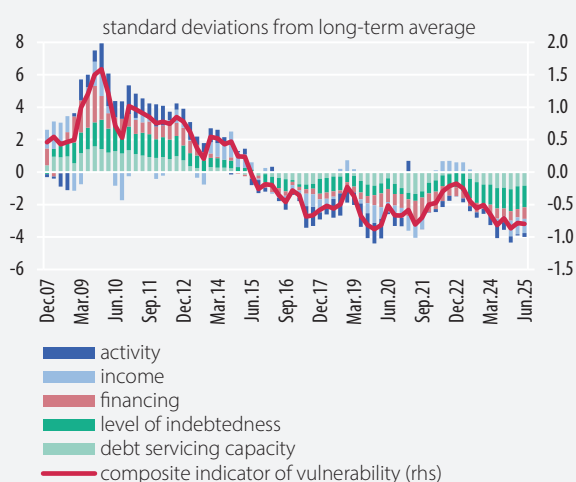
¹¹⁷ For further details, see the *Special Feature* in the December 2023 *Financial Stability Report*.

¹¹⁸ Law on measures for the recovery and efficient use of public resources, amending and supplementing some legal acts (PL-x No. 246/2025). The law was sent for promulgation but, following a constitutional challenge, the Constitutional Court of Romania found that certain provisions were unconstitutional (Constitutional Court Decision No. 481/2025) and sent it back to Parliament.

¹¹⁹ For further information on the methodology, see Box 4.

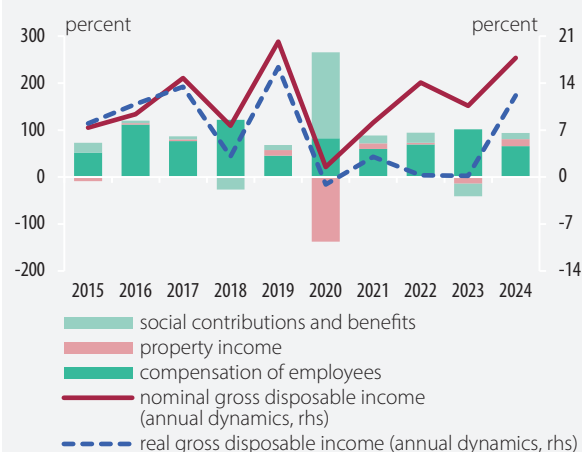
sector to be in the low-risk area (Chart 2.24). This was underpinned by the sustainable level of indebtedness and the improvement in debt servicing capacity, *inter alia* due to the borrower-based macroprudential measures implemented by the National Bank of Romania, as well as by the dynamics of disposable income (Chart A in Box 4). Looking ahead, vulnerabilities could be amplified by the slowdown in real disposable income growth, amid high inflation and as a result of fiscal measures, as well as by the modest developments in economic activity.

Chart 2.24. Composite indicator of household vulnerabilities



Source: NBR, NIS, NBR calculations

Chart 2.25. Dynamics of gross disposable income and main contributors



Source: Eurostat, NBR calculations

Households' disposable income continued to increase, supported by labour market activity. Nominal gross disposable income went up 18 percent in 2024, reflecting the significant contribution of the compensation of employees (66 percent, Chart 2.25). The further high employment rate (63.8 percent in 2024 and 62.6 percent in 2025 Q2 for the 15-64 age group, seasonally adjusted data) and the sustained growth of average net wage earnings (7 percent in 2025 Q2 in nominal terms and 1.3 percent in real terms) had a positive effect on households' financial standing. However, as of July 2025, the real dynamics of average net wage earnings entered negative territory (-5.8 percent in September 2025), amid not only a high inflation rate (9.9 percent in September 2025), but also a slower advance in nominal income (4.1 percent in September 2025). The rise in disposable income did not reflect in an increase in saving. On the contrary, households' gross saving rate remained negative in the post-pandemic period (Chart 2.26), indicating that, overall, household consumption exceeded the current income levels, the spending surplus being funded from either savings or borrowings.

Box 4. Composite indicator of household vulnerabilities

The composite indicator of household vulnerabilities is calculated to provide a synthetic assessment of the risks to which the household sector is exposed, and it is based on the ECB's methodology¹²⁰. The indicator allows the identification

¹²⁰ May 2025 Financial Stability Review

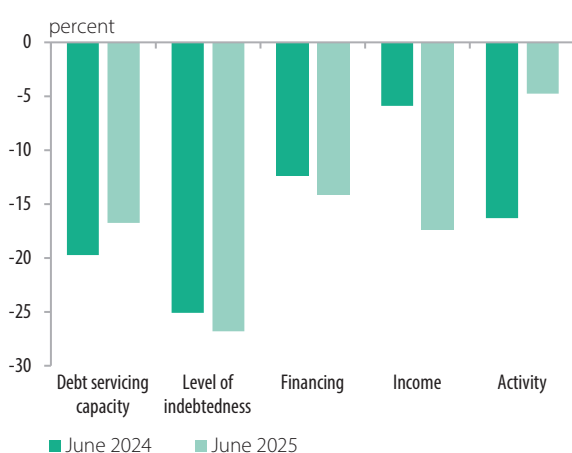
of built-up household vulnerabilities along five dimensions: (i) debt servicing capacity, (ii) leverage, (iii) financing conditions, (iv) income dynamics, and (v) activity on the labour market. Each of these dimensions is represented by a set of relevant variables, which are standardised by being transformed into z-scores, meaning that they are converted into a common scale with a mean of 0 and a standard deviation of 1.

The debt servicing capacity includes variables such as the debt service-to-disposable income ratio, the gross saving ratio, and households' expectations of their personal financial situation in the next 12 months. Leverage is captured by the debt-to-disposable income and debt-to-total assets ratios. Financing conditions

refer to the average bank lending rate, the breakdown of debt by maturity (short-term debt-to-long-term debt ratio), the quick ratio (current financial assets-to-current liabilities ratio), and credit impulse (the change in new credit issued as a share of GDP). Income is analysed in terms of real gross disposable income growth and disposable income-to-GDP ratio. The last component (i.e. activity) captures the labour participation rate (share of active population in total population) and unemployment expectations.

For each dimension, a sub-indicator is calculated as a simple arithmetic mean of the variables included. The final composite indicator is obtained by equally weighting the five sub-indicators. Specifically, the resulting aggregate score expresses the overall level of household vulnerabilities in relation to the long-term average. The indicator is interpreted intuitively: positive values indicate a level of vulnerability higher than the long-term average (rising risks), whereas negative values signal a more favourable context, i.e. lower vulnerability (Chart A).

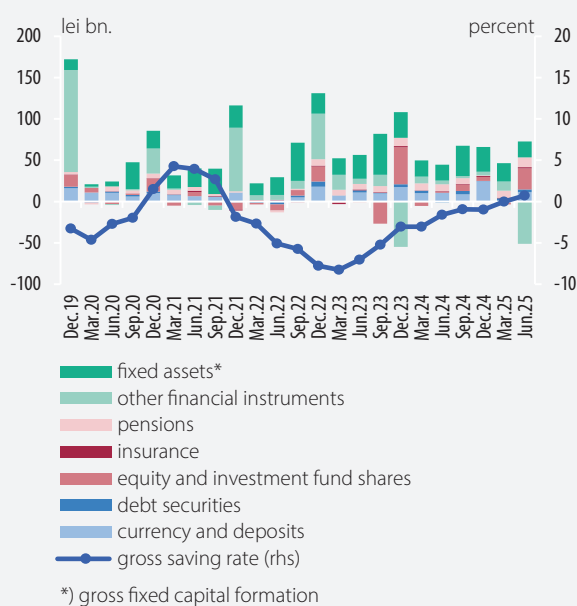
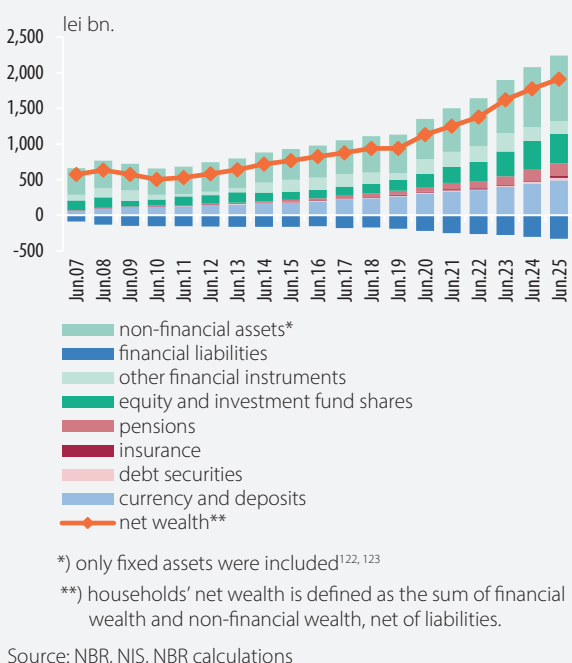
Chart A. Contribution of dimensions to the degree of population vulnerability



Source: NBR, NIS, NBR calculations

In 2025 Q2, most household investment was channelled into equity and investment fund shares or units, followed by fixed assets and currency and deposits (Chart 2.26). Although the number of people who contribute to private pension funds has increased (9.4 million, +3.8 percent year on year in September 2025), it is essential to raise awareness among young people about the impact of demographic changes. Most contributors to Pillar II (68 percent) are aged 35 and up and those to Pillar III are aged 45 and up (58 percent), which points to a need for more active involvement of young people to strengthen their future financial standing. At the same time, only 7 percent of those aged 15 and up save for old age¹²¹, signalling low financial inclusion. Although posting a slightly higher level, Romania still ranks last in the EU in this respect; for details about this structural vulnerability see Box 5.

¹²¹ World Bank Global Index 2025

Chart 2.26. Households' quarterly investments and gross saving rate**Chart 2.27.** Households' net wealth

The OECD recommends that Romania¹²⁴ adopt an integrated strategy to cope with the demographic challenge, raise employment, increase job quality and wages, and improve social inclusion, paying special attention to vulnerable groups. Priorities include boosting the employment of women by broadening access to good-quality early childhood education and care and reducing barriers to the creation of formal part-time jobs. In parallel, the OECD highlights the importance of discouraging early retirement, promoting longer working lives, and enhancing the employability of older workers and people with disabilities. Regarding migration, the OECD suggests reinforcing diaspora engagement by developing a portal to provide information on employment opportunities and entrepreneurship conditions in Romania, and by improved monitoring of migration flows. At the same time, there is emphasis on the importance of boosting the skills of Romania's workforce via a coherent set of measures aimed at both young people and active adults. It is recommended to support young people's school-to-work transition by fighting against early school leaving, promoting outreach to young people who are neither in employment nor in education or training and continuing ongoing efforts to modernise the vocational education and training system. Moreover, it is necessary to create mechanisms to encourage adult participation in training activities – e.g. through a voucher-based system, by requiring and monitoring on-the-job training, and expanding the training for registered jobseekers.

¹²² Fixed assets are produced non-financial assets used repeatedly or continuously in production processes for more than one year. These include dwellings, other buildings, machinery and equipment, etc.

¹²³ Since 2020, the National Institute of Statistics has published non-financial assets, according to the national accounts methodology, prepared in line with ESA 2010. The annual values were linearly interpolated to obtain quarterly data, whereas for 2023 and 2024 the values were estimated based on data from the Quarterly Sector Accounts, namely gross fixed capital formation and consumption of fixed capital.

¹²⁴ OECD Reviews of Labour Market and Social Policies: Romania 2025

Household investments in government securities under the “Fidelis” and “Tezaur” programmes became an attractive saving option, being characterised by low risks and stable yields, thus contributing to the diversification of household portfolios.

However, deposits remained households’ preferred saving method, accounting for 30 percent of the sector’s financial assets (June 2025). Specifically, over half of the adult population (51 percent) and around 72 percent of bank account owners deposit money monthly¹²⁵. Digitalisation is one of the factors that influenced the way in which customers handle bank deposits, facilitating instant, non-stop access to financial services via online and mobile platforms. Among those who save monthly, approximately 65 percent deposited savings into an account. In September 2025, households’ bank deposits reached lei 391 billion, up 8.8 percent year on year, following the swifter increase in overnight deposits, which have begun to surpass time deposits (up 12 percent and 6 percent respectively). The share of the latter in total deposits contracted from 54 percent in September 2024 to 52 percent in September 2025, pointing to a growing preference for instant access deposits. Thus, households strengthened their net creditor position vis-à-vis the banking sector, with a volume of deposits almost twice as large as that of credit to households (loan-to-deposit ratio of 0.52, September 2025).

Against this background, households’ net wealth continued to rise (+7.9 percent in annual terms in June 2025), doubling compared to the pre-pandemic period (versus June 2019, Chart 2.27). Moreover, households’ net wealth is equivalent to the gross domestic product, while it is 1.8 times higher than households’ gross disposable income (June 2025). Net wealth accumulation enhances the resilience of the households sector at aggregate level, providing a notable buffer in the case of unfavourable developments in income or general economic conditions.

Box 5. Household financial inclusion and connectivity in the digital era

Large-scale smartphone and internet adoption helped expand financial inclusion by increasing the access to and use of digital financial services. Mobile accounts and electronic wallets connected to bank systems lowered the traditional cost and accessibility barriers, allowing users to perform basic financial transactions, such as regular saving, managing loans, and making payments for services.

In Romania, in 2024, 71 percent of the population aged 15 and up had an account at a bank or similar financial institution¹²⁶, up from 69 percent in 2021 (Chart A). The level of financial inclusion for individuals in urban areas was significantly higher than for those in rural areas (81 percent versus 67 percent).

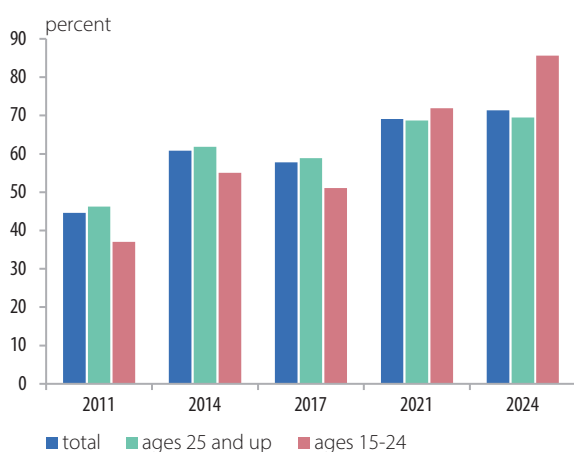
Inequality in wealth distribution also reflects in the level of financial inclusion, which is 82 percent for the wealthiest 60 percent compared to only 55 percent for the poorest 40 percent.

¹²⁵ World Bank Global Findex 2025

¹²⁶ The most frequently used indicator for measuring the level of financial inclusion is account ownership, i.e. the share of adult population (aged 15 and up) with an account at a bank or similar financial institution.

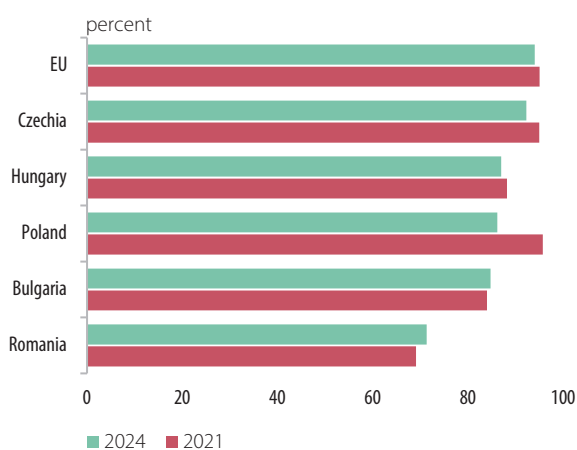
There are notable developments depending on age group. While in 2014 individuals aged 25 and up had a higher level of financial inclusion (62 percent) compared to those aged 15 to 24 (55 percent), the data for 2024 show a significant change. The financial inclusion of the younger generations is much more advanced, i.e. 86 percent of individuals aged 15 to 24 own financial accounts compared to 69 percent of those aged 25 and up. This trend reversal indicates a significant progress in adopting digital financial services and an easier access to financial instruments for young people in Romania, supported by the large-scale use of mobile and digital technologies. At the same time, the ever-growing focus on financial education over the past few years, *inter alia* via programmes organised by the National Bank of Romania, helped raise the level of awareness and use of financial products and services, easing young people's integration in the digital financial system and promoting financial inclusion among this age group. Enhancing financial education is all the more important considering that account ownership is only 41 percent for those who have a primary education or less versus 80 percent for those with at least a secondary education.

Chart A. Account ownership by age (% of the population aged 15 and up)



Source: Global Findex

Chart B. Account ownership, international comparisons (% of the population aged 15 and up)



Source: Global Findex

Romania posts the lowest level of financial inclusion in the EU, i.e. 71 percent compared to an EU average of 94 percent and to similar countries in the region (Chart B); this also reflects in the lowest level of financial intermediation in the EU.

Among the reasons cited by individuals aged 15 and up without accounts are the following: i) they do not have enough money (37 percent), ii) they do not trust banks and similar financial institutions (36 percent), iii) fees for financial services are too high (36 percent) and iv) a family member already has an account (35 percent).

In an emergency, most people rely on family and friends for money (42 percent of those aged 15 and up), followed by personal savings (22 percent) and wage income (13 percent). However, 68 percent of respondents believe it is possible to access

emergency money in 30 days or less, while for most this is somewhat difficult or not difficult at all.

Table A. Relevant indicators for financial inclusion

	percent			
	2017	2021	2024	
Own an account at a bank or similar financial institution (aged 15+)	58	69	71	
Borrowed money (aged 15+)	40	41	46	
Borrowed money from a bank or similar financial institution (aged 15+)	20	19	20	
Saved money (aged 15+)	34	45	49	
Saved money at a bank or similar financial institution (aged 15+)	14	19	26	
Borrowed money for medical reasons (aged 15+)	7	13	10	
Borrowed money from family or friends (aged 15+)	21	26	23	
Received wages in an account at a bank or similar financial institution (% of employees, aged 15+)	62	61	75	
Received a public sector pension in an account (% of beneficiaries of public sector pensions)		45	48	
Received a public sector pension only in cash (% of beneficiaries of public sector pensions)	60	50	49	
Made a digital payment (aged 15+)	33	56	47	
Received a digital payment (aged 15+)	41	46	52	
Used a mobile phone or the internet to shop online (aged 15+)		37	39	
Made a digital payment to an online retailer for an online purchase (aged 15+)		21	23	
Used a mobile phone or the internet to pay bills (aged 15+)	12	34	32	

Source: Global Findex 2025, NBR calculations

The biggest financial worries for the adult population in Romania are related to: (i) paying medical costs in the case of serious illness or accident – a third of individuals aged 15 and up, (ii) paying monthly expenses and bills – 26 percent, and (iii) money for old age – 17 percent.

Most wage earners (75 percent, 2024) receive their money in a bank account (Table A), up from 61 percent in 2021. By contrast, 49 percent of pensioners receive their pension only in cash, similarly to three years ago.

Almost half of the adult population say that they saved money (49 percent in 2024, up from 45 percent in 2021), while 72 percent of those with accounts deposit money in the bank monthly. Nevertheless, 3 percent of adults never deposited, sent or withdrew money in/from a bank or similar financial institution.

Approximately 95 percent of those aged 15 and up own a mobile phone, 75 percent of whom own a smartphone. In addition, 77 percent of adults used the internet in the past three months, with fewer in rural areas (73 percent); an important factor for this is the quality of fixed connectivity, where Romania is an EU leader¹²⁷. However, only 39 percent of adults used a mobile phone or the internet to shop online, 32 percent used it to pay the bills, and only 23 percent made a digital payment for an online purchase (Table A). The shares are higher for individuals aged 15 to 24, i.e. 42 percent for online bill payments and 73 percent for online purchases via mobile phone or internet, while 49 percent made a digital payment for online purchases compared to only 20 percent of those aged 25 and up.

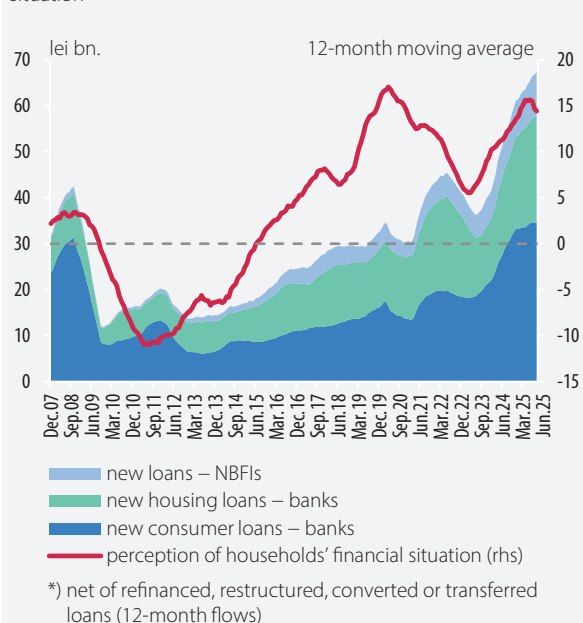
In order to further develop financial inclusion in Romania, it is essential to increase both access to digital technologies and the level of financial education for all social and age groups. Although there is obvious progress in adopting digital financial services, the disparities between urban and rural areas and between social and economic groups show the need for targeted interventions to reduce inequality. Promoting financial services that are accessible, transparent, and tailored to the needs of the population, especially the vulnerable, along with stimulating the responsible use of digital instruments and raising the awareness of cyber security risks (for details, see Section 3.1 and Chapter 4), will contribute to enhancing households' financial resilience and developing a more inclusive and sustainable economy

Conversely, household debt increased at a faster pace (9.8 percent in June 2025 compared to 6.4 percent in June 2024)¹²⁸, yet the sector's debt-to-assets ratio is low (10.3 percent in June 2025) and on a downtrend (-3.6 percentage points from June 2019).

The slowdown in household consumption following the declining purchasing power, amid the fiscal consolidation measures adopted by the government (temporarily freezing public sector wages and pensions, removing the cap on electricity prices,

¹²⁷ Short Country Report – Romania – Digital Decade 2025

¹²⁸ According to the data provided by Financial Accounts

Chart 2.28. New loans* and perception of households' financial situation

Source: NBR, EC, NBR calculations

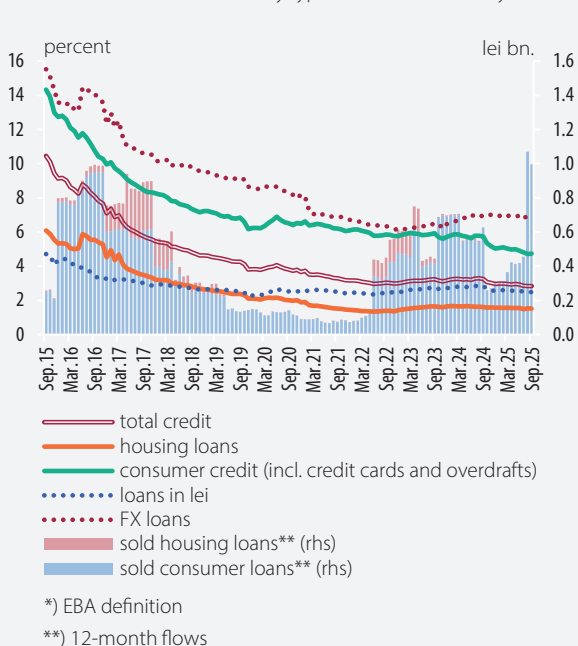
and increasing indirect taxes), reflected in the dynamics of new loans. Specifically, the annual growth rate of new consumer loans granted by banks to households moderated (+12.9 percent in September 2025, based on 12-month flows, compared to over 50 percent in 2024 H2, Chart 2.28), given the worsening consumer confidence as well as the downward course of the annual dynamics of real net wage. The volume of new housing loans further advanced, albeit at a slower pace, yet its dynamics remained above those of consumer credit (+26.2 percent in September 2025, based on 12-month flows). This was underpinned by the swifter growth of real estate transactions, in anticipation of the VAT rate change applicable to new houses as of August 2025.

2.2.2. Households' capacity to service debt

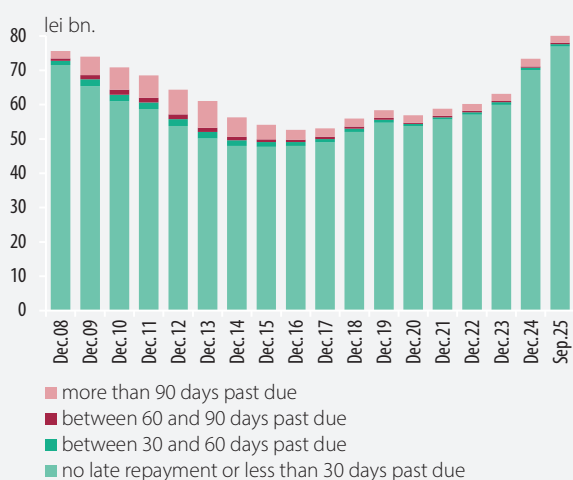
Unlike the corporate loan portfolio, the quality of bank loans to households has improved. The non-performing loan (NPL) ratio declined to 2.85 percent in September 2025, down 0.4 percentage points against the same year-ago period (Chart 2.29). Behind this positive evolution primarily stood consumer credit, influenced by multiple incidental factors (Chart 2.30). Approximately 69 percent of the volume of consumer loans were granted from 2024 to September 2025. The significant rise in the total volume of consumer credit, alongside the fact that, on average, consumer loans become default after approximately 3.3 years (according to developments over the past decade), contributed to the decrease in the NPL ratio in this segment to 4.7 percent in September 2025, from 5.7 percent in the same year-ago period. At the same time, the consolidation of the banking system has recently led to an increase in the volume of sold consumer loans (Chart 2.29). Nevertheless, the migration rate from performing to non-performing loan status in the period

September 2024 – September 2025 stood at 1.5 percent in the case of consumer credit compared to 0.48 percent in the case of housing loans.

Nevertheless, credit risk for certain loan segments continues to be higher. The NPL ratio of foreign currency-denominated loans was 6.9 percent compared to 2.5 percent in the case of leu-denominated loans (Chart 2.29), yet this loan category is a residual

Chart 2.29. Banks' NPL ratio* by type of loan and currency

Source: NBR, CB, NBR calculations

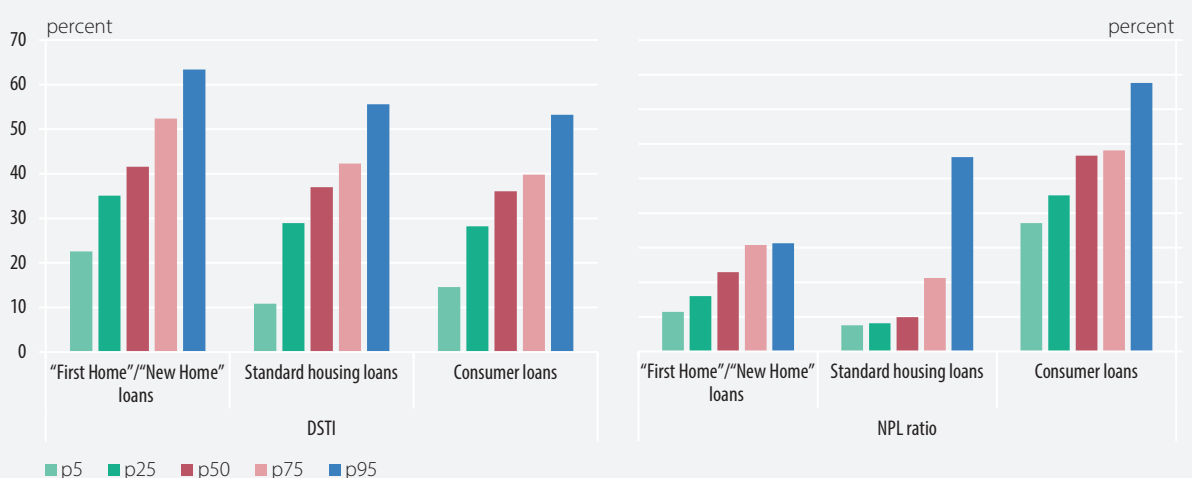
Chart 2.30. Consumer credit by days past due

Source: NBR, CB, NBR calculation

component, as the loan stock has constantly decreased (-15 percent in annual terms in September 2025), accounting for only 8 percent of bank loans to households (September 2025). At present, new foreign currency loans hold a negligible share, i.e. merely 0.2 percent of the total flow of bank loans to households.

Another loan category that requires closer monitoring in terms of credit risk consists of loans granted to borrowers with a high debt service-to-income (DSTI) ratio, as the quality of these loans is lower than that of loans granted to less indebted borrowers (Chart 2.31). This is highlighted by the level of NPL ratios, which are significantly higher at the right end of the DSTI distribution, especially in the case of consumer loans, where the NPL ratio reaches

7.8 percent for the 95th percentile (corresponding to a DSTI of 53 percent).

Chart 2.31. Debt service-to-income at origination (DSTI-O) and NPL ratio by DSTI percentile, September 2025

Source: NBR, NBR calculations

Amid the borrower-based macroprudential measures implemented by the National Bank of Romania, the share of loans to debtors with a DSTI over 40 percent¹²⁹ stands at 29 percent (September 2025), down from 67 percent before the measure was activated (December 2018). Most borrowers (75 percent) come from the housing loan segment, following the flexibility measure intended for first-time buyers.

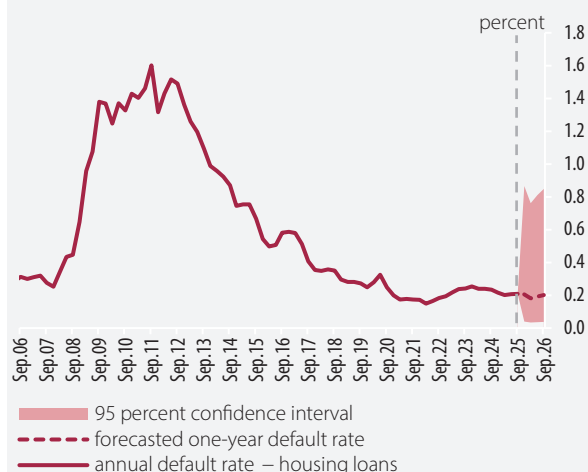
Interest rate risk decreased considerably, as only 39 percent of the stock of housing loans and 10 percent of the stock of consumer loans have a variable interest rate

¹²⁹ The 40 percent cap on the level of indebtedness for leu-denominated loans was exceeded following the implemented flexibility measures, i.e. the 5 percentage point increase in the maximum level of indebtedness on first-time home buyer loans and the non-applicability of the limit on the level of indebtedness for maximum 15 percent of the arithmetic mean of quarterly volumes of loans granted by lender in each of the previous four quarters.

over the entire term of the loan as at September 2025 compared to 61 percent and 27 percent respectively a year earlier. However, a large part of the volume of housing loans (40 percent) have an initial rate fixation period between 1 and 5 years, after which the rates will be recalculated depending on market conditions. Approximately 69 percent of these volumes were granted from 2024 to September 2025 and these loans require close monitoring as the time for the revision of contractual terms approaches. The housing loans tied to 3M ROBOR display a higher NPL ratio than that of loans linked to IRCC (2.9 percent versus 0.8 percent, September 2025), yet the former's share in the portfolio is low and on the decline (11 percent in September from 25 percent a year earlier).

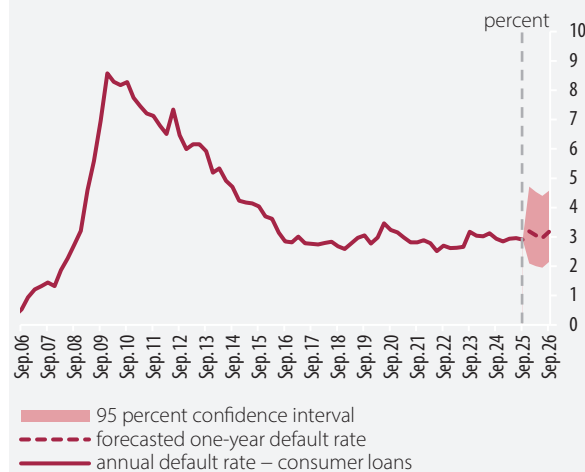
The IRCC went up from 5.55 percent to 6.06 percent, the new value being applicable in 2025 Q4. Taking into consideration a typical loan tied to IRCC, with an average balance of approximately lei 247,000 (September 2025), an average residual maturity of 220 months (equivalent to about 18 years, September 2025), and assuming a 2 percentage point lending margin, this increase in IRCC leads to an approximately 4 percent rise in debt service. As a result, the average level of indebtedness goes up from 35.4 percent to 36.7 percent, assuming no change in the borrower's disposable income. Due to the cap on the level of indebtedness implemented by the NBR in 2019, this representative borrower could absorb an increase in the IRCC of up to 11 percent before reaching the 50 percent sustainability threshold of the level of indebtedness, provided that their income remains unchanged.

Chart 2.32. Forecasted one-year default rate for housing loans



Source: NBR, CB, NBR calculations

Chart 2.33. Forecasted one-year default rate for consumer loans



Source: NBR, CB, NBR calculations

Since the previous *Report*, the annual default rate¹³⁰ held relatively steady in both household lending segments, i.e. 0.2 percent for housing loans and marginally below 3 percent for consumer credit (2.9 percent, September 2025). Given the external environment dominated by geopolitical and trade uncertainties, as well as amid some domestic factors, such as the fiscal policy changes with an impact on households' disposable income, the debt servicing capacity may be negatively affected.

¹³⁰ According to the 90 days past due criterion

Estimates over the 12-month horizon show that the probability of default for housing loans will remain at 0.2 percent in September 2026, similarly to September 2025 (Chart 2.32). In the case of consumer credit, this probability is envisaged to deteriorate slightly, to 3.2 percent in the same reference period (Chart 2.33).

The Alternative Banking Dispute Resolution Centre (ABDRC) offers borrowers an accessible and efficient option for managing problems arising in their relationship with financial institutions, thus avoiding long and costly legal procedures. Via this out-of-court mechanism, the parties involved may amicably settle disputes, benefiting from a free and simplified process, which contributes to reducing the volume of disputes in courts and to maintaining trust between consumers and lenders (Box 6).

Box 6. The role of the Alternative Banking Dispute Resolution Centre (ABDRC) in supporting financial stability

The ABDRC encourages consumers to be open to building a trust-based relationship with banks. Banks understand and acknowledge the issues raised by consumers, particularly when these are justified and reasonable. The improvement in conciliation mechanisms, alongside banks' willingness and flexibility, has led to a steady increase over the years in the number of applications received, as well as in the number of case files formed and resolved, through the joint efforts of both parties. The results of the ABDRC's operational activities are presented below.

The primary role of the ABDRC, i.e. to amicably settle disputes that may arise in contractual relations between consumers and banks or NBFIs, is complemented by an important financial education component as well. The ABDRC's communication strategy for 2025 focused on financial education, including a dedicated section on the Centre's website, with approximately 40 podcasts and live debates on this topic over the past three years, featuring presidents and vice-presidents of commercial banks, conciliators, and representatives of the NBR, RAB, and ABDRC, as well as financial analysts and journalists. The ABDRC maintains a strong presence in both traditional and social media, through media partnerships and organically, via the dissemination of video and written content provided by the Centre as part of these information and financial education campaigns.

The fifth season of ABDRC Podcasts started in March 2025. The debates hosted by the ABDRC explore topics inspired by the types of negotiation requests submitted by consumers to the Centre in their dealings with banks. This year's sessions brought together banking professionals, credit brokers, bailiffs, representatives of the Credit Bureau, and experts in fraud prevention and artificial intelligence (AI). The debates were moderated by financial analysts, financial education lecturers, and well-known economic journalists. Through the information conveyed during these debates, consumers were provided with the tools necessary to manage and safeguard their personal finances in an unpredictable macroeconomic environment.

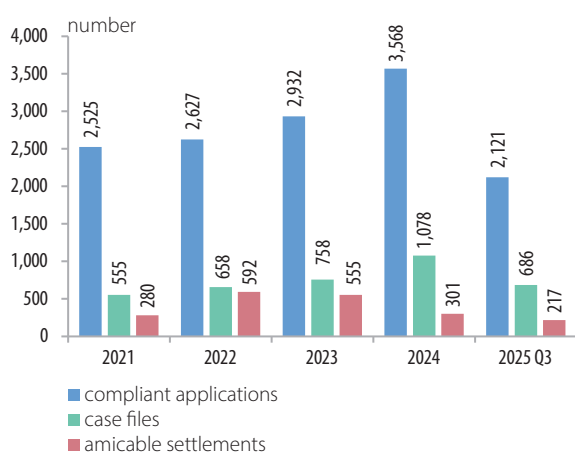
In 2025, the ABDRC produced and distributed more than 100,000 informational flyers to commercial banks, serving also as forms that consumers may use to fill

out their request to negotiate with the bank. The call centre (021 9414) and the online chat available on csalb.ro help consumers access informed guidance and recommendations regarding alternative dispute resolution.

In the period from January to September 2025, the ABDRC received 2,121 applications from consumers requesting banks and NBFIs to enter negotiations through the Centre (1,620 related to banks and 501 to NBFIs).

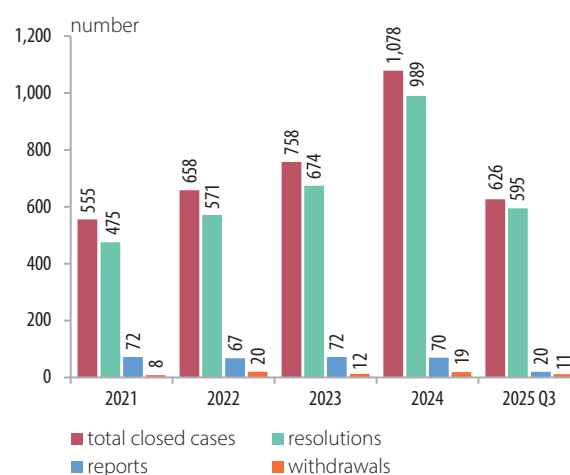
Specifically, the share of applications to NBFIs decreased slightly compared to the same period of the previous year, from 26.6 percent of total at end-2024 Q3 to approximately 23.6 percent at end-2025 Q3. Conversely, the share of applications to banks increased over the two periods under review, from 73.4 percent of total at end-2024 Q3 to 76.4 percent of total at end-2025 Q3.

Chart A. Annual dynamics: compliant applications, case files and amicable settlements



Source: ABDRC

Chart B. Closed cases: resolutions versus reports



Source: ABDRC

The total number of case files opened by the end of 2025 Q3 stood at 686. Two negotiation files were formed concerning an NBFIs, while the remaining 684 involved banks, accounting for 42.2 percent of the number of requests to banks. By comparison, 824 case files concerning banks were opened in the first nine months of the previous year, i.e. 39.5 percent of the number of requests to banks.

Of the case files formed in 2025 and closed by the end of Q3, 595 concluded with a resolution (the parties accepted the solution proposed by the conciliator), making up 97 percent of the total, in 20 case files one party rejected the solution proposed by the conciliator, resulting in a report being issued, i.e. 3 percent of the total, while in 11 case files one of the parties withdrew from the procedure.

At end-2025 Q3, the negotiation procedures between consumers and banks, conducted via the ABDRC, resulted in benefits of approximately EUR 1.8 million in the first nine months of this year. Thus, the total amount of negotiated benefits over the nearly ten years of the Centre's activity is EUR 16.11 million.

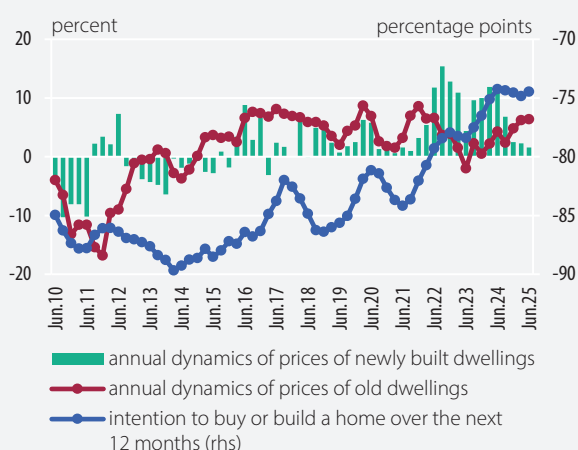
2.3. Real estate sector

2.3.1. Residential and commercial real estate markets

The residential real estate market

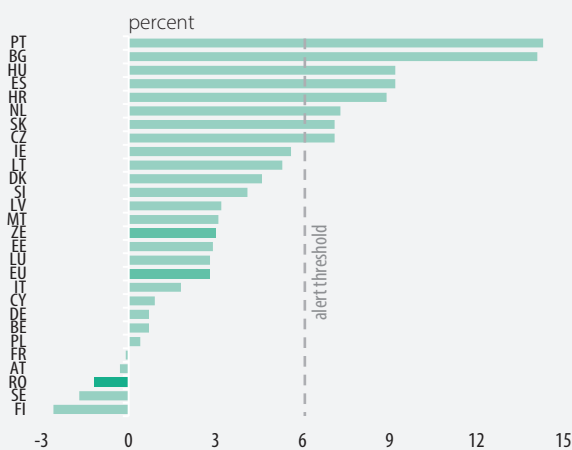
In 2025 Q2, residential property prices increased by 4.7 percent year on year, in nominal terms, at a pace similar to that recorded early in the year (4.9 percent in 2025 Q1). The breakdown shows that old dwelling prices posted a faster growth rate (6.4 percent in 2025 Q2) than those of newly built dwellings (1.6 percent), Chart 2.34. Nevertheless, in real terms, against the background of higher inflation, Romania ranked among the countries reporting negative annual dynamics of house prices (-1.2 percent in 2025 Q2), after Finland (-2.6 percent) and Sweden (-1.7 percent), Chart 2.35. This development stands in contrast to that in most regional peers, where house prices rose above the 6 percent threshold in real terms (14.1 percent in Bulgaria, 9.2 percent in Hungary and 7.1 percent in Czechia).

Chart 2.34. Dynamics of residential property prices (in nominal terms) and the intention to buy or build a home



Source: Eurostat, EC, NBR calculations

Chart 2.35. Annual dynamics of residential property prices in real terms, international comparisons (2025 Q2)

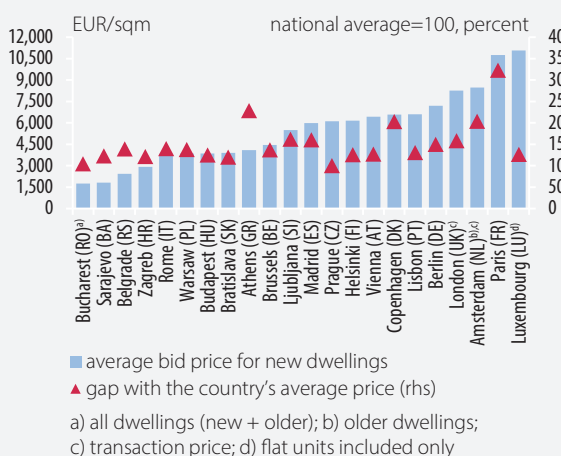


Source: Eurostat, NBR calculations

Bucharest remains the most affordable European capital city in terms of newly built dwelling prices (EUR 1,757/sqm in 2024), at a considerable distance from capital cities in the region (Budapest – EUR 3,863/sqm, Prague – EUR 6,121/sqm), Chart 2.36. At the opposite end of the spectrum, the capital cities with the highest new residential property prices are located in Luxembourg and France. The substantial gaps between house prices in capital cities and country averages show the strong concentration of wealth, economic activity and housing demand in the main urban centres. Paris tops the list in this respect, with over three-time higher residential property prices than the national average, while house prices in other major capital cities in Europe exceed their respective country averages by more than 200 percent, i.e. Athens – 228.7 percent, Amsterdam – 203.9 percent and Copenhagen – 203.1 percent (Chart 2.36). As far as Romania is concerned, Bucharest posted a moderate gap of 104.8 percent, pointing to a more balanced real estate market than other capital

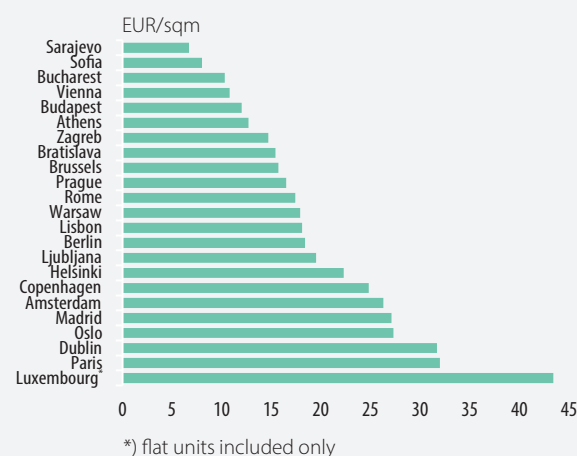
cities, without extreme differences between the capital city and the remainder of the country.

Chart 2.36. Residential property prices (new dwellings) in capital cities in Europe, 2024



Source: Deloitte Property Index 2025

Chart 2.37. Average monthly rent per sqm, international comparisons (2024)



Source: Deloitte Property Index 2025

The rental market in Bucharest also remains relatively affordable within the European context (Chart 2.37). Posting an average monthly rent of approximately EUR 10.3/sqm, Romania's capital city stands below rental levels in the capitals of regional peers, except for the capital city of Bulgaria and that of Bosnia and Herzegovina.

The chief drivers of developments in residential property prices were the persistently robust demand, the ongoing decline in housing supply and the impact of the recently implemented fiscal changes. The intention to buy or build a home over the next 12 months improved (Chart 2.34), and the demand for residential property increased by 15 percent¹³¹ in 2025 Q3 year on year. Conversely, on the supply side, the number of completed dwellings in 2025 H1 shrank by 5.1 percent against the same year-ago period, and the supply of residential property listed for sale fell by 18 percent¹³² in annual terms (according to 2025 Q3 data). The construction activity is expected to gather momentum, given the 9.8 percent¹³³ rise in the volume of residential construction works in January-September 2025 versus the corresponding period in 2024 and the 4.2 percent¹³⁴ increase in the number of construction permits issued for residential buildings over the same reference period.

Under the circumstances, the number of real estate transactions remained virtually steady in January-September 2025 as compared with the same period of 2024 (-0.4 percent), despite the significant advance in July 2025 (+17 percent in annual terms), which owed chiefly to the frontloading of purchases in anticipation of the fiscal changes that became effective as of August. These included an increase in

¹³¹ Imobiliare.ro Report – Residential real estate market, 2025 Q3 (Romanian only). The indicator refers to potential buyers correlated with the existing supply.

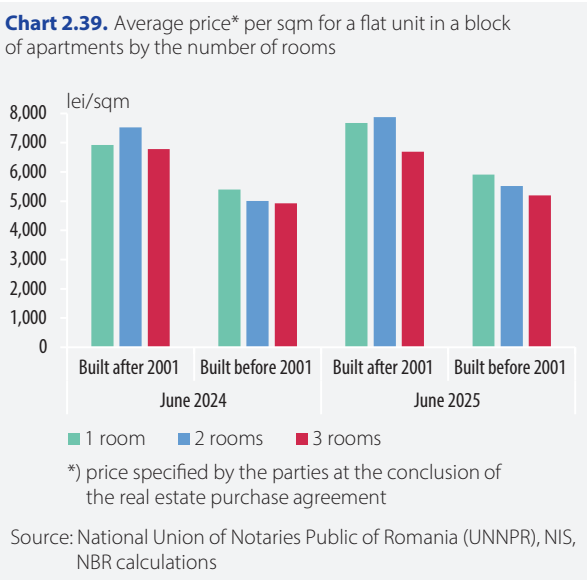
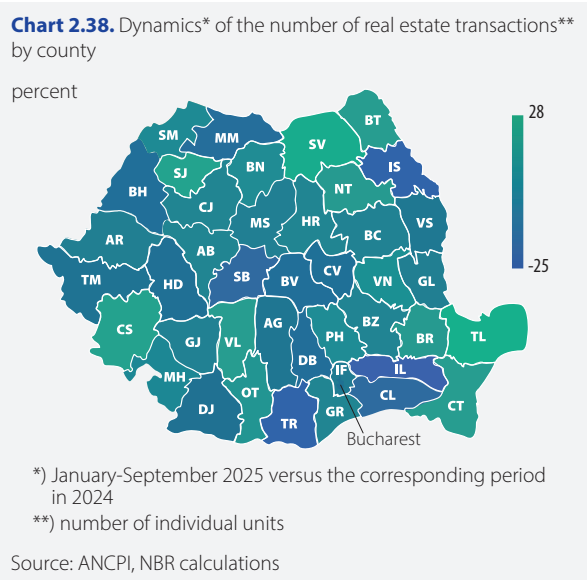
¹³² Imobiliare.ro Report – Residential real estate market, 2025 Q3

¹³³ NIS Press Release No. 294/20 November 2025

¹³⁴ NIS Press Release No. 277/31 October 2025

the standard VAT rate from 19 percent to 21 percent and the removal of the tax break concerning the reduced VAT rate on real estate transactions made by first-time buyers. Against this background, many potential buyers sped up their purchases to benefit from the more favourable fiscal conditions prior to the new regulations entering into force.

Significant disparities persist across regions, in terms of both trading and residential property prices. Thus, January through September 2025, the number of real estate transactions declined in annual terms in most regional centres (Iaşi -22 percent, Sibiu -16 percent, Braşov -9 percent, Bucharest -4 percent, Timiş -3 percent), except for the counties of Constanţa (+17 percent), Cluj (+7 percent) and Ilfov (+2 percent), Chart 2.38. The average price¹³⁵ per square metre for flat units in blocks of apartments traded in 2025 Q2 varies between lei 2.2 thousand in the county of Hunedoara and lei 9 thousand in that of Cluj. The age of the building is a relevant determinant of the selling price, the flats in blocks built after 2001 generally posting higher prices than those in older blocks (Chart 2.39).



Amid an increase in average net wage earnings (up by 7 percent, from lei 5,176 in June 2024 to lei 5,539 in June 2025), similar to the advance in house prices, the number of years needed to purchase a 2-room flat at national level further exceeded 8 years¹³⁶ (8.7 years in June 2025 versus 8.8 years in June 2024). In Bucharest, the estimated length of time needed to purchase a similar dwelling is slightly lower, i.e. 8 years, underpinned by greater average wage earnings than at national level, yet counterbalanced by higher house prices.

¹³⁵ Price specified by the parties in the real estate purchase agreement concluded before the notary public

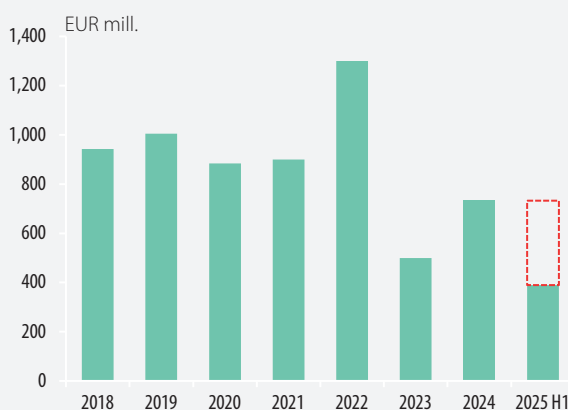
¹³⁶ Taking into account the average price specified by the parties in the real estate purchase agreement for a 2-room flat and the average net wage income from which subsistence expenses equal to the net minimum wage economy-wide in force in 2025 (lei 2,450) were deducted.

The mismatch between supply and demand also impacted residential rents. According to 2025 Q3 data, there were 2.3¹³⁷ potential renters, on average, for each property available for renting, up by 18 percent from the same year-ago period. At the same time, the supply of homes available for renting fell markedly, namely by 19 percent in annual terms. Consequently, the average monthly rent per dwelling rose from EUR 500 in 2024 Q3 to EUR 550 in 2025 Q3.

The commercial real estate market

Investment activity in the commercial real estate (CRE) market proved to be resilient in 2025 H1, as investment volume totalled approximately EUR 390 million (Chart 2.40), exceeding by more than a quarter the amount recorded in 2024 H2, but standing around 8 percent below the 2024 H1 figure. This confirms Romania's position as a stable and increasingly attractive destination for regional capital, particularly amid the increase in European investment volumes. The estimates for total investment volume in 2025 place it at the 2024 level, i.e. about EUR 800 million, being revised slightly downwards compared with the initial forecasts¹³⁸. The period of instability brought about by the presidential elections and the formation of the government caused some delays in transactions or capital deployment. A feature of investment in 2025 H1 was the propensity for retail spaces, which accounted for 44 percent of the total volume, consolidating a trend that started in 2023. Most of the activity was concentrated in retail parks, which continue to attract investors due to steady footfall and predictable cash flows.

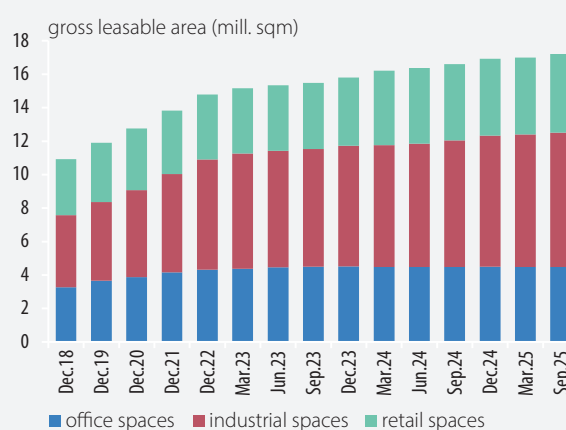
Chart 2.40. Volume of CRE market investment in Romania



Note: The red-dashed area illustrates investment forecasts for 2025 H2.

Source: iO Partners, CBRE

Chart 2.41. Modern rental stock of buildings built or refurbished starting with 2000, with a gross leasable area (GLA) of at least 2,000 sqm



Source: iO Partners

The office segment, which had witnessed limited activity over the past years, saw a significant recovery, accounting for approximately a third of the total investment volume. Investor appetite is increasingly selective, with preference for buildings in central locations. Conversely, industrial spaces held slightly less than 10 percent of the

¹³⁷ Imobiliare.ro Report – Residential real estate market, 2025 Q3

¹³⁸ CBRE Romania Real Estate Market Outlook H1 2025

investment volume, transactions in such assets occurring primarily in Bucharest, Arad and Timișoara. Even though investor interest remains robust, the limited supply of prime industrial products further constrains traded volumes.

The supply of commercial real estate in Romania has generally fared well in the recent period. Specifically, at end-2025 H1 the modern industrial stock surpassed 8 million square metres (+6 percent in annual terms), and the modern retail stock was of approximately 4.7 million square metres (+3 percent in annual terms), following an acceleration in the delivery pace in the first half of the year (Chart 2.41). The office market is going through a period of recalibration, with a low volume of new supply, which tightens the availability of Class A spaces in prime locations, putting upward pressure on rents.

The commercial real estate market in Romania remains dynamic, showing solid prospects in industrial and retail segments and persistent demand for prime office spaces. Office leasing was influenced by several factors, the most important being the furthering of remote work policies by most international tenants. At the same time, the office stock might decline following also the conversion of some office buildings into residential units, particularly those with high vacancy rates and difficult access to public transport infrastructure. Under the circumstances, the average office vacancy rate remains relatively high, being estimated at around 11.2 percent for Bucharest (Chart 2.42) and at 11 percent nationwide (2025 Q3).

Chart 2.42. Vacancy rates in Bucharest

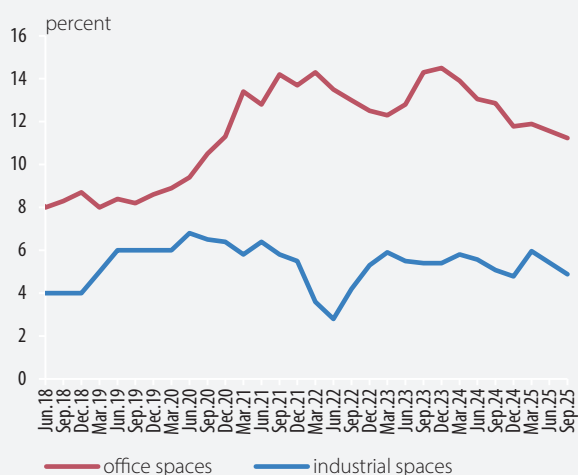
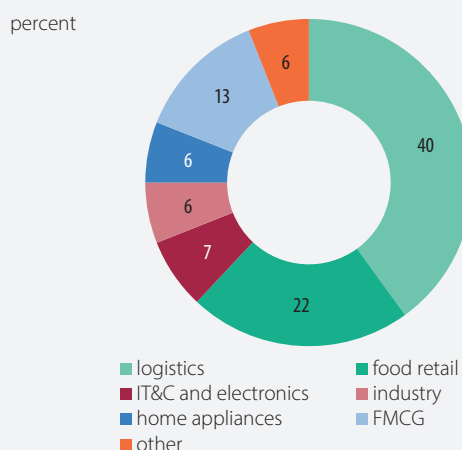


Chart 2.43. Gross demand for industrial spaces by business sector, 2025 Q2



Romania's industrial and logistics market has seen a steady increase and top performances, owing to the need for storage of goods, irrespective of the circumstances, and the stronger trend of nearshoring. An analysis of the geographical distribution shows demand concentration around the capital city, the breakdown by business sector revealing that logistics accounts for 40 percent of gross demand (Chart 2.43). In 2025 H1, large food retailers made up 15 percent of demand, whereas industrial companies held another 10 percent. In 2025 Q3, the vacancy rate at national level rose to 4.7 percent from 4.2 percent in the same year-earlier period, whereas

in the Bucharest region it was higher, i.e. 4.9 percent, yet on the decline since the beginning of the year (Chart 2.42).

Compared to most capital cities in the region, prime yields in Bucharest are higher (Table 2.1), indicating that investors perceive a slightly stronger risk or demand higher yields to invest in this market. Nevertheless, this issue does not make Bucharest less attractive, the city remaining an appealing investment hub owing to its medium- and long-term growth potential, the robust demand for prime locations and the strategic regional positioning.

Table 2.1. Prime yields¹³⁹ in Central and Eastern European (CEE) capitals in 2025 H1 (and change versus 2024 H1)

	Bucharest	Budapest	Prague	Warsaw
Offices	7.50% (no change)	6.50% (+0.25 pp)	5.25% (-0.25 pp)	5.75% (no change)
Retail	7.25% (no change)	7.00% (no change)	6.00% (no change)	6.25% (no change)
Industrial and logistics	7.75% (no change)	6.75% (no change)	5.00% (-0.25 pp)	6.50% (+0.50 pp)

Source: Colliers¹⁴⁰

2.3.2. Risks generated by the residential real estate sector and real estate lending to households

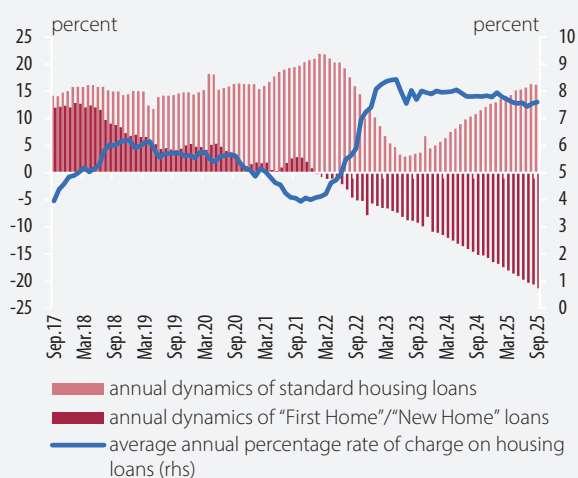
The link between the residential real estate market and the banking sector remains strong, approximately 62 percent (September 2025) of the portfolio of loans to households being secured by mortgages on residential property. In 2025, housing loans posted a faster annual pace of increase (6.9 percent in September 2025 versus 2.9 percent in September 2024), particularly on account of the advance in standard housing loans (+16 percent in September 2025), Chart 2.44.

“First Home”/“New Home” loans have been displaying a gradual and persistent decline since 2022, once interest rates embarked on an upward trend and remained at higher levels, the stock of such loans shrinking by 21 percent in annual terms in September 2025 (Chart 2.44). Conversely, standard housing loans recorded a sustained rise, their volume currently being 4.5 times larger than that of loans granted under the government programme (lei 94.1 billion against lei 21.1 billion in September 2025).

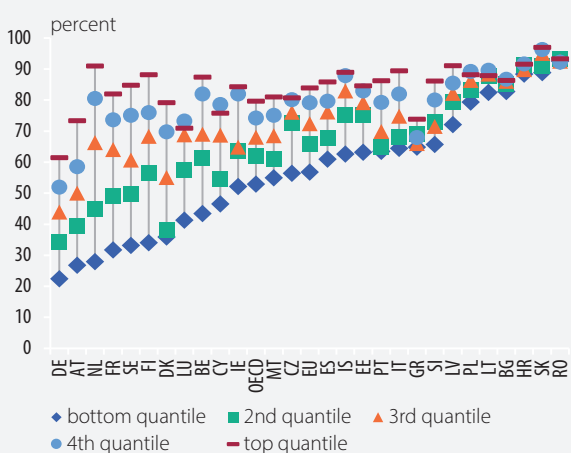
Behind these developments stood several factors, the most notable being: (i) the diversification of banks’ supply of standard housing loans, granted at more favourable terms, including initial rate fixation periods; (ii) the progressive lowering of the guarantee ceiling for the “First Home”/“New Home” programme to lei 500 million in 2025; and last but not least (iii) the increase in households’ income and saving capacity, mirrored by the larger down payment when taking out the loan.

¹³⁹ The prime yield is the best yield estimated to be achievable for a notional office property of the highest quality and specification in the best location in a market.

¹⁴⁰ Colliers, H1 2025 Romania Economic and Real Estate Outlook

Chart 2.44. Housing loans by type

Source: NBR

Chart 2.45. Share of homeowners across the income distribution, international comparisons (2024)

Source: OECD, NBR calculations

The real estate market in Romania boasts a very high home ownership rate. Approximately 93 percent¹⁴¹ (2024) of households own their dwelling outright, having no outstanding mortgage related to it, a significantly larger share than the OECD average (43.7 percent) or the EU average (52.8 percent). This trend is visible across the income spectrum, over 90 percent of households in each quintile of the income distribution being homeowners (Chart 2.45).

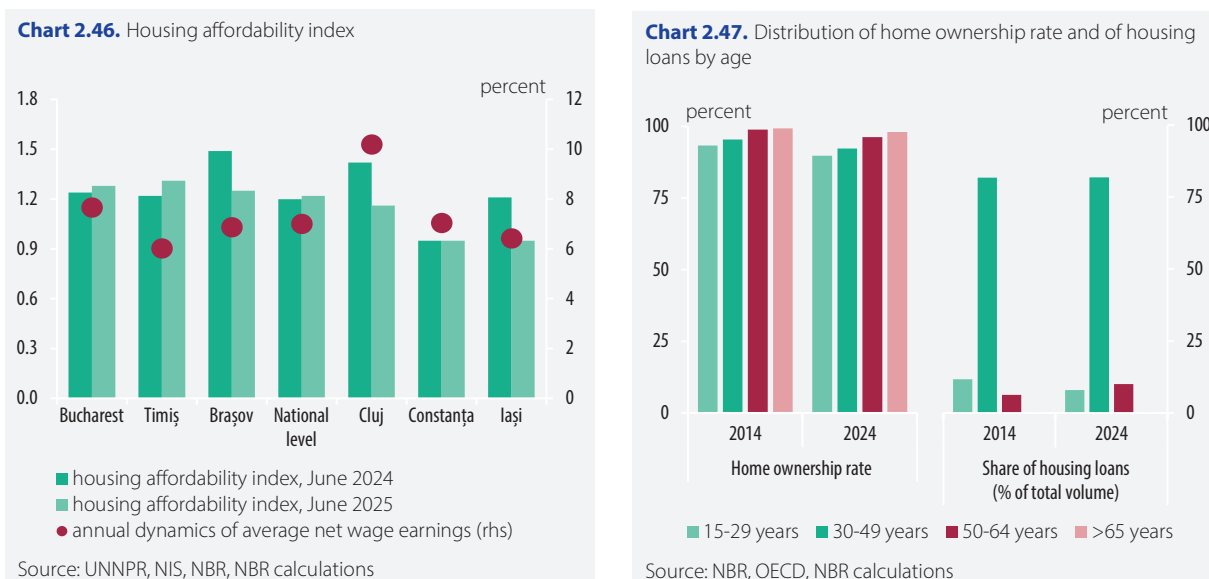
The home ownership rate remains high among young people as well (90 percent in 2024 for 15-29 year olds, Chart 2.47), which is indicative of a strong home ownership culture, underpinned by historical, economic and social determinants. Nevertheless, this age group shows a more pronounced migration to renting (6.8 percent in 2024 from 3.4 percent in 2014), driven by a possible change in mentality favouring access and adaptability to the detriment of outright ownership. At the same time, this trend may also be explained by the lower access of young people to housing loans. Specifically, the housing affordability index (HAI)¹⁴² was 0.83 for people aged 15-24, their average net monthly income being thus smaller than the optimal income needed to take out a housing loan, as compared with 1.15 for people aged 25-54, data as at October 2022. Behind this stand the lower wage earnings (lei 18.51 per hour for employees aged 15-24 versus lei 25.53 per hour for those aged 25-54, October 2022¹⁴³) and the slower accumulation of savings for down payment. This is also highlighted by the distribution of housing loans by age, with borrowers aged 30-49 holding the largest share (82 percent, Chart 2.47). Households further enjoy easy access to housing loans, the housing affordability index showing that the average net wage income exceeded the threshold income needed to

¹⁴¹ OECD (2025), OECD Affordable Housing Database – indicator HM1.3 Housing tenures, <https://oe.cd/ahd>

¹⁴² The housing affordability index measures the average net income relative to the income needed to purchase a dwelling, at a 15 percent down payment, a 45 percent debt service-to-income ratio and a 25-year maturity. The average price specified by the parties in the real estate purchase agreement for a 2-room flat was taken into account. Average net wage earnings by age group refer to October 2022, this being the latest available period for the breakdown by age group of wage earnings published by the NIS in the paper entitled *Disparități salariale – factori de influență – anul 2022* (Romanian only).

¹⁴³ National Institute of Statistics (2024), *Disparități salariale – factori de influență – anul 2022*

purchase a 2-room flat via taking a bank loan. This trend is visible both at national level and in most regional hubs (Chart 2.46, data as at June 2025).

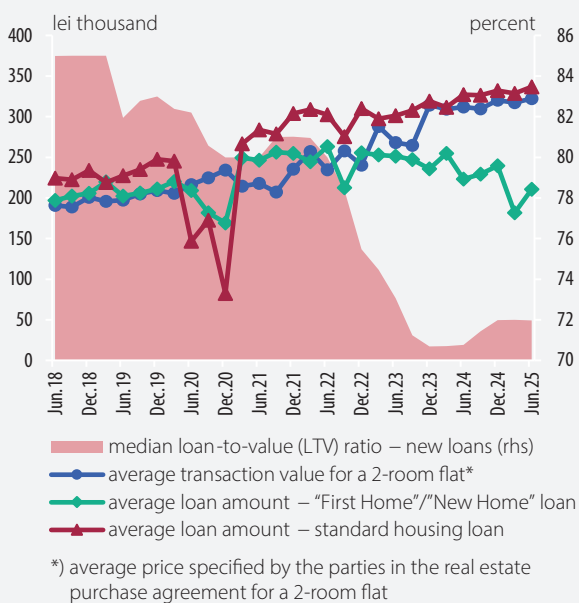


The average loan amount for housing loans has moved closely in line with the average transaction value for residential property, except for the pandemic period, when both financial institutions and households took a prudent approach to the take-up of loans (Chart 2.48). At the same time, the average loan amount granted under the “First Home”/“New Home” programme followed a downward path, mirroring the piecemeal shift in demand towards standard, more flexible banking products, tailored to current needs. The median loan-to-value (LTV) ratio for new loans declined gradually, from over 85 percent in 2018 to around 72 percent in 2025. This decrease was driven, on the one hand, by the low take-up of loans under the “First Home”/“New Home” government programme, with a 5 percent preferential down payment (new “First Home”/“New Home” loans accounted for about 0.4 percent of the new housing loans extended October 2024 through September 2025), and, on the other hand, by the macroprudential measures implemented by the National Bank of Romania with respect to the loan-to-value ratio, designed to support sustainable housing loans and to mitigate the exposure of the banking system and households to excessive risks.

Households’ greater recourse to standard housing loans was also bolstered by banks’ tailoring their offering via the introduction of banking products with initial rate fixation periods meant to limit debtors’ exposure to interest rate risk in an environment marked by the increase in, as of 2022 H2, and maintenance of interest rates at higher levels (Chart 2.49). Thus, only 4 percent of the flow of housing loans extended January through September 2025 have a floating rate for the entire loan duration as compared with approximately 70 percent at mid-2022 (Chart 2.49). Consequently, the stock of housing loans with a floating rate over the entire term of the loan shrank substantially, from 83 percent of outstanding housing loans in September 2022 and 61 percent in September 2024 to 39 percent in September 2025 (Chart 2.50). In parallel, housing loans with an initial rate fixation period of over one

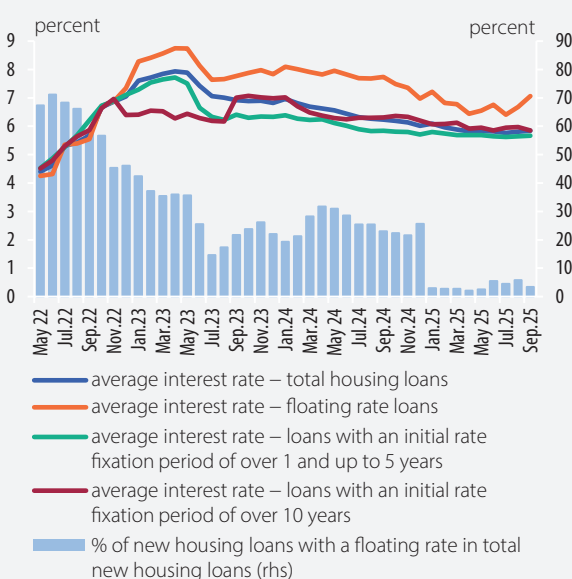
and up to five years saw their share increase to 40 percent in September 2025 from 23 percent in September 2024. The latter have posted a lower non-performing loan (NPL) ratio so far, i.e. 0.5 percent (September 2025) against 2.8 percent for floating rate loans (Chart 2.50). At aggregate level, the quality of the portfolio of loans for house and land purchase remains adequate, the NPL ratio standing at 1.5 percent (September 2025), improving marginally in annual terms (Chart 2.51).

Chart 2.48. Average loan amount for new housing loans and average transaction value for a 2-room flat



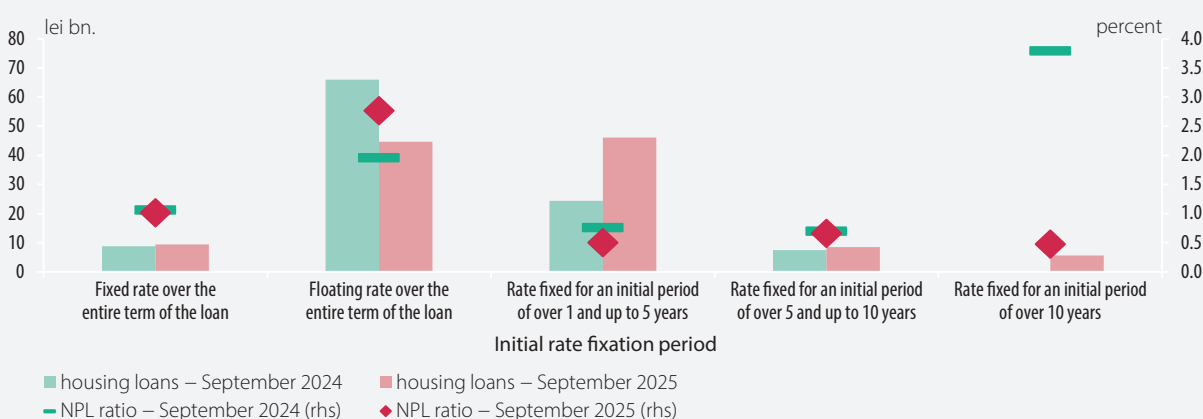
Source: NBR, UNNPR

Chart 2.49. Share of new housing loans with a floating rate and the interest rate on new housing loans, by the initial rate fixation period



Source: NBR

Chart 2.50. Housing loans (stock) and NPL ratio, by the initial rate fixation period



Note: Loans with an initial rate fixation period of up to one year were excluded from the chart as they account for less than 1 percent of total housing loans.

Source: NBR

The macroprudential measure implemented by the NBR as of January 2019 to cap the debt-service-to-income at origination (DSTI-O) supported borrowers' sustainable level of indebtedness, solely 18 percent of the outstanding housing loans being currently

extended to borrowers with higher than 45 percent DSTI-O (September 2025). As far as the latter are concerned, their NPL ratio is considerably higher, rising from 2.7 percent for borrowers with DSTI between 45 and 50 percent to 5.4 percent for borrowers whose DSTI exceeds 60 percent (September 2025, Chart 2.51). In addition, the average probability of default increases from 1.8 percent for borrowers with DSTI-O below 45 percent to 2.5 percent for vulnerable debtors, i.e. with DSTI-O of over 45 percent (data as at September 2025, Chart 2.52).

Chart 2.51. Distribution of housing loans by DSTI-O, September 2025

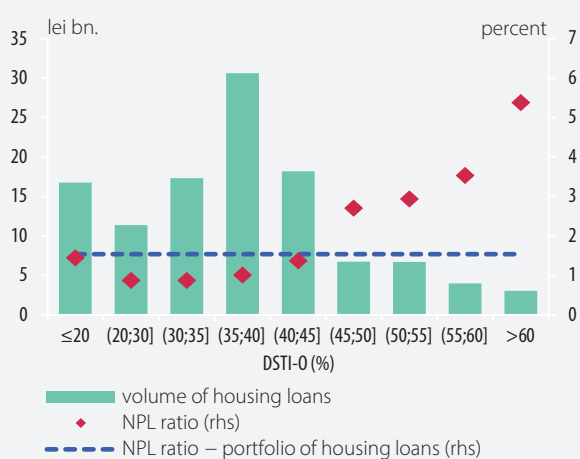
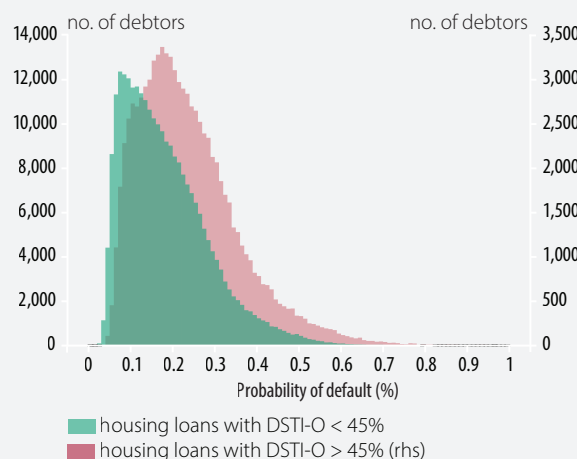


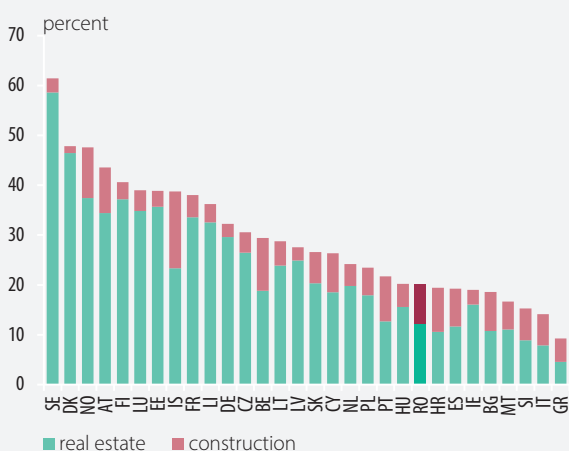
Chart 2.52. Distribution of the annual probability of default by DSTI-O, September 2025



2.3.3. Risks generated by the commercial real estate sector and mortgage-backed lending to non-financial corporations

The systemic importance of real estate markets stems from the close link between them and the financial sector. Banks play a pivotal role in financing real estate investments in most European countries. Specifically, Nordic countries have the highest bank exposure to the commercial real estate (CRE) market, with an elevated share of loans to construction and real estate companies (Sweden, Denmark, Finland, Norway, Chart 2.53), whereas countries in Southern Europe post the lowest shares of such loans in banks' balance sheets (Greece, Italy, Malta). In Romania and the peer economies in the region, the exposures to the construction and real estate sectors are moderate, ranking among the lowest at European level (Romania – 20 percent, Poland – 23 percent, Hungary – 20 percent, Bulgaria – 19 percent, 2025 Q2).

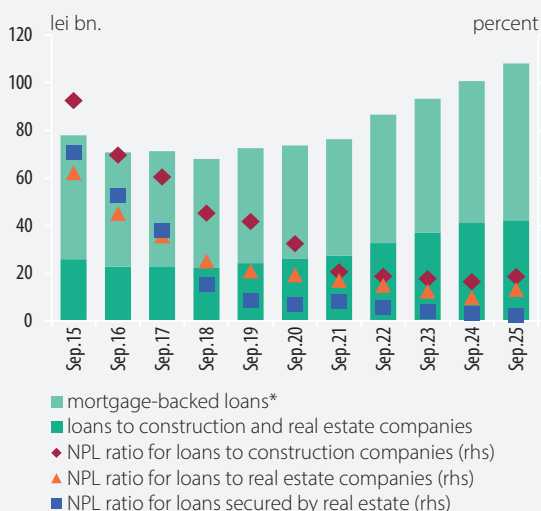
The banking sector's exposure to the commercial real estate sector, i.e. commercial real estate loans (CRE loans), is significant, accounting for 51 percent of total loans to non-financial corporations, according to data as at September 2025. Direct exposures to the construction and real estate sectors amounted to lei 42.3 billion, whereas indirect exposures (which are loans secured by real estate extended to non-financial corporations) were substantial, approximately 1.6 times larger than direct exposures, totalling lei 65.9 billion (September 2025, Chart 2.54). The stock of loans granted to construction and real estate companies increased by 3 percent in annual terms in

Chart 2.53. Bank exposure to the construction and real estate sectors (% of total loans to non-financial corporations), 2025 Q2

Source: EBA

September 2025, a slower pace of growth than that of lending to non-financial corporations at aggregate level (5 percent, September 2025). Conversely, loans secured by real estate (construction and real estate sectors excluded) rose at a faster tempo, i.e. 10.8 percent in September 2025 versus September 2024.

The quality of the CRE loan portfolio is lower than that of the aggregate portfolio of loans to non-financial corporations, tending to worsen slightly, similarly to the overall picture (the NPL ratio was 5.7 percent against 5.1 percent on aggregate, September 2025). The NPL ratio for loans to construction and real estate firms was 4.4 percent in September 2025, remaining relatively flat in annual terms. Looking at indirect exposures, the NPL ratio was higher and on the rise, i.e. 6.6 percent in September 2025 versus 4.9 percent in the same year-earlier period (Chart 2.54).

Chart 2.54. Banking sector's exposure to the CRE market

*) excluding loans secured by real estate granted to construction and real estate companies

Note: The NPL ratio is calculated according to the EBA definition.

Source: NBR

The second approach to quantifying the banking sector's exposures to the CRE market is that proposed by the European Systemic Risk Board (ESRB), which defines loans aimed at acquiring a CRE property (or set of CRE properties), i.e. CRE loans (ESRB definition)¹⁴⁴. According to this approach, these loans accounted for 18 percent of the stock of exposures to non-financial corporations in September 2025 (lei 37.2 billion), their breakdown by property type showing the following: industrial spaces held 26 percent, retail spaces took 24 percent and office spaces made up 11 percent.

New CRE loans resumed an upward path towards the end of 2024, yet saw a slowdown in their growth rate at mid-2025, before declining in Q3 (-14 percent in September 2025, 12-month

cumulative flows, Chart 2.55).

The breakdown by type of interest rate shows that floating rate loans (without any interest rate fixation period between the time of origination and the maturity date) make up the largest share of the CRE loan portfolio (95 percent), solely 4 percent of the loan stock having a fixed interest rate over the entire term of the loan. The NPL ratio for floating rate loans is lower than that for fixed rate loans (5.7 percent as compared with

¹⁴⁴ According to Recommendation ESRB/2016/14, loans secured by real estate are classified into commercial real estate loans (CRE loans) and residential real estate loans (RRE loans).

6.8 percent). Loans with rates linked to 3M EURIBOR and 3M ROBOR hold the largest shares of floating rate loans (33 percent and 27 percent, respectively, Chart 2.56). Hence, most CRE loans are exposed to interest rate risk, which may put pressure on the capacity of firms to service debt, amid the maintenance of interest rates at higher levels.

Chart 2.55. New CRE loans – volume and dynamics

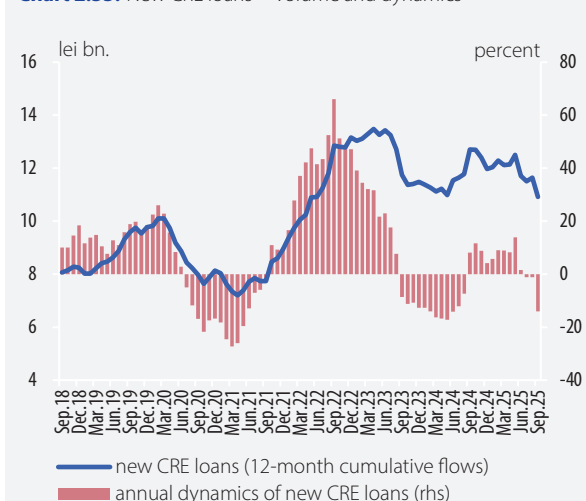
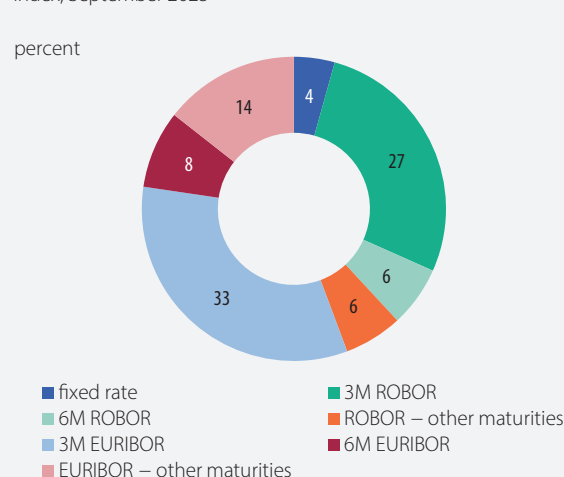


Chart 2.56. CRE loans by type of interest rate and benchmark index, September 2025



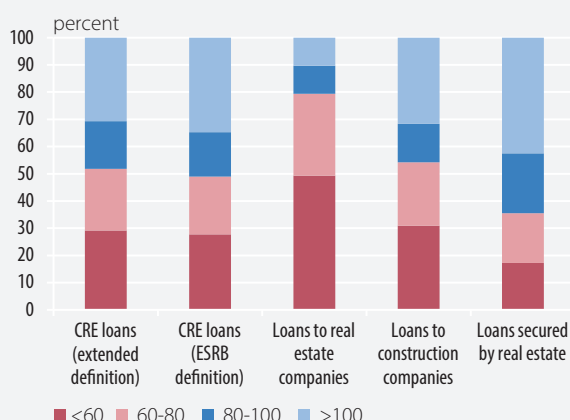
The breakdown by currency shows that only 41 percent of the outstanding CRE loans as at September 2025 were leu-denominated loans. Nevertheless, EUR-denominated CRE loans post a lower NPL ratio, namely 4 percent against 7.8 percent for non-performing leu-denominated loans, similarly to the aggregate picture.

The loan-to-value ratio is a relevant indicator for assessing real estate vulnerabilities¹⁴⁵. In the event of adverse economic and financial developments, the value of the collateral is affected by the fall in property prices, with banks facing higher capital requirements and a smaller capacity to grant loans. The data as at September 2025 on total outstanding CRE loans (ESRB definition)¹⁴⁶ show that about 35 percent of such exposures posted an LTV ratio of over 100 percent, while 16 percent had an LTV ratio between 80 percent and 100 percent (Chart 2.57). According to the extended definition of CRE loans, approximately 31 percent of the loans granted by banks to construction and real estate companies or loans secured by real estate extended to companies operating in other business sectors (excluding cash loans) recorded an above-one LTV ratio (Chart 2.57). In their case, the NPL ratio is higher, i.e. 7.6 percent, as compared with 3.3 percent for CRE loans with a below-one LTV ratio.

The breakdown by type of CRE property that CRE loans (ESRB definition) aim at acquiring shows that retail spaces account for 38 percent, industrial spaces take 30 percent and office spaces make up 16 percent (Chart 2.58). CRE loans (ESRB definition) with an LTV ratio above 100 percent are primarily used to purchase/build industrial spaces (56 percent), ahead of retail spaces (19 percent).

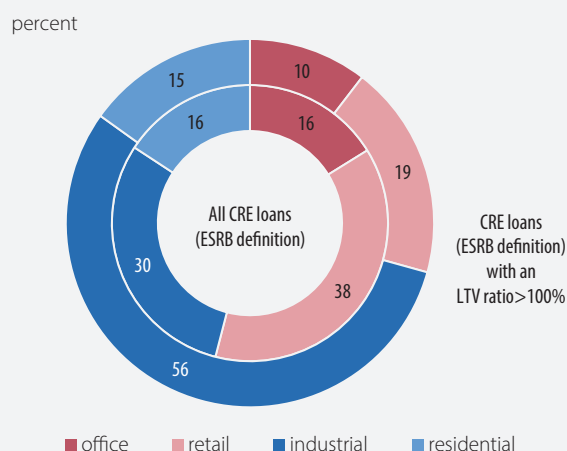
¹⁴⁵ ESRB, *Vulnerabilities in the EEA commercial real estate sector*, January 2023

¹⁴⁶ CRE loans (ESRB definition) cover loans granted as of May 2022.

Chart 2.57. CRE loans by LTV ratio; percent of total exposures, September 2025

Note: Cash loans are excluded.

Source: NBR

Chart 2.58. Type of property associated with CRE loans (September 2025)

Source: NBR

Borrower-based measures (BBMs) have turned out to be an effective instrument for mitigating residential real estate (RRE) risks, which renders them potentially attractive for addressing similar issues stemming from the commercial real estate (CRE) sector, Box 7.

Box 7. Borrower-based measures for commercial real estate (CRE) exposures

The evidence on the residential real estate (RRE) market shows that borrower-based measures (BBMs) can dampen credit growth and can influence credit standards, reducing particularly the share of riskier loans. By capping the debt-service-to-income (DSTI) or loan-to value (LTV) ratios, these tools mitigate the probability of default (PD) or the loss given default (LGD) for the related exposure¹⁴⁷. The lower credit risk stemming from the implementation of borrower-based measures improves the solidity of the loan portfolios of financial institutions, thus enhancing the resilience of both debtors and creditors to the shocks triggered, for instance, by the worsening economic conditions or the decline in commercial real estate (CRE) prices¹⁴⁸. In addition, borrower-based measures contribute to lower price volatility, slower credit growth and smaller portfolio risks by smoothing credit demand over the course of the financial cycle, thus reducing the probability of high asset price growth and the accumulation of imbalances¹⁴⁹.

¹⁴⁷ See Cerutti, E., Claessens, S., and Laeven, L. (2017), "The use and effectiveness of macroprudential policies: New evidence", *Journal of Financial Stability*, 28(C), pp. 203-224; Alam, Z., Alter, A., Eiseman, J., Gelos, G., Kang, H., Narita, M., Nier, E., and Wang, N. (2019), "Digging deeper – Evidence on the effects of macroprudential policies from a new database", IMF Working Paper No. 2019/066; Araujo, J., Patnam, M., Popescu, A., Valencia, F., and Yao, W. (2020), "Effects of macroprudential policy: Evidence from over 6,000 estimates", IMF Working Paper No. 2020/067; Poghosyan, T. (2019), "How effective is macroprudential policy? Evidence from lending restriction measures in EU countries", IMF Working Paper No. 2019/045; Čirjaković, J. (2018), "Macroprudential instruments and the commercial real estate market", Banka Slovenije Working Papers; Malovaná, S., Hodula, M., Gric Z., and Bajžik, J. (2024), "Borrower-based macroprudential measures and credit growth: How biased is the existing literature?", *Journal of Economic Surveys*.

¹⁴⁸ See Gross, M., and Población, J. (2017), "Assessing the efficacy of borrower-based macroprudential policy using an integrated micro-macro model for European households", *Economic Modelling*, 61, pp. 510-528; Ampudia, M., Lo Duca, M., Farkas, M., Pérez-Quirós G., Pirovano, M., Rünstler, G., and Tereanu, E. (2021), "On the effectiveness of macroprudential policy", ECB Working Paper No. 2559; Giannoulakis, S., Forletta, M., Gross, M., and Tereanu, E. (2023), "The effectiveness of borrower-based macroprudential policies: A cross-country analysis using an integrated micro-macro simulation model", ECB Working Paper No. 2795.

¹⁴⁹ See Dirma, M., and Karmelavičius, J. (2023), "Micro-assessment of macroprudential borrower-based measures in Lithuania", IMF Working Paper No. 2023/227.

Table A. Borrower-based measures proposed for the CRE market

Measure	Definition	BBM equivalent for the RRE market	Advantages	Challenges
Debt service coverage ratio (DSCR)	Borrower's net annual income divided by total debt obligations (principal and interest payments); It is equivalent to the interest coverage ratio for non-amortising loans.	Debt service to income (DSTI)	It mitigates the probability of default (PD). It is a measure of the repayment capacity, responding swiftly to changes in the economic environment or in interest rates. It identifies declines in net operating income (NOI).	The DSCR is higher for bullet (riskier) loans <i>per se</i> than for amortising loans. The differences in amortisation schemes render the comparison between transactions or over time difficult. The numerator should include a debtor's total debt service to prevent the circumvention of rules.
Level of indebtedness: Debt-to-EBITDA ratio Debt-to-equity ratio	A commercial real estate (CRE) company's debt divided by equity or EBITDA.	Debt-to-income (DTI)	It mitigates the probability of default (PD). It is not sensitive to interest rate changes. It limits overindebtedness. It can be applied when net operating income is not stabilised.	The debt-to-equity ratio does not take into account the debt repayment capacity. The numerator should include a debtor's total debt to prevent the circumvention of rules. The debt-to-equity ratio fluctuates depending on property revaluation, given that the changes in property value reflect in changes in equity.
Loan-to-value (LTV) ratio	Loan amount divided by property value or construction cost, for construction loans, at the loan origination date.	Loan-to-value (LTV) ratio	It mitigates the loss given default (LGD) and limits overindebtedness. It measures a debtor's "skin in the game". (Aggregate) data on the LTV ratio for the CRE sector can be found in credit registers.	Property valuations render comparisons difficult, also between countries. Low market activity impacts property value strongly. High estimates of future rents, the underestimation of capital expenditure (CapEx) or the decline in yields lead to increases in the appraised value of the property. Property value changes relatively slowly, given that revaluations are not frequent.

Source: adapted from the ESRB

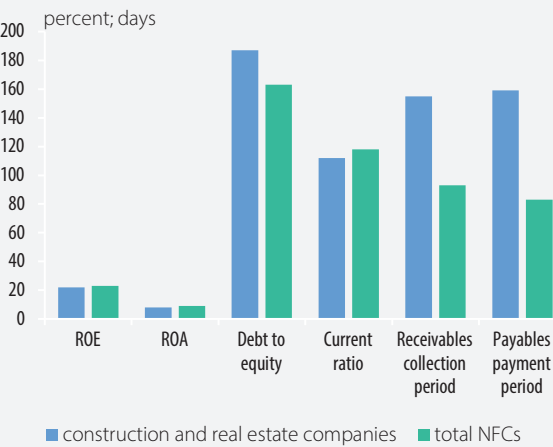
Table A shows the main borrower-based measures that may be considered by macroprudential authorities for CRE exposures.

Only some European countries have implemented such measures for CRE exposures so far, namely Cyprus, Poland and Denmark. Outside Europe, Hong Kong SAR, Indonesia and Singapore have enforced CRE-related BBMs.

The contagion risk may occur following the involvement of different types of investors in the commercial real estate market. The variety of capital sources is a feature of the CRE market. In 2025 H1, foreign investors further prevailed, accounting for 73 percent of total investment volumes, funds originating in countries such as the United Kingdom, Belgium, Hungary, and the Middle East region. Nevertheless, domestic capital was also deployed, particularly in the retail, mixed use and office sectors.

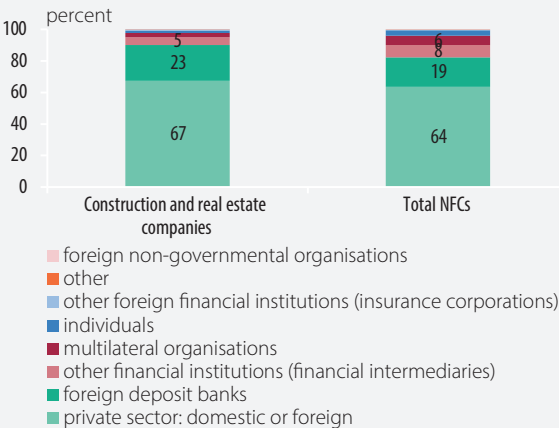
Firms in construction and real estate account for 15 percent of total non-financial corporations (approximately 132 thousand, 2024 data), employ 12 percent of the number of workers economy-wide (around 484 thousand) and hold 21 percent of non-financial corporations’ assets.

Chart 2.59. Economic and financial soundness indicators for construction and real estate companies (2024)



Source: NBR, MF, NBR calculations

Chart 2.60. Medium- and long-term private external debt of commercial real estate (CRE) companies by type of creditor (June 2025)



Source: NBR, MF, NBR calculations

Construction and real estate companies have a higher level of indebtedness than the non-financial corporations sector (Chart 2.59). Thus, the level of indebtedness (debt-to-equity ratio) was 187 percent in 2024 (as compared with 163 percent for non-financial corporations overall), rising from 182 percent in 2023. In addition, these firms have a higher share of short-term liabilities (38 percent of assets versus 27 percent for long-term liabilities), which translates into an elevated risk of debt refinancing and rollover. The liquidity position of firms engaged in construction and real estate activities is satisfactory, similar to that across the economy (a current ratio of 1.1 in 2024, Chart 2.59), yet the receivables collection period and the payables payment period are much longer than at aggregate level. Specifically, construction and real estate companies report an average receivables collection period of 155 days

(against 93 days on aggregate), which puts a drag on their activity and extends the payables payment period to 159 days (versus 83 days at aggregate level), Chart 2.59.

In terms of financing sources, firms operating in the construction and real estate sectors use less trade debt than the corporate sector overall (15 percent of assets versus 17 percent on aggregate) and make a larger recourse to financing through long-term external debt (8 percent of liabilities and owners' equity against 4 percent) and loans from affiliates and shareholders (12 percent as compared with 9 percent, 2024 data). The breakdown by creditor shows that the private sector and foreign banks account for the largest shares of the external private debt of CRE companies, i.e. 67 percent (June 2025) and 23 percent respectively (Chart 2.60). Looking at the country of origin of external funds, the concentration is rather high, four countries holding 74 percent of the medium- and long-term external private debt of Romanian firms (the Netherlands – 32 percent, Austria – 25 percent, Cyprus – 12 percent and Luxembourg – 5 percent).

3. THE FINANCIAL SECTOR

The Romanian banking sector's resilience to potential shocks stemming from the challenging macroeconomic environment and the uncertainty-ridden geopolitical context remains adequate, as highlighted by the results of the latest solvency stress tests conducted periodically. The capital and liquidity buffers ensure a good capacity for addressing financial risks.

The main financial soundness indicators are in the EBA-defined low-risk bucket in terms of solvency (total capital ratio: 23.9 percent, September 2025), liquidity (liquidity coverage ratio: 240.1 percent and net stable funding ratio: 190.5 percent, September 2025), asset quality (NPL coverage by provisions: 65.1 percent and NPL ratio: 2.9 percent, September 2025), profitability (ROE: 18.4 percent and ROA: 1.7 percent, September 2025), as well as of operational efficiency (48.1 percent, September 2025). The banking sector's performance is similar to or above the EU average for most categories of financial and prudential indicators. Profitability is a key pillar for preserving banking sector stability, but the specific indicators remain at levels significantly lower than those recorded in the real sector. The increase in the turnover tax in the context of fiscal consolidation measures has a manageable impact at bank level, yet it affects the operational efficiency. Lending to the real sector holds significant but still untapped potential, as also shown by the below par loan-to-deposit ratio.

The new CRR III/CRD VI prudential framework has not entailed significant changes in total risk-weighted assets since it was implemented in Romania in January 2025. Specifically, in March 2025, credit risk-weighted assets posted a 1.5 percent increase that was offset by the decline in capital requirements for operational risk. The contributions from risk categories and portfolios were broad-based and displayed divergent developments. The most pronounced effects pertained to: (i) the composition of credit risk exposures according to the standardised approach for credit risk, particularly the exposures secured by real estate, whose average risk weight increased markedly, and to which some corporate and retail exposures migrated due to the reclassifications imposed by the more granular structure of exposure classes; (ii) the single approach used for calculating capital requirements for operational risk, which resulted in a 10 percent decline in these requirements after implementation.

There are several lingering challenges to banking sector stability: (i) a worsening trend in asset quality, in an uncertain macroeconomic environment marked by structural imbalances; (ii) a strong link with the government sector, which is at the highest level among EU countries, and the potential for a rise in sovereign risk; (iii) an increased relevance of emerging risks, such as cyber threats – associated with financial innovation and fast-paced digitalisation, based also on artificial intelligence solutions, which could amplify operational risks – or climate risks.

The non-bank financial institutions sector has gained significant importance in the financial system, its total assets accounting for 6 percent of system-wide assets and 4.2 percent of GDP in June 2025, up by 0.3 percentage points from end-2024. The quality of the portfolio of loans granted by NBFIs is lower than that recorded by the banking sector, as mirrored in their higher NPL ratio (4.1 percent versus 2.9 percent, September 2025). The breakdown shows that household loans had an 8.4 percent NPL ratio, well above that of exposures to non-financial corporations (2.8 percent, September 2025).

In June 2025, the financial system in Romania had total assets amounting to lei 1,283 billion, up by 9.4 percent in annual terms. The components with swift dynamics compared to June 2024 were pension funds (19.2 percent), insurance corporations (15.4 percent) and NBFIs (12.7 percent). Since the previous *Report*, the main sector of Romania's financial system – the banking sector – has recorded

a decrease in its share (72.3 percent of total assets in June 2025, Chart 3.1, versus 74.2 percent in December 2024), while increases were observed in pension funds (+1.1 percentage points) and NBFIs (+0.4 percentage points).

Banking sector assets accounted for 51.1 percent of GDP in June 2025, down by 0.8 percentage points from June 2024. The positive developments in the other components of the financial system led to a slight increase in financial intermediation (70.7 percent in June 2025 compared to 70.2 percent in the same month of the prior year).

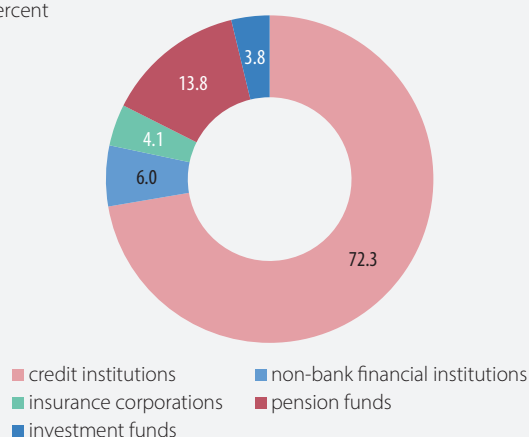
The total assets of pension funds (Pillar II and Pillar III) stood at lei 177.1 billion in mid-2025, up by approximately 19 percent from June 2024.

Fixed-income instruments, predominantly concentrated in the domestic financial market, continue to be the main component of asset portfolios (71 percent)¹⁵⁰. This segment, which is made up mostly of mandatory Pillar II contributions (about lei 171 billion, June 2025), has been on an upward trend, accounting for 9.8 percent of GDP (+0.9 percentage points compared to June 2024).

The insurance market also posted positive dynamics in 2025 Q1, with the value of gross premiums written January through March 2025 amounting to approximately lei 6 billion, up by 7 percent from 2024 Q1¹⁵¹. Non-life insurance is the largest segment of the insurance market, with a 79 percent share, which was, however, 2 percentage point lower than that recorded at end-2024. Within the non-life insurance market, around 69 percent of the total is comprised of motor insurance, namely RCA (compulsory motor third party liability) and Casco (voluntary motor

Chart 3.1. Distribution of assets in the Romanian financial system, June 2025

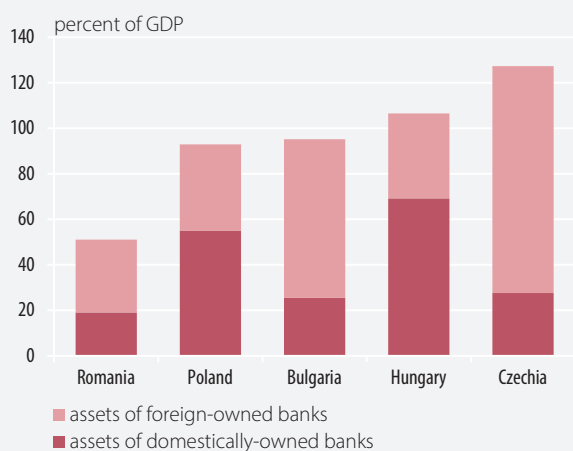
percent



Source: NBR, FSA, NBR calculations

¹⁵⁰ FSA report entitled *Raport privind evoluția sistemului de pensii private în semestrul I 2025*

¹⁵¹ This includes not only the premiums written by the 25 insurance companies, but also those written by the 14 branches operating in Romania.

Chart 3.2. Banking sector assets as a share of GDP, by origin of ownership (2025 Q2)

Source: ECB

third party liability) policies¹⁵². A segment with a still untapped, significant development potential is the home insurance market. At end-September 2025, only 23.8 percent of dwellings in Romania were covered by a mandatory insurance policy (PAD), according to data published by the Natural Disaster Insurance Pool (PAID).

The Romanian banking sector remains the smallest, both in comparison to other countries in the region (Chart 3.2) and in the European Union. The share of bank assets in GDP (49.6 percent) places Romania at the bottom of the ranking, and at a considerable distance from the next countries, i.e. Poland and Bulgaria, with shares of 96 percent and 96.4 percent, respectively. In Romania, as well as in Bulgaria and Czechia, the majority of bank assets are held by

foreign subsidiaries and branches, rather than by banks with domestic capital. In terms of domestically owned banking assets, Romania displays levels close to Bulgaria and Czechia (as a share of GDP), the difference arising from the assets held by foreign-owned banks within the system.

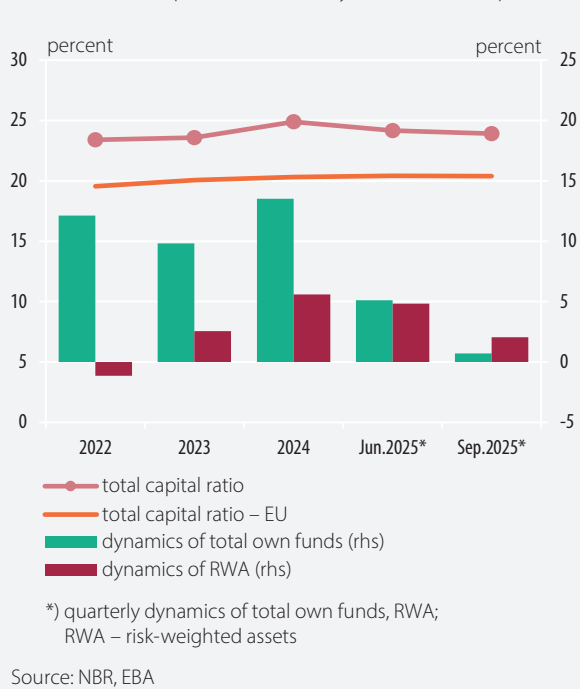
3.1. Banking sector

3.1.1. Resilience of the banking sector

The key financial and prudential indicators of the Romanian banking sector remained adequate during 2025. Solvency strengthened, whereas liquidity, profitability and asset quality indicators were adequate, albeit on a downward trend compared to the previous *Report*. The solvency stress test has shown banks' proper capacity to manage significant macroeconomic shocks, especially in the case of larger banks. However, a prudent capital and liquidity management is necessary for preserving financial stability amid global uncertainties and persisting macroeconomic imbalances.

The total capital ratio reached 23.9 percent in September 2025, staying above the EU average and the overall capital requirements. The entry into effect of the CRR III/CRD VI legislative package as of 1 January 2025 led to a change in the composition of risk-weighted assets by portfolio, as well as to a slight increase in the average credit risk weight under the standardised approach. Developments in the structure of capital requirements for credit risk are also influenced by the adjustment in the number of banks using internal models to determine capital requirements for credit risk. The profitability recorded in prior years resulted in a gradual strengthening of own funds (Chart 3.3). The dynamics of the latter were generally stronger

¹⁵² FSA Report entitled *Evoluția pieței asigurărilor în primul trimestru din anul 2025*

Chart 3.3. Total capital ratio and the dynamics of its components

than those of risk-weighted assets, being also underpinned by the banks' shift towards less risky exposures (government securities, government-backed loans, etc.).

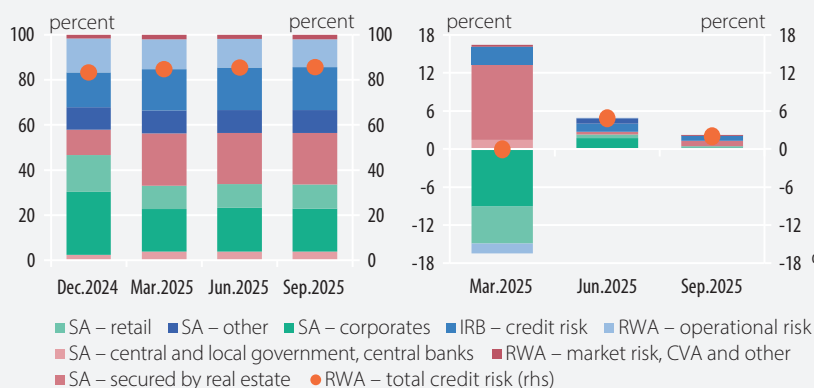
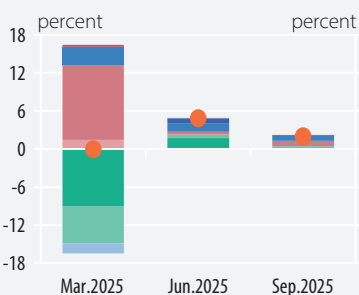
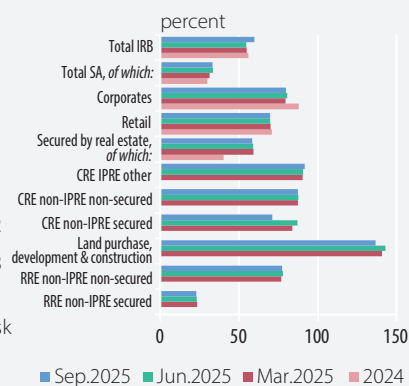
The implementation of the new prudential regulatory package has brought changes relevant to the types of banking activities in Romania, particularly concerning the standardised approach to credit risk and the single approach used to determine capital requirements for operational risk.

The contribution of credit risk to total risk-weighted assets is predominant (85.7 percent, September 2025, Chart 3.4) and on the rise, alongside the diminishing importance of capital requirements for operational risk after the adoption of CRR III (12.4 percent in September 2025 versus 15 percent in 2024). The transition to the standardised approach for operational risk led to a 10 percent decrease in the related capital requirements in March 2025

compared to end-2024 (prior to the entry into force of CRR III provisions).

The methodology used for determining capital requirements underwent a series of structural changes. On the one hand, changes concerned banks using internal models to quantify capital requirements for credit risk (the Internal Ratings-Based approach or IRB) as of January 2025, which resulted in a migration of some exposures under the standardised approach (SA) to the IRB category and, implicitly, in an increase in IRB risk-weighted assets as a share of total assets (18.3 percent, March 2025 against 15.5 percent, December 2024, Chart 3.4). On the other hand, the entry into effect of CRR III in January 2025 has entailed a higher risk sensitivity of capital requirements in the standardised approach, which is the most relevant for the Romanian banking sector (66.6 percent of total risk exposures, September 2025, Chart 3.4), and an implicit adjustment of the risk weights applied to the new structure.

The first reporting of data under CRR III pointed to a relative stagnation of risk-weighted assets compared to December 2024 (-0.04 percent in March 2025, Chart 3.5) and a rise of 1.5 percent in credit risk-weighted assets, while the contributions of portfolios were sizeable and divergent. Credit risk-weighted assets under the standardised approach declined by 2.2 percent in 2025 Q1, whereas IRB risk-weighted assets increased by 18 percent (March 2025). At sub-portfolio level, a positive contribution to the dynamics of risk-weighted assets in 2025 Q1 came to a larger extent from the exposures secured by real estate assessed under the standardised approach, i.e. IRB exposures to credit risk and, to a lesser extent, from the exposures to the central government or central banks. The expansion of risk-weighted assets in the above-mentioned portfolios was counterbalanced by the decreases in corporate or retail exposures under the standardised approach.

Chart 3.4. Composition of risk-weighted assets**Chart 3.5.** Contribution of portfolios/risks to the quarterly dynamics of risk-weighted assets**Chart 3.6.** Average credit risk weight by type of portfolio

Note: SA – standardised approach for credit risk, IRB – internal ratings-based approach for credit risk, RWA – risk-weighted assets, CVA – credit value adjustment, RRE – residential real estate, CRE – commercial real estate, IPRE – income producing real estate

Source: NBR

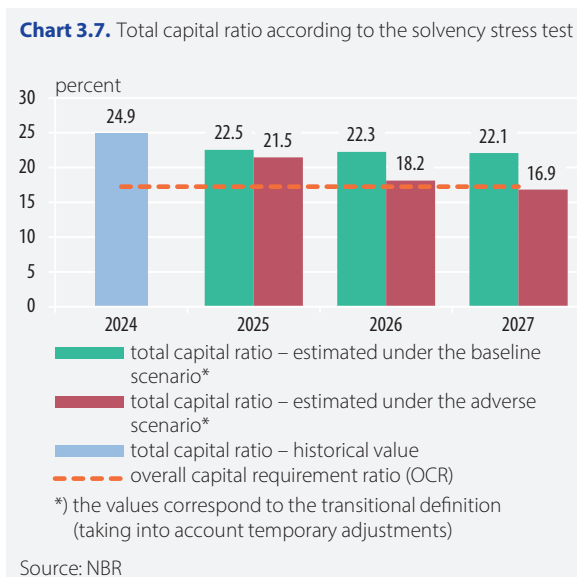
CRR III establishes a differentiated treatment of exposures secured by real estate under the standardised approach, taking into account the type of collateral, borrower characteristics, the loan-to-value (LTV) ratio, the income producing feature of the immovable property or the purpose of the immovable property/loan, denomination and natural currency hedge, applying penalties to riskier exposures. This category doubled its share in total risk-weighted assets immediately after the CRR III implementation (reaching 23.2 percent in March 2025, Chart 3.4), thereby making a positive contribution to the change in risk-weighted assets (Chart 3.5), both via the volume of exposures and the associated risk weight. The new treatment for exposures secured by real estate under the standardised approach led to a significant increase in the average risk weight once the CRR III was applied, i.e. 59.2 percent in March 2025, up from 40.3 percent at end-2024 (Chart 3.6). Conversely, the average risk weight for corporate exposures fell from 88 percent in 2024 to 80 percent after the CRR III implementation. Overall, the average risk weight under the standardised approach edged up to 31.2 percent in March 2025 from 30 percent in December 2024 (Chart 3.6) and the upward trend continued during 2025 amid a more visible shift towards lending to the real economy to the detriment of the government sector.

At aggregate level, for the Romanian banking sector, the output floor effects (the increase in capital requirements up to at least 72.5 percent for exposures assessed under the internal models approach relative to those that would arise from applying the standardised approach) are null, given that the average risk weight of these exposures exceeds that determined for the standardised approach (Chart 3.6).

The results of the solvency stress test covering the 2025-2027 period show the resilience of the banking sector, due to the good operating capacity (especially of large banks), and also to the initially adequate solvency level (December 2024). The change in the funding strategy and the gradual decline in the overall risk ratio provide more space for absorbing potential shocks. However, the solvency ratios of some banks would be more significantly influenced by the potential materialisation of the analysed scenarios (in particular through the marked deterioration in

operational efficiency), as well as by the expiry of several important transitional provisions over the forecast horizon.

The total capital ratio at aggregate level would see a marginal change throughout the entire period under review in the baseline scenario (Chart 3.7), reaching 22.5 percent



in 2025, 22.3 percent in 2026 and 22.1 percent in 2027 (assuming that 50 percent of profits are distributed as dividends). In the adverse scenario, the solvency ratio would drop to 16.9 percent at end-2027 (under the same assumption), driven by the substantial credit risk losses and the decline in operational efficiency. The solvency stress test does not currently cover the potential effects of emerging risks (such as climate and cyber risks), which could significantly affect the financial and prudential statements of credit institutions in the forthcoming period.

In line with European developments, credit institutions have shown a growing interest in synthetic securitisation. The largest credit institutions in Romania engaged in securitisation transactions in order to reduce capital requirements. Securitised

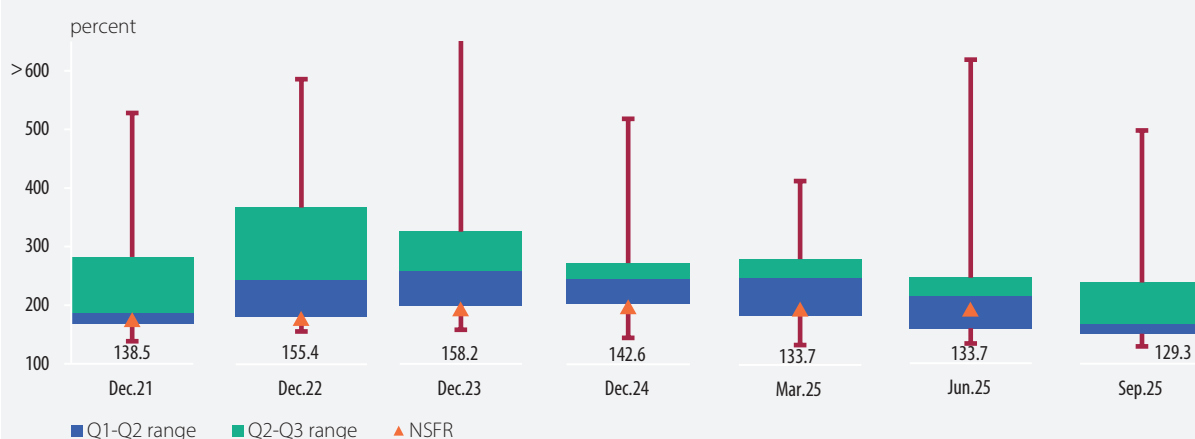
loan portfolios consist mainly of loans to SMEs, large companies and unsecured consumer loans, with securitisation exposures accounting for 2.1 percent of assets in June 2025 (against 1.1 percent in December 2024). In 2025, operations were carried out with a significant transfer of risk (with investors assuming most of the risk of unexpected losses). Transactions have a positive impact on Common Equity Tier 1 capital ratio and on MREL, while enabling originator banks to transfer credit risk (generally to entities outside the domestic financial sector) and optimise their regulatory capital. In contrast to a traditional securitisation transaction, synthetic securitisation is not a funding source per se, but a form of credit risk insurance by transferring risk to a third party.

Since the previous *Report*, the liquidity position of the Romanian banking sector remained adequate, yet there was a rise in liquidity risk. Similarly to the previous period, international developments and the persistent geopolitical tensions in the region did not affect liquidity, the local banking sector being resilient in this respect. However, the high volatility associated with the electoral process in May 2025 led to a decrease in market liquidity, which prompted the NBR to initiate repo operations to provide liquidity to the banking sector. The announced economic recovery packages have not so far had a notable impact on the banking sector's liquidity position, yet, over the medium term, a possible worsening of the loan portfolio or the macroeconomic environment could exert additional pressures on credit institutions also in terms of liquidity.

The local banking sector ranks among the top European countries based on the share of high-quality liquid assets in total assets¹⁵³, but the composition of the liquidity buffer shows high concentration, as it mainly consists of government securities. At EU level, liquidity management strategies have been adjusted, namely the share of currency and central bank reserves in the total liquidity buffer has decreased and the contribution of government securities and covered bonds has increased.

Liquidity indicators posted moderate declines since the previous *Report*, remaining at adequate levels, significantly above EU averages. The liquidity coverage ratio (LCR) went down by 14.6 percentage points in September 2025 from end-2024, reaching 240.1 percent (versus 161.6 percent in the EU, June 2025). This deterioration stems from the faster growth rate of liquidity outflows (by 13.1 percent) than that of the liquidity buffer (up by 6.6 percent). The interquartile distribution of the indicator shows that local banks record very high LCR levels, with an interquartile range between 151 percent and 237.8 percent in September 2025 (Chart 3.8). The LCR calculated by significant currency shows overall adequacy, all credit institutions recording an LCR above one in September for both significant currencies and at the aggregate level.

Chart 3.8. Interquartile distribution of the LCR at various points in time and the NSFR



Note: Outliers were excluded from the calculation of the maximum value.

Source: NBR, NBR calculations

The net stable funding ratio (NSFR) stood at 190.5 percent in September 2025 compared to 127.2 percent in the EU (Chart 3.8), declining slightly from end-2024 (197.2 percent). This was driven by the swifter increase in items requiring stable funding (+5.3 percent) compared to the modest growth rate of items ensuring stable funding (+1.7 percent) against end-2024. At individual level, all credit institutions recorded an NSFR above one both at the aggregate level and for the significant currencies.

Given the high uncertainties surrounding the macroeconomic and financial developments, a cautious stance is recommended in order to mitigate the impact

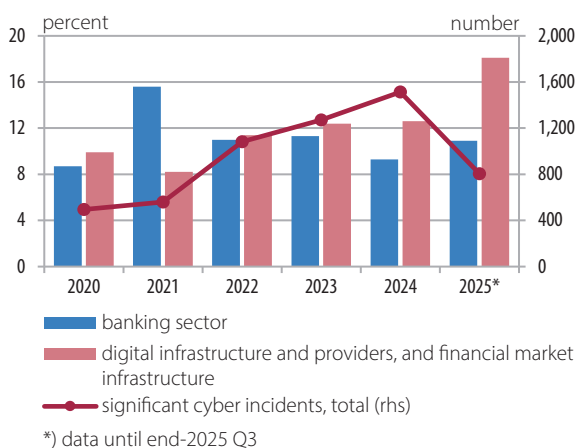
¹⁵³ Source: *EBA Report on Liquidity Measures under Article 509(1) of the CRR (EBA/REP/2024/26)*

of liquidity risks (Box 8). The digitalisation of banking services, the risks arising from cyber threats, the social media, communication or news platforms, as well as the easy access to online banking apps may impact the liquidity position much more rapidly in the event of a stress episode fuelled by generalised panic. Specifically, a strategic approach that combines the digital infrastructure strengthening to lower operational risks and the adaptation to an environment characterised by fluctuating interest rates and a potentially volatile behaviour of depositors may help mitigate the negative effects on the liquidity position.

Box 8. Emerging risks from cyber threats

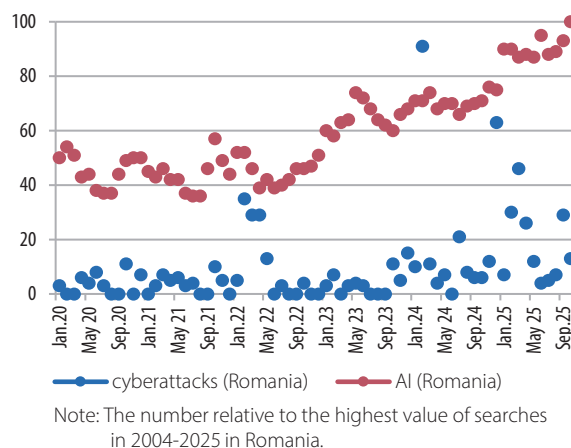
The fast-paced digitalisation of the banking sector, *inter alia* by using advanced technologies related to artificial intelligence (AI), provides benefits for productivity, operational efficiency and financial intermediation, but is also associated with higher exposure to emerging risks. The connection with the digital infrastructure in use and the characteristics of AI-based applications can amplify risks to financial stability, due to: (i) supplier concentration, (ii) sensitivity to cyberattacks and criminal use, especially in the current geopolitical context, (iii) faster propagation speed and stronger procyclicality of reactions, (iv) harmonisation of models used, (v) opacity of the manner of generating results by AI models and the challenge of methodological monitoring. The interest in these techniques has increased exponentially in recent years, being also correlated with the proliferation of incidents such as cyberattacks (Chart A).

Chart A. Significant cyber incidents in the European banking sector and the related areas



Source: CIRAS

Chart B. Interest in cyberattacks and advanced techniques in Romania, according to Google Trends



Source: Google Trends

Cyber incidents can erode customer confidence in the banking sector, with repercussions on liquidity, thus amplifying shocks. At European level, the number of cyber incidents with a significant impact has grown over the past years. The European banking sector remains a relevant target for incidents with a significant impact (11 percent of total, 2025), together with entities in the digital and financial infrastructure (18 percent, 2025, Chart B).

A more detailed analysis of cyber incidents in Europe, apart from the scale of events with a significant impact, is presented in the ENISA report¹⁵⁴, according to which approximately 4,900 incidents of different scales were identified in the period from July 2024 to June 2025. There is a preference among attackers for targeting the public administration, primarily for cyberespionage purposes, with the involvement of state actors and hacker groups. DDoS attacks were the most prevalent threats (81.4 percent). Within the finance system, cyber incidents are concentrated in the banking sector that is targeted by hacktivist groups mostly through DDoS attacks.

Social engineering tactics are an important entry point to data/systems, of banks as well, while phishing (vishing, malspam, etc.) accounts for 60 percent of observed cases. Artificial intelligence techniques are widely used in cyber threats. In 2025, phishing campaigns used AI elements (synthetic audio and video, typical crime scenarios, etc.) in more than 80 percent of social engineering activity worldwide. The trend is that the AI will accelerate and innovate the attack cycle, facilitating the rapid development of misleading narratives.

In the Romanian banking sector, the operational and cyber incidents have not yet had a major disruptive impact, and services were provided without denting customer confidence. However, it is necessary to (i) improve household and bank staff awareness of risks in order to prevent incidents and mitigate negative effects, as well as to (ii) ensure continuous monitoring by relevant authorities.

3.1.2. Asset quality

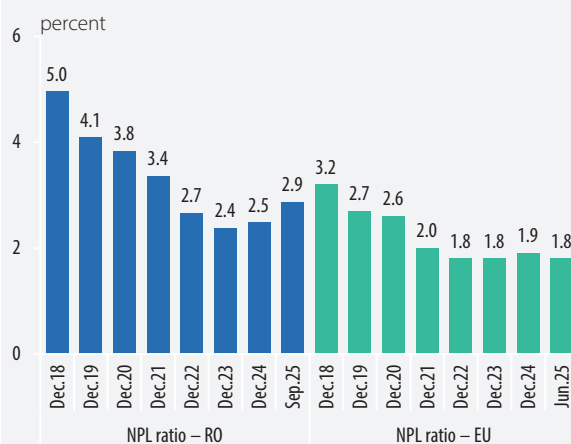
Recent developments show a deterioration in the asset quality of the domestic banking sector, at odds with the EU-wide trend, yet the related indicators remain within the EBA-defined low-risk bucket. Since end-2024, the non-performing loan (NPL) ratio has added 0.4 percentage points to 2.9 percent (Chart 3.9), while in the EU it reported an improvement in 2025 Q2 (down 0.1 percentage points to 1.8 percent). Despite the positive dynamics of loans to non-financial corporations, the rise in the stock of non-performing loans by 30.8 percent (lei 2.4 billion) had a negative impact on the NPL ratio in this institutional sector. As for households, the marginal improvement of the indicator was chiefly driven by the increase in the stock of loans and advances, while the stock of non-performing loans saw modest dynamics (lei -0.1 billion).

The stock of non-performing loans (lei 15.8 billion, September 2025) is distributed relatively equally on the basis of the two criteria defining non-performing exposures, i.e. the days past due criterion for loans overdue for more than 90 days (56.5 percent of total), and the “unlikely to pay” criterion (43.5 percent). The large share of loans in the “unlikely to pay” category (Chart 3.10) shows that banks are proactive in assessing and recognising the deterioration in asset quality, classifying loans as non-performing before 90 days past due, based on specific indications. Out of the non-performing

¹⁵⁴ ENISA Threat Landscape 2025

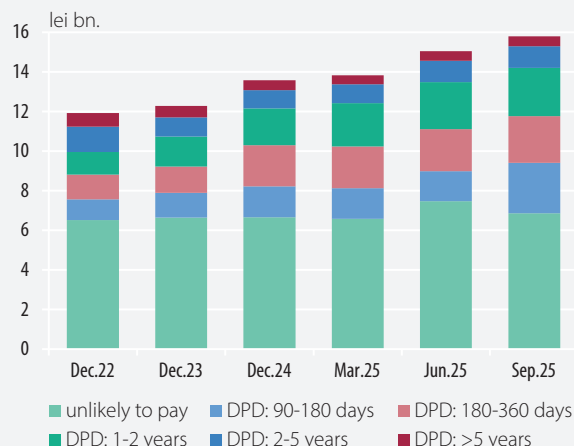
loans with significant delays, the largest share is held by those past due for periods of up to 2 years (82.2 percent of total), with loans overdue for more than 5 years being residual (5.5 percent), as a result of write-offs.

Chart 3.9. Non-performing loan ratio – comparisons between Romania and the EU



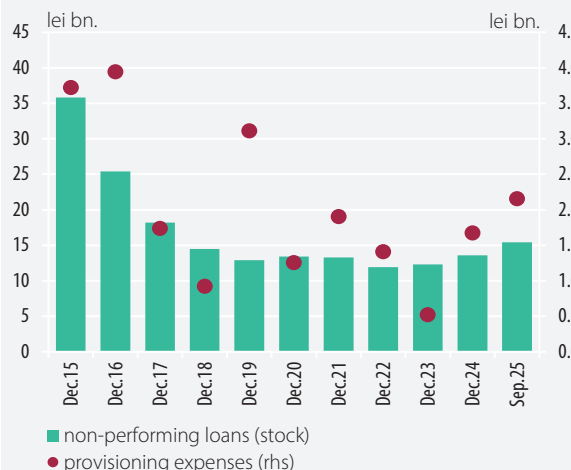
Source: NBR, EBA

Chart 3.10. Non-performing loans by default criteria and days past due



Source: NBR; credit institutions, Romanian legal entities

Chart 3.11. Non-performing loans and provisioning expenses



Source: NBR; credit institutions, Romanian legal entities

The non-performing loan stock decreased markedly between 2015 and 2017, amid the broad-based balance sheet clean-up, and then recorded a slower pace of decline (Chart 3.11). Provisioning expenses until September 2025 (lei 2.2 billion) exceeded by far the average for the 2020-2024 period (posting an annual average of lei 1.4 billion).

The recent years have seen a structural shift in the classification of loans by impairment stage under IFRS 9. Looking at all exposures, the share of Stage 2 loans narrowed to 10.8 percent in September 2025 (from the 17 percent peak attained during the COVID-19 pandemic, i.e. end-2020). This trend is more pronounced for non-financial corporations than for households (-8.2 percentage points versus -5 percentage points). The share of Stage 2

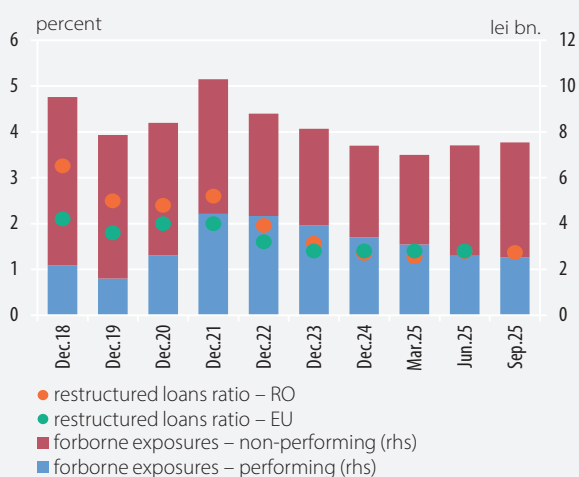
loans under IFRS 9 stayed above the EU average (9.4 percent, June 2025). However, the coverage by provisions of Stage 2 loans is viewed as conservative (9.3 percent, September 2025), significantly above the EU average (3.3 percent, June 2025).

The banking sector in Romania maintains a prudent approach to credit risk management, the NPL coverage by provisions being further high (65.1 percent, September 2025), above the EU's third quartile of 50 percent (June 2025).

The stock of restructured (forborne) loans has remained relatively stable since the end of 2024, amounting to lei 7.5 billion in September 2025 (Chart 3.12). Out of them,

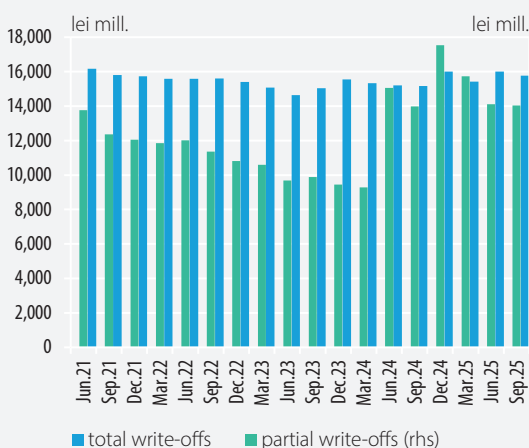
66 percent are non-performing loans (compared to 54 percent in December 2024), due to the increase in the stock of these exposures and the decrease in the stock of forborne performing exposures. At aggregate level, the restructured loans ratio held steady at 1.4 percent (September 2025), similarly to end-2024 and the EU average.

Chart 3.12. Restructured loans and the restructured loans ratio



Source: NBR, EBA

Chart 3.13. Loans and advances held at amortised cost that were written off



Source: NBR

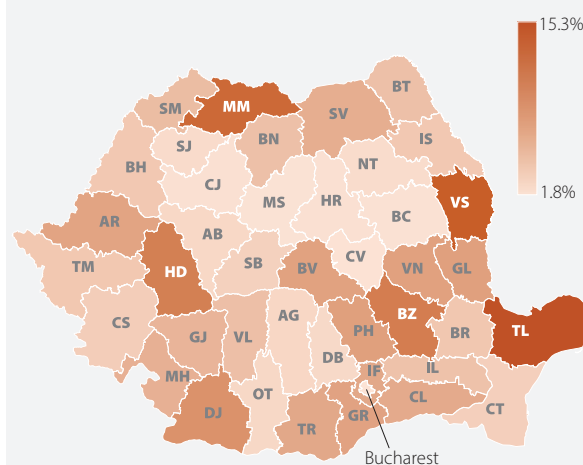
Since the end of 2024, the partial or total write-offs of loans have dropped by a mere 2 percent (to lei 16.1 billion, Chart 3.13). Total write-offs held a prevailing share (98 percent) in these operations.

Looking at the NPL ratio for corporate exposures by county (Chart 3.14), this indicator has risen markedly since end-2024 in Vaslui (up 10.8 percentage points to 14.0 percent), Tulcea (up 10.5 percentage points to 15.3 percent) and Prahova (up 5.6 percentage points to 8.0 percent). Only 4 percent of corporate loans have recipients in these counties, highlighting the low intermediation in these areas. The counties with the lowest NPL ratios for legal entities in September 2025 were Cluj and Harghita (2.1 percent), Bacău and Mureș (2.0 percent), Covasna (1.9 percent) and Bucharest (1.8 percent). These counties hold 48 percent of total exposures.

Turning to the loans to households (Chart 3.15), there are no significant increases in the non-performing loan ratio. The counties with the highest NPL ratios in September 2025 were Călărași (6.5 percent), Giurgiu (5.8 percent) and Ialomița (4.4 percent). They account for 2.8 percent of total loans to households. The counties with the lowest NPL ratios for households are Botoșani and Covasna (2.3 percent), Iași (1.9 percent), Cluj and Harghita (1.8 percent). They hold 11.5 percent of total exposures. Bucharest has an NPL ratio of 3 percent, with a 24.3 percent share of total exposures to households.

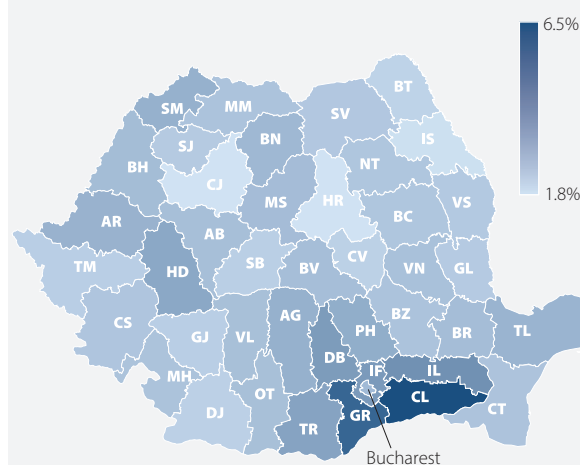
The secondary market for non-performing loans shows signs of recovery, despite some limitations on the tax deductibility of loan sales introduced in 2018 for households. Looking at legal entities, the secondary market for sales of bank assets is currently very small.

Chart 3.14. Non-performing loan ratio by county – legal entities
(30 September 2025)



Source: NBR, CCR

Chart 3.15. Non-performing loan ratio by county – households
(30 September 2025)



Source: NBR, CCR

Amid a possible worsening of the macroeconomic environment – characterised by relatively high interest rates as a result of inflationary pressures, uncertainties surrounding international developments and the impact of implementing fiscal consolidation measures – credit institutions should further take a preventive and proactive approach to credit risk management in the period ahead so as to mitigate the implications for asset quality indicators.

3.1.3. Structural adjustments and implications for profitability

The structural developments of the banking sector contributed to its resilience and underpinned the profit-making capacity. The key aspects are: (i) the further consolidation of the outstanding deposits taken from the real sector, (ii) low-cost, stable funding sources ensured through the services rendered, as reflected in the gradual increase in cashless payments, thus supporting the rise in overnight deposits (52.1 percent, September 2025), (iii) the yet untapped significant potential for lending to the real sector, also shown by the loan-to-deposit (LTD) ratio¹⁵⁵ standing below one (68.8 percent, September 2025), (iv) the high and increasing interconnection with the government sector, highlighted by the large share of government securities and other types of claims on the general government in the balance sheet (27 percent, September 2025).

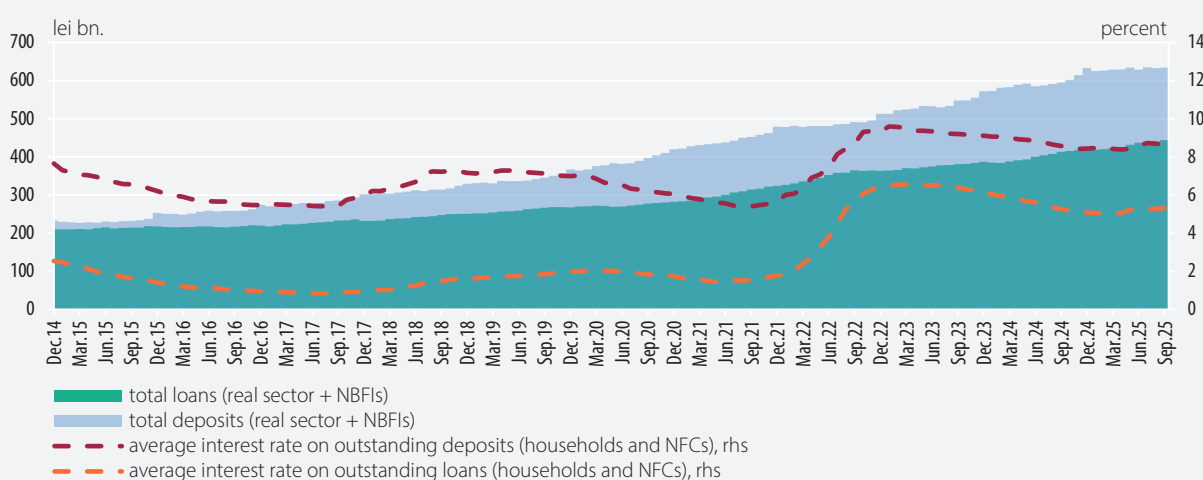
The assets of the Romanian banking sector strengthened, reaching lei 944.8 billion in September 2025. The increase was mainly due to sovereign exposures in the form of government securities (an 11 percent rise in September 2025 compared to end-2024), as well as to lending to the private sector¹⁵⁶, which posted, however, slower dynamics (5.4 percent versus end-2024, Chart 3.16). The breakdown shows that loans to households recorded faster growth in September 2025 from December 2024 than

¹⁵⁵ Value recorded for the banking system (banks, legal entities and branches)

¹⁵⁶ The private sector includes households, non-financial corporations, and non-bank financial institutions.

loans to non-financial corporations (+7.1 percent versus +3.5 percent). Banks' appetite for granting loans to NBFIs (financial corporations engaged in lending) has increased, this component advancing at a swifter pace than lending to the real sector (i.e., +9.3 percent compared to end-2024), yet the volume remains low (for further details, see the Special Feature). The stock of foreign currency-denominated loans granted by credit institutions to the private sector went up by 8.6 percent in September 2025 compared to end-2024, on the back of foreign currency loans to non-financial corporations (+12.6 percent from end-2024) and NBFIs (+5.6 percent), whereas foreign lending to households contracted by 9.8 percent.

Chart 3.16. Stock of private sector loans and deposits in banks' balance sheets and related interest rates



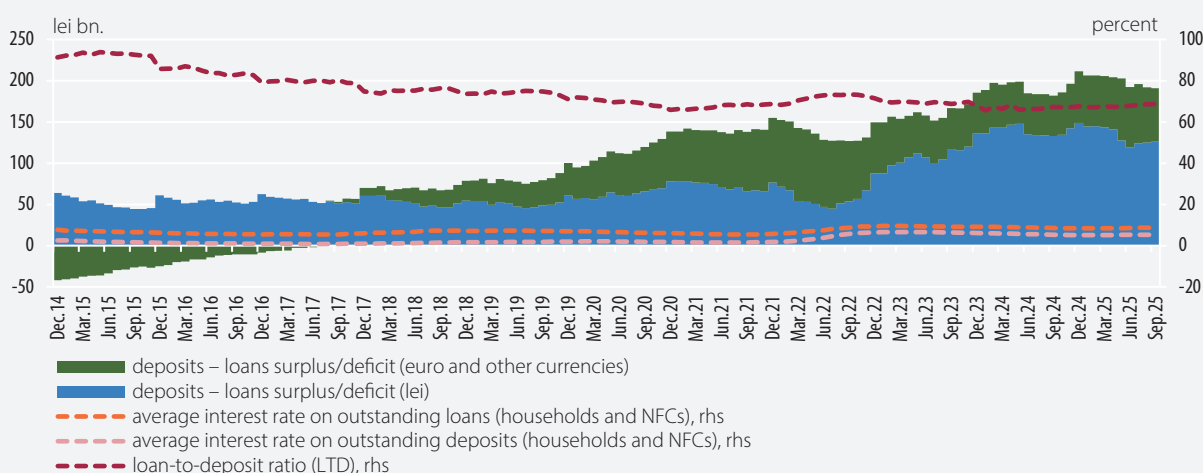
Source: NBR, NBR calculations

In terms of liabilities of credit institutions, deposits taken from residents stood at a level similar to that recorded at end-2024 (Chart 3.16). The breakdown shows a moderate advance in deposits taken from households (+2.9 percent in September compared to end-2024). The stock of corporate deposits decreased by 4.6 percent, while deposits taken from NBFIs rose by 6.4 percent in September 2025 from end-2024. During the same period, residents' foreign currency deposits went up 6.9 percent in September 2025 compared to end-2024, mainly on account of deposits from households and NBFIs, which displayed increases of 10 percent and 18.9 percent respectively. Interest rates on non-financial corporations' leu-denominated time deposits rose by 64 basis points (September 2025) compared to end-2024, i.e. to 5.5 percent. Households' time deposits had an interest rate of 5.2 percent in September 2025, similar to that effective at end-2024. Foreign currency-denominated deposits went up by 6.9 percent in September compared to end-2024, due to deposits from households and NBFIs, which expanded by 8.6 percent and 20.1 percent respectively. Deposits from non-financial corporations also followed an upward path, but their growth rate was modest (+1.5 percent, September 2025).

The faster dynamics of deposits taken than those of loans granted by credit institutions, as also reflected by the downtrend of the loan-to-deposit (LTD) ratio (Chart 3.17), confirm a high potential for lending to the real sector. Under the

circumstances, the level of financial intermediation in Romania remains low, amid structural vulnerabilities and the focus on saving products offered by the banking sector. In September 2025, the surplus of deposits over loans totalled lei 190.7 billion (down 9.8 percent from end-2024). The breakdown shows that, in September, the surplus of the lei component was lei 126.7 billion, while that of the foreign currency component stood at lei 64.5 billion (Chart 3.17).

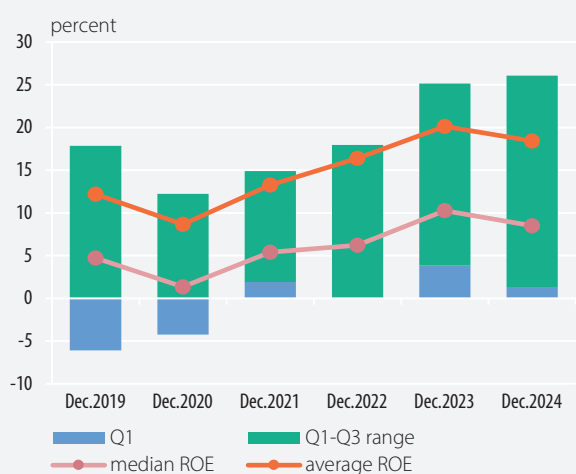
Chart 3.17. Difference between the stocks of private sector deposits and loans



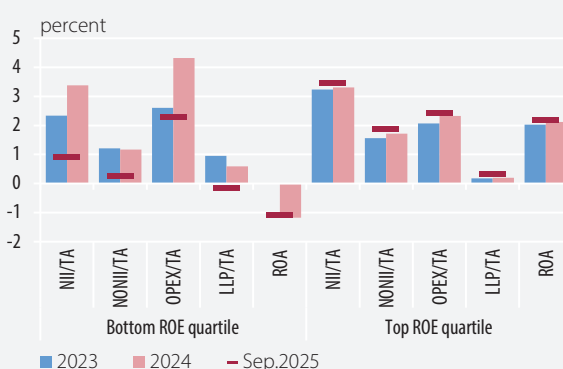
Source: NBR calculations

The profitability of the banking sector during the first three quarters of 2025 incorporated the effects of the structural developments in banks' balance sheets, while the relevant indicators remained relatively stable in this period, i.e. ROA at 1.7 percent and ROE at 18.4 percent (September 2025), above the EU average (ROA – 0.7 percent, ROE – 10.7 percent, June 2025). Net profit totalled lei 11.7 billion in September 2025, supported by the swifter annual dynamics of operating income compared to those of operating expenses (8 percent versus 6.6 percent, September 2025), but decreased by the faster growth of impairment loss on financial assets, which tripled compared to September 2024. Developments in interest rates, along with volume effects, led to a loss of momentum in the annual dynamics of net interest income – the main component of operating profit.

Some small-sized banks stand below the first quartile of the ROE distribution. They have lower operational efficiency and, hence, are less profitable, which renders them more vulnerable in the event of macroeconomic shocks (Chart 3.19). The size of differences in ROE values at individual level has widened over the past years (Chart 3.18). The market share of loss-making banks remains low (1.1 percent). Given the profit polarisation by bank size, mergers and acquisitions are expected to continue over the medium term for the optimisation of operations. Moreover, as an additional source for improving operational efficiency and as a means for adapting to financial innovation, several banks in Romania apply new business models, focused either exclusively on branchless, digital banking or primarily on digital channels.

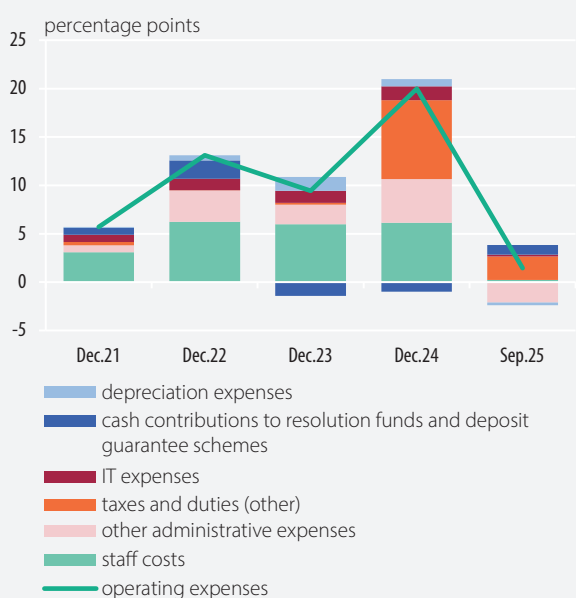
Chart 3.18. Distribution of return on equity (ROE) by banks

Source: NBR

Chart 3.19. Polarisation of key income and expense items depending on ROE distribution

Note: NII – net interest income; NONII – non-interest income; OPEX – operating expenses; LLP – loan loss provisions; ROA – return on assets; TA – total assets

Source: NBR

Chart 3.20. Contribution of components to the dynamics of banks' operating expenses

Source: NBR

The trend to enhance operational efficiency translated into an overall improvement in the cost-to-income ratio in the second part of 2025, i.e. towards the low-risk bucket (48.1 percent, September 2025). The dynamics of operating expenses were significantly influenced by the implementation of the tax on bank assets, especially in 2024 (Chart 3.20). Although the effects on the growth rate of operating expenses moderated in 2025, taxes and charges contributed the most to the dynamics of total operating expenses, followed by the contributions to resolution funds and deposit guarantee schemes (Chart 3.20). The decrease in other administrative expenses had a positive contribution to operational efficiency, while staff costs were stable.

The increase to 4 percent in the turnover tax in mid-2025, applicable between June 2025 and December 2026, exerts additional, albeit manageable pressure on operating expenses. For banks with a market share below 0.2 percent, the turnover tax

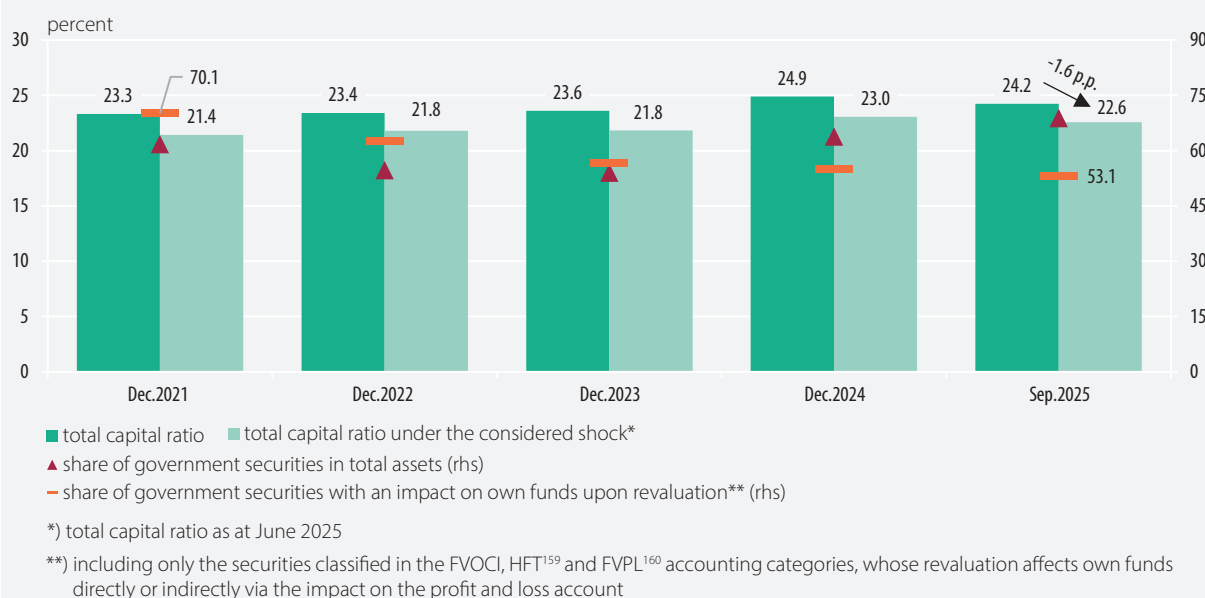
remained unchanged at 2 percent. The difference in tax by bank size mitigates the effects of fiscal adjustment on small-sized banks. The amount of the turnover tax is estimated at approximately lei 2 billion in 2025 and lei 2.7 billion in 2026 (*ceteris paribus*, September 2025).

3.1.4. Interconnection of banks with the government sector and its implications for market risk

A recurrent feature of Romania's banking sector is its significant interconnection with the government sector, being the highest at European level. The issue of the close link between the banking and government sectors gained prominence also globally over the past few years¹⁵⁷, especially amid the gradual increase in government debt-to-GDP ratios.

In Romania, the share of claims on the government sector in total bank assets stayed put at 27 percent in September 2025, similarly to end-2024. The breakdown shows that the government securities of central and local governments hold large and increasing shares in balance sheet assets (22.9 percent in September 2025 against 21.3 percent in 2024), amid a higher stock of holdings (up 11 percent in September 2025 from end-2024). The average residual maturity of government securities held by banks equalled 4.8 years in June 2025. These securities are predominantly classified in accounting categories whose revaluation has a direct impact on own funds (53.1 percent in September 2025 versus 70.1 percent at end-2021, Chart 3.21). Banks adjusted their bookkeeping strategy for these sovereign holdings, as the share of government securities classified in accounting categories at amortised cost has followed an uptrend in recent years to the detriment of FVOCI¹⁵⁸.

Chart 3.21. Share of government securities in total assets and share of government securities with an immediate impact on own funds upon revaluation. Simulation of the impact on total own funds of a parallel upward shift of 100 basis points of the yield curve



Source: NBR, NBR calculations

¹⁵⁷ IMF, *Global Financial Stability Report*, October 2025

¹⁵⁸ FVOCI – fair value through other comprehensive income

¹⁵⁹ HFT – held for trading

¹⁶⁰ FVPL – fair value through profit or loss

The high concentration of assets in government securities leaves the sector exposed to interest rate risk. An estimation¹⁶¹ of the sensitivity of the government securities portfolio to a potential shock of 100 basis points on the yield curves reveals that the total capital ratio would adjust by 1.6 percentage points to 22.6 percent, should the respective shock materialise (Chart 3.21¹⁶²).

The historical analysis and the analysis of the composition of the government securities portfolio show a potential impact on the total capital ratio that resulted in declines ranging between 1.6 and 1.8 percentage points for the periods under review, depending on the size of the portfolio and the typology of the accounting classification (Chart 3.21).

Looking at the breakdown of the portfolio of government securities, the issues in domestic currency take the largest share, i.e. 77 percent. Holdings of foreign currency-denominated exposures to the government of Romania could be influenced by the gradual phasing-out of the transitional provisions of the CRR III/CRD VI regulatory framework, which entail a gradual adjustment of the risk weight of foreign currency-denominated exposures to the central government until 2027 and the inclusion of foreign currency-denominated sovereign exposures to the government of Romania in the category of large exposures that is limited by the size of the capital.

Additionally, exposures to the government sector are amplified by the guarantees granted to banks via government programmes, these state-backed loans accounting for 3.4 percent of bank assets (September 2025). In the case of government-backed loans to non-financial corporations, recent developments show a worsening trend in asset quality (see Section 2.1), which calls for more adequate targeting of government-guaranteed sectors. NCMO Recommendation No. R/4/2025 is aimed at increasing the effectiveness of future government credit guarantee programmes for non-financial corporations.

3.2. Non-bank financial institutions

The non-bank financial institutions sector has gained significant importance in the financial system, its total assets accounting for 6 percent of system-wide assets and 4.2 percent of GDP in June 2025, up by 0.3 percentage points from end-2024. NBFIs assets amounted to lei 76.9 billion, up 12.7 percent in annual terms, being largely made up of loans to non-financial corporations.

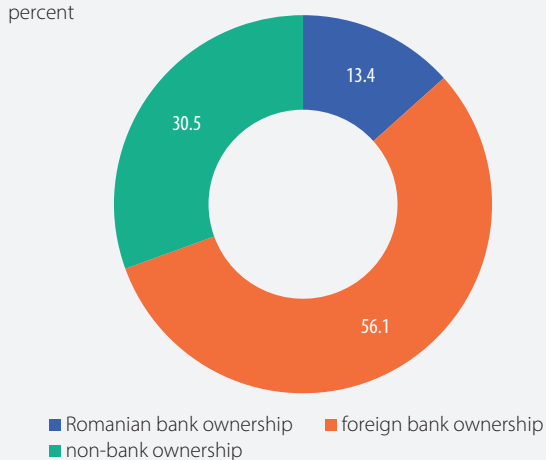
Currency risk in the NBFI segment remains high, yet on a slight decline over the past year. These dynamics are ascribable to a rise in lending to households, primarily in domestic currency. Specifically, the foreign currency component of loans granted by NBFIs decreased in September 2025, i.e. to 67.4 percent of NBFI loans from 67.9 percent in September 2024. Non-financial corporations continued to take out

¹⁶¹ The estimation is based on the use of the average residual maturity of the government securities portfolio as a proxy for the simple duration.

¹⁶² Including only the securities classified in the accounting categories whose revaluation affects own funds directly or indirectly (via the impact on the profit and loss account)

Chart 3.22. Composition of NBFIs' ownership, March 2025

percent



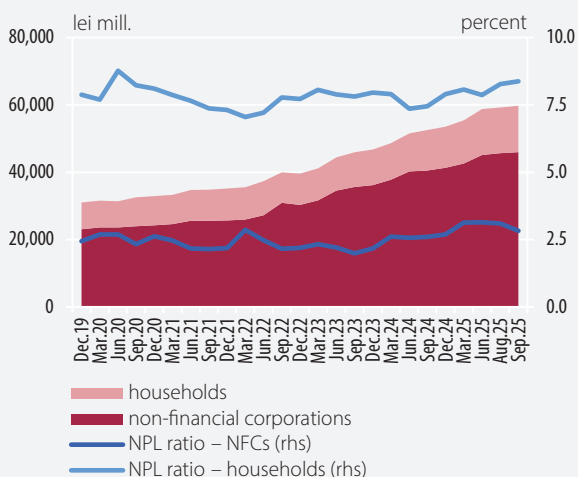
Source: Orbis, NBR

predominantly foreign currency-denominated loans, which held 87.1 percent of the total, up 0.2 percentage points from end-2024.

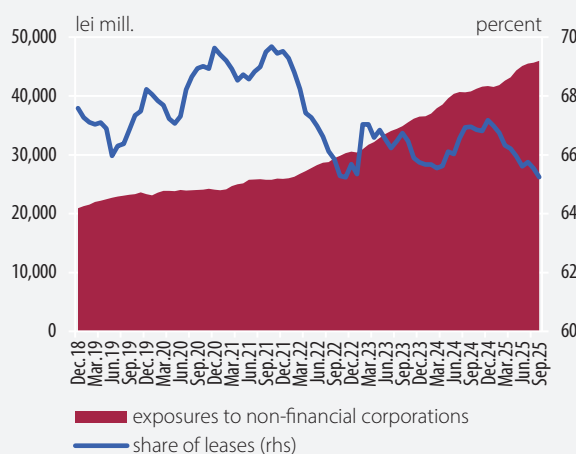
NBFIs in Romania have mostly foreign bank ownership (56 percent of total NBF assets in March 2025, Chart 3.22), while NBFIs with domestic bank capital account for only 13 percent of total assets. Overall, NBFIs with majority bank capital hold almost 70 percent of total assets of the sector, which highlights the connections between the NBF and banking sectors.

NBFI lending to households, consisting chiefly of consumer credit (99.7 percent of the stock of loans, September 2025), recorded upward dynamics in 2025, also as a result of a merger in the banking

sector. The loan stock reached lei 13.8 billion in September 2025, up by approximately 15 percent from September 2024 (Chart 3.23). Therefore, exposure to households increased its share in the NBFI loan portfolio, making up 23 percent of the total, 0.2 percentage points more than in September 2024.

Chart 3.23. Stock of loans and NPL ratio by loan segment

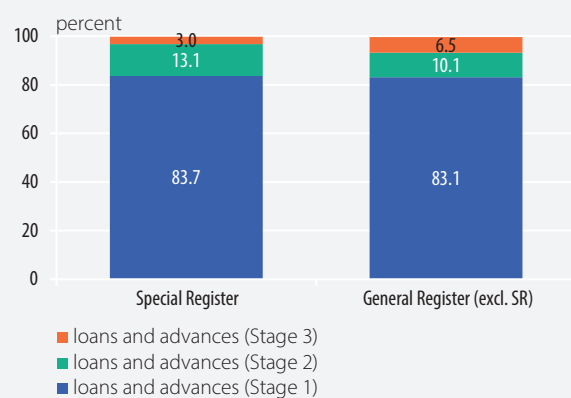
Source: NBR, CCR

Chart 3.24. Exposures to non-financial corporations and share of leases

Source: NBR, CCR

In September 2025, the stock of loans to non-financial corporations amounted to lei 46 billion, up 13.4 percent in annual terms. From a sectoral perspective, services and trade remain the most important activities that attracted funds from NBFIs (36.2 percent and 20 percent respectively, September 2025). Although their share dropped from 67.2 percent in December 2024 to 65.2 percent in September 2025, leases continue to prevail among corporate loans granted by NBFIs (Chart 3.24).

Similarly to developments across the banking sector, a small deterioration in loan portfolio quality can be observed in the case of NBFIs as well. Consumer credit to

Chart 3.25. Assets by IFRS 9 impairment stage as a share in total loans and advances, June 2025*

*) The difference up to 100 percent consists of purchased or issued financial assets that became depreciated.

Source: NBR, CB, NBR calculations

households is the riskiest lending segment, its NPL ratio¹⁶³ reaching 8.4 percent in September 2025, up 0.9 percentage points from the same year-ago period.

In addition, a modest deterioration in asset quality can also be seen at the level of non-financial corporations. Nevertheless, firms have further shown a better repayment capacity than households, with an NPL ratio of 2.8 percent in September 2025, up 0.2 percentage points compared to September 2024. Exposures to non-financial corporations however require close monitoring, given that they are primarily denominated in foreign currency.

In June 2025, the share of loans and advances for which credit risk did not increase significantly since the initial recognition (Stage 1 under IFRS 9) stood at 83.7 percent for NBFIs in the Special Register and at 83.1 percent for NBFIs in the General Register (Chart 3.25). Moreover, the share of loans and advances in Stage 3 of impairment declined by 0.2 percentage points to 3 percent (June 2025) for NBFIs in the Special Register and was more than double (6.5 percent) for NBFIs in the General Register.

¹⁶³ The NPL ratio for NBFIs is calculated as the share of exposures more than 90 days past due in total exposures.

4. FINANCIAL SYSTEM INFRASTRUCTURE – STABILITY OF PAYMENT AND SECURITIES SETTLEMENT SYSTEMS¹⁶⁴

During the period under review, all payment and securities settlement systems in Romania continued to function smoothly, without major operational incidents.

The National Bank of Romania has been steadily monitoring financial market infrastructures in order to ensure their effective and safe operation with a view to maintaining financial stability. This implies, *inter alia*, monitoring and testing the action plans where improbable but predictable risks materialise. The oversight by the National Bank of Romania is based on the international oversight standards set out in the Principles for financial market infrastructures and implemented by way of NBR Regulation No. 3/2018.

4.1. Stability of payment systems

Functioning of ReGIS¹⁶⁵

In the period under analysis, the ReGIS system rules remained unchanged.

Looking at the system activity, in 2025 H1 the number of transfer orders went down to 6.11 million from 6.65 million in 2024 H2. Moreover, the value of processed payments saw a decline to lei 12,012 billion from lei 14,483 billion in 2024 H2.

On 27 January 2025, the system reported a peak number of payments per day, i.e. 93,091 payment instructions. It is worth mentioning that, in spite of this elevated volume, the system faced no problems in terms of processing capacity¹⁶⁶.

¹⁶⁴ This chapter was prepared by the Financial Market Infrastructures and Payments Oversight Department.

¹⁶⁵ ReGIS is the most important payment system in Romania, ensuring the real-time gross final settlement of participants' transfer orders and of net positions arising from ancillary systems.

¹⁶⁶ According to the oversight standards in the field, ReGIS is designed to take in, within one hour, 40 percent of the estimated highest daily volume of payments in order to process in a short period of time a large volume of payments left unprocessed in the aftermath of a major, lengthy incident (including a cyber incident). At the same time, the processing power of ReGIS servers is scalable, so as to quickly accommodate sustained increases in the volume of payments.

The average settlement ratio¹⁶⁷ amounted to 100 percent, reflecting a good settlement discipline. Furthermore, the average monthly availability ratio¹⁶⁸ came in at 100 percent, indicating that the system, which functions on the technical platform operated by the central bank, was fully reliable.

The probability for the liquidity risk to materialise remains low, as reflected by the absence of gridlock situations in the waiting queues. At the same time, the number of intraday loans required by the participants to facilitate payments in ReGIS rose significantly from 176 in 2024 H2 to 216 in 2025 H1.

The number of participants in ReGIS amounted to 35 entities, including ancillary systems.

The concentration ratio¹⁶⁹ of the system posted a slight increase in terms of both the volume and the value of transactions processed. In terms of the transaction volume, the concentration ratio went up from 63.96 percent to 64.34 percent, while in terms of the transaction value it continued to rise from 62.38 percent to 64.26 percent. This does not indicate an increased risk, the indicator's value supporting the resilience of the system while suggesting a low likelihood for the contagion risk to become manifest.

Functioning of SENT¹⁷⁰

In the period under analysis, the SENT system rules remained unchanged.

Looking at the activity of SENT, administered by TRANSFOND S.A., the value of processed multiple payments in lei totalled lei 276.28 billion in 2025 H1 compared to lei 308 billion in 2024 H2. At the same time, the number of transactions dropped from 80.93 million to 74.38 million during the period under review.

Separately from the multiple payments component in lei, within the SENT system there is also the instant payment in lei component. For this component, a volume of 97.17 million transactions was reported for 2025 H1, worth lei 136.96 billion.

Looking at transactions in euro, the value of netted orders edged up from EUR 2.19 billion to EUR 2.22 billion. However, the number of payment transactions fell slightly, from 297 thousand to 294 thousand in the period under review.

¹⁶⁷ Calculated as a ratio of transfer orders settled in the system to the accepted transfer orders

¹⁶⁸ The availability ratio is defined as a ratio of the actual operating time to the scheduled operating time, during the system's normal operating hours.

¹⁶⁹ Calculated as the sum of the five largest individual market shares in terms of the value or volume of settled transfer orders. The alert threshold stands at 80 percent, with higher values indicating a significant probability for the systemic risk to materialise.

¹⁷⁰ SENT is an electronic system for the multilateral netting of retail interbank payments among participants, during several daily sessions.

The monthly availability ratio of SENT stood at 99.97 percent¹⁷¹ for multiple payments in lei and at 99.98 percent for multiple payments in euro, which proves the smooth functioning of this system.

The settlement ratio¹⁷² of lei-denominated payment instructions remained elevated, i.e. 99.51 percent, which indicates a good settlement discipline. At the same time, the netting ratio was 30.91 percent compared to 26.63 percent in the previous six-month period, which reflects an efficient management of lei-denominated liquidity, without significant risks¹⁷³. The settlement ratio of EUR-denominated payment instructions remained at 100 percent, which shows a strong payment discipline.

The number of participants in SENT stood at 36 institutions. In terms of the volume of transfer orders in lei settled in SENT, the participants' concentration ratio posted a moderate advance from 63.43 percent to 63.64 percent, while in terms of value it went up mildly from 62.62 percent to 62.69 percent. These developments show a lower likelihood for the contagion risk to materialise in the SENT system.

4.2. Securities settlement systems

Functioning of SaFIR

In the period under analysis, the SaFIR system rules remained unchanged.

SaFIR functioned optimally, the availability ratio¹⁷⁴ standing at 100 percent.

The aggregate value of lei-denominated securities recorded in SaFIR reached lei 422.55 billion compared to lei 396 billion in the previous six-month period.

Furthermore, the number of transactions increased from 26,644 to 29,798¹⁷⁵, while their value amounted to lei 833 billion in 2025 H1 compared to lei 560 billion in 2024 H2.

The number of EUR-denominated transactions fell from 523 to 367 in the period under review. Nevertheless, the value of transactions went up markedly from EUR 1.5 billion to EUR 4 billion.

At the same time, free-of-payment transfers picked up in terms of volume, i.e. from 4,022 in 2024 H2 to 5,093 in 2025 H1.

¹⁷¹ The system rules set forth a minimum accepted limit of 99 percent.

¹⁷² Calculated as a ratio of the value of netted-settled transfer orders to the value of processed transfer orders.

¹⁷³ The alert threshold consists in a netting ratio below 10 percent, coupled with large-value net debit positions, which can pose systemic risks if a critical participant does not participate in the settlement.

¹⁷⁴ The availability ratio is defined as a ratio of the actual operating time to the scheduled operating time, during the system's normal operating hours.

¹⁷⁵ The system's processing capacity allows for much larger volumes of instructions to be settled.

The settlement ratios¹⁷⁶ continued to be high, standing at 99.58 percent for transactions in lei and at 100 percent for transactions in euro, which indicates a good settlement discipline.

The number of participants in SaFIR amounted to 31 institutions, of which: 26 credit institutions, 3 central depositories, the National Bank of Romania and the Ministry of Finance.

Functioning of RoClear

During the period under review, the Central Depository, the administrator of the securities settlement system RoClear, obtained the NBR's approval to make several changes to the system rules. These consisted mainly in changes and additions for a clearer wording or updates necessary to reflect the current activity of the Central Depository, as well as following the implementation of the amendments to Law No 24/2017 on issuers of financial instruments and market operations by means of Law No 11/2025 on the capital market.

RoClear continued to function smoothly, without operational incidents.

4.3. Operational and security incidents affecting payment services providers

The regulatory framework on the reporting of major operational and security incidents was amended following the application, as of 17 January 2025, of the new provisions included in Regulation (EU) 2022/2554 on digital operational resilience for the financial sector, amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (DORA) and the legislation issued under that Regulation.

Financial entities such as credit institutions, payment institutions, account information service providers and electronic money institutions shall classify major ICT-related incidents (Information and Communication Technologies) and major operational or security payment-related incidents in line with the provisions of Commission Delegated Regulation (EU) 2024/1772 supplementing Regulation (EU) 2022/2554 of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for the classification of ICT-related incidents and cyber threats, setting out materiality thresholds and specifying the details of reports of major incidents.

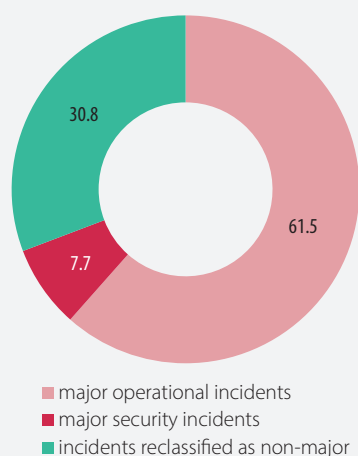
In addition, financial entities may voluntarily notify the competent authority of significant cyber threats detected, which facilitates the exchange of information and contributes to collective efforts to strengthen cybersecurity across the financial system.

¹⁷⁶ Calculated as a ratio of the value of netted-settled transfer orders to the value of processed transfer orders.

Major incidents and significant cyber threats shall be reported in line with the provisions under Commission Delegated Regulation (EU) 2025/301 supplementing Regulation (EU) 2022/2554 of the European Parliament and of the Council with regard to regulatory technical standards specifying the content and time limits for the initial notification of, and intermediate and final report on, major ICT-related incidents, and the content of the voluntary notification for significant cyber threats.

Chart 4.1. Incidents reported in 2025 H1

percent



Source: NBR

In 2025 H1, the NBR, in its capacity as competent authority, did not receive notifications of significant cyber threats. Regarding incidents, 8 payment services providers (PSPs) reported to the central bank 1 major security incident and 12 major operational incidents, out of which 4 were reclassified as non-major, based on an ongoing assessment by the affected entities or at the request of the central bank, Chart 4.1.

Three of these owed to external factors, which indicates the need to adequately monitor ICT third-party service providers.

The reported major operational incidents were caused by: (i) the poor process monitoring and control or the mismanagement of the processing

capacity, identity and access, (ii) malfunctions in the processes, systems or infrastructure used, and (iii) change management and errors in network and software configurations.

The duration of incidents was relatively short and did not exceed 22 hours, except for one incident that called for the settlement of payment operations over the next day. The unavailability of the services affected by the reported incidents did not exceed 14 hours.

The impact of the major incidents materialised in the unavailability or low performance of some services concerning: (i) the initiation of payment operations with electronic payment instruments in the form of card payments, including cash withdrawal/deposit operations (the impossibility of using POS/ATM terminals), (ii) the settlement of authorised payment transactions and (iii) the acceptance of payment operations, including those initiated via electronic payment instruments in the form of card payments. The incidents reported by payment services providers had no impact on the services provided in other Member States.

The average number of payment services users affected by major incidents, including incidents subsequently reclassified, stood at 6,846, while the average number of payment operations affected came in at 10,493. The values communicated by payment services providers are equally actual values and estimates based on the data available for comparable reference periods.

The National Bank of Romania received notifications of major incidents recorded in other Member States that affected financial entities operating in Romania or their clients, but none of these incidents had an impact on financial stability. This exchange of information at the level of the European Union prompts a rapid response from the competent authorities in order to protect the financial interests of users of payment services as well as to safeguard financial stability.

4.4. Technological innovation and payment services security

Through the FinTech Innovation Hub, the National Bank of Romania ensures the ongoing and consistent monitoring of innovative solutions developed for payment services and instruments. In 2025 H1, six applications were received by means of this hub, out of a total of 75 applications received so far.

The challenges associated with the security of payment services refer mainly to fraud, which is a constant, ever changing threat calling for a coordinated effort between services providers and authorities. In monitoring payment services, the NBR identifies the most recent and frequent fraud scenarios with the aim of defining effective measures to prevent and detect fraudulent payment operations.

In this context, the most frequent fraud scenarios identified in 2025 H1 refer further to social engineering. Among the scenarios identified were: (1) smishing, a type of SMS scam whereby attackers send malicious links or get access to personalised security credentials, (2) spoofing, a tactic where perpetrators fake the source of their messages or phone calls by using various technologies, i.e. e-mail addresses, caller IDs, websites, or DNS servers, (3) impersonation of employees of public institutions or of payment services providers in order to trick victims into communicating personalised security credentials, accessing malicious links or transferring funds to accounts communicated by attackers, under various pretexts. At the same time, very frequent are the cases where fraud methods are combined to increase the chances of success. Various techniques can be used together, fraudsters resorting even to deepfakes (false audio-video content generated by artificial intelligence to appear real). In this context, we recall the warning published on the NBR's website in April 2025 at <https://www.bnr.ro/24285-2025-04-10-atentionare-tentative-frauda-bnr-spoofing> on fraud scenarios in which the name of the National Bank of Romania is used for malicious purposes. Under the circumstances, users need to be highly vigilant in order to mitigate this risk. At the same time, guides on how to protect yourself online are available on the website of the National Cybersecurity Directorate (<https://dnsc.ro/doc/ghid>).

Considering the increasing complexity of frauds, as well as of the techniques used by attackers, the European strategy focuses on concerted efforts to prevent frauds by several authorities and institutions in order to strengthen the protection of financial interests at Union level.

5. FINANCIAL STABILITY, REGULATORY FRAMEWORK AND MACROPRUDENTIAL POLICIES

5.1. Capital buffers applicable to credit institutions, Romanian legal entities

The uncertainties in the financial markets, the persistent geopolitical tensions and the evolution of international trade relations are further sources of risks to financial stability at European level. In its September 2025 meeting, the General Board of the European Systemic Risk Board (ESRB) warned that financial stability risks in the EU remained elevated amid ongoing geopolitical uncertainty.

Global risk appetite has increased over the past months, leading to record-high asset valuations, but the market growth pace is in contrast with macroeconomic fundamentals.

Under the circumstances, a rise in economic or political uncertainty could suddenly turn investor sentiment, given the not yet fully robust macroeconomic environment, resulting in negative asset revaluations in the financial markets.

However, banking sector resilience has strengthened significantly – the results of the recent EU-wide stress test show that European banks are well positioned to weather possible headwinds, amid the steady consolidation of capital and liquidity indicators.

The macroeconomic outlook remains fragile nonetheless, as some European countries are faced with subdued economic growth and deteriorating fiscal balances, while the aggravation of security threats requires additional public expenditure (particularly defence spending), creating a challenging environment for financial consolidation at European level.

In this uncertainty-ridden context, the European authorities emphasise the need for the close monitoring of global developments, in order to anticipate potential disorderly adjustments in international financial asset prices and test the financial system robustness to new geopolitical shocks.

Moreover, there are significant vulnerabilities persisting in the non-bank financial sector, which call for greater vigilance from the supervisory authorities (for further details, see the Special feature). The ESRB General Board assessed the systemic risks associated with crypto-assets (including stablecoins), underlining the built-in structural vulnerabilities of some international stablecoin multi-issuer schemes, which require a prompt and coordinated policy response.

It was also observed that some financial groups operate under regulatory regimes that are less strict than those for the traditional financial conglomerates, leading to potentially divergent prudential standards and the build-up of risks outside the banking sector.

In addition to the risks already known, technological innovations generate emerging challenges. The ESRB General Board approved the publication of a report acknowledging the benefits that artificial intelligence (AI) can provide, but also warning that the large-scale use of AI algorithms and models could amplify the existing sources of systemic risk and create new risks to financial stability. For instance, the reliance of financial institutions on a few AI providers and the uptake of similar algorithmic models can lead to significant common exposures, enhancing the likelihood of contagion effects and procyclicality in financial markets. The identification and monitoring of these emerging risks thus turn into a new line of action for macroprudential authorities, complementing the efforts to address traditional vulnerabilities.

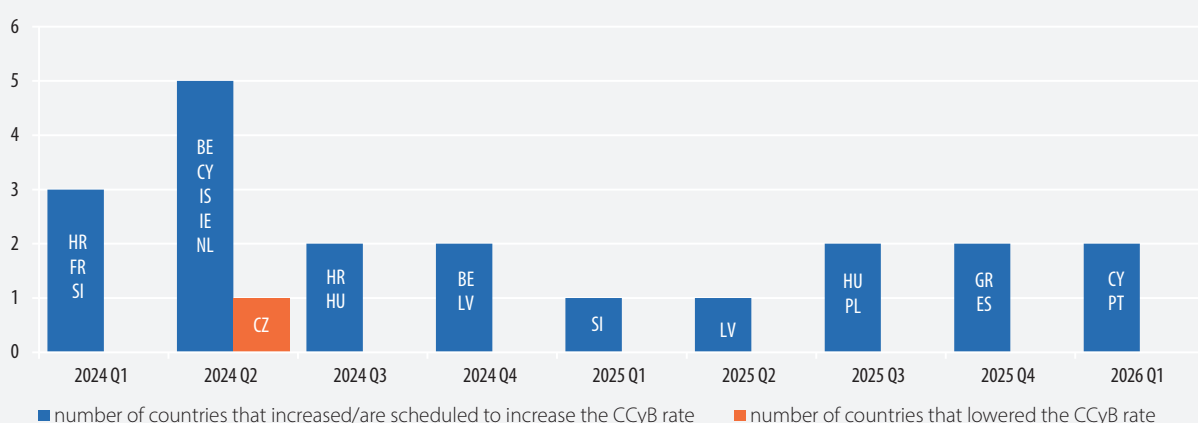
Given the current European context, marked by uncertainty and multiple risks, the macroprudential policy conduct in Romania remains prudent, in line with European guidelines, with a view to safeguarding domestic financial stability. All macroprudential measures aim to strengthen banks' capital base and allow them to further perform financial intermediation, even in adverse economic scenarios, thus helping mitigate the propagation of shocks to the real sector.

There is a tendency at European level to enhance the resilience of the banking sector by using the countercyclical capital buffer (CCyB). According to the regulatory framework, the buffer is designed to be built up in periods of excessive credit growth and released during downturns, thus helping mitigate the financial cycle effects on the real economy. While at the beginning of 2022 only five European Economic Area (EEA) countries applied positive CCyB rates, by end-2026, 25 countries will have implemented the countercyclical capital buffer (according to the notifications sent to the ESRB).

At European level, the CCyB rates have remained on an upward trend (Chart 5.1). In 2025 H2, four other countries (Hungary, Poland, Greece and Spain) will apply higher CCyB rates.

In Romania, the CCyB rate was increased for the first time from 0 percent to 0.5 percent in the NCMO General Board meeting of 14 October 2021. Amid the marked rise in uncertainties about the magnitude of risks at national and international level, as well as amid the persistence of significant macroeconomic imbalances domestically, the CCyB rate has been raised to 1 percent as of 23 October 2023.

Another macroprudential instrument widely used at European level is the systemic risk buffer (SyRB). Unlike the other buffers, regulated by European guidelines on the buffer calibration in EU Member States, the SyRB is the most flexible instrument in terms of implementation. This feature is necessary as this instrument should be calibrated so as to comply with the specifics and vulnerabilities of the national financial systems.

Chart 5.1. Countries that applied or are scheduled to apply CCyB rate changes

Note: Under each reviewed quarter, there are the countries that increased/are scheduled to increase the CCyB rate during that period, the decision being usually taken 12 months in advance, in line with the EU methodology.

Source: European Systemic Risk Board

In Romania, the SyRB has been implemented with the aim of supporting the adequate management of credit risk. In this context, the SyRB is calibrated based on asset quality indicators, i.e. the NPL ratio and the NPL coverage by provisions. Ever since its implementation as of July 2018, the SyRB proved its effectiveness, supporting banks' balance sheet clean-up process. The NPL ratio has generally followed a downward trend, except for the beginning of the COVID-19 pandemic (2020 H1), declining from 6.16 percent before the SyRB implementation to 2.81 percent at end-2025 Q2. In terms of coverage ratio, Romania ranks among the best performing EU countries, with 64.4 percent in June 2025 (according to EBA data using a narrow sample of banks for Romania), well above the average value in the EU, where coverage by provisions stands at 41.6 percent.

Due to these favourable conditions and the improvement of the two indicators, most credit institutions in Romania applied a 0 percent SyRB rate in July-December 2025.

Moreover, starting 1 April 2025, the O-SII buffer rates implemented on an individual or consolidated basis, as applicable¹⁷⁷, are as follows: (i) 2.5 percent for Banca Transilvania S.A. (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). The O-SII buffer is designed to cover risks arising from the size of credit institutions, having a structural nature.

Following the annual exercise to identify material third countries for the Romanian banking sector in terms of recognising and setting countercyclical buffer rates, the NCMO General Board members decided to keep the Republic of Moldova in

¹⁷⁷ In accordance with the provisions of European regulations, implemented at national level, the O-SII buffer is applied at the highest consolidation level.

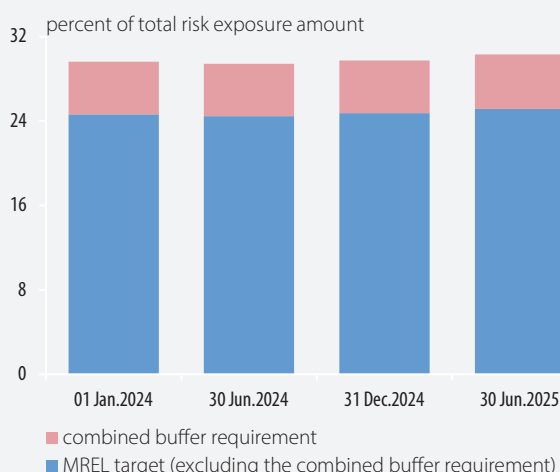
this category for at least one year, in order to facilitate a better monitoring of future economic and financial developments.

Amid the coordination of macroprudential measures at European level to mitigate regulatory arbitrage risks, the NCMO General Board decided, since the previous *Report*, not to apply through voluntary reciprocity the macroprudential measures adopted by Sweden¹⁷⁸, Germany¹⁷⁹ and Norway¹⁸⁰, given that the exposures of the Romanian banking sector to these countries are immaterial.

5.2. The activity of the NBR in its capacity as resolution authority¹⁸¹

The bank resolution activity continued to focus on resolution planning, particularly on operationalisation procedures. Specifically, the steps taken by credit institutions to improve resolvability were further monitored, primarily in compliance with EBA Guidelines.

Chart 5.2. MREL requirement



Source: NBR

At the same time, the MREL capacity continued to be monitored in what concerns the build-up of adequate internal resources for the financing of potential resolution actions in order to comply with the MREL target on a continuous basis. For resolvable credit institutions, in which case the MREL also includes the recapitalisation amount, the weighted average of the MREL target level increased slightly by 0.67 percentage points at the reference date of 30 June 2025 as compared to mid-2024 to 25.13 percent of the total risk exposure amount¹⁸² (without the combined buffer requirement). Where the combined buffer requirement is taken into account, the change would go up as well, i.e. from 29.44 percent to 30.29 percent (Chart 5.2). The average MREL (without the combined buffer requirement) is 25.31 percent of the total risk exposure amount for credit institutions that are resolution entities¹⁸³ and 24.74 percent for institutions that are not resolution entities¹⁸⁴.

¹⁷⁸ The macroprudential measures are presented in Recommendation ESRB/2025/5.

¹⁷⁹ The macroprudential measures are presented in Recommendation ESRB/2025/4.

¹⁸⁰ The macroprudential measures are presented in Recommendation ESRB/2025/6.

¹⁸¹ This section was prepared by the Bank Resolution Department.

¹⁸² The weighted average of MREL based on total risk exposure amount was 5.78 percent at end-2025 H1 for resolvable credit institutions.

¹⁸³ Banks in cross-border groups with a multiple point of entry (MPE) resolution strategy or local credit institutions subject to the resolution measures set forth in the resolution plan

¹⁸⁴ Banks in cross-border groups with a single point of entry (SPE) resolution strategy

In view of the increase in the reporting base (total risk exposure amount), the aggregate MREL in nominal terms rose by lei 11 billion from mid-2024 to lei 87 billion in June 2025 for resolvable credit institutions.

Chart 5.3. Surplus against the MREL target including the combined buffer requirement



Source: NBR

The MREL resources of resolvable credit institutions saw a cumulative surplus of lei 16.7 billion¹⁸⁵, up by lei 0.6 billion versus mid-2024 or 3.58 percent. The higher MREL capacity was ascribed to the larger stock of eligible debt instruments¹⁸⁶, as well as to the rise in own funds. However, relative to the total risk exposure amount, the surplus of eligible resources against the MREL target (with the combined buffer requirement) decreased to 4.83 percent (Chart 5.3), as a result of a higher rate of increase of total risk exposure amount (+11.5 percent) than that of MREL resources.

MREL eligible resources were raised via several types of debt instruments issued on the international capital market by credit institutions that are resolution entities. In addition to senior non-preferred (SNP)

notes, additional Tier 1 instruments, as well as preferred senior notes were also issued. Moreover, credit institutions that are not resolution entities (subsidiaries of cross-border banking groups with Single Point of Entry resolution strategies) further reported SNP loans from parent banks (new loans or by extending the maturity of outstanding ones).

Bank Resolution Fund

The build-up of resources continued in the period under review. At mid-2025, the Bank Resolution Fund's resources increased by lei 0.28 billion versus end-2024 to lei 3.65 billion, mainly due to the collection of contributions for 2025 (lei 0.254 billion), which were fully paid by credit institutions, Romanian legal entities.

Relative to the legal provision on the minimum target level of the available financial resources of the Bank Resolution Fund, i.e. at least 1 percent of the covered deposits of credit institutions authorised on the territory of Romania (lei 336.5 billion as at 30 June 2025), the coverage ratio remained above one.

Regulatory framework for bank resolution

Relevant developments in the primary legislation are expected at the level of the bank crisis management and deposit insurance (CMDI) framework, with the completion of the political agreement between the Council and the European Parliament at mid-2025. The technical discussions among the co-legislators on transposing that

¹⁸⁵ 5.2 percent of total risk exposure amount

¹⁸⁶ Lei +4.9 billion or +13.5 percent as compared to mid-2024; the advance was primarily recorded until end-2024, as the increase in the stock of eligible debt instruments was significantly lower in 2025 H1.

agreement into proposals for amending the European legislative acts concerned – Directive 2014/49/EU on deposit guarantee schemes (DGSD), Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD) and Regulation (EU) No 806/2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (SRMR) – resulted in a provisional compromise solution at the beginning of November 2025, the European Parliament publishing the draft acts amending and supplementing the related primary legislation.

Specifically, the conditions for the resolution of failing small- and medium-sized banks were revised. The new provisions on public interest assessment (PIA) will make it more likely for a bank to obtain a positive PIA (and, implicitly, be resolvable), without changing however the default option, namely liquidation.

Moreover, steps are taken to ensure the Europe-wide harmonisation of the framework for using, under certain conditions, deposit guarantee scheme (DGS) funds to bridge the funding gap if a bank's internal resources (own funds and bail-inable liabilities) fall short of the 8 percent of the total liabilities and own funds (TLOF) threshold, in order to unlock access to the Single Resolution Fund, avoiding, on a case-by-case basis, a bail-in on uncovered depositors. The potential DGS contribution to the resolution of failing banks reflects the common final objectives of deposit guarantee and resolution, namely depositor protection and financial stability. Additionally, the reliance on deposits to comply with MREL targets is allowed only when the resolution authority has previously authorised a credit institution to include them and to the extent to which the eligibility conditions for such liabilities are met. The use of DGS funds in resolution procedures, complementing those necessary for reaching the 8 percent TLOF threshold, is conditional on a number of strict criteria to ensure that MREL remains the first line of defence, moral hazard is minimised and the principle based on which losses are borne by shareholders and creditors is not diluted. The exceptional and limited access to DGS funds is only allowed for banks that are resolvable through a market exit strategy, by passing the "least cost test" for the deposit guarantee scheme. The methodology of the test has been simplified by placing a cap ensuring that any use of DGS funds cannot exceed the amount of covered deposits held by the bank in question. The text agreed by co-legislators, based on the political agreement reached on 25 June 2025, retains the current preference for covered deposits in the hierarchy of claims (DGS included), and a second tier for the uncovered deposits of households and small- and medium-sized enterprises (SMEs), but also of public authorities which will have protection following the DGSD amendment. The uncovered deposits of large companies, the excluded deposits of financial institutions and central public authorities are in the third tier of the hierarchy. This revised order of preference for claims in insolvency also aims to maintain depositors' confidence in the banking system and mitigate the risk of bank runs.

The NBR-RA continued to actively support, from a technical perspective, the negotiations on this package of measures.

Special feature. Interconnectedness between the banking sector and the non-bank financial institutions sector

The dynamics of the non-bank financial sector and its stronger nexus with the banking sector are a rising concern globally¹⁸⁷, especially given that the former sector is more vulnerable to the elevated uncertainty surrounding macroeconomic and geopolitical developments. At an international level, non-bank financial institutions (NBFIs) have come increasingly under the spotlight particularly following the 2008 financial crisis. The recent developments, which place this sector on an upward trend, entail at the same time risks and vulnerabilities for the banking sector as well, given the direct and indirect interlinkages. According to IMF estimates¹⁸⁸, NBFIs increased their share of global credit and finance from 43 percent at end-2008 to approximately 50 percent in 2023.

Within the global financial system, NBFIs have acquired a gradually more important role in supplying liquidity and broadening the range of financing and investment options. These institutions contribute to increased liquidity in financial markets, government security ones in particular, helping keep the cost of finance at sustainable levels and an effective functioning of markets. In parallel, private credit funds provide alternative sources of capital for SMEs, underpinning economic activity and financial resilience. Looking at the investment segment, the expansion of investment funds – especially passive investment vehicles – has significantly broadened access to capital markets and to new asset classes for all categories of investors, rendering portfolios more diverse and helping stabilise financial markets.

These benefits are, however, accompanied by a series of risks as well, generated mainly by the fact that NBFIs are subject to less strict regulatory and supervisory requirements than those applicable to banks. In view of this less rigorous character, some banks can use NBFIs to take advantage of regulatory differences and obtain higher returns on the granted loans, at lower capital costs, also by resorting to mechanisms such as SRT (significant risk transfer)¹⁸⁹. Another vulnerability of NBFIs consists in the behaviour of funding sources, which are more volatile than in the case of the banking sector, as the latter can attract medium- and long-term deposits from companies and households.

¹⁸⁷ ESRB, *EU Non-bank Financial Intermediation Risk Monitor*, 2025; ECB, *Financial Stability Review*, May 2025; IMF, *Global Financial Stability Report*, April 2025

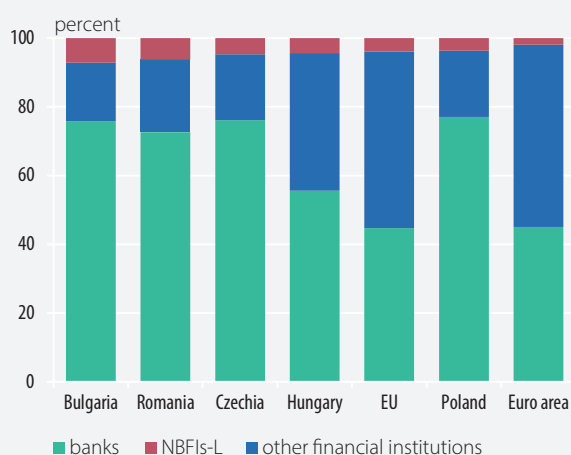
¹⁸⁸ Explainer: Five Megatrends Shaping the Rise of Nonbank Finance

¹⁸⁹ According to EBA/GL/2014/05, the SRT is achieved when, as part of a securitisation, the credit institution proves that it has transferred a significant portion of the credit risk associated with securitised exposures to a third party, in line with the requirements of Articles 243 and 244 of Regulation (EU) No 575/2013 (CRR).

As NBFIs consolidated their position in the global financial system, they have become increasingly reliant on funding from banks to expand their business. Banks lend to a wide range of these financial institutions (investment funds, money market funds and other specialised financial institutions). Banks' exposure to these entities has reached significant values, according to IMF data¹⁹⁰: in Europe and the US, loans to NBFIs represent, on average, 9 percent of banks' total loan portfolio, with exposures amounting to about USD 4.5 trillion, of which USD 2.6 trillion corresponds to loans and the rest to undrawn commitments.

The rise in banks' exposures to these institutions compounds financial system vulnerabilities, because unfavourable developments in this sector, such as downgrades or falling collateral values, can weigh on banks' solvency ratios. Moreover, they could contribute to heightened volatility in financial markets. The IMF assessments show that, under a scenario in which the average risk weight for exposures to NBFIs climbs from 20 percent to 50 percent and borrowers fully use credit lines, CET1 ratios would decline by more than 100 basis points in about 10 percent of US banks and 30 percent of European banks.

Chart 1. Financial system composition, international comparisons, June 2025



Source: Eurostat, NBR calculations

At a regional level, both Romania and its peer economies exhibit a financial system composition where the banking sector prevails (Chart 1). By comparison, when looking at the EU and more specifically at the euro area, the banking sector no longer holds the majority share in overall financial sector assets, accounting for 44.7 percent and 45.1 percent respectively. This is indicative of considerable room for development of the non-bank financial sector in countries across the region, once with the economic advance and the increase in financial literacy of households and entrepreneurs.

Moreover, the non-bank financial sector in the EU is diversified in terms of composition (Chart 2): investment funds prevail, with a median value of 18 percent of GDP, slightly ahead of insurance corporations (15 percent). At EU level, the sector of non-bank financial institutions engaged in lending (NBFIs-L)¹⁹¹ accounts for a median value of 8 percent of GDP.

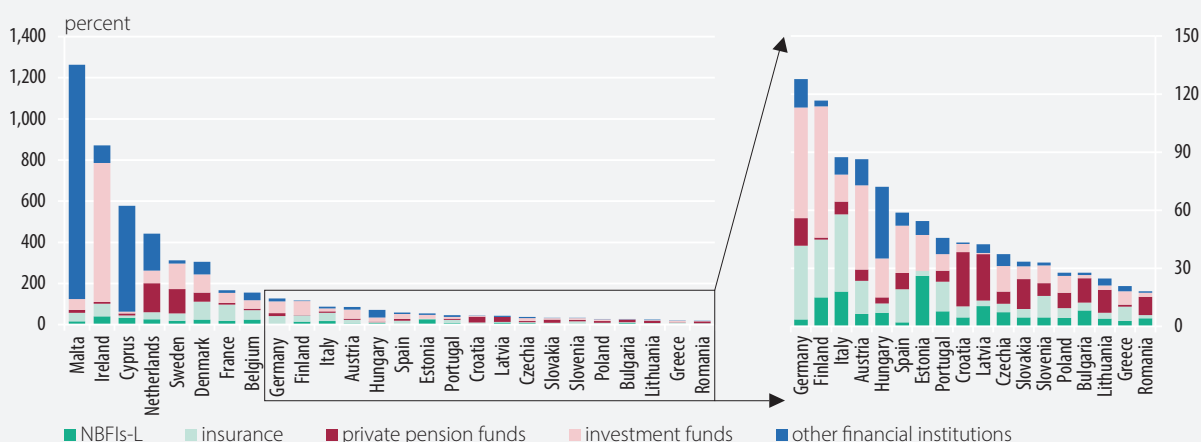
In Romania, NBFIs¹⁹² reported, as at June 2025, total assets worth lei 355.1 billion, the equivalent of 18.2 percent of GDP. Thus, Romania ranks last among EU Member States in terms of non-bank financial sector assets in GDP, slightly behind Greece (20.8 percent of GDP).

¹⁹⁰ <https://www.imf.org/en/Publications/GFSR/Issues/2025/10/14/global-financial-stability-report-october-2025>

¹⁹¹ According to the ESA 2010 classification of institutional sectors, they are included in S125 – Other financial intermediaries, except insurance corporations and pension funds

¹⁹² Pension funds, investment funds, insurance corporations and other non-bank financial institutions

Chart 2. Composition of the non-bank financial sector as a share in GDP, comparison among EU Member States, June 2025

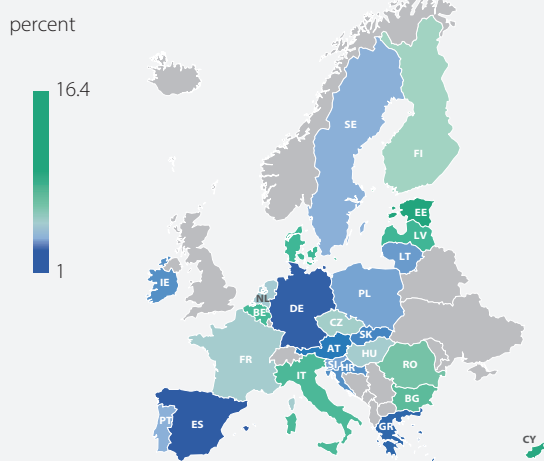


Note: Luxembourg has not been included in the chart, as it records a value of 10,738 percent of GDP.

Source: Eurostat, NBR calculations

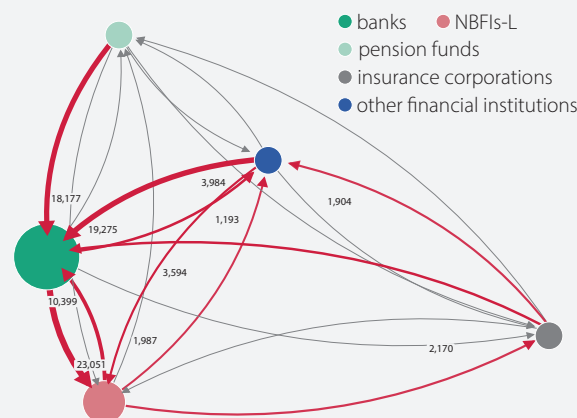
Non-bank financial institutions engaged in lending (NBFIs-L) make up one of the most important components of the non-bank financial sector in Romania, with the closest ties to the banking sector. Looking at the EU, the NBFIs-L sector is a significant part of the financial system, with a median share of 4.2 percent in June 2025 (Chart 3). The highest values are recorded in Estonia (16.4 percent) and Cyprus (14.3 percent). Romania ranks among the countries with an important share of the financial assets of NBFIs-L, i.e. 6.3 percent of financial system assets, above the median of EU Member States.

Chart 3. Share of NBFIs-L assets in financial system assets, comparison among EU Member States, June 2025



Source: Eurostat, NBR calculations

Chart 4. Interdependencies between segments of the financial system in Romania, June 2025



Note: Node size is equivalent to the level of exposures among sectors, expressed in lei million.

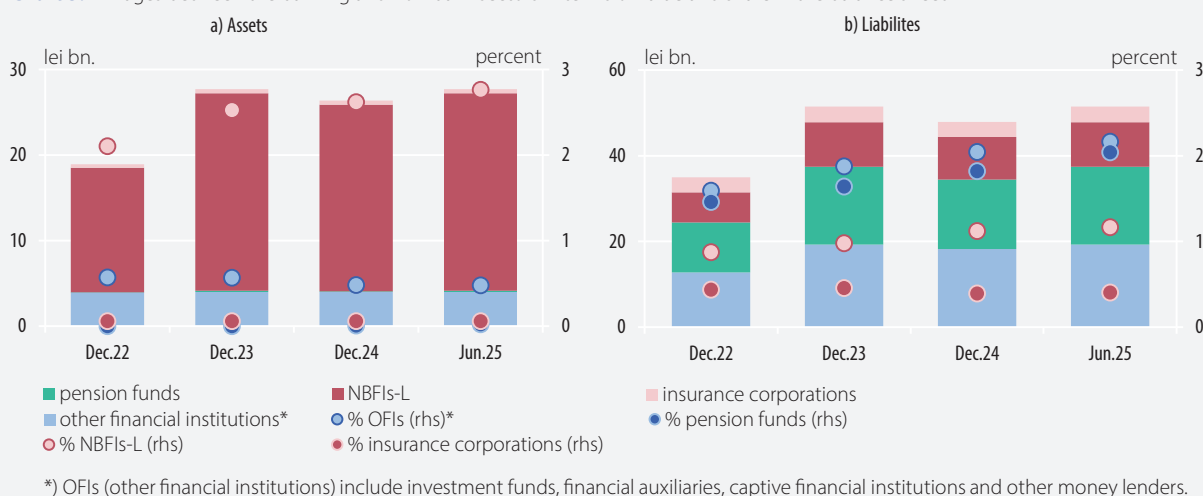
Source: NBR

The interlinkages within the financial system can also occur among the non-bank segments. In Romania's case, however, these relations do not imply high levels of exposures. The banking sector remains the key node connecting the financial system components (Chart 4). Connections with banks, irrespective of the direction of

flows, make up 82 percent of the total value of exposures among all financial sector segments.

There are various channels for the pass-through of risks, implying both a direct impact materialised in bank exposure to the non-bank financial sector and capital and liquidity impacts on credit institutions, in the event of a massive withdrawal of NBFIs commitments. The only segment exhibiting a significant connection from the perspective of both assets and liabilities is that of NBFIs-L (Chart 5).

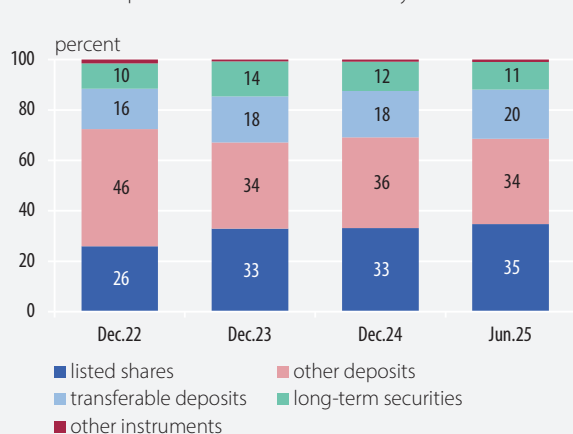
Chart 5. Linkages between the banking and non-bank sectors in terms of value and share in the balance sheet



Source: NBR

The most important relation among non-bank financial institutions is that between NBFIs-L and insurance corporations, mainly in the form of non-life insurance technical reserves, amounting to lei 2.1 billion of a total of almost lei 2.2 billion.

Chart 6. Composition of bank liabilities held by NBFIs



Note: Calculations based only on credit institutions with outstanding deposits from non-bank financial entities.

Source: NBR

The largest part of bank assets vis-à-vis the non-bank financial sector is channelled to NBFIs-L, with long-term loans prevailing. On the liability side, the distribution of funding sources is more balanced among non-bank financial sector components, with NBFIs-L accounting for around 1.2 percent of total bank liabilities. In June 2025, 54 percent of funds raised by banks from NBFIs consisted in deposits (Chart 6), while the other relevant components were the holdings of listed shares (35 percent) and long-term debt securities (11 percent). However, the importance of deposits from NBFIs in the total volume of bank deposits is small, with the median share standing at 5.2 percent of overall deposits at bank level (by comparison, in the euro area, the share of bank deposits from NBFIs is approximately

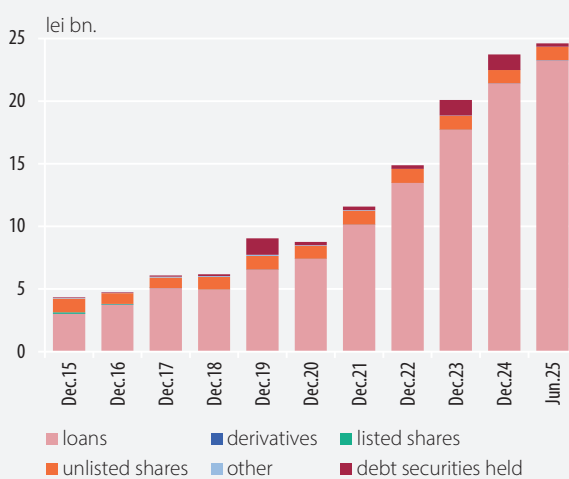
10 percent of total deposits¹⁹³). A specific trait of the NBFIs-L sector in Romania is that it finances the banking sector almost entirely in the form of deposits, 50 percent of these deposits being transferable.

Linkages between banks and NBFIs engaged in lending

In Romania, the NBFIs-L sector has gained importance, representing an increasingly relevant component for financial intermediation, with the pace of development being underpinned also by the larger volume of funding provided by the banking sector.

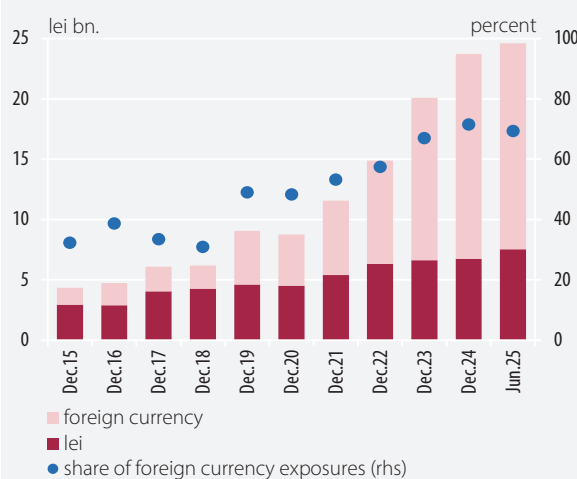
The level of banking sector exposures to NBFIs-L witnessed a sizeable advance, largely on account of the increase in lending, particularly in the period from December 2021 to June 2025 (Chart 7). In annual terms, in June 2025, the growth rate of bank loans to NBFIs-L was 12.8 percent, below the 13.3 percent dynamics of the overall portfolio of private sector credit. At the end of this period, the stock of bank loans to NBFIs-L reached lei 23.3 billion. Moreover, the annual dynamics of credit to NBFIs-L exceeded over the past 10 years, in most cases, the dynamics of the total stock of credit granted, with a moderation trend visibly only recently. The advance was mainly due to the foreign currency component, which came in at lei 17 billion in June 2025 (up lei 11 billion versus end-2021, compared to a growth of lei 2.1 billion for domestic currency exposures, Chart 8). The other bank exposures (unlisted shares, listed shares or derivatives) stuck to a relatively constant level from 2019 to date, around lei 1.1 billion.

Chart 7. Breakdown of banks' exposure to NBFIs-L by asset type



Source: NBR

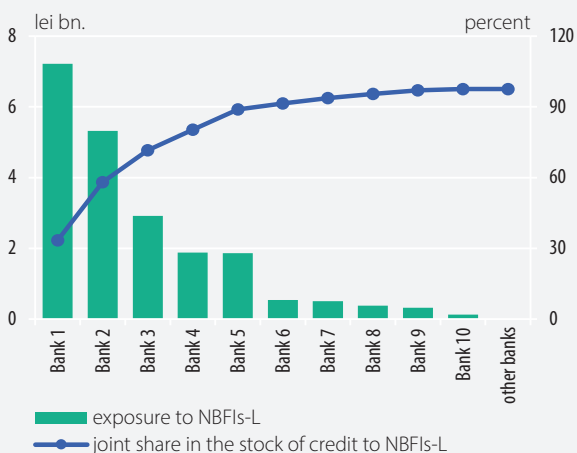
Chart 8. Breakdown of banks' exposure to NBFIs-L by currency



Source: NBR

According to Central Credit Register data, exposure to NBFIs-L via the credit channel is concentrated in five banks jointly accounting for 88 percent of the total stock of bank loans to NBFIs-L entities (June 2025), Chart 9. From the NBFIs-L perspective, 10 entities benefited to the largest extent from the rise in bank loans (around 92 percent of bank credit to NBFIs-L, June 2025), Chart 9. Four of the top five institutions by the volume of

¹⁹³ According to the ECB data portal

Chart 9. Distribution of bank loans to NBFIs-L by bank, August 2025

Source: NBR

bank lending are NBFIs-L with predominantly leasing activity within the group of credit institutions, while three other institutions of the top 10 are part of a banking group. Bank exposure to the NBFIs-L sector consists primarily in intercompany loans (81 percent of the June 2025 stock).

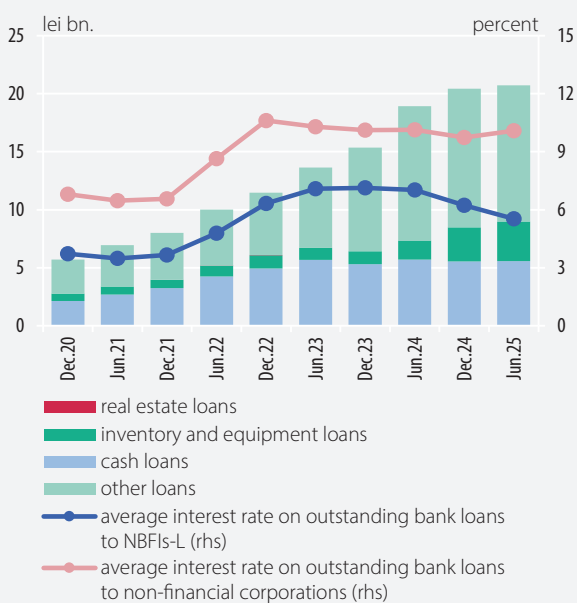
The majority of bank credit to NBFIs-L qualifies as “other loans” (57 percent, June 2025), followed by cash loans (27 percent of total) and inventory and equipment loans (16 percent, Chart 10).

The largest part of exposures reported in the CCR (reporting by NBFIs-L enlisted in the Special Register) enter the scope of consolidation of credit institutions. Specifically, in June 2025, 76 percent of total exposures within the CCR are subject to determining capital requirements at both individual level (pursuant to Regulation No. 20/2009 on non-bank financial institutions) and consolidated level, i.e. at the level of banking groups they are part of, with risk-weighted assets being determined in this case according to CRR III provisions¹⁹⁴.

According to estimates, the minimum capital requirements that would be determined under Pillar 1 if NBFIs-L exposures were on banks’ balance sheets are higher than those resulting from the application of the national regulation (an estimated 18.4 percent difference at sector level). This estimated spread is almost entirely attributable to NBFIs-L subject to consolidation (lei 575 million), whereas the exposures of NBFIs-L that do not consolidate would see a 1.5 percent decline in capital requirements under Pillar 1 (amounting to lei 13.3 million) in the assumption of transposing exposures in banks’ balance sheets. Therefore, given that most NBFIs-L exposures vis-à-vis the real sector are found

(at consolidated level) in banks’ balance sheets, the regulatory arbitrage argument in relation to capital requirements cannot be sustained. Moreover, the regulations in force set similar household lending conditions for banks and NBFIs-L.

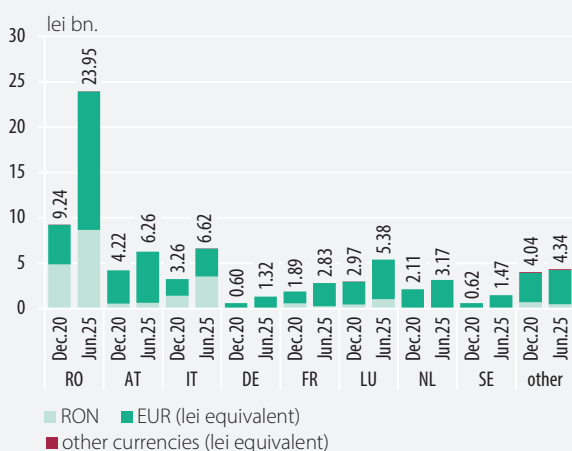
As regards the jurisdiction of origin of NBFIs-L funding (Chart 11), resident credit institutions account for about 43 percent (lei 24 billion) of the loans taken, on a significant increase versus the end-2020 level of 32 percent. This reflects an advance of lei 14.7 billion, with lei 10.9 billion ascribable to the rise in EUR-denominated

Chart 10. Composition of bank lending to NBFIs-L by type of credit and average interest rate

Source: NBR

¹⁹⁴ <https://eur-lex.europa.eu/eli/reg/2024/1623/oj/eng>

Chart 11. Composition of NBFIs-L funding by jurisdiction of origin, June 2025



Source: NBR

exposures. In terms of funding from non-residents, the largest exposures are recorded by credit institutions operating in Italy (lei 6.6 billion), ahead of those in Austria (lei 6.3 billion) and Luxembourg (lei 5.4 billion).

Finally, the advance in the financing of NBFIs-L by credit institutions in Romania, especially in foreign currency, is due both to an organic expansion, as leasing activities develop, and to the partial substitution of external funding, prompted *inter alia* by the need to align to the current provisions of the resolution framework. In addition, the development of NBFIs-L that are part of the scope of consolidation of banking groups can also be explained by incentivising group entities to specialise on a certain type of business, in order to render the respective

financing products more efficient and more profitable. Even though, at present, the risks associated with this interlinkage are still low, their evolution warrants close monitoring, given the potential strengthening of the nexus between the banking sector and NBFIs engaged in lending, amid the expansion of the latter's activity and the wide share of foreign currency financing.

Abbreviations

AI	artificial intelligence
ANCP	National Agency for Cadastre and Land Registration
BIS	Bank for International Settlements
CCyB	countercyclical capital buffer
CCR	Central Credit Register
CEE	Central and Eastern Europe
DGSD	Deposit Guarantee Schemes Directive
DSTI	Debt service to income
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ESA	European System of Accounts
ESRB	European Systemic Risk Board
EU	European Union
Eurostat	Statistical Office of the European Union
FDI	Foreign direct investment
FSA	Financial Supervisory Authority
GDP	Gross domestic product
GVA	Gross value added
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRCC	benchmark index for loans to consumers
MF	Ministry of Finance
MREL	Minimum requirement for own funds and eligible liabilities
NAFA	National Agency for Fiscal Administration
NBFIs	Non-bank financial institutions
NBR	National Bank of Romania
NCMO	National Committee for Macroprudential Oversight
NIS	National Institute of Statistics
NPL	Non-performing loans
NTRO	National Trade Register Office
OECD	Organisation for Economic Co-operation and Development
O-SII	Other Systemically Important Institutions
ReGIS	Romanian electronic Gross Interbank Settlement
ROA	Return on assets
ROBOR	Romanian Bid Offered Interest Rate
ROE	Return on equity
SaFIR	Government securities depository and settlement system
SENT	Electronic Net Settlement System
SMEs	Small- and medium-sized enterprises

Tables

Table 1	Risk indicators for the banking sector	12
Box 5		
Table A	Relevant indicators for nancial inclusion	65
Table 2.1	Prime yields in Central and Eastern European (CEE) capitals in 2025 H1 (and change versus 2024 H1)	77
Box 7		
Table A	Borrower-based measures proposed for the CRE market	85

Charts

Figure 1	Main risks to financial stability in Romania	5
Figure 2	Map of structural vulnerabilities to financial stability in Romania	13
Chart 1.1	U.S. average effective tariff rate (worldwide, for the EU and China)	20
Chart 1.2	Economic policy uncertainty and geopolitical risk	20
Chart 1.3	Economic growth worldwide, in the EU and in European emerging countries	21
Chart 1.4	Trade openness of the economy – global, US, EU and China	21
Chart 1.5	Fiscal position of EU Member States (2025 Q2)	22
Chart 1.6	Long-term (10Y and 30Y) government bond yields issued by the US and Germany	23
Chart 1.7	Developments in global, US and European stock markets and their implied volatility	24
Chart 1.8	Stock valuation indicators and corporate bond spreads in the US and Europe	24
Box 1		
Chart A	Composition of global foreign currency reserves	25
Chart B	Importance of the USD and of its closest competitor, the EUR	25
Chart 1.9	GDP dynamics and the contribution of their components	29
Chart 1.10	Annual dynamics of average real net wage earnings and consumer condence indicator	30
Chart 1.11	General government balance – 9 months 2025	30
Chart 1.12	General government interest expenditure as a share of GDP across CEE countries	31

Chart 1.13	Long-term government bond yields and credit default swap (CDS) spreads	31
Chart 1.14	Public debt-to-GDP ratio	32
Chart 1.15	Current account balance and its determinants	33
Chart 1.16	Initial allocation versus the cashed-in amount by pillar under NRRP (November 2025)	34
Chart 1.17	Real sector debt cycle	35
Chart 1.18	Real sector debt	35
Chart 1.19	Annual dynamics of new credit flows	36
Chart 1.20	Financial debt of non-financial corporations and households as a share of GDP (EU, 2025 Q2)	36
Chart 1.21	Interest rates on new leu-denominated loans, IRCC, 3M ROBOR and the monetary policy rate	37
Chart 1.22	Interest rates on new EUR-denominated loans and key ECB interest rate	37
Chart 1.23	Lending margins, non-financial corporations	38
Chart 1.24	Lending margins, housing loans	38
Chart 2.1	Recapitalisation needs and the relevance of undercapitalised firms in the economy	41
Chart 2.2	The role of undercapitalised companies in trade activity (customers) by business sector	42
Chart 2.3	The role of undercapitalised companies in trade activity (suppliers) by business sector	43
Chart 2.4	Share of atypical companies by feature	44
Chart 2.5	Overall financial health measure of the non-financial corporations sector (Z-score)	44
Chart 2.6	The financial health measure of firms with outstanding loans	44
Chart 2.7	Net profit or loss of non-financial corporations by shareholding	45
Chart 2.8	Net profit margin by business sector	45
Chart 2.9	Distribution of turnover by firms' level of indebtedness	46
Chart 2.10	Composition of liabilities and owners' equity of non-financial corporations	46
Chart 2.11	Distribution of turnover by firms' current ratio	47
Chart 2.12	Linkages between the main business sectors (NACE codes) by type of transaction	48
Chart 2.13	GVA by technological and knowledge intensity	48
Chart 2.14	Banks' portfolio by technological and knowledge intensity	48

Box 2

Chart A	Training compute of main AI models over time	49
Chart B	Innovation activities of firms, by type of innovation	50
Chart C	Use of artificial intelligence in firms, by purpose of use	50
Chart D	AI diffusion index in Europe, 2025	51
Chart 2.15	Dynamics of loans to non-financial corporations in Europe	52
Chart 2.16	Stock of loans by currency	53
Chart 2.17	NPL ratio by currency	54
Chart 2.18	NPL ratio by company size	54
Chart 2.19	Hedged foreign currency exposure, banking sector	54

Box 3

Chart A	Bank loans by government guarantee	55
Chart B	Government-guaranteed loans by loan type	56
Chart C	Guaranteed/non-guaranteed exposures and NPL ratios	56
Chart 2.20	Annual default rate and one-year forecast, the non-financial corporations sector	57
Chart 2.21	Overdue payments in the economy by company size	58
Chart 2.22	Operational efficiency indicators	58
Chart 2.23	The 12-month flow of newly insolvent firms, firms that exited insolvency proceedings, and firms undergoing insolvency proceedings	59
Chart 2.24	Composite indicator of household vulnerabilities	60
Chart 2.25	Dynamics of gross disposable income and main contributors	60

Box 4

Chart A	Contribution of dimensions to the degree of population vulnerability	61
Chart 2.26	Households' quarterly investments and gross saving rate	62
Chart 2.27	Households' net wealth	62

Box 5

Chart A	Account ownership by age (% of the population aged 15 and up)	64
Chart B	Account ownership, international comparisons (% of the population aged 15 and up)	64
Chart 2.28	New loans and perception of households' financial situation	67
Chart 2.29	Banks' NPL ratio by type of loan and currency	67
Chart 2.30	Consumer credit by days past due	68

Chart 2.31	Debt service-to-income at origination (DSTI-O) and NPL ratio by DSTI percentile, September 2025	68
Chart 2.32	Forecasted one-year default rate for housing loans	69
Chart 2.33	Forecasted one-year default rate for consumer loans	69
Box 6		
Chart A	Annual dynamics: compliant applications, case files and amicable settlements	71
Chart B	Closed cases: resolutions versus reports	71
Chart 2.34	Dynamics of residential property prices (in nominal terms) and the intention to buy or build a home	72
Chart 2.35	Annual dynamics of residential property prices in real terms, international comparisons (2025 Q2)	72
Chart 2.36	Residential property prices (new dwellings) in capital cities in Europe, 2024	73
Chart 2.37	Average monthly rent per sqm, international comparisons (2024)	73
Chart 2.38	Dynamics of the number of real estate transactions by county	74
Chart 2.39	Average price per sqm for a flat unit in a block of apartments by the number of rooms	77
Chart 2.40	Volume of CRE market investment in Romania	75
Chart 2.41	Modern rental stock of buildings built or refurbished starting with 2000, with a gross leasable area (GLA) of at least 2,000 sqm	75
Chart 2.42	Vacancy rates in Bucharest	76
Chart 2.43	Gross demand for industrial spaces by business sector, 2025 Q2	76
Chart 2.44	Housing loans by type	78
Chart 2.45	Share of homeowners across the income distribution, international comparisons (2024)	78
Chart 2.46	Housing affordability index	78
Chart 2.47	Distribution of home ownership rate and of housing loans by age	78
Chart 2.48	Average loan amount for new housing loans and average transaction value for a 2-room flat	80
Chart 2.49	Share of new housing loans with a floating rate and the interest rate on new housing loans, by the initial rate fixation period	80
Chart 2.50	Housing loans (stock) and NPL ratio, by the initial rate fixation period	80
Chart 2.51	Distribution of housing loans by DSTI-O, September 2025	81

Chart 2.52	Distribution of the annual probability of default by DSTI-O, September 2025	81
Chart 2.53	Bank exposure to the construction and real estate sectors (% of total loans to non-financial corporations), 2025 Q2	82
Chart 2.54	Banking sector's exposure to the CRE market	82
Chart 2.55	New CRE loans – volume and dynamics	83
Chart 2.56	CRE loans by type of interest rate and benchmark index, September 2025	83
Chart 2.57	CRE loans by LTV ratio; percent of total exposures, September 2025	84
Chart 2.58	Type of property associated with CRE loans (September 2025)	84
Chart 2.59	Economic and financial soundness indicators for construction and real estate companies (2024)	86
Chart 2.60	Medium-and long-term private external debt of commercial real estate (CRE) companies by type of creditor (June 2025)	86
Chart 3.1	Distribution of assets in the Romanian financial system, June 2025	89
Chart 3.2	Banking sector assets as a share of GDP, by origin of ownership (2025 Q2)	90
Chart 3.3	Total capital ratio and the dynamics of its components	91
Chart 3.4	Composition of risk-weighted assets	91
Chart 3.5	Contribution of portfolios/risks to the quarterly dynamics of risk-weighted assets	91
Chart 3.6	Average credit risk weight by type of portfolio	91
Chart 3.7	Total capital ratio according to the solvency stress test	93
Chart 3.8	Interquartile distribution of the LCR at various points in time and the NSFR	94
Box 8		
Chart A	Significant cyber incidents in the European banking sector and the related areas	95
Chart B	Interest in cyberattacks and advanced techniques in Romania, according to Google Trends	95
Chart 3.9	Non-performing loan ratio – comparisons between Romania and the EU	97
Chart 3.10	Non-performing loans by default criteria and days past due	97
Chart 3.11	Non-performing loans and provisioning expenses	97
Chart 3.12	Restructured loans and the restructured loans ratio	98

Chart 3.13	Loans and advances held at amortised cost that were written off	98
Chart 3.14	Non-performing loan ratio by county – legal entities (30 September 2025)	99
Chart 3.15	Non-performing loan ratio by county – households (30 September 2025)	99
Chart 3.16	Stock of private sector loans and deposits in banks' balance sheets and related interest rates	100
Chart 3.17	Difference between the stocks of private sector deposits and loans	101
Chart 3.18	Distribution of return on equity (ROE) by banks	102
Chart 3.19	Polarisation of key income and expense items depending on ROE distribution	102
Chart 3.20	Contribution of components to the dynamics of banks' operating expenses	102
Chart 3.21	Share of government securities in total assets and share of government securities with an immediate impact on own funds upon revaluation. Simulation of the impact on total own funds of a parallel upward shift of 100 basis points of the yield curve	103
Chart 3.22	Composition of NBFIs' ownership, March 2025	105
Chart 3.23	Stock of loans and NPL ratio by loan segment	105
Chart 3.24	Exposures to non-financial corporations and share	105
Chart 3.25	Assets by IFRS 9 impairment stage as a share in total loans and advances, June 2025	106
Chart 4.1	Incidents reported in 2025 H1	111
Chart 5.1	Countries that applied or are scheduled to apply CCyB rate changes	115
Chart 5.2	MREL requirement	116
Chart 5.3	Surplus against the MREL target including the combined buffer requirement	117
Chart 1	Financial system composition, international comparisons, June 2025	120
Chart 2	Composition of the non-bank financial sector as a share in GDP, comparison among EU Member States, June 2025	121
Chart 3	Share of NBFIs-L assets in financial system assets, comparison among EU Member States, June 2025	121
Chart 4	Interdependencies between segments of the financial system in Romania, June 2025	121

Chart 5	Linkages between the banking and non-bank sectors in terms of value and share in the balance sheet	122
Chart 6	Composition of bank liabilities held by NBFIs	122
Chart 7	Breakdown of banks' exposure to NBFIs-L by asset type	123
Chart 8	Breakdown of banks' exposure to NBFIs-L by currency	123
Chart 9	Distribution of bank loans to NBFIs-L by bank, August 2025	124
Chart 10	Composition of bank lending to NBFIs-L by type of credit and average interest rate	124
Chart 11	Composition of NBFIs-L funding by jurisdiction of origin, June 2025	125

