



# The Romanian Banking System - facts and perspectives –

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# Macroeconomic outlook (1)



In 2015 GDP grew by 5.2% in H1 2016 compared to H1 2015 (the highest rate in EU), GDP per capita expressed as the Standard Purchasing Parity (SPP) stood at 57% of the EU average and 53% of euro area average

2016 forecasts indicate a 4.2% - 5% GDP growth rate

The annual inflation rate started to rise after the base effect of the first VAT cut operated in June 2015 dissipated, but is still in negative territory (-0.2% reported in Aug 2016)

The average unemployment rate stood at 6.2% in the first 7 months of 2016, compared to 6.8% in the same period of 2015

Romania contemplates entering the euro area, possibly after 2019, as well as adhering to the European Banking Union

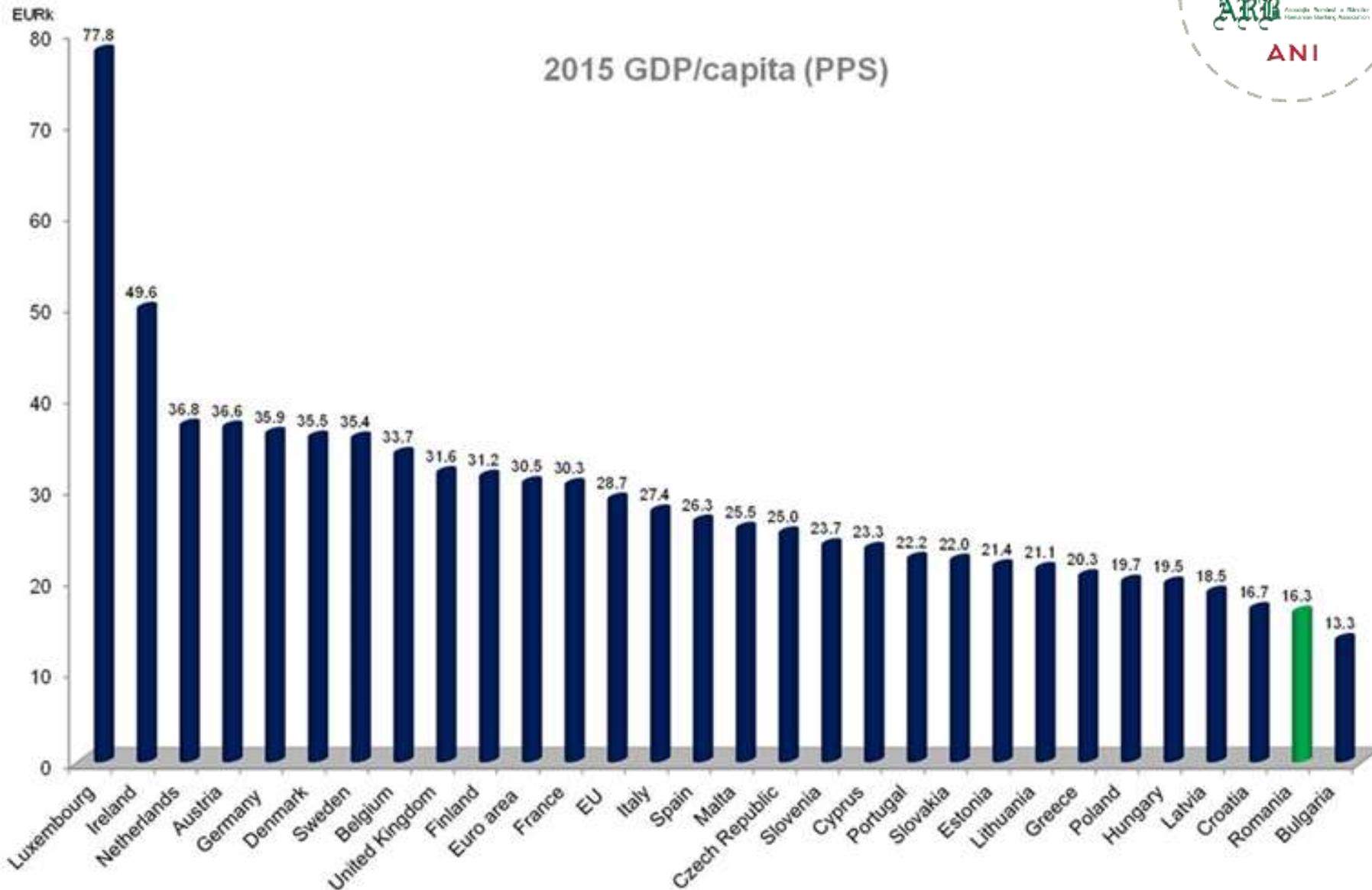
Although the nominal convergence criteria are fulfilled, the experience of euro area member states showed that a significant real convergence towards euro is necessary before joining it

# Macroeconomic outlook (2)

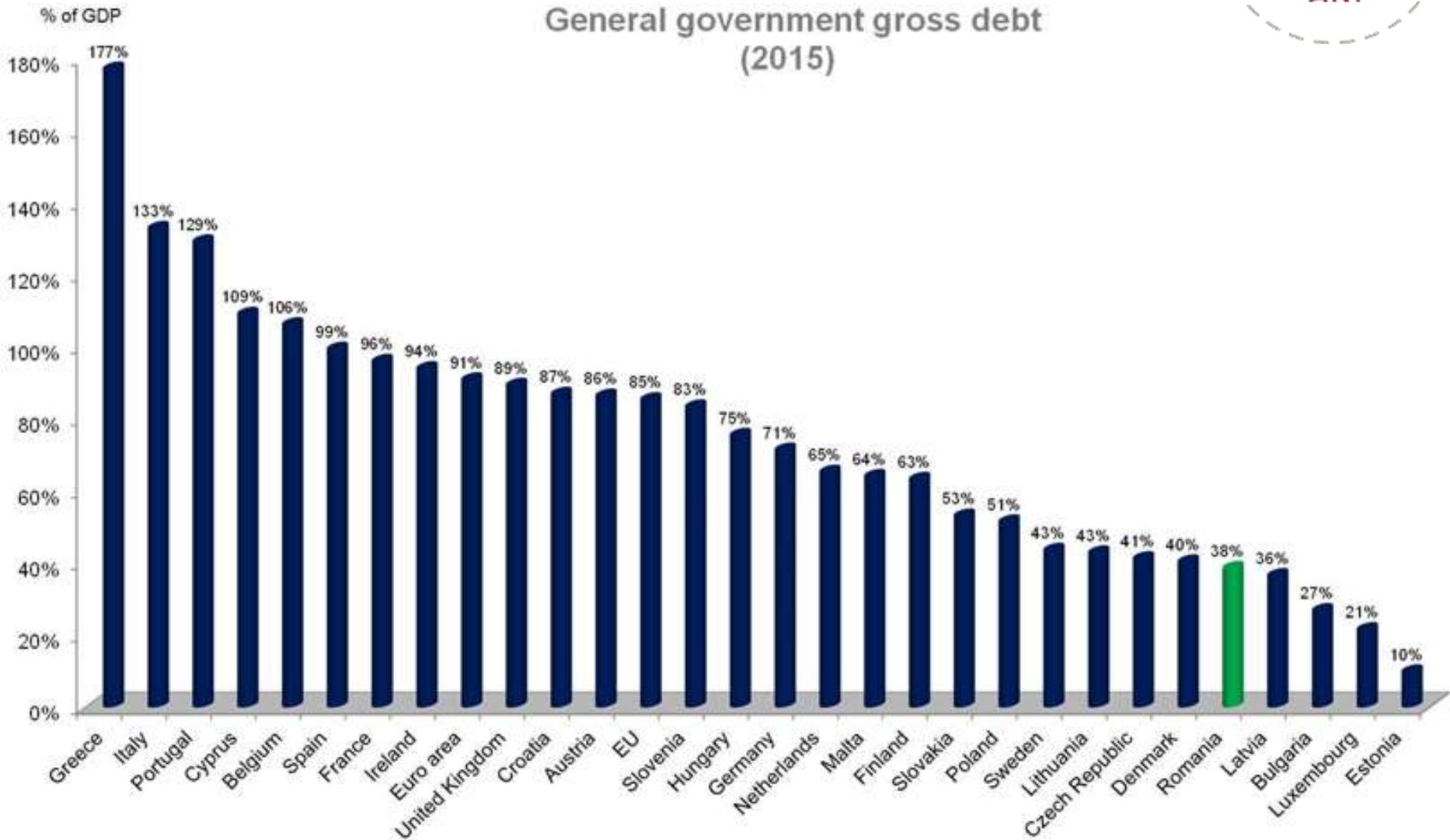


- The fiscal space is used at the maximum, the budget deficit for 2016 and 2017 is estimated to rise to 2.8% and 3.4% of GDP respectively, after being 0.7% in 2015 and 0.9% in 2014
- The public debt to GDP ratio is among the lowest in the EU, estimation are 38.7% for 2016 and 40.1% for 2017
- Due to the fast increase in imports generated by the accelerated consumption, the current account deficit is expected to be between 2% and 3% of the GDP above the level reached in 2015 of 1.1%
- The channel represented by European funds is still not used to its maximum potential, the current absorption (August 2016) stood at 74.2%, the banking community of Romania being interested in contributing actively to improving the general framework of raising European funds alongside all the parties involved

# Macroeconomic overview (1)



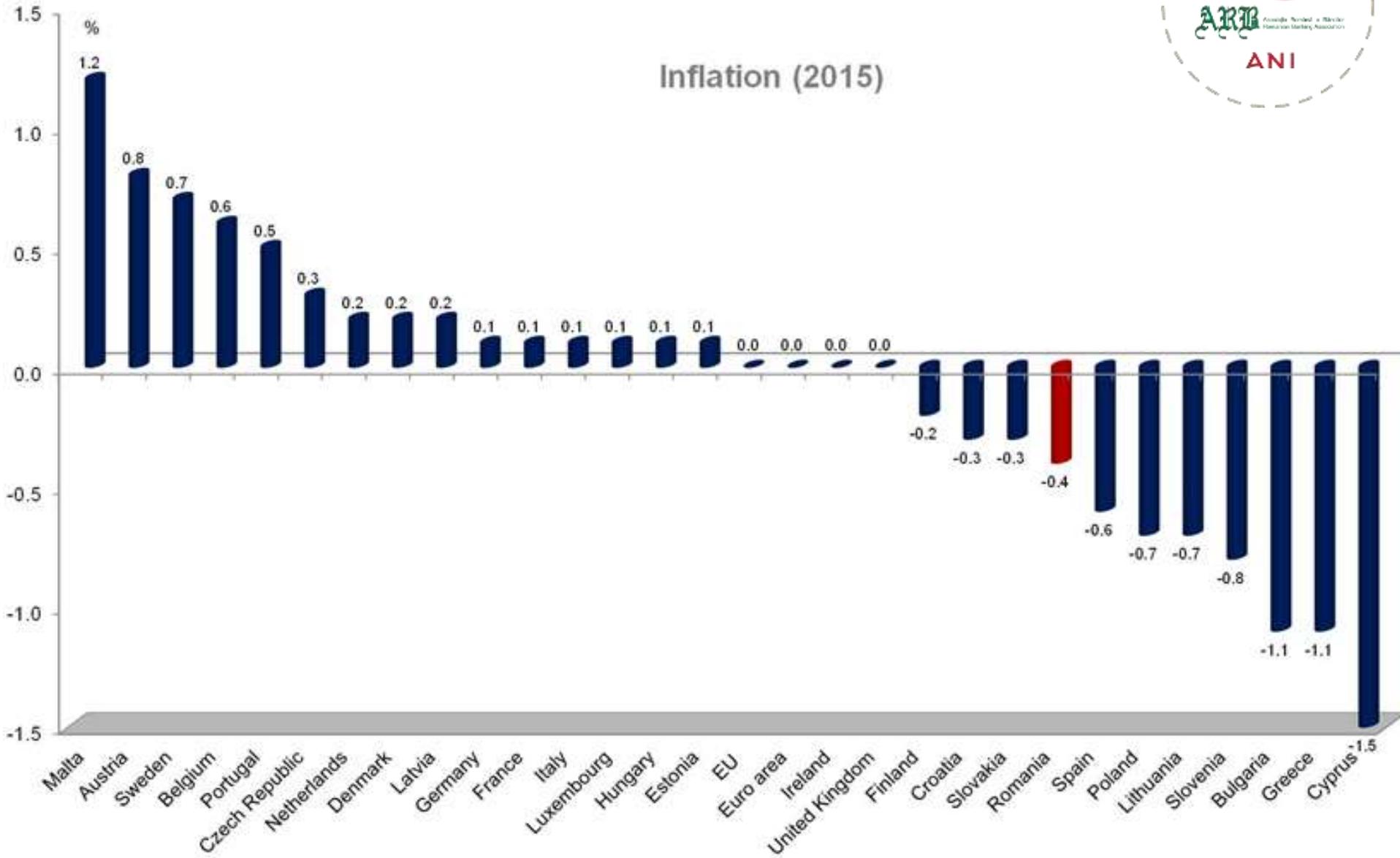
# Macroeconomic overview (2)



# Macroeconomic overview (3)



Inflation (2015)



# Banking sector performance



Romanian banking sector has demonstrated its structural stability, being among the few banking sectors from the European Union which did not need the state's support during the crisis



NBR is exercising tight oversight of prudential indicators, with a focus on capital adequacy dynamics and banks' efforts to raise additional capital



The banking prudence ratios were maintained at adequate levels, significantly over the minimum regulated thresholds



The solvency rate was maintained at a high level, i.e. 19.10% in June 2016, taking into account that the minimal threshold set in conformity with the European regulatory framework CRD IV/CRR is 8%.

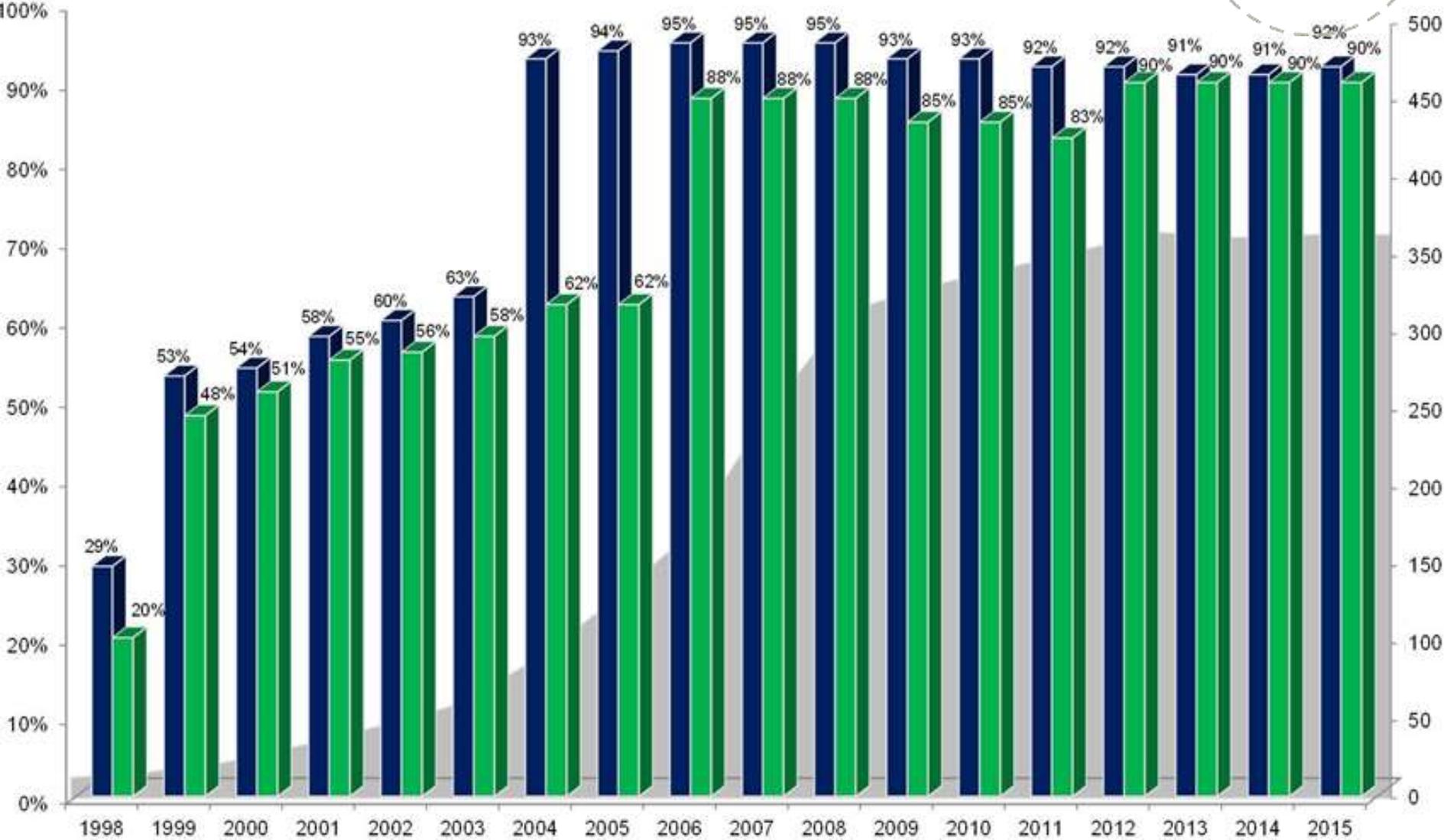


The profitability of the Romanian banking system re-entered positive territory, with a net profit of lei 4,474.7 million at end-2015, following a loss of lei 4,667 million reported a year earlier

# Romanian Banking System 1998 - 2015



■ Assets of private-owned institutions (% in total assets) ■ Assets of foreign-owned institutions (% in total assets) ■ Total net assets (rha)



# Payments market



Single Euro Payments Area (SEPA) standards for RON and EUR payments  
Market infrastructure for RON and EUR payments operated by Transfond

Payments Schemes administered by RBA at the banking community level, using MyStandards

Most significant long-term trend is replacing cash payment instruments with cashless payment instruments, electronically submitted and processed

In 2015, cashless payments were dominated by card payments (54.2%) and credit transfer payments (43.4% from the total number of cashless transactions)

Total number of cards – 14,961,000 cards end-2015 - increased with 16.6% during 2010 – 2015

Contactless cards' share of the total number of cards in circulation was 21% end-2015 compared with 11% end-2014

The number of card payments to merchants increased in 2015 with 17.3% compared with 2014, while increasing the value of these payments by 13.8%

# Capital market



**Domestic stocks market capitalisation: eur 20b**  
**Average equity market daily turnover: eur 6m**  
**(14<sup>th</sup> of September 2016)**

**BET 6,939 (-2,5% Y/Y)**  
**BET-TR 8,573 (+5,2% Y/Y)**

<p>In September 2016, Romania has been included by the FTSE Russell on the watch list for reclassification to Secondary Emerging market</p>	<p>No CCP in Romania –action plan in discussion</p>
<p>One of the most expensive markets in the region</p>	<p>No real market for securities lending</p>
<p>35 local brokers</p>	<p>OTC not available for equities. Available for international securities, Gov. Sec. traded on BSE and settled via CSD</p>
<p>2 exchanges with spot market: Bucharest Stock Exchange (main venue) and Sibiu Stock Exchange</p>	<p>OTC turnaround transactions - with one leg on the Bucharest Stock Exchange (BSE) and the second leg on OTC. This applies to all OTC trades performed with Romanian instruments</p>
<p>3 licensed Securities Depositories : CSD, National Bank of Romania for Government Securities and SIBEX CSD</p>	<p>All listed instruments (equities and fixed income including T-bills) are dematerialised</p>

# Challenges, opportunities, perspectives



European initiatives and new regulations for payments and securities

Evolution of technology, Internet & mobile, Internet of Things, open technologies, digital transformation

New efficient and secure services to comply with customers' requirements

Increased competition – new entrants, new means of payments

Collaboration between banks and FinTechs under revised Payments Services Directive (PSD2)

Continuous modernization of market infrastructures for payments and securities

New challenges regarding the cyber security



# Q & A