



*THE FUTURE OF THE BANKING SYSTEM IN THE CEE REGION*

*CONFERENCE OF THE MAGYAR NEMZETI BANK AND THE HUNGARIAN ECONOMIC ASSOCIATION*

---

# *Romanian banking sector. Time of reason?*

Bogdan Olteanu  
Deputy Governor

---

Budapest, 30 September 2015

# Macroeconomic developments

## Inflation rate declined in recent years



Note: Variation band of the target is  $\pm 1$  percentage point.

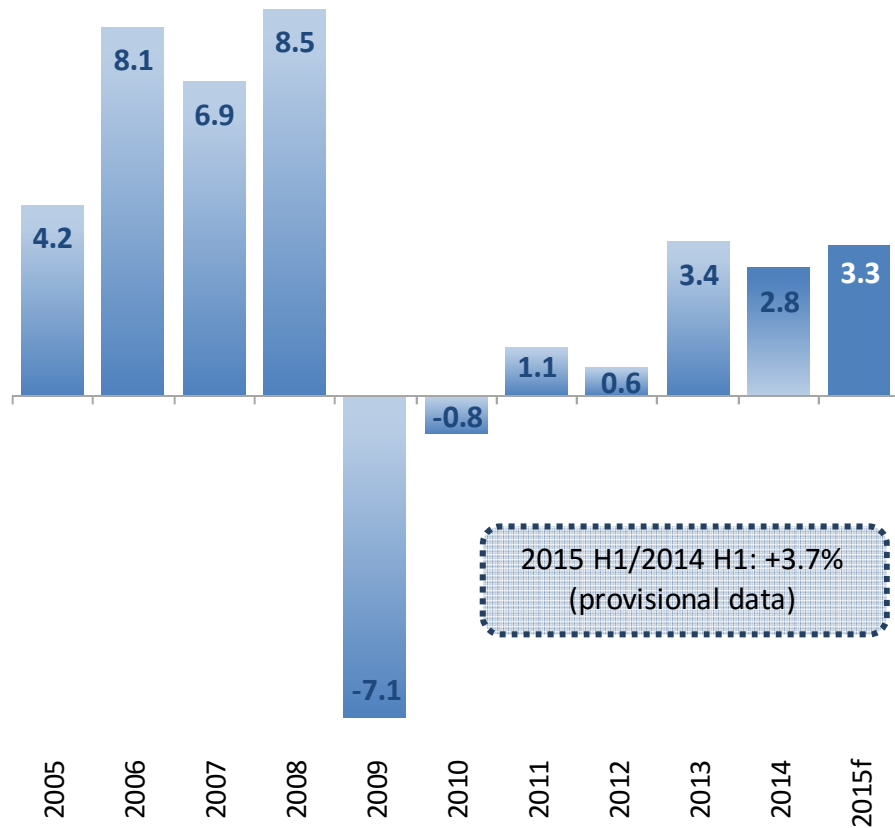
August (yoy): -1.9%

(September 2014 – August 2015)/(September 2013 – August 2014): 0.3%

Source: National Institute of Statistics, National Bank of Romania

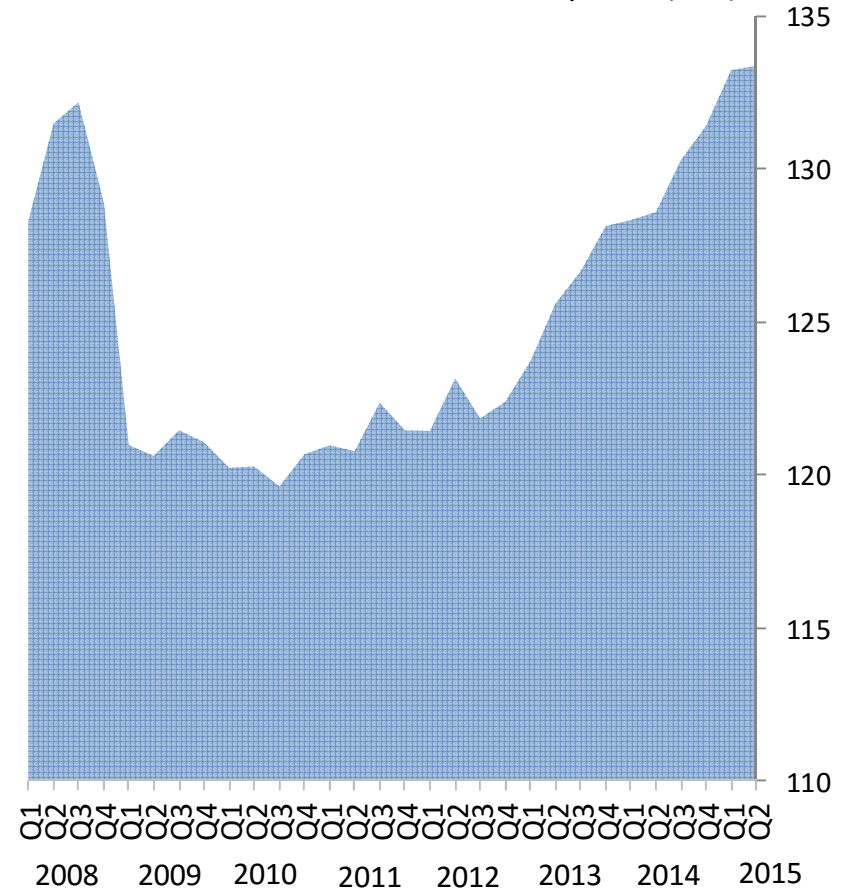
# Romania's GDP made up entirely for the loss incurred after the outbreak of the global financial crisis

annual percentage change, gross data



f) forecast

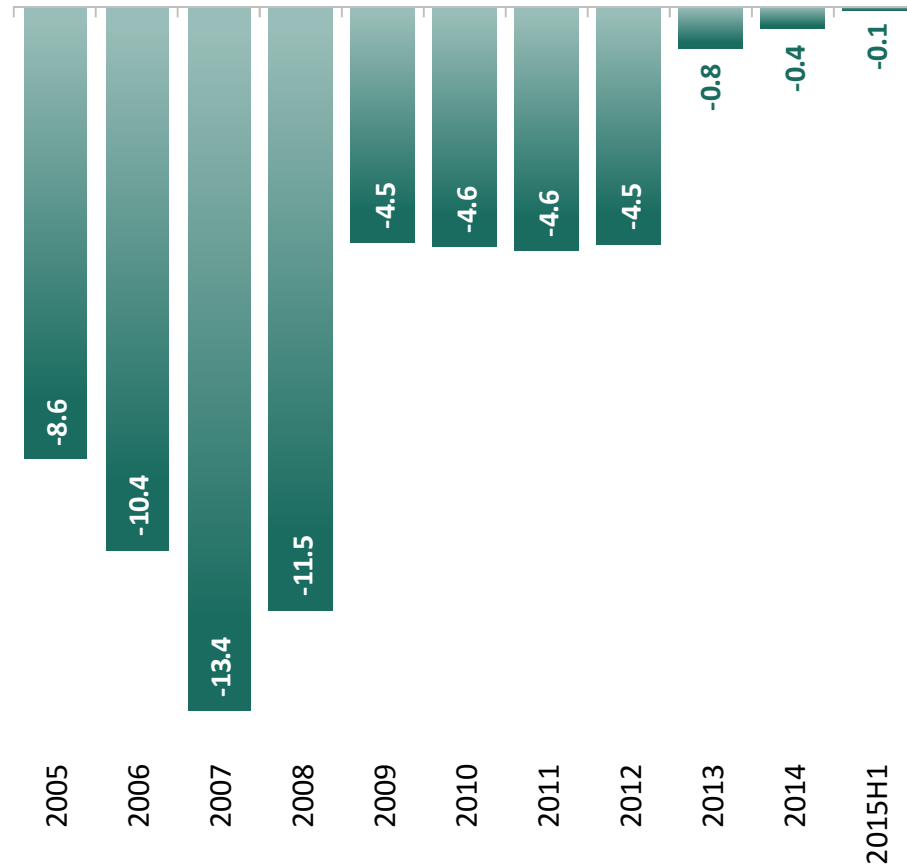
lei billion, 2008 prices (s.a.)



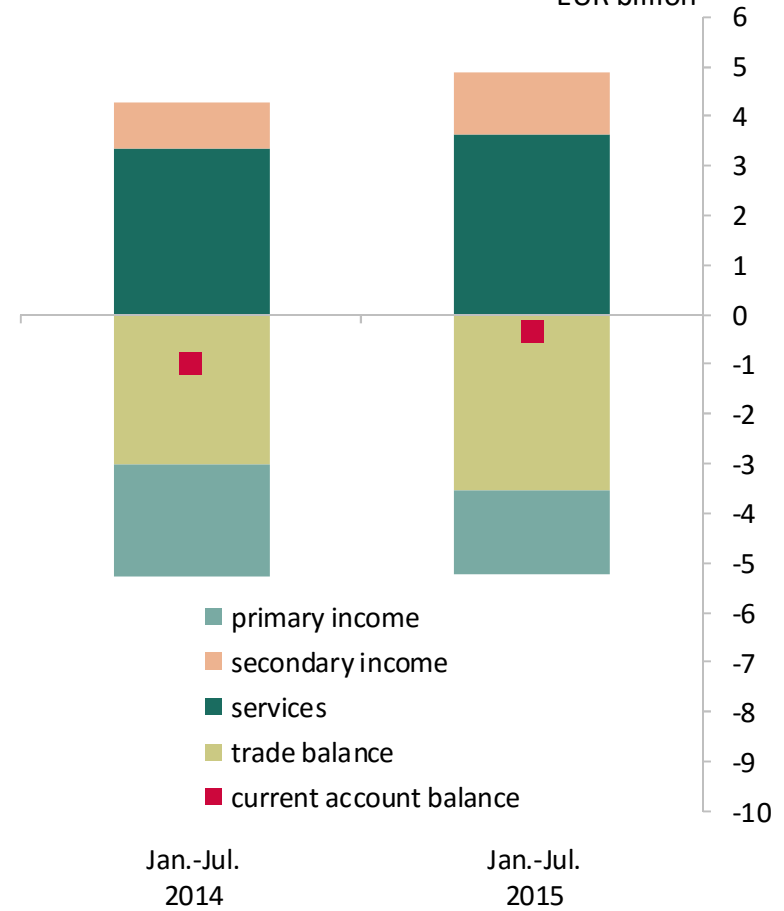
Source: National Institute of Statistics, National Commission for Prognosis, National Bank of Romania calculations

# Sustainable performance of the external position

percent of GDP

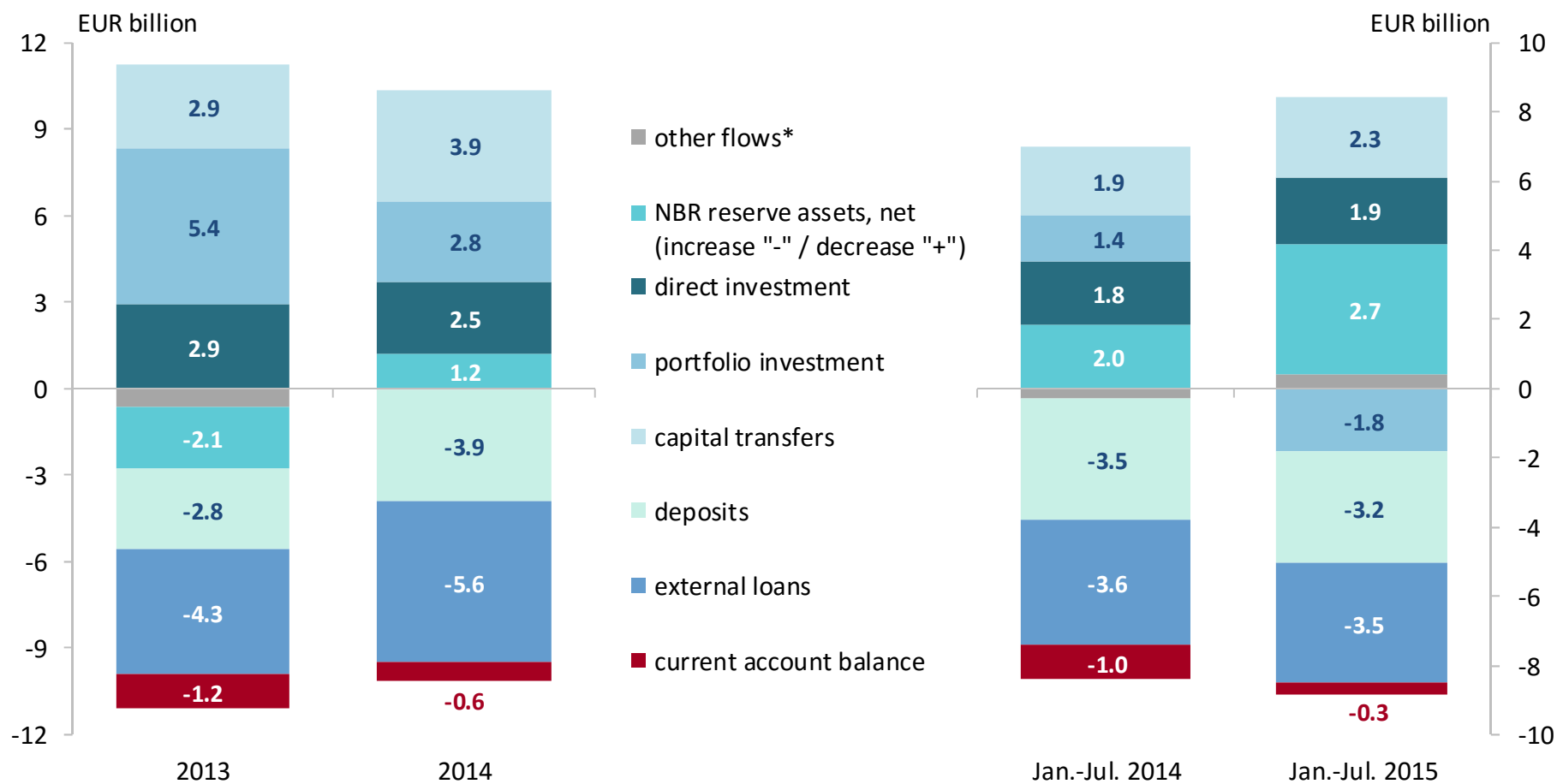


EUR billion



Source: National Institute of Statistics, National Bank of Romania

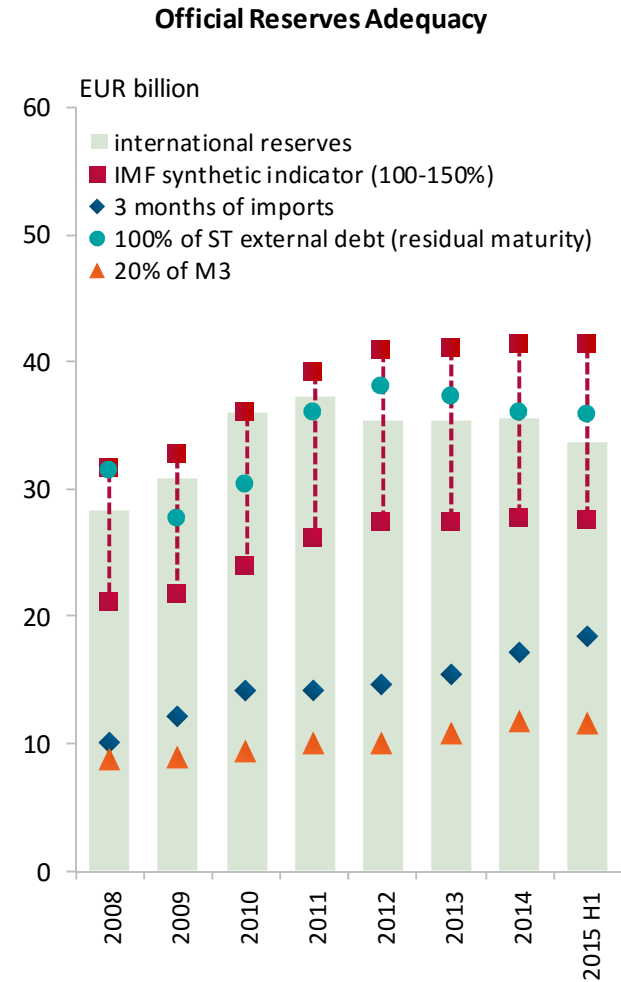
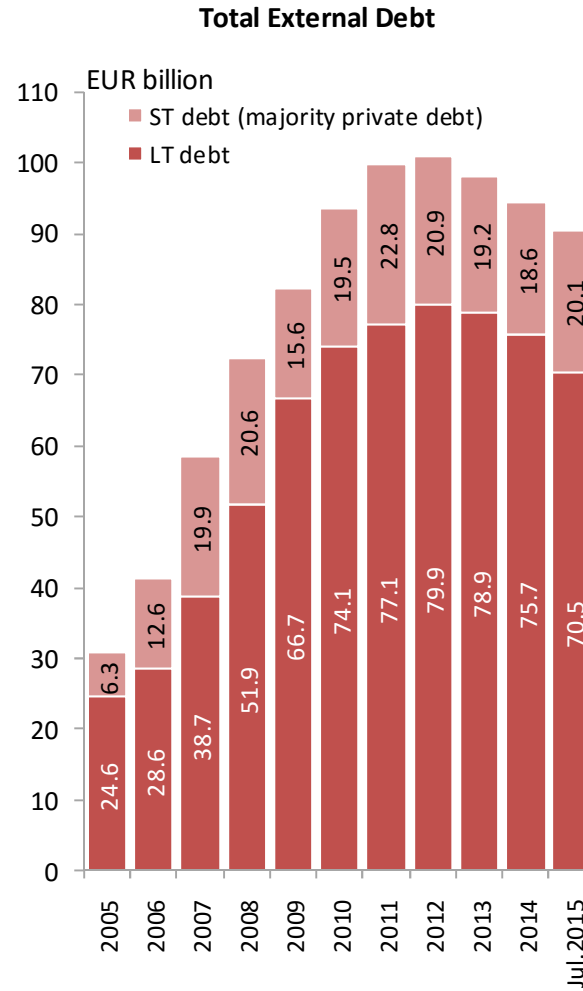
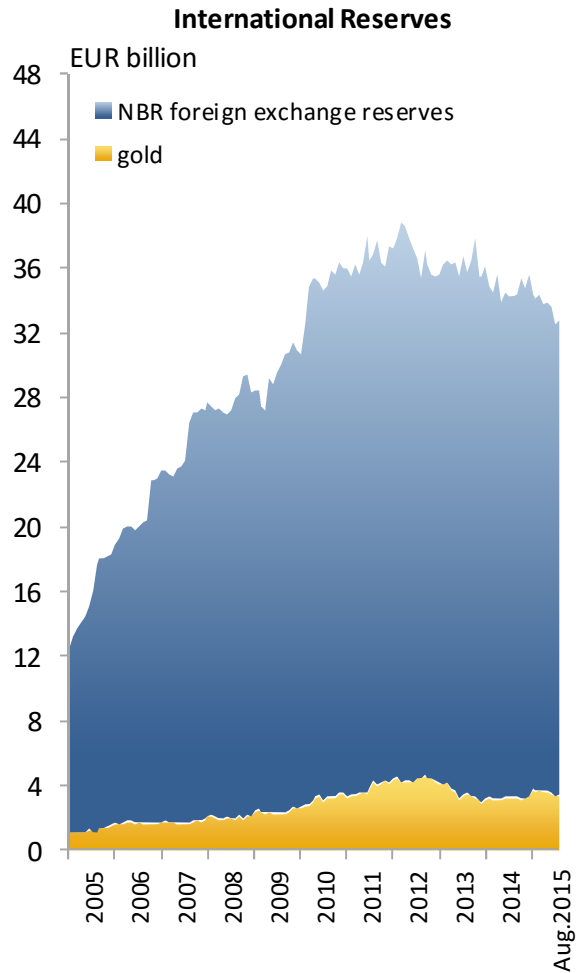
## Current account deficit financing



\* Mainly consist of trade credits and advances and other accounts.

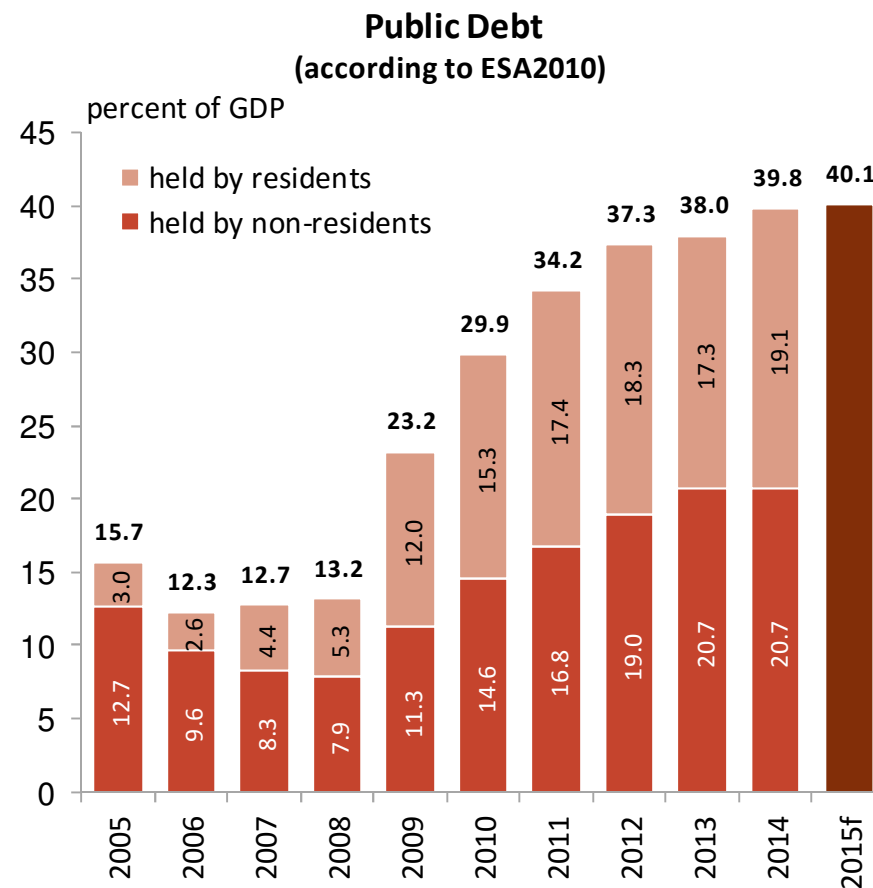
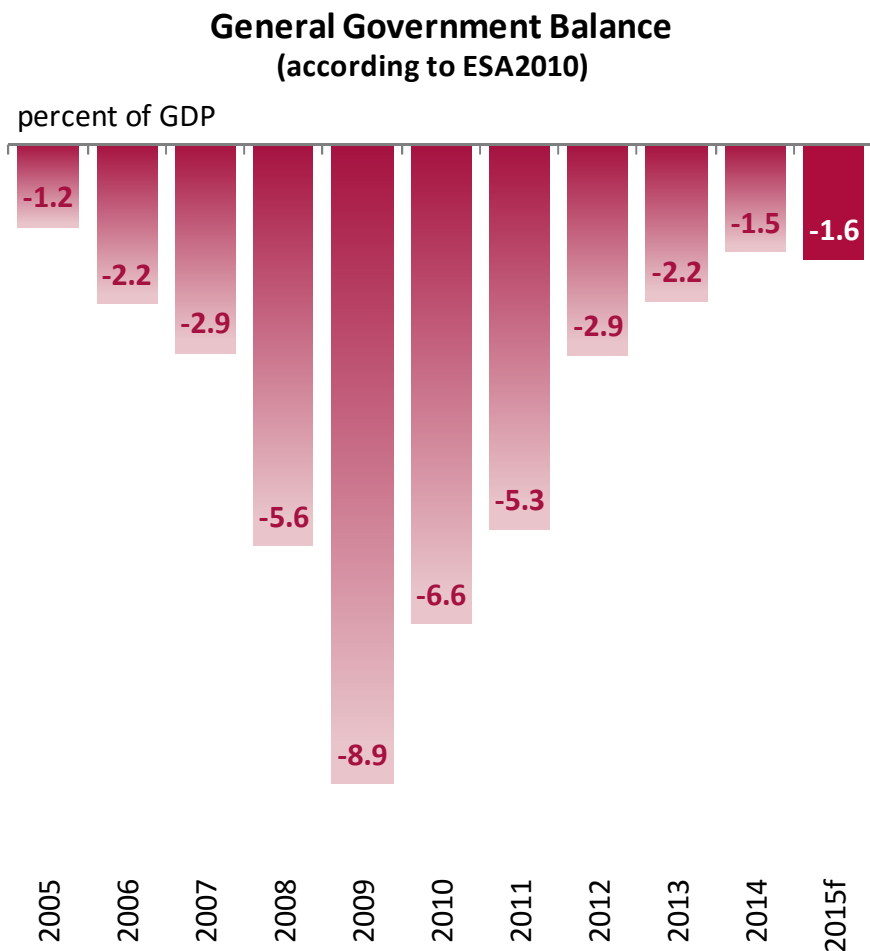
Source: National Bank of Romania

# Decreasing external debt and comfortable level of international reserves



Source: National Bank of Romania, International Monetary Fund

# Sharp fiscal consolidation after the outbreak of the global financial crisis



Note: Government securities in MFIs portfolio as a share of GDP in Dec.07=1.4%, Dec.08=2.1%, Dec.09=7.0%, Dec.10=9.4%, Dec.11=10.6%, Dec.12=11.6%, Dec.13=11.1%, Dec.14=11.4% and Jul.15=10.7%

f) European Commission – European Economic Forecast, Spring 2015  
Source: Ministry of Public Finance, National Institute of Statistics



## Macroeconomic Imbalance Procedure Scoreboard\*

		Current account balance	Net international investment position	Real effective exchange rate (based on HICP)	Share of world exports of goods and services	Nominal unit labour cost index	House price index	Private debt	Private credit flow	Public sector debt	Unemployment rate	Financial sector liabilities (non-consolidated)
		% of GDP 3 year average	% of GDP	3 years % change	5 years % change	3 years % change	1 year % change	% of GDP	% of GDP	% of GDP	% 3 years average	1 year % change
		-4%/+6%	-35%	±5% (EA) ±11% (non-EA)	-6%	+9% (EA) +12% (non-EA)	6%	133%	14%	60%	10%	16.5%
Bulgaria	2013	0.8	-75.0	-1.0	...	14.8	-0.1	134.8	6.4	18.3	12.2	3.3
	2014	0.8	-72.3	-2.6	...	12.3	1.8	...	...	27.6	12.2	...
Croatia	2013	-0.1	-88.5	-4.0	-22.7	-3.0	-18.1	119.5	-0.6	80.6	15.7	3.2
	2014	0.4	-88.6	-0.9	-18.5	-5.9	-2.0	...	...	85.0	16.9	...
Czech Republic	2013	-1.4	-41.5	-3.1	-9.0	4.2	-0.7	74.1	4.4	45.0	6.9	11.3
	2014	-0.5	-35.6	-10.0	-5.3	3.8	1.8	72.7	1.8	42.6	6.7	4.4
Hungary	2013	2.2	-84.1	-4.0	-20.2	6.1	-5.0	95.8	-1.0	77.3	10.7	-0.9
	2014	3.2	-75.0	-7.0	-14.8	6.9	3.4	91.8	-0.8	76.9	9.6	13.3
Poland	2013	-3.2	-68.3	-4.3	0.7	3.7	-4.2	74.8	2.9	55.7	10.0	7.6
	2014	-2.0	-67.4	-1.3	4.8	...	1.2	...	...	50.1	9.8	...
Romania	2013	-3.3	-61.7	0.3	14.8	-3.8	-3.8	66.6	-1.5	38.0	7.0	3.1
	2014	-1.9	-56.9	-1.1	21.2	2.4	-3.6	...	...	39.8	6.9	...

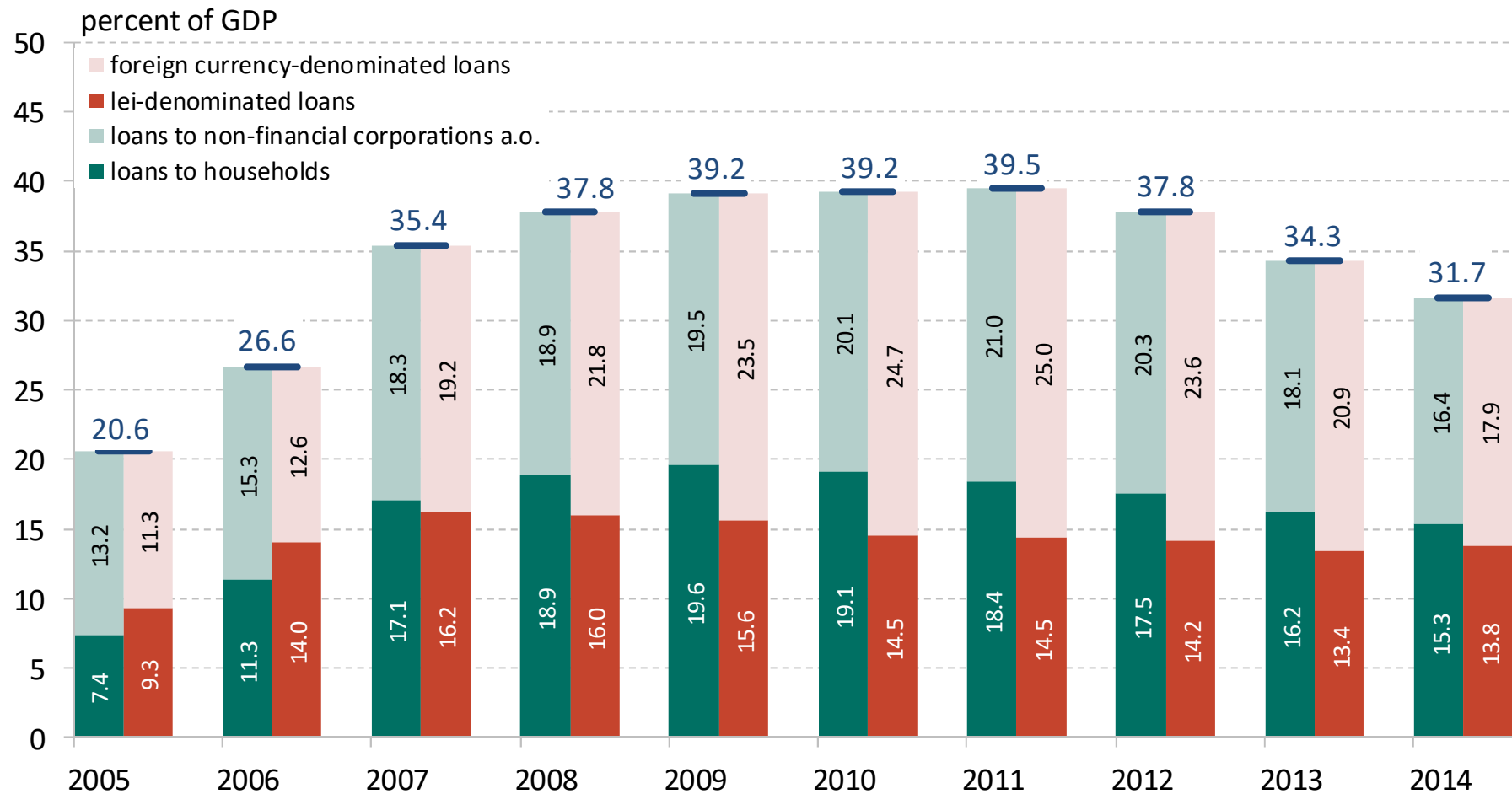
\*) last update: 25 September 2015

... not available

Source: Eurostat, NIS, NBR

# Banking System

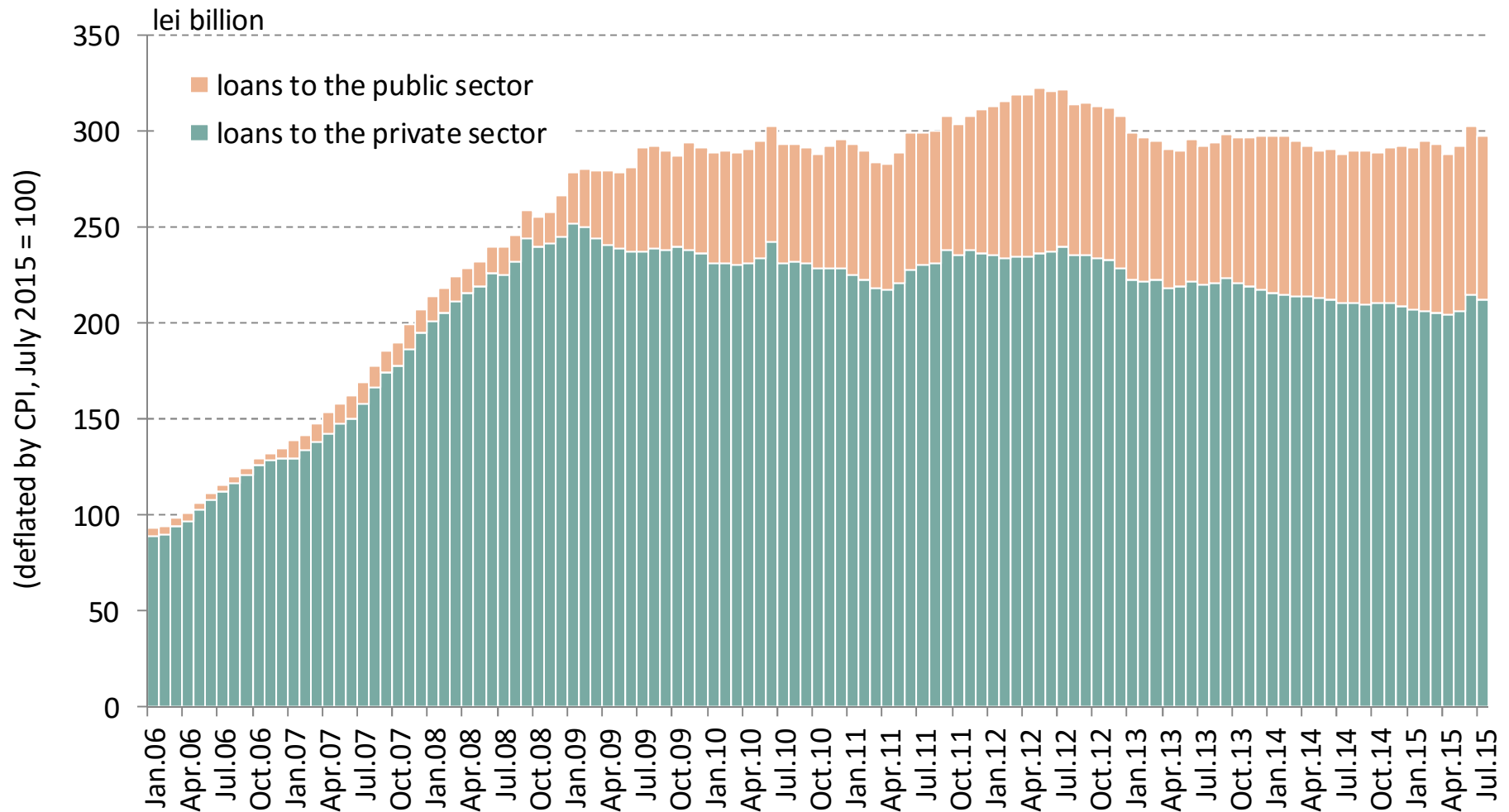
## Financial intermediation\* stood on a downward path in recent years



\*) stock of loans to the private sector / GDP

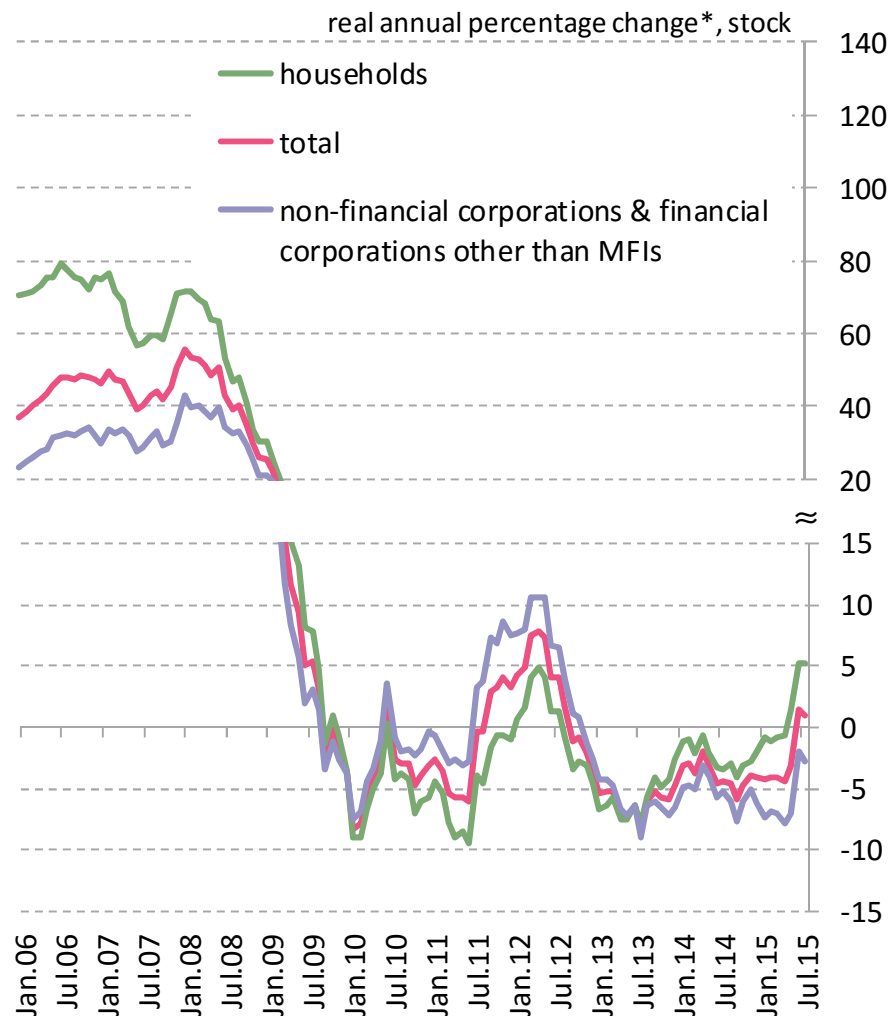
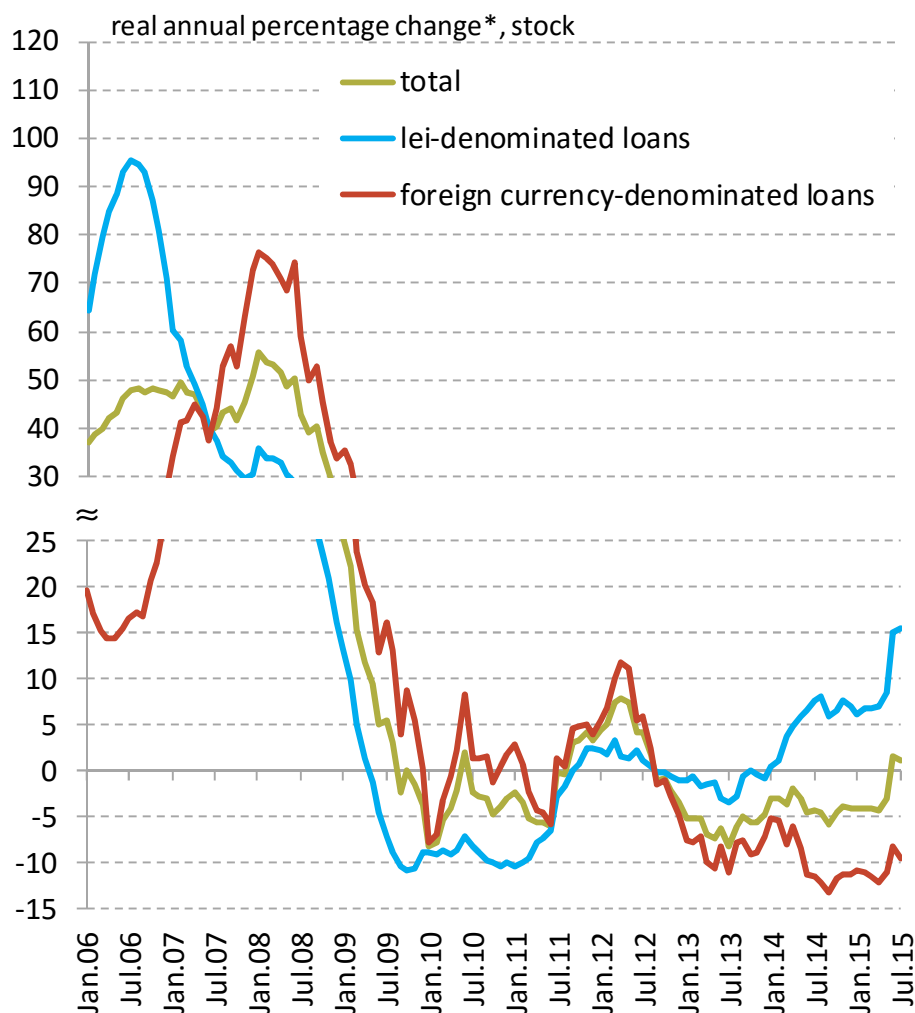
Source: National Institute of Statistics, National Bank of Romania

## Domestic credit saw a moderate recovery in 2015, with the support of lending to the private sector, ...



Source: National Institute of Statistics, National Bank of Romania

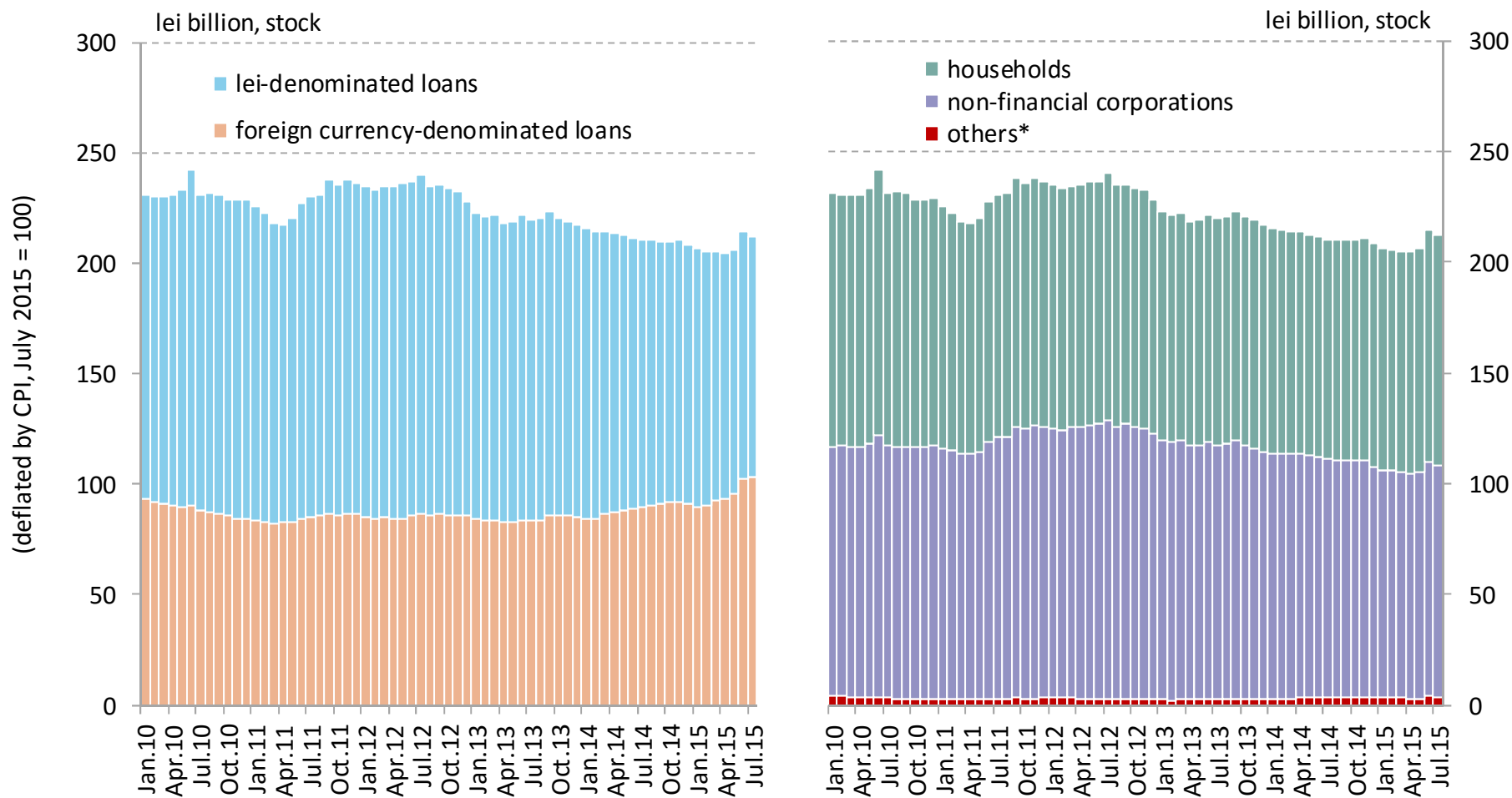
## ... driven by lei-denominated loans to households and companies



\*) based on CPI

Source: National Institute of Statistics, National Bank of Romania

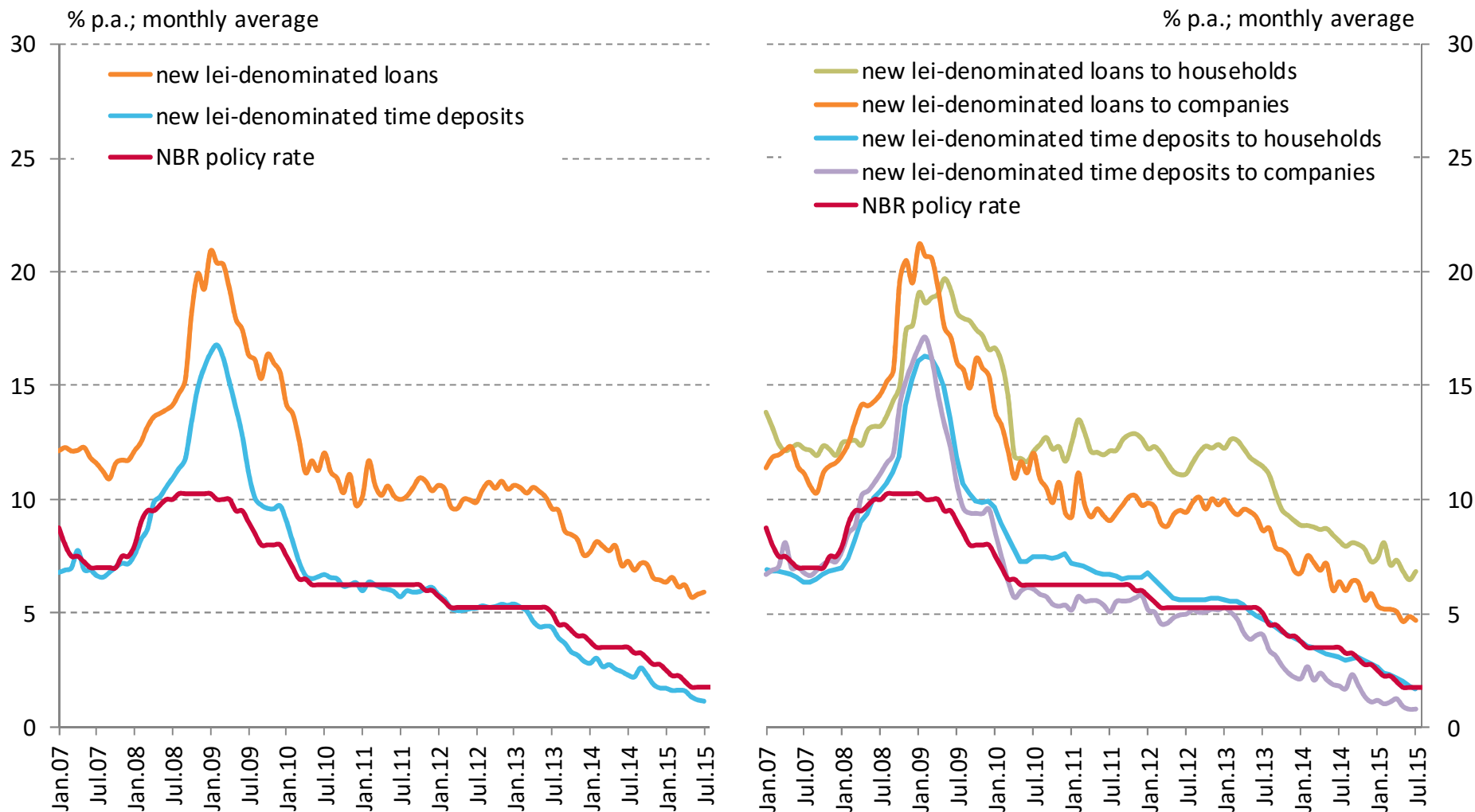
## The current ratio of lei-denominated loans to foreign currency loans is virtually balanced



\*) insurance corporations, other financial intermediaries and financial auxiliaries

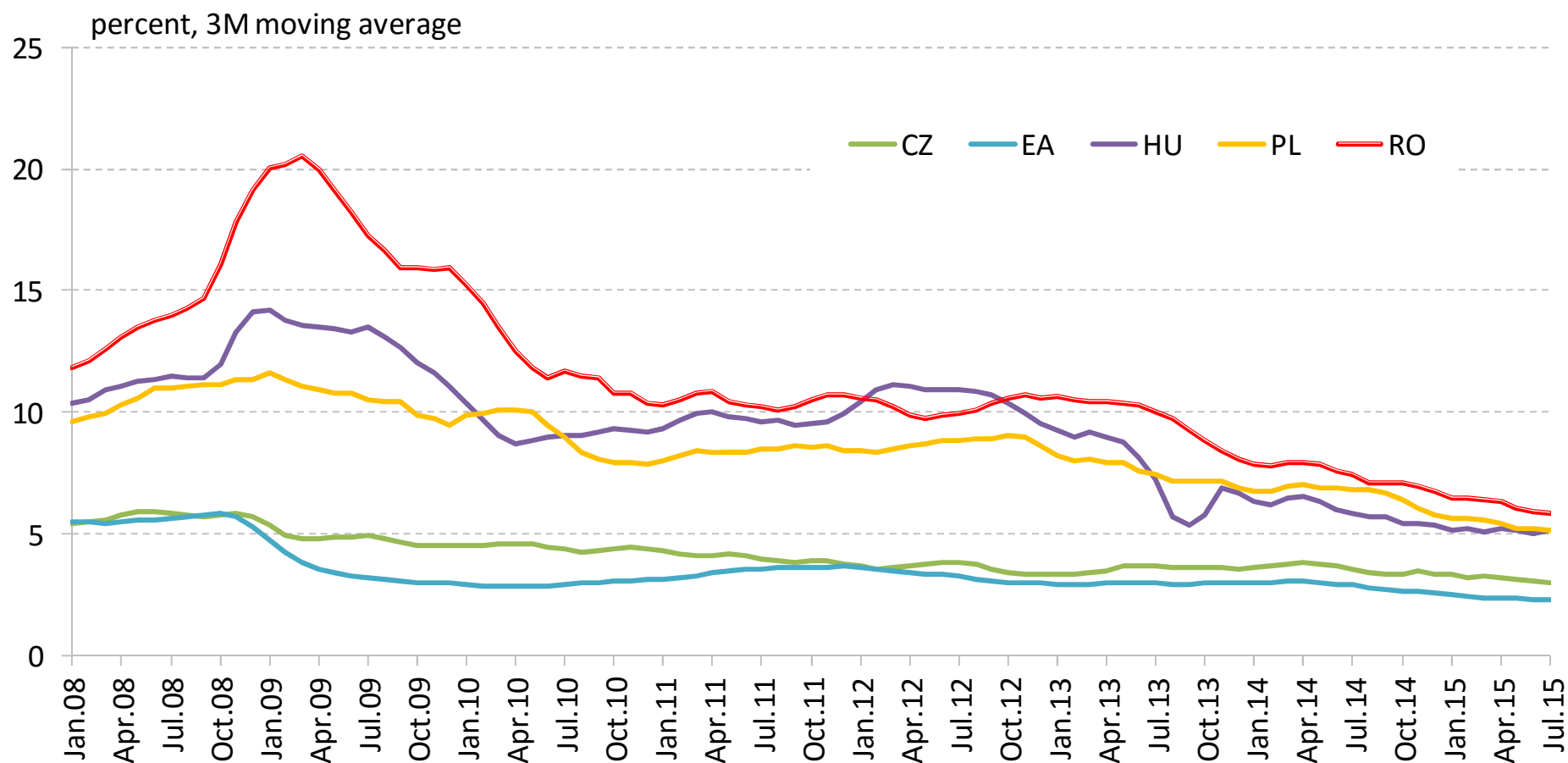
Source: National Institute of Statistics, National Bank of Romania

## Downward path of bank interest rates to non-bank clients amid the NBR's successive policy rate cuts



Source: National Bank of Romania

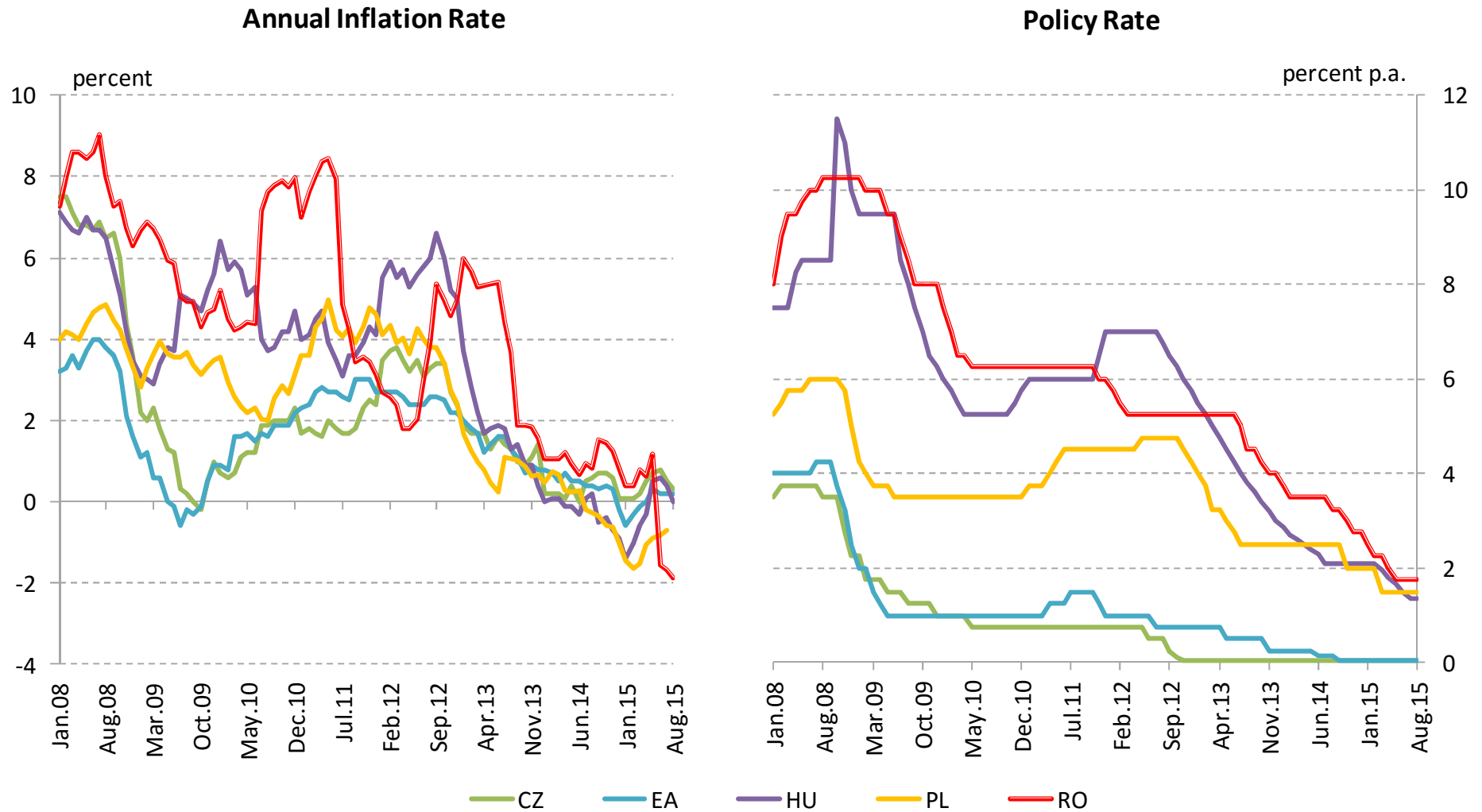
## Lending rate on new business got closer to regional levels, albeit with a certain lag ...



Source: European Central Bank, national central banks

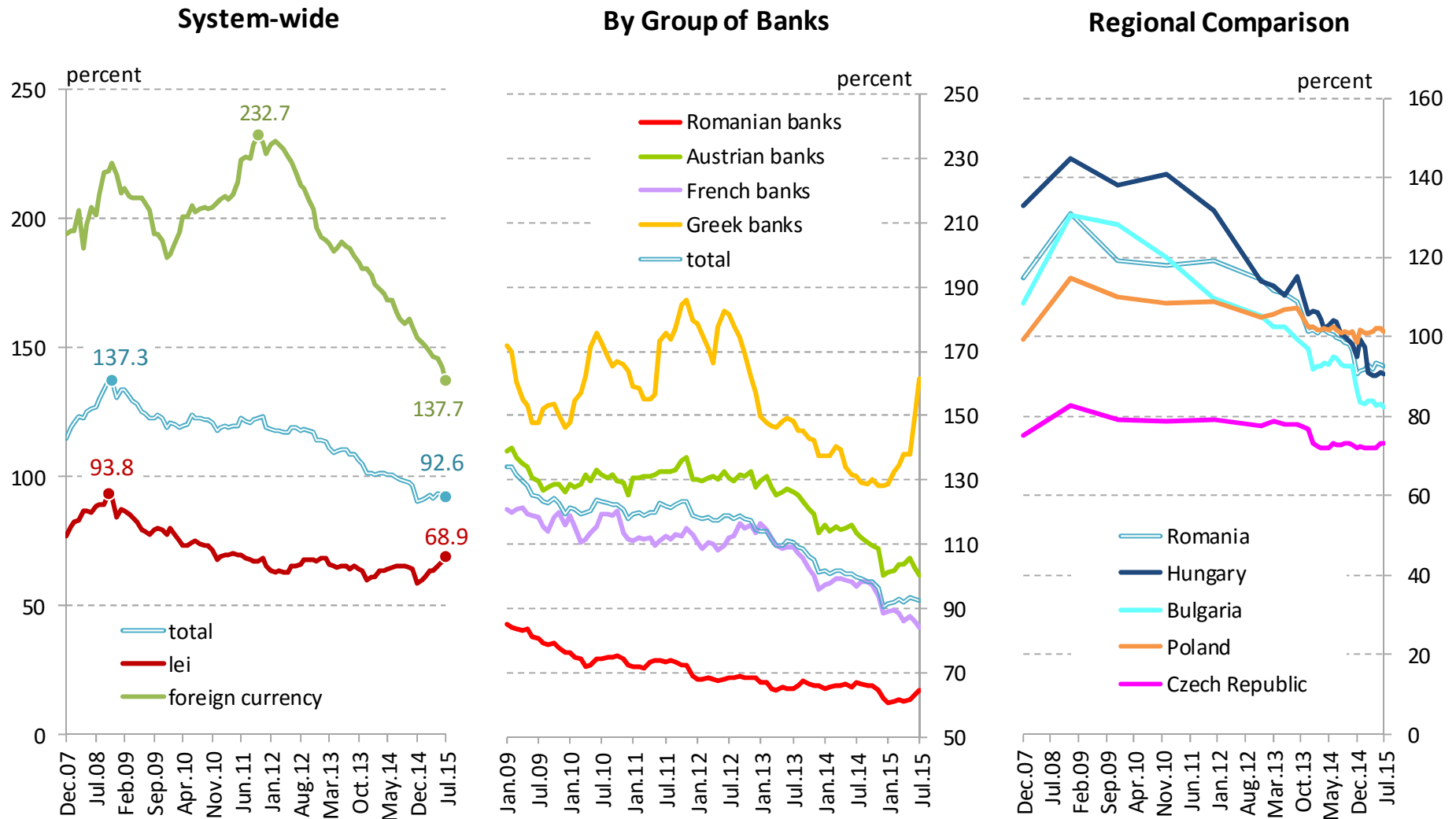


## ... as higher inflation delayed the start of the policy rate-cutting cycle in Romania



Source: European Central Bank, national central banks

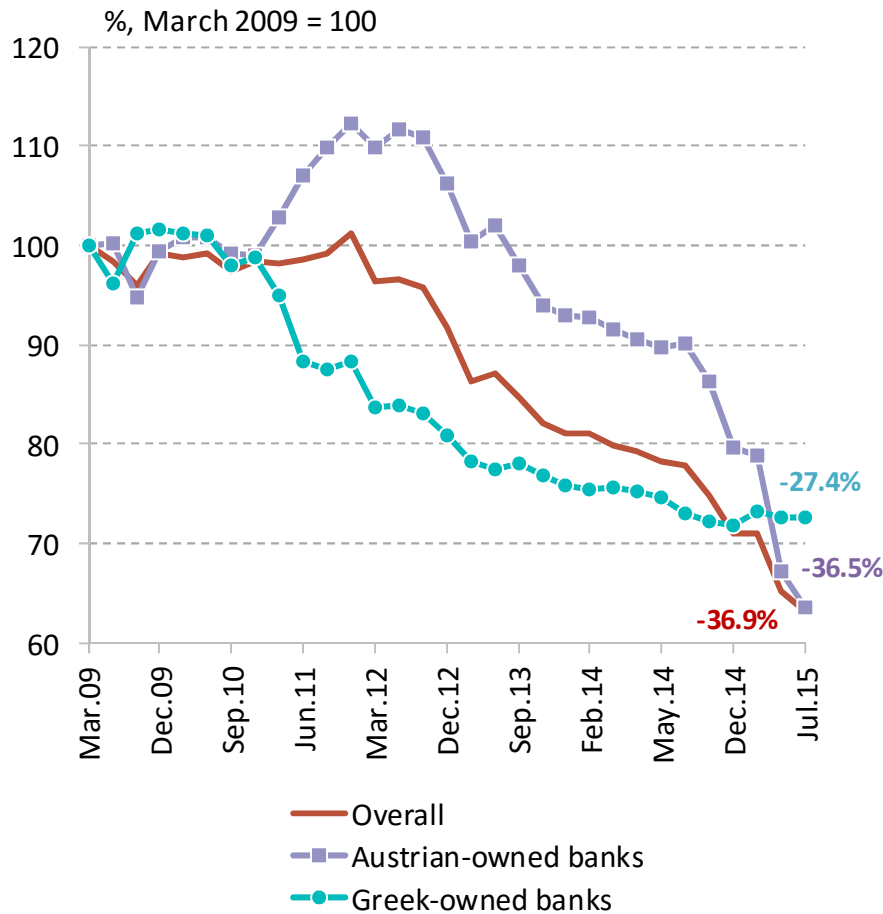
## Low level of loan-to-deposit ratio in the banking system as a whole, reflecting the lack of pressures from a macroprudential standpoint



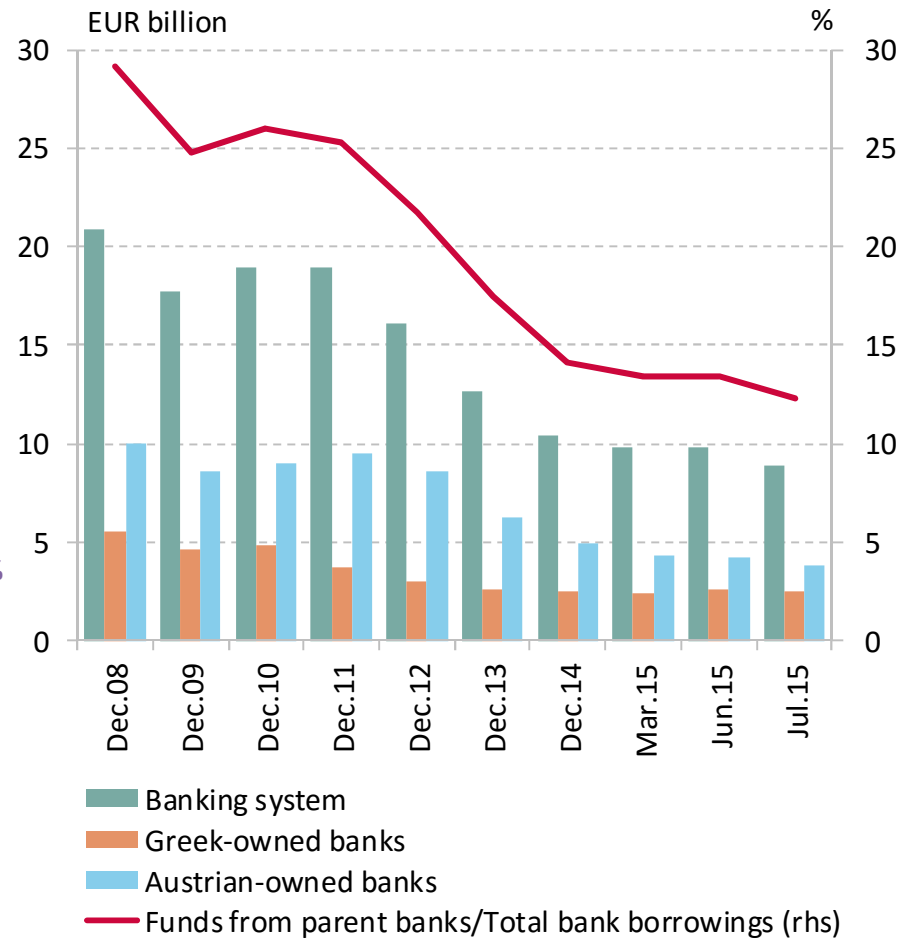
Source: National Bank of Romania, European Central Bank, national central banks

# Orderly financial deleveraging in the crisis aftermath

**Exposure to Romania of Foreign Banks Participating in the Vienna Initiative**



**Funds from Parent Banks\***

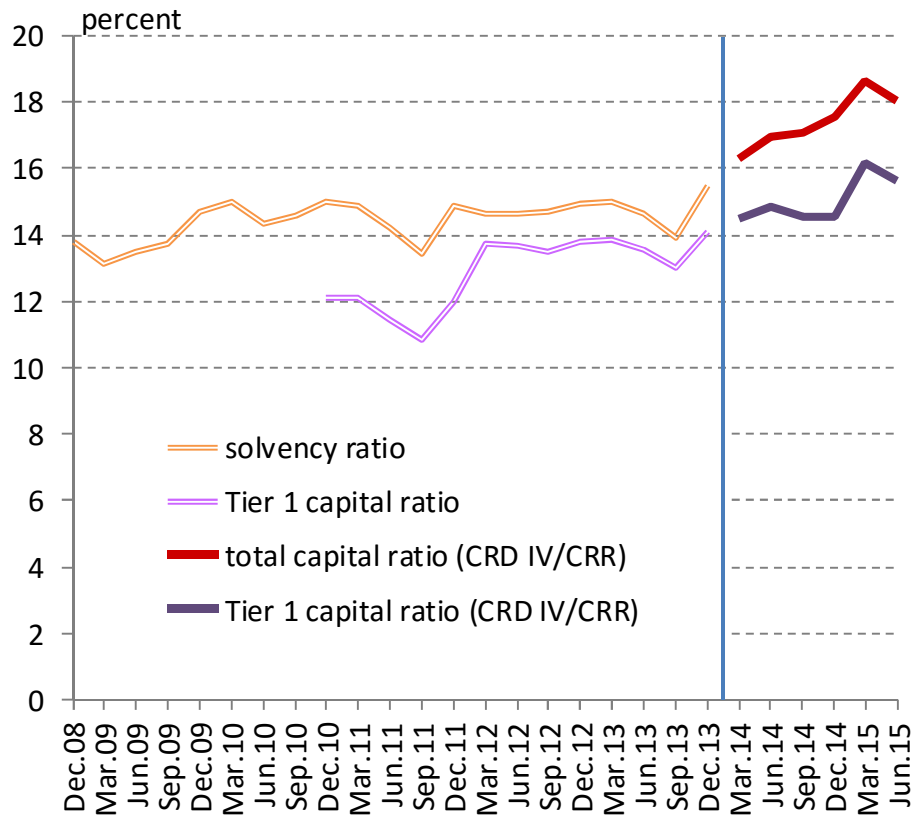


\* subordinated loans excluded

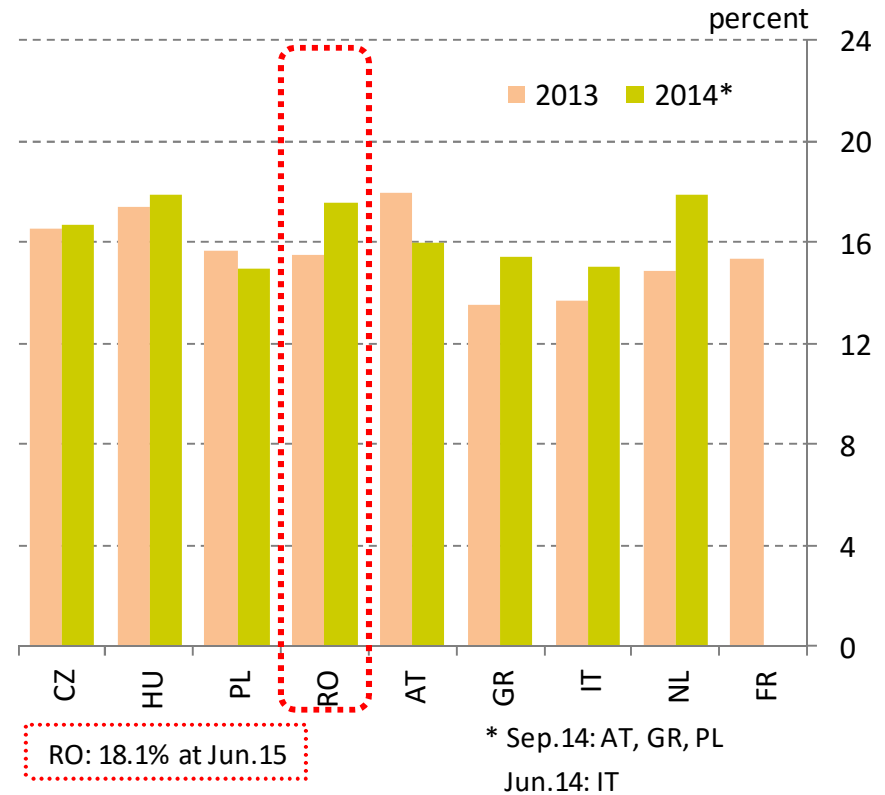
Source: National Bank of Romania

# High level of capital adequacy

## Capital Adequacy Indicators

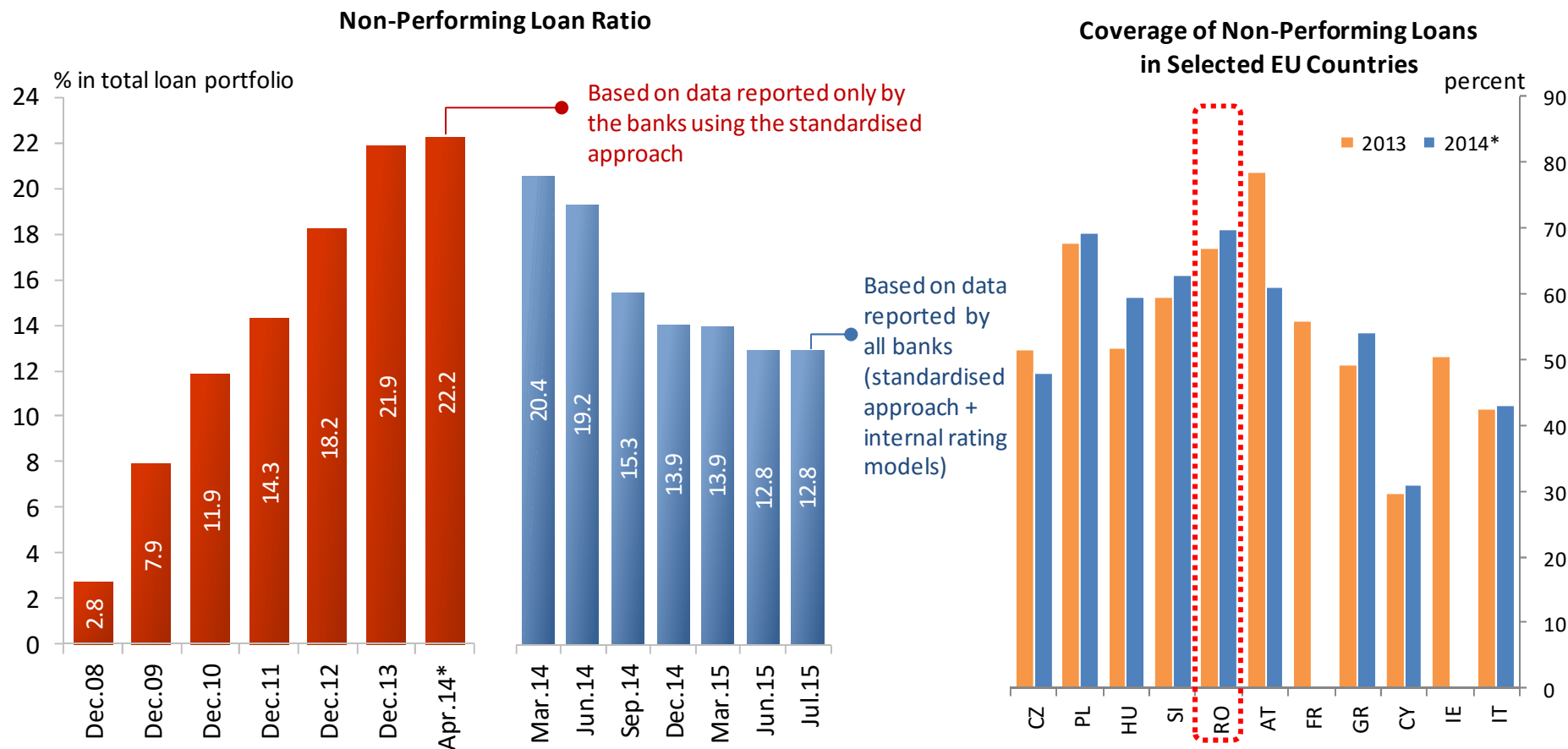


## Solvency Ratio in Selected EU Countries



Source: National Bank of Romania, International Monetary Fund (Financial Soundness Indicators, FSI Tables, April 2015)

# Banks' efforts to improve loan portfolio quality have strengthened starting 2014 at the NBR's recommendation

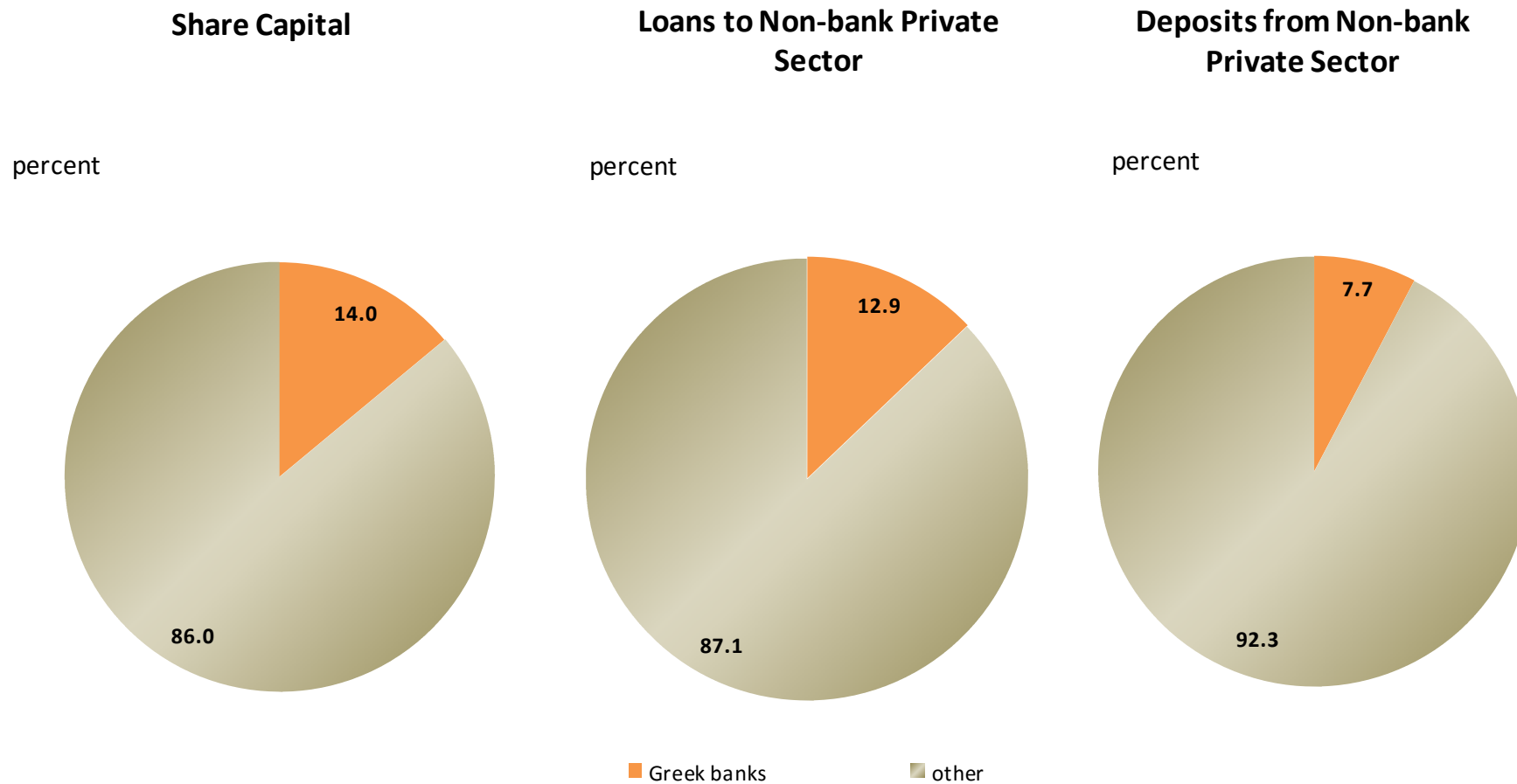


\*) Latest available data determined based on this definition.

Note: Starting 1 January 2012, Romanian credit institutions apply the IFRS. The NPLs represent gross exposure of loans and related interest overdue for more than 90 days and/or for which legal proceedings were initiated.

Source: National Bank of Romania, International Monetary Fund (Financial Soundness Indicators, FSI Tables, April 2015)

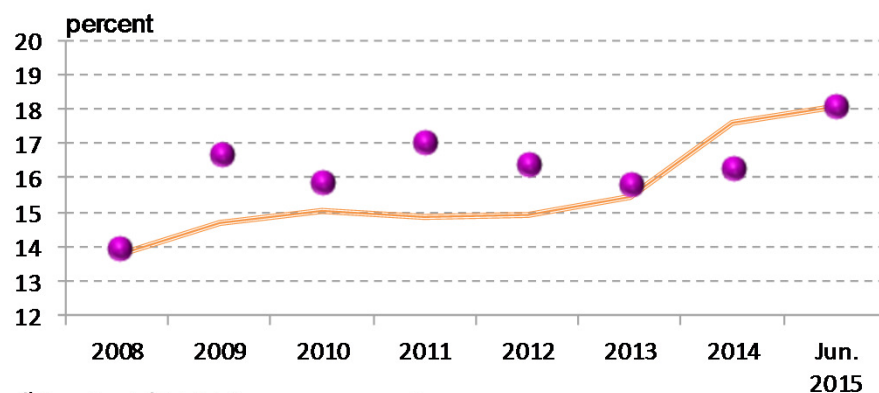
## Small share of banks with Greek capital in the Romanian banking system (July 2015)



Source: National Bank of Romania

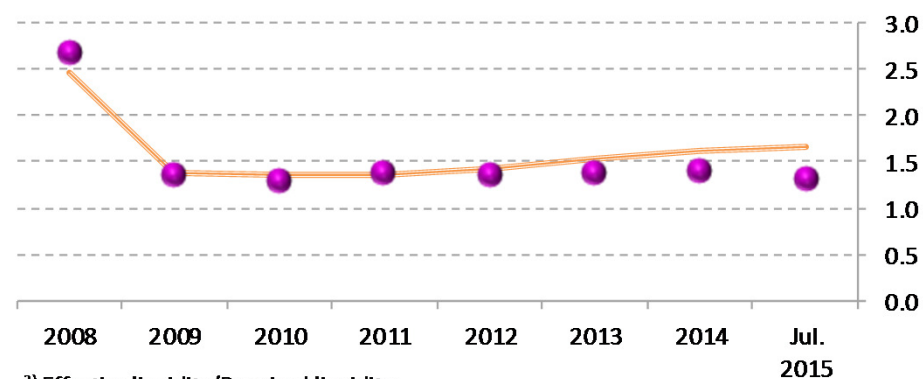
# Broadly adequate levels of prudential indicators of banks with Greek capital

**Total Capital Ratio<sup>1)</sup>**



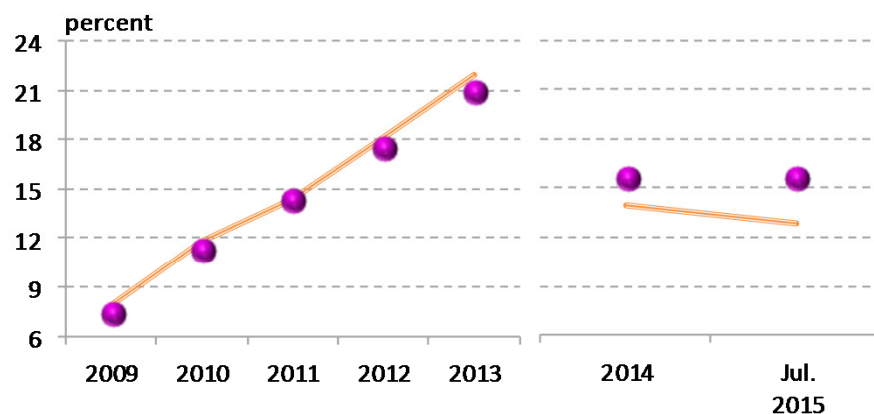
<sup>1)</sup> Own funds/Total risk exposure amount

**Liquidity Ratio<sup>2)</sup>**



<sup>2)</sup> Effective liquidity/Required liquidity

**NPL Ratio<sup>3)</sup>**

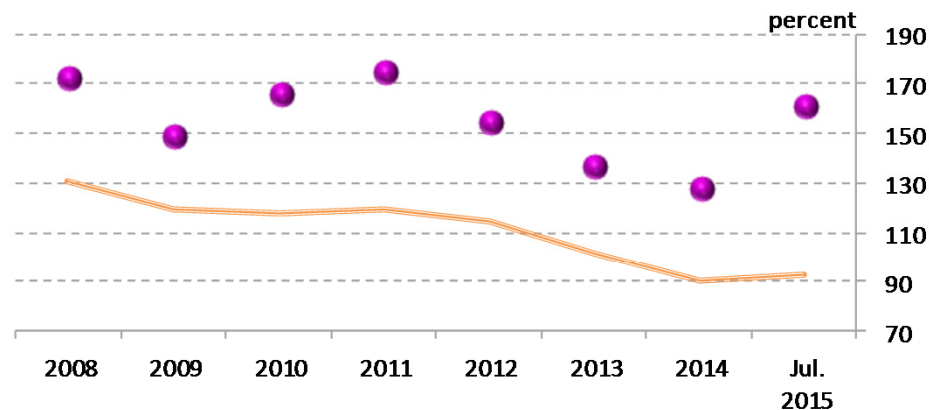


<sup>3)</sup> Gross exposure of loans and related interest overdue for more than 90 days and/or for which legal proceedings were initiated/Total portfolio (gross value)

**2009-2013:** Based on data reported only by the banks that calculate the minimum capital requirement for credit risk according to the standard approach.

**2014-2015:** Based on data reported by all banks (both those using the standard approach and those applying internal rating models).

**LTD Ratio**



— banking system      ● Greek banks

Source: National Bank of Romania