FONDUL DE GARANTARE A DEPOZITELOR BANCARE
BANK DEPOSIT GUARANTEE FUND

2023 ANNUAL REPORT

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THE BANK DEPOSIT GUARANTEE FUND

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NOTES

The Report for the Year 2023 received the endorsement of the Supervisory Board of the Bank Deposit Guarantee Fund during the Board's meeting of 25 April 2024, and was subsequently approved by the Board of Directors of the National Bank of Romania when they met on 15 May 2024, in consonance with Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, with subsequent amendments and completions.

The statistical data used in this Report are the data which were available as at 31 December 2023. Due to rounding, totals may not fully correspond with the sum of the separate figures and, also, small differences as to percentage variations in the graphs and tables may be present.

Sources were indicated only when the respective statistical data had been supplied by other institutions.

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REPORT
of the
BANK DEPOSIT GUARANTEE FUND
for the year
2023

MISSION

The key mission of the FGDB in its capacity as Romania's officially recognised statutory guarantee scheme is to safeguard deposits. In the event of unavailability of deposits held with a participating credit institution, the FGDB pays guaranteed depositors their due compensation, in line with legal provisions.

The FGDB is the administrator of the bank resolution fund and may fulfil a variety of duties in connection with the measures the National Bank of Romania takes towards the recovery and resolution of credit institutions: temporary administrator of credit institutions going through a recovery process (early intervention), special administrator of credit institutions under resolution, shareholder of a bridge bank or of an asset management vehicle, in agreement with legislation on the recovery and resolution of credit institutions.

The FGDB also acts as sole liquidator of credit institutions where liquidation is either initiated by shareholders or complies with a decision by the National Bank of Romania.

VALUES
shared and promoted by the FGDB

The FGDB offers assurance of the safety of natural and legal persons' deposits, contributing both to maintaining depositors' confidence in the banking system, which is a prerequisite for financial stability, and to encouraging savings.

The FGDB treats all depositors and all affiliated credit institutions with due respect, thoughtfulness, and professionalism.

The FGDB is an apolitical, financially autonomous institution whose running costs are paid exclusively with revenues arising from investments of the available financial resources of the deposit guarantee fund and of the bank resolution fund, which are both comprised of contributions from member credit institutions.

The FGDB's staff are responsible individuals of integrity who dedicate all their knowledge and skills to fulfilling the mission of the FGDB and to managing its financial resources in keeping with legal provisions and the principles of professional ethics.

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THE SUPERVISORY BOARD

Chairperson

Lucian Croitoru
Advisor to the Governor
National Bank of Romania

AUDIT COMMITTEE

Chairperson of the Audit Committee

Dan Costin Niţescu
Advisor to the Governor
National Bank of Romania

Alina Mirela Petre
Director
Ministry of Finance*

Demetrian Octav Magheru
Strategy Consultant
National Bank of Romania

Lucia Sanda Stoenescu
Senior Expert
National Bank of Romania

Ştefan Nanu
General Director
Ministry of Finance

Petru Valentin Diaconu
Expert
National Bank of Romania**

* She was appointed as a member of the Audit Committee in February 2023.
** Starting 3 February 2023.

ORGANISATIONAL CHART

EXECUTIVE BOARD

Deputy General Director
Adriana Sîvu

- Deposit Guarantee, Bank Resolution and Liquidation Department
  - Deposit Guarantee Subdivision
  - Monitoring Subdivision
  - Bank Resolution and Liquidation Subdivision
- Risk Management and Financing Policies Department

General Director
Petre Tulin

- Legal Department
- Treasury Subdivision
- Organisation and Human Resources Subdivision
- Relations and Communication Department
- Information Technology Subdivision

Financial Director
Vasile Bleotu

- Finance and Accounting Department
  - Finance Subdivision
  - Accounting Subdivision
- Administration and Logistics Subdivision

- Advisors to Executive Board
- Assets and Liabilities Management Committee
- Compliance and Supervisory Board's Secretariat

Internal Audit Subdivision

This Organisational Chart has been valid since October 2023

1 THE BANK DEPOSIT GUARANTEE FUND AND ITS ADMINISTRATIVE FRAMEWORK

The FGDB's paramount mission is to guarantee individuals' and enterprises' deposits held with credit institutions authorised by the National Bank of Romania.

Along the years, the FGDB has consolidated its status as a pillar of safety, offering protection to depositors in its capacity as Romania's sole bank deposit guarantee scheme[1], the membership of which groups all credit institutions authorised by the National Bank of Romania[2].

The FGDB's role within the national system that safeguards financial stability has been gradually expanded and strengthened. In compliance with the provisions of the European framework for the recovery and resolution of credit institutions, which were transposed into national legislation[3], the FGDB's duties also include management of the bank resolution fund and participation in the application of early intervention and bank resolution measures decided by the National Bank of Romania in its capacity as resolution authority.

The growing complexity of the set of responsibilities incumbent on the FGDB has placed it among deposit guarantee schemes whose extended mandates of duties and powers go beyond and are not limited to reimbursing guaranteed depositors[4]. As far as activities related to the application of early intervention and credit institution resolution measures are concerned, the FGDB may act as:

- temporary administrator of a credit institution where early intervention measures are applied;
- special administrator of a credit institution having gone into resolution;
- shareholder of a bridge institution;
- shareholder of an asset management vehicle

The range of FGDB activities also includes intervention when a credit institution goes into liquidation. Accordingly, the FGDB may act as sole liquidator of a credit institution where the National Bank of Romania orders dissolution followed by liquidation, or where shareholders initiate liquidation procedures. At the same time, the FGDB continues to fulfil its duties as liquidator of two failed banks – namely, *Banca Română de Scont (BRS)* and *Banca Turco-Română (BTR)* – under a court decision dating as far back as 2002, in line with legislation in force at that time. The FGDB will perform as court-appointed liquidator only until bankruptcy proceedings for the two banks have been closed[5].

In line with the mandate assigned to it under the law, the FGDB is represented as an observer at the meetings of the National Committee for Macroprudential Supervision (CNSM), an inter-institutional cooperation structure including representatives of the National Bank of Romania, the Financial Supervisory Authority, and the Government[6].

As part of its cooperative links with deposit guarantee schemes in the other European Union member states, the FGDB acts as compensation paying agent on behalf of the deposit guarantee schemes in the home member countries of the credit institutions that have opened branches in Romania. Along the same lines, in the autumn of 2016, the FGDB signed the *Multilateral Cooperation Agreement*[7] between deposit guarantee schemes within the European Union. This accord consists of a common set of standards, instruments and models referring to the operational aspects of cooperation between deposit guarantee schemes, targets the creation of a framework for cross-border payouts and covers other operational aspects of this type of cooperation.

Moreover, within the framework of cooperation between deposit guarantee schemes and in order to provide the infrastructure needed for both cross-border disbursements and information exchanges, a central secure system – called the *EDDIES*[8] – for the exchange of files between the deposit guarantee schemes of the member states was developed and implemented within the European Union.

Throughout 2023, against a backdrop of persistent geopolitical and macroeconomic challenges, Romanian's banking system remained resilient. Those adverse circumstances, however, failed to produce instances requiring the exercise of any of the capacities the FGDB may assume under the legal framework in effect.

The FGDB's 2023 activities followed three main lines of action:

- safeguarding of deposits held at affiliated credit institutions;
- management of the bank resolution fund;
- court-supervised liquidation of the two failed banks where it acts as liquidator.

[1] Pursuant to *Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund*, with subsequent amendments and completions, which came into effect on 14 December 2015 transposing into national legislation *Directive 2014/49/EU on deposit guarantee schemes.*

[2] The List of FGDB-Member Credit Institutions is given in Annex 4.

[3] *Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms and amending and complementing legal acts in the financial sector,* with subsequent amendments and completions, which incorporated into national legislation *Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU of the European Parliament and of the Council.*

[4] The mandates of deposit guarantee schemes have evolved as most of them have assumed functions going beyond their basic duty of disbursing payouts (the paybox type) and towards broader mandates including tasks related to bank resolution (the paybox plus type).

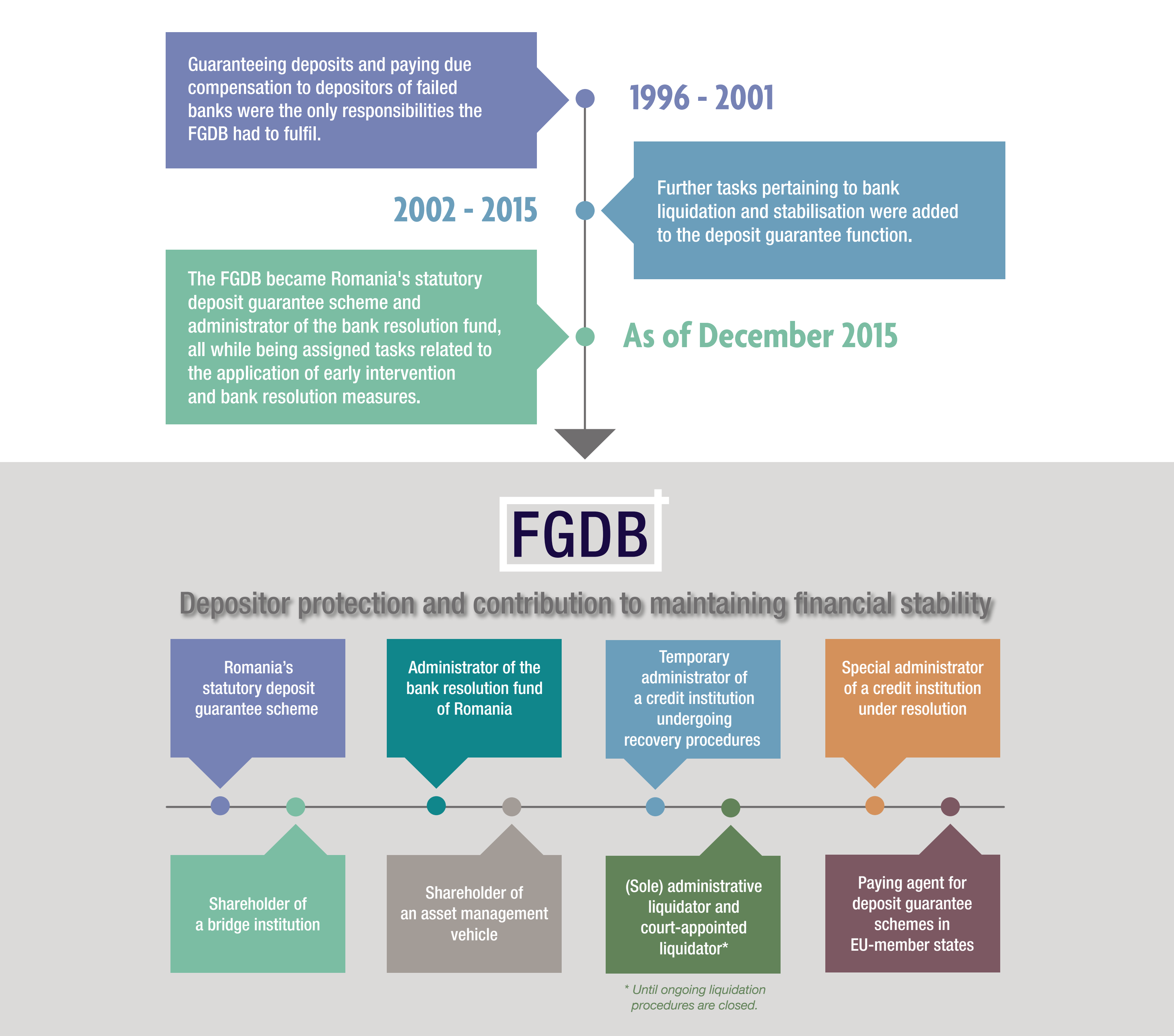
[5] With the coming into force of *Law no. 311/2015*, the FGDB may no longer play its role as court-appointed liquidator of credit institutions.

[6] For further details, see Chapter 2, the section on *Cooperative Relations at the National Level.*

[7] *The Multilateral Cooperation Agreement* was prepared under the aegis of the European Forum of Deposit Insurers (EFDI) and was validated by the European Banking Authority. The FGDB was among its first signatories.

[8] EDDIES – European DGS to DGS Information Exchange System. The FGDB adhered to EDDIES in 2018.

The Aim and Functions of the FGDB



Relevant Data as at 31 December 2023

GUARANTEE CEILING
for natural and legal entities

The FGDB covers eligible deposits within a guarantee ceiling of 100,000 euros, converted into the leu currency, per depositor per credit institution.

TOTAL ELIGIBLE DEPOSITS 508.1 bln lei

TOTAL COVERED DEPOSITS 303.7 bln lei

HIGHER PROTECTION
for natural persons

The FGDB offers the leu equivalent of 100,000 euros as additional protection of temporary high balances, pursuant to Article 62 of Law No. 311/2015 with subsequent amendments and completions.

ELIGIBLE DEPOSITS

Time deposits, current accounts, savings accounts, card accounts, joint accounts and other similar leu- or foreign currency-denominated products, including due interest.

Leu-denominated deposits: 345.1 bln lei
Deposits in foreign currencies: the equivalent of 163 bln lei

Natural persons' deposits: 290 bln lei
Legal entities' deposits: 218.1 bln lei

Deposits of resident natural and legal persons: 494.6 bln lei
Deposits of non-resident natural and legal persons: 13.5 bln lei

PAYOUT PERIOD

The FGDB reimburses guaranteed depositors within at most seven business days of the date of deposit unavailability.

GUARANTEED DEPOSITORS

15,816,937	natural and legal persons
14,627,613	guaranteed natural persons, of which 98.6 percent residents
1,189,324	guaranteed legal entities (all enterprises, irrespective of size), of which 99.8 percent residents

FGDB-MEMBER CREDIT INSTITUTIONS

All the credit institutions authorised by the National Bank of Romania, which totalled 24 at the end of 2023.
(N.B. Branches in Romania of credit institutions based in other European Union member states are affiliated to the schemes operating in their home countries).

FGDB-MANAGED RESOURCES

Total financial resources	10.7 bln lei
The deposit guarantee fund	7.7 bln lei
The bank resolution fund	3.0 bln lei

a) Protection of deposits held at participating credit institutions

(i) Coverage level offered by the FGDB

In 2023, the FGDB continued to provide every condition for the effective discharge of its obligations, as assigned under the law, all while maintaining the basic framework for depositor protection at previous years' levels.

When the financial situation of a credit institution renders it unable to fulfil its payment obligations to its guaranteed depositors, the FGDB will reimburse the respective depositors within a coverage limit of 100,000 euros in its leu equivalent[9] on the date deposits have become unavailable.

Guaranteed depositors will receive their due compensation within seven working days at the most[10] of the date of deposit unavailability, which is the payout period agreed across the European Union.

Several categories of household deposits benefit from temporary high balance coverage[11], which is distinct from the standard compensation, and amounts to 100,000 euros in the leu equivalent, as determined by the National Bank of Romania in line with the evolution of relevant statistical indicators[12]. So far, the central bank has kept that level unchanged.

On 31 December 2023, the FGDB guaranteed deposits held by 14,627,613 natural persons and 1,189,324 legal entities[13]. Most depositors qualified for full coverage as they held deposits that did not exceed the leu equivalent of 100,000 euros. The FGDB's coverage of deposits higher than 100,000 euros is limited to the standard guarantee ceiling.

Eligible (FGDB-guaranteed) deposits picked up throughout 2023, posting a 12.4 percent increase to 508.1 billion lei on 31 December. On that date, almost 60 percent of their total worth, or 303.7 billion lei, was accounted for by covered deposits[14]. Eligible leu-denominated deposits consolidated their majority stake in the total volume of FGDB-guaranteed deposits.

(ii) The deposit guarantee fund

The financial resources of the deposit guarantee fund go to compensation payments and resolution measures. In 2023, the financial means of the deposit guarantee fund rose by 6.5 percent to 7,720.34 million lei[15].

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[9] The coverage level of 100,000 euros per guaranteed depositor per credit institution applies in all European Union member states and was implemented in Romania at the end of 2010.

[10] Pursuant to *Directive 2014/49/EU on deposit guarantee schemes*, member states had to meet the payout deadline of seven business days in a gradual fashion until 31 December 2023. Rather than opting for a gradual reduction, Romania implemented the shortest reimbursement period as early as 2015 when it transposed the aforesaid European Directive into national legislation.

[11] The temporary high balance coverage applies to deposits resulting from:

- real estate transactions relating to residential property;
- certain events in a depositor's life including retirement, redundancy, marriage, divorce, disability or death;
- sums paid to a depositor under an insurance policy or as compensation for criminal injuries or wrongful conviction.

[12] Circular No. 24 of 29 December 2016 on the guarantee level stipulated in Article 62 (1) of *Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund,* which took effect on 10 January 2017.

[13] The FGDB adds up data relating to the number of depositors as reported by each member credit institution without the possibility of making adjustments in the case of depositors who spread their deposits among multiple credit institutions.

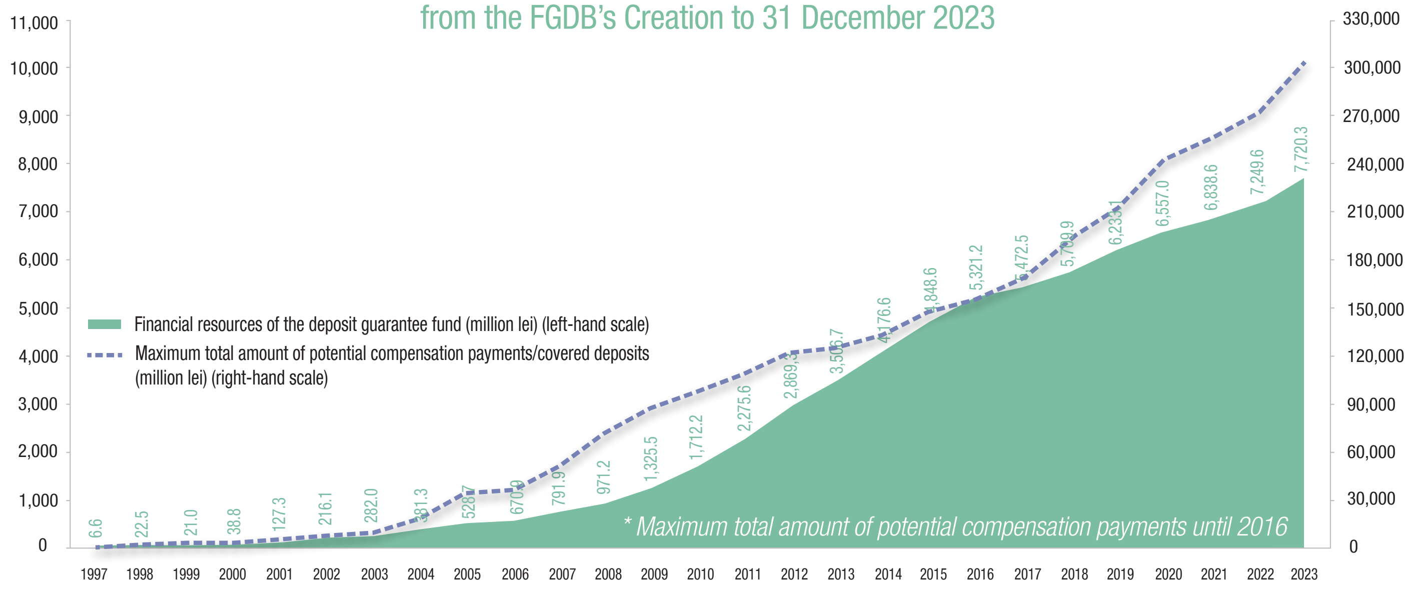
[14] "Eligible deposit" and "covered deposit" are defined in *Annex 2 – Definitions.*

[15] This amount includes the portion of the 2023 profit to be capitalised once the financial statements have been approved.

The FGDB, with the approval of the Board of Directors of the National Bank of Romania, determines different levels of contribution to be paid by credit institutions depending on their risk profile[16]. In 2023, the FGDB invested the financial resources of the deposit guarantee fund in compliance with an annual strategy endorsed by its Supervisory Board and approved by the Board of Directors of the National Bank of Romania.

The FGDB chiefly aims at minimising risks and securing an adequate liquidity of investments, all while focusing on yields as a secondary goal, in order to strengthen its financial capability so that it may fulfil its mandate in point of payouts and/or funding of resolution measures. At least 99 percent of the FGDB's profit from investments is distributed towards replenishing the financial resources of the deposit guarantee fund, according to the law.

Evolution of the Deposit Guarantee Fund and of Covered Deposits*
from the FGDB's Creation to 31 December 2023



(iii) Recovery of the FGDB's claims resulting from its payouts

While in operation, the FGDB disbursed 512.2 million lei worth of compensation to the guaranteed depositors of the seven banks that entered into bankruptcy over 1999–2006, thus asserting its right of subrogation and becoming a creditor in the respective bankruptcy procedures.

In the aggregate, the FGDB recovered 185.5 million lei (or 36.22 percent) of its payouts to the guaranteed depositors of the seven failed banks[17]. This recovery ratio reflects the FGDB's position in the creditor hierarchy which changed along the years[18], depending on the legislation applicable at the time each bankruptcy process opened[19].

[16] The method for determining risk-based contributions complies with the *European Banking Authority's Guidelines on methods for calculating contributions to deposit guarantee schemes* and is included in *Regulation No. 2/2016 on the calculation and payment of risk-based contributions to the Bank Deposit Guarantee Fund,* with subsequent amendments and completions.

[17] See Chapter 5 – *Liquidation of Failed Banks.*

[18] That ratio ranged from 25.9 percent to 46 percent in the case of the banks that collapsed before the year 2001 and of 100 percent in the case of the banks that failed in 2002.

[19] The FGDB's claims arising from payouts were initially classified as unsecured claims according to the order of payment of claims stipulated by the general insolvency framework *(Law No. 64/1995).* In October 2001, the bank failure framework was amended *(Law No. 83/1998)* to include a sequence of payments of claims specific to banking, which allowed the FGDB's claims to climb to the fourth position in the creditor hierarchy, thus ranking equal to budgetary claims. According to provisions of the Insolvency Code – Law No. 85/2014 on insolvency prevention procedures and insolvency proceedings, with subsequent amendments and completions – the FGDB's claims resulting from payouts (as well as from funds going to resolution measures) are currently assigned second priority in the order of payment of claims, ranking ahead of budgetary claims which occupy the fifth position.

b) Management of the bank resolution fund

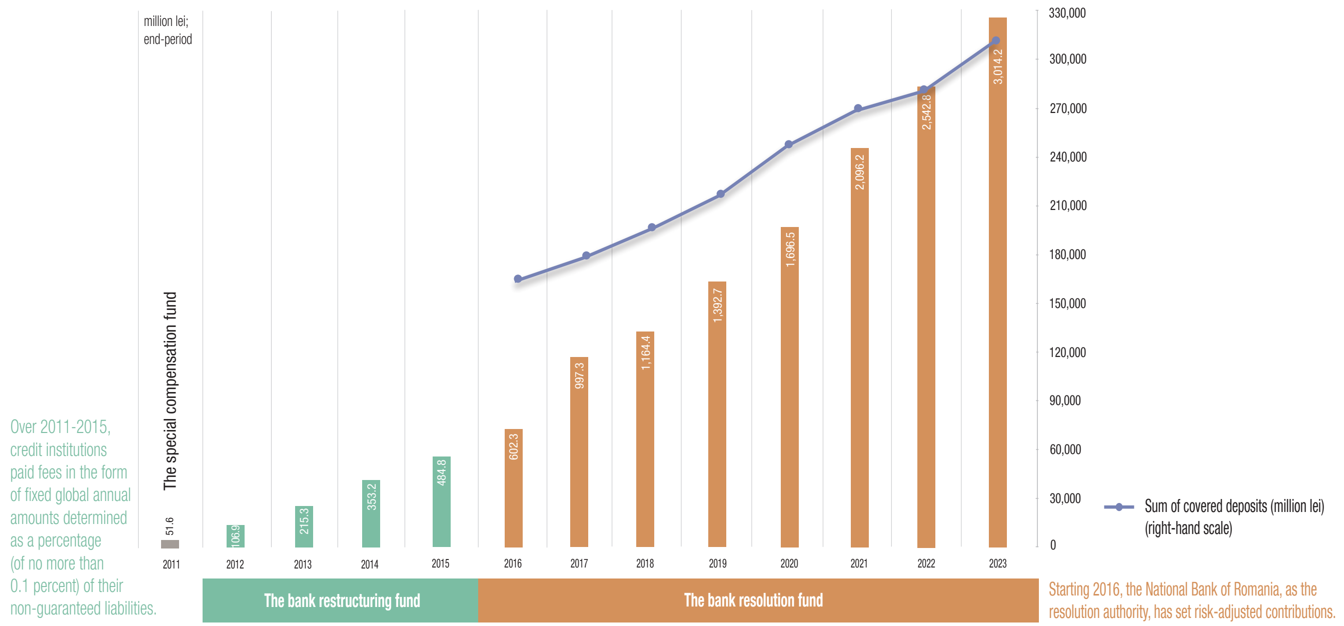
Following the implementation at the national level of the European framework for the recovery and resolution of credit institutions, in 2015, the FGDB was designated by law as administrator of the bank resolution fund of Romania[20]. This fund is intended to finance the resolution measures decided by the National Bank of Romania in its capacity as the resolution authority.

The financial resources of the bank resolution fund increased by 18.5 percent throughout 2023 to stand at 3,014.23 million lei on 31 December[21]. The FGDB has been managing this fund since its creation, its financial means rising with every passing year in the absence of events requiring their use.

The National Bank of Romania, as the national resolution authority, sets the amounts the affiliated credit institutions are to contribute to the bank resolution fund based on their individual risk profile. It also decides on the use of the financial resources of this fund in the application of various resolution tools.

The FGDB invests the financial resources of the bank resolution fund in keeping with a strategy endorsed by the

Evolution of the Bank Resolution Fund and of Covered Deposits* up to 31 December 2023



[20] The bank resolution fund was set up on the basis of *Law No. 312/2015* by taking over the financial resources of the bank restructuring fund which, in turn, was created in 2012 by taking over the resources of the special compensation fund established in 2010 to compensate persons adversely affected by measures implemented during the special administration of credit institutions.

[21] Just as in the case of the deposit guarantee fund, this amount includes the portion of the 2023 profit to be capitalised once the financial statements have been approved.

FGDB's Supervisory Board and approved by the Board of Directors of the National Bank of Romania, pursuing the same goals as in the case of the deposit guarantee fund, namely lower risks and adequate liquidity levels, all while focusing on yields as a related target. Just as with the deposit guarantee fund, at least 99 percent of the profit resulting from bank resolution fund management is meant to top up its financial resources.

c) Lichidarea judiciară la cele două bănci în faliment la care FGDB este lichidator

As pointed out earlier in this Chapter, under a court order of 2002 the FGDB was appointed liquidator of *BRS* and *BTR.* Although Law No. 311/2015 no longer lists court-supervised liquidation among its duties, the FGDB will further implement the mandate it received before 2015 until bankruptcy procedures for the two failed banks close.

As part of liquidation procedures for the two banks, further action was taken in 2023 to provide for legal case management, recovery of claims and capitalisation of BRS's assets. Throughout the period of liquidation procedures for the two banks until 31 December 2023, funds were distributed to 47 percent of the body of creditors of BRS (the highest percentage of satisfaction of creditors of bankrupt banks), and, respectively, to 43 percent of the body of creditors of *BTR*[22].

ADMINISTRAREA ȘI CONDUCEREA FGDB

In compliance with legal provisions, the FGDB's administration and management rely on a two-tier board system consisting of the Supervisory Board and the Executive Board. Their administration and management powers are exercised according to standards of good governance and transparency. The activities and decisions of both the Supervisory Board and the Executive Board, in line with the area of competence of each of these two structures, permanently aim at observing the principles of good corporate governance in order to accomplish the strategic objectives laid down in the mandate entrusted to the FGDB.

Consiliul de supraveghere

The Supervisory Board includes seven members, of which five representatives of the National Bank of Romania (with the Board's Chairperson designated from among them) and two members representing the Ministry of Finance. The Supervisory Board's duties and responsibilities are set out in legislation governing the organisation and operation of the FGDB, as well as in the institution's Statute, providing for a solid and transparent framework for administration and management.

Comitetul de audit

The Audit Committee, which operates within the FGDB to consolidate corporate governance, is an independent consultative body comprising three Supervisory Board members. The main functions of the Audit Committee include monitoring the effectiveness of the internal control, internal audit and risk management systems within the FGDB and assessing and monitoring the extent to which the independence of the statutory auditor or of the audit firm is safeguarded.

The Audit Committee assists the Supervisory Board in fulfilling its responsibilities related to overseeing and supervising the process of preparing and updating the FGDB's general development strategy. Moreover, by monitoring internal audit activities, the Committee plays an important role in safeguarding the independence of the internal audit function within the FGDB.

The Audit Committee meets on a quarterly basis or as often as necessary and its meetings are convened either by its chairperson or by the chairperson of the Supervisory Board. The Audit Committee's meetings are regularly attended by internal auditors representing the Internal Audit Department. Depending on the agenda, members of the Executive Board, external auditors and representatives of the FGDB's organisational structures may also be present as guest participants in order to offer information if needed.

In 2023, the Audit Committee met five times to look into and endorse documents regulating and planning internal audit activities and to analyse the results of the internal audit missions, their performance, as well as regular activity reports.

Comitetul director

The management of the FGDB's everyday activities is the responsibility of the Executive Board, which includes three members who are designated by the Supervisory Board and approved by the Board of Directors of the National Bank of Romania. Executive Board members carry out their activities under the control of the Supervisory Board and their targets, tasks and duties are laid down in the mandates they were entrusted with.

In 2023, both the Supervisory Board and the Executive Board focused on attaining the FGDB's strategic objectives for the calendar year, namely:

- To secure an adequate level of financial resources within the guarantee scheme and to optimally manage those resources, as well as the financial means of the bank resolution fund;
- To consolidate the FGDB's operational capability;
- To promote the image of the FGDB and raise public awareness of its role in maintaining financial stability;
- To intensify national and international cooperation.

Furthermore, the Executive Board submitted for the Supervisory Board's endorsement or, where appropriate, approval a set of regulations related to various aspects of FGDB activities, as well as significant documents on the risk management framework, financial statements, the revenue and expenditure budget, the list of credit institutions mandated to make repayments, the annual report, as well as suggestions concerning the strategic targets which will be outlined further in this Report.

THE FGDB'S ACTIVITIES IN 2023

In 2020, the year of the pandemic, the FGDB temporarily renounced multiannual plans and adopted a new approach allowing it to pursue lines of action for one-year periods in consideration of the operational requirements set down in applicable legal regulations and the best practices in bank deposit protection. The new approach remained valid also in 2023, when it was adapted to economic and social realities in Romania under the impact of the war in Ukraine and the effects of the energy crisis and of high inflation, which reflected on the institution's activities in particular. A return to multiannual activity plans will be possible when more elements for analysis and greater predictability are in place.

Here are the FGDB's upmost strategic goals for the year 2023:

[22] For further details on the court-assisted liquidation proceedings at *BRS* and *BTR*, see *Chapter 5 – Liquidation of Failed Banks.*

To secure an adequate level of financial resources within the guarantee scheme and to optimally manage those resources, as well as the financial means of the bank resolution fund

The effort to keep financial resources at adequate levels has been a constant of the FGDB's activity, as reflected in the funding level on 31 December 2023 which was more than three times higher than the target level for funds of minimum 0.8 percent of covered deposits which the deposit guarantee schemes operating within the European Union are to reach by 2024[23].

The FGDB must secure an appropriate level of financial resources to be able to fulfil its mandate as concerns compensation payments and/or funding of resolution measures, all while observing the deadlines set down in legislation in force. In order to meet this requirement, the FGDB took action as early as 2019 to implement alternative funding mechanisms[24] allowing it to obtain the short-term funding needed to perform its legal duties. Specifically, the FGDB and the International Bank for Reconstruction and Development (IBRD) agreed on the terms and general conditions of a loan agreement to extend contingent financing under a pilot programme for deposit guarantee schemes as an integrant part of the process of properly managing financial resources.

All actions aimed at making that loan effective were completed in 2023. The guarantee agreement between Romania and the IBRD providing for the guarantee of the loan agreement between the FGDB and the IBRD was ratified by Parliament under Law No. 135 of 23 May 2023, published in Monitorul Oficial al României (The Official Gazette of Romania) No. 452 of 24 May 2023. On 14 June 2023, a guarantee accord was signed between the FGDB and the Finance Ministry. After the completion of all necessary procedures, the IBRD confirmed the validity of the loan agreement and of the guarantee agreement starting 28 June 2023.

To consolidate the FGDB's operational capability

- **Implementing payment commitments**

In 2023, the FGDB, considering that both Law No. 311/2015 and Law No. 312/2015 provides for the possibility that part of credit institutions' contributions to the deposit guarantee scheme and to the bank resolution fund be in the form of payment commitments, furthered the process of identifying lines of action to develop and implement a system allowing of the operationalisation of payment commitments.

To this end, the FGDB focused on an analysis of the legislative framework applicable to payment commitments so as to be able to identify the gap between current legislation and the requirements laid down in the *Guidelines on DGS payment commitments of the European Banking Association (EBA)*. The results of that analysis were forwarded to the National Bank of Romania, as was an appeal for support granted to the FGDB by initiating actions to amend *Government Ordinance No. 9/2004 on financial collateral arrangements* (GO 9/2004). All this endeavour aimed at having the FGDB included among the entities to which GO 9/2004 provisions apply so that, without the need of prior actions, it could realise the collateral when credit institutions failed to supply the collateralised amounts, as stipulated in the aforesaid EBA Guidelines.

The FGDB and the National Bank of Romania are currently cooperating to draft an amended form of GO 9/2004 before submitting it to the Ministry of Finance which, having the right of legislative initiative in the financial and banking sector, may introduce it. On the condition that the legislative initiative goes through the legal channels and is endorsed and approved, the FGDB will resume its talks with the developer of the integrated IT system on the start of the process to create a payment commitments module.

Taking into consideration the functionalities of the technical solution agreed upon with the developer of the IT system, the FGDB will prepare a relevant regulatory framework.

The updating of the legislative framework will have a direct impact on the period of time needed to operationalise payment commitments which, in turn, will bear upon the time frame for the implementation of the project.

- **Implementing alternative compensation payment methods**

Given the general trend towards digitalisation, within guarantee schemes across the European Union included, the need became apparent to impart flexibility to the payout process in consideration of the latest tendencies in Europe and of developments in information and communication technologies.

In this respect, one of the amendments to *Law No. 311/2015* following the coming into force of *Law No. 42*[25] in March 2022, refers to an extended range of repayment instruments.

With these considerations in mind and given the current tendencies towards digitalising and increasing the efficiency of the payout process, the practice of other guarantee schemes within and outside the European Union, as well as the need to adapt to the requirements and level of financial education of various categories of depositors, the FGDB carries through an extensive project to implement modern compensation disbursement methods as alternatives to payouts through a mandated bank.

The analyses and research work conducted as part of the project showed that the optimal solution for the FGDB would be compensation payments via a web platform, ideally in the customer frontend variant. To this end, the FGDB examined the workflows in other states – Germany, Norway, Spain, Austria, Mexico and Brazil – which had already implemented and utilized such platforms in the payout process. The FGDB also identified a possible workflow of its own, developed in line with national legislation and taking account of related recommendations.

Meeting all the requirements related to the safe and secure login of depositors and ensuring platform availability for a large number of users are the major challenges in developing such a system.

This application is highly complex and requires both robustness (any disruptions occurring after the application had gone into operation might impact the FGDB's image) and multiple checks in order to eliminate or reduce to the minimum the risk of wrongly identifying the claimant or the owner of the compensation. In light of the complexity and unique character of this project, the FGDB pinpointed the need for external consultants specialising in preparing and launching the process of public procurement of the services of suppliers specialising in the development and implementation of the payout web platform and in establishing the particulars to

[23] Article 10 paragraph (2) of Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes reads: "Member States shall ensure that, by 3 July 2024, the available financial means of a DGS shall at least reach a target level of 0.8% of the amount of the covered deposits of its members".

[24] Article12 paragraph (2) of Law No. 311/2015 reads: "Deposit guarantee schemes shall have access to adequate alternative financial mechanisms, allowing them to get the short-term funding needed to meet their payment commitments".

[25] Law No. 42/2022 amending and complementing Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund took effect on 11 March 2022.

be considered when preparing the documentation needed to start the public procurement process for the respective application.

The outsourced consultancy services will cover the whole range of activities to prepare and complete the public procurement process, focusing on such main objectives as the preparation of tender specifications, selection of a supplier, and the finalisation of the contract. According to the time frame agreed upon, the FGDB will have the tender specifications for the acquisition of the said consultancy services at the ready in the first half of 2024, with the actual process of procuring outsourced consultancy and contracting an external consultant following right after. In the second half of 2024, the external consultant is expected to initiate and carry through a process of public procurement of specialised services for the development and implementation of a compensation payment application software.

- **Running stress simulation exercises**

The stress simulation exercises the FGDB conducted in 2023 had in focus three main aspects:

1. To test the FGDB's operational capability to make compensation payments

In consonance with a programme for stress simulation exercises over 2022-2024 which the FGDB's Supervisory Board approved in its meeting of 24 February 2022, the FGDB prepared and ran the second stress simulation test over March-May 2023. The test was based on a scenario that assumed that during the period of preparations for a payout process an unforeseen situation occurred rendering the server at the FGDB's main headquarters (HQ) temporarily unavailable.

The respective exercise covered every operational area involved in the process of repaying depositors:
1. The FGDB's access to data on the occurrence of a payout situation;
2. The staff and other necessary operational resources;
3. Public communication;
4. Payment instruments in use;
5. The preparation and application of the plan to monetise assets in the FGDB's portfolio (deposits, debt instruments of credit institutions and government securities);
6. The effective payments of compensation and the duration of the payment process;
7. The run of processes related to the aforesaid operations on FGDB systems and applications on the server located in the Disaster Recovery (DR) centre.

The key target of that exercise was to test the FGDB's operational capability to provide guaranteed depositors with their due compensation within no more than seven working days of the date deposits held with the participating credit institution were declared unavailable, in conditions in which a situation occurred during preparations for the payout process which rendered HQ's data and applications servers unavailable. The results of the respective test were assessed based on the existence and quality of the deliverables generated by the processes conducted, as well as on the course, duration and quality of the actions performed.

The overall conclusion of the stress simulation exercise was that the FGDB was capable of fulfilling its duty and pay guaranteed depositors their due compensation within at most seven business days of the date the National Bank of Romania declared the unavailability of the deposits held with the respective participating credit institution. When the HQ server is temporarily unavailable, the FGDB may use the server operating at the DR centre in order to process the payout list it received from the bank where deposits are unavailable and to generate the payout list which it is to send to the mandated bank so that the latter can start the repayments.

The measures the simulation exercise highlighted as necessary are currently being implemented.

2. To test the FGDB's capability to fund payouts

On 15 November 2023, a joint team including FGDB and IBRD representatives tested the capability of accessing alternative financial mechanisms, conducting in this case an exercise simulating a drawdown of proceeds from the IBRD contingent financing.

The exercise tested communication between the FGDB and the IBRD, as well as the applications used when requesting and approving drawdowns of loan proceeds.

The general conclusion arrived at after all the stages of the test scenario had been covered was that the FGDB had access to the IBRD platform, could give notice of trigger events and could request drawdowns. From the IBRD's point of view, the test showed that the internal flow was adequate for receiving/processing the FGDB's notifications/drawdown requests, as well as for analysing and approving the release of requested contingent financing proceeds. All stages were covered within the time frame of seven working days within which the FGDB had to be in a position to start compensation payments to covered depositors.

3. To test cross-border payouts

According to the *European Banking Authority's Revised Guidelines on the stress tests of deposit guarantee schemes*, cross-border payout stress test is a core test which should be conducted at least once during a stress-testing cycle which represents a period of time that does not exceed three years.

The 2023 exercise scenario built on the FGDB's role as host guarantee scheme which was testing its capability to compensate depositors of the branches of a bank headquartered in another European-member state.

Back in 2020, the FGDB and Hungary's Deposit Insurance Fund (OBA) signed a bilateral accord complementing the multilateral cooperation agreement developed by the European Forum of Deposit Insurers (EFDI). Based on the provisions of that accord, in December 2023, the FGDB and the OBA partially tested cross-border repayments, with the OBA as the deposit guarantee scheme of the home member state and the FGDB playing the role of the deposit guarantee scheme of the host member country.

The overall aim of the simulation exercise was to test the capability to exchange files with the help of the file exchange mechanism EDDIES, which was adopted by most of the deposit guarantee schemes affiliated to the EFDI. Both the OBA and the FGDB are participants in the EDDIES.

The exchange of payout files, as well as their decryption ran smoothly, with file loading and unloading operations proceeding quasi-instantaneously. Word-type files were also exchanged with the aid of the EDDIES, the whole process running fast and without a hitch.

The test results revealed that the EDDIES-assisted file exchange – involving both payout files and other types of files – was quick and secure.

The conclusion drawn at the end of the test was that the FGDB had the capability to exchange files with the OBA via EDDIES, the respective files being needed in the process of reimbursing depositors of a credit institution headquartered in Hungary and operating branches in Romania.

Furthermore, in May 2023, the FGDB conducted an exercise to test the Business Continuity Plan. During the exercise, which was part of a stress simulation test assessing the FGDB's operational capability, a number of operations implied by the respective simulation test and processed via the IITS were conducted directly on the server located at the disaster recovery (DR) centre.

The aforesaid exercise was built on a scenario far more complex than previous ones and represented a first test of the operation of the IITS on the server running inside the DR centre.

The 2023 test was intended to validate the restored backup of a pair of IITS servers – the application server and the database server. The results showed that the restored servers could be used remotely without significant delays. Additionally, the test pointed to the fact that the core IITS applications did not require any licence that would prevent the use of the restored servers. Putting into service the pair of servers on the server operating at the DR centre confirmed the fact that, in a disaster situation, compensation payments with IITS aid could continue on the server hosted by the DR centre.

Moreover, in 2023, the FGDB took steps to reconfigure the physical server infrastructure at its main and backup locations so as to ensure that both facilities had the necessary processing capacity to meet the needs of the IITS and of the existing applications.

To promote the FGDB's image and raise public awareness of its role in maintaining financial stability

The FGDB, in its capacity as member of the financial stability network, has always been committed to maintaining depositor confidence in the banking system.

Awareness of the role a deposit guarantee scheme plays is of paramount significance to depositors, while information helps people understand the protection they will get if a credit institution faces difficulties. All this contributes to boosting trust in the stability of the banking system in Romania.

The fulfilment of this goal calls for constant efforts to communicate and educate and, equally, to secure transparency, particularly given the geopolitical developments in the region and internationally, as well as the turmoil felt in the financial sectors of several countries.

The importance of raising public awareness of the guarantee of deposits and of the FGDB's mission within the financial stability network was highlighted also in the documents related to the contingent financing agreed with the IBRD. One of the commitments made under those documents was to boost public awareness of the insurance of deposits, including deposits held by people with disabilities. In 2023, the FGDB carried out information campaigns targeting visually impaired persons. Along these lines, flyers containing essential information on deposit guarantee were printed in Braille and put at the disposal of depositors through the agency of credit institutions.

Moreover, a special section on the FGDB's website intended for people with visual disability started being developed in 2023 and is expected to be finalised in 2024.

The aforesaid initiative is part of a project intended to upgrade the FGDB's website in point of design, technical performance and functionalities. It is significant to note that in 2023 web hosting services were acquired for the new website providing for a substantial increase in the number of simultaneous users.

In 2023, just as in previous years, the FGDB undertook varied public information actions via mass media and online campaigns to increase awareness of the way in which deposits are protected and of Romania's deposit guarantee scheme.

Furthermore, on various occasions, the FGDB General Director gave presentations on the consolidation of depositor protection in Romania.

In September 2023, a nationwide opinion poll was taken focusing mainly on such indicators as the FGDB's reputation, people's trust in Romania's banking system, and public perception of the impact of a possible bank failure.

The results of the survey indicated a slight increase in the banked population's awareness of the FGDB's renown, as well as in people's perception of the possibility to recover the money in their accounts in case a credit institution goes bankrupt.

Financial education for pupils and students is of vital importance as it teaches them how to manage money and make responsible financial decision during their lifetime. It contributes to raising a financially more responsible generation, a generation better prepared for the future.

Starting 2023, the FGDB diversified and intensified its financial education actions, addressing not only students enrolled in master's or doctor's university programmes, the way it did in previous years, but also to pupils attending pre-university educational units.

Consequently, besides preparing and holding its own contest – the *"Costin Murgescu" Contest for Economic Research*, at its 12th edition in 2023 – the FGDB, as partner of the National Bank of Romania, co-organised the *"Video Economia" competition* and the "*Eugeniu Carada*" *National Financial Education Contest.* Moreover, the FGDB contributed to actions intended to promote financial education as part of the central bank's Urban Financial Education Camp project and participated in other events arranged by various institutions.

To intensify national and international cooperation

At the national level, a tripartite cooperation agreement between the National Bank of Romania, the Ministry of Finance and the FGDB took effect on 4 May 2023 in an effort to build a formalised framework to facilitate communication and the run of activities towards fulfilling the powers incumbent on the three institutions as they result from both their direct participation in safeguarding financial stability and the provisions of the applicable legal framework *(Law No. 311/2015, Law No. 312/2015 and Emergency Government Ordinance No. 99/2006)*[26].

As for the FGDB's cooperation with the National Bank of Romania, a joint project is in progress which aims at developing and implementing a scheme to compensate investors, retail clients of credit institutions, by extending the FGDB's scope of business. That project was approved in a meeting the Board of Directors of the National Bank of Romania held on 28 April 2021.

Internationally, given the extended tasks performed by deposit guarantee schemes, the FGDB is represented to the project-specific working groups within the EFDI, while the General Director is a member of the EBA's Task Force that analyses the implementation of provisions under the *Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes* and prepares opinions recommending updates of the applicable framework.

At the same time, the General Director represents the FGDB to the EFDI EU Committee grouping the executive managers of the deposit guarantee schemes across the European Union.

Since communication is a pivotal factor in the activity of any deposit guarantee scheme, and requires minute preparations, the FGDB has concentrated on getting to know the good practices and experience

[26] Emergency Government Ordinance No. 99/2006 on credit institutions and capital adequacy, published in Monitorul Oficial al României (The Official Gazette of Romania), Part I No. 1027 of 27 December 2006.

acquired by other deposit guarantee schemes and has shared in its turn the experience it has gained. In consideration of the importance of communication also in case of a cross-border payout event, over 5-6 October 2023, the FGDB was host to the meetings in Bucharest of the EFDI's Public Relations and Communications Committee and of the Communication Sub-Group of the EFDI's Cross-Border Working Group.

Over the same period and in parallel with the meetings devoted to communication, the FGDB also organised a meeting of the EFDI's Stress Test Working Group.

At the end of February 2023, the FGDB received the study visit of a delegation representing the deposit guarantee scheme of the Kyrgyz Republic – *the Deposit Protection Agency* (DPAKR). The main topics tackled on the occasion included the FGDB's duties, its organisation and operation, its relations with the other institutions contributing to financial stability, funding of the deposit guarantee scheme, including the IBRD contingent financing, and risk management. During the visit, the FGDB and the DPAKR signed a *Memorandum of Understanding.*

Noreover, in September 2023, the deposit guarantee scheme and the banking community of the Republic of Moldova organised a virtual meeting with FGDB representatives to discuss the operationalisation by the FGDB of the temporary high balances which benefit from an additional coverage of 100,000 euros, distinct from the standard compensation of an equal value.

In keeping with the FGDB's tasks which call for cooperation with the National Bank of Romania in applying bank recovery and resolution measures, the FGDB and the Bank Resolution Department organised a seminar on *"Bridge-Bank as Resolution Tool – the Experience of Poland's Resolution Authority"* at the central bank's headquarters in Bucharest on 5 July 2023. Presentations during the seminar were delivered by four representatives of Poland's deposit guarantee scheme, which also acts as the country's resolution authority.

THE FGDB'S RISK MANAGEMENT FRAMEWORK

The agreed performance goals of risk management, which represents a strategically significant activity, were set and fulfilled, thus making a decisive contribution to consolidating the FGDB's reputation and to scoring optimal financial results, including a sustainable growth rate of available financial resources. Risk management complies with the guidelines set under the risk management strategy and policies which provide for the maintenance of the organisation's risk profile at adequate levels, in line with the targets approved by the Supervisory Board.

In 2023, very much like in previous years, the policies and strategy for the management of the FGDB's significant risks stayed focused on the consolidation of a caution-oriented risk culture and the maintenance of a low-risk profile apt to both safeguard depositors' interests and the FGDB-managed financial resources, and to provide for compliance with applicable legislation and regulations.

The risk management system implemented by the FGDB covers the whole range of significant risks to which the organisation is exposed, comprises the specific processes, applications and procedures in use and includes the duties and responsibilities related to risk management which are assigned to each organisational structure and to the risk management function.

By In 2023, the FGDB had completed an important stage of the process of consolidating and optimising the mechanisms behind the management and control of significant risks. On the one hand, the procedural framework for the management of significant risks was consolidated and, on the other hand, operations came to an end for the integration and automation of the processes of assessing and reporting significant risks and of monitoring the FGDB's general risk profile via the risk module of the IITS which the organisation has in use. The implementation and utilisation of the IITS went down as a notable qualitative leap[27] in risk management following the automation of the process of assessing and reporting risks and the FGDB's general risk profile.

According to the regulatory framework for the internal control system, in 2023, updates were made to the risk register which represents a genuine support to the executive management in their decision making and makes a substantial contribution to consolidating the risk governance system within the FGDB.

The FGDB's development as an organisation, as well as the intrinsic shifts in internal and external factors which have influenced the institution's activities, has required continuous monitoring of its risk profile and adequate adjustments of its risk management policies and strategy. Under such circumstances, the FGDB has focused on several risks that have evolved more rapidly in recent years under the impact of digitalisation (cyber risk) or financial market developments (interest rate risk).

The main risk categories the FGDB addresses with the aid of specific instruments and methods are:

credit risk

In its capacity as statutory deposit guarantee scheme and administrator of the bank resolution fund, the FGDB assumes credit risk due to exposures to counterparties/issuers meeting the eligibility criteria set under the annual strategy for the investment of financial resources. Depending on the nature of the counterparty/issuer, this type of risk is managed via a system of setting risk limits for: credit institutions, categories of credit institutions and other categories of issuers (including international financial institutions). Compliance with those boundaries is monitored and reported to the FGDB's management on a regular basis, while the limits may be revised during the course of a year if market/issuer/counterparty developments so require.

market risk

The FGDB is exposed to this type of risk when unfavourable moves occur in the price of its financial instruments available for trading and in interest and currency exchange rates. This risk is currently monitored by marking to market such tradable instruments as trading securities (available for sale), by looking at potential losses (Value at Risk), by analysing the negative impact of the shifts in interest rates (Scenario analysis) and by setting alert and intervention thresholds. The FGDB will replenish its market risk management toolbox as its investment portfolio gains in complexity and diversity.

Furthermore, with a view to assessing interest rate risk and following the implementation of the integrated IT system, the FGDB monitors the duration of the portfolio of tradable financial instruments. The portfolio duration indicator is also used when appraising the FGDB's overall risk profile.

liquidity risk

The main goal of the FGDB's liquidity risk management policy is to maintain a minimum monthly level of liquidity from available financial resources, which is recalibrated in line with market developments, as well as an adequate volume of trading securities and a balanced investment structure, and to implement/update alternative funding mechanisms to serve in case of contingencies.

Liquidity risk diminished substantially following the operationalisation of the contingent credit line which represents a true liquidity buffer for the deposit guarantee scheme.

Moreover, thanks to the repo conventions which the FGDB concluded with several primary dealers, it has strengthened its capability to monetise its government securities portfolio, should the need arise. Given the

[27] An integrated IT system became operational within the FGDB in 2022. It has had a significant contribution to improving the operational activity framework, mainly by: (i) integrating and automating workflows and processes, (ii) substantially mitigating the operational risk associated with workflows and processes, and (iii) streamlining activities and securing an adequate support for an effective management of risks.

amended applicable legislative framework, the FGDB, together with the specialised departments operating within the National Bank of Romania, carries out a project to prepare the contractual and procedural framework granting it access to repo transactions with the central bank in order to obtain short-term liquidity, as provided by law and in compliance with relevant European regulations.

operational risk

The risk of incurring losses or of failing to attain the estimated profit – which may be triggered by either the use of inadequate or inappropriate processes, systems, and human resources or by external events and actions – is inherent in any of the FGDB's activities. In identifying operational risks and implementing measures to eliminate/mitigate them, the FGDB relies on self-assessments of risks incurred and of the controls conducted across its organizational structures.

As far as operational risk is concerned, the FGDB has been monitoring two risk subcategories in particular – *cyber risk and personal data processing risk* – whose significance has grown of late following the implementation of the FGDB's integrated IT system and the remote access to sensitive data. Measurement/assessment scales and instruments based on specific indicators are in place for both these risk subcategories.

The improvement of risk monitoring and control mechanisms, as a result of the implementation of a procedural framework for risk management and of the specific risk management functions of the integrated IT system, provided the FGDB with a functional system for data collection and loss events reporting. The FGDB will continue to regard as strategically important targets the consolidation and optimisation of the internal regulatory framework allowing for an appropriate management of significant risks in general and of operational risk in particular, in keeping with the good practices developed by other deposit guarantee schemes.

The use of the aforesaid instruments, as well as the degree of their sophistication will correlate with the volume and complexity of activities performed and with the level of exposure to operational risk by applying the proportionality principle.

reputational risk

The FGDB's reputational risk management policy is intended to avoid actions likely to trigger a negative perception on the part of depositors, the public at large and the other institutions within the financial stability network on the one hand and, on the other hand, to improve the operational framework, periodically update and test business continuity plans, and conduct stress simulation exercises. In addition, the FGDB promotes systematic and open communication with the public, with affiliated credit institutions (through the Romanian Banking Association included) and the other members of the financial stability network.

strategic risk

Strategic risk assessment is a component of the strategic planning process. The main potential sources of strategic risk are to be found in the FGDB's strategic plans referring to the target level for funds, organisational development, and the strategy for the management of available financial resources. With a view to keeping strategic risk levels within pledged limits, the FGDB periodically reassesses its strategic targets in relation to its achievements, and allots adequate resources to active prevention. The functional and effective governance system provided by the management structure consisting of the Executive Board and the Supervisory Board, with the latter also including the Audit Committee, plays a significant role in this respect.

The FGDB's management annually sets a target risk profile – the level of which is based on the FGDB's statutory duties and risk appetite – which synthetically expresses the sum total of the risks to which the institution is or will be exposed. The risk profile is appraised periodically, based on the evolution of the scores for identified significant risks, in order to maintain it in line with the assumed target. In turn, the respective target is assessed also periodically to guarantee that it stays in tune with both internal developments and shifts in external factors.

INTERNAL AUDIT WITHIN THE FGDB

The Internal Audit Department performs the internal audit function within the FGDB. This structure is functionally subordinated to the Supervisory Board, while its activities are overseen by the Audit Committee as a guarantee of its independence and objectivity, according to the statute regulating the internal audit function within the organisation.

The key goal of the internal audit structure is to contribute to strengthening management within the FGDB by independently and objectively examining risk management, internal control, and governance processes.

For the duration of their missions, the internal audit team evaluate identified risks, determine causes and potential consequences, and make appropriate recommendations for their correction. Since their recommendations are economically feasible, they may be implemented and applied with financial/human/logistic costs commensurate with their contribution to streamlining FGDB activities.

The internal audit team's missions of 2023 concentrated on assessing the internal control system in terms of the application of internal control regulations and personal data protection processes, as well as on monitoring FGDB-member credit institutions. There was also a consultancy mission focusing on the implementation of file flows in the FileDoc module of the integrated IT system.

During their missions, the internal audit team constantly formulated opinions and recommendations intended to boost the efficiency and effectiveness of processes in order to make better use of material and human resources, thus contributing significantly to improving processes and strengthening corporate governance within the FGDB.

Furthermore, the Internal Audit Department periodically monitored the progress made in implementing the recommendations formulated during the internal audit missions. The residual risks appraised during the internal audit missions were low and the control measures that were adopted/implemented helped to maintain those risks at acceptable levels.

Governance, risk management and internal control systems implemented within the FGDB were designed and operate so as to fulfil the goals of all those processes.

Residual risks remain largely acceptable owing to internal control measures. Specific management actions to supervise processes and the adjustment to internal and external changes contribute to maintaining significant risks within the risk-appetite limits approved by the higher management.

Using specific tools, the internal audit function contributed to strengthening the internal control system and to improving the efficiency and effectiveness of the assessed processes. Progress was made in optimising the risk management, internal control and governance systems which were created to allow the FGDB to accomplish its main targets related to depositor protection and financial stability.

The Internal Audit Department has always concentrated on the regulatory framework and the evolution of good practices in internal audit, as well as on related legislative and standardisation structures.

In this respect, the necessary steps were taken towards affiliation to the best practices in internal audit, which have permanently been in focus.

2

THE 2023 BACKGROUND AND REGULATORY FRAMEWORK

INTERNATIONAL FRAMEWORK AND THE FRAMEWORK REGULATING THE ACTIVITY OF DEPOSIT GUARANTEE SCHEMES

Global economy in the first nine months of 2023 was still marred by an extended state of uncertainty triggered by the previous years' disruptions related to the COVID-19 pandemic and the war between the Russian Federation and Ukraine. Global risks increased further in the last quarter of the year under the impact of the heightened geopolitical tension fomented by the outbreak of the Middle East conflict in October 2023.

The eruption of the Middle East conflict gave rise to higher risk aversion on financial markets where price volatility surged in the case of equity securities, bonds and term premiums.

Turmoil also hit the oil market and global commodities markets, while marine traffic in the Red Sea was adversely impacted, which led to rises in shipping costs and delays in delivery times. However, by the time the present Report was completed, the Middle East conflict had not had any impact of significant magnitude on global economy, though it continues to represent a source of uncertainty which is difficult to gauge.

Economy in the European Union as a whole and in the euro zone encountered deceleration in 2023, with growth slackening to a scant 0.4 percent, down by three percentage points from 2022. It is important to note that within the European Union growth rates differ from one member state to another.

The slowdown of annual GDP growth in the European Union was mainly a result of high inflation, the restrictive monetary policy central banks adopted in a bid to gradually curb inflation, as well as dropping external demand.

Although staying at relatively high levels, inflation in the European Union as a whole followed a downward path throughout 2023 moving at a rate faster than estimated, particularly as an outcome of restrictive monetary policies and the lessening of the tension that bore on global supply chains.

Harsher financial conditions pushed up lending costs, weakened investments and generated issues in terms of corporate debt refinancing. Steeper financing costs against a background of high indebtedness put pressure on several sectors, with the commercial real estate sector proving particularly vulnerable.

Besides difficult macroeconomic circumstances, the year 2023 also meant further risks and challenges on financial and banking markets the world over and on the authorities and institutions that make up the so-called “financial safety nets”[28].

In March 2023, financial markets suffered disruptions in the wake of the collapse of U.S. banks Silicon Valley Bank and Signature Bank, and of Swiss bank Credit Suisse.

Authorities in the respective countries rapidly found ways to deal with the situation of the failed banks and took urgent measures to preserve public trust and avoid a ripple effect on depositors. In the United States, the Federal Deposit Insurance Corporation (FDIC) took over the management of Silicon Valley Bank and of Signature Bank, while in Switzerland the authorities brokered the takeover of Credit Suisse by UBS Group. Thanks to the solutions authorities found, depositors suffered no harm as their deposits were fully protected.

Despite the adverse circumstances of 2023, the banking sector in the European Union in general and in Romania in particular, remained stable and proved their resilience to shocks.

The tough economic conditions of recent years and the reforms wrought in the financial sector brought about radical changes in the European Union’s banking sector, including revisions of credit institutions’ strategies, activities and operational structures. The banks’ adjustment to the shifts in the economic and financial sectors and the adequate management of the risks to which they are exposed, particularly more recent risks (such as geopolitical risks, cyber risks, climate change risks) represent continuous processes to which all parties concerned pay attention.

The banking sector’s resilience, made stronger by an improved regulatory framework, remained a priority target for institutions across the European Union in 2023. In this respect, notable progress was made following the adoption of the *“Banking Package”.* The legal acts contained in this package made possible the application of the last set of global standards regulating the banking sector (international Basel III standards), thus contributing to strengthening the framework for bank supervision and risk management and to boosting the resilience to potential economic shocks and environment, social and governance risks of the banks operating inside the European Union.

According to 2023 data, European banks maintained solid capitalisation, enjoyed comfortable liquidity positions and posted considerable higher profits.

Data on economic and banking sector indicators in the European Union and in Romania are given in the section on *Developments in the Banking Sector in the European Union and in Romania* further in the present Chapter.

The turmoil in the United States once more highlighted the importance of providing an effective crisis management framework apt to react promptly to mitigate both the risk of losing depositors’ and investors’ confidence and the risk of contagion.

In 2023, the revision of the European crisis management and deposit insurance (CMDI) framework, as part of measures adopted at the global level, was of foremost concern for European Union authorities and institutions.

[28] Deposit guarantee schemes are components of the “financial safety net” (the financial stability network) alongside the lender of last resort and the supervisory/resolution authority.

Furthermore, new regulations and guidelines were worked out, while the international professional associations grouping deposit guarantee schemes – the EFDI and the IADI – prepared several studies on various topics of interest related to deposit protection and also adopted position papers with regard to a number of draft regulations.

The European Crisis Management and Deposit Insurance Framework

On 18 April 2023, the European Commission tabled a package of legislative proposals to consolidate the CMDI[29] framework , which includes:

- proposal for a directive amending *Directive 2014/49/EU* as regards the scope of deposit protection, use of deposit guarantee schemes funds, cross-border cooperation, and transparency;
- proposal for a directive amending *Directive 2014/59/EU* as regards early intervention measures, conditions for resolution and financing of resolution measures;
- proposal for a regulation amending *Regulation (EU) No. 806/2014* as regards early intervention measures, conditions for resolution and financing of resolution measures;
- proposal for a Directive amending *Directive 2014/59/EU* and *Regulation (EU) No. 806/2014* as regards certain aspects of the minimum requirement for own funds and eligible liabilities.

These legislative proposals are intended to increase the resilience of the banking system in the European Union when faced with crisis situations by better harmonising crisis management regulations and by expanding the scope of resolution tools so as to cover small and medium-sized credit institutions in particular.

The key amendments in the aforesaid legislative package refer to:

- broadening the scope of resolution by revising the public interest assessment, thus providing for the application of resolution tools also in the case of small and medium-sized credit institutions;
- amending the hierarchy of creditors in cases of insolvency of credit institutions to provide for the use of the funds of deposit guarantee schemes to finance measures other than payouts;
- harmonising the Least Cost Test for all types of interventions by deposit guarantee schemes which should underlie decisions on the use of deposit guarantee funds for purposes other than compensation payments[30];
- clarifying and improving the early intervention framework;
- ensuring an early start of bank resolution proceedings;
- strengthening depositor protection in terms of guarantee scope, harmonising national options and cross-border cooperation, increasing the transparency of deposit guarantee schemes.

In order to prepare the national mandate for the European-level negotiations on the CMDI package, a working group was formed in Romania consisting of representatives of the National Bank of Romania and of the FGDB. During the group’s proceedings over 9-27 June 2023, the FGDB tabled its position, as approved by its Supervisory Board, which, essentially, refers to a status quo as concerns the main themes on the agenda, namely (i) recalibrating the public interest test to expand the scope of resolution by including small and medium-sized banks; (ii) preserving the priority ranking of guarantee schemes’ claims in credit institution bankruptcy cases, in the sense that claims of deposit guarantee schemes should rank before the other claims, before non-covered deposits claims included; (iii) maintaining the limit on the funding of resolution measures from the financial resources of deposit guarantee schemes and (iv) using the financial means

[29] https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2250

[30] A guarantee scheme may contribute to financing other interventions only if they are less costly than reimbursements in case of unavailability of deposits held with a credit institution.

of deposit guarantee schemes exclusively to finance the transfer of covered deposits.

The position resulting from the working group's meetings was discussed and approved by the institutions concerned, namely the National Bank of Romania, the Ministry of Finance and the FGDB. In a nutshell, the ideas contained in that position referred to the extension of the scope of resolution to include medium-sized credit institutions (but not small banks), provided that safety nets were in place to secure the FGDB's adequate financial capability to fulfil its core mandate (that is, protection of covered deposits and compensation payments).

Suggestions were made for the implementation of the respective safety nets by limiting the access of the resolution authority to the FGDB's financial resources (in contrast with the almost unlimited access proposed under the CMDI package) and for the maintenance of the super-preference of the FGDB (and of the covered deposits it protects) in the creditor hierarchy in insolvency cases.

In compliance with the national mandate approved by the National Bank of Romania, the FGDB, alongside representatives of the central bank and of the Ministry of Finance, is a member of the *Working Party* on Financial Services and the Banking Union (CMDI) within the Council of the European Union which is comprised of financial experts and attachés of EU-member states and takes part both in the group's meetings and in bilateral technical discussions with representatives of other member countries on their position vis-à-vis the European Commission's proposals or in talks with representatives of the Presidency of the Council of the European Union.

The European Banking Authority's Guidance Papers and Reports

- *The European Banking Authority's Guidelines (revised) on methods for calculating contributions to deposit guarantee schemes under Directive 2014/49/EU (Guidelines EBA/GL/2023/02)[31], replacing The European Banking Association's Guidelines EBA/GL/2015/10*

On 21 February 2023, the European Banking Authority published Guidelines EBA/GL/2023/02, which set forth an upgraded methodology for determining the due contributions of credit institutions to the deposit guarantee fund in proportion to their riskiness[32].

The foremost amendments to the revised Guidelines on methods for calculating contributions to deposit guarantee schemes include:

- setting minimum thresholds for the majority of core risk indicators, in keeping with the applicable minimum regulatory requirements, and adjusting their minimum weights;
- improving the formula for determining the risk adjustment factor of each credit institution;
- specifying how to account for deposits where the coverage they are offered by a deposit guarantee scheme is surrounded by uncertainty (for example, the case when a financial institution places its clients' funds with a bank);
- introducing the possibility for the use of an approach providing for the determination of contributions based not only on risks and the volume of covered deposits, but also on the sum total of the contributions a credit institution paid in previous periods.

[31] Final Report on Guidelines (revised) on methods for calculating contributions to deposit guarantee schemes under Directive 2014/49/EU repealing and replacing Guidelines EBA/GL/2015/10, 21 February 2023.
On 24 May 2023, the European Banking Authority published a corrigendum of Guidelines EBA/GL/2023/02 which amended a paragraph of the European Banking Authority's Guidelines EBA/GL/2021/17 referring to the delineation and reporting of available financial means of deposit guarantee schemes.

[32] *Guidelines EBA/GL/2023/02* will come into force on 3 July 2024, when *Guidelines EBA/GL/2015/10* will repeal.

- *The European Banking Authority's Report on deposit coverage (EBA/Rep/2023/39)[33]*

As part of the process of revising the European crisis management and deposit insurance framework, the European Commission requested the European Banking Authority to provide an analysis of data on depositors and their covered deposits, as well as on public authorities' deposits.

The analysis of deposit coverage[34] considered both the current guarantee threshold of 100,000 euros and potential increases in the existing coverage level[35].

The results of the analysis showed that 96 percent of depositors in the European Economic Area (EEA) were fully covered, as their bank deposits did not exceed 100,000 euros.

The remaining four percent of guaranteed depositors were holders of deposits in excess of 100,000 euros[36], and most of them were guaranteed legal entities (mainly enterprises).

The analysis pointed out that the existing guarantee ceiling provided for extensive coverage of deposits in the European Economic Area and an increase in its level was unnecessary.

The overwhelming majority of depositors already benefit from full coverage of their money in the bank and a potential increase of the guarantee threshold would have no significant impact in terms of financial stability and depositor protection.

Quite on the contrary, a higher coverage level would raise costs incurred by credit institutions and would heighten moral hazard[37].

Another topic in the focus of the European Banking Association's study was the impact of extending deposit coverage to the deposits held by public authorities[38]. The analysis showed that including deposits from all public authorities in the guarantee scope would have but a limited impact on the costs incurred by credit institutions as there was a relatively small number of public authorities in comparison to the overall number of guaranteed depositors across the European Economic Area.

On the other hand, it is deemed necessary that the above-mentioned category of depositors, which also include schools, hospitals and entities that perform municipal services, should enjoy the same coverage as enterprises.

[33] Report on deposit coverage in response to European Commission's Call for Advice (EBA/Rep/2023/39), December 2023.

[34] The analysis was based on data collected from the competent national authorities/deposit guarantee schemes in 28 European Economic Area (EEA) countries covering the period between January 2022 and August 2023.

[35] 150,000 euros and 250,000 euros. Moreover, an analysis was made of a hypothetical increase of the coverage level to 1,000,000 euros for deposits held by guaranteed legal entities, while the ceiling for natural persons' deposits remained unchanged.

[36] In the event of deposit unavailability at the bank where they keep their money, compensation for these depositors will be limited to 100,000 euros, the current standard guarantee ceiling in all member states.

[37] With the hypothetical rise in coverage level to 250,000 euros, the proportion of depositors that are not fully covered would decrease to 1.5 percent. Consequently, there would be a marked diminution of the proportion of depositors showing interest not only in interest rates on deposit, but also in the risk profile of the banks that keep their money, thus playing a significant role in exercising market discipline.

[38] In compliance with *Directive 2014/49/EU,* deposits held by public authorities are excluded from coverage with the exception, in several member states, of local authorities' deposits with an annual budget of up to 500,000 euros.

● *Statements of principle from practitioners of deposit guarantee on the revision of the European crisis management and deposit insurance framework*[39]

The statements in principle from European practitioners of deposit guarantee tackled several aspects of the process of revising the European crisis management and deposit insurance framework and referred to:

- supporting a more harmonised approach to the crisis management framework within the European Union, with the specification that, in the opinion of EFDI, where bank supervision is at national level, crisis management should be too;
- further explaining the expansion of the assessment of public interest;
- maintaining an adequate limit on the use of deposit guarantee schemes' funds in order to safeguard their credibility;
- reassessing the proposal to use the available financial means of deposit guarantee schemes when the contribution of the shareholders and debt holders of a bank to loss absorption or recapitalisation is lower than the threshold of eight percent of the bank's total liabilities which needs to be attained for the bank to gain access to the Single Resolution Fund to absorb losses or recapitalise;
- preserving the priority ranking of covered deposits in the order of payment of claims, as an essential tool to ensure the credibility and proper operation of deposit guarantee schemes;
- necessarily updating the European Commission's Communication on the application of State aid rules for banks to allow interventions by deposit guarantee schemes;
- clarifying and consolidating a deposit guarantee scheme's decision-making powers to apply alternative measures;
- safeguarding the practical ability of a deposit guarantee scheme/institutional protection scheme to take preventative measures when restoring the viability of a bank or when accompanying the respective bank's orderly exit from the banking market;
- approaching the issue of the transfer of contributions between deposit guarantee schemes when a bank changes its deposit guarantee scheme affiliation;
- clarifying and further defining the aspects which refer to (i) the assessment of public interest, (ii) the role of deposit guarantee schemes in the decision-making process, (iii) the Least Cost Test, (iv) the Minimum Requirement for Own Funds and Eligible Liabilities (MREL);
- ensuring that the Least Cost Test is performed by the national deposit guarantee scheme which should also calculate the costs of its potential interventions;
- providing a similar level of coverage for client funds deposits (namely, the funds financial institutions place with a bank on behalf of their clients) and beneficiary accounts;
- making it possible for a deposit guarantee scheme to make compensation payments in any way it considers safe and adequate in terms of the need to prevent and fight money laundering and financing of terrorism.

● *Comments and Recommendations on a Proposal to Review the Deposit Guarantee Scheme Directive*[40]

In March 2024, the EFDI EU Committee approved a new EFDI position paper which adds to the statements in principle from practitioners of deposit guarantee on the revision of the European crisis management and deposit insurance framework, which were addressed earlier in this Chapter.

[39] EFDI Position Paper: Crisis Management and Deposit Insurance (CMDI) Framework Review - Statements from Practitioners, October 2023.

[40] EFDI Position Paper: Comments and recommendations on DGSD review, March 2024

This second position paper contains EFDI comments and recommendations referring to a series of provisions under the European Commission's proposal for the revision of the *deposit guarantee Directive*. Here are some of them:

- applying a similar coverage level to beneficiary accounts and client funds deposits, without making a distinction between the two, as the European Commission proposes;
- maintaining the status quo as concerns the measures competent authorities may take, upon notification by and in cooperation with a deposit guarantee scheme when credit institutions fail to comply with their obligations as members of the respective scheme;
- including deposits held by public authorities within the scope of guarantee, while the exclusion from coverage of central and/or local authorities' deposits should be a national option, in keeping with national specificities;
- clarifying the application of the temporary high balances regime in the new case described in the proposal, respectively the funds deposited to purchase in the short term a private real estate residential property;
- maintaining, as national option, the possibility of considering depositors' liabilities towards a credit institution when determining due reimbursement amounts following a case of unavailability of deposits at the respective credit institution;
- clarifying the way in which the starting point of the payout period is determined in case of beneficiary accounts, client funds deposits and temporary high balances, where the European Commission proposes a longer period, of 20 business days;
- establishing a mechanism to underpin the suspension of repayments to depositors suspected of money laundering or terrorism financing, according to a notification by the financial intelligence unit/the designated authority;
- allowing the possibility for the deposit guarantee scheme to reimburse depositors using any payment instrument which is traceable;
- removing the European Commission's proposal whereby the claim of deposit guarantee schemes can only be on the residual credit institution in the case where its funds are used towards the application of resolution tools or alternative measures, as it limits the scheme's potential claim recoveries (for instance, claims over a bridge institution);
- aligning the way to define the target level and the way to determine contributions;
- opening the possibility for the deposit guarantee scheme in the home member state to directly compensate depositors at branches in the host member country;
- calling upon the European Banking Authority to issue a regulatory technical standard for the transfer of contributions between deposit guarantee schemes when credit institution changes its guarantee scheme membership;
- creating a harmonised reporting framework for the information on various indicators related to deposit guarantee schemes which designated authorities transmit to the European Banking Authority.

● *Sources of Funding of Deposit Guarantee Schemes*[41]

The EFDI working paper focused on the use of alternative funding mechanisms by deposit guarantee schemes in case of disbursing payouts to guaranteed depositors or of other types of interventions.

Particular attention is paid to:

- alternative funding mechanisms available to deposit guarantee schemes;
- practical experience from their use and/or from simulation exercises testing alternative funding mechanisms;
- sequence of using different funding sources for deposit guarantee schemes;
- criteria to be considered for different alternative funding mechanisms to be used in crisis situations.

The survey showed that the alternative financial mechanisms most frequently resorted to were credit lines

[41] EFDI D3 Working Paper: Sources of Funding, October 2023

from member banks and from the government. It also mentions the possibility of obtaining loans from other deposit guarantee schemes, especially from those of the same jurisdiction.

Only a few of the deposit guarantee schemes involved in the EFDI survey, Romania's scheme included, conducted stress simulation exercises to test their capability to access alternative funding mechanisms.

- *Integrating Sustainability into Deposit Guarantee Schemes' Decision-Making: a Holistic and Inclusive Perspective*[42]

The aim of this research paper was to define a methodology to promote the integration of sustainability into the decision-making process and the activities of deposit guarantee schemes.

In that respect, emphasis was placed on the need to define strategies and action plans to be embedded in risk management policies.

Here are some of the recommendations included in the present research paper:

- improving efficiency by finding new opportunities for increasing productivity, the understanding of the connection between sustainable development and efficiency being of utmost importance;
- identifying social and environmental themes that are pertinent to the sector (for instance, a deposit guarantee scheme which takes action to promote financial inclusion can provide more social value);
- improving the framework underlying the activities of deposit guarantee schemes and, respectively, rigorously applying the core principles of deposit guarantee schemes.

IADI's Research Papers and Reports

- *The 2023 Banking Turmoil and Deposit Guarantee Schemes - Potential Implications and Emerging Policy Issues*[43]

The IADI Report gives a synthetic presentation of the key actions undertaken by deposit guarantee schemes in response to the banking turmoil in the first few months of 2023, identifying their potential implications and the emerging policy issues for deposit guarantee schemes, such as:

- the financial stability risks of unguaranteed deposits, adequate deposit coverage by deposit guarantee schemes, funding mechanisms of deposit guarantee schemes and the use of technological innovation to speed up the payout process;
- the interaction between deposit guarantee and resolution, in particular how the use of resolution tools can support the continuity of critical banking operations, as well as depositors' access to their funds and the contribution of the deposit guarantee fund to the run of resolution actions;
- the implications for deposit guarantee schemes of digital innovation, in particular when considering its impact on depositors' behaviour and the way banking services are provided.

[42] EFDI Research Paper: Integrating Sustainability into DGS Decision Making – a Holistic and Inclusive Perspective, April 2023

[43] IADI Report: The 2023 banking turmoil and deposit insurance systems - Potential implications and emerging policy issues, December 2023

- *The Payout Process at Present and in the Future – Challenges, Remedies and Trends*[44]

The IADI paper is based on survey data collected from 51 deposit guarantee schemes all over the world which cover the compensation payments they made over 2016-2021. It also outlines the issues they encountered during the payout process, the measures they took to correct deficiencies noted during disbursements, as well as future challenges.

According to the results of the survey, in 51 percent of the reimbursement cases, less than three quarters of the depositors were repaid within seven working days of the date of deposit unavailability.

The main cause behind such situation was the poor quality of depositor information needed in the payout process. Furthermore, there were issues related to the deposit guarantee schemes' IT systems, as well as the lack of prior regular checks of depositor data in the records of credit institutions.

As a result of those findings, deposit guarantee schemes took corrective measures in order to increase the accuracy of the information on depositors in the records of credit institutions and to secure a fast, effective run of the payout process.

According to estimations, the most significant challenges facing deposit guarantee schemes in the future are related to business continuity in unexpected circumstances, regulatory changes, as well as developments in the electronic money sector.

INTERNAL REGULATORY FRAMEWORK

The FGDB's stronger institutional capability and streamlined work procedures and workflows remained priority targets for the institution in 2023, all the more so as the commissioning of the integrated IT system a year before allowed all FGDB activities to be assisted in an integrated manner.

In this respect, an internal regulatory framework for risk management was developed within the FGDB in order to provide for a functional and efficient operational framework, in correlation with the provisions of *"The risk profile of the FGDB and its risk management strategy and policies"* and with the new functionalities of the integrated IT system in terms of assessing and reporting the FGDB's risk profile. Accordingly, *"Procedure for risk management within the Bank Deposit Guarantee Fund"* was adopted, which regulates the actions and the duties/responsibilities of the organisational structures, as well as the deadlines for their fulfilment as part of the process of risk management and reporting significant risks and of determining the FGDB's general risk profile.

Following the National Bank of Romania's *"Instructions of 23 August 2023 on compliance with Guidelines EBA/GL/2021/10 on stress tests of deposit guarantee schemes under Directive 2014/49/EU"*, the FGDB updated its *"Procedure for preparing and running stress simulation exercises by the Bank Deposit Guarantee Scheme"* by adding new elements from the *Guidelines EBA/GL/2021/10*, which, in particular, refer to (i) detailing all formats chosen for the simulation exercises (role-playing sessions, reviews based on available documents, on-site inspections, real-life cases that occurred during the stress-testing cycle and other types of exercises) and (ii) extending the scope of the stress simulation exercises which the FGDB may conduct.

[44] IADI Research Paper: Reimbursing Depositors Now and in the Future – Challenges, Remedies and Trends, June 2023

The procedural framework which applies in the area of personal data protection was completed in December 2023 and subsequently adopted early in January 2024. The respective framework consists of a set of five procedures which provide for the implementation of the key elements of the legislation on the protection of natural persons' personal data which are processed, as well as the free circulation of those data (General Data Protection Regulation - GDRP). The five procedures are:

1. *Procedure concerning the lawfulness, equity and transparency of personal data processing;*
2. *Procedure for ensuring the security of the personal data within the FGDB;*
3. *Procedure for assessing the impact on FGDB data protection;*
4. *Procedure concerning the risk analysis of rights and freedoms of persons concerned;*
5. *Procedure concerning notification of personal data breaches.*

Furthermore, the procedural framework for investing FGDB's financial resources was updated and a new procedure was adopted – *"Procedure concerning treasury operations within the Bank Deposit Guarantee Fund"* – which accommodates a new approach as called for by the implementation of the integrated IT system.

The implementation of the IITS, as well as the need to improve the process of individual assessment of staff performance and to comply with the amendments and completions to relevant legislation were the reasons behind the adoption in 2023 of a new *"Internal Regulation of the FGDB"*.

In order to comply with the amended applicable regulatory framework, two FGDB Regulations were updated as follows:

- at the end of May 2023, the FGDB's *"Regulation No. 1/2023 amending Regulation No. 2/2016 of the Bank Deposit Guarantee Fund on the calculation and payment of risk-based contributions to the Bank Deposit Guarantee Fund" (FGDB Regulation No. 1/2023)*[45] took effect updating the method of determining contributions according to the amendments to the framework for reporting prudential data;
- on 4 January 2024, the FGDB's *"Regulation No. 2/2023 repealing Regulation No. 4/2016 of the Bank Deposit Guarantee Fund on the organisation of stress simulation tests by the Bank Deposit Guarantee Fund" (FGDB Regulation No. 2/2023)*[46] came into effect stipulating that the FGDB plans, organises, conducts and prepares reports on stress simulation exercises in keeping with the *National Bank of Romania's Instructions on compliance with Guidelines EBA/GL/2021/10 on stress tests of deposit guarantee schemes under Directive 2014/49/EU.*

DEVELOPMENTS IN THE BANKING SECTOR IN THE EUROPEAN UNION AND IN ROMANIA

Developments in the Banking Sector in the European Union

In 2023, credit institutions across the European Union continued to operate in adverse circumstances fomented by persisting great uncertainty, high volatility in financial markets, steadily high inflation, scant economic growth and mounting geopolitical tension.

The European Union's banking sector stayed robust and resilient in 2023, when no significant credit institution ran into difficulties or was likely to encounter problems.

[45] *FGDB Regulation No. 1/2023* was published in Monitorul Oficial al României (The Official Gazette of Romania), Part I No. 480 of 31 May 2023.

[46] *FGDB Regulation No. 2/2023* was published in Monitorul Oficial al României (The Official Gazette of Romania), Part I No. 7 of 4 January 2024.

Economic Indicators

The annual growth rate of gross domestic product in the European Union slowed down significantly in 2023[47]. In 2023 as a whole, gross domestic product barely grew by 0.4 percent in both the European Union and the euro area, shedding three percentage points from the 2022 growth rate.

The main reasons behind the modest growth were high inflation, lower real disposable income, harsher financial conditions and weaker external demand.

Compared to the last three months of the previous year, gross domestic product in the European Union in the fourth quarter of 2023 inched up by 0.2 percent[48]. Significantly higher economic growth rates were registered in Croatia and Malta (+4.3 percent), while the gross domestic product of Romania increased by 1.1 percent in the last quarter of 2023 from the same year-ago period. At the opposite end was Ireland, whose economy contracted by a steep a 9.1 percent.

Owing to a restrictive monetary policy, lower energy prices and diminished inflationary pressure thanks to the contribution of food and industrial goods, the European Union annual inflation rate[49] declined throughout 2023, ending the year at 3.4 percent[50], that is seven percentage points below the level of December 2022. Annual inflation in the euro zone was 2.9 percent in December 2023.

The lowest annual inflation rates were registered in Denmark (0.4 percent), Belgium and Italy (0.5 percent). In contrast, the highest annual rates were recorded in Czechia (7.6 percent), and Romania (7.0 percent).

Despite the slowdown in economic growth, the labour market remained highly resilient, registering unemployment rates that were at their lowest since 2008.

Unemployment in the European Union as a whole stayed on the downward path in 2023 shedding 0.2 percentage points from the end of the previous year to stand at 5.9 percent in December 2023[51].

According to Eurostat data[52], the lowest unemployment rates in December 2023 were recorded in Malta (2.3 percent), Poland (2.7 percent) and Czechia (2.8 percent). Just like the previous year, Spain and Greece continued to post the highest unemployment figures across the whole European Union ending 2023 with rates of 11.7 percent and, respectively, 9.2 percent. At end-2023, unemployment rate in Romania was 5.4 percent, crawling down 0.2 percentage points from the previous year.

"The Banking Package" and Bank Resolution Regulations

In December 2023, agreement was reached on the final rules under the *Banking Package*[53] which the European Commission had tabled in October 2021 in an attempt to build up the resilience of banks operating across the European Union in the face of potential economic shocks and environment, social and governance risks, and to consolidate the framework for bank supervision and risk management.

[47] Eurostat, News Release – GDP main aggregates and employment estimates for the fourth quarter of 2023, 8 March 2024.

[48] Seasonally adjusted figures.

[49] Calculated based on the harmonised index of consumer prices.

[50] Eurostat, News Release 10/2024, 17 January 2024.

[51] Eurostat, News Release 17/2024, 1 February 2024

[52] Seasonally adjusted figures.

[53] Proposal for a directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches and environmental, social and governance risks, and amending Directive 2014/59/EU (CRD), as well as proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No. 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor, and amending Regulation (EU) No. 806/2004 (CRR).

The final elements were thus endorsed for the implementation within the European Union of the last set of global regulatory standards for banks (the Basel III standards).

In terms of bank resolution, the European Banking Authority issued in June 2023 *Guidelines EBA/GL/2023/05 amending Guidelines EBA/GL/2022/01 on improving resolvability for institutions and resolution authorities under articles 15 and 16 of Directive 2014/59/EU*[54] *(Resolvability Guidelines) to introduce a new section on resolvability testing (Guidelines EBA/GL/2023/05)*[55].

EBA/GL/2023/05 includes guidelines on resolvability testing by credit institutions and resolution authorities which apply starting 1 January 2024.

Credit institutions are expected to submit their first self-assessment report to resolution authorities by end-2024.

Resolution authorities are to adopt multiannual resolvability testing programmes for the credit institutions under their remit. These multiannual programmes must contain all the capabilities envisaged in *Guidelines EBA/GL/2023/05 and Guidelines EBA/GL/2022/11 on transferability to complement the resolvability assessment for transfer strategies (Guidelines EBA/GL/2022/11)*[56].

In September 2023, the Single Resolution Board published the results of its second resolvability assessment of Banking Union credit institutions[57], including a heat-map which highlights the progress banks made in meeting the criteria the Single Resolution Board set under the Expectations for Banks document[58], as well as in building up the minimum requirement for eligible liabilities and own funds (MREL).

The Single Resolution Board's assessment, based on end-2022 data, showed that banks had made further progress as concerned a significant portion of the expectations contained in the aforesaid document, developing operational processes and starting to test IT systems.

As for MREL, the fact was brought to the fore that two-thirds of the banks had already reached the final MREL target set for 1 January 2024, having significantly increased their loss-absorbing capability and recapitalisation resources.

Resolution remains the chosen strategy for 85 percent of the total number of banks under the remit of the Single Resolution Board, while 15 percent, mostly smaller banks, with a specific business model, foresaw liquidation, with the bail-in as the favourite resolution tool.

Banking Sector Indicators

The European Banking Authority's Risk Dashboard Data as of Q4 2023[59], providing aggregate statistical information relating to the largest credit institutions in the European Union/the European Economic Area, show that in 2023, European banks continued to consolidate their capital positions.

[54] Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU of the European Parliament and of the Council, as well as Regulations (EU) No. 1093/2010 and ((EU) No. 648/2012 of the European Parliament and of the Council

[55] Final Report on Guidelines amending Guidelines EBA/GL/2022/01 on improving resolvability for institutions and resolution authorities under articles 15 and 16 of Directive 2014/59/EU (Resolvability Guidelines) to introduce a new section on resolvability testing - EBA/GL/2023/05, 13 June 2023

[56] Final Report on Guidelines for institutions and resolution authorities to complement the resolvability assessment for transfer strategies (Transferability Guidelines) - EBA/GL/2022/11, 27 September 2022.

[57] Resolvability of Banking Union Banks: 2022, September 2023.

[58] The said document, which was published in 2020, includes guidance, standards and good practices in connection with the actions the Single Resolution Fund expects banks to take to ensure resolvability. It also includes a timeline for the respective actions.

[59] EBA Risk Dashboard Data as of Q4 2023, 4 April 2024.

The Common Equity Tier 1 (CET 1) ratio for all European banks hit a 10-year peak on 31 December 2023 when it amounted to 15.9 percent, having notched up by 0.5 percentage points from the end of the previous year.

Loan portfolio quality stayed relatively stable, with the non-performing loan ratio inching up from 1.8 percent on 31 December 2022 to 1.9 percent at end-2023.

Profitability remained high, as the evolution of interest rates, which led to high net interest margins, kept it in positive territory. The Return on Equity (RoE) climbed to 10.3 percent at the end of 2023 (+2.2 percentage points as to the end of the previous year). At the same time, the Return on Assets (RoA) headed up to 0.68 percent on 31 December 2023 (having gone up by 0.16 percentage points from the end-2022 level).

In terms of liquidity, banks maintained their solid position with liquidity indicators climbing well above the regulatory minimum requirements. The liquidity coverage ratio increased to 167.1 percent at the end of 2023 (+3 percentage points from 31 December 2022), while the net stable funding ratio rose by 1.2 percentage points to 126.8 percent ay end-2023.

Developments in the Banking Sector in Romania

"The Romanian banking sector has been experiencing good times in terms of key financial and prudential indicators, despite the challenges associated with the health crisis and the regional geopolitical context."

"The solvency ratio [...] is adequate and above the EU average, liquidity indicators have improved as against 2022, while the main asset quality indicators [...] place the banking sector in the EBA-defined low-risk bucket."

Financial Stability Report of the National Bank of Romania
December 2023

In 2023, the banking sector in Romania preserved its solidity and resilience despite mounting uncertainty over the economic and geopolitical situation both in the region and on a global scale. The National Bank of Romania, as the competent authority and the resolution authority, did not have to apply bank recovery or resolution measures. Neither did the FGDB find itself in a situation where it had to disburse payouts as there was no deposit unavailability event.

In 2023, the Idea Bank S.A., whose integration into the Banca Transilvania Financial Group was finalised during the year 2022, was renamed Salt Bank S.A. The former Idea Bank was the third credit institution which the Romanian banking group acquired over the past few years[60]. Unlike the other two purchased banks which went through a merger process, Idea Bank continued to operate online only as an independent credit institution.

Moreover, following the completion in 2022 of the merger by absorption[61] of Banca Românească S.A. by EximBank S.A., the latter entered Romania's retail market and joined the category of universal banks, and in 2023 changed its name to Exim Banca Românească S.A.

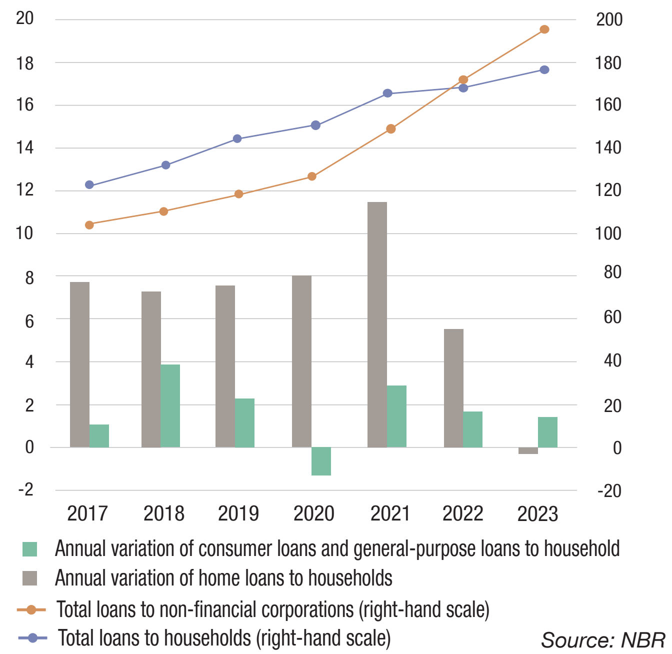
[60] Banca Transilvania S.A. previously bought Volksbank România S.A. (in 2015) and Bancpost S.A. (in 2018).

[61] The process started in the summer of 2019 when Banca de Export Import a României EximBank S.A., whose majority stockholder was the Romanian state, purchased, through the agency of the Ministry of Finance, the majority stake in Banca Românească S.A. from the National Bank of Greece.

Aggregate Indicators Concerning Credit Institutions in Romania[62]

On 31 December 2023, credit institutions operating across Romania held net assets worth a total 803.4 billion lei, up 14.6 percent year-on-year. Privately-owned credit institutions accounted for 86.3 percent of total assets in the banking system at the end of the year, a share that had been on the slide in recent years. At the same time, foreign-owned credit institutions' stake of total assets had diminished to 65.6 percent at end-2023, having lost 2.5 percentage points from the level of the previous year.

Evolution of loans to households and non-financial corporations (billion lei; end-period)



Source: NBR

The profitability of the banking system saw further significant improvement in 2023. Accordingly, ROE[63] stood at 20.4 percent on 31 December 2023 (an annual variation of +4 percentage points), while ROA[64] amounted to 1.82 percent (an annual variation of +0.32 percentage points). The non-performing loan ratio continued to head downhill hitting an all-time low of 2.33 percent at the end of the year 2023. Liquidity stayed at a level that was adequate and higher than in 2022, while the liquidity coverage ratio[65] amounted to 280.78 percent at the end of 2023.

FGDB-affiliated credit institutions continued to be well-capitalised in 2023, with relevant indicators staying at levels higher than prudential requirements. The total capital ratio amounted to 22.51 percent, while Tier 1 capital ratio stood at 19.58 percent. The leverage ratio[66], at 7.71 percent at end-2023, was well above the regulatory minimum requirement.

At end-2023, loans to households and non-financial corporations amounted to 368.6 billion lei, having gone up by 5.9 percent from the year-ago period. Loans to households posted an annual rise of 1.4 percent to total 173.9 billion lei on 31 December 2023.

Home loans to households in 2023 lost the momentum of previous years, the volume of real estate deals a reflection of the uncertainties triggered by tense and complicated international circumstances. Nevertheless, *the Noua Casă (New Home)*[67] Government programme ran for the fifteenth consecutive year, preserving the loan ceiling of recent years, as its continuation was considered as highly important to households.

Loans to non-financial corporations advanced at a faster pace, reaching 194.7 billion lei, having moved up by 10.3 percent from the end of 2022.

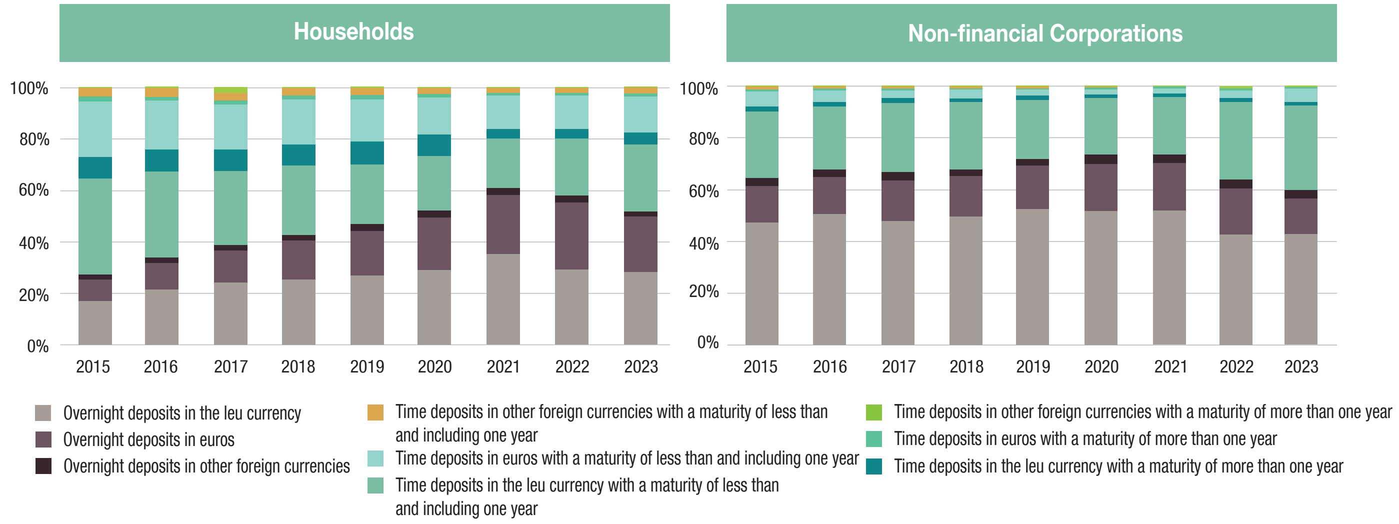
In 2023, unlike the previous year, loans in the national currency prevailed over hard-currency credits. Total loans in the leu currency amounted to 258,3 billion lei on 31 December 2023 (an annual variation of +5.8 percent), while credits in foreign currencies shot up to the leu equivalent of 110.3 billion on the same date. Around 70 percent of the advance in 2023 lending was accounted for by credits in the national currency, particularly to non-financial corporations.

After two years of successive increases, the monetary policy rate was raised again in January 2023, reaching a level of seven percent which remained unchanged throughout the year.

In December 2023, the average interest rate on new loans in the national currency was 8.58 percent in the case of household loans, shrinking by 0.82 percentage points from the same month of the previous year, and, respectively, 8.69 percent in the case of credits to non-financial corporations (-1.24 percentage points as compared to December 2022). The average interest on new euro-denominated loans to households bounced up to 7.58 percent in December 2023, exceeding the year-ago level by 2.83 percentage points. Deposits in euro held by non-financial corporations carried an average interest rate of 6.59 percent, up 2.04 percentage points from the 2022 level.

Deposits taken from households and non-financial corporations[68] maintained the upward trend in 2023, going up by 12.9 percent to 553.3 billion lei by the end of the year. Just as during the previous year, it was the time-deposits segment that accounted almost entirely for the annual increase in deposits. Overnight deposits advanced only slightly and only in the case of non-financial corporations.

Structure of deposits by maturities (%; end-period)



Source: NBR

[62] At the end of 2023, there were 32 credit institutions in operation, of which 24 were Romanian legal persons affiliated to the FGDB and eight were branches of credit institutions of other EU states which participate in the deposit guarantee schemes of their home countries.
The aggregate indicators for credit institutions, as well as data on loans and deposits were taken from the website of the National Bank of Romania when the present Report was being prepared.

[63] ROE is calculated as ratio of annualised net income to average own capital.

[64] ROA is determined by dividing annualised net earnings by average total assets.

[65] This indicator is calculated as ratio of a credit institution's liquidity reserve to its net cash outflows for a stress period of 30 calendar days and is expressed as a percentage.

[66] The leverage ratio measures the extent to which credit institutions finance their operations from their own sources and gauges Tier 1 capital to average total assets.

[67] A continuation of the *Prima Casă (First Home)* programme launched in 2009 as a social programme offering natural persons government-backed loans to help them buy homes.

[68] Data include deposits held with branches of foreign credit institutions which are affiliated to the deposit guarantee schemes of their home countries.

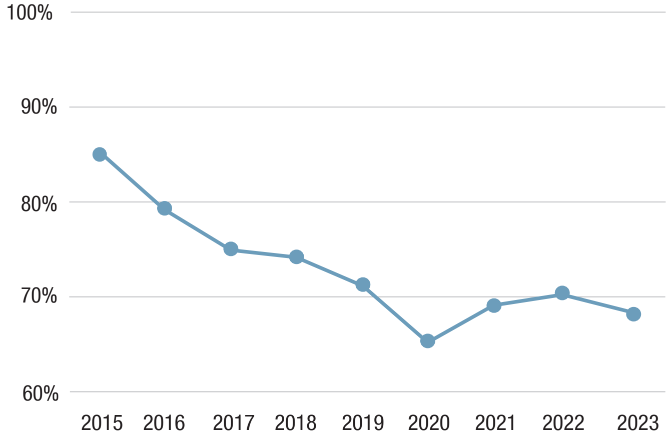
At the end of 2023, the average interest rate on new household time deposits in the leu currency was 1.25 percentage points down at 5.9 percent on 31 December after a significant increase throughout the previous year. The average interest on new time deposits in euros continued to follow an upward course, adding 0.95 percentage points to end the period at 2.05 percent.

The average interest rate on deposits held by non-financial corporations headed lower by 0.98 percentage points to 5.52 percent in the case of the leu denomination and increased by 1.9 percentage points to 3.09 percent in the case of deposits in euros.

As far as the household and non-financial corporation segments are concerned, the loan-to-deposit ratio in 2023 traced a downward path, sliding 3.58 percentage points to 67.84 per cent at the end of the year. Domestic savings remained a strong, significant source of financing for banks.

On 31 December 2023, eligible deposits held by households and legal entities amounted to 508.1 billion lei, having soared by 12.4 percent from the end of the previous year[69].

Evolution of the loan-to deposit ratio
(%; end-period)



Source: NBR

COOPERATIVE RELATIONS AT THE NATIONAL LEVEL

Given its primary mission of protecting depositors and in consideration of its contribution to maintaining financial stability, the FGDB was granted observer status to the National Committee for Macroprudential Supervision (CNSM)[70].

The CNSM's fundamental target is to contribute to safeguarding financial stability by strengthening the resilience to shocks of the financial system and by minimising the build-up of systemic risks, all this allowing the financial system to make a durable contribution to economic growth.

The CNSM gathers representatives of authorities that play a significant part in ensuring financial stability, namely the National Bank of Romania, the Financial Supervisory Authority, and Romania's Government, and its mission is to coordinate the macroprudential supervision of the national financial system by establishing a macroprudential policy and by developing the appropriate tools to implement it.

Based on the observer status the FGDB enjoys within the CNSM, its General Director attends the meetings of the CNSM's General Board without the right to vote.

The agenda of the meetings held throughout 2023 included such topics as macroprudential policy and the systemic risks identified within the national financial system, aspects related to the government exposures of the banking sector in Romania, an assessment of the cross-border effects of macroprudential measures, the implementation of CNSM recommendations, the calendar of European Systemic Risk Board (ESRB) recommendations the implementation of which requires measures from national authorities, the designation of the Republic of Moldova as a material third country for the banking sector in Romania in terms of recognising and setting countercyclical buffer rates.

Moreover, an analysis was made of the results of the solvency stress test for the banking sector, developments in the commercial real estate market in Romania, the assessment of Romanian competitive companies with domestic capital that operate in strategic sectors, the results of the stress test for private pension funds in Romania, the impact of credit institutions' funding plans on the flow of credits to the real economy, the implications of introducing an additional tax on banks in Romania, the results of the questionnaire on assessing trends and preparedness related to climate change among financial institutions.

With a view to implementing the provisions of *Recommendation ESRB/2021/17 for the establishment of a pan-European systemic cyber incident coordination framework (EU-SCICF)*, the CNSM decided to set up a standing interinstitutional working group within the *Technical Committee on Systemic Risk* in order to facilitate the development of a cooperation framework among relevant institutions at national and European levels.

The working group comprises representatives of relevant authorities in this area, namely the National Bank of Romania, the Financial Supervisory Authority, the Government of Romania and the Cyber Security National Directorate, an institution subordinated to the Government.

The CNSM recommended the National Bank of Romania to implement, starting 1 January 2024, a capital buffer for other systemically important institutions (O-SII) applicable to banks identified as systemically important pursuant to the *Methodology for identifying systemic credit institutions and calibrating the O-SII buffer,* based on reported data as at 31 December 2022[71] *(Recommendation ESRB R/4/2023 on the capital buffer for other systemically important institutions in Romania).*

On 4 May 2023, a *Framework Agreement on Interinstitutional Cooperation between the National Bank of Romania, the Ministry of Finance and the Bank Deposit Guarantee Fund (Framework Agreement)* came into effect, laying the foundation of a formalised framework to facilitate communication and the run of activities of the three institutions allowing them to fulfil the duties incumbent on them as direct participants in safeguarding financial stability and assigned under the provisions of applicable regulations.

In compliance with the provisions of the *Framework Agreement,* the signatories worked throughout 2023 to establish a common communication platform and to prepare or, where appropriate, to revise the bilateral accords between institutions.

[69] FGDB data based on reports from participating credit institutions.

[70] The CNSM is an interinstitutional cooperation structure set up under *Law No. 12/2017 on macroprudential supervision of the national financial system* which implemented the *Recommendation on the macroprudential mandate of national authorities of the European Systemic Risk Board (ESRB) – Recommendation ESRB/2011/3*

[71] Based on that Recommendation, *the National Bank of Romania issued Order No. 9/2023 (O-SII),* which was published in Monitorul Oficial al României (The Official Gazette of Romania), Part I No. 1177 of 27 December 2023. The same nine banks, all affiliated to the FGDB, which were identified back in 2022 as "other systemically important institutions" remained in that category. On 31 December 2023, the nine banks accounted for 92.4 percent of the total FGDB-covered deposits held with participating credit institutions, having picked up 0.15 percentage points from 31 December 2022.

INTERNATIONAL ACTIVITIES

In 2023, the FGDB remained actively committed to the projects and actions of the two international professional associations operating in the area of deposit insurance – the European Forum of Deposit Insurers (EFDI)[72] and the International Association of Deposit Insurers (IADI)[73].

FGDB representatives to EFDI committees and working groups contributed to the projects developed throughout 2023 and took part in talks on the position of deposit guarantee schemes across the European Union vis-à-vis the package for the revision of the crisis management and deposit insurance framework which the European Commission had tabled in April 2023.

In that respect, the EFDI's Banking Union Working Group, which includes FGDB representatives, conducted a survey among deposit guarantee schemes within the Economic European Area to assess practitioners' opinions on the proposed revision of the crisis management and deposit insurance framework. That survey made the foundation of the statements of principle from practitioners of deposit guarantee on the revision of the European crisis management and deposit insurance framework[74], which the EFDI sent to the European Commission using the *Have Your Say* portal. The portal offers interested parties the possibility to share their views and suggestions on initiatives launched by the European Commission[75].

At the same time, the FGDB's General Director continued to take active part in the European Banking Authority's Task Force on Deposit Guarantee Schemes, which was created to analyse the implementation of the provisions of *Directive 2014/49/EU on deposit guarantee schemes* and to prepare opinions containing proposals for updating the applicable framework. In that capacity, the FGDB's General Director contributed in 2023 to an analysis that underpinned the *European Banking Authority's Report on deposit coverage EBA/Rep/2023/39.*

In line with a national mandate approved by the National Bank of Romania, the FGDB, alongside representatives of the National Bank of Romania and of the Ministry of Finance, attends the meetings of the *Working Party on Financial Services and the Banking Union (CMDI),* which was set up within the Council of the European Union and comprises financial experts and attachés of member states, and also participates either in bilateral technical discussions with representatives of other member countries on their position on the European Commission's proposals or in talks with representatives of the Presidency of the Council of the European Union,

Over 5-6 October 2023, the FGDB was the venue of the Bucharest meetings of three EFDI working groups on stress simulation exercises, cross-border collaboration between deposit guarantee schemes, and public relations and communication.

The respective meetings occasioned talks on the stress tests conducted by deposit guarantee schemes, particularly on the tests involving the information files needed to prepare and run the process of repaying depositors and the tests assessing the guarantee schemes' funding capability.

Sharp focus was given to cross-border communication between the deposit guarantee schemes of home member states and those of host member countries considering the framework defined under the multilateral cooperation agreement concluded between EFDI-affiliated institutions, as well as the guidelines issued by this association.

Moreover, given the constant concern on the part of deposit guarantee schemes for ensuring an effective public communication, presentations were given of communication campaigns run by European deposit guarantee schemes and the relevant knowledge and experience acquired in this field were shared.

Over 27-28 February 2023, the FGDB received a delegation of the *Deposit Protection Agency of the Kyrgyz Republic (DPAKR)* on a study visit to Romania. The main issues on the agenda were:

- the FGDB's duties, organisation and operation;
- the FGDB as liquidator, with emphasis on its duties and the role it plays during the proceedings for the court-supervised liquidation of a credit institution;
- the FGDB's funding policy, policy of investing financial resources and risk management policy;
- the contingent financing the FGDB took from the International Bank for Reconstruction and Development;
- the FGDB's relationship with the other institutions contributing to safeguarding financial stability (the National Bank of Romania, the Ministry of Finance, and the Financial Supervisory Authority).

During the visit, the FGDB and the DPAKR signed a Memorandum of Understanding on the cooperation between the two institutions.

In September 2023, the FGDB shared its experience in the operationalisation of temporary high balances during a virtual meeting with representatives of the Republic of Moldova's deposit guarantee scheme and banks.

A cross-border payout process, with Hungary's deposit guarantee scheme, as the scheme of the home member state, paying compensation through the agency of the FGDB, as the scheme of the host member country, was partially tested at the end of 2023[76].

The FGDB, together with representatives of the National Bank of Romania and of the Ministry of Finance, took part in the virtual meetings of the resolution colleges organised by the Single Resolution Board.

Based on the cooperation between the FGDB and the National Bank of Romania in the application of bank recovery and resolution measures according to the applicable legal framework, on 5 July 2023, the FGDB and the Bank Resolution Department organised at the central bank's headquarters a seminar where guest speakers included representatives of the deposit guarantee scheme of Poland (Bankowy Fundusz Gwarancyjny - BFG), an institution which also acts as resolution authority. During the seminar, the BFG representatives delivered presentations on the theme *"The Bridge Bank as a Resolution Tool – the Polish Resolution Authority's Experience".*

[72] The EFDI includes 69 institutions from 50 countries, of which 55 deposit guarantee schemes as full members and 14 investor compensation schemes as associate members.

[73] The IADI has 98 member organisations, 11 associates and 17 partners.

[74] The statements of principle from practitioners of deposit guarantee on the revision of the European crisis management and deposit insurance framework are to be found in the section *EFDI Research Papers and Documents* of the present Chapter.

[75] Views and suggestions on the European Commission's initiative to revise the crisis management and deposit insurance framework and, respectively, to amend the *Directive on deposit guarantee schemes* could be formulated over 20 April-30 August 2023.

[76] The FGDB concluded a bilateral cooperation agreement with Hungary's deposit guarantee scheme – Országos Betétbiztosítás Alap (OBA) – in 2020. The December 2023 test was conducted in compliance with the *European Banking Authority's revised Guidelines on stress tests of deposit guarantee scheme.*

3 DEPOSIT GUARANTEE

Within the law, the FGDB's scope of guarantee includes eligible deposits held by natural persons, small and medium-sized enterprises, companies and other similar entities.

EVOLUTION OF DEPOSITS IN 2023

By end-2023, eligible deposits (that is, FGDB-guaranteed[77] deposits held at affiliated credit institutions) had bounced up by a year-on-year 12.4 percent amounting to 508.1 billion lei. More than 50 percent of the annual hike in eligible deposits was accounted for by the higher levels registered in the fourth quarter of the year.

The propensity for savings, particularly in the leu currency, maintained its pace in 2023, reflecting confidence in the national currency as a means of saving and accumulation despite a slight decrease in the interest rates credit institutions offered on deposits taken from households and corporations. Interest rates on deposits in foreign currencies remained in positive territory, although the rises were less significant than the previous year's.

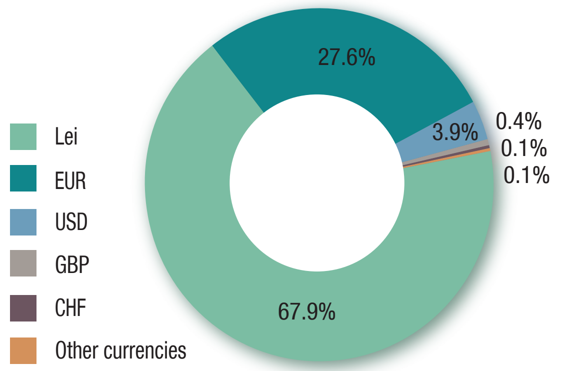
Despite such developments, the advance of household deposits was mainly an outcome of the upturn in leu-denominated time deposits which in 2023 once again balanced out withdrawals of funds from overnight deposits[78].

As previously highlighted, the 2023 rise in eligible deposits was the exclusive result of the evolution of deposits in the national currency held by both households and legal entities.

On 31 December 2023, leu-denominated eligible deposits stood at 345.1 billion lei, posting a 20.3 percent increase over the previous year's level. Consequently, deposits in the leu currency consolidated their weight within the total volume of eligible deposits accounting for almost 68 percent of their worth at the end of the year 2023.

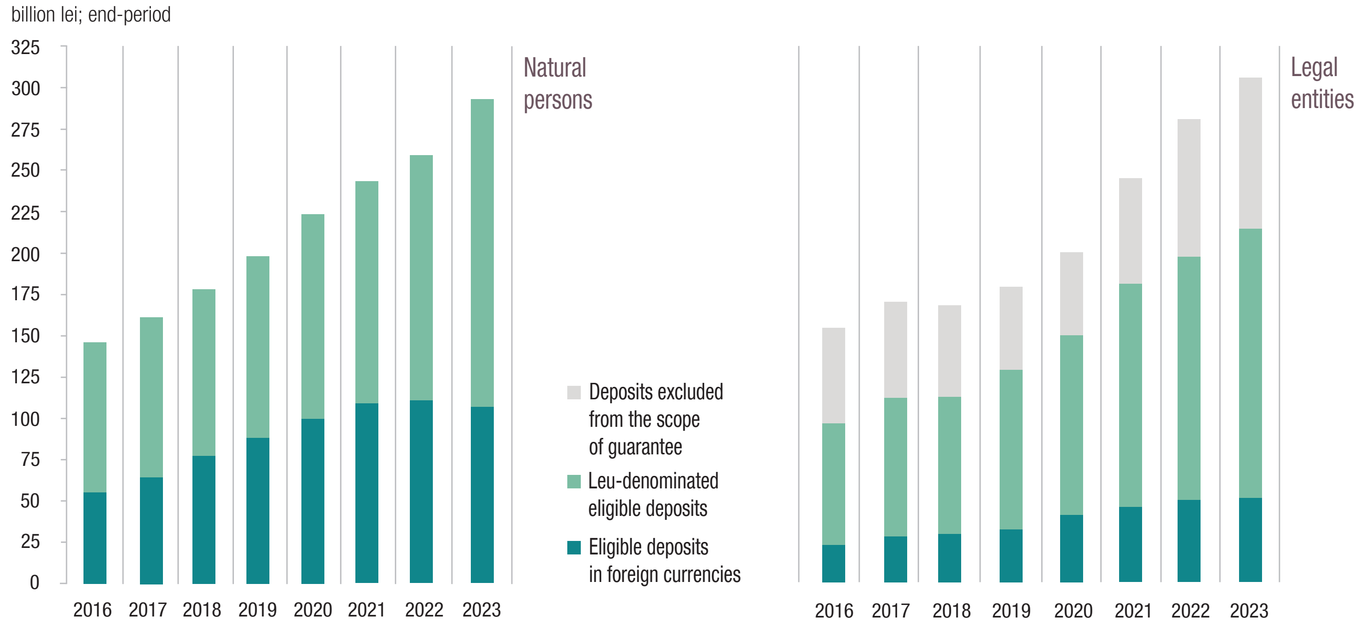
At the same point in time, eligible deposits in foreign currency retreated down to the leu equivalent of 163 billion (an annual variation of -1.3 percent). By currencies, deposits, irrespective of denomination, stayed on the slide throughout 2023. The sharpest fall in nominal terms was registered in the case of deposits in U,S. dollars (the slump in these categories deposits was behind approximately 50 percent of the drop in deposits in foreign currencies).

Structure of Eligible Deposits by Currency as at 31 December 2023



At end-2023, the FGDB's scope of guarantee included deposits held by 15,816,937 depositors, natural and legal persons.

Deposits at Affiliated Credit Institutions



[77] A statement of deposits with participating credit institutions as at 31 December 2023 is provided in Annex 3.

[78] Monthly bulletin of the National Bank of Romania, December 2023, year XXXI, No. 362. According to data provided by the National Bank of Romania, leu-denominated time deposits with maturities of one year or less were behind the bulk of the increase in deposits (60 percent).

A percentage of 98.7 of the total number of guaranteed depositors were resident natural and legal persons holding deposits worth 494.6 billion lei (or 97.3 percent of total eligible deposits) on 31 December 2023.

At the end of the year 2023, FGDB-covered deposits[79] amounted to 303.7 billion lei, having surged by 12.4 percent throughout the year. More than two thirds of the annual rise in covered deposits was accounted for by moves in the segment of household deposits worth the leu equivalent of 100,000 euros or less. The most substantial increases in deposits within the guarantee ceiling, held by both households and legal entities, occurred during the last quarter of 2023.

On the same reference date, 99.5 percent of total depositors, natural persons, and 96.2 percent of total guaranteed depositors, legal persons, had in their deposit accounts the leu equivalent of 100,000 euros or less and, therefore, enjoyed full FGDB coverage.

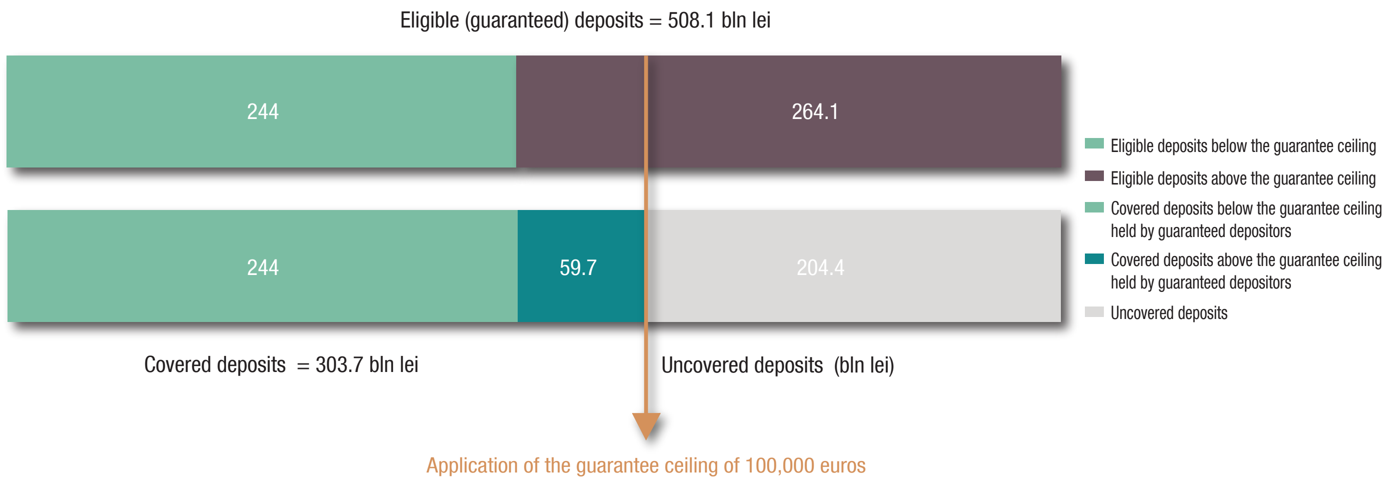
Deposits below or up to the guarantee ceiling accounted for approximately 80 percent of total FGDB-covered deposits on 31 December 2023.

On 31 December 2023, deposits below or equal to the guarantee threshold in its leu equivalent[80] amounted to 244 billion lei, posting an annual increase by 11.6 percent. Deposits above the coverage level moved higher by 13.1 percent to stand at 264.1 billion lei at end-2023.

On 31 December 2023, covered deposits accounted for around 60 percent of total eligible deposits.

On 31 December 2023, deposits within the coverage limit accounted for 48 percent of total eligible deposits.

Positioning of Eligible Deposits in Relation to the 100,000-Euro Guarantee Ceiling (billion lei) on 31 December 2023



[79] A covered deposit is the part of an eligible deposit that does not exceed the guarantee ceiling of 100,000 euros in the leu equivalent.

[80] On 31 December 2023, the 100,000-euro coverage level was the equivalent of 497,460 lei.

NATURAL PERSONS' ELIGIBLE DEPOSITS

Natural persons' deposits, which registered an annual increase of 12.2 percent to end the year on 31 December 2023 at 290 billion lei were the strongest drivers for the rise in the volume of eligible deposits. Three quarters of the annual advance of household deposits were accounted for by the upswing in deposits below the guarantee ceiling and denominated in the national currency.

On the same reference date, there were 14,627,613 guaranteed depositors, natural persons, of which 98.6 percent residents. Their deposits headed higher throughout the year, reaching 282.3 billion lei.

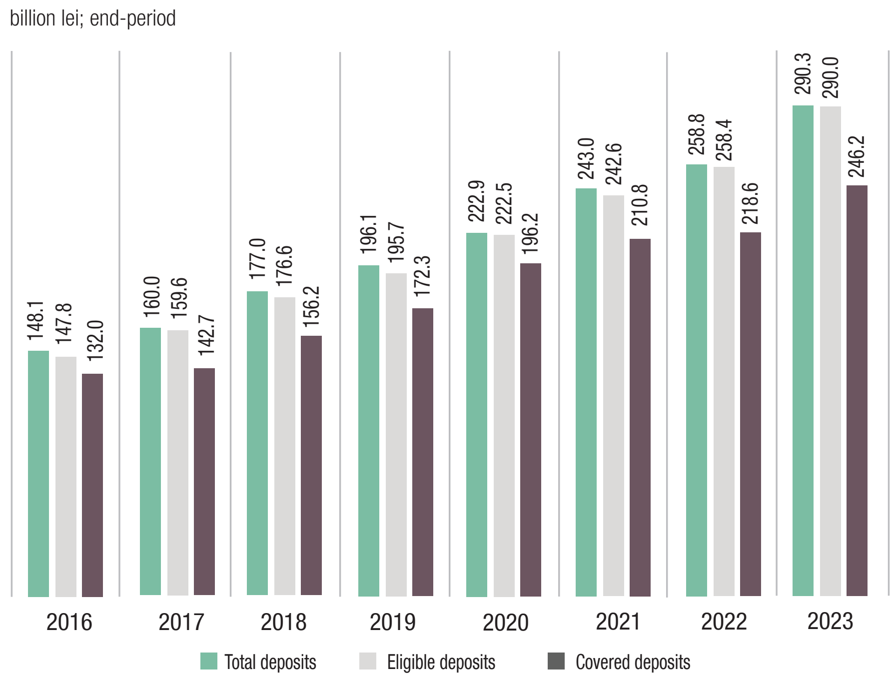
At the end of 2023, leu-denominated eligible deposits held with credit institutions in the membership of the FGDB amounted to 178.9 billion lei. People's propensity for savings in the national currency triggered the most significant recent annual increase, that is 24.4 percent.

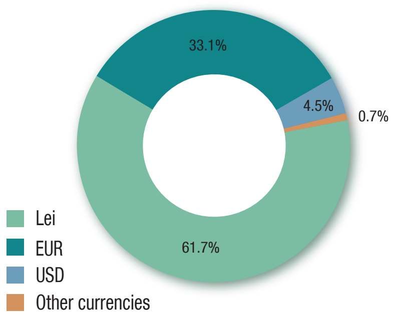
Deposits in foreign currencies recorded their first fall in recent years, slumping to the leu equivalent of 111.1 billion (an annual variation of -3.1 percent). The drop in euro-denominated deposits accounted for 80 percent of the annual decrease of the eligible deposits held by natural persons.

The consumer confidence index at the European level improved throughout 2023, although it still remained below recent average levels. Consumers' inclination to save at present or in the near future strengthened, which was apparent in their savings behaviour despite interest rate levels in Romania.

The labour market in Romania showed further signs of recovery all through 2023 pushing the unemployment rate to a four-year low of 5.4 percent[81], as the process of digitalisation continued and hybrid work arrangements were maintained.

Household Deposits at Affiliated Credit Institutions





[81] Press Release No. 25/1 February 2024 of the National Institute of Statistics.

At the end of the reference time span, average net earnings[82] stood at 5,079 lei, up an annual 15.5 percent, while the average monthly pension[83] (for all categories of pensioners) amounted to 2,125 lei (up 13.9 percent from the previous year, in nominal terms). The annual inflation rate slashed almost half the increase in incomes, with the average wage index amounting to 108.3 percent in real terms on 31 December 2023, when the real average pension index was 106.8 percent.

An analysis of the data credit institutions participating in the FGDB reported on 31 December 2023 highlighted several salient features of the distribution of depositors, natural persons, and the spread of their deposits, with the inversely proportional relationship between the two variables remaining unchanged.

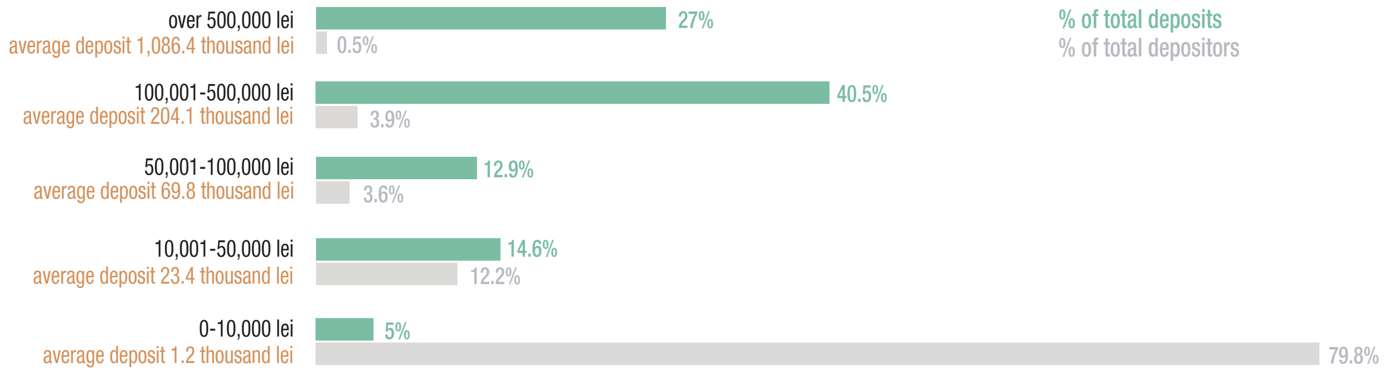
Depositors holding amounts smaller or equal to 10 thousand lei made up the segment with the most numerous depositors included in the analysis (79.8 percent). They held a scant five percent of total deposits and the average deposit in this segment amounted to 1.2 thousand lei. The next two segments – where amounts ranged from 10 thousand lei to 50 thousand lei and, respectively, from over 50 thousand lei to 100 thousand lei – grouped 15.8 percent of depositors and their share of total deposits stood at 27.5 percent.

Depositors having more than 100 thousand lei and up to 500 thousand lei in their bank accounts represented a mere 3.9 percent of total depositors but took the largest share of total deposits (40.5 percent). The average worth of a deposit in this segment was 204.1 thousand lei. The smallest portion, of only 0.5 percent of the natural persons included in the analysis, was held by depositors with more than 500 thousand lei in the bank who accounted for 27 percent of the volume of deposits. The average deposit in this case was 1,086.4 thousand lei.

The Bucharest-Ilfov Development Region, which is the most developed region in Romania, concentrated almost 30 percent of the deposits held by the natural persons included in the analysis and, at end-2023, it recorded the highest average deposit (38.3 thousand lei). In nominal terms, the increase in deposits in this region amounted to 7.5 billion lei, a more than 20 percent jump from the previous year's advance.

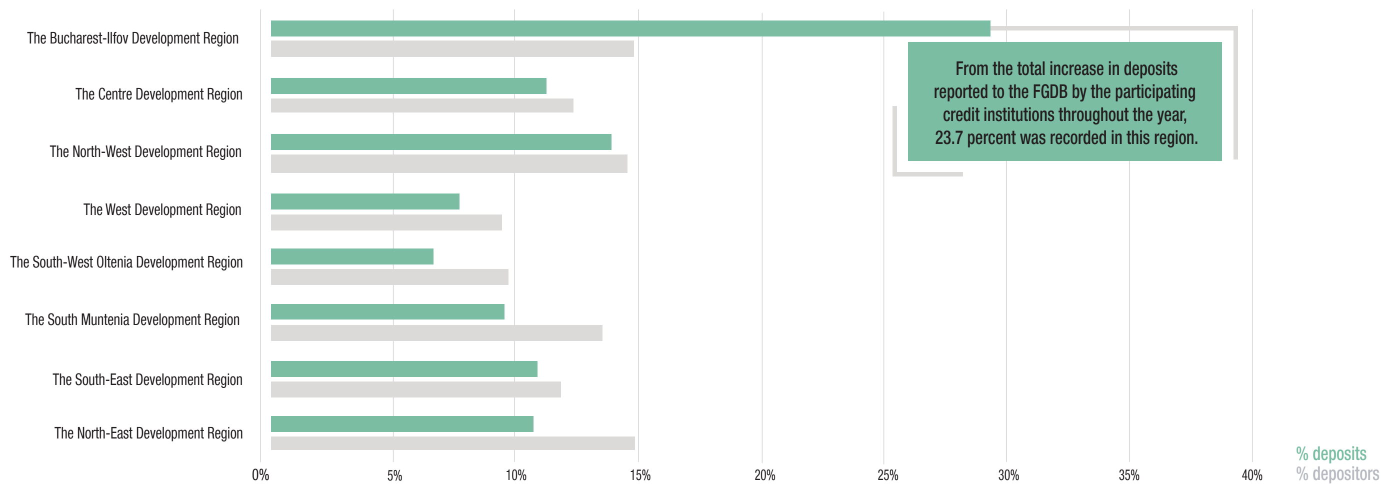
At the opposite end of the line, there lies the South-West Oltenia Development Region where, by comparison with all the other regions of the country, the value of the average deposit was the lowest (14.1 thousand lei) although the pace at which that deposit picked up throughout the year was the fastest (+16.2 percent).

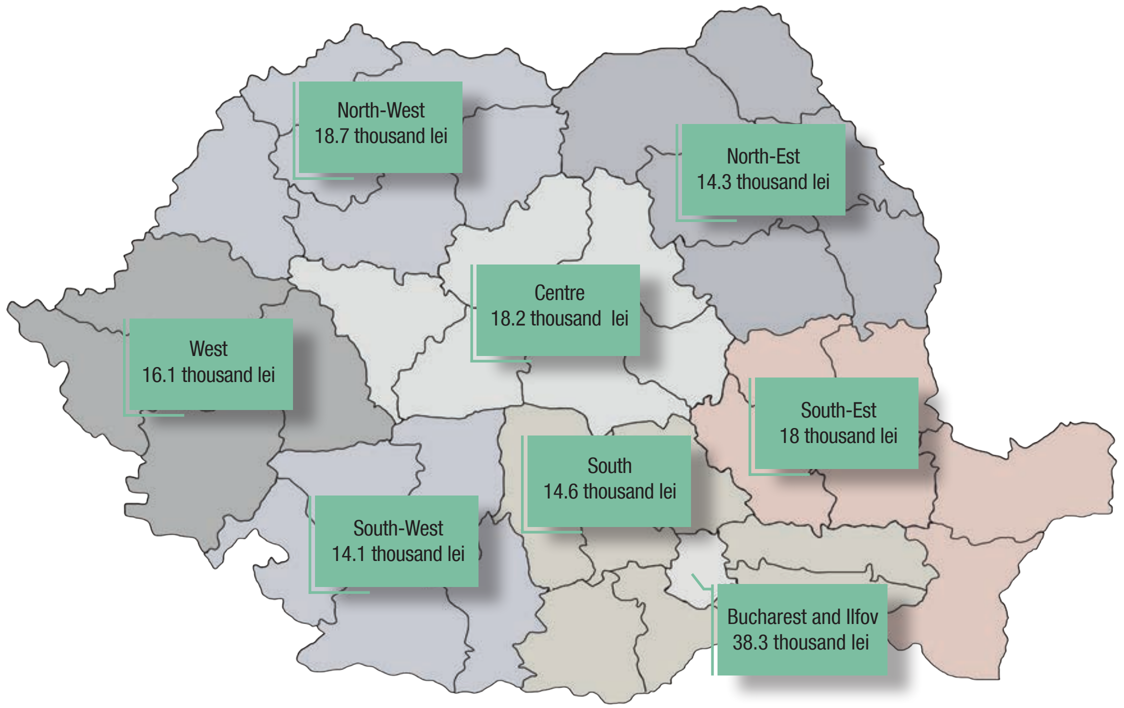
Distribution of Deposits by Ranges of Values



[82] Press Release No. 32/12 February 2024 of the National Institute of Statistics.
[83] Press Release No. 61/14 March 2024 of the National Institute of Statistics.

Distribution of deposits and depositors by regions





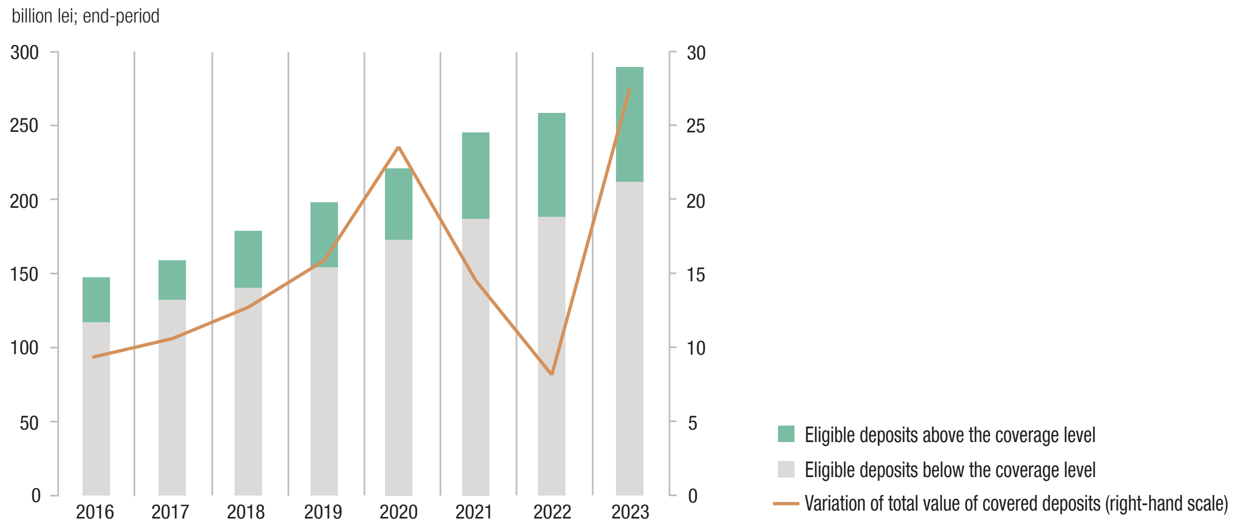
By home countries, non-resident natural persons holding the largest bank deposits in Romania at the end of 2023 came, in descending order, from Germany, Italy, the United States of America, Ukraine and Israel.

In 2023, covered household deposits rose by 12.6 percent to 246.2 billion lei at the end of the year. As, generally speaking, natural persons' covered deposits below or equal to the leu equivalent of the guarantee limit hold a substantial share of total eligible deposits, on that reference date these deposits accounted for about 85 percent of total eligible deposits held by households. More than 80 percent of the 2023 increase in total FGDB-covered deposits was accounted for by natural persons' deposits.

In terms of guarantee threshold, natural persons' deposits below or equal to that ceiling amounted to 209.2 billion lei (accounting for 72.1 percent of total eligible deposits) on 31 December 2023, having gained 12 percent from the end of the previous year. Since most depositors, natural persons, held amounts at most equal to the coverage level, over 80 percent of the annual growth of FGDB-covered household deposits was accounted for by deposits below or equal to the leu equivalent of the 100,000-euro threshold. As many as 14,553,232, or 99.5 percent of total depositors, natural persons, got full coverage of their deposits. At the same time, deposits above the guarantee threshold followed an upward course as well, going up by 12.7 percent to 80.8 billion lei at end-2023.

At the end of 2023, the average worth of a covered deposit held by a natural person stood at 16.8 thousand lei (a variation of +10.5 percent as to end-December 2022).

Positioning of Eligible Household Deposits in Relation to the Guarantee Ceiling



LEGAL PERSONS' ELIGIBLE DEPOSITS

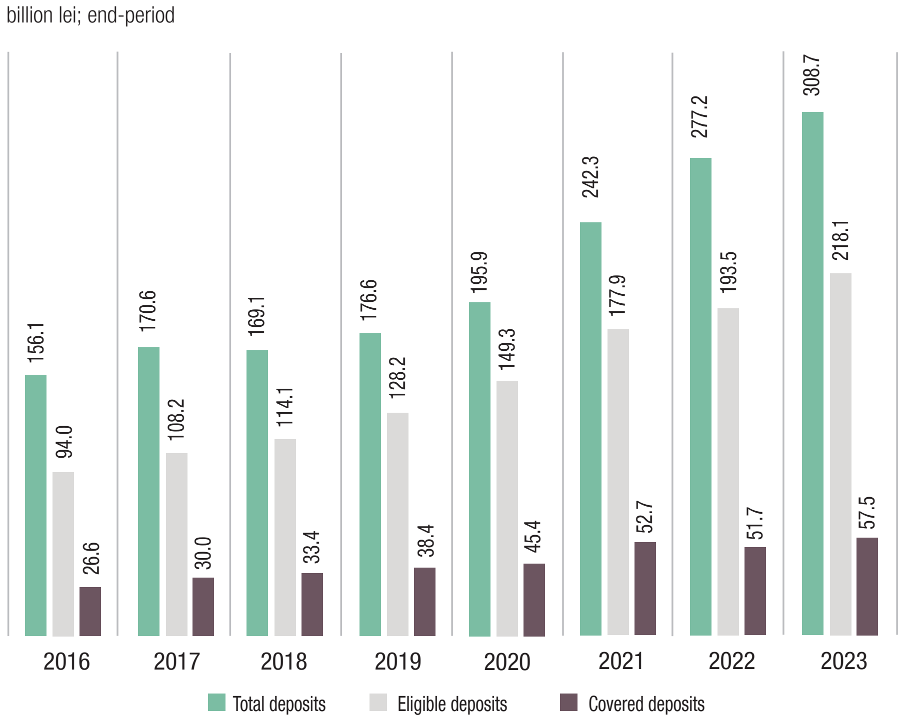
Legal persons' eligible deposits climbed by 12.7 percent in 2023 to total 218.1 billion lei on 31 December. More than 80 percent of the respective increase was accounted for by leu-denominated deposits above the guarantee ceiling.

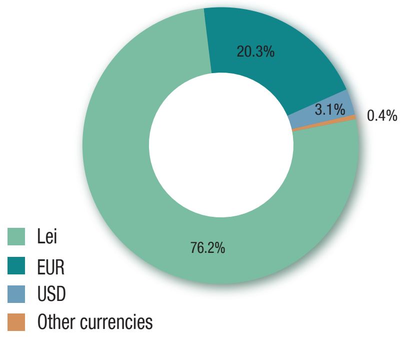
At the end of 2023, guaranteed depositors, legal persons, added up to 1,189,324, of which 99.8 percent residents. These entities held the bulk of legal persons' eligible deposits at FGDB-member credit institutions worth 212.3 billion lei, up 12.3 percent as compared to the end of the previous year.

Corporate deposits stayed in positive territory throughout 2023 against the background of lingering macro-economic uncertainty and high lending costs, which put pressure on businesses and triggered increased caution on the part of legal persons as far as investments were concerned.

Guaranteed legal persons held mostly leu-denominated deposits at the end of 2023, when their eligible deposits in the national currency amounted to 166.2 billion lei (an annual increase of 16.2 percent). Bank deposits in the leu currency scored the most significant rise of the past

Legal Entities' Deposits with Affiliated Credit Institutions





few years and accounted for almost the entire annual increase in deposits held by enterprises.

Deposits in foreign currencies notched up in 2023, posting a 2.7 percent upturn to 51.9 billion in the leu equivalent. The advance of euro-denominated deposits, which made the bulk of legal persons' deposits in foreign currencies, cancelled out the withdrawals from deposits in other hard currencies.

On 31 December 2023, 96.2 percent of the total number of guaranteed depositors, legal entities (1,143,660), held deposits within the coverage limits, benefitting from full coverage for the money in their bank accounts.

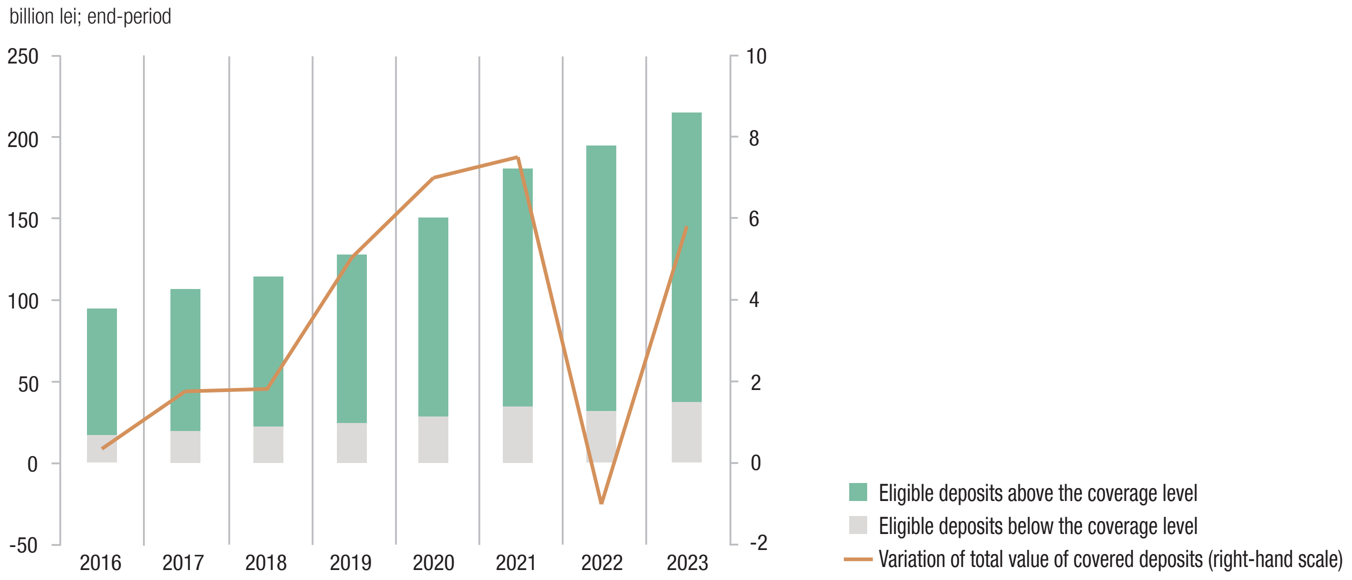
In the case of legal persons whose deposits are above the guarantee level, covered deposits accounted for 26.4 percent of total eligible deposits held by this group of depositors on 31 December 2023.

Their covered deposits amounted to 57.5 billion lei on 31 December 2023 (a 11.3 percent gain over the whole year).

Deposits which were worth more than the leu equivalent of the 100,000-euro coverage limit moved higher by 13.3 percent over this time span reaching 183.3 billion at the end of the year.

The average eligible deposit within the scope of guarantee stood at 30.4 thousand lei on 31 December 2023, when a deposit above the coverage threshold averaged 4,014.5 thousand lei. At the end of 2023, the average worth of a covered deposit held by a guaranteed legal entity amounted to 48.4 thousand lei (an annual variation of +8.5 percent).

Positioning of Legal Entities' Eligible Deposits in Relation to the Guarantee Ceiling



THE PAYOUT PROCESS

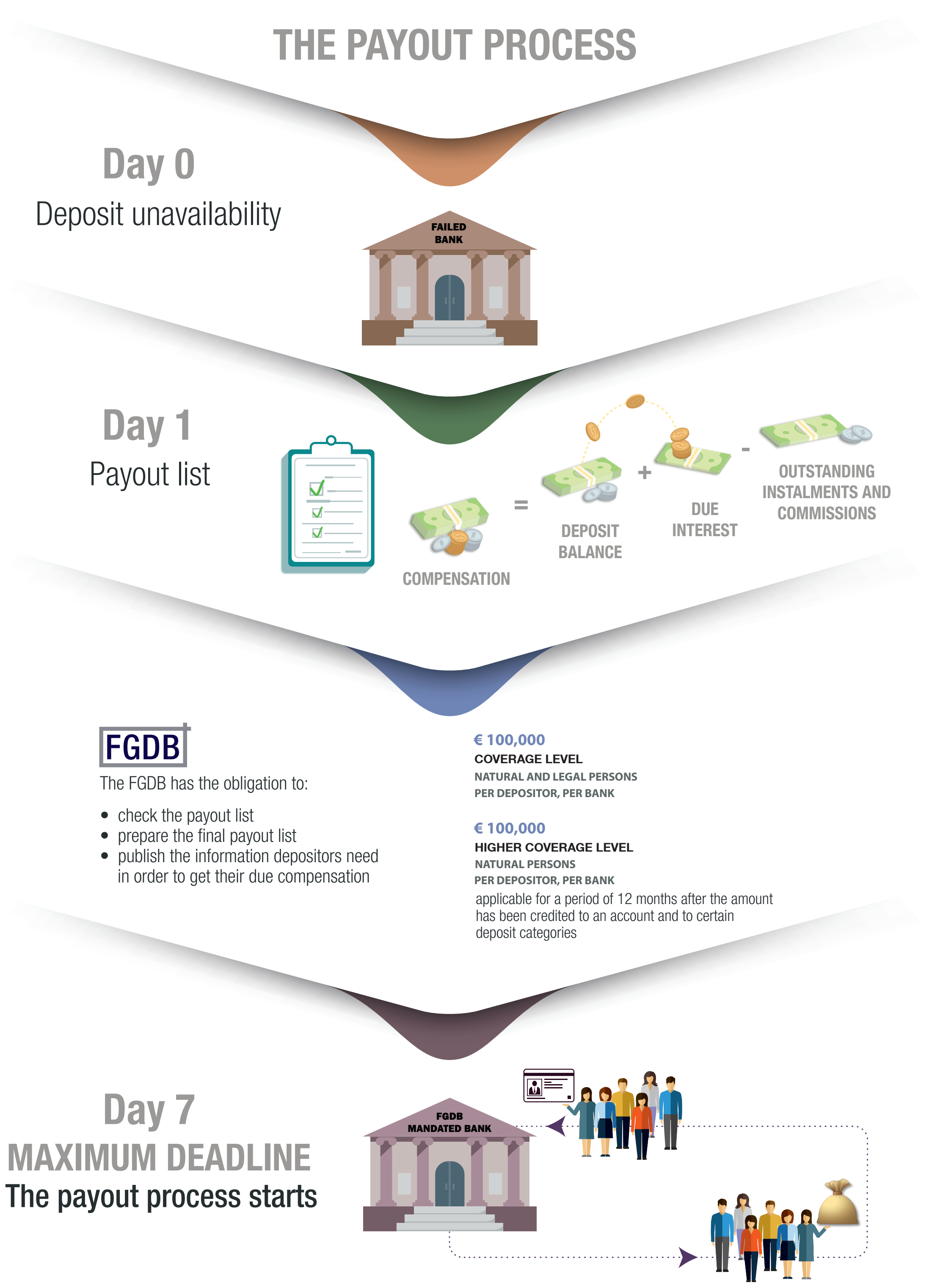
Over the more than 27 years of operation, the FGDB disbursed 512.2 million lei to compensate holders of guaranteed deposits at seven banks that failed over 1999-2006. The payout process to compensate depositors of the last bank that went bankrupt in Romania in 2006 was completed in January 2010. All payout processes ran within the legal timeframe and without incident.

In compliance with legislation governing its activities, the FGDB is under an obligation to pay guaranteed depositors their due compensation within at most seven working days of the date deposits become unavailable, a deadline stipulated by the *European Union's Directive No. 2014/49 on deposit guarantee schemes*[84]. In order to be able to fulfil this mandate, the FGDB, with support from the National Bank of Romania and the Ministry of Finance, took action and completed its work to promote a bill[85] amending Law no. 311/2015 and referring, among other aspects, to the need to impart flexibility to payout methods.

In consequence, the current legal framework allows the FGDB to establish the repayment methods to be used, quite different from the previous state of affairs when only credit institutions mandated as agent banks could disburse payouts. Moreover, in keeping with the FGDB's concerns to impart flexibility to and streamline compensation payment methods, there was also the extensive project concerning reimbursements via a digital platform, which was already mentioned in Chapter 1 of this Report.

[84] Within the European Union, the payout deadline was to be gradually reduced from 20 business days to seven business days by 31 December 2023. Romania implemented that deadline as early as end-2015 when the relevant EU Directive was transposed into national legislation.

[85] Romania's Parliament approved the bill at the beginning of 2022, the existing legal framework being subsequently amended and complemented by Law no. 42/2022 which came into effect on 11 March 2022.



The FGDB pays compensation to guaranteed depositors via mandated bank/banks

INSPECTION VISITS AT FGDB-AFFILIATED CREDIT INSTITUTIONS

Credit institutions accepting deposits from the general public in the European Union's member states have the obligation to join a deposit guarantee scheme which is officially recognised either in legislation or by the designated authority. The credit institutions which are Romanian legal entities and have been authorised by the National Bank of Romania are affiliated to the FGDB, the statutory deposit guarantee scheme officially recognised in Romania, including for deposits taken by these institutions' branches abroad. The branches in Romania of credit institutions headquartered in other member states participate in the guarantee schemes in their home countries.

On 31 December 2023, the FGDB had in its membership 24 institutions, of which 21 banks, two savings and loan banks and a credit cooperative (central body and affiliated cooperatives)[86].

In line with legislation in effect, the FGDB conducts annual on-site inspections at all affiliated credit institutions to verify their deposit-related reports, as well as the procedures they follow to inform depositors of the deposit guarantee process. The prime goal of such inspection visits is to confirm that both the credit institutions and the FGDB provide every prerequisite for an effective run of the payout process, for the accurate classification of deposits in terms of coverage, and for the supply to depositors of reliable information about the protection the FGDB guarantees.

The verification action was carried out in a hybrid working mode, both remotely for the verification of the reported data, based on the correspondence carried out with verified credit institutions and the information transmitted by them in the form of secure/encrypted files through the Interbank Communications Network (RCI) and electronic mail, as well as through the physical presence at the headquarters of the territorial units in Bucharest of the credit institutions to verify the way of informing depositors regarding the guarantee of deposits.

By 31 December 2023 12 credit institutions had been verified and the remaining 12 institutions were scheduled for inspection visits in the first three months of 2024.

The aim of these controls was to verify whether member credit institutions comply with the regulations referring to:

1. structure, content and reporting modality of the data these institutions must deliver to the Fund, in line with provisions laid down in *Regulation no. 2/2018 on the transfer to the Bank Deposit Guarantee Fund of the information needed to prepare the payout list and to calculate credit institutions' annual contributions;*
2. content and presentation of information on deposit guarantee which is offered to depositors, in keeping with the provisions laid down in *Legal Regulations No. 1/2020 on the information of depositors by credit institutions* (Legal Regulations No. 1/2020)

The novelty of the annual inspection of 2023 as against previous years was that it tested the capability of 11 affiliated credit institutions to prepare and transmit the payout list the day immediately following the day when the FGDB had sent its request. Moreover, the check was conducted with the aid of an application which is part of the integrated IT system implemented within the FGDB.

In relation to the deficiencies identified during the verification process, minutes were drawn up including measures and deadlines for their correction, with the FGDB duty-bound to monitor their fulfilment to ensure compliance with applicable legal provisions.

The results of the inspections showed an improvement in the accuracy of the information on guaranteed deposits and of the data in the payout list which are necessary when determining the level of the compensation owed to each guaranteed depositor. All this was a favourable outcome of the FGDB's constant monitoring of its member credit institutions. Moreover, the quality and accuracy of the information contained in the payout list met the FGDB's requirements as to the preparation and on-time dispatch by credit institutions of the payout list so that repayments may be made within at most seven working days of the date of unavailability of deposits.

[86] A List of FGDB-Member Credit Institutions as at 31 December 2023 is available in Annex 4.

4 FGDB-MANAGED FINANCIAL RESOURCES

By the end of the year 2023, the financial resources of the deposit guarantee fund and of the bank resolution fund had added 942.26 million lei to the end-2022 level to total 10,734.57 million lei, with 465.9 million of that total amount representing reinvested profit.

The financial resources in the two funds that the FGDB manages – the deposit guarantee fund[87] and the bank resolution fund[88] – stayed on the upward path in 2023, when they posted further rises which strengthened the institution's capability to fund deposit guarantee and bank resolution measures, as stipulated in legislation, and had a positive impact on the maintenance of financial stability.

The financial means of the two funds include the distributed portion of the FGDB's 2023 profit which is to be capitalised after the financial statements have been approved. According to legislation, the bulk of the FGDB's profit is directed towards the deposit guarantee fund and the bank resolution fund to replenish their available financial resources.

Both the deposit guarantee fund and the bank resolution fund have an ex-ante funding mechanism, which has provided for a gradual accumulation of financial resources and for an adequate response to requirements set for 2024 within the European Union, more exactly, a target level of 0.8 percent of total covered deposits in the case of the deposit guarantee fund and, respectively, a target size set at one percent of the total amount of covered deposits in the case of the bank resolution fund.

The risk-tailored contributions of the FGDB-member credit institutions top up the resources of the two FGDB-managed funds which have not been used for their original purpose in recent events in Romania[89].

The macroeconomic situation of 2023 was scarred by uncertainties due to the continuation of the war in Ukraine, the outbreak of the Middle East conflict and soaring inflation (the average annual growth rate of the Consumer Price Index was 10.4 percent). Furthermore, because of the slow pace of economic growth the banking system faced additional challenges, as well as the prospect of having to maintain high non-performing loan ratios and to book adequate provisions.

The FGDB pursued a cautious funding policy concentrating on a target level for funds in the [2.35 percent – 2.70 percent) range and on striking a balance between the goal of maintaining an adequate amount of financial resources and the aim of keeping total collected contributions within sustainable limits for the participating credit institutions.

The aggregate profit of participating credit institutions was high at the end of 2022[90], but then again, the fiscal package the Government adopted at the end of September 2023 to cover the budget deficit includes measures whereby, apart from the income tax, credit institutions will have to pay tax on turnover. That tax will amount to two percent over 2024-2025 and, respectively, one percent in 2026.

In order to maintain a sustainable approach in its funding policy in 2023, the FGDB collected annual contributions to the deposit guarantee scheme totalling 150 million lei.

Covered deposits posted significant increases in the pandemic and post-pandemic yearss – 14.6 percent in 2020, 9.1 percent in 2021, and, respectively, 12.4 percent in 2023. The year 2022 was the exception, registering a rise in covered deposits of only 2.59 percent.

The drivers behind the marked increase in covered deposits were a rate of inflation that stayed high, the measures taken by authorities to increase people's nominal income by indexing the minimum wage and by recalculating pensions, as well as the relatively high passive interest rates (even if preponderantly negative in real terms). This came to validate the FGDB's estimation when setting the guidelines of its funding policy and, at the end of 2023, the actual funding level amounted to 2.54 percent, well within the previously mentioned target range.

Operations related to building up, investing and using financial resources in order to guarantee deposits and provide funding for bank resolution measures are registered as distinct entries in the FGDB's accounting records. Both the financing of the two funds and the use of their financial means are firmly established by law. In its capacity as administrator of the two funds, the FGDB covers all its operating expenses exclusively from revenues stemming from investments of the financial means of the two funds, which makes it financially autonomous.

In order to secure the financial resources needed to fulfil its duties as set down in legislation[91], the FGDB may use

[87] The financial resources of the deposit guarantee fund are used to repay guaranteed depositors and to finance resolution measures which, once applied, grant depositors' continuous access to their deposit accounts with the banks under resolution.

[88] The bank resolution fund was set up on 14 December 2015 by taking over the financial resources of the bank restructuring fund (designed to compensate persons adversely affected by measures proposed and implemented during special administration procedures and to finance the stabilisation measures decided by the National Bank of Romania). The bank restructuring fund was administered by the FGDB from 2012 to 13 December 2015, its resources being taken over from the special compensation fund (2010-2011), which was created to provide the financial means needed to compensate persons negatively affected by measures proposed and implemented during special administration procedures.

[89] Deposit guarantee fund resources were last used for payouts when Romania registered the last bank failure and have not been used since. Similarly, the financial resources of the bank resolution fund, created at end-2015 to finance the resolution measures ordered by the National Bank of Romania, have not been used to date.

[90] The profit credit institutions made in 2022, standing at around 8.4 billion lei, was distributed in 2023.

[91] In the early years of operation, the FGDB found itself in a situation where it had to compensate guaranteed depositors. In order to solve the shortage of internal resources needed to pay out deposit holders of Bankcoop and Banca Internațională a Religiilor, two banks that went bankrupt in the first half of 2000, the FGDB had to resort to loans from the National Bank of Romania, according to the legislation in effect at that time. By 2005, the FGDB had paid back those loans.

The Financial Resources* and the Use of FGDB-Managed Funds

THE DEPOSIT GUARANTEE FUND

- annual contributions from credit institutions
- revenues from investments of financial resources
- extraordinary contributions from credit institutions
- recovered claims
- loans from credit institutions, financial companies and other institutions
- preventive loans from international financial institutions/credit institutions
- loans from other deposit guarantee schemes**
- government loans
  In exceptional cases, where the FGDB's financial resources may prove insufficient, the Government, through the Ministry of Finance, covers the shortage offering a loan within five working days at the most of the date of the FGDB's request.

- payouts to guaranteed depositors
- funding of the resolution measures*** applied to credit institutions affiliated to the FGDB, in keeping with decisions made by the NBR in its capacity as the resolution authority
- loans to other deposit guarantee schemes

THE BANK RESOLUTION FUND

- annual contributions from credit institutions
- revenues from investments of accumulated financial resources
- extraordinary contributions from credit institutions
- loans and other forms of assistance from credit institutions, financial institutions or other third parties
- loans from resolution funding mechanisms within the European Union
- government loans

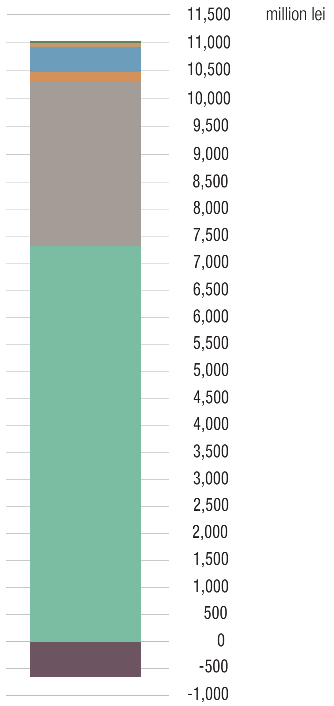
- funding of resolution measures to be applied to credit institutions, according to the law and under a decision of the National Bank of Romania in its capacity as the resolution authority
- loans to other resolution funding mechanisms within the European Union

* *in compliance with the legal framework as at 31 December 2023*

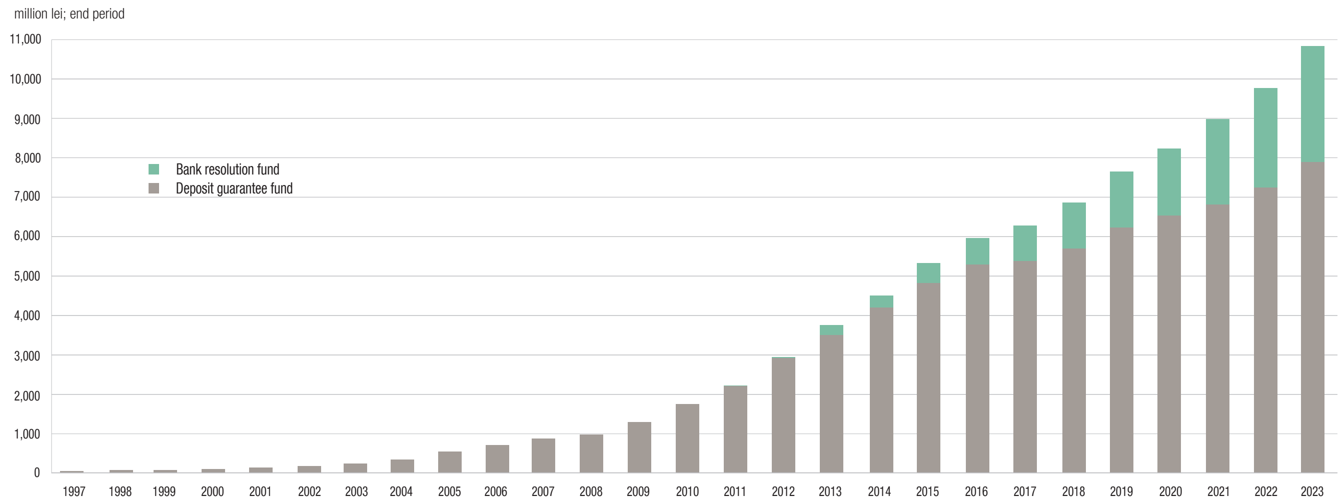
** *although the source is specified in Law No. 311/2015, this is unfeasible because of a lack of interest in granting such loans on the part of guarantee schemes, as a survey which the FGDB ran within EFDI in 2020 shows.*

*** *in compliance with provisions in Article 116 of Law No. 311/2015 and in Article 565 of Law No. 312/2015* both its internal financial means and external/alternative funding sources, such as loans from credit institutions, financial institutions, other deposit guarantee schemes or from the Government[92] or preventive loans from international financial institutions or credit institutions or, in the case of resolution measures, from other resolution funding mechanisms within the European Union.

The FGDB's Total Funds and Liabilities Since Its Creation to 31 December 2023

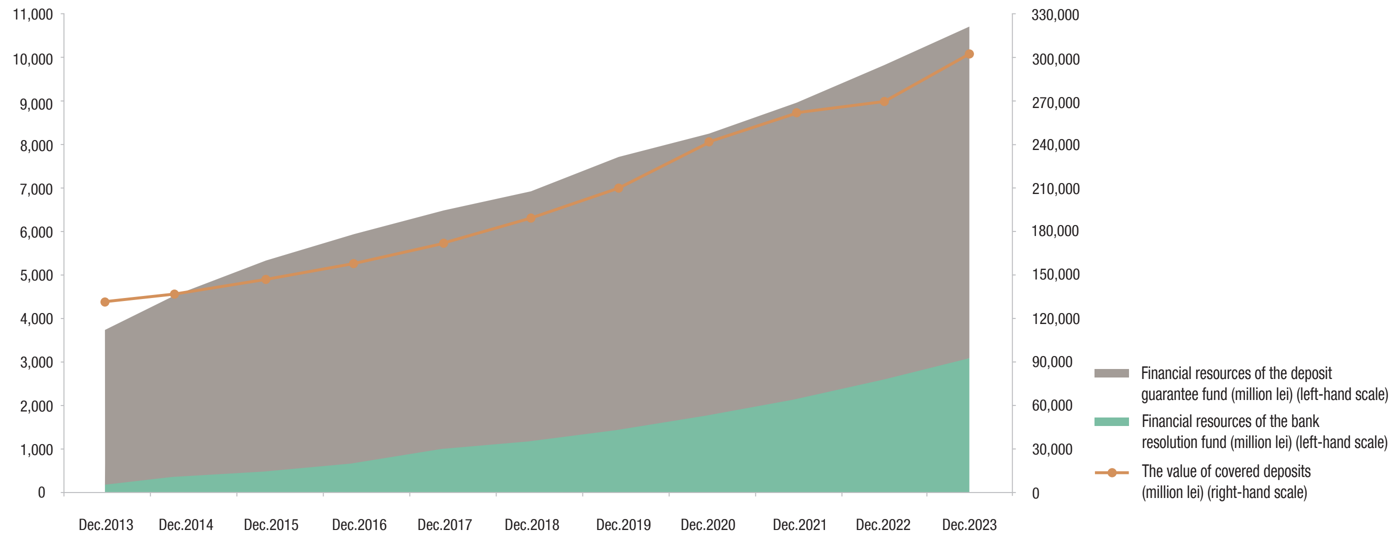


Financial Resources Administered by the FGDB Since Its Creation to 31 December 2023

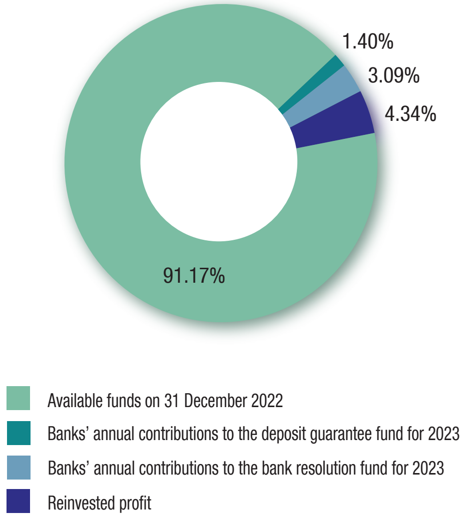


[92] In exceptional circumstances when: (i) the available financial resources of the FGDB, as deposit guarantee scheme, are insufficient to pay compensation or to fund resolution measures, or (ii) the financial means of the FGDB-managed bank resolution fund are not enough to finance measures for the resolution of credit institutions in compliance with applicable legislation, the Government, through the Ministry of Finance, lends the FGDB the amount it needs within at most five working days of the date of its request.

FGDB-Managed Financial Resources and the Value of Covered Deposits



The FGDB's Financial Resources in 2023 (percentages by categories)



Analysing the evolution of the FGDB's total funds and liabilities since its creation to the end of the reference time span, the year 2023 may be noted to have registered an acceleration of the contribution of distributed FGDB profit to boost the financial resources of the deposit guarantee fund and the bank resolution fund, while the sum total of credit institutions' annual contributions to the two funds from creation to end-2023 remained relatively stable.

Throughout 2023, FGDB-managed financial resources climbed by 9.6 percent, while the total value of covered deposits saw a 12.4- percent increase.

In 2023, affiliated credit institutions' contributions to the two FGDB-administered funds added up to 482.25 million lei. Adding to this amount was another significant inflow of financial resources worth 465.9 million lei following the distribution of profit according to the law.

Strategy for Investing Available Financial Resources

Pursuant to provisions under *Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund,* with subsequent amendments and completions, and *Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms and amending and complementing legal acts in the financial sector,* with subsequent amendments and completions, the 2023 strategy for investing financial resources mainly targeted the minimisation of risk, the diversification and liquidity of investments, as well as yields, seen as an associated goal.

The operationalisation of the contingent financing worth 406 million euros from the International Bank for Reconstruction and Development starting 28 June 2023 consolidated the FGDB's investment strategy. The importance and effectiveness of that preventive loan in terms of its contribution to optimising the management of the financial resources of the deposit guarantee scheme are highlighted by its salient features:

1. may be regarded as similar to immediate liquidity[93], therefore diminishing the pressure of having to promptly monetise the investment portfolio of the deposit guarantee scheme in order to compensate depositors and/or to fund the resolution measures decided by the National Bank of Romania;
2. puts in place essential conditions to avoid selling financial instruments in the FGDB's portfolio at a loss;
3. affords total flexibility in terms of the timing of the drawdowns of loan proceeds so that, based on a cost-benefit analysis, the FGDB may use the funding mix that minimises the costs of its market intervention.

The share of the IBRD's contingent credit line in the deposit guarantee scheme's total financial resources was of approximately 25.8 percent at the end of 2023, which gave the FGDB greater mobility in setting internal limits on monthly liquidity, and, respectively, investments with remaining maturity of up to one year made from the financial resources of the deposit guarantee scheme. The high inflation of the first half of 2023 and its slow deceleration over the last six months of the year prompted the National Bank of Romania to adopt a cautious attitude and maintain the monetary policy rate unchanged throughout the year[94]. Under such circumstances, passive interest rates at banks and on new government securities issues remained high.

Global macroeconomic developments, influenced by such factors as the armed conflicts in Ukraine and the Middle East, along with the whole gamut of consequences, slower economic growth and turmoil within the banking system in Europe and the United States had a direct impact on international financial markets.

Given such circumstances, the FGDB remained cautious in managing its available financial resources, pursuing, as its key aims, to disperse risk through adequate diversification, hold low-risk assets and set strictly monitored exposure limits on the investment portfolios of the deposit guarantee scheme and of the bank resolution fund. Strategically, as well as tactically, the management of available financial resources complied with the European Banking Association's guidelines[95] and with the good practices in resource investment developed and applied by the deposit guarantee schemes in the membership of the EFDI. Liquidity management mainly relied on maintaining an optimal number of financial instruments classified as available-for-sale securities, all while considering aspects related to the impact of the marking to market of those instruments, as well as on an adequate spread of maturities and a high rating of financial instruments.

In 2023, the FGDB maintained a rich portfolio of government securities and expanded the group of credit institutions with a significant stake of the market for government securities with which it concluded

[93] The loan proceeds are available as soon as the FGDB notifies of an eligible event provided that requirements under the contract documents are fulfilled. According to a simulation exercise conducted by a test team including FGDB and IBRD representatives, proceeds drawn down from the contingent credit line reached the FGDB's account opened with the National Bank of Romania in a matter of days allowing the payout deadline of seven business days to be met.

[94] The monetary policy rate set by the National Bank of Romania has stayed unchanged at seven percent since 11 January 2023.

[95] Opinion of the European Banking Authority on deposit guarantee scheme funding and uses of deposit guarantee scheme funds (EBA/OP/2020/02).

repurchase agreements. Once a legislative framework[96] was established to allow repo operations with the National Bank of Romania, the FGDB, together with the specialised departments in the central bank, launched a project for their operationalisation. The finish date for that project is the first quarter if the year 2024.

Diversification remained a major target in decision-making on the management of available financial resources. The FGDB maintained highly granular investment portfolios by identifying new eligible counterparties, issuers and instruments.

Throughout 2023, in keeping with the good practices applied by deposit guarantee schemes[97], the FGDB put little money into its deposits at affiliated credit institutions. By the end of 2023, those deposits accounted for around 4.5 percent of the available financial resources of the guarantee scheme, and, respectively, 7.48 percent of the financial means of the bank resolution fund.

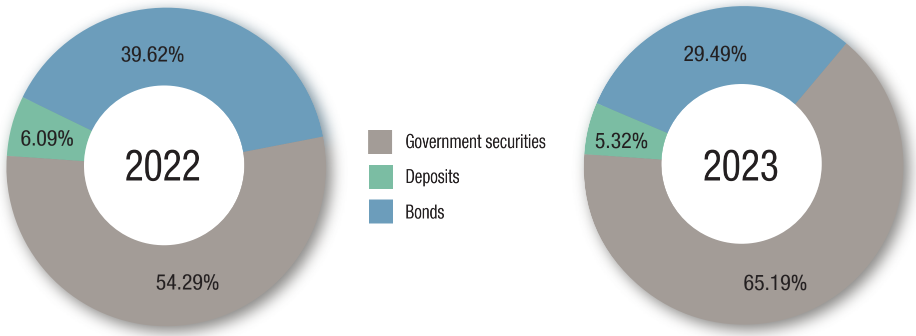
The Fund further adjusted the structure of its exposure – by counterparties, types of investments, foreign currencies and maturities – adopting tactical measures intended to prevent the potential negative impact of the unfavourable developments in financial markets, all while capitalising on market opportunities and complying with the guidelines set under its annual strategy for the investment of financial resources.

In monitoring counterparty risk in the case of credit institutions authorised by the National Bank of Romania, the FGDB uses an assessment methodology which is regularly updated to reflect the adjustments which the central bank operates as part of the Supervisory Review and Evaluation Process (SREP). This methodology assumes many of the indicators that are being used when determining annual contributions to the deposit guarantee scheme. A risk assessment is prepared every three months based on the data that credit institutions report to the National Bank of Romania. The FGBD has access to those data under a cooperation agreement with the central bank.

The FGDB preserved the proactive nature of its actions providing for the early identification of potential risk sources by monitoring the financial performance of credit institutions. Furthermore, it systematically monitored the credit ratings assigned by international credit rating agencies (S&P, Moody's, Fitch) to the foreign credit institutions, international financial institutions, and other financial institutions to which it was exposed to be able to act in case the alert thresholds set in its investment strategy were reached.

The exposure limits – by types of issuers/counterparties, financial instruments, maturities, and foreign currencies – which were approved for each of the two portfolios under the 2023 Strategy for investing financial resources, were constantly observed and monitored. In 2023, the average invested capital moved up by 8.8 percent from end-2022 to 10,298.2 million lei.

Structure of the FGDB's total Investments



[96] In effect since 11 March 2022 according to Article 122^1 of Law No. 311/2015.

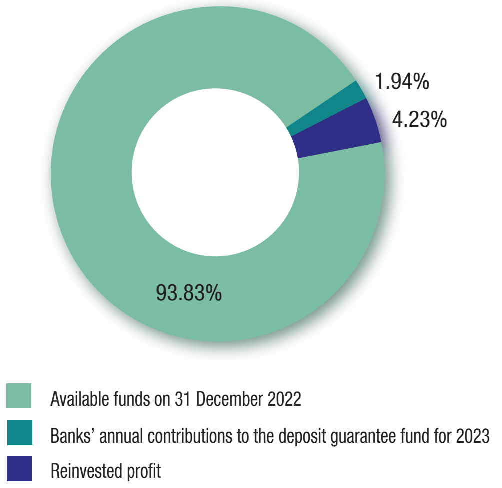
[97] IADI Core Principles for Effective Deposit Insurance Systems.

THE DEPOSIT GUARANTEE FUND

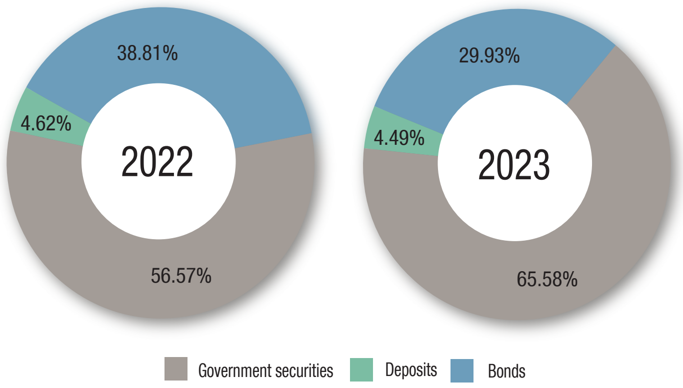
Just as in previous years, the FGDB places on a leading standing among EFDI-member guarantee schemes in terms of actual level for funds which is more than three times higher than the 0.8 percent minimum target level set for European Union member countries. On 31 December 2023, the financial resources of the deposit guarantee fund stood at 7,720.34 million lei, a level that is sufficiently high to allow the FGDB to disburse payouts for any of the participating credit institutions which are not designated as "other systemically important institutions (O-SII)" under the *National Bank of Romania's Order No. 9/2023 on the buffer for credit institutions authorised in Romania and designated as other systemically important institutions (O-SII).*

In 2023, contributions to the deposit guarantee fund amounted to 150 million lei. Throughout 2023, the percentage of deposit guarantee fund resources placed into deposit accounts at affiliated credit institutions diminished in relative terms to 4.49 percent on 31 December from 4.62 percent at the end of the previous year.

Financial Resources of the deposit guarantee fund (percentages by categories)



Structure of the FGDB's Investments of deposit guarantee fund resources



THE BANK RESOLUTION FUND

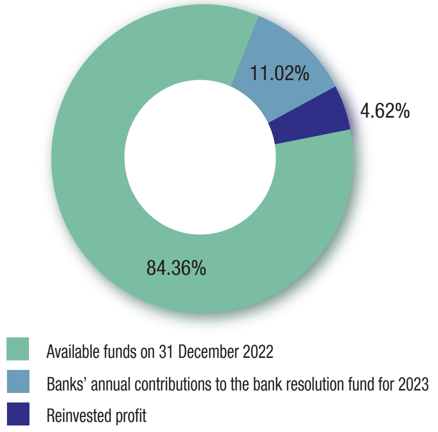
The financial resources of the bank resolution fund (including the reinvested 2023 profit) climbed to 3,014.23 million lei on 31 December 2023 after adding 471.47 million lei to the end-2022 level. The ratio of these available financial means to FGDB-covered deposits stood at 0.99 percent[98].

In its capacity as resolution authority, the National Bank of Romania sets the level of annual contributions to the bank resolution fund depending on the risk profiles of credit institutions. In 2023, contributions to the bank resolution fund amounted to 332.25 million lei.

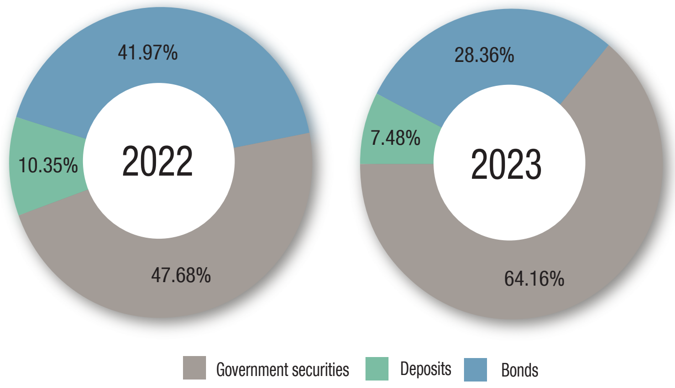
The percentage of bank resolution fund resources put into deposit accounts at member credit institutions dropped throughout 2023 from 10.35 percent on 31 December 2022 to 7.48 percent at end-2023.

[98] In compliance with EU regulations, in the case of the bank resolution fund, all member states must reach a minimum target level of one percent by 2024.

Financial Resources of the bank resolution fund (percentages by categories)



Structure of the FGDB's investments of bank resolution fund resources



Alternative funding mechanisms

There is a risk that cannot be ignored in the current macroeconomic conditions, marred as they are also by outstanding geopolitical challenges, and that is the risk of situations arising from unfavourable internal and external circumstances/developments, or triggered by the erosion of the coverage level as a result of either the impossibility of rapidly replenishing resources or the unexpected and fast growth of the volume of covered deposits.

The FGDB must provide an adequate level of financial resources in order to fulfil its mandate in terms of compensation payments and/or funding of resolution measures, all while observing the deadlines stipulated under legislation in effect. In order to meet this requirement, the FGDB took all the necessary steps towards implementing alternative funding mechanisms[99], so as to be able to promptly obtain the funding needed to fulfil its legal duties. Specifically, the FGDB and the IBRD agreed on the terms and conditions of a contingent financing facility as part of a pilot programme intended for guarantee schemes as an integral component of institutional consolidation and of the resilience of the financial safety net.

The year 2023 saw the completion of all actions intended to allow that contingent financing arrangement to take effect. The loan guarantee agreement between Romania and IBRD on the guarantee of the contingent financing benefitting the FGDB in case of an adverse event was ratified by Parliament under Law No. 135 of 23 May 2023, published in Monitorul Oficial (The Official Gazette) No. 452 of 24 May 2023. A loan guarantee convention between the FGDB and the Ministry of Finance was signed on 14 June 2023. With all procedural stages covered, the IBRD confirmed that the standby loan accord and the guarantee agreement had come into force on 28 June 2023.

The contingent credit line represents de facto an additional resource allowing the FGDB to intervene in a payout situation or when the guarantee scheme's financial resources are needed to fund resolution measures. In compliance with the *European Banking Authority's Guidelines on the delineation and reporting of available financial means of Deposit Guarantee Schemes (EBA/GL/2021/17)*, borrowed funds belong to the category of "other available financial means" and do not count towards reaching the guarantee scheme's target level as they are not included in the calculation of the level for funds. Borrowed funds are important to the extent to which they are an immediate supply of financial resources when they are needed.

[99] Article 12 paragraph (2) of Law No. 311/2015 stipulates that: "Deposit guarantee schemes shall have access to adequate alternative financial mechanisms allowing them to get the short-term funding needed to meet their payment commitments".

5

LIQUIDATION OF FAILED BANKS

RESULTS OF THE LIQUIDATION PROCESS AT BANKS WHERE THE FGDB IS CREDITOR OR LIQUIDATOR

Over the years of operation, the FGDB actively intervened to protect depositors of the banks that failed in Romania over 1999-2006, namely Banca Comercială "Albina" SA, Bankcoop SA, Banca Internațională a Religiilor (BIR) SA, *Banca Română de Scont (BRS) SA, Banca Turco Română (BTR) SA*, Banca "Columna" SA and Nova Bank SA[100]. With the payout process completed, the FGDB was subrogated to the rights of repaid depositors and joined the body of creditors of the collapsed banks.

Cumulative data on claims against the banks that went bankrupt over 1999 - 2006

Total claims (body of creditors) 996 million lei	**Total recovered claims 345 million lei *(a recovery ratio of 34.64% of the body of creditors)***
FGDB's claims = 513 million lei (repayments and contributions)	Claims recovered by the FGDB = 186 million lei *(a claim recovery ratio of 36.26 percent of total claims)*
Other creditors' claims = 483 million lei	Claims recovered by other creditors = 159 million lei *(a claim recovery ratio of 32.92 percent of total claims*

Furthermore, in 2002, while implementing an extended mandate in compliance with legislation in force at that time, the FGDB was appointed liquidator of *BRS* and *BTR*. However, after the amendment of applicable legislation on 14 December 2015, the FGDB may no longer act as court-appointed liquidator, but will continue to work in that capacity in the case of *BRS* and *BTR* until bankruptcy proceedings for the two banks are completed.

By the end of 2023, the FGDB was still monitoring three collapsed banks, acting as creditor[101] for one of them and as liquidator for the other two.

In 2023, most of the total receipts of the failed banks, where the FGDB was either creditor or liquidator, resulted from recovered claims (84 percent), while the bulk of total expenses fell into the "third party services" category (46 percent).

The FGDB acting as creditor

- ***Banca Internațională a Religiilor SA - going through bankruptcy proceedings since 10 July 2000***
  These proceedings are expected to close in two or three years' time.

The FGDB acting as liquidator

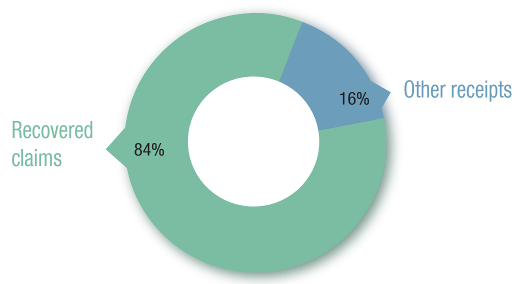
- ***Banca Română de Scont (BRS) SA - went bankrupt on 16 April 2002***
  Further measures were taken to carry out the enforceable title obtained at the beginning of 2018 following the resolution of the criminal case concerning the embezzlement of *BRS*, including the processing of the civil cases pending before the courts for claims against the final recipients of the embezzled *BRS* funds and the actions to capitalise on assets.

- ***Banca Turco Română (BTR) SA - filed for bankruptcy on 3 July 2002***
  Just as in the case of *BRS*, after 10 years of litigations, a final judgement was rendered on 25 May 2012 ordering the five former administrators to pay civil damages for the bank failure. However, after a long train of actions carried out abroad over 2016-2023, the possibilities of recovering claims had been exhausted by early January 2024.

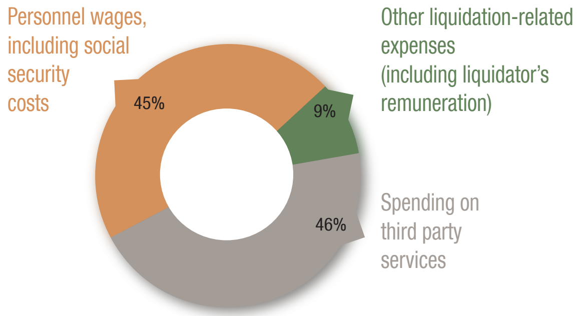
[100] On 22 August 2006, the National Bank of Romania decided the dissolution followed by liquidation in the case of Nova Bank SA and on 4 September 2006 the FGDB was appointed sole liquidator. The FGDB's sole liquidator mandate was short-lived as the bank was forced into bankruptcy on 9 November 2006. Bankruptcy proceedings were closed under Decision No. 836 of 28 May 2020 of the Bucharest Court – Civil Section VII. The decision was final as no appeal had been lodged.

[101] The FGDB ceased to be a creditor of the banks that failed over 1996-2006 following: (i) the full recovery of claims as part of distribution to creditors (in 2004 from BRS and in 2011 from BTR); (ii) an assignment of claims agreement with another creditor (in the case of Nova Bank SA in 2007); (iii) completion of bankruptcy proceedings (against Banca Comercială "Albina" SA on 14 December 2012, against Bankcoop SA on 5 November 2019 and against Banca "Columna" SA on 30 May 2022).

Structure of failed banks' receipts



Structure of failed banks' expenses



Total Receipts and Expenses of Failed Banks in 2023

Failed bank	Total receipts (thousand lei)	Total expenses (thousand lei)
1. BIR	399	314
2. *BRS*	578	627
3. *BTR*	227	456
Total	**1,204**	**1,397**

On 31 December 2023, the FGDB's accounting records showed an unrecovered claim against BIR worth 100,938 thousand lei, which meant a recovery ratio of 45.78 percent (85,211 thousand lei) of total claims which stood at 186,149 thousand lei. On 5 February 2024, under Distribution Plan No. XVI, the FGDB received from BIR 359 thousand lei, which put total recovered claims at 85,570 thousand lei (45.97 percent of total claims).

By 31 December 2023, distributions under bankruptcy proceedings in which the FGDB still participated as creditor/ liquidator had added up to 173 million lei.

In 2023, the failed banks where the FGDB acted as creditor or liquidator took further actions to recover claims, the number of debtors in their end-year records standing at 88 of which 76 were registered with BIR (more than 86 percent of the total number debtors).

Evolution of the number of failed banks' debtors

Failed bank	Total number of debtors on the date of bankruptcy	Total number of debtors removed from accounting records	Total number of debtors on 31 December 2023
1	*2*	*3*	*4 = 2 - 3*
1. BIR	22,416	22,340	76
2. *BRS*	232	223	9
3. *BTR*	1,286	1,283	3
Total	**23,934**	**23,846**	**88**

Total receipts, expenses and funds for distribution to creditors as at 31 December 2023:

Failed bank	Total claims to recover on the date of bankruptcy (thousand lei)	Total liquidation-related receipts (thousand lei)[1]		of which:							Total liquidation-related expenses (thousand lei)		Total funds allotted for distribution (thousand lei)
				recovered claims			assets sales		other receipts				
		as at 31.12. 2023	of which in 2023	value (thousand lei)	*% of total claims to recover*	*% of total receipts*	value (thousand lei)	*% of total receipts*	value (thousand lei)	*% of total receipts*	as at 31.12. 2023	of which in 2023	
1. BIR	213,982	190,807	399	153,723	*71.84*	*80.56*	23,559	*12.35*	13,526	*7.09*	84,245	314	108,452
2. *BRS*	37,750	39,846	578	18,973	*50.26*	*47.62*	16,423	*41.22*	4,449	*11.16*	21,663	627	18,130
3. *BTR*	227,480	67,537	227	15,084	*6.63*	*22.33*	31,899	*47.23*	20,554	*30.44*	20,177	456	45,506
TOTAL[2]	**479,212**	**298,190**	**1,204**	**187,780**	*39.19*	*62.97*	**71,881**	*24.11*	**38,529**	*12.92*	**126,085**	**1,397**	**222,991**

1) Net value (free of VAT or other deductions, as the case may be).

2) Overall liquidation-related receipts, which cover Banca "Albina", Bankcoop, Nova Bank and Banca "Columna", stand at 544,468 thousand lei (recovered claims worth 331,583 thousand lei, asset sales adding up to 158,270 thousand lei and other receipts totalling 54,615 thousand lei), overall expenses amount to 216,459 thousand lei, while total funds allotted for distribution are worth 345,170 thousand lei.

Banca Română de Scont (BRS)

Claims recovered from bankruptcy date (16 April 2002) to the end of 2023 added up to 18,973 thousand lei, accounting for a recovery ratio of 50.26 percent of total claims shown in the accounting records on the date the bank collapsed.

The funds distributed to *BRS*'s creditors before the application of the precautionary seizure of *BRS* assets[102] totalled 18,130 thousand lei, satisfying 47.16 percent of the body of creditors – the highest level of creditor satisfaction among failed banks.

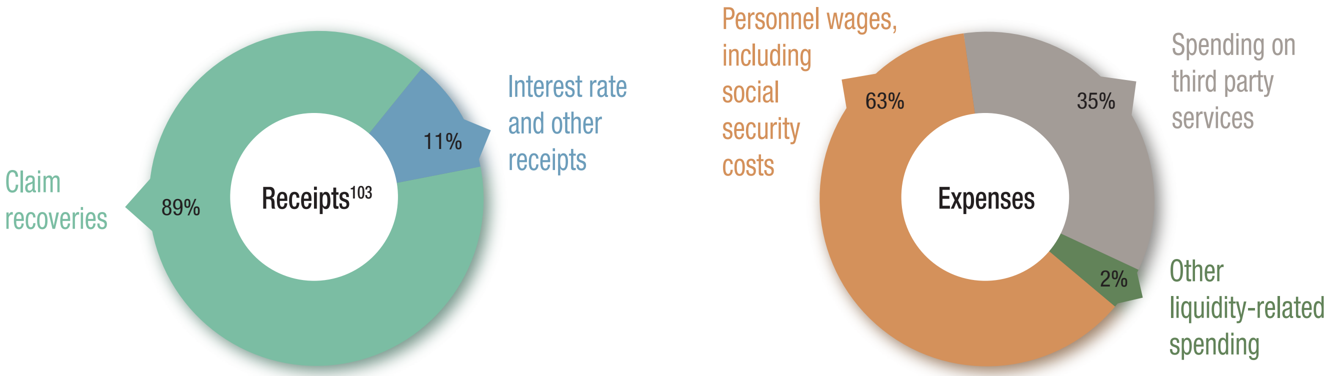
The FGDB, in its capacity as *BRS* liquidator, and the liquidator of Rafo SA had several talks to unblock the situation generated by the application of the precautionary seizure. On 5 October 2023, Rafo Creditors' Assembly decided to lift the seizure of the assets and accounts of *BRS* in exchange for payment by the bank of the sum of 50 thousand lei.

On 16 November 2023, the *BRS* Creditors' Assembly approved payment of the amount of 50 thousand lei to Rafo SA on the following terms:

- Rafo SA shall definitively and irrevocably waive the precautionary seizure of *BRS* assets under a transaction agreement signed in front of a notary public;
- Rafo SA, through its liquidator, shall add the transaction agreement to the suspended case pending before the Bucharest Court, with a request to discontinue the proceedings against the *BRS*;
- *BRS* shall open an escrow account with Rafo SA as beneficiary and transfer into it the amount of 50 thousand lei, which will be released by the agent bank to Rafo SA on presentation of the documents stipulated in the escrow account contract.

The agent bank is to open the escrow account after the syndic judge has confirmed the transaction on the court

Structure of BRS's Receipts and Expenses in 2023



[102] The seizure of assets worth around eight million lei was imposed in 2011 as part of a criminal case concerning damage caused to RAFO S.A. and was maintained after the case had been closed pending a court ruling on RAFO's action for damages against *BRS*. On 4 November 2014, the Bucharest Court adjourned the matter until the bankruptcy proceedings against the *BRS* closed. In January 2020, the *BRS* petitioned the Bucharest Court for an injunction lifting the precautionary seizure and allowing sales of seized assets, with the proceeds from the sales deposited into the *BRS*'s account and available to the Court (except for amounts covering expenses related to bankruptcy proceedings). During a hearing on 14 May 2020, the Bucharest Court rejected the petition for an injunction as unfounded; the *BRS* lodged an appeal against the Bucharest Court's decision which was definitively rejected as unfounded by the Bucharest Court of Appeal in its session on 10 July 2020.

[103] In 2023, *BRS*' receipts amounted to 578 thousand lei, of which 515 thousand lei in recovered claims and 63 thousand lei in interest on investments and other receipts.

date of 15 March 2024 in the *Banca Română de Scont SA* bankruptcy case.

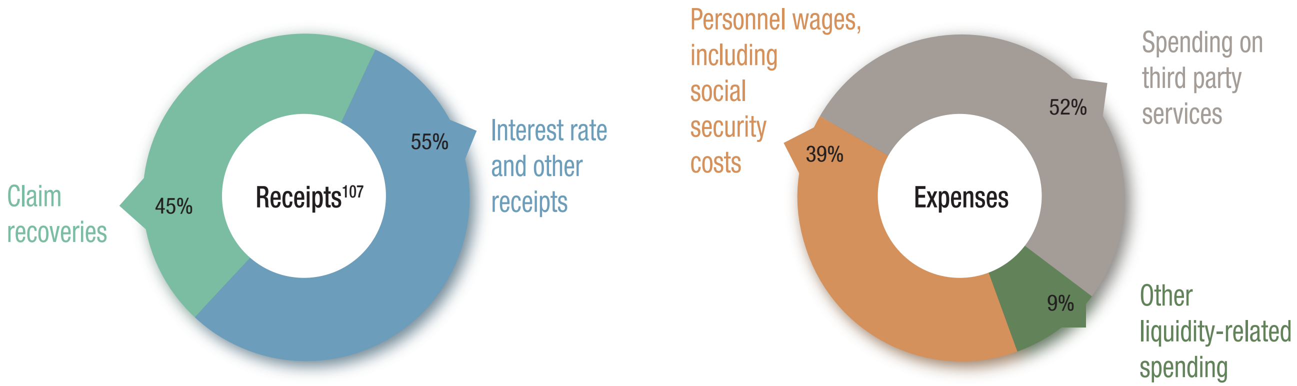
Further measures were taken throughout 2023 to carry out the enforceable title obtained in March 2018 following the resolution of the criminal case concerning the embezzlement of *BRS*[104]. Those measures are expected to have a favourable impact on claim recovery actions, including the processing of the civil cases pending before the courts for claims against the final recipients of the embezzled *BRS* funds.

There were also further actions to capitalise on the *BRS*'s share of the assets (land lots and an access road) located in the Șiglău-Uricani area, in the county of Hundeoara, as the co-owner, Astra Asigurări Reasigurări SA, which is going through bankruptcy proceedings, announced it no longer intended to sell the respective assets jointly with *BRS.*

Banca Turco Română (BTR)

From bankruptcy date (3 July 2002) to 31 December 2023, claims were recovered worth 15,084 thousand lei, or 6.63 percent of total claims, and, respectively, 35.32 percent of claims in its records on the date of bankruptcy, leaving aside the claims over the main debtor[105], wherefrom a partial amount – that is, 8,724 thousand lei – was recovered in 2017. In the aggregate, financial revenue – a specific element of the bankruptcy procedure against Banca Turco Română SA due to its size – covered liquidation costs until the end of 2021[106]. On 31 December 2023, total liquidation-related expenses (totalling 20,177 thousand lei) outran financial revenue (standing at 19,362 thousand lei) by 4.21 percent as a result of shrinking bonus interest rates on the time deposits held at credit institutions.

Structure of BTR's Receipts and Expenses in 2023



[104] The Bucharest Court of Appeal resolved the case on 22 March 2018 when it rendered Judgement no. 424/A, after partially reversing the Bucharest Court's Judgement no. 764 of 11 May 2015 and remanding the case for reconsideration on the merits. Under the final judgement, *BRS* obtained the requested civil damages for the bank's failure, that is 93,526 thousand lei (three times more than the amount awarded under the decision of the court of first instance).

[105] According to *BTR*'s accounting records, taken over from the liquidator when bankruptcy proceedings opened, its main debtor was Bayindir Insaat Turizm Ticaret ve Sanayi AS of Turkey, a company whose accrued debt on 3 July 2002 stood at 52.9 million USD and 10.2 million EUR, accounting for 92.08 percent of total claims on bankruptcy date. As part of the criminal case against the five former administrators of the bank for the fraudulent transfer of *BTR*'s funds to banks abroad to serve as guarantee/collateral for the benefit of the aforesaid company, in 2012 the court served an enforceable title for the recovery of the damage to *BTR*. The title showed in the *BTR*'s accounting records where the five former administrators were registered as collective debtor and by substitution with Bayindir Insaat Turizm Ticaret ve Sanayi AS became the bank's main debtor.

[106] In the aggregate, from bankruptcy date (3 July 2002) to 31 December 2021, financial revenue amounted to 19,133 thousand lei, and liquidation-related expenses stood at 19,114 thousand lei.

[107] In 2023, *BTR*'s receipts amounted to 227 thousand lei, of which 103 thousand lei from recovered claims and 124 thousand lei from interest on investments.

BTR's largest claim, namely the civil damages for its failure awarded under final Judgement No. 1083/R of 25 May 2012 of the Bucharest Court of Appeal, stands at 59.4 million USD and 11.3 million EUR, plus legal interest. On 31 December 2023, this accrued debt, including interest and recoveries, amounted to 118.7 million USD and 23.1 million EUR and accounted for more than 99 percent of the portfolio of outstanding claims.

Starting September 2012, the FGDB initiated actions to recover *BTR*'s main claim both in Romania and also abroad – in consideration of the cross-border nature of the matter (given the Turkish citizenship of four of the five co-debtors, former bank administrators).

BTR's relentless effort in Switzerland over October 2013-November 2016 resulted in the recovery of 2.06 million CHF[108] in the first quarter of 2017, which made the basis for a first partial distribution to seventh-rank creditors, legal persons. Owing to a litigation funding arrangement valid over October 2016-December 2021, *BTR* adopted a strategy based on a multijurisdictional approach providing for the identification of assets held by the aforementioned co-debtors (in Switzerland, Bermuda, the British Virgin Islands, Great Britain, Turkey, the United States of America).

Since the budget allotted under the litigation funding arrangement had dried out by 2022, the *BTR,* in line with an approval given during a creditors' meeting of 3 March 2022, allocated funds from the available amounts in the liquidation account in order to proceed with and complete in the United States of America a litigation concerning the general non-discharge of the debt liability of the prosecuted debtor[109] upon the closure of the process of personal bankruptcy for which the debtor had filed in November 2017. By a judgement rendered on 5 January 2024, a U.S. court ordered the closure of the prosecuted debtor's personal bankruptcy proceedings and the liquidator's discharge of administration liability, which actually exhausted any possibility of recovering *BTR*'s main claim.

By 31 December 2023, 45,506 thousand lei had been distributed to *BTR*'s creditors, which represents a level of creditor satisfaction of 42.95 percent.

RECOVERY OF THE FGDB'S CLAIMS

At the end of 2023, the FGDB was still a major creditor of BIR, accounting for 78.90 percent of the body of creditors. The FGDB ceased to be a creditor of six failed banks following either the recovery of its claims in full through distributions or the assignment of its claim (from *BRS* and *BTR* in 2004 and 2011, and, respectively, from Nova Bank in 2007) or the closing of the bankruptcy procedure (in the case of Banca Comercială "Albina" in 2012, of Bankcoop in 2019 and of Banca "Columna" in 2022).

The FGDB's accounting records as at 31 December 2023 showed an outstanding claim over BIR amounting to 100,938 thousand lei, which, in consideration of the total stated claim worth 186,149 thousand lei, represents a claim recovery ratio of 45.78 percent (85,211 thousand lei). On 5 February 2024, under Distribution Plan No. XVI, the FGDB received from BIR 359 thousand lei, which put total recovered claims at 85,570 thousand lei (45.97 percent of total claims).

As for the 327,151 thousand lei worth of the FGDB's historic claims over the rest of the banks that went bankrupt in Romania over 1999-2006, the recovery ratio stands at 30.84 percent (100,897 thousand lei), as shown in the herewith table:

[108] The equivalent of 2.03 million USD, respectively 8.7 million lei, accounting for about four percent of BTR's claim against the main debtor on the date of bankruptcy.

[109] On 30 June 2022, *BTR* won the litigation, and the prosecuted debtor did not obtain the general discharge of debt liability within the process of personal bankruptcy declared in the United States.

- thousand lei -

Failed bank	Bankruptcy date/ Closure date	The FGDB's claim	Amounts recovered during the proceedings	Recovery ratio (%)
1	*2*	*3*	*4*	*5 = 4/3*
1. Banca "Albina"	25.05.1999 /14.12.2012	36,057	12,589	34.91
2. Bankcoop	08.02.2000/05.11.2019	273,638	70,781	25.87
3. *BRS*	16.04.2002	873	873	100.00
4. *BTR*	03.07.2002	16,448	16,448	100.00
5. Banca "Columna"	18.03.2003/30.05.2022	92	-	0.00
6. Nova Bank	09.11.2006/28.05.2020	43	206*	100.00
Total		**327,151**	**100,897**	**30.84**

** Amount which the FGDB recovered following an assignment of claim agreement in April 2007, before adjustments made following the actual compensation payments which were completed in January 2010.*

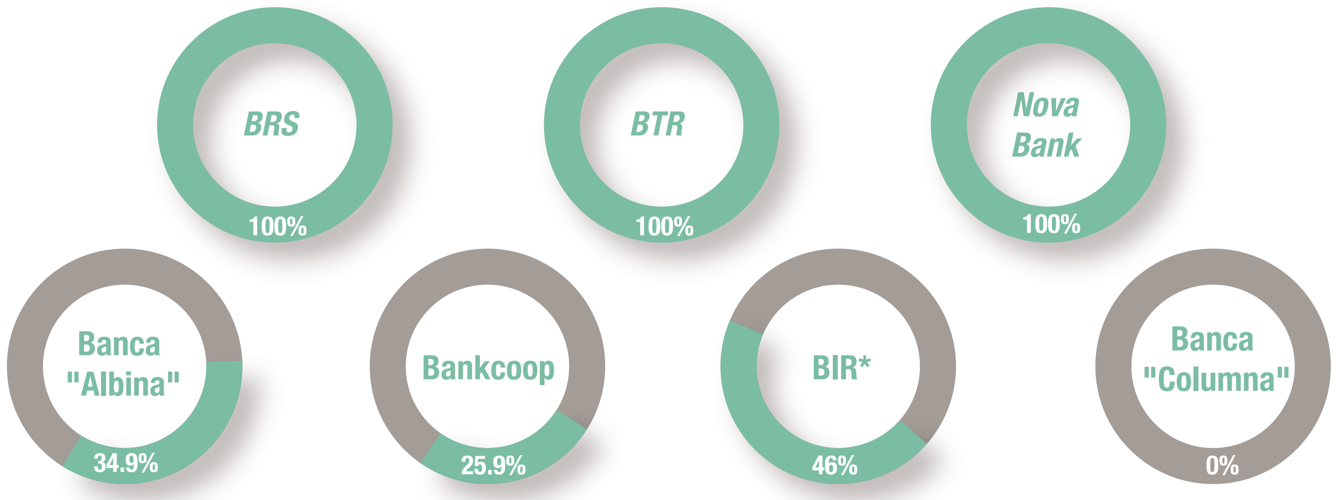
The claim recovery ratio for each bank is given herewith. The claim recovery ratio for all the failed banks stood at 36.33 percent.

Essentially, the dissimilarity of claim recovery ratios between the failed banks is an outcome of the FGDB's different positions in the creditor hierarchy, in compliance with legislation applicable in each bankruptcy case. The most illustrative example in this respect is the case of Banca "Columna", which filed for bankruptcy on 18 March 2003 after, previously, starting 29 June 1998, had undergone judicial reorganisation in compliance with Law No. 64/1995 on judicial reorganization and bankruptcy, which became the law governing bankruptcy proceedings.

By comparison, all the other bank failures of the 1999-2002 period[110] were ruled by bank-specific legislation – that is, Law No. 83/1998 on bankruptcy of credit institutions. So far, the FGDB has recovered none of its claims over Banca "Columna", due both to its low-priority claim worth 92 thousand lei (arising from payouts, as well as from the bank's contribution owed and unpaid before filing for bankruptcy) according to the order of payment of claims laid down in Law No. 64/1995, and to the fact that the body of creditors includes the Authority for State Assets Management with a high-value, higher-priority budgetary claim which had not been paid in full before the closure of the proceedings (Our Note – *according to legal provisions, claims are paid depending on their priority ranking and moving on to a higher step on the priority ladder is possible only after immediately higher-ranking claims have been paid in full*).

[110] The bankruptcy procedure for Nova Bank opened in November 2006 based also on the general insolvency framework provided by Law No. 85/2006 on insolvency proceedings (which repealed Law No. 64/1995), following a court decision to grant a creditor's request although since the beginning of September 2002 the bank had been undergoing administrative liquidation proceedings, as decided by the National Bank of Romania. The case of this bank, however, is irrelevant as the FGDB recovered in full its claims worth 278 thousand lei following an assignment of claim agreement with another creditor. In the absence of such an agreement, the case of Nova Bank may be presumed to have been similar to that of Banca "Columna".

Recovery Ratio of the FGDB's Claims on 31 December 2023



** The recovery rate also includes February 2024 receipts*

After the operationalisation of the deposit guarantee scheme in 1996, the same low-priority status was assigned to the FGDB's claims over the first three banks that collapsed in Romania – Banca Comercială "Albina" (with proceedings opening in May 1999), Bankcoop (in February 2000) and BIR (in July 2000). In these three cases, the bankruptcy proceedings complied with Law No. 83/1998 which was in effect on the respective bankruptcy dates and which did not specify any particular creditor hierarchy, but rather, referred to the order of payment of claims laid down in Law No. 64/1995.

It was only in 2001 that an order of priority of creditors in bank failures was introduced into Law No. 83/1998 which gave priority to the FGDB's claims (ranking it fourth as far as the order of payment of claims was concerned). The tangible outcome of such developments was that the FGDB could recover in full its claims against *BRS* and *BTR* from the amounts distributed as part of the liquidation procedures (these procedures opened in 2002, after legislation had been amended, and were the first procedures where a specific creditor hierarchy applied).

With the coming into force of the Insolvency Code in 2014 (Law No. 85/2014 on insolvency prevention procedures and insolvency proceedings, with subsequent amendments and completions), the FGDB's claims stemming from payouts and funding of resolution measures climbed on to the second ranking on the order of payment list in case of failure of a credit institution.

So far, the FGDB recovered claims worth 186,467 thousand lei, of which 185,486 thousand lei covering disbursements to guaranteed depositors and 981 thousand lei covering contributions owed to the FGDB and unpaid by Bankcoop, *BTR* and Nova Bank before filing for bankruptcy. This amounts to a recovery ratio of 36.33 percent of total stated claims worth 513,300 thousand lei over the failed banks.

6 PUBLIC INFORMATION

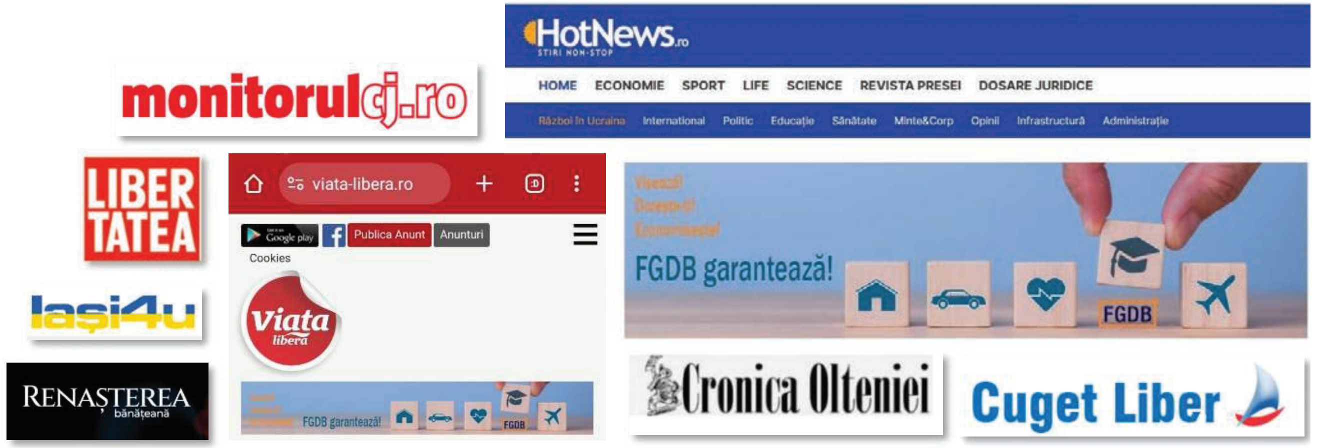
Informing the public at large of the role of the deposit guarantee scheme is key to boosting confidence in the banking system, maintaining financial stability and promoting financial inclusion.

Providing for the transparency and accessibility of information in the present increasingly complex financial landscape is a particularly significant task, the fulfilment of which aims to:

- *Increase public confidence* – when depositors know the money they have in the bank is safe, their trust in the banking system improves;
- *Mitigate risks and prevent spillover* – with depositors made aware of the operation and functions of the deposit guarantee scheme, panic, in times of financial difficulty, will subside. Spillover effects that may easily crop up in the banking system are greatly cushioned when depositors understand that the funds they keep in banks are safeguarded by a solid institution;
- *Promote financial education* – educating the public provides for financial literacy and an understanding of the way in which the banking system operates. Financial knowledge allows depositors to make fundamental decisions concerning their savings and encourages them to adopt a responsible financial conduct.

By implementing effective communication strategies and educational initiatives, the FGBD offers depositors useful information about the role a deposit guarantee schemes plays.

In 2023, the FGDB undertook a variety of actions to raise public awareness of deposit guarantee and the FGDB's mission within the system of safeguarding financial stability.



To that end, various channels were used to disseminate information and the messages conveyed were adapted to existing economic and financial circumstances.

In 2023, the FGDB ran new information campaigns resorting to advertorials published both on news websites reaching a large audience at the national scale and on local news websites. The idea was to consolidate the basic knowledge about the FGDB by creating an association between the images and information sent online or included in materials distributed in banks and the images and information on the FGDB's website.

Furthermore, the FGDB continued its cooperation with FinZoom, a financial and banking product comparison portal that covers the whole market in Romania. Every article on financial education or savings uploaded on the FinZoom website contained information about the FGDB, which led to a significant number of views and of online visitors.

In order to be of assistance to people who access the portal in search of a specific savings product, the FGDB was prominently featured on the savings section of the website, with several responsive web banners tailored for desktop and mobile devices, linking to the most visited pages on the FGDB website. At the same time, the most commonly searched keywords in the comparison tool – "deposit", "card", "account" – also linked back to the FGDB website for the duration of the campaign.

Following such actions, thousands of people surfed the FGDB's website to get additional information about the safety of money in bank accounts.

Marking *World Savings Day* (on 31 October), the FGDB ran several information campaigns on social media in an attempt to popularise the concept of savings and to increase the visibility of the institution among the public.

The foremost target of the social media campaigns run by the FGDB was to build up a good reputation among Facebook users and to advise the public to obtain information from official sources, that is, the FGDB's website.

The message on the safety of saved money and on confidence in the institution's capability to contribute to the stability of the banking system was conveyed also through print or online publications, including the in-flight magazine of TAROM — Romanian Air Transport, with the FGDB addressing a substantial segment of depositors at home or living in diaspora.

In 2023, as part of its initiatives directed at different target audiences, the FGDB worked for disseminating information among visually impaired people and printed flyers containing basic information on deposit guarantee in Braille. These flyers were distributed to FGDB-member credit institutions to be put at the disposal of interested parties.

The FGDB has permanently updated its website and also expanded the *Frequently Asked Questions* section to include the whole range of themes depositors showed interest in.

The fact is noteworthy that conveying different information via different channels led to a shift in the kind of information depositors requested by phone or in writing, in the sense that it got rather specialised (like, for instance, the specific guarantee conditions for particular types of deposits, such as the temporary higher balances).

In 2023, training programmes continued for the call-centre operators of the banks mandated to make compensation payments. These activities indirectly benefit depositors who request information from banks as call-centre operators are periodically trained to be able to answer questions related to deposit guarantee based on updated information.

Strengthening depositor protection in Romania and informing the public about the latest developments in deposit guarantee were the key topics approached in the presentations given by the FGDB's General Director at various events he attended, including the two 2023 sessions of the series of conferences *Bucharest Leaders' Summit* as part of the series of events *"Together We Protect Romania"* initiated and conducted by MediaUno Media Group together with the National Institute of Statistics, the Department for Sustainable Development within Romania's Government and the MediaUno Association. The attendance included outstanding representatives of various areas of activity at home and abroad, key players in politics and business in Romania and the European Union, officials representing major international organisations, analysts, experts, representatives of mass media and of the civil society.

Moreover, the FGDB was a participant in the *Piața Financiară Awards Gala*, and further supported the *"Cristian Popișteanu" Annual Symposium of Banking History and Civilisation*, at its 31st edition, which was organised by the National Bank of Romania and the "Magazin Istoric" Cultural Foundation.

In its capacity as active member of the EFDI Public Relations and Communications Committee, and of the EFDI working group involved in communication as part of cross-border cooperation between deposit guarantee schemes, the FGDB took part in international exchanges of experience in communication and public relations.

Furthermore, on 5 and 6 October 2023, the FGDB hosted in Bucharest meetings of two EFDI working groups[111] which were valuable opportunities to interact with experts of European deposit guarantee schemes and share in their good practices. Effective communication between the main players concerned in case of an unforeseen situation on the European banking market, more particularly, in case of an event with cross-border implications, is essential for conveying an accurate, full and timely message to the public.

[111] As shown in Chapter 2 – The 2023 Background and Regulatory Framework, the section on International Activities, besides meetings on communication, the FGDB organised in the same period a meeting of the EFDI Stress Test Working Group.

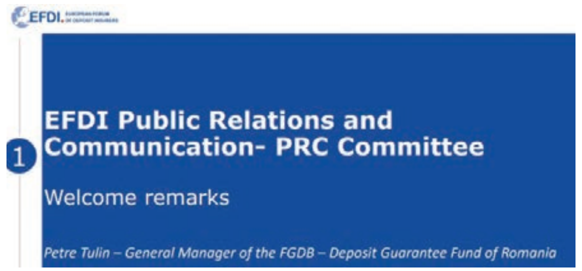
Accordingly, special attention was given to cross-border communication between deposit guarantee schemes in home member states and schemes in host member countries in consideration of the framework outlined in the multilateral cooperation agreement concluded between EFDI-affiliated institutions as well as the guidelines issued by this association.

At the same time, communication campaigns run by European deposit guarantee schemes were presented, sharing knowledge and experience acquired in this field.

To the FGDB, raising awareness of deposit guarantee and promoting financial education are essential activities to educate the public and make it more responsible, and to encourage savings. The market surveys conducted periodically offer the FGDB a comprehensive understanding of the effectiveness of its information campaigns and help to identify new areas awaiting improvement, in the field of financial education included.

Along these lines, a nationally representative survey was conducted in September 2023 with focus on several indicators including the FGDB's renown, people's confidence in the Romanian banking system, and people's perception of the impact of a potential bank failure.

The results of the survey pointed to a slight increase in the indicators relevant for the awareness of the FGDB's repute among the banked public, as well as in terms of the people's perception of the possibility of recovering their deposited amounts in case of a credit institution goes bankrupt.



Promotion through Education

The FGDB continued to diversify and intensify its actions intended to promote financial education and cooperated with the National Bank of Romania in conducting projects addressing high-school students.

The institution considered it propitious to contribute to the financial education of pupils aware of the fact that the future of the young generation is shaped by solid education, of which financial education is a significant component that does not merely refer to money but also forms convictions and values.

The year 2023 saw the first edition of the *"Eugeniu Carada" National Contest of Financial and Banking Education* addressing 11th-grade students as part of the project called *Let's Talk about Money and Banks* run by the National Bank of Romania in partnership with the FGDB and with assistance from the Ministry of Education.

SĂ VORBIM DESPRE BANI ȘI BĂNCI

Concursul național de educație financiar-bancară „Eugeniu Carada" pentru elevii clasei a XI-a

Aspecte generale:

• Înscriere: **9 -22 martie 2023**

• Desfășurare:

Etapa I: **25 martie**, online

Etapa II: **22 aprilie**, online

Etapa III: **11-12 mai**, UPPAS Cumpătu Sinaia, BNR

Premii:

Vor fi oferite premii câștigătorilor clasați pe primele 3 locuri.

*Concursul este desfășurat în cadrul proiectului **Să vorbim despre bani și bănci** derulat de BNR în parteneriat cu FGDB și este dedicat elevilor din învățământul preuniversitar fiind inclus în Lista competițiilor naționale pe discipline școlare, sportive și proiecte educative, la care participă elevii.*

Informațiile detaliate despre concurs, precum și anunțurile pentru participanți vor fi postate pe paginile de internet: www.bnr.ro, www.fgdb.ro și https://bnr.nextlab.tech.

The contest is included in the *List of national competitions by school subjects, sports and educational projects* in which students participate.

Although it was just starting out, the contest caught pupils' and coordinating teachers' attention, as shown by the number of students entering the first edition – 344 from 21 counties across Romania.

The FGDB also took part in the *Urban Financial Education Camp* programme organised by the National Bank of Romania, the Financial Supervisory Authority, the Ministry of Finance and the Romanian Banking Association, and also in events initiated by other institutions.

At the same time, the FGDB took further actions in support of young people's research projects. The *"Costin Murgescu" Contest for Economic Research,* having reached its 12th edition in 2023, has become a FGDB tradition. The competition is intended to give a chance to young Romanians researching contemporary socio-economic and political developments and to promote them among valuable specialists.

In concert with the ideas of Costin Murgescu *(economist, lawyer, journalist, researcher, diplomat, author)*, the organisers wish to encourage young master's and doctoral students to develop a broad, comprehensive thinking on current socio-economic and political phenomena. The essays that enter the contest are assessed in terms of the novelty and originality of the topic or the perspective that is being addressed and also of the construction of the argument and the writing style.

The winner of the 2023 contest was Ioana Florina Burdeț for her essay *The Price of Prosperity: Analysing the Impact of Asset Price Changes on Durable Consumption in Former-Communist EU Economies.*

The jury also awarded two mentions for the essays *Fostering Financial Stability: The Impact of European Elections on Bond Markets* (author: Andreea Mădălina Stancea) and *The Moderating Role of Tourism in the Impact of Financial Crime on Deforestation* (author Adeline Cristina Cozma).

7 THE FGDB'S FINANCIAL STATEMENTS

At the end of 2023, the FGDB's assets added up to 10.9 billion lei, 10.1 percent more than back on 31 December 2022, with government securities still taking the bulk of FGDB assets.

THE FGDB'S RECEIPTS AND PAYMENTS[112]

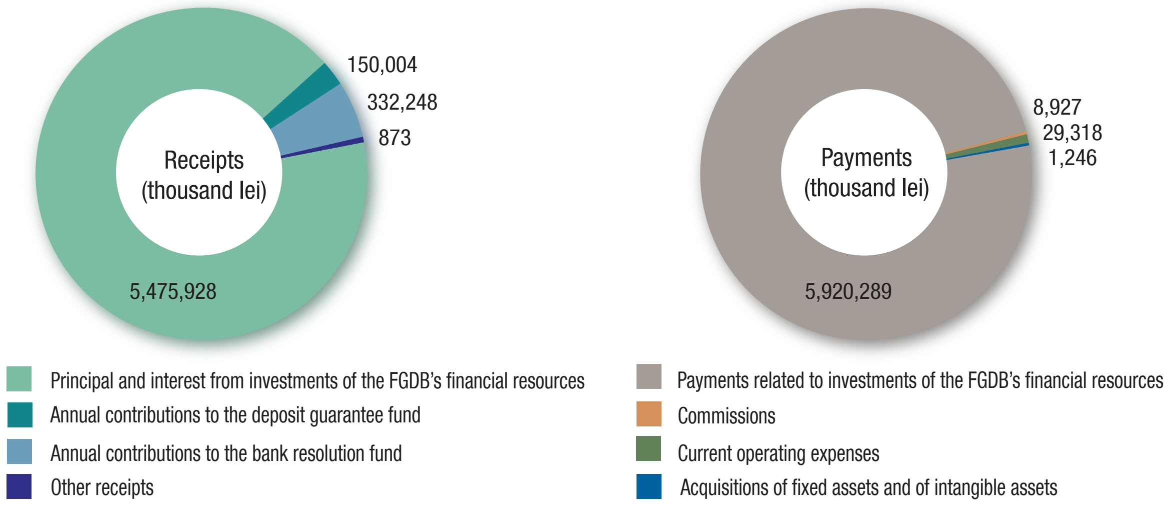
a) In 2023, the FGDB's receipts (cash inflows) stood at 5,959,053 thousand lei, of which:

150,004 thousand lei -	annual contributions to the deposit guarantee fund;
332,248 housand lei -	annual contributions to the bank resolution fund;
5,475,928 housand lei -	receipts from investments of the FGDB's financial resources plus interest;
326 housand lei -	interest on funds in the FGDB's current accounts at credit institutions;
440 housand lei -	refunds from the Single National Health Insurance Fund (recovery of amounts paid by employers to their employees as sick leaves);
107 housand lei -	receipts from fixed assets and other various receipts;

b) The FGDB's total payments (cash outflows) in 2023 amounted to 5,959,780 thousand lei, of which:

29,318 housand lei -	current operating expenses;
1,246 housand lei -	acquisitions of fixed assets and of intangible assets;
5,920,289 housand lei -	investments of the FGDB's financial resources;
8,927 housand lei -	commissions on transactions (29 thousand lei) and, respectively, IBRD commissions (8,898 thousand lei).

Structure of the FGDB's Receipts and Payments in 2023



THE FGDB'S BALANCE SHEET

- thousand lei -

Assets	31.12.2022	31.12.2023	Liabilities	31.12.2022	31.12.2023
1. Total fixed assets, of which:	**5,224,310**	**6,676,289**	**1. Total own funds, of which:**	**9,920,491**	**10,911,943**
• intangible assets	686	1,080	• reserves	9,602,842	10,393,671
• tangible assets	1,352	992	• profit for the fiscal year	317,649	518,272
• financial assets	5,222,272	6,674,217			
2. Total current assets, of which:	**4,684,442**	**4,214,942**	**2. Total liabilities, of which:**	**1,909**	**3,539**
• short-term financial investments	4,680,133	4,211,781	• debts payable within one year	1,661	2,073
• cash at banks and in hand	3,336	2,436	• income received in advance and accrued liabilities	248	1,466
• other claims	973	725			
3. Pre-paid expenses	**13,648**	**24,251**			
TOTAL ASSETS	**9,922,400**	**10,915,482**	**TOTAL LIABILITIES**	**9,922,400**	**10,915,482**

[112] In correlation with the cash flow statement for fiscal year ended 31 December 2023.

THE PROFIT AND LOSS ACCOUNT

The FGDB's fiscal-year result is determined as revenues from investments of financial resources less current expenses.

In 2023, the FGDB earned revenues totalling 551,284 thousand lei, resulting from:

539,495 thou. lei - due interest and coupons on investments of its financial resources throughout the year 2022 (accounting for 98 percent of total revenues);
326 thou. lei - interest on funds in its current accounts at credit institutions;
11,463 thou. lei - other revenues (revenues arising from adjustments for depreciation, revenues stemming from currency rate differences).

The FGDB's overall expenses in 2023 amounted to 33,012 thousand lei, of which:

18.639 thousand lei - personnel-related spending;
8.779 thousand lei - operating expenses (services, rents, amortisations);
5.594 thousand lei - other spending (resulting from adjustments for depreciation, and from currency rate differences).

The FGDB may use the financial resources of the two funds it manages exclusively for the purposes laid down in legislation, namely repayments and funding of resolution measures. Consequently, the FGDB covers its operating expenses solely from revenues arising from investments of available financial resources.

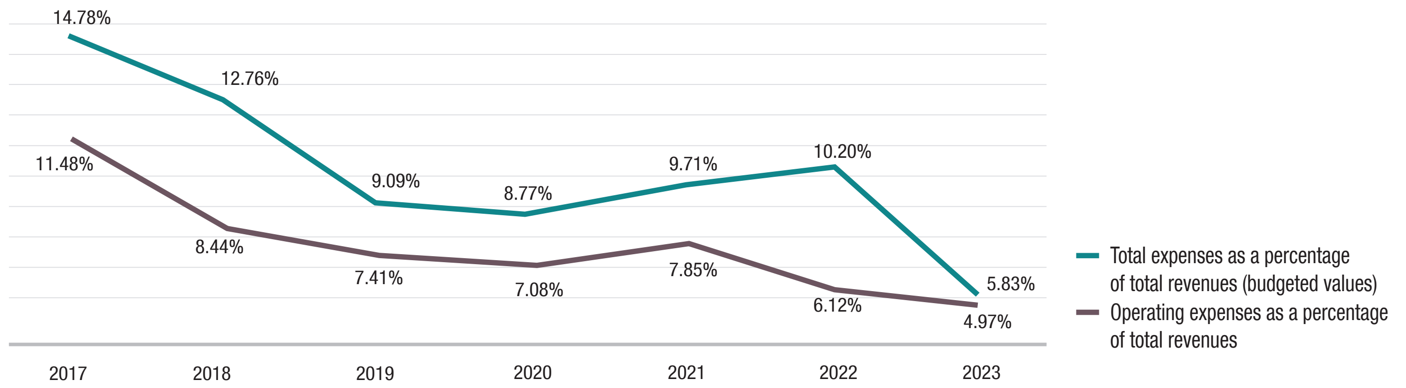
Profit and Loss Account

- thousand lei -

		31.12.2022	31.12.2023	Difference
1	Total revenues	374,393	551,284	176,891
2	Total expenses	56,744	33,012	-23,732
3	**Result for the fiscal year**	**317,649**	**518,272**	**200,623**

The FGDB has constantly improved its financial performance over the last few years owing to an adequate management of financial resources and to the measures its Executive Board and its Supervisory Board have taken in order to maintain current operating costs below budgeted levels.

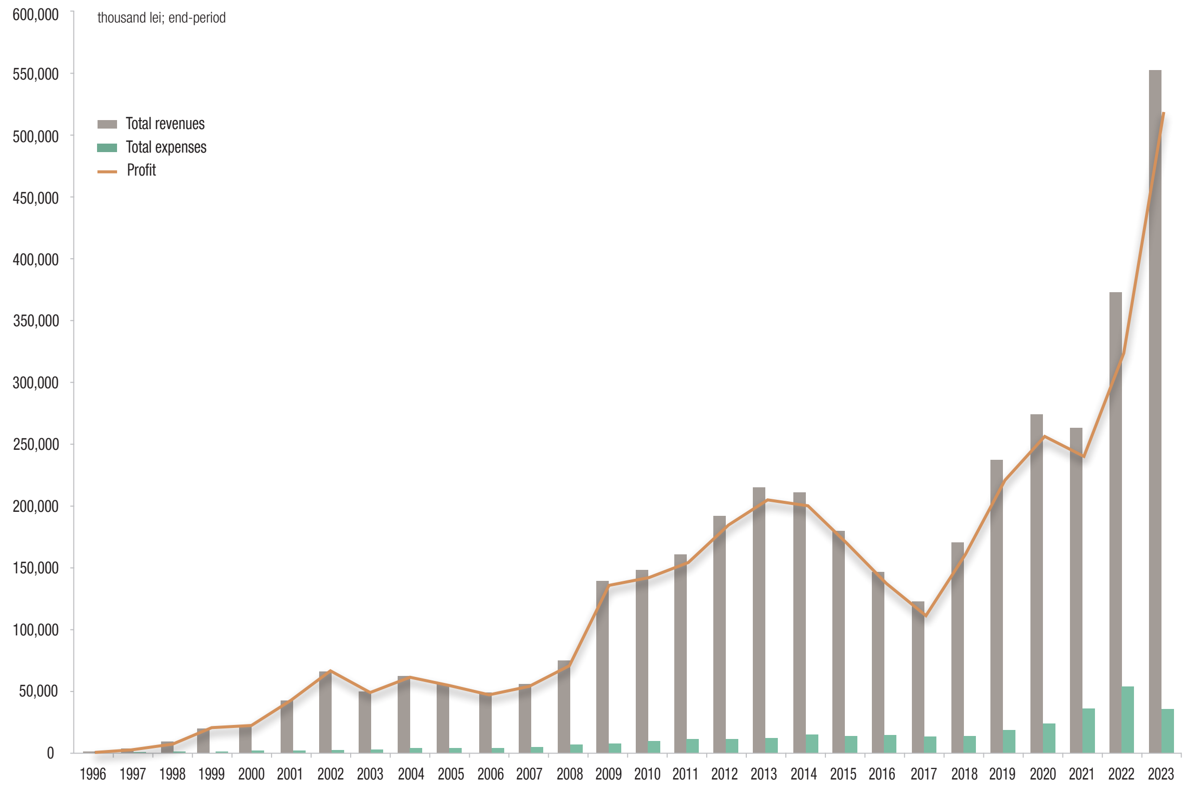
The FGDB's Expenses as A Percentage of Total Revenues



The FGDB's net accounting profit for the fiscal year ended 31 December 2023, a result of a cautious policy of investing financial resources, stood at 518,272 thousand lei.

In compliance with legal provisions, at least 99 percent of the FGDB's profit is distributed towards the two funds the institution manages in order to replenish available financial resources.

Evolution of the FGDB's Revenues, Expenses and Profit



The FGDB's financial statements as at 31 December 2023 were audited by independent auditor Mazars România S.R.L. In the auditor's opinion, as expressed in the Auditor's Report, the financial statements "give, in all material respects, a faithful view of the Fund's financial position as at 31 December 2023 and of its financial performance and cash flows for the fiscal year then ended, in compliance with the National Bank of Romania's NRB Order No. 6/2015 (with subsequent amendments) and with the accounting rules described in the Note as to the financial statements".

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Independent Auditor's Report

To the Supervisory Board of the Bank Deposit Guarantee Fund

Report on the financial statements

Opinion

1. We audited the accompanying financial statements of the Bank Deposit Guarantee Fund ("the Fund"), headquartered in Str. Negru Voda nr. 3, corp A3, et. 2, sector 3, Bucharest, Romania, unique tax identification number 8942496, which include the balance sheet as at 31 December 2023, the profit and loss account, and the cash flows for the fiscal year then ended, as well as the explanatory notes to the financial statements, including a summary of significant accounting policies, prepared in compliance with National Bank of Romania Governor's Order No. 6/2015, with subsequent amendments ("NRB Order 6/2015"). The aforesaid financial statements refer to:
   - Total deposit guarantee fund and bank resolution fund: 10,268,670,747 lei
   - Net profit for the fiscal year: 518,272,327 lei

2. In our opinion, the accompanying financial statements give, in all material respects, a faithful view of the Fund's financial position as at 31 December 2023 and of its financial performance and cash flows for the fiscal year then ended, in compliance with NRB Order 6/2015 (with subsequent amendments) and with the accounting policies described in the Notes to the financial statements.

Basis for opinion

3. We conducted our audit in compliance with International Standards on Auditing (ISA), Regulation (EU) No. 537/2014 of the European Parliament and of the Council ("Regulation No. 537/2014"), and Law No. 162/2017 ("Law"). Our responsibilities according to these standards are detailed in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent from the Fund according to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code) and to the other ethical requirements that are relevant to the audit of financial statements in Romania, and we fulfilled the other ethical requirements laid down in the IESBA Code. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

4. Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the audited period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We consider the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	Audit procedures performed to address the key audit matter
Existence, valuation and presentation of financial investments	
According to Note 2 j) and Note 5 to the accompanying financial statements, on 31.12.2023 the Fund's records show financial investments consisting of public instruments, bonds and other fixed income securities totalling 10,311,672 thousand RON (31.12.2022: 9,300,504 thousand RON), accounting for 94.5 percent of the Fund's total assets as at that date. Financial investments are intended to cover the deposit guarantee fund and the bank resolution fund and the main source of available cash to be invested derives from the annual contributions which the Fund collects from affiliated credit institutions. Moreover, financial investments generate substantial interest income, representing the Fund's main source of profit. Valuation of these financial investments complies with the requirements of NRB Order 6/2015, based on their classification as trading securities or as investment securities. Due to the significant value of these financial investments, we consider that their existence, valuation and presentation represent a key audit matter.	In order to obtain reasonable assurance of the existence, valuation and presentation of financial investments, we performed the following procedures to: • obtain a thorough understanding of the process of collecting contributions from affiliated credit institutions, as well as of the process of investing the collected contributions and managing the Fund's investment portfolio; • testing the effectiveness of the design and operation of relevant manual controls and application controls (where required); • performing random review of relevant documentation supporting a selection of purchases and sales and, respectively, maturities of financial investments during the year; • performing analytical and detail procedures (reconciliation, recalculation, reasonableness testing) regarding revenues and expenses related to financial investments; • obtaining confirmation replies as at 31.12.2023 from depositary banks regarding the Fund's financial investments; • analysing the valuation methods which the Fund used as at 31.12.2023 and their compliance with provisions under NRB Order 6/2015 and, respectively, the recalculation of the value of financial instruments as at 31.12.2023 using information from independent sources; • analysing the transactions and estimations the Fund recorded at the end of the audited fiscal year to reflect revenues for the reporting period.

Responsibilities of the management and of those charged with governance for the financial statements

5. The management is responsible for the preparation and fair presentation of these financial statements in compliance with NBR Order 6/2015 and for such internal control it deems necessary in the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

6. In preparing the financial statements, the management is also responsible for assessing the Fund's ability to continue as a going concern, disclosing, if applicable, in the explanatory notes to the financial statements, matters related to going concern, as well as for using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

7. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence users' economic decisions taken based on these financial statements.

9. As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
   - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to the respective risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

   - Obtain an understanding of the internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

   - Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and also determine, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent significant transactions and events in a manner that achieves fair presentation.

10. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

11. We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence and have communicated to them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report, except for the case in which laws or regulations prohibit public disclosure about the matter, or for the case when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of such communication would be reasonably expected to outweigh its public interest benefits.

Report on conformity of the Management's Report with the financial statements

The Fund's administrators are responsible for the preparation and presentation, in compliance with the requirements of Articles 225-228 in the Accounting Rules approved under NBR Order 6/2015, of a Management's Report which is free from material misstatements, and for such internal control as deemed necessary in the preparation of the Management's Report which shall be free from material misstatements, whether due to fraud or error.

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The Management's Report is presented on pages 1 to 31 and is not a part of the Fund's financial statements.

Our opinion on the accompanying financial statements does not cover the Management's Report.

In connection with our audit of the Fund's financial statements as at 31.12.2023, we read the Management's Report accompanying the financial statements and we report the following:

a) in the Management's Report, we did not identify, in all significant matters, any information that is inconsistent with the information presented in the accompanying financial statements;

b) the Management's Report, identified above, includes, in all significant matters, the information required in Articles 225-228 in the Accounting Rules approved under NBR Order 6/2015;

c) based on our knowledge and understanding obtained during the audit of the financial statements for the fiscal year ended 31.12.2023 regarding the Fund and its environment, we did not identify materially misstated information in the Management's Report.

Report on other legal and regulatory requirements

In compliance with Article 10 paragraph (2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of the International Standards on Auditing:

Appointment of the Auditor and the Duration of the Engagement

We were appointed in compliance with Article 37, paragraphs (2) and (3) of Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund by the Board of Directors of the National Bank of Romania in their meeting of 10.11.2021 to audit the financial statements of the Bank Deposit Guarantee Fund for fiscal years 2021-2023. The total duration of our engagement is of 3 years, covering the fiscal years ended 31.12.2021 to 31.12.2023.

Consistency with the additional report to the Audit Committee

We confirm that our audit opinion on the Fund's financial statements expressed herein is consistent with the additional report to the Fund's Audit Committee, which we issued on 26.03.2024 in line with Article 11 of Regulation (EU) No. 537/2014.

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Provision of non-audit services

We declare that have not provided the prohibited non-audit services referred to in Article 5 paragraph (1) of Regulation (EU) No. 537/2014. In addition, there are no other non-audit services that were provided by us to the Fund.

Bucharest, 27.03.2024

Autoritatea Pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Auditor financiar: Butucaru Răzvan
Registru Public Electronic: 2680

Răzvan Butucaru
Auditor registered in the Electronic Public Registry under No. 2680/2008

On behalf of Mazars Romania S.R.L.
Audit firm registered in the Electronic Public Registry under No. 699/ 2007

Str. George Constantinescu nr. 4B, etaj 5
Globalworth Campus, Cladirea B
Bucharest, Romania
Telephone: +031 229 26 00
ww.mazars.ro

Autoritatea Pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Auditor financiar: Mazars România S.R.L.
Registru Public Electronic: 699

BALANCE SHEET AS AT 31 DECEMBER 2023

- RON -

Indicator	Item code	31 december 2022	31 december 2023
A	*B*	*1*	*2*
Cash	010	15,071	16,708
Claims against credit institutions	020	605,220,777	576,744,902
• on demand	023	3,320,777	2,419,902
• other claims	026	601,900,000	574,325,000
Public instruments, bonds and other fixed income securities	040	9,300,503,657	10,311,671,560
• issued by public bodies	043	5,303,302,909	7,043,552,263
• issued by other issuers	046	3,997,200,748	3,268,119,297
Intangible assets	080	1,352,469	1,080,336
Tangible assets	090	686,491	992,410
Other assets	100	973,802	725,113
Prepaid expenses and accrued income	110	13,647,391	24,251,226
Total assets	**120**	**9,922,399,658**	**10,915,482,255**
Other liabilities	330	1,660,221	2,072,833
Income recorded in advance and accrued liabilities	340	248,000	1,466,348
The deposit guarantee fund and the bank resolution fund	360	9,602,842,142	10,268,670,747
• The deposit guarantee fund	361	7,138,890,328	7,393,658,979
› The deposit guarantee fund consisting of credit institutions' contributions	362	4,547,348,212	4,691,456,307
› The deposit guarantee fund consisting of receipts from recovered claims	363	76,351,876	76,351,876
› The deposit guarantee fund consisting of earnings from investments of available financial resources	364	2,512,196,476	2,622,857,034
› The deposit guarantee fund consisting of other revenues as set by law	365	2,993,762	2,993,762
• The bank resolution fund	366	2,463,951,814	2,875,011,768
› The bank resolution consisting of credit institutions' contributions	367	1,803,128,771	2,135,376,481
› The bank resolution consisting of earnings from investments of available financial resources	367a	205,063,651	283,875,895
› The bank resolution fund consisting of other resources	368	455,759,392	455,759,392
Reserve fund	369	-	125,000,000
Result for fiscal year – Profit	**403**	**317,649,295**	**518,272,327**
Total liabilities and own funds	**420**	**9,922,399,658**	**10,915,482,255**
Contingent liabilities	**600**	**-**	**2,019,687,600**
Commitments	**610**	**-**	**-**

PROFIT AND LOSS ACCOUNT
FOR THE FISCAL YEAR ENDED 31 DECEMBER 2023

- RON -

Indicator	Item code	31 december 2022	31 december 2023
A	B	1	2
Interest receivable and similar income, of which:	010	334,556,572	539,820,514
• fon public instruments, bonds and other fixed income securities	015	316,089,957	490,915,880
Interest payable and similar expenses	020	422	3,872
Commissions	040	15,840	26,119
Net profit or loss from financial operations	050	5,993,734	5,819,504
Other operating income	060	6,126	49,454
General administrative expenses	070	20,515,982	24,821,515
• Personnel-related expenses, of which:	073	15,972,319	18,638,665
› Wages	074	15,445,426	18,012,859
› Social security costs, of which:	075	526,893	625,806
- pension-related expenses	076	-	-
• Other administrative expenses	077	4,416,030	6,092,185
• Utilities expenses, of which:	078	127,633	90,665
› electricity expenses	078a	85,160	54,808
› natural gas bill	078b	32,773	29,509
Adjustments to the book value of tangible and intangible assets	080	673,003	906,680
Other operating expenses	090	1,701,890	1,658,959
Result of current activity – Profit	**143**	**317,649,295**	**518,272,327**
Total revenues	180	374,392,930	551,283,829
Total expenses	190	56,743,635	33,011,502
Pre-tax result – Profit	203	317,649,295	518,272,327
Net result for the fiscal year – Profit	**223**	**317,649,295**	**518,272,327**

EXPLANATORY NOTES TO THE FGDB'S FINANCIAL STATEMENTS – EXCERPTS[113]

1. Significant Accounting Methods and Policies

Some of the main accounting policies used when preparing these financial statements are given below.

a) Preparation and Presentation of the Financial Statements

The present financial statements were prepared in compliance with:

i. Order No. 6/2015 of the Governor of the National Bank of Romania on the approval of Accounting Rules in compliance with European Union Directives, applicable to payment institutions granting credits related to payment services, electronic money institutions and the Bank Deposit Guarantee Fund, with subsequent amendments and completions ("NRB Order No. 6/2015");

ii. The Accounting Law No. 82/1991, republished, with subsequent amendments and completions.

These financial statements comprise the Fund's own individual financial statements

The financial statements herein were prepared on the historical cost convention basis, with the exceptions detailed in the accounting policies below.

The present financial statements were not prepared to reflect the Fund's financial position and the results of its operations in keeping with accounting rules and policies accepted in countries and jurisdictions other than Romania. Therefore, the accompanying financial statements are not prepared to be used by entities who are unfamiliar with accounting and legal regulations in Romania, including NRB Order No. 6/2015.

The Fund prepared these financial statements on a going concern basis.

The present financial statements were endorsed by the Fund's Supervisory Board on 26 March 2024.

j) Public instruments, bonds and other fixed income securities

Investment securities are financial assets with fixed or determinable payments and fixed maturities which the Fund has the firm intent and the ability to hold to maturity.

Securities may qualify as investment securities depending on:

- terms and characteristics of the financial asset, and
- the Fund's ability and actual intent to hold these instruments to maturity.

The decision to designate securities as investment securities shall disregard both future opportunities to make profit from the respective portfolio and the bid prices offered by other investors before maturity date because the intent is to hold – rather than sell – this investment to maturity, no matter the fluctuations in its market value.

A prerequisite for the designation as investment securities is the assessment of the Fund's intent and ability to hold these instruments until they reach maturity; such assessment must be conducted not only at the time of the initial purchase but also at the end of each fiscal year. If, following a change in the Fund's intent or ability to hold investment securities until they mature, the classification of these instruments as investment securities is no longer appropriate, they shall be reclassified as trading securities and evaluated in terms of the respective category.

If the Fund sold or reclassified a significant amount of investment securities during a current fiscal year or during the two preceding financial years, it shall not be able to designate any further financial assets as investment securities ("the tainting rule").

[113] The explanatory notes bear the same numbers as in the original material wherefrom they are quoted. Similarly, the name of the institution differs – "The Fund" instead of "the FGDB" as has been used in the present Report.

This interdiction does not apply if the respective sale or reclassification:

- is so close to the maturity date of the financial asset (for instance, less than three months to maturity) that interest swings in the market could not have had any significant impact on the fair value of the financial asset;
- occurs after a substantial portion of the principal of the financial asset was redeemed through either periodic payments or early repayments, or
- is attributable to an isolated, non-recurring and reasonably hard-to-predict event.

q) The Bank Deposit Guarantee Fund's specific financial resources

The Fund's financial means consist of: initial contributions from credit institutions, annual contributions from credit institutions, extraordinary contributions, recovered claims, the Fund's remuneration as court-appointed liquidator, as well as other financial resources stemming from the previous years' profits. If financial resources run dry, the Fund may borrow from the Ministry of Finance, under lending contracts, in order to cover the shortfall.

The functionality of these accounts and the way they are reflected in accounting records are laid down in Government Ordinance No. 39/1996 on the setting up and operation of the Bank Deposit Guarantee Fund, Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, and NBR Order No. 6/2015 with subsequent amendments and completion, as follows:

(i) Annual contribution

Each participating credit institution pays into the Fund an annual contribution determined as a percentage of the leu equivalent of the amount of covered deposits in the respective credit institution's records as at 31 December of the year immediately preceding the year in which payment is due. The Fund sets the respective percentage, which is subsequently approved by the National Bank of Romania. This contribution is calculated on a yearly basis, it is paid by credit institutions annually, and is recorded under the accrual basis of accounting.

(ii) Extraordinary contributions

These are other contributions collected from credit institutions, in compliance with legislation, when the Fund's financial resources prove insufficient to cover payouts.

(iii) Recovered claims

They represent inflows of funds as the Fund recovers its claims over failed banks for the compensation it disbursed. The contributions already paid by credit institutions are non-refundable, including in cases where a credit institution is either liquidated under court supervision or is dissolved.

(iv) Funds consisting of other revenues

Pursuant to NBR Order No. 6/2015 and Law No. 311/2015, these other funds include donations, sponsorships, revenues from the Fund's financial assistance and activities as liquidator of banks going through bankruptcy proceedings, as well as other revenues set according to the law.

(v) Fund consisting of revenues from investments of available financial resources

These are financial resources resulting from the Fund's net profit. According to Law No. 311/2015, Article 98 paragraph (2) letter s) and Article 112, the Fund's profit, which is calculated as its revenues less its expenses, is tax free. With the approval of the Board of Directors of the National Bank of Romania, up to one percent of the profit goes to an annual profit-sharing fund and, respectively, a reserve fund, in line with Article 111 of Law No. 311/2015, while the remainder replenishes the financial means for each of the activities stipulated in Article 92, paragraphs (1) and (2).

The account for financial resources decreases as an outcome of:

- the Fund's reimbursements to the legally guaranteed depositors of banks where deposits have become unavailable;
- instalment and interest payments, as well as exchange rate differences on loans taken to finance payouts;
- funds transferred to the resolution authority;
- loans to other guarantee schemes, granted in compliance with legislation.

Accordingly, the Fund does not record provisions either for guaranteed depositors' outstanding compensation claims or for potential compensation claims that the Fund has not been notified of.

r) Profit tax

In line with provisions in Article 13, paragraph (2), point e) of Law No. 227/2015 on the Fiscal Code, with subsequent amendments and completions, the Fund's profit is tax exempt.

u) Interest income

Under the accrual basis of accounting, interest inflows from all interest-bearing financial instruments are recognised in the profit and loss account when they are earned. Interest income also includes revenues generated by the amortization of the discount according to the effective interest method for assets purchased at prices lower than their maturity value, as well as for the premiums triggered by debts made at costs higher than the value repayable at maturity date.

v) Revenue recognition

Revenues are earned from interest on financial assets. The present financial statements show revenues and expenses as gross totals.

3. Cash

On 31 December 2023, the Fund's cash in hand stood at the RON equivalent of 16,708 (on 31 December 2022, cash in hand amounted to 15,071 in the RON equivalent).

4. Claims over credit institutions

(RON)	31 december 2022	31 december 2023
Current accounts	3,320,777	2,419,902
Term investments in credit institutions	601,900,000	574,325,000
Total	**605,220,777**	**576,744,902**

5. Public instruments, bonds and other fixed income securities

(RON)	31 december 2022	31 december 2023
Long-term securities, of which:	**49,588,705**	**1,013,128,186**
• Bonds and other fixed-income securities	-	-
• Public instruments and similar paper	49,588,705	1,013,128,186
Medium-term securities, of which:	**5,172,682,435**	**5,661,087,822**
• Bonds and other fixed-income securities	2,430,717,428	1,539,600,570
• Public instruments and similar paper	2,741,965,007	4,121,487,252
Short-term securities, of which:	**4,078,232,517**	**3,637,455,552**
• Bonds and other fixed-income securities	1,566,483,320	1,728,518,727
• Public instruments and similar paper	2,511,749,197	1,908,936,825
Total investments	**9,300,503,657**	**10,311,671,560**

10. Fund consisting of credit institutions' contributions (cumulative amounts)

The annual contribution of each credit institution is calculated on the basis of the statements it sends to the Fund. In 2023, the Fund raised 150,004,195 RON in annual contributions the level of which was determined according to the degree of risk incurred by each participating credit institution related to the amount of covered deposits it held on 31.12.2022 (2022: 300,310,856 RON).

Total 2023 contributions were set in line with the guidelines of the Fund's financing policy and according to the method of calculating risk-adjusted contributions, as approved by the Board of Directors of the National Bank of Romania. If, upon the Fund's request, the Board

(RON)	31 december 2022	31 december 2023
Initial contribution –1%	6,472,230	6,472,230
Annual contribution, including increased contribution	5,006,167,413	5,156,175,136
Extraordinary contribution	61,777,997	61,777,997
Credit line fee	-14,825,699	-14,825,699
Deposit compensation	-512,243,727	-512,243,727
Loan commissions	-	-5,911,608
Exchange differences on loans	-	11,978
Total	**4,547,348,214**	**4,691,456,307**

of Directors of the National Bank of Romania considers that the Fund's financial means are insufficient to allow it to meet its payment obligations, it may decide that each credit institution should pay an extraordinary contribution equal to up to the level of the annual contribution for the respective fiscal year.

No extraordinary contributions were paid either in 2023 or in 2022. Compensation is the amount of money, within the guarantee threshold, which the Fund pays out to each guaranteed depositor when deposits, no matter the number of depositor accounts, have become unavailable. Neither the year 2023, nor 2022, recorded any payout disbursements. The 2022 profit amounting to 110,660,558 RON, which resulted from investments of the financial resources of the guarantee fund, was capitalised under a decision by the Fund's Supervisory Board after the financial statements as at 31 December 2022 were approved.

11. The bank resolution fund

The bank resolution fund is set up to provide the financial resources needed to fund bank resolution measures. The bank resolution fund is administered by the Bank Deposit Guarantee Fund. Compliant with Article 539 of Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms and amending

(RON)	31 december 2022	31 december 2023
Fund consisting of contributions from credit institutions	1,803,128,771	2,135,376,481
Fund consisting of revenue from investments of available financial resources	205,063,651	283,875,895
Fund consisting of other resources	455,759,392	455,759,392
Total	**2,463,951,814**	**2,875,011,768**

and complementing legal acts in the financial sector, the National Bank of Romania, as the resolution authority, sets the level of credit institution's annual contributions to the bank resolution fund spreading payments out as uniformly as possible over time, all while duly taking into account the phase of the business cycle and the impact procyclical contributions may have on the financial position of contributing credit institutions.

In 2023, the Fund raised 332,247,710 RON in contributions, the level of which was calculated according to a decision of the National Bank of Romania. In 2022, the Fund collected 367,702,207 RON worth of annual contributions, which were calculated under a decision by the National Bank of Romania.

The 2022 profit, which stood at 78,812,244 RON and resulted from investments of the financial resources of the bank resolution fund, was capitalised under a decision of the Fund's Supervisory Board following the approval of the financial statements as at 31 December 2022.

12. Fund consisting of revenues from recovered claims (cumulative amounts)

(RON)	31 december 2022	31 december 2023
Recovered claims	185,126,831	185,126,831
Interests on bank loans – NBR	-108,774,955	-108,774,955
Total	**76,351,876**	**76,351,876**

Recovered claims are the amounts of money the Fund collected from credit institutions and represent their annual contributions still outstanding on bankruptcy date and the compensation payments to their depositors. In 2023, the Fund recovered no claims from the failed credit institutions. In 2022, the Fund recovered no claims from the failed credit institutions.

13. Fund consisting of revenues from investments of available financial resources

(RON)	31 december 2022	31 december 2023
Fund consisting of revenues from investments of available financial resources – share of profit	2,512,196,476	2,622,857,034
Total	**2,512,196,476**	**2,622,857,034**

These amounts represent the Fund's cumulative profit arising from the distribution of previous years' profits.

14. Fund consisting of other revenues, within the law

(RON)	31 december 2022	31 december 2023
The Fund's remuneration from its activities as liquidator	2,993,762	2,993,762
Total	**2,993,762**	**2,993,762**

15. Distribution of profit

(RON)	31 december 2022	31 december 2023
Result of current activity – profit, of which:	317,649,295	518,272,327
Profit from the financial resources of the deposit guarantee fund	238,040,968	377,637,572
Profit from the financial resources of the bank resolution fund	79,608,327	140,634,755
Total	**317,649,295**	**518,272,327**

(RON)	31 december 2022	31 december 2023
Result of current activity – profit, of which:	317,649,295	518,272,327
Profit distribution to the deposit guarantee fund	110,660,558	326,675,196
Profit distribution to the bank resolution fund	78,812,244	139,228,408
Profit distribution to the employees' profit-sharing fund	3,176,493	5,182,723
Profit distribution to the reserve fund	125,000,000	47,186,000

17. Risk management

Financial and operational risks are the prime risks associated with the Fund's activities. The Fund is exposed to the following risks:

- Interest rate risk
- Market risk
- Liquidity risk
- Foreign exchange risk
- Credit risk

a) Interest rate risk

The Fund is exposed to interest rate fluctuations in the market, which impacts its financial position and cash flows. As a result of such shifts, interest rates may either increase or fall, and may even trigger losses if unexpected changes occur. The Fund's management periodically monitors exposure to moves in interest rates.

Hereunder are the interest rates the Fund obtained on RON-denominated invested assets:

(RON)	2022		2023	
	min	max	min	max
Claims over credit institutions	7.20%	9.75%	6.50%	9.75%
Public instruments, bonds and other fixed income securities	2.00%	10.10%	2.00%	10.10%

Here below are the interest rates the Fund obtained on EUR-denominated invested assets:

(RON)	2022		2023	
	min	max	min	max
Claims over credit institutions	-	-	-	-
Public instruments, bonds and other fixed income securities	0.46%	4.41%	0.46%	5.62%

b) Market risk

Romania is still a developing economy and there is considerable uncertainty about the road domestic economic policies are likely to take. The Fund's management cannot foresee either the changes that may take place in Romania or the effect they may have on the Fund's financial position and on the results of its transactions.

c) Foreign exchange risk

The Fund operates against an economic background of swinging exchange rates of widely traded currencies (EUR, USD, CHF, GBP). Therefore, the risk of a drop in the value of its RON-denominated net monetary assets is low.

(RON)

As at 31 December 2022	RON	USD	EUR	GBP	Other currencies	Total
Cash	4,937	5,932	4,202	-	-	15,071
Current accounts at banks	3,184,462	277	135,332	146	560	3,320,777
Claims over credit institutions	601,900,000	-	-	-	-	601,900,000
Public instruments, bonds and other fixed income securities	9,046,416,113	-	254,087,544	-	-	9,300,503,657
Other assets	973,802	-	-	-	-	973,802
Prepaid expenses and accrued income	13,647,391	-	-	-	-	13,647,391
Foreign exchange risk-free assets	2,038,960	-	-	-	-	2,038,960
Total assets	**9,668,165,665**	**6,209**	**254,227,078**	**146**	**560**	**9,922,399,658**
Other liabilities	1,908,221	-	-	-	-	1,908,221
The deposit guarantee fund	7,138,248,625	-	641,703	-	-	7,138,890,328
The bank resolution fund	2,463,951,814	-	-	-	-	2,463,951,814
Total liabilities	**9,604,108,660**	**-**	**641,703**	**-**	**-**	**9,604,750,363**
Liquidity surplus (needs)	**64,057,005**	**6,209**	**253,585,375**	**146**	**560**	**317,649,295**

(RON)

As at 31 December 2023	RON	USD	EUR	GBP	Other currencies	Total
Cash	3,745	2,144	10,819	-	-	16,708
Current accounts at banks	2,363,287	355	55,778	150	332	2,419,902
Claims over credit institutions	574,325,000	-	-	-	-	574,325,000
Public instruments, bonds and other fixed income securities	9,948,108,199	-	363,563,361	-	-	10,311,671,560
Other assets	725,113	-	-	-	-	725,113
Prepaid expenses and accrued income	19,791,083	-	4,460,143	-	-	24,251,226
Foreign exchange risk-free assets	2,072,746	-	-	-	-	2,072,746
Total assets	**10,547,389,173**	**2,499**	**368,090,101**	**150**	**332**	**101,915,482,255**
Other liabilities	1,924,057	145,816	1,469,308	-	-	3,539,181
The deposit guarantee fund	7,393,013,747	-	645,232	-	-	7,393,658,979
The bank resolution fund	2,875,011,768	-	-	-	-	2,875,011,768
Total liabilities	**10,269,949,572**	**145,816**	**2,114,540**	**-**	**-**	**10,272,209,928**
Liquidity surplus (needs)	**277,439,601**	**-143,317**	**365,975,561**	**150**	**332**	**643,272,327**

d) Liquidity risk

A main cause of liquidity risk is the mismatch between the maturities of the Fund's assets and liabilities. To the extent possible, the Fund's strategy aims at maintaining liquidity sufficiently high so as to be able to meet liabilities as they come due, without incurring losses.

(RON)

As at 31 December 2022	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Over 5 years	Maturity undefined	Total
Cash	15,071	-	-	-	-	15,071
Current accounts at banks	3,320,777	-	-	-	-	3,320,777
Claims over credit institutions	188,900,000	413,000,000	-	-	-	601,900,000
Public instruments, bonds and other fixed income securities	988,112,436	3,090,120,081	5,172,682,435	49,588,705	-	9,300,503,657
Other assets	973,802	-	-	-	-	973,802
Prepaid expenses and accrued income	1,777,268	11,462,201	407,922	-	-	13,647,391
Liquidity risk-free assets	-	-	-	-	2,038,960	2,038,960
Total assets	**1,183,099,354**	**3,514,582,282**	**5,173,090,357**	**49,588,705**	**2,038,960**	**9,922,399,658**
Other liabilities	1,908,221	-	-	-	-	1,908,221
The deposit guarantee fund	7,138,890,328	-	-	-	-	7,138,890,328
The bank resolution fund	2,463,951,814	-	-	-	-	2,463,951,814
Total liabilities	**9,604,750,363**	**-**	**-**	**-**	**-**	**9,604,750,363**
Liquidity surplus (needs)	**-8,421,651,009**	**3,514,582,282**	**5,173,090,357**	**49,588,705**	**2,038,960**	**317,649,295**

(RON)

As at 31 December 2023	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Over 5 years	Maturity undefined	Total
Cash	16,708	-	-	-	-	16,708
Current accounts at banks	2,419,902	-	-	-	-	2,419,902
Claims over credit institutions	150,000,000	424,325,000	-	-	-	574,325,000
Public instruments, bonds and other fixed income securities	233,617,116	3,403,838,436	5,661,087,822	1,013,128,186	-	10,311,671,560
Other assets	725,113	-	-	-	-	725,113
Prepaid expenses and accrued income	8,833,530	10,597,034	-	-	-	19,430,565
Liquidity risk-free assets	-	-	-	-	6,893,407	6,893,407
Total assets	**395,612,369**	**3,838,760,470**	**5,661,087,822**	**1,013,128,186**	**6,893,407**	**10,915,482,255**
Other liabilities	3,539,181	-	-	-	-	3,539,181
The deposit guarantee fund	7,393,658,979	-	-	-	-	7,393,658,979
The bank resolution fund	2,875,011,768	-	-	-	-	2,875,011,768
Total liabilities	**10,272,209,928**	**-**	**-**	**-**	**-**	**10,272,209,928**
Liquidity surplus (needs)	**-9,876,597,559**	**3,838,760,470**	**5,661,087,822**	**1,013,128,186**	**6,893,407**	**643,272,327**

e) Credit risk

All through 2023, considerable attention was paid to the effective investment of the Fund's available financial resources in conditions of increasing liquidity and mitigating risk and in compliance with the 2023 exposure strategy approved by the Board of Directors of the National Bank of Romania.

Depozite bancare

(RON)	31 december 2022	31 december 2023
Total bank deposits	601,900,000	574,325,000
Current accounts	3,320,777	2,419,902
Total bank deposits and current accounts	**605,220,777**	**576,744,902**

Securities – classification by maturities

(RON)	31 december 2022	31 december 2023
Long-term securities, of which:	49,588,705	1,013,128,186
Bonds and other fixed income securities	-	-
Public instruments and similar assets	49,588,705	1,013,128,186
Medium-term securities, of which:	5,172,682,435	5,661,087,822
Bonds and other fixed income securities	2,430,717,428	1,539,600,570
Public instruments and similar assets	2,741,965,007	4,121,487,252
Short-term securities, of which:	4,081,879,756	3,637,455,552
Bonds and other fixed income securities	1,566,483,320	1,728,518,727
Public instruments and similar assets	2,515,396,436	1,908,936,825
Total gross amount	9,304,150,896	10,311,671,560
Adjustments for the depreciation of public instruments and similar assets	3,647,239	-
Total net amount	**9,300,503,657**	**10,311,671,560**

ANNEXES

ABBREVIATIONS

CMDI	•	(European) Crisis Management and Deposit Insurance Framework
CNSM	•	The National Committee for Macroprudential Supervision
DGS	•	Deposit Guarantee Scheme
EBA	•	European Banking Authority
EDDIES	•	The Central Exchange Mechanism between Deposit Guarantee Schemes in the European Union
EFDI	•	European Forum of Deposit Insurers
ESRB	•	European Systemic Risk Board
EU	•	European Union
FGDB	•	Bank Deposit Guarantee Fund
IADI	•	International Association of Deposit Insurers
IBRD	•	The International Bank for Reconstruction and Development
ICN	•	Interbank Communication Network
MF	•	Ministry of Finance
MREL	•	Minimum Requirement for own funds and Eligible Liabilities
NRB	•	National Bank of Romania
PL	•	Payout List
ROA	•	Return on Assets
ROE	•	Return on Equity
SREP	•	Supervisory Review and Evaluation Process

DEFINITIONS

deposit

any amount of money a person holds in an account at a credit institution – be it a current account, a card account, a time deposit, a savings account or another similar product. As defined by Law no. 311/2015, a deposit refers to *"any credit balance, including the due interest, which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution must repay in the legal and contractual conditions applicable, including time deposits and savings accounts"* which is in none of the situations below:

- its existence can only be proved by a financial instrument, as defined in Article 2 paragraph (1) point 11 of *Law no. 297/2004 on the capital market,* with subsequent amendments and completions, other than where it is a savings product which is evidenced by a certificate of deposit made out to a named person and which existed on 2 July 2014;
- its principal is not repayable at par;
- its principal is only repayable at par under a particular guarantee or agreement provided by the credit institution or by a third party.

eligible deposit

a deposit that is not excluded from the scope of guarantee, namely a deposit that complies with legal provisions on payouts within the coverage limits.

deposit excluded from coverage

deposit listed in Annex No. 1 to *Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund,* with subsequent amendments and completions.

covered deposit

the part of an eligible deposit that does not exceed the guarantee ceiling. A guaranteed depositor may hold deposits within the legally stipulated guarantee level, in which case the depositor is fully covered, or deposits that go beyond the guarantee ceiling, in which case the compensation is limited to the coverage level.

unavailable deposit

deposit that is due and payable but has not been paid by a credit institution, under the legal and contractual conditions applicable thereto, where either:

- the National Bank of Romania, as the administrative authority competent to classify deposits as unavailable, has determined that the respective credit institution, for reasons directly linked to its financial situation, is unable to repay the deposit and has no immediate prospects of being able to do so, or
- a court order had rendered a decision on the opening of bankruptcy proceedings at the credit institution before the National Bank of Romania could assess the situation described above.

guaranteed depositor

the holder of an eligible deposit or, in the case of a joint account, the holders of an eligible deposit or, where appropriate, the person entitled to the funds in an eligible deposit. A natural or legal person may keep money in several credit institutions. Each credit institution reports the number of depositors in its records to the FGDB, which adds up the data reported by all member institutions, without the possibility of making adjustments for depositors who spread their deposits across several credit institutions.

compensation

amount of money determined according to legal provisions, within the coverage level, which a deposit guarantee scheme pays out to each guaranteed depositor when deposits, no matter their number, become unavailable.

guarantee ceiling

the maximum repayment per guaranteed depositor per credit institution.

DEPOSITS WITH FGDB-MEMBER CREDIT INSTITUTIONS AS AT 31 DECEMBER 2023

Indicators	31 Dec. 2022*	31 Dec. 2023	Differences	
1	2	3	4 = 3 - 2	5 = 4 / 2 (%)
1. Total number of deposit holders, of which:	15,625,252	15,896,515	271,263	*1.7*
• natural persons	14,434,093	14,672,548	238,455	*1.7*
• legal entities	1,191,159	1,223,967	32,808	*2.8*
2. Total number of eligible deposit holders, of which:	15,542,892	15,816,937	274,045	*1.8*
• natural persons	14,385,192	14,627,613	242,421	*1.7*
• legal entities	1,157,700	1,189,324	31,624	*2.7*
3. Total number holders of eligible deposits within the guarantee ceiling, of which:	15,438,348	15,696,892	258,544	*1.7*
• natural persons	14,320,790	14,553,232	232,442	*1.6*
• legal entities	1,117,558	1,143,660	26,102	*2.3*
4. Total deposits (million lei), of which:	536,222.9	598,971.5	62,748.6	*11.7*
• in lei	333,311.0	389,486.4	56,175.4	*16.9*
• in foreign currencies (in the leu equivalent)	202,911.9	209,485.1	6,573.2	*3.2*
• natural persons' deposits	258,827.8	290,251.2	31,423.4	*12.1*
• legal entities' deposits	277,395.1	308,720.3	31,325.2	*11.3*
5. Total eligible deposits (million lei), of which:	452,039.7	508,114.5	56,074.8	*12.4*
% of total deposits	*84.3*	*84.8*	*+0.5 p.p.*	
• in lei	286,905.6	345,113.1	58,207.5	*20.3*
• in foreign currencies (in the leu equivalent)	165,134.1	163,001.4	-2,132.7	*-1.3*

Indicators	31 Dec. 2022*	31 Dec. 2023	Differences	
1	2	3	4 = 3 - 2	5 = 4 / 2 (%)
6. Natural persons' eligible deposits (million lei), of which:	258,456.5	290,006.1	31,549.6	*12.2*
% of total eligible deposits	*57.2*	*57.1*	*-0.1 p.p.*	
• in lei	143,885.9	178,934.4	35,048.5	*24.4*
• in foreign currencies (in the leu equivalent)	114,570.6	111,071.7	-3,498.9	*-3.1*
7. Legal entities' eligible deposits (million lei), of which:	193,583.1	218,108.4	24,525.3	*12.7*
% of total eligible deposits	*42.8*	*42.9*	*0.1 p.p.*	
• in lei	143,019.6	166,178.6	23,159.0	*16.2*
• in foreign currencies (in the leu equivalent)	50,563.5	51,929.8	1,366.3	*2.7*
8. Total covered deposits (million lei), of which:	270,298.7	303,726.4	33,427.7	*12.4*
% of total eligible deposits	*59.8*	*59.8*		
9. Natural persons' covered deposits (million lei), of which:	218,618.3	246,222.3	27,604.0	*12.6*
% of total covered deposits	*80.9*	*81.1*	*0.2 p.p.*	
10. Legal entities' covered deposits (million lei), of which:	51,680.4	57,504.1	5,823.7	*11.3*
% of total covered deposits	*19.1*	*18.9*	*-0.2 p.p.*	

* Final data which were updated after the basis for calculation of the 2023 contributions owed by credit institutions had been verified by the FGDB.

Note: Due to rounding, totals/subtotals may differ slightly from the sum of the separate figures.

LIST OF CREDIT INSTITUTIONS AFFILIATED TO THE FGDB AS AT 31 DECEMBER 2023

- Aedificium Banca pentru Locuințe S.A.
- Alpha Bank România S.A.
- Banca Centrală Cooperatistă CREDITCOOP
- Banca Comercială Intesa Sanpaolo România S.A.
- Banca Comercială Română S.A.
- Banca Română de Credite și Investiții S.A.
- Banca Transilvania S.A.
- BCR Banca pentru Locuințe S.A.
- BRD - Groupe Société Générale S.A.
- CEC Bank S.A.
- Credit Europe Bank (România) S.A.
- Exim Banca Românească S.A.[114]
- First Bank S.A.
- Garanti Bank S.A.
- Libra Internet Bank S.A.
- OTP Bank România S.A.
- Patria Bank S.A.
- Porsche Bank România S.A.
- ProCredit Bank S.A.
- Raiffeisen Bank S.A.
- Salt Bank S.A.[115]
- Techventures Bank S.A.
- UniCredit Bank S.A.
- Vista Bank (România) S.A.

[114] Before 15 May 2023, this credit institution had been registered as Banca de Export-Import a României EximBank S.A.
[115] Before 20 November 2023, this credit institution had been registered as Idea Bank S.A.