FGDB

FONDUL DE GARANTARE A DEPOZITELOR BANCARE
BANK DEPOSIT GUARANTEE FUND

2022 ANNUAL REPORT

FGDB 2022 ANNUAL REPORT

AEDIFICIUM Banca pentru Locuințe
FIRST BANK
ALPHA BANK
Garanti BBVA
BANCA CENTRALĂ COOPERATISTĂ CREDITCOOP
Idea Bank
INTESA SANPAOLO BANK
LIBRA INTERNET BANK
BCR
otpbank
EximBank România
PATRIA BANK
BRCI Banca Română de Credite și Investiții
PORSCHE BANK PORSCHE FINANCE GROUP ROMANIA
BANCA TRANSILVANIA®
ProCredit Bank
BCR Banca pentru Locuinte
Raiffeisen BANK
BRD GROUPE SOCIETE GENERALE
TECHVENTURES BANK
CEC Bank
UniCredit Bank
Credit Europe Bank
VISTA BANK

NOTE

The Annual Report for 2022 got the endorsement of the Supervisory Board of the Bank Deposit Guarantee Fund during the Board's meeting of 26 April 2023, and was approved by the Board of Directors of the National Bank of Romania in its 9 May 2023 meeting, pursuant to 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 that were available on 31 December 2022. As a result of 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 occur.

Sources were cited only when the respective statistical data had been provided by other institutions.

THE BANK DEPOSIT GUARANTEE FUND

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FGDB REPORT for the year 2022

MISSION

To safeguard deposits is the mission the FGDB fulfils in its capacity as Romania's officially recognised statutory guarantee scheme. In the event deposits held with an affiliated credit institution become unavailable, the FGDB reimburses guaranteed depositors, in line with legal provisions.

The FGDB is the administrator of the bank resolution fund and may also perform a number of duties related to the measures the National Bank of Romania takes towards the recovery and resolution of credit institutions: temporary administrator of credit institutions going through recovery procedures (early intervention), special administrator of credit institutions under resolution, shareholder of a bridge bank or of an asset management vehicle, in compliance 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 follows a decision by the National Bank of Romania.

VALUES
shared and promoted by the FGDB

By providing assurance of the safety of natural and legal persons' deposits, the FGDB contributes both to maintaining depositor confidence in the financial and banking system, which is an element of paramount importance for financial stability, and to encouraging savings.

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

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

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

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SUPERVISORY BOARD

Chairperson

Lucian Croitoru
Advisor to the Governor
The National Bank of Romania

AUDIT COMMITTEE

Chairperson of the Audit Committee

Dan Costin Nițescu
Advisor to the Governor
The National Bank of Romania

Alina Mirela Petre
Director
Ministry of Finance*

Demetrian Octav Magheru
Strategy Consultant
The National Bank of Romania

Lucia Sanda Stoenescu
Senior Expert
The National Bank of Romania

Ștefan Nanu
General Director
Ministry of Finance**

Petru Valentin Diaconu
Expert
The National Bank of Romania***

* Starting 5 April 2022. She was appointed as a member of the Audit Committee in February 2023.
** Starting 28 December 2022.
*** Starting 3 February 2023.

ORGANISATIONAL CHART

EXECUTIVE BOARD

- Project Management Advisors

General Director

Petre Tulin

- Legal Department and Supervisory Board's Secretariat
- Treasury Subdivision
- Organisation and Human Resources Subdivision
- Public Relations and Communication Department
- Information Technology Subdivision

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

Financial Director

Vasile Bleotu

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

Internal Audit Subdivision

1 THE BANK DEPOSIT GUARANTEE FUND AND ITS ADMINISTRATIVE FRAMEWORK

The FGDB is Romania's officially recognised statutory deposit guarantee scheme[1] whose primary aim is to guarantee household deposits, as well as legal persons' deposits held with credit institutions authorised by the National Bank of Romania.

During the more than 26 years of activity, the role of the FGDB within the national system that safeguards financial stability has been steadily consolidated as the institution's mandate has been successively expanded and its powers enhanced. By comparison with similar institutions in other countries, the FGDB places among deposit guarantee schemes whose mandates go beyond and are not limited to paying due compensation to guarantee depositors.

While accomplishing its basic goal of guaranteeing deposits, the FGDB fulfils other duties as well, including depositor protection and maintenance of financial stability.

Consequently, the FGDB has responsibilities in managing the bank resolution fund and also engages in activities whereby the National Bank of Romania applies early intervention and bank resolution measures, in compliance with the provisions of the European framework for the recovery and resolution of credit institutions, which were transposed into national legislation[2].

In performing activities related to the application of early intervention and bank resolution measures, as decided by the National Bank of Romania, the FGDB may act as:

- temporary administrator of a credit institution where early intervention measures are applied;
- special administrator of a credit institution undergoing resolution procedures;
- shareholder of a bridge institution;
- shareholder of an asset management vehicle.

In consideration of its contribution to maintaining financial stability, in line with its responsibilities assigned under the law, the FGDB was granted observer status in the National Committee for Macroprudential Supervision (CNSM), an inter-institutional cooperation structure consisting of representatives of the National Bank of Romania, the Financial Supervisory Authority, and the Government[3].

The FGDB may also act as sole liquidator of a credit institution where the National Bank of Romania orders dissolution followed by liquidation or where shareholders initiate a liquidation process.

In 2002, under a court decision in line with legislation in force at that time, the FGDB was appointed liquidator of two failed banks – *Banca Română de Scont (BRS)* and *Banca Turco Română (BTR)* – and will continue to act in that capacity until bankruptcy proceedings for the two banks have been completed[4].

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 opened branches in Romania.

In November 2016, the FGDB signed *Multilateral Cooperation Agreement* between deposit guarantee schemes within the European Union, which was prepared by the European Forum of Deposit Insurers (EFDI) and validated by the European Banking Authority. The agreement aims to create a framework for cross-border payouts and also covers other operational aspects related to cross-border cooperation between deposit guarantee schemes.

Furthermore, within the framework of cooperation between deposit guarantee schemes across the European Union, the *EDDIES*[5] central secure system for the exchange of files between the deposit guarantee schemes of the member states was developed and implemented in order to provide the infrastructure needed for both cross-border repayments and information exchanges.

Despite rising geopolitical tensions and greater inflationary pressure, Romania's financial and banking system maintained its stability in 2022 when the FGDB was spared situations implying repayments or funding of resolution measures, or the exercise of any of the capacities it may have to assume, under the applicable law, in instances of early intervention, bank resolution or administrative liquidation.

[1] In compliance with *Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund,* with subsequent amendments and completions, which transposed into national legislation Directive 2014/49/EU on deposit guarantee schemes.

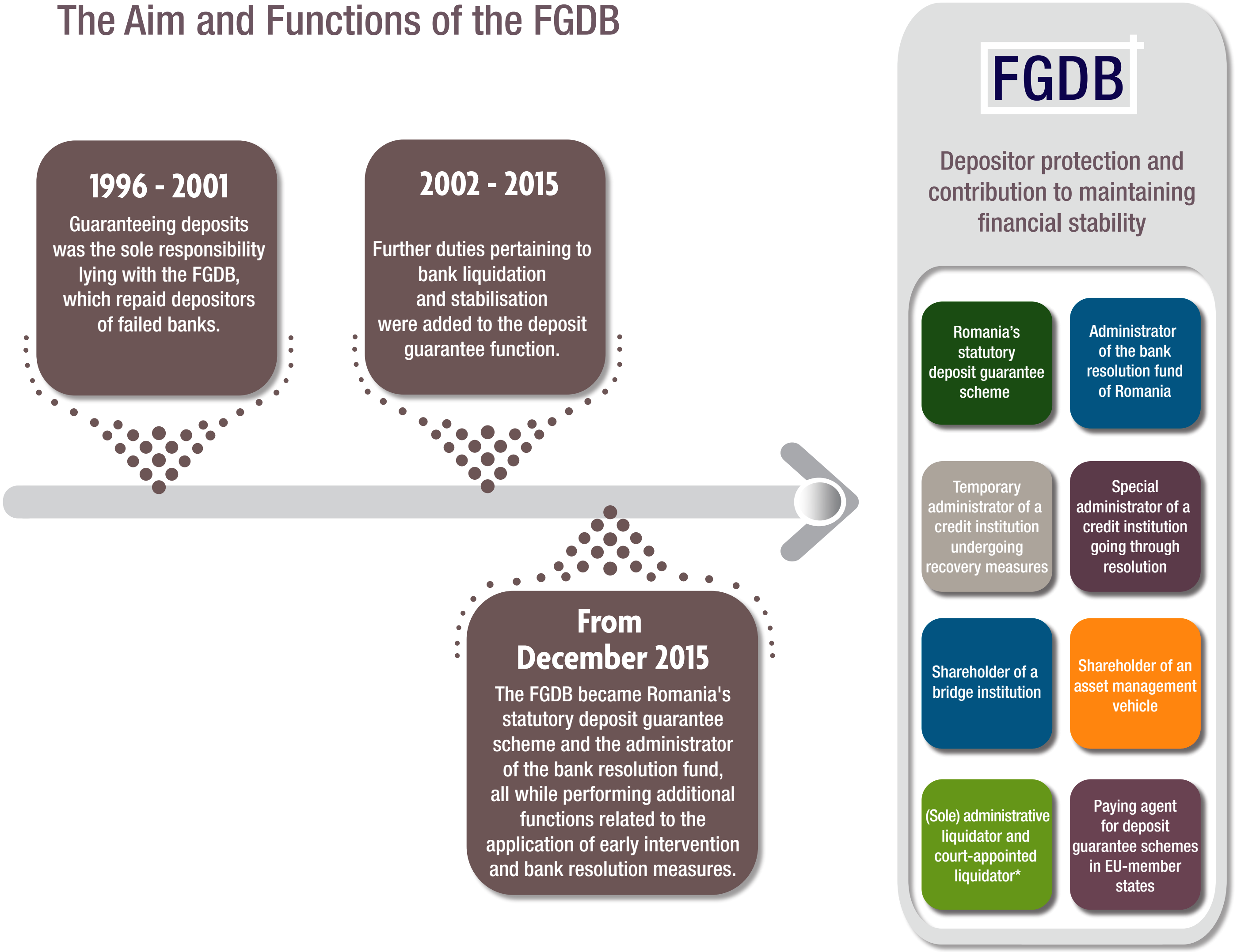
[2] *Law no. 312/2015 on the recovery and resolution of credit institutions and investment firms and amending and complementing legal acts in the financial sector* which transposed into national legislation *Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions 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,* as well as *Regulations (EU) no. 1093/2010 and (EU) no. 648/2012 of the European Parliament and of the Council,* with subsequent amendments and completions.

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

[4] With the coming into force of *Law no. 311/2015* on 14 December 2015, the FGDB may no longer act as court-appointed liquidator of credit institutions.

[5] EDDIES - European DGS to DGS Information Exchange System. The FGDB adhered to EDDIES in 2018.

The Aim and Functions of the FGDB



** until ongoing liquidation procedures are finalised*

Under such circumstances, the FGDB further worked along three main lines of action:
a) protection of deposits held at participating credit institutions;
b) management of the bank resolution fund;
c) the court-supervised liquidation of the two failed banks where it acts as liquidator.

Relevant Data as at 31 December 2022

TOTAL ELIGIBLE DEPOSITS

451.9 bln lei

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: 286.9 bln lei
Deposits in foreign currencies: the equivalent of 165 bln lei

Natural persons' deposits: 258.4 bln lei
Legal entities' deposits: 193.5 bln lei

Deposits of resident natural and legal persons: 439.6 bln lei
Deposits of non-resident natural and legal persons: 12.3 bln lei

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.

HIGHER PROTECTION

for natural persons

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

GUARANTEED DEPOSITORS

15,542,909 natural and legal persons

14,385,192 guaranteed natural persons, *of which 98.8 percent residents*

1,157,717 guaranteed legal entities (all enterprises, no matter their size), *of which 99.8 percent residents*

TOTAL COVERED DEPOSITS

270.3 bln lei

PAYOUT PERIOD

The FGDB is one of the deposit guarantee schemes in the European Union that reimburses deposit holders within the shortest period, namely seven business days.

FGDB-MEMBER CREDIT INSTITUTIONS

All the credit institutions authorised by the National Bank of Romania, which totalled 24 at the end of 2022.

(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
9.8 bln lei

The deposit guarantee fund
7.3 bln. lei

The bank resolution fund
2.5 bln lei

a) Protection of deposits held at affiliated credit institutions

(i) Coverage level offered by the FGDB

Deposit guarantee, which is the FGDB's prime goal, means the protection the FGDB offers to deposit accounts opened with credit institutions authorised by the National Bank of Romania. When, as a direct result of its financial situation, a credit institution can no longer reimburse holders of deposits in any currency, the FGDB will repay guaranteed depositors within a coverage limit of 100,000 euros in its leu equivalent[6] on the date deposits have become unavailable. Compensation will be disbursed to depositors within at most seven working days[7] of the date of deposit unavailability, which is the shortest payout period agreed across the European Union.

Natural persons holding certain categories of deposits benefit from temporary high balance coverage, which is distinct from the standard compensation, and amounts to 100,000 euros (converted to the leu currency), for a period of 12 months after the amount has been credited. It is the National Bank of Romania that determines the level of the additional coverage in line with the evolution of relevant statistical indicators[8].

In 2022, under *Law No. 42/2022 amending and complementing Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund (Law No. 42/2022)*[9], the list of guaranteed (eligible) deposits qualifying for the improved coverage worth 100,000 euros (in the leu equivalent), distinctly from the standard payout, was extended to include deposits resulting from the life events of marriage or divorce[10].

The FGDB's scope of guarantee on 31 December 2022 included 14,385,192 natural persons and 1,157,717 legal entities[11]. Most of the depositors benefit from full FGDB coverage as their deposits stand below or are equal to the guarantee ceiling in its leu equivalent. Where deposits exceed 100,000 euros, the FGDB's reimbursements are limited to the coverage level.

Eligible (FGDB-guaranteed) deposits moved up by 7.5 percent during 2022, ending the year at 451.9 billion lei on 31 December, with covered deposits[12] taking around 60 percent, or 270.3 billion lei, of the total amount. The main trigger behind the annual rise in eligible deposits was the leu-denominated component as the advance of household and legal entities' deposits in the national currency was behind approximately three quarters of that annual increase.

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[6] The 100,000-euro deposit coverage per guaranteed depositor per credit institution applies in all European Union member states and Romania implemented it at the end of 2010.

[7] According to *Directive 2014/49/EU on deposit guarantee schemes,* EU member states must implement the payout deadline of seven business days by 2024. Romania has been observing this payout period since end-2015 following the incorporation into national legislation of the respective European Directive.

[8] Circular No. 24 of 29 December 2016 on the guarantee level set forth at Article 62 paragraph (1) of *Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund,* which came into force on 10 January 2017.

[9] *Law No. 42/2022* was published in Monitorul Oficial al Românie (The Official Gazette of Romania), Part I, No. 226 of 8 March 2022.

[10] The additional coverage applies to deposits arising from:

- real estate transactions relating to residential property;
- 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.

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

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

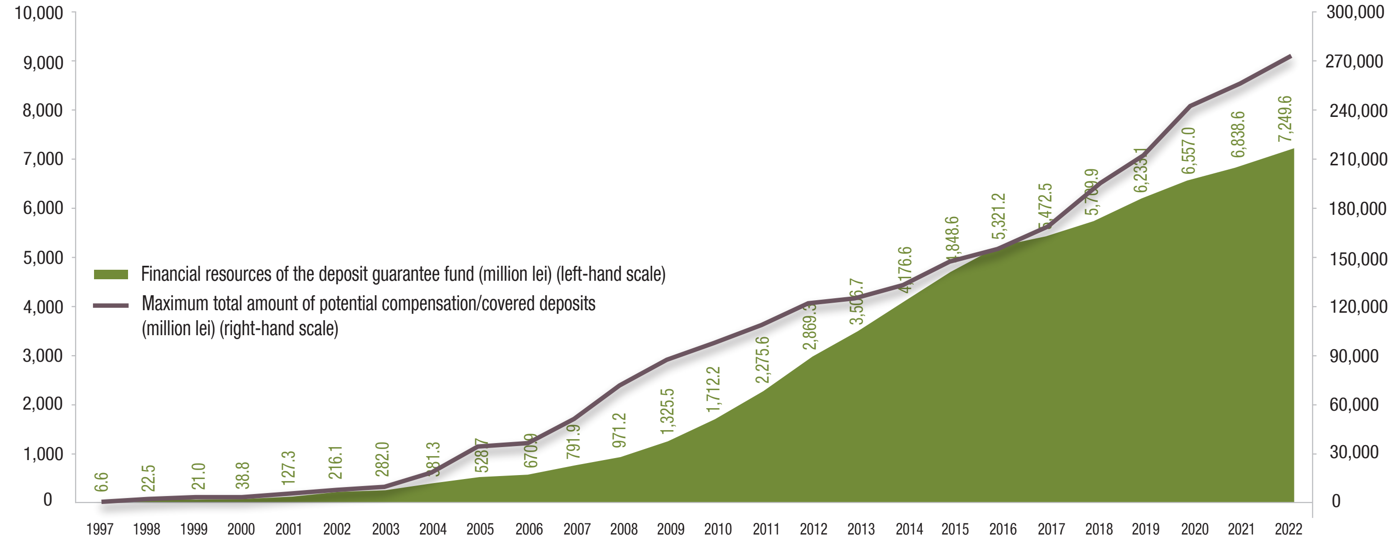
(ii) The deposit guarantee fund

The consolidation of the deposit guarantee fund has stayed in the FGDB's focus consistently. The financial means of this fund, which are mainly sourced from contributions paid by FGDB-member credit institutions, serve to repay depositors and finance resolution measures. The FGDB, with the approval of the Board of Directors of the National Bank of Romania, annually determines the level of contribution to be levied on each credit institution depending on associated risk[13]. Moreover, the FGDB directs at least 99 percent of its profit from investments of available financial means towards the deposit guarantee fund to top up its financial resources.

Throughout 2022, the FGDB strengthened its financial capability to fulfil its mandate in point of payouts and/or funding of resolution actions as the financial resources of the deposit guarantee fund advanced six percent to stand at 7,249.6 million lei[14].

The FGDB invests its available financial resources in compliance with an annual strategy endorsed by the FGDB's Supervisory Board and approved by the Board of Directors of the National Bank of Romania, the aims of which are to mitigate risk and secure an adequate liquidity of investments, all while targeting yields as a related goal.

Evolution of the Deposit Guarantee Fund and of Covered Deposits* from the FGDB's Creation to 31 December 2022



** maximum total amount of potential compensation until 2016*

[13] 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.

[14] This amount also includes the portion of the 2022 profit. Therefore, 36.18 percent of the 7,249.6 million lei is the portion of the profit distributed according to the law over 1996-2022 (also due to the fact that bank failures were last recorded over 1999-2006).

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

While in operation, the FGDB made repayments worth 512.2 million lei to the guaranteed depositors of the seven banks that sank into bankruptcy over 1999-2006 and asserted its right of subrogation to the depositors' rights, thus becoming a creditor in the bankruptcy procedures.

By end-2022, the FGDB had recovered a total 185.13 million lei (or 36.14 percent) of its payouts to the guaranteed depositors of the failed banks[15], a recovery ratio that indicates the shifts in the FGDB's place on the creditor priority ladder along the years[16], depending on legislation in effect at the time bankruptcy procedures opened for each of the seven banks[17].

b) Management of the bank resolution fund

Following the transposition into national legislation of the European regulatory framework for bank recovery and resolution in 2015, the FGDB was designated as the administrator of the bank resolution fund of Romania[18]. This fund is intended to finance the resolution measures which the National Bank of Romania, in its capacity as resolution authority, decides.

To date, the financial resources of the bank resolution fund have followed an upward course thanks to the absence of events requiring their use. On 31 December 2022, resolution fund resources posted a year-on-year gain of 21.3 percent totalling 2,542.8 million lei[19].

The National Bank of Romania, as the national resolution authority, determines the amounts the participating credit institutions are to contribute to the bank resolution fund based on their individual risk profile. It also decides on how the financial resources of the fund are to be used when various resolution tools are applied.

The financial means of the bank resolution fund are invested in compliance with the provisions of a strategy endorsed by the FGDB's Supervisory Board and approved by the Board of Directors of the National Bank of Romania. The respective strategy pursues the same goals as in the case of the deposit guarantee fund, namely to dwarf risks and maintain liquidity at adequate levels, all while pursuing yields as an associated target. Just as in the case of the deposit guarantee fund, at least 99 percent of the profit made via bank resolution fund management is intended to replenish financial resources.

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

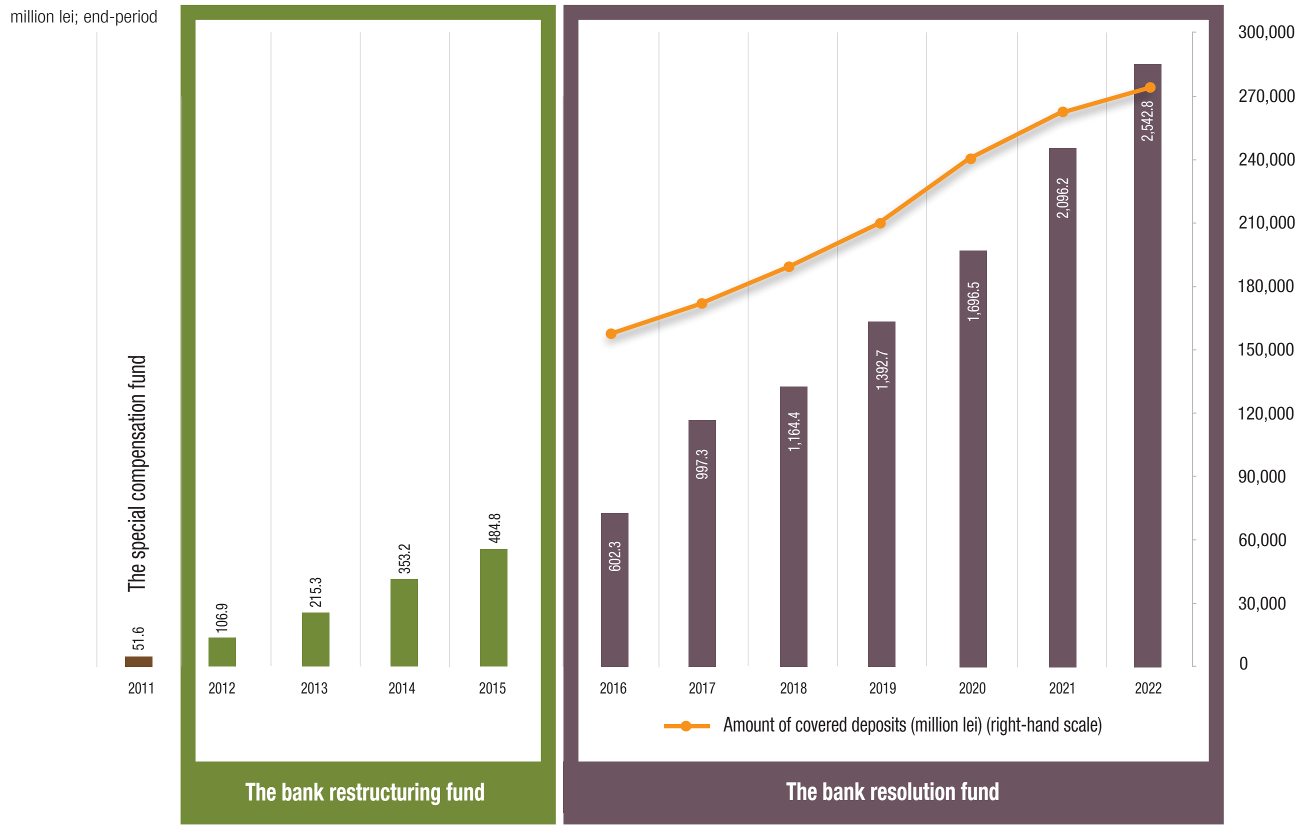
[16] That ratio ranges from 25.9 percent to 45.8 percent in the case of the banks that failed before 2001 and stands at 100 percent in the case of the banks that filed for bankruptcy in 2002.

[17] 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 move on to the fourth step of the creditor priority ladder, 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 repayments (as well as from funds going to resolution measures) are currently assigned second priority, ranking ahead of budgetary claims which stay on the fifth position on the priority list.

[18] The bank resolution fund was created under *Law No. 312/2015* by taking over the financial resources of the bank restructuring fund which was set up 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.

[19] Just as in the case of the deposit guarantee fund, this amount includes a portion of the 2022 profit. A percentage of 11.16 of the 2,542.8 million lei represents the profit distributed, by law, over 2011-2022.

Evolution of the Bank resolution fund and of covered deposits up to 31 December 2022



Over 2011-2015, credit institutions paid fees in the form of fixed global annual amounts determined as a percentage (of 0.1 percent at most) of their non-guaranteed liabilities.

Starting 2016, the National Bank of Romania, as the resolution authority, has set contributions adjusted in proportion to risk profiles.

c) Court-supervised liquidation proceedings at the two failed banks where the FGDB acts as liquidator

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

As part of liquidation procedures for the two banks, further action was taken in 2022 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 2022, funds were distributed to 47 percent of the body of creditors of *BRS* (the highest percentage of satisfaction of creditors of failed banks), and, respectively, to 43 percent of the body of creditors of *BTR*[20].

[20] For further details on the court-assisted liquidation proceedings for *BRS* and *BTR* go to Chapter 5 – *Liquidation of Failed Banks*.

THE FGDB'S ADMINISTRATION AND MANAGEMENT

By law, the FGDB's administration and management is based on a two-tier board structure consisting of the Supervisory Board and the Executive Board. The FGDB's administration and management relies on the principles of good corporate governance and transparency with a view to imparting solidity, credibility, and effectiveness to the activities of the institution and to fulfilling the strategic targets laid down in the mandate it was entrusted with.

The Supervisory Board

The Supervisory Board consists of seven members, of which five (including the Chairperson of the Board) are representatives of the National Bank of Romania and two represent the Ministry of Finance. Under the legislation that governs the activities of the FGDB, as well as under the institution's statute, the Supervisory Board has been assigned tasks and responsibilities related to the permanent control of daily activities, which provides for a solid and transparent administration and management framework.

The Audit Committee

The Audit Committee, which operates within the FGDB to consolidate the corporate governance system, is an independent consultative body comprised of 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 auditing 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. Furthermore, the Committee, by fulfilling its duties as concerns monitoring internal audit activities, plays a significant role in ensuring 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 issues on the agenda, Executive Board members, external auditors, or representatives of the FGDB's organisational structures may also attend, as guest participants, in order to provide necessary information.

In 2022, the Audit Committee organised five meetings which analysed and endorsed documents regulating and planning internal audit activities, along with the results of the internal audit missions and their performance, as well as regular activity reports.

The Executive Board

The Executive Board, which is composed of three members who are designated by the Supervisory Board and approved by the Board of Directors of the National Bank of Romania, oversees the FGDB's daily business. The Supervisory Board oversees the activity of the Executive Board members, whose targets, tasks, and duties are laid down in the mandates entrusted to them[21].

In their activities throughout 2022, both the Supervisory Board and the Executive Board focused on the fulfilment of the FGDB's strategic goals established for the respective year:

- 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 FGDB's image and raise public

[21] The mandates of the Executive Board members were renewed for a four-year term starting 15 December 2020.

awareness of the institution's role in maintaining financial stability;
- To further national and international cooperation.

Moreover, the Executive Board submitted to the Supervisory Board for approval or, where appropriate, for endorsement various regulations concerning FGDB activities[22], documents on the risk management framework, the institution's financial statements and its revenue and expenditure budget, the list of credit institutions mandated to disburse payouts, the annual report, as well as proposals related to the FGDB's strategic targets which will be outlined below.

THE FGDB'S ACTIVITIES IN 2022

In 2022, given the geopolitical situation brought about by Russia's military invasion of Ukraine, the FGDB kept to the approach adopted in 2020, the year of the pandemic, whereby it had temporarily given up multiannual plans[23] and had set lines of action for one-year periods. At that point, the respective approach was rendered necessary by the challenges and significant degree of uncertainty the COVID-19 pandemic had generated. Adding to all this in 2022, was the after-effects of the armed conflict in progress at Romania's borders. A return to multiannual activity plans will be possible when more elements for analysis will be taken into account, as well as greater predictability are in place.

Here below are the primary strategic goals the FGDB pursued in 2022:

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

The efforts to secure adequate financing has been a constant of FGDB activities, as reflected in the target level for funds on 31 December 2022 which is more than three times higher than the target funding level of minimum 0.8 percent of covered deposits which the deposit guarantee schemes operating within the European Union are to reach by 2024[24].

The FGDB must secure a satisfactory level of financial means to be able to fulfil its mandate as far as payouts and/or funding of resolution measures are concerned, all while observing the deadlines set down in legislation in force. In order to attain this goal, the FGDB took steps as early as 2019 to implement alternative funding mechanisms[25] allowing it to get the short-term funding it needs to fulfil its legal duties. Concretely, the FGDB and the International Bank for Reconstruction and Development (IBRD) agreed on the terms and general conditions of a precautionary loan agreement under a pilot programme for deposit guarantee schemes as an integrant part of the process of properly managing the Fund's financial resources.

[22] The said regulations are outlined in Chapter 2, the subsection on the *Internal Regulatory Framework.*

[23] Prior to pandemic year 2020, the institution's strategic goals were set and monitored under a multiannual activity plan. The last such plan covered the 2018-2020 period.

[24] 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".

[25] Article 12 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".

The year 2022 saw the completion of all the actions taken in preparation of the loan agreement. On the one hand, a regulatory framework permitting the FGDB to take out the IBRD precautionary loan was implemented as follows:
- On 11 March 2022, *Law No. 42/2022* came into effect providing for the FGDB's swift access to precautionary loans backed by the full guarantee of the Ministry of Finance,
- On 31 August 2022, *Government Resolution No. 1084/2022* was issued approving *Methodological Regulations for the approval of provisions under Article 119, paragraphs (1) – (4), Article 119[1] and 119[2] of Law No. 311/2015 on deposit guarantee schemes and the Deposit Guarantee Fund,* published in Monitorul Official (The Official Gazette) No. 873 of 5 September 2022. These methodological rules regulate the process whereby the FGDB gets loans/sub-loans from the Government or requests Government-backed guarantees for loans from credit or financial institutions.

On the other hand, the FGDB, together with the IBRD, and with the active participation of the National Bank of Romania and of the Finance Ministry, finalised the contract documents for the loan and on 18 November 2022 the Board of Directors of the National Bank of Romania approved the FGDB's proposal for a precautionary loan to be taken from the IBRD[26]. On 19 December 2022, the World Bank Board of Directors approved the contract documents. At present, the Romanian Government has already approved the precautionary loan guarantee agreement which is to be legally ratified. The precautionary loan is estimated to go into effect in the second half of 2023.

To consolidate the FGDB's operational capability

To strengthen operational capability has been a major goal for the attainment of which the FGDB followed, throughout 2022, several lines of action towards:

- ***Developing the IT and communications infrastructure***

Objectiv The key target was to complete the implementation of the integrated IT system (an application that will integrate and assist all FGDB activities). The system was up and running in 2022.

- ***Implementing payment commitments***

Since both *Law No. 311/2015* and *Law No. 312/2015* envisage the possibility for part of credit institutions' contributions to the deposit guarantee scheme and to the bank resolution fund to be in the form of payment commitments, the FGDB continued to look into lines of action to develop and implement a

[26] On 18 November 2022, the Board of Directors of the National Bank of Romania approved the terms and conditions of the loan agreement: its worth – 406 million euros; the validity of the agreement – five years; the repayment period (with no grace period) – eight years. The IBRD's contingency financing for the FGDB is Government-backed with a 100 percent guarantee for the amount of the loan. In this respect, the Finance Ministry will issue a letter of guarantee in 2023.

system intended to operationalise payment commitments.

In 2022, the FGDB initiated talks with representatives of credit institutions on their offer of collateral custody/management services in order to identify an optimal solution in terms of the benefit-cost ratio and of the estimated implementation time frame.

During the talks, the FGDB could not identify any credit institution with the capability to offer collateral management services on the local market, and the process of finding an alternative solution proved rather long given the particularities of FGDB activities.

Under such circumstances, the FGDB continued its talks with several credit institutions looking into the possibility of separating the activity specific to a custodian/agent bank from the collateral management activity, with the custody/agent activity being conducted by the credit institution in Romania and the collateral management services by their parent bank.

Furthermore, the FGDB also analysed the possibility of purchasing, from a financial information provider, a collateral management application software able to meet all the functional requirements which the FDGB identified. The FGDB also examined the possibility of developing a collateral management application software within its integrated IT system.

In 2023, the FGDB intends to finalise the preparation of the regulatory and procedural framework starting from the specific functionalities of the adopted solution and to provide a technical infrastructure leading to the operationalisation of payment commitments in 2024.

- ***Running stress simulation exercises***

In keeping with the stress simulation exercise programme which the FGDB's Supervisory Board approved in its meeting of 24 February 2022, a stress simulation exercise was prepared and conducted over September–October 2022 to test the capability of all FGDB-affiliated credit institutions to draw up and deliver the payout list (the SCV file[27]).

The aim of the exercise was to test:
- The capability of credit institutions to prepare and dispatch the payout list within the time frame stipulated by regulations in force;
- The operational capability of the FGDB to access and verify data it may need to make compensation payments in case of unavailability of deposits held at participating credit institutions (depositor identification data, data on eligible deposits, blocked amounts, exigible debts and due compensation).

Every credit institution was requested to prepare the payout list on a date of the FGDB's choosing, and to transmit it within three working days of the date of the request, in compliance with provisions of Article 9 of *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.* Under the respective scenario, each credit institution had a maximum of three business days of the date of simulated deposit unavailability to deliver the payout list and, if necessary, to resend it following the FGDB's own verifications during which errors were detected and had to be corrected.

[27] Single Customer View (SCV) is the term used in the *European Banking Authority's Guidelines on stress tests of deposit guarantee schemes (EBA/GL/2021/10).*

The SCV files which the credit institutions transferred were fully verified with the aid of the new integrated IT system.

The stress test results showed that member credit institutions were capable to prepare and send the payout list within the time frame laid down in regulations in force.

Given the small percentage of consequential errors – both at the level of each affiliated credit institution and of all of them as a whole – the payout list met the quality requirements of the FGBD, allowing it to disburse compensation to guaranteed deposits within the legal time span.

With the results of the stress test as a basis, the FGDB will act to:
a. Improve the quality of the data reported in the payout list by correcting the types of errors that were identified either with the aid of an application software or during on-site verification visits to credit institutions;
b. Conduct more frequent periodic tests of the capability of participating credit institutions to prepare and deliver the payout list on a date other than the reporting date. The list should include depositors' complete identification data needed in the repayment process;
c. Refine verification keys/criteria of the application software in an attempt at improving the process of receiving and processing the SCV files;
d. Inform credit institutions about their performance as compared to the average performance of all participants in a bid to further motivate the banks with scores below average to work to improve their capabilities/performance.

Over 2-15 December 2022, the FGDB took an active part in preparing and running a simulation exercise organised by the Bank Resolution Department of the National Bank of Romania to test the capability of the regulatory framework to accommodate the necessary steps for the creation of a bridge credit institution (BCI) as bank resolution measure.

Under the scenario designed for the occasion, the FGDB had to fulfil all its legal duties as sole shareholder of the BCI.

Following the talks and consultations held during the preparation stage, the FGDB, using the interbank communication network (ICN), submitted to the National Bank of Romania the documentation for the authorisation of the BCI:
- Licence/Authorisation application;
- Business restructuring plan;
- Draft Articles of Association;
- Documents on the BCI's share capital.

The Bank Resolution Department issued a report synthesising the results and conclusions of the simulation exercise which highlights the need to amend the central bank's *Regulation No. 12/2020 on the authorisation of credit institutions and changes in their situation* so as to reflect the specific characteristics of a bridge bank and provide realistic prerequisites for the urgent implementation of such a resolution measure by optimising the mechanisms within the National Bank of Romania as the competent and/or resolution authority.

- ***Setting workflows for an alternative compensation disbursement method via a web platform***

Given the ever lower interest credit institutions have shown in acting as FGDB mandated agent banks, as well as the current trends towards digitalisation of operations which guarantee schemes across the European Union follow, the need has become apparent to impart flexibility to the payout process in consideration of the latest tendencies in Europe and of developments in IT and communication technologies.

In this context, one of the amendments to Law No. 311/2015 under Law No. 42, which came into effect in March 2022, refers to the need for flexibility in the compensation payment process.

With these considerations in mind and given 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 has been conducting an extensive project to implement modern repayment methods as alternatives to payouts through a mandated bank.

The research and the analyses conducted as part of the project showed that the optimal solution for the FGDB would be compensation disbursements via a web platform, ideally in the customer front–end variant. To this end, the FGDB looked into the workflows in other states – Germany, Norway, Spain, Austria, Mexico and Brazil – which had already implemented and utilized such platforms for their repayments. The FGDB also identified a possible workflow of its own which had been developed in compliance with national legislation and related recommendations.

Meeting every requirement for the safe and secure login of depositors, which is the main challenge in developing such a system, and ensuring platform availability for a large number of users were the topics approached during the talks held all through 2022 with representatives of the Special Telecommunications Service, of the Ministry of Internal Affairs – The Directorate for Personal Records and Database Administration/The General Inspectorate for Immigration, as well as with representatives of companies which specialise in online enrolment of natural and legal entities and are heavily involved in the process of digitalising credit institutions both at home and abroad.

The FGDB also had a round of talks with representatives of TransFond focusing on aspects related to compensation payments into accounts indicated by payout recipients which are processed via a web platform.

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 reduce to the minimum the risk of wrongly identifying the claimant or the owner of the payout. An optimal service package will have to be found apt to provide development services, private cloud hosting services (securing adequate storage space and 24/7 server maintenance services), user authentication services, identity verification services (with the aid of the Directorate for Personal Records at least), services to check the identity of account owners (to be provided by TransFond). Furthermore, additional fibre optic connections will be necessary.

The accomplishment of this project further depends on outsourced consultancy services to define all the particulars to be considered when preparing the documentation needed for the public procurement of operationalisation services application.

- ***Higher professional training for the FGDB staff***

Given the specific activities of the FGDB, the professional training of its employees has been a continuous process that permanently has to adapt to the latest standards imposed on an European level.

In 2022, under the overall circumstances the COVID-19 pandemic had previously brought about, most of the professional training courses for employees were held online, according to the FGDB's Annual Professional Training Plan and in compliance with the staff protection policy.

In order to improve internal communication within the FGDB, an internal newsletter was launched in 2022. It showcases home and international professional news, as well as stories that mirror employees' hobbies and interests, thus contributing to creating a sense of community at work, to motivating employees and consolidating their trust.

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

In its capacity as member of the financial stability network, the FGDB is constantly engaged in maintaining depositors' trust in the banking system. To this end, it has constantly pursued raising public awareness of its mission via resorting to various information and promotion channels.

In the specific situation created by the conflict between the Russian Federation and Ukraine, the FGDB adapted its actions aimed to increase awareness in order to be able to offer an answer to depositors' growing concerns over the safety of the money in their accounts at credit institutions.

In this respect, the FGDB posted on its website several explanatory notes on deposit protection, as well as answers to the questions depositors ask most frequently, including the more recent ones referring to deposit guarantee in conditions of force majeure or in times of war.

Moreover, the FGDB took the initiative to arrange a meeting with representatives of the Romanian Banking Association (ARB) in a bid to identify methods of promoting a concerted strategy of public information on the protection of bank deposits. The FGDB also answered a set of ARB questions relating to deposit guarantee in case of war, safeguarding the money in current accounts in case of bankruptcy, safety of amounts in bank accounts considering the situation in Ukraine, etc.

The FGDB was a presence in mass media as well thanks to articles and answers concerning deposit guarantee, along with information about the amendments *Law No. 42/2022* introduced. Furthermore, online campaigns aimed to raise public awareness of the way in which bank deposits are insured, as well as of the operation of the deposit guarantee scheme of Romania continued.

At the same time, the FGDB prepared and launched a new poster sharing information about deposit guarantee with deposit account holders. The e-poster was distributed to affiliated credit institutions.

In 2022, the FGDB expanded the scope of its work towards financial education following its inclusion in projects run by the National Bank of Romania. Besides the FGDB's own contest – the "Costin Murgescu Contest for Economic Research" – in the last half of 2022, the institution, in cooperation with the National Bank of Romania and the Gheorghe Lazăr National College, organised the "Video Economia" National Financial Education Competition. For 2023, the FGDB agreed to take part in other projects, such as the "Eugeniu Carada" National Financial Education Contest and the Urban Financial Education Camp.

The importance of increased public awareness of deposit insurance and the FGDB's mission within the financial stability network was highlighted also during the negotiations on a precautionary loan from the IBRD. Thus, both the document substantiating the project and the social and environment protection plan contain the pledge to raise public awareness of deposit guarantee, among persons with disabilities included.

To this end, the FGDB initiated talks with representatives of the community of persons with disabilities in Romania in an attempt to find the most efficient methods of supplying deposit-guarantee-related information to this target public group. As a first step in this direction, in December 2022, the FGDB attended the celebration of the International Day of Persons with Disabilities.

National and international cooperation

Nationally, in 2022, in order to build a formalised framework to facilitate communication and the run of activities towards fulfilling the powers incumbent on the National Bank of Romania, the Ministry of Finance and the FGDB – as they result from both their direct contribution to safeguarding financial stability and the provisions of the applicable legal framework (*Law No. 311/2015, Law No. 312/2015* and *Emergency Ordinance No. 99/2006*), the FGDB took further action to finalise the text of an inter-institutional tripartite cooperation agreement. The FGDB estimates that the respective agreement will be signed and will go into effect in 2023. Six months at the most of the date the tripartite agreement comes into force, the signatories will conclude or, where appropriate, revise their bilateral accords.

As far as the FGDB's cooperation with the National Bank of Romania is concerned, a joint project is underway to develop and implement a scheme to compensate investors, retail clients of credit institutions by extending the FGDB's scope of business. The project was approved in a meeting of the Board of Directors of the National Bank of Romania held on 28 April 2021.

Internationally, in keeping with the expanded duties of deposit guarantee schemes, the FGDB is represented to the domain-specific working groups of the European Forum of Deposit Insurers (EFDI). The FGDB's General Director is a member of the Task Force on Deposit Guarantee Schemes which operates within the European Banking Association (EBA) analysing the implementation of the provisions under the *Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes* and preparing opinions recommending updates of the applicable framework.

THE FGDB'S RISK MANAGEMENT FRAMEWORK

Risk management continued to be one of the FGDB's strategically important activities, making a decisive contribution to consolidating the institution's reputation and to getting optimal financial results, including the increase in available financial resources at a sustainable rate. Risk management conforms to the guidelines set under the risk management strategy and policies which help maintain the organisation's risk profile at an adequate level, in line with targets approved by the Supervisory Board.

In 2022, just like in previous years, the strategy for the management of the FGDB's significant risks remained focused on the consolidation of a caution-oriented risk culture and the maintenance of a low-risk profile intended to safeguard depositors' interests and the FGDB-managed financial resources and to provide for compliance with applicable legislation and regulations.

Throughout 2022, the FGDB worked uninterruptedly to complete the process of testing the risk module of the IT integrated system and put it into service. The risk management system implemented by the FGDB covers the whole range of significant risks to which the organisation is exposed and contains the specific processes, applications, and procedures in use, as well as the duties and responsibilities assigned to each organisational structure and to the risk management function as far as risk management is concerned. The implementation of the integrated IT system provided for the automation and consolidation of risk reporting.

In consonance with internal regulations in force, the FGDB ran a test of the business continuity plan which focused on data restore and on business continuity using the server hosted at its secondary operation location. This was the first test conducted at the FGDB's secondary facility.

The results of the test proved positive and the conclusions drawn on the occasion were turned to good account when the business continuity plan was updated.

According to the regulatory framework for internal control, the risk register was updated in 2022 offering genuine support to the executive management in their decision making and significantly contributing to strengthening the risk governance system within the FGDB.

The development of the FGDB as an organisation and the essential shifts in internal and external factors which have influenced its activities have called for constant monitoring of its risk profile and for an adequate adjustment of its risk management policies and strategy. Given such circumstances, the FGDB has concentrated on a number of 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 which the FGDB addresses using specific tools and measures are:

- *credit risk*

In its capacity as statutory deposit guarantee scheme and administrator of the bank resolution fund, the FGDB assumes credit risk for its exposures to the counterparties/issuers that meet the eligibility criteria set under its annual strategy for the investment of financial resources. Depending on the nature of the counterparty/issuer, this type of risk is managed with the help of 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 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 whenever adverse shifts occur in the price of 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) and by setting alert and intervention thresholds. The FGDB will top up its market risk management toolbox as its investment portfolio gains in complexity and diversity.

Moreover, with a view to assessing interest rate risk, the FGDB monitors a new indicator – portfolio duration; in this case, the duration of the portfolio of tradable financial instruments. This indicator is currently used when gauging the FGDB's overall risk profile.

- *liquidity risk*

The FGDB's liquidity risk management policy primarily aims to maintain a minimum monthly level of liquidity from available financial resources, which is recalibrated depending on market developments, an adequate volume of trading securities and a balanced investment structure, as well as to implement/update alternative funding mechanisms to serve in case of any contingency.

Following the repo conventions which the FGDB concluded with several primary dealers, it consolidated its capability to monetise its government securities portfolio, should the need arise. With the amendments to the applicable legislative framework taking effect, the FGDB will further work to implement the infrastructure that will ease its access to repo transactions with the National Bank of Romania to obtain short-term liquidity, as provided by law and in compliance with relevant European regulations.

- *operational risk*

Any of the FGDB's activities runs the implicit risk of losses or of failing to make the estimated profit as an outcome of either the use of inadequate or inappropriate processes, systems and human resources or external events and actions. In identifying operational risks and implementing measures to eliminate/mitigate them, the FGDB relies on risk self-assessments and on controls implemented at the level of its organizational structures.

As part of the operational-risk category, the FGDB has been monitoring two risk subcategories in particular – cyber risk and personal data processing risk – which have grown increasingly significant of late following the implementation of the FGDB's integrated IT system and the remote access to sensitive data. For both these risk subcategories, there are distinct measurement/ assessment scales and instruments based on specific indicators.

The improvement of risk monitoring and control mechanisms, following the implementation of the procedural framework for risk management and 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 strengthening and optimisation of the internal regulatory framework providing 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, will remain in the FGDB's focus as strategically important targets.

The use of the previously mentioned 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 aims 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, update and periodically test business continuity plans, and conduct stress simulation exercises. Furthermore, the FGDB will promote systematic and open communication with the public, with participating credit institutions (through the Romanian Banking Association included) and the other institutions within the financial stability network.

- *strategic risk*

Strategic risk assessment is part of the strategic planning process. The primary potential sources of strategic risk are to be found in the FGDB's strategic plans referring to the coverage target level, organisational development, and the strategy for the management of available financial resources. In order to maintain strategic risk levels within pledged limits, the FGDB periodically reappraises its strategic goals in relation to its achievements, all while allotting sufficient resources to active prevention. The functional and effective governance system provided by the management structure comprised 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 Fund'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 assessed periodically, depending on the evolution of the scores for identified significant risks, in order to maintain it in line with the agreed target. In turn, that target is also appraised periodically to make sure it stays in tune with 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, as laid down in the statute regulating the internal audit function within the organisation.

The foremost aim of the internal audit structure is to contribute to consolidating 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 assess identified risks, discern causes, determine possible consequences, and make appropriate recommendations for their correction. Their recommendations are economically feasible and, on that account, may be implemented and applied with financial/human/logistic costs proportionate with their contribution to streamlining FGDB activities.

The internal audit team's missions of 2022 focused on assessing the management of the FGDB's international relations, the administration of IT equipment and programmes, information management within the FGDB, and the administration and archiving of documents/ information. At the same time, the missions concentrated on the calculation of the annual contribution levied on FGDB-affiliated credit institutions and appraised the implementation of the integrated IT system within the FGDB.

During their missions, the internal audit team formulated opinions and recommendations likely to increase the efficiency and effectiveness of processes in order to make better use of material and human resources, thus making a significant contribution to improving processes and strengthening corporate governance within the FGDB.

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 maintain those risks at acceptable levels.

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

Residual risks remain largely acceptable thanks 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 increasing 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 targets related to depositor protection and financial stability.

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

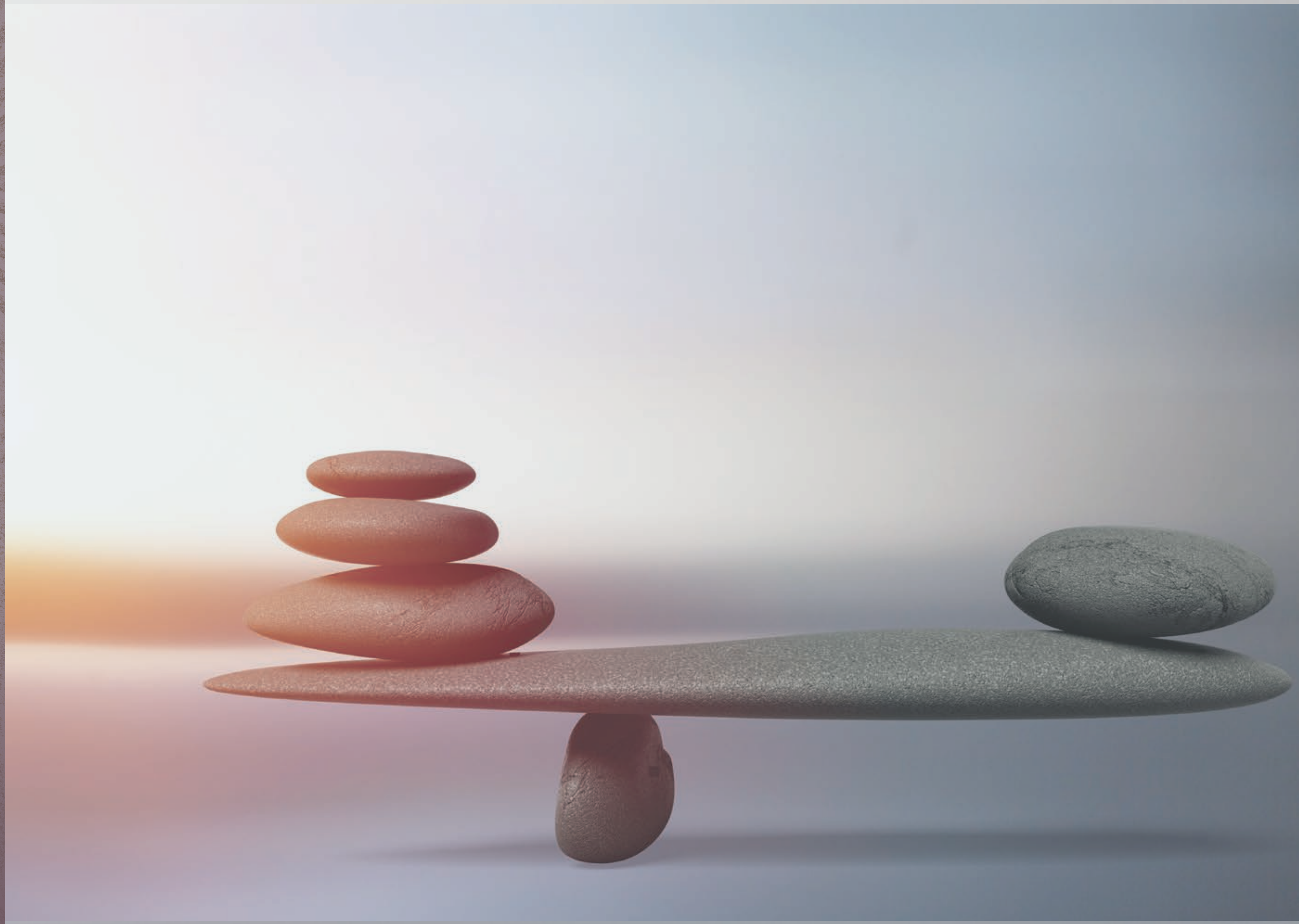
In this respect, permanent care was shown and the necessary steps were taken towards affiliation to the best practices in internal audit.

2 THE 2022 BACKGROUND AND REGULATORY FRAMEWORK

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

In 2022, the European framework for crisis management and deposit insurance was further revised and new guidelines and regulations on deposit guarantee schemes were issued.

At the same time, in 2022, the two international professional associations grouping deposit guarantee schemes, namely the EFDI and the IADI, carried through intense activities to prepare studies on essential aspects of the deposit guarantee process and also adopted position papers on several draft regulations.



European Crisis Management and Deposit Insurance Framework

On 16 June 2022, the Eurogroup gathered in an open meeting and adopted a statement on the future of the Banking Union, with emphasis on key steps towards completing it, particularly as concerns mitigation of risks and protection of bank deposits, as follows:

- strengthening the framework for the management of failing credit institutions;
- securing a more robust common protection for depositors across the European Union;
- facilitating a more integrated single market for banking services;
- encouraging greater diversification of banks' sovereign bond holdings.

At the same time, the review of the existing bank crisis management and deposit insurance (CMDI) framework was set as a priority, with talks on other elements related to the completion of the Banking Union, including the creation of a European Deposit Insurance Scheme (EDIS), scheduled to be resumed at a later date.

The key elements pertaining to the consolidation of CMDI framework include:

- clarified and harmonised public interest assessments;
- wider application of resolution tools in crisis management at national and European levels, including for small and medium-sized banks, where the funding needed for effective use of resolution tools is available, particularly through the minimum requirement for own funds and eligible liabilities (MREL) and bank industry-funded safety nets;
- further harmonisation of the use of national deposit guarantee funds in crisis management, while providing adequate flexibility in facilitating the exit from the market for distressed banks in a manner that preserves the value of their assets. A harmonised least-cost test, conducted by national authorities, is being considered to govern the use of the funds of deposit guarantee schemes for purposes other than payouts;
- harmonisation of certain key features of national bank insolvency laws to ensure consistency with the principles of the CMDI framework.

On 18 April 2023, the European Commission issued a legislative package planned to strengthen the CMDI framework[28]. The package, which will be examined by the European Parliament and Council, consists of:

- a proposal for a Directive amending Directive 2014/49/EU as regards the scope of deposit insurance, the use of the funds of deposit guarantee schemes, cross-border cooperation, and transparency;
- a proposal for a Directive amending Directive 2014/59/EU as regards early intervention measures, conditions for resolution and financing of resolution action;
- a proposal for a regulation amending Regulation (EU) No. 806/2014 as regards early intervention measures, conditions for resolution and funding of resolution action
- a 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.

Prior to the publication by the European Commission of the aforesaid legislative package, the FGDB expressed its opinion on the review of the CMDI framework both during the consultations the European Commission initiated in 2021 and through the projects and activities carried out within the EFDI[29].

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

[29] Synthetically, the FGDB was for preserving the status quo with regard to the legislative framework that governs the CMDI in point of the preventive and alternative measures within the CMDI regulatory framework, and, in correlation: application of the least cost methodology; the credit institutions that, having failed the public interest test, cannot go into resolution; limits on the funding of the bank resolution measures from the financial resources of the deposit guarantee scheme and the conditions to be met in that respect. Therefore, the FGDB stated in favour of:

The European Banking Authority's Guidance Papers

Guidelines on the delineation and reporting of available financial means of deposit guarantee schemes (EBA/GL/2021/17)[30]

Guidelines EBA/GL/2021/17 which came into effect on 30 March 2022 aim at harmonising the application of the *Directive 2014/49/EU on deposit guarantee schemes* with regard to the types of available financial means of deposit guarantee schemes which qualify towards reaching the target level of each of these schemes.

Therefore, in order to introduce coherence and comparability of the data which member states report about the target levels of deposit guarantee schemes, it was agreed that the qualified available financial means rather than all the available financial resources of a scheme would count towards reaching that indicator.

In this respect, according to Guidelines *EBA/GL/2021/17*, the available financial resources of a deposit guarantee scheme consist of:

i. *Qualified available financial means,* which are funds stemming directly or indirectly from contributions of affiliated credit institutions. Claim recoveries and investment income are allocated to qualified available financial means that are not directly sourced from contributions, in line with the methods stipulated in *Guidelines EBA/GL/2021/17;*
ii. *Other available financial means,* which are all the other available financial resources of a deposit guarantee scheme that are not allocated to the first category (such as the funds that a deposit guarantee scheme borrows).

Data on the funds of deposit guarantee schemes across the European Economic Area reported in compliance with the new model set under *Guidelines EBA/GL/2021/17*[31] were published for the first time in *August 2022.*

By 31 December 2021, total available financial means held by the deposit guarantee schemes within the European Economic Area had increased by 19 percent from 31 December 2020, while covered deposits had climbed by 5.6 percent over the same period. At the end of 2021, almost half the deposit guarantee schemes across the European Economic Area had reached the target level of 0.8 percent of covered deposits.

According to end-2021 data published by the European Banking Authority, the FGDB was among the European Economic Area's top-ranking deposit guarantee schemes by the ratio of qualified available financial means over covered deposits.

- Preserving the optionality of alternative and preventive measures in the Directive on deposit guarantee schemes so as to allow member states to decide whether they transpose them or not into national legislation depending on the architecture of banking systems and the national law on the insolvency of credit institutions (*Note*: the proposal for a directive amending Directive 2014/49/EU, which the European Commission tabled on 18 April 2023, maintains the optional nature of the aforesaid measures);
- Maintaining the priority of covered deposits in the creditor hierarchy within bank insolvency procedures;
- Narrowing down the scope of bank resolution measures to credit institutions meeting public interest test requirements. Possibly, if deemed necessary, the criteria of the public interest test may be modified in order to provide further clarification and precision.

[30] Final Report on Guidelines on the delineation and reporting of available financial means (AFM) of Deposit Guarantee Schemes (DGS) - EBA/GL/2021/17, 17 December 2021.

[31] Source: the European Banking Authority's web page, the 'News & Press' section, *EBA updates data on deposit guarantee schemes across the European Economic Area*, 4 August 2022.

Guidelines (revised) on methods for calculating contributions to deposit guarantee schemes under Directive 2014/49/EU (EBA/GL/2023/02)[32], repealing and replacing Guidelines EBA/GL/2015/10

In the summer of 2022, the European Banking Authority launched a public consultation on its draft revised *Guidelines EBA/GL/2015/10 on methods for calculating contributions to deposit guarantee schemes.* The revised guidelines are intended to improve the methods for determining credit institutions' contributions to the deposit guarantee fund in proportion to their riskiness. The revised guidelines will apply starting 3 July 2024.

The key proposals aim:

- To set minimum thresholds for most core risk indicators, in line with the applicable minimum regulatory requirements, and to adjust their minimum weights so that the performance of a credit institution's indicators should be better reflected in measuring the risk posed to the deposit guarantee scheme to which it belongs;
- To improve the formula for determining the risk adjustment factor of each credit institution in order to ensure a constant relationship between the riskiness of credit institutions and their contributions to the deposit guarantee schemes to which they are affiliated;
- To specify how to account for deposits where there is no certain information about their eligibility or about their coverage by the deposit guarantee scheme (for instance, when a financial institution places client funds in a bank);
- To introduce the possibility of using an approach whereby contributions are determined not only based on risk indicators and covered deposits, but also by reflecting the aggregate of each credit institution's contributions in previous periods. Consequently, once the minimum target level of a deposit guarantee scheme is reached, individual credit institutions may still have to pay contributions if their risk profile increase or their covered deposits grow.

EFDI Research Papers and Documents

Delineation of qualified available financial means

Following the publication by the European Banking Authority of *Guidelines on the delineation and reporting of available financial means of Deposit Guarantee Schemes (EBA/GL/2021/17)*, EFDI put out a research paper[33] on the two approaches the aforesaid guidelines propose as regards the allocation of the scheme's incoming recoveries to the bucket of qualified available financial means or to the category including the scheme's other available financial means.

The paper refers to situations in which deposit guarantee schemes also use borrowed funds to repay guaranteed depositors and throws light on various aspects stemming from the application of either of the two approaches.

The EFDI research paper also offers a set of analytical tools which deposit guarantee schemes could use when selecting one of the two approaches proposed under the European Banking Authority's Guidelines

[32] 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.

[33] EFDI Research Paper: Delineation of DGS's QAFM (available financial means qualified for the calculation of the DGSD regulatory resources ratio) - Considerations on Approach A & Approach B of the EBA Guidelines, May 2022

Consultation on state aid launched by European Commission

Over March-June 2022, the European Commission conducted a public consultation to evaluate the extent to which state aid rules for banks in difficulty had contributed to preserving financial stability over 2008-2021, as well as the necessity to change current rules in the context of the new regulatory framework, more particularly in point of crisis management and depositor protection.

In June 2022, the EFDI responded to the EU Commission consultation issuing a position paper[34] where it argues in favour of a system allowing deposit guarantee schemes to use every tool foreseen in the crisis management and deposit insurance framework without being considered, in certain cases, as state aid.

Involvement of deposit guarantee schemes in the resolution of credit institutions

Another position paper that the EFDI adopted in June 2022 dealt with the involvement of deposit guarantee schemes in the resolution of credit institutions, as well as their interaction with resolution authorities[35].

In compliance with the European framework for deposit guarantee schemes and the resolution and recovery of credit institutions, deposit guarantee schemes, in line with decisions reached by resolution authorities, must contribute to financing resolution measures the application of which will give depositors continuous access to the money in their bank accounts.

The document highlights the need for closer cooperation between deposit guarantee schemes and the Single Resolution Board and national resolution authorities respectively when it comes to making decisions concerning distressed credit institutions undergoing resolution. Equally, the importance was brought to the fore of having deposit guarantee schemes informed by resolution authorities, at an early stage, about the measures which they intend to apply to failing credit institutions and which call for inflows from deposit guarantee funds.

Interaction between regulations on deposit guarantee and legislation on preventing and combating money laundering and terrorist financing

In 2022, the EFDI also approached issues related to the interplay between regulations governing deposit guarantee schemes and anti-money laundering and counter-terrorist financing laws[36].

Its paper contains opinions expressed by deposit guarantee schemes across the European Union about the European Commission's 2021 package of three legislative proposals including: a regulation on preventing the use of the financial system for the purposes of money laundering or terrorist financing[37], a new directive on the mechanisms

[34] EFDI Position Paper: Response to the EU Commission consultation on State Aid rules for failing banks, June 2022

[35] EFDI Position Paper: DGS involvement in resolution - Interaction with resolution authorities, June 2022.

[36] EFDI D3 Working Paper: Anti-Money Laundering, October 2022.

[37] European Commission: Proposal for a Regulation of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (COM(2021) 420 final), 20 July 2021.

member states should have in place in order to prevent the use of the financial system for the purposes of money laundering or terrorist financing[38] and a regulation establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism[39]. The document also summarises deposit guarantee schemes' experiences with payouts when dealing with banks that operate an inadequate customer assessment framework/employ inadequate staff and run deficient know-your-customer procedures and flawed processes to prevent and fight money laundering and terrorist financing.

Ranking of deposits/deposit guarantee schemes in the order of payment of claims

With the process of reviewing the crisis management and deposit insurance framework in the background, debates were initiated within European institutions on the higher priority ranking of deposits in the order of payment of claims during insolvency procedures. Following those debates, a working paper[40] was prepared at the EFDI reflecting the current rankings of deposits in the order of payment of claims in various member states, and, consequently, of deposit guarantee schemes subrogating to the rights of covered depositors. Furthermore, with recent experiences of deposit guarantee schemes running payouts serving as a basis, an assessment was made with regard both to the impact a priority ranking in the order of payment of claims exerted on the funding of the respective guarantee schemes and to the potential effect of shifts in the ranking.

The analysis showed that thanks to their preference ranking in the order of payment of claims, the deposit guarantee schemes which had interventions in recent years registered a high claim recovery rate and also received the recovered amounts faster. All this contributed to strengthening their funding capability, which is quintessential for preserving depositor confidence.

Inflight transactions

EFDI also published an information paper on the results of studies conducted over 2019-2020 in connection with the treatment of inflight transactions when deposits become unavailable[41] which highlights several aspects related to the application of good practices in this area, such as:

- Defining clear rules, before deposits become unavailable, on how inflight transactions should be treated;
- Using the date on which deposits have become unavailable as reference date for the closing of accounts;
- Keeping the ordinary operational processes as long as possible in order to execute client account computation,
- Defining the inflow and outflow operations which are considered in the process of establishing compensation amounts so as to contribute to minimising the risk of depositor claims and, equally, the risk of overcompensating depositors.

[38] European Commission: Proposal for a Directive of the European Parliament and of the Council on the mechanisms to be put in place by the Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and repealing Directive (EU) 2015/849 (COM(2021) 423 final), 20 July 2021.

[39] European Commission: Proposal for a Regulation of the European Parliament and of the Council establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations (EU) No 1093/2010, (EU) 1094/2010, (EU) 1095/2010 (COM/2021/421 final), 20 July 2021.

[40] EFDI D3 Working Paper: Creditor hierarchy, October 2022.

[41] EFDI Information Paper: In-flight transactions, Octobeer 2022.

IADI's study briefs and papers

Opportunities in financial technology for deposit guarantee schemes (DepTech)[42]

Given current trends in financial technology (FinTech), the IADI conducted an analysis of the opportunities technological innovation presents to deposit insurers. In that context, the term DepTech was introduced, by analogy with the term FinTech, to generically define technological innovations the adoption of which might contribute to improving the operations of deposit guarantee schemes and to streamlining the reimbursement process. In this respect, aspects were highlighted related to data standardisation, digital payments, artificial intelligence and machine learning, cloud computing and the use of new media.

The impact of inflation on deposit coverage level

This general topic was approached in two distinct papers which analysed both the influence of inflation on the guarantee ceiling and the coverage ratio[43], and the correlation between coverage level and inflation[44]. Likewise, the importance was underscored of the correlation between the rise in coverage levels and the corresponding increase in the financial resources of deposit guarantee schemes.

The results were presented of research conducted within the IADI into the evolution of coverage levels in real terms in different states across the globe and emphasis was placed on the complexity of the impact of inflation on deposit coverage levels depending on several variables, including duration, intensity, and nature of inflation, as well as on its effects upon household wealth and savings. The EU Directive on deposit guarantee schemes stipulates that the coverage level in European Union states is to be reviewed periodically by the European Commission, at least once every five years. The Commission may propose an adjustment of the guarantee ceiling taking account of developments in the banking sector and the economic and monetary situation in the Union.

The COVID-19 pandemic and the evolution of covered deposits and deposit guarantee funds

A survey brief on the evolution of covered deposits during the pandemic was prepared based on data collected from guarantee schemes affiliated to the IADI for the period between 2017 and the second quarter of 2021, taking account of both depositors' behaviour in a highly uncertain environment and governments' measures in support of households and companies. Survey brief results showed that in the period from 2020 to the second quarter of 2021, average quarterly growth rates of covered deposits had shifted upwards by 1.5 percentage points from their levels in the pre-pandemic period[45]. In year-ended terms, the average growth rate of covered deposits stood at 3.7 percent over 2017-2019 and at 8.9 percent in the interval from 2020 to the second quarter of 2021. The highest growth rate was recorded

[42] IADI Fintech Brief: Opportunities for Deposit Insurers (DepTech) – Introductory Brief (part II), July 2022

[43] IADI Policy Brief: How inflation impacts deposit insurance – real coverage and coverage ratio, August 2022

[44] IADI Policy Brief: How deposit insurers account for inflation: practices and existing guidance, November 2022

[45] IADI Survey Brief: COVID-19 and covered deposits, March 2022

in the second quarter of 2020 at a time when, globally, restrictions were at their harshest.

Available data on FGDB-covered deposits in the pandemic period also show an increase in growth rates peaking at 14.7 percent in the last quarter of 2020 as against the fourth quarter of 2019 (data in year-ended terms). Starting 2021, the yearly rate of growth of FGDB-covered deposits slowed down gradually, having picked up by a scant 2.6 percent on 31 December 2022 from the same date in 2021.

Another IADI survey brief[46] showed that, in the aggregate, over the period between the second quarter of 2020 and the second quarter of 2021, the financial resources of deposit guarantee schemes relative to covered deposits increased. However, guarantee schemes in countries where covered deposits had climbed significantly higher saw their available financial means move up at a slower pace, which is partially explained by lags in the collection of contributions from participating institutions.

Review of Core Principles for Effective Deposit Insurance Systems

In 2022, the IADI initiated the process of revising the Core Principles for Effective Deposit Insurance Systems[47] in a bid to update them in line with the newly-emerged regulatory framework and developments in deposit guarantee and credit institution resolution on an international plane. The review will also consider various aspects related to the experience deposit guarantee schemes have gained in applying the Core Principles, as well as current concerns related to digitalisation and environment, social and governance risks. The reviewing process is planned to conclude by 2024.

In 2022, during the first stage of the aforesaid process, the IADI conducted two rounds of this thematic review on the application of the Core Principles by member deposit guarantee schemes. The first round covered the organisational structure – that is, the Core Principles on public policy objectives for deposit insurance systems (Principle 1), the mandate and powers of guarantee schemes (Principle 2), governance of deposit insurers (Principle 3) and legal protection of schemes and individuals working both currently and formerly for the respective schemes in the discharge of their mandate (Principle 11).

The second-round thematic review focused on the relationships deposit guarantee schemes have with outside entities. It covered Core Principles on: relationships with other safety-net participants (Principle 4), cross-border issues (Principle 5), the role deposit guarantee schemes play in contingency planning and crisis management (Principle 6) and dealing with parties at fault in a bank failure (Principle 12).

[46] IADI Survey Brief: Deposit insurer fund size implications of COVID-19, June 2022

[47] The current variant has been in effect since November 2014. The Financial Stability Board included *Core Principles for Effective Deposit Insurance Systems in Compendium of Standards,* which contains standards which are internationally accepted as essential for financial stability. Moreover, the International Monetary Fund and the World Bank use these *Core Principles* in the Financial Sector Assessment Program (FSAP) and, respectively, technical assistance projects.

INTERNAL REGULATORY FRAMEWORK

The year 2022 ushered in a new stage in the process of consolidating the legal framework governing FGDB activities, thus contributing to an enhanced depositor protection.

Provisions of *Law No. 42/2022,* which went into effect on 11 March 2022, refer mainly to:

- **Adding to the types of guaranteed (eligible) deposits benefitting from higher coverage of 100,000 euros (in the leu equivalent), as distinct from the standard compensation**

The category of guaranteed (eligible) deposits benefitting from a higher coverage level of 100,000 euros (in the leu equivalent), as distinct from the standard compensation, for a period of 12 months after the amount has been credited, was expanded, following the inclusion of deposits arising from the life events of marriage or divorce, which were added to the deposit accounts resulting from residential real estate transactions, events in a depositor's life, such as retirement, dismissal, invalidity or death, or receipt of insurance benefits or compensation for criminal injuries or wrongful convictions.

- **Further consolidating the FGDB's funding capability**

Although the FGDB is one of the most solid deposit guarantee schemes in the European Economic Area, as European Banking Authority annual data show[48], new provisions were adopted with a view to further consolidating the FGDB's financing capability by strengthening alternative funding mechanisms.

Consequently, the FGDB was offered the possibility of resorting to both government-backed precautionary loans from international financial institutions/credit institutions, and to short-term repo facilities from the National Bank of Romania.

The aforesaid mechanisms added to the existing ones: government loans which the Finance Ministry is obliged by law to give to the FGDB within five business days at the most of the date of the request, loans from credit institutions, financial companies, other deposit guarantee schemes and other institutions, as well as other funds including donations, sponsorships, financial assistance.

Given the new provisions on the FGDB's alternative funding mechanisms, at end-August 2022, the Romanian Government issued **Resolution No. 1084/2022 approving methodological regulations on the application of provisions in Article 119 paragraph (1)-(4), Article 119^1 and 119^2 of *Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund.*** These regulations concern the process whereby the FGDB either takes Government loans/sub-loans, or requests Government guarantees to back loans from credit institutions and international financial institutions.

- **Setting up a reserve fund to cover the FGDB's operating expenses**

Ever since its creation, the FGDB has covered its operating expenses solely from revenue arising from investments of its financial resources. In this way, it has complied with strict rules stipulating that the financial resources it manages may be used exclusively for purposes laid down in legislation, namely, disbursing compensation and funding bank resolution measures.

The aforesaid reserve fund was therefore created, in line with provisions under *Law No. 42/2022,* as a precautionary measure in the eventuality that FGDB revenues might prove insufficient to cover its operating expenses. The reserve fund is sourced from the profit from the investment of the FGDB's financial resources and its level is set so as to cover the Fund's operating expenses for a period of five years.

[48] https://www.eba.europa.eu/eba-updates-data-deposit-guarantee-schemes-across-european-economic-area.
Data as at 31 December 2021 show the FGDB placed in the top ranking among deposit guarantee schemes in the European Economic Area in point of the ratio of qualified available financial means over covered deposits.
On 31 December 2022, the ratio of the FGDB's qualified available financial means over the covered deposits held by natural and legal entities stood at 2.7 percent, having added 0.1 percentage points to the level on 31 December 2021. As to the target level of 0.8 percent which all European Union member states are to reach by mid-2024, the level which the FGDB hit by end- 2022 was three times higher.

- **Providing greater operational flexibility**

With the new legal provisions as a basis, the possibility emerged of making repayments not only through credit institutions mandated as agent banks, but also through any other adequate payment channels (for instance, disbursements via a web platform). The diversification of such channels will contribute significantly to streamlining payouts, all the more so as the FGDB is constantly concerned with being ready at any moment to intervene, as early as possible, in the interest of depositors and to make the compensation process as smooth and simple as it can be.

In 2022, the FGDB initiated several projects to review and update some of its regulations, in accord with the new provisions following the amendments and completions to *Law No. 311/2015,* and in line with the evolution of the regulatory framework applicable to deposit guarantee schemes operating in the European Union.

Along those lines, the draft of a new *FGDB Statute*[49] was prepared in 2022 in order to align both with the new provisions, particularly regarding alternative funding mechanisms, the financial resources covering FGDB expenses and the authority to approve/endorse in certain cases, and with the stipulations of several special laws that impact FGDB activities.

Furthermore, in April 2022, amendments were made to *Regulation on the organisation of the meetings of the FGDB's Supervisory Board* and *Regulation on the FGDB's Executive Board,* in an attempt to ease formalities and simplify document and file movements in order to make decision-making more efficient.

In order to expedite the application of requirements under the European Banking Authority's *Guidelines on the delineation and reporting of available financial means of deposit guarantee schemes (EBA/GL/2021/17),* in October 2022, the FGDB adopted its *Procedure for reporting financial resources,* which regulates the way in which the worth of the FGDB's financial resources is determined and reported and their component elements are detailed.

Following the adoption by the European Banking Authority in September 2021 of new guidelines on stress tests – that is, *Guidelines on stress tests of deposit guarantee schemes under Directive 2014/49/EU ('Revised Guidelines on DGS stress tests') – EBA/GL/2021/10*[50] – the FGDB worked out in June 2022 the draft of a new Regulation on stress test exercises of the FGDB which ensures compliance with the requirements under the new guidelines.

[49] Statute of the Bank Deposit Guarantee Fund of 18 January 2023, published in Monitorul Oficial al României (The Official Gazette of Romania), Part I No. 121 of 13 February 2023.

[50] Final Report on Guidelines on the Revised Guidelines on stress tests of deposit guarantee schemes under Directive 2014/49/EU repealing and replacing Guidelines EBA/GL/2016/04 ('Revised Guidelines on DGS stress tests') - EBA/GL/2021/10, 15 September 2021.

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

Developments in the Banking Sector in the European Union

In 2022, the new, unparalleled crisis triggered by the outbreak in February of the war between the Russian Federation and Ukraine, had a strong impact on the European Union and the entire world. What happened was that after a brief period of positive developments when the early signs of recovery after the COVID-19 pandemic had emerged, the economy across European Union states faced new challenges due to the mounting pressure on the prices of energy products and raw materials and of disruptions in global production and supply chains.

Economic Indicators

For the year 2022, gross domestic product in both the European Union and the euro zone posted a 3.5 percent increase, significantly lower than the 2021 levels of +5.3 percent within the European Union and +5.4 percent for the euro area[51].

In the fourth quarter of 2022, gross domestic product in the European Union inched up by 1.7 percent from the last quarter of 2021[52]. Ireland had the highest growth rate (+13.1 percent), being followed by Greece (+5.2 percent) and Romania (+4.9 percent), while Estonia registered contraction (a variation of -4.4 percent in the fourth quarter of 2022 versus the fourth quarter of 2021).

Under the impact of the energy and raw materials crisis and of disruptions in global production and supply chains, annual inflation registered record levels in 2022[53].

Eurostat data on inflation[54] show that annual inflation rate in the European Union as a whole reached 10.4 percent in December 2022, significantly higher than in the same period of 2021 when it stood at 5.3 percent. Annual inflation in the euro area in December 2022 was 9.2 percent, 1.2 percentage points below the level in the European Union.

After the October 2022 annual inflation peak at 11.5 percent, the rate of annual inflation across the European Union decreased gradually over the last two months of the year. As a matter of fact, annual inflation in December 2022 as compared with the level in November, dropped in 22 member states, remained unchanged in two member states, and headed higher in three member states.

The highest rates of annual inflation were registered in Hungary (25.0 percent), Latvia (20.7 percent) and Lithuania (20.0 percent), while the lowest rates were recorded in Spain (5.5 percent), Luxembourg (6.2 percent) and France (6.7 percent). As far as Romania is concerned, annual inflation in December 2022 stood at 14.1 percent, losing 0.5 percentage points from the previous month.

Despite the difficulties and shocks of recent years, the economy in EU member countries stayed resilient thanks to measures taken by European authorities, which also came in support of adversely affected households and companies.

Relevant in this respect is the downturn in unemployment over the past two years. In the last three months of 2022, unemployment rate within the European Union clung to 6.1 percent[55], down by 0.3 percentage points from the end-2021 level.

Eurostat data[56] show that in December 2022 the lowest unemployment rates were registered in the Czech Republic

[51] Eurostat, News Release 29/2023, 8 March 2023.

[52] Seasonally adjusted data.

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

[54] Eurostat, News Release 10/2023, 18 January 2023.

[55] Eurostat, News Release 17/2023, 1 February 2023.

[56] Seasonally adjusted data.

(2.3 percent), Germany and Poland (2.9 percent). Spain and Greece continued to make a net difference with high unemployment rates in December 2022 – a rate of 13.1 percent in Spain and of 11.6 percent in Greece.

Romania ended the year 2022 with a rate of unemployment of 5.6 percent in December, a slight 0.1 percentage points down from the year-ago period.

The "Banking Package" and regulations on bank resolution

As concerns the regulatory framework for the banking sector, negotiations continued in 2022 on the *"Banking Package"*[57] which the European Commission had tabled in October 2021 in a bid to strengthen the resilience of banks operating within the European Union in the face of any potential economic shocks and environment, social and governance risks, and to consolidate the framework for bank supervision and risk management.

In November 2022, following negotiations between member states, the Council of the European Union agreed on its overall approach to finalising the application of the Basel III international prudential standards. Talks are due with the European Parliament in order to produce a final version of the new rules.

It should be pointed out that the *"Banking Package"* also contained a separate legislative proposal to amend the capital requirements regulation in the area of resolution (the so-called "daisy chain" proposal) which was adopted in October 2022 via *Regulation (EU) 2022/2036 of the European Parliament and of the Council amending Regulation (EU) No. 575/2013 and Directive 2014/59/ EU as regards the prudential treatment of global systemically important institutions with a multiple-point-of-entry resolution strategy and methods for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities.* The provisions of this regulation consolidate the prudential regulatory framework for credit institutions across the European Union, also incorporating a treatment for the indirect subscription of instruments eligible for internal minimum requirement for own funds and eligible liabilities (MREL) (daisy chaining).

Existing regulations were completed also as concerns resolvability for financial institutions, with the European Banking Authority adopting the following guidelines:

The European Banking Authority's Guidelines on improving resolvability for institutions and resolution authorities - EBA/GL/2022/01[58]

Guidelines EBA/GL/2022/01 specify several measures that financial institutions and resolution authorities should take to improve resolvability of institutions and groups in the context of the resolvability assessment performed by resolution authorities according to European Union Directive establishing a framework for the recovery and resolution of credit institutions and investment firms[59]. Institutions and authorities must comply with the provisions under *Guidelines EBA/GL/2022/01* by 1 January 2024.

The EBA document sets out requirements for the ensurance of operational continuity and of access to

[57] 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 (UE) No. 806/2004 (CRR).

[58] Final Report on Guidelines on improving resolvability for institutions and resolution authorities under articles 15 and 16 BRRD (Resolvability Guidelines) - EBA/GL/2022/01, 13 January 2022.

[59] Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 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, and Regulations (EU) No 1093/2010 and (EU) No 648/2012 of the European Parliament and of the Council.

financial market infrastructures (for instance, payment systems, (international) central securities depositaries, securities settlement systems, central counterparties, trade repositories), as well as requirements for funding and liquidity in resolution, IT systems, communication, cross-border issues, bail-in execution, and business reorganisation.

The European Banking Authority's Guidelines on transferability to complement the resolvability assessment for transfer strategies - EBA/GL/2022/11[60]

Guidelines EBA/GL/2022/11 were issued in order to complement the European Banking Authority's *Guidelines EBA/GL/2022/01 on improving resolvability for institutions and resolution authorities,* and they apply where a transfer tool is part of the resolution strategy. A transfer tool may be: a sale of business tool (via share deal or assets deal), a bridge institution tool or an asset separation tool.

Requirements under *Guidelines EBA/GL/2022/11* refer to both the definition of the transfer perimeter (business lines, portfolios of assets, rights and/or liabilities to be transferred) and the way in which transfer is operationalised.

In July 2022, the Single Resolution Board published the first assessment of resolvability of institutions in the Banking Union, as well as a "heat-map" showing banks having made progress in relation to the benchmarks the Single Resolution Board set in its "Expectations for Banks" document. The respective document describes guidelines, standards and good practices related to the actions the Single Resolution Board expects banks to take in order to demonstrate resolvability, and also contains a schedule for the respective actions. The results of the Single Resolution Board's assessment based on September 2021 data show that banks have made significant progress in meeting a substantial portion of the expectations included in the Board's aforesaid document in areas such as governance, bail-in execution, operational continuity, access to financial market infrastructures and communication planning.

The assessment also showed that most banks had already met the final MREL target to be complied with by 1 January 2024, sensibly improving their capability to absorb losses and to recapitalise.

Moreover, on the date used as reference, 82 percent of the banks under the remit of the Single Resolution Board were earmarked for resolution, while liquidation was foreseen by 18 percent of the banks, mainly smaller banks with a specific business model.

Banking Sector Indicators

Although in 2022 credit institutions in the European Union operated in a highly uncertain, volatile environment, the banking sector proved its strength and resilience to shocks.

According to the European Banking Authority's *Risk Dashboard* Data as of Q4 2022[61], the Common Equity Tier 1 (CET 1) ratio for all banks operating in the European Union stood at 15.3 percent, having notched down by 0.2 percentage points from the end of 2021. Loan portfolio quality remained stable, with the non-performing loan ratio hitting its lowest in the past eight years.

At the end of 2022, the ratio of non-performing loans in the European Union's banking sector as a whole amounted to 1.8 percent, slightly better than the 2-percent level at the end of the previous year.

[60] 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.

[61] EBA Risk Dashboard Data as of Q4 2022, 4 April 2023.

Profitability also increased, with the return on equity rising to eight percent at the end of 2022 (up 0.7 percentage points from 31 December 2021), while the return on assets moved up by 0.52 percent (+0.05 percentage points from the end of the previous year).

Both the return on equity and the return on assets reached their highest in the past eight years mainly thanks to a significant rise in interest rates.

Liquidity – in point of both short-term liquidity ratio and the net stable funding ratio – in the European Union's whole banking sector stayed high.

The liquidity coverage ratio stood at 164.7 percent on 31 December 2022, when the net stable funding ratio amounted to 125.6 percent. Although slightly down from end-2021 levels, liquidity indicators at the end of 2022 were far higher than the minimum requirements.

Resolve of Distressed Banks

In April 2022, the central bank of the Kingdom of the Netherlands declared unavailability of deposits at Amsterdam Trade Bank N.V., a credit institution which had a Russian bank as majority shareholder and which also had close connections with natural persons and companies in the Russian Federation. Consequently, the bank, which had been adversely impacted by the sanctions imposed following the Russian invasion of Ukraine, filed for insolvency. Covered deposits with that bank totalled approximately 700 million euros and were held by more than 23,000 depositors, of which around 6,000 account holders live in Germania. As the bank has never had a branch in Germany, these depositors were repaid directly by the deposit guarantee scheme of the Kingdom of the Netherlands.

By mid-2022, the bank deposit guarantee scheme and the voluntary intervention scheme of Italy[62] sold their 79.99-percent stake in Banca Carige to BPER Banca. The Italian depositor protection fund and the voluntary intervention scheme of Italy had taken over Banca Carige in September 2019 following an early intervention measure ordered by the European Central Bank at the beginning of the same year when it appointed temporary administrators for the bank. According to data released by Italy's deposit guarantee scheme, covered deposits in the bank's records amounted to roughly nine billion euros.

At end-September 2022, Poland's resolution authority, which also acts as the country's deposit guarantee scheme, put Getin Noble Bank S.A. into resolution resorting to the bridge institution tool, thus providing depositors with uninterrupted access to the money in their accounts and securing operational continuity.

On 13 December 2022, Latvia's supervisory authority declared unavailability of deposits at Baltic International Bank SE, a bank with about 1,600 guaranteed depositors holding covered deposits worth 43.7 million euros. The Latvian deposit guarantee scheme started the payout process within seven business days of the date of deposit unavailability.

In February 2023, the German Federal Financial Supervisory Authority determined the unavailability of deposits at North Channel Bank GmbH & Co KG, requiring the use of funds of the deposit guarantee scheme to compensate the bank's more than 450 guaranteed depositors with a total of around 17 million euros in their covered deposit accounts.

[62] Italy's voluntary intervention scheme was set up within the bank deposit guarantee scheme and it is an autonomous entity with its own governance structure and resources which arise from contributions paid by affiliated banks in addition to the contribution to the deposit protection fund. To be able to carry on its activity, the voluntary intervention scheme resorts to the structures of the bank deposit guarantee scheme. The voluntary scheme has the power to intervene and apply precautionary and alternative measures whenever a bank is in distress.

Case Study on Resolution of a Cross-Border Banking Group

Due to its complexity and scope, the resolution in the spring of 2022 of Sberbank Europe AG, a banking group headquartered in Austria (and fully owned by Russian bank Sberbank)[63], which was heavily affected by the sanctions imposed on the Russian Federation following its war against Ukraine, was an unprecedented case in the European Union.

The Banking Union's mechanisms – the Single Supervisory Mechanism and the Single Resolution Mechanism – as well as mechanisms in member states outside the Banking Union successfully proved their effectiveness in resolving the situation of Sberbank Europe banking group.

The case is noteworthy also because all the authorities involved (the European Central Bank, the Single Resolution Board, and national competent authorities) cooperated closely and took emergency measures to maintain financial stability, which helped avoid panic and contagion. In their turn, the deposit guarantee schemes in the member states where deposits had been declared unavailable intervened efficiently starting to pay compensation to guaranteed depositors in compliance with the payout deadline laid down in national legislation.

The key actions taken with regard to the European entities of the Russian group Sberbank are synthetically rendered below.

On 28 February 2022, following massive deposit outflows that triggered a severe liquidity shortage at Sberbank Europe AG in Austria and its subsidiaries in Croatia (Sberbank d.d.) and Slovenia (Sberbank banka d.d.), the European Central Bank declared that its assessments showed that the three entities were failing or likely to fail.

The same day, that is on 28 February 2022, the Single Resolution Board decided that the three banks were failing or were likely to fail and applied a moratorium to them (suspension of payments and of some of the obligations of the three banks, as well as of termination rights of any party to a contract with them) scheduled to last until the end of the day on 1 March.

Following the public interest assessments conducted by the Single Resolution Board in collaboration with the national resolution authorities in Austria, Croatia and Slovenia, resolution schemes were adopted for the subsidiaries of Sberbank Europe AG in Croatia and Slovenia providing for the application of the sale-of-business tool[64]. As for the parent institution in Austria, a decision to set in motion insolvency proceedings was reached.

The resolution measures were announced on 1 March 2022, and, starting 2 March 2022, depositors and other clients of the two subsidiaries could conduct normal operations with the two banks to which shares had been transferred. In this way, depositors were fully protected as their access to the money they kept with the two credit institutions undergoing resolution was uninterrupted.

Based on the decisions of the Single Resolution Board and of the central banks of Austria, the Czech Republic and Hungary, the deposit guarantee schemes in the three states reimbursed the guaranteed depositors of the local subsidiaries of Sberbank Europe AG. Compensation payments in all the three member countries started within at most 10 working days of the date of deposit unavailability[65].

For the guarantee scheme of the Czech Republic, that was the largest deposit compensation payout in its history (around 120,000 depositors holding covered deposits worth one billion euros or so). The subsidiary in Hungary registered more than 65,000 depositors and over 385

[63] Sberbank Europe AG, boasting total assets worth around 13.6 billion euros and approximately 775,000 clients, was present in eight countries in Europe and had subsidiaries in Croatia, the Czech Republic, Slovenia, Hungary, Bosnia and Herzegovina and Serbia, as well as a branch in Germany.

[64] All the shares of Sberbank d.d. in Croatia were transferred to Hrvatska Poštanska Banka d.d, while all the shares of Sberbank banka d.d. in Slovenia were transferred to Nova ljubljanska banka d.d.

[65] According to Directive 2014/49/EU on deposit guarantee schemes, the mandatory payout deadline of seven working days comes into force on 1 January 2024 in all member states. In line with the same directive, over 2021-2023, member states may benefit for a time limit for payouts extended to 10 business days.

million euros in covered deposits, while the bank in Austria had some 26,000 depositors whose covered deposits totalled 949 million euros.

Since Sberbank Europe AG in Vienna had a branch in Germany which actually concentrated the bulk of depositors (98 percent), compensation payments to the German depositors of Sberbank Europe AG by the Austrian deposit guarantee scheme were made through Germany's statutory deposit guarantee scheme. The payout process carried out in this situation stands out as a fine example of cross-border cooperation between deposit guarantee schemes in the European Union.

Unlike other banks where insolvency procedures opened, Sberbank Europe AG in Austria followed a different path. In April 2022, the bank's general meeting of shareholders approved to put the bank in dissolution followed by voluntary liquidation. The voluntary liquidation was completed by December 2022. During the voluntary liquidation proceedings, Sberbank Europe AG repaid all its obligations to the deposit guarantee scheme of Austria which had paid out 926 million euros to its clients as part of the compensation process that started in March 2022. Moreover, Sberbank Europe AG returned to its depositors the amounts in their accounts for which they had not been compensated (for instance, amounts exceeding the coverage level).

In the countries lying outside the European Union where Sberbank Europe AG had subsidiaries – that is, Bosnia and Herzegovina, as well as Serbia – national competent authorities showed caution and took steps to prevent a potential fallout of the crisis. To that end, the authorities in the two countries decided to sell Sberbank's shares in the subsidiaries operating in their respective states to other local banks.

After a period of relative calm in the second half of 2022 and in the early months of the year 2023, financial markets experienced fresh turbulence in March 2023 following the collapse of Silicon Valley Bank and Signature Bank in the United States and of Credit Suisse in Switzerland.

In this case, too, authorities had a prompt intervention to resolve the three aforesaid banks, taking emergency measures to maintain public confidence and avoid the spread of panic among depositors. In the United States, the Federal Deposit Insurance Corporation (FDIC) took over Silicon Valley Bank and Signature Bank as receiver, while in Switzerland authorities helped Credit Suisse's takeover by Swiss bank UBS.

Thanks to the resolution methods adopted, all depositors and all of their money were fully protected.

Developments in the Banking Sector in Romania

"The prudential and financial position of the Romanian banking sector is adequate but the risks are rising both locally and internationally, as also signalled by the ESRB general warning of September 2022 [...] Asset quality continued to improve, with the non-performing loan ratio falling into the EBA-defined low-risk bucket for the first time".

"The Romanian banking sector maintained its fine capability to manage possible liquidity shocks in a volatile macroeconomic framework."

Financial Stability Report of the National Bank of Romania, December 2022

The banking system remained solid, despite growing risks to financial stability and uncertainties about developments in the economic and financial sectors. Throughout 2022, the National Bank of Romania, in its capacity as competent authority and resolution authority, did not have to step in with bank recovery or resolution measures. As there was no case of deposit unavailability, the FGDB did not have to disburse payouts.

In the year 2022, as the process of consolidating the banking sector through mergers and acquisitions continued, two deals were recorded involving banks, Romanian legal entities. The end of the year saw the completion of the merger by absorption[66] between Banca Românească S.A., as absorbed company, and EximBank S.A., which has the Romanian state, through the Finance Ministry, as its majority shareholder. In this way, the Import Export Bank of Romania EximBank S.A. entered Romania's retail market and became a universal bank.

Vista Bank (România) S.A. finalised the merger by absorption with Crédit Agricole Bank România S.A. (absorbed bank) on 1 October 2022, a year after completing the acquisition of that bank and carrying out an integration plan.

Aggregate Indicators of Credit Institutions in Romania[67]

The net assets of credit institutions operating in Romania as at 31 December 2022 totalled 701.4 billion lei, up 9.6 percent from the end-2021 level. On 31 December 2022, assets held by privately-owned credit institutions accounted for 87.9 percent of total assets in the banking system, that is, 0.7 percentage points less than on the same date the previous year. On the same reference date, foreign-owned credit institutions held 68.1 percent of assets in Romania's banking sector, slightly below the level on 31 December 2021.

The profitability of the banking system in Romania stayed on the upward path it had taken the previous year, hitting its highest of the past 10 years on the back of a rapid evolution of lending and the rise in net interest income. On 31 December 2022, Return on Equity RoE[68] amounted to 16.59 percent (an annual variation of +3.31 percentage points), while Return on Assets ROA[69] stood at 1.52 percent (an annual variation of +0.16 percentage points). Moreover, with a level of 2.65 percent at end-2022, the non-performing loan ratio was at its lowest in recent years, continuing its stay in positive territory and contributing to strengthening the profitability of the banking system.

[66] The whole process started three years before, in the summer of 2019, when the Import Export Bank of Romania EximBank S.A bought the majority stake in Banca Românească S.A.from National Bank of Greece.

[67] At the end of 2022, there were 32 credit institutions, of which 24 were Romanian legal entities affiliated to the FGDB and eight were branches of credit institutions of other European Union member states which participate in the deposit guarantee schemes of their home countries. The aggregate indicators of credit institutions, as well as data on loans and deposits were taken from the website of the National Bank of Romania when this report was prepared.

[68] ROE is determined as ratio of annualised net income to average own capital.

[69] ROA is calculated by dividing annualised net earnings by average total assets.

All through 2022, solvency of credit institutions in the membership of the FGDB recorded a mild decrease as to the previous period (a drop by 1.49 percentage points to 21.83 percent). In 2022, credit institutions affiliated to the FGDB were well-capitalised, posting capital adequacy ratios higher than prudential requirements. At the end of the year, Tier 1 capital ratio was 18.8 percent. The leverage ratio[70], having shed 0.78 percentage points year on year to end 2022 at 7.84 percent, stayed well above the regulatory minimum requirement and continued to indicate strong capitalisation in relation to bank assets.

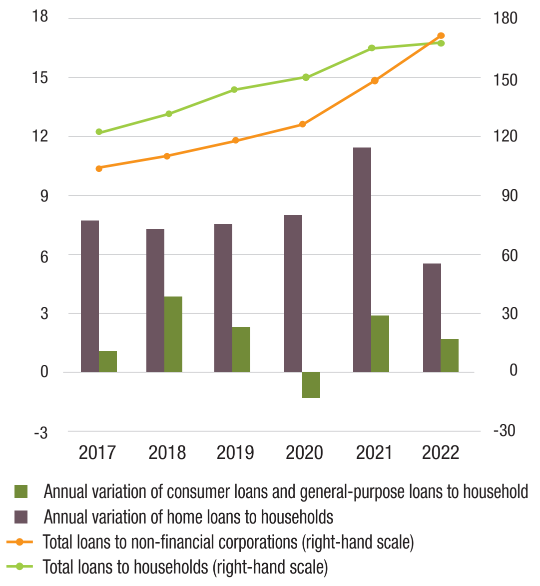
On 31 December 2022, loans to households and non-financial corporations totalled 348 billion lei, having added 11.2 percent to the level of the same date the previous year. Loans to households gained a marginal 4.3 percent to stand at 171.5 billion lei at the end of 2022.

In point of real estate deals, the year 2022 was rather atypical because of uncertainties triggered by the geopolitical crisis at Romania's borders and the mounting inflationary pressure felt throughout the year. Under such difficult circumstances, the *Noua Casă (the New Home) Government programme*[71] ran further, preserving its major advantages over any other type of mortgage loans and maintaining the loan ceiling that had been set back in 2021 as its continuation was considered as highly important to households. However, by end-2022, unlike the previous year, only 70 percent of the amounts allocated for loan guarantees had been used up, as an outcome of people's reluctance to take loans to buy homes.

Just as during the previous year, loans to non-financial corporations advanced faster standing at 176.5 billion lei, having gone up by 18.8 percent from the end of 2021.

By currencies, in 2022, as opposed to previous years, loans in foreign currencies prevailed over leu-denominated credits. Loans in the national currency rose by 6.1 percent to total 244.1 billion lei at the end of 2022, while loans denominated in foreign currencies climbed by 25.4 percent, adding up to the equivalent of 103.9 billion lei on the same reference date.

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



Source: The National Bank of Romania

The upsurge in lending throughout 2022 was mostly accounted for by loans in foreign currencies which contributed some 60 percent to the annual growth of lending, mainly to non-financial corporations.

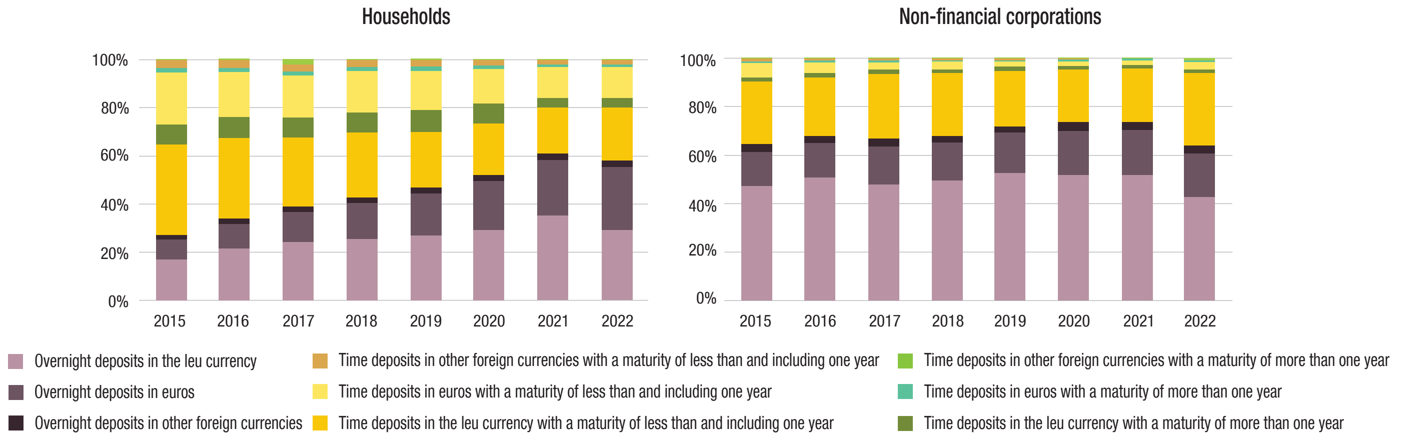
In 2022, the monetary policy rate followed the upward trend of the previous year being gradually raised eight times from 1.75 percent at the beginning of the year to 6.75 percent in November 2022. A new hike occurred in January 2023, pushing the rate up to seven percent.

Likewise, the average interest rate on new loans to both households and non-financial corporations picked up. On 31 December 2022, average interest on new loans to households amounted to 9.41 percent for the leu denomination – up 3.39 percentage points from end-2021 – and to 4.75 percent for the euro (an annual variation of +1.57 percentage points). As concerns lending to non-financial corporations, average interest rates on new loans increased by 5.38 percentage points to 9.96 percent in

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

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

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



Source: The National Bank of Romania

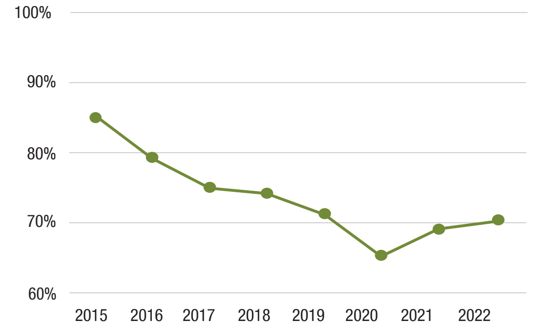
December 2022 in case of new credits in the leu currency and by 1.87 percentage points to 4.56 percent at end-2022 in the case of the euro denomination.

Savings stayed on the upward path in 2022 when deposits taken from households and non-financial corporations[72] rose by 6.7 percent to 490.2 billion lei on 31 December 2022. Household savings accounted for more than 60 percent of the annual rise in deposits. Over the period in question, time deposits made a significant contribution to the advance of the total volume of deposits up to the end of 2022 to the detriment of overnight deposits. In this way, the trend was reversed of previous years when overnight deposits were a main trigger of deposit increase.

Average interest on new deposits in the banking system saw a sharp rise in 2022, being one of the factors that encouraged savings all through the year. At the end of the reference period, average interest on new leu-denominated household time deposits amounted to 7.14 percent, up 5.73 percentage points, while the average interest rate on new time deposits in euros crawled up by 1.05 percentage points to 1.1 percent. The average interest on new leu-denominated deposits held by non-financial corporations at the end of 2022 stood at 6.5 percent, having gained 4.49 percentage points; in the case of deposits in euros, average interest was 1.19 percent, registering an annual variation of +1.12 percentage points. Throughout 2022, the loan-to-deposit ratio maintained the upward trend of the previous year, going up by 1.74 percentage points year on year to reach 70.52 percent at end-December. Domestic savings remained a significant source of financing for banks.

At end-2022, the FGDB guaranteed household and legal entities' deposits worth a total 451.9 billion lei, up 7.5 percent from the end of the previous year[73].

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



Source: The National Bank of Romania

[72] Data also include deposits held at branches of foreign credit institutions which are affiliated to deposit guarantee schemes in their home countries.

[73] FGDB data, determined based on reports from participating credit institutions.

COOPERATIVE RELATIONS AT THE NATIONAL LEVEL

On account of its fundamental mission of protecting depositors and of its contribution to maintaining financial stability, the FGDB was granted observer status to the National Committee for Macroprudential Supervision (CNSM)[74].

The CNSM's capital aim is to contribute to safeguarding financial stability by consolidating 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 consists of representatives of the authorities that play a major part in ensuring financial stability – the National Bank of Romania, the Financial Supervisory Authority, and the Government – and its mission is to coordinate the macroprudential supervision of the national financial system by developing a macroprudential policy and the adequate tools to implement it.

By virtue of the FGDB's observer status to the CNSM, the institution's General Director attends the meetings of the CNSM's General Board without the right to vote.

The topics approached during the meetings held in 2022 included macroprudential policy and the systemic risks identified within the national financial system, possible implications of the conflict between Russia and Ukraine for the Romanian banking sector, the results of the macroprudential stress simulation exercise testing the solvency of the banking sector, sustainable development of financial intermediation, impact of credit institutions' funding plans on the flow of loans to the real economy, macroprudential measures adopted by states in the membership of the European Economic Area (EEA) in 2022, the evolution of lending (including home loans), the implementation of CNSM-issued recommendations, the implementation on a national scale of *Guidelines EBA/GL/2022/12 amending guidelines EBA/GL/2020/14 on the specification and disclosure of systemic importance indicators by relevant national authorities*, etc.

In March 2022, the CNSM issued the 11-point *Recommendation No. R/3/2022 on the sustainable increase in financial intermediation,* referring mainly to:

(i) support to the structural shift of the economy to a higher value added economy, by using European funds more extensively included;
(ii) improvement of entrepreneurs' financial education and development of the professional training of staff in the financial system;
(iii) sustainable diversification of sources that may increase financial intermediation.

In October 2022, the CNSM analysed a Warning issued by European Systemic Risk Board (ESRB)[75] on account of heightened systemic risks to financial stability within the European Union, as well as of the need to safeguard the resilience of financial institutions. In this respect, the ESRB encouraged relevant authorities in European Union member states to avail themselves of micro- and macroprudential tools to build up capital buffers which may be eventually released to support real economy if macroeconomic conditions deteriorate.

In consideration of the analyses conducted within the CNSM, as well as of the ESRB's Warning, in October 2022, the CNSM's General Board decided on macroprudential policy tightening at national level and recommended the National Bank of Romania to raise the countercyclical capital buffer rate from 0.5 percent to one percent[76] (the CNSM's *Recommendation No. R/4/2022 on the countercyclical capital buffer in Romania*).

Furthermore, the CNSM recommended the National Bank of Romania to impose, starting 1 January 2023, a capital buffer for banks identified as systemically important based on data reported as at 31 December 2021 (the CNSM's *Recommendation No. R/5/2022 on the capital buffer for other systemically important institutions in Romania*)[77].

The CNSM also encouraged credit institutions to show a prudent conduct with respect to the dividend distribution policy in order to strengthen their capitalisation.

In 2022, the FGDB, the National Bank of Romania, and the Ministry of Finance agreed on the content of a tripartite agreement of interinstitutional cooperation, a project initiated some time before. The agreement, which is scheduled to come into effect in 2023, lays the foundations of a formalised framework to facilitate communication and coordinate the activities of the three institutions so that they may fulfil their responsibilities in safeguarding financial stability, in line with regulations applicable in the area of deposit guarantee and recovery and resolution of credit institutions.

INTERNATIONAL ACTIVITIES

In 2022, the FGDB continued to be an active member of the two professional associations operating in the field of deposit insurance – the European Forum of Deposit Insurers (EFDI)[78] and the International Association of Deposit Insurers (IADI)[79].

The FGDB had representatives in EFDI working groups dealing with various projects and its General Director participates in the Task Force on Deposit Guarantee Schemes which operates within the European Banking Association and whose target is to look into the implementation of provisions under *Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes* and to prepare opinions including proposals on updating the applicable framework.

Throughout 2022, FGDB representatives were physically present in the EFDI and IADI annual general meetings and, on those occasions, they also attended meetings of committees within the two professional associations.

The FGDB answered queries received during the year from other guarantee schemes referring to professional practices, provisions laid down in the relevant national legislation and the experience it has acquired in deposit guarantee and bank liquidation and also offered answers to extensive questionnaires launched as part of the research work conducted within EFDI and IADI committees and working groups.

In 2022, the FGDB, alongside representatives of the National Bank of Romania and of the Ministry of Finance, attended the online meetings of resolution colleges and took part in the conclusion or amendment of cooperation agreements between college member authorities.

In the last quarter of 2022, the FGDB participated in a stress simulation exercise conducted by the deposit guarantee scheme of Lithuania. Since the exercise scenario involved a fintech bank not physically present in Romania but with a significant portfolio of Romanian clients, the exercise, as far as the FGDB was concerned, tested only the quality of the communication channel between the schemes of the two countries. During the exercise, which ran for the duration of three weeks, the communication channel was verified once a week (receive/send messages).

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

[75] *Warning of the European Systemic Risk Board of 22 September 2022 on vulnerabilities in the Union financial system (ESRB/2022/7)*

[76] The new rate will apply starting 23 October 2023.

[77] With this recommendation as a basis, the National Bank of Romania issued *Order No. 8/2022 regarding the buffer related to the credit institutions authorised in Romania which were identified as other systematically important institutions (O-SII),* published in Monitorul Oficial al României (The Official Gazette of Romania), Part I, No. 1187 of 12 December 2022. The same nine banks which were identified back in 2021 as "other systemically important institutions" remained in that category. On 31 December 2022, the nine banks, all affiliated to the FGDB, accounted for 92.3 percent of the total FGDB-covered deposits in participating credit institutions, going up by 2.3 percentage points from 31 December 2021.

[78] The EFDI has 56 full members – all deposit guarantee schemes – and 14 associate members – investor compensation schemes and other entities.

[79] The IADI has 92 member organisations, 10 associates and 17 partners.

3 DEPOSIT GUARANTEE

EVOLUTION OF DEPOSITS IN 2022

Throughout 2022, eligible (FGDB-guaranteed[80]) deposits at participating credit institutions shot up by 7.5 percent to stand at 451.9 billion lei on 31 December. In terms of nominal value, the annual increase of approximately 31 billion lei meant a return to the levels it had touched prior to the pandemic-triggered crisis.

More than two thirds of the mentioned upswing was accounted for by household and legal entities' leu-denominated deposits worth more than 100,000 euros in the leu equivalent, particularly in the last quarter of 2022.

The FGDB guarantees deposits held by all natural persons, as well as deposits of small and medium-sized enterprises, companies and other similar entities.

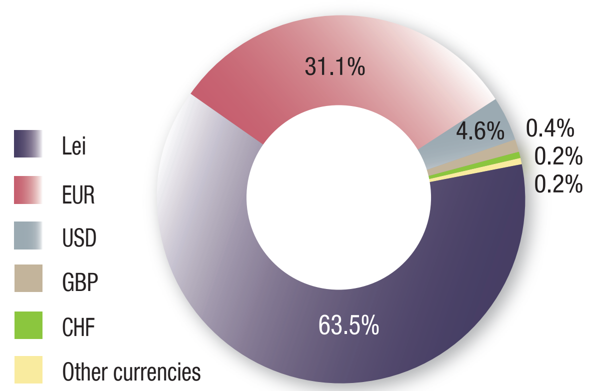
Natural and legal persons' propensity for savings in the national currency rather than in foreign currencies, a tendency also apparent over the past few years, intensified in 2022. As was pointed out in the previous chapter of this report, the year 2022 saw the interest rate credit institutions paid on household and corporate deposits move into positive territory, an evolution that was particularly true for deposits denominated in the national currency. So, for instance, interest on household deposits moved up by more than five times over the end-2021 level, hitting an all-time high for the period that followed the 2008-2009 turmoil on international financial markets. The rate banks paid on corporate deposits in 2022 was significantly higher than the average rate offered over the past few years.

All this triggered a significant change in the structure of bank deposits as to the previous years when overnight deposits[81] were the main factor behind the increase in household bank deposits. The exclusive trigger of the advance of household and corporate deposits registered at the end of 2022 was represented by leu-denominated time deposits which offset withdrawals of funds from overnight deposits.

Deposits in the leu currency contributed most to the annual surge in eligible deposits (roughly three quarters of the annual increase was accounted for by the upturn in household and legal entities' deposits in the national currency).

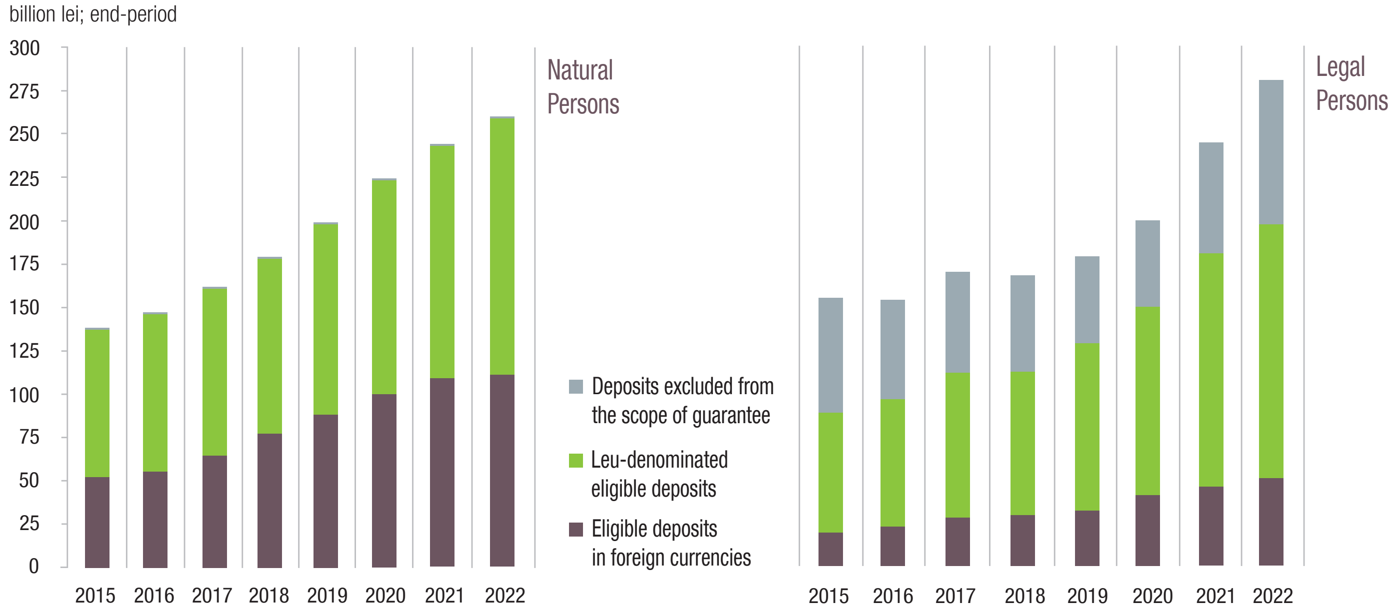
On 31 December 2022, eligible deposits in the leu maintained their majority portion of the volume of eligible deposits – that is, 63.5 percent – adding up to 286.9 billion lei (up 8.7 percent year on year).

Structure of Eligible Deposits by Currency as at 31 December 2022



On the same date, deposits in foreign currency amounted to 165 billion in the leu equivalent (an annual variation of +5.5 percent).

Deposits at Affiliated Credit Institutions



[80] A statement of deposits with member credit institutions as at 31 December 2022 is provided in Annex 3.

[81] Monthly bulletin of the National Bank of Romania, December 2022, year XXX, No. 350. According to data provided by the National Bank of Romania, leu-denominated time deposits with maturities of one year or less were behind some 96 percent of the 2022 increase in household deposits. In the case of deposits held by corporate clients, their rise was an exclusive result of the upturn in time deposits in the leu currency, which offset withdrawals on the overnight deposit segment.

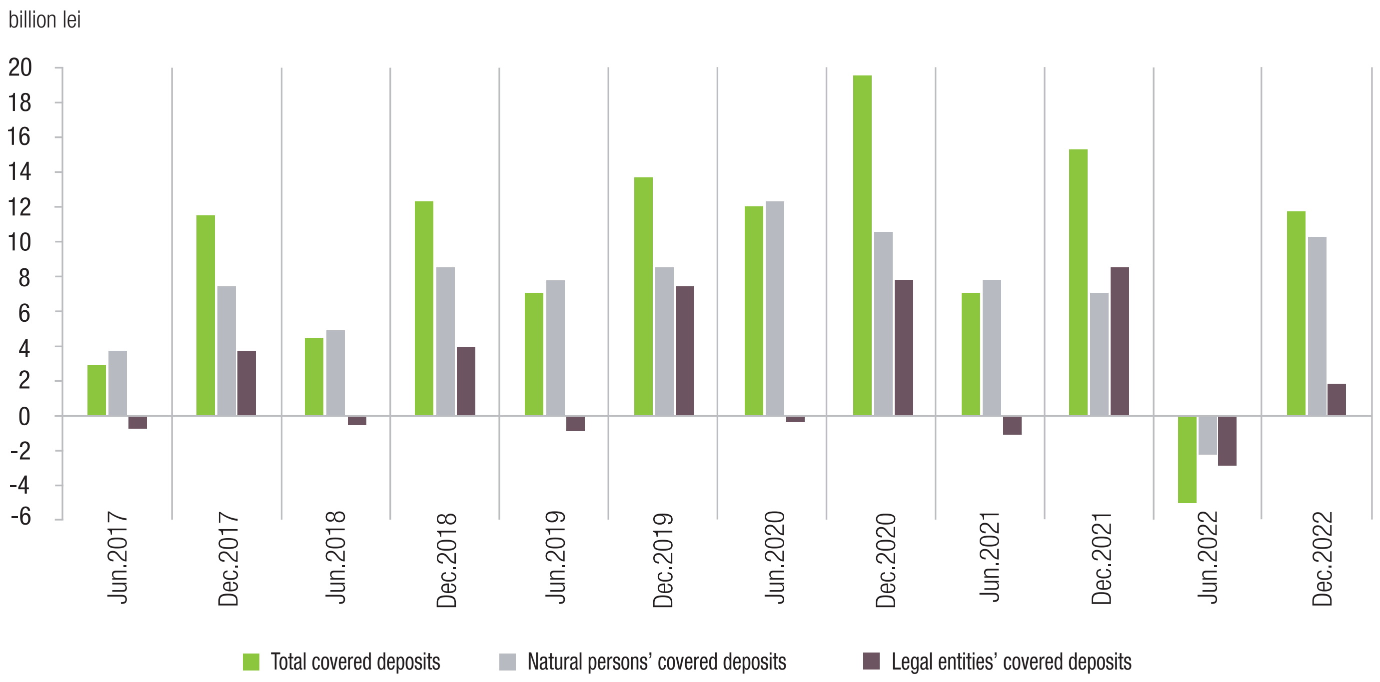
By foreign currencies, the euro and U.S. dollar denominations contributed to an equal extent to the forward move in eligible deposits in foreign currencies in 2022.

In compliance with legislation in effect, the FGDB guarantees the deposits of all natural persons and enterprises, irrespective of size[82]. On 31 December 2022, the FGDB's scope of guarantee included 15,542,909 natural and legal persons, of which 98.8 percent residents, holding bank deposits worth 439.6 billion lei (97.3 percent of total eligible deposits). On the same reference date, 99.6 percent of total depositors, natural persons, and 96.5 percent of total guaranteed depositors, legal persons, had in their accounts the leu equivalent of 100,000 euros or less, which qualified them for full FGDB coverage.

On 31 December 2022, FGDB-covered deposits[83] amounted to 270.3 billion lei, up 2.6 percent year on year, and accounted for some 60 percent of total eligible deposits. The annual hike in covered deposits was the outcome of a rise in household deposits which cancelled out the decrease in legal entities' covered deposits. In the first quarter of 2022, covered deposits, held in almost equal proportion by both households and legal persons, followed a downward path, only to move up again later on in the year, albeit only as far as natural persons' covered deposits were concerned.

On 31 December 2022, deposits below or equal to the leu equivalent of 100,000 euros took 80.9 percent of total FGDB-covered deposits.

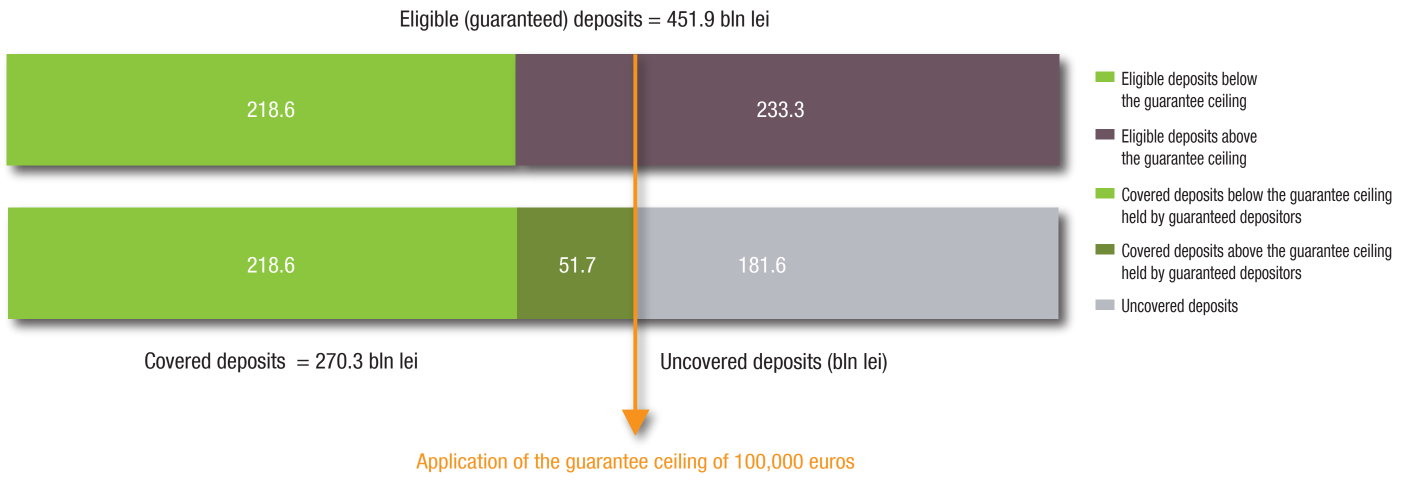
Variations of Total Covered Deposits by Categories of Depositors



[82] On 31 December 2022, 97.2 percent of the total number of legal entities holding deposits were under the FGDB's guarantee remit. Legal persons excluded from the scope of guarantee included mainly credit institutions, financial institutions, investment firms, insurance and/or reinsurance companies, collective investment undertakings, pension funds, central, local and regional public authorities.

[83] 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.

Positioning of Eligible Deposits in Relation to the 100,000-Euro Guarantee Ceiling on 31 December 2022 (billion lei)



Relative to the leu equivalent of the coverage threshold[84], deposits below or equal to 100,000 euros totalled 218.6 billion lei on 31 December 2022 (an annual variation of +1.2 percent), accounting for 48.4 percent of total eligible deposits on that date. That was the lowest percentage of the past 14 years[85]. Deposits above the coverage limit stayed on the upward course of the past few years, advancing by 14.1 percent to 233.3 billion lei at end-2022.

NATURAL PERSONS' ELIGIBLE DEPOSITS

At end-2022, natural persons held eligible deposits worth 258.4 billion lei, up 6.5 percent from the level recorded on 31 December 2021. Increases in all segments – leu and foreign currency-denominated eligible deposits, both within and above the coverage threshold – were triggers for the 2022 upswing of eligible household deposits.

Around half the annual increase in the worth of eligible deposits was a result of the rise in household deposits.

On 31 December 2022, the FGDB was the insurer of 14,385,192 natural depositors, of which 98.8 percent residents holding deposits that advanced to 250.7 billion lei throughout the year.

Eligible deposits in the leu currency held with FGDB-member credit institutions amounted to 143.9 billion lei at the end of 2022, posting an annual increase of 8.1 percent. On that date, 55.7 percent of natural persons' total eligible deposits was denominated in the national currency. Deposits in foreign currencies moved at a slower pace, showing a mere 4.6 percent rise to the equivalent of 114.5 billion lei at the end of 2022. In 2022, unlike previously, deposits in the U.S. dollar were the key factor behind the more than half the rise in eligible deposits denominated in foreign currencies).

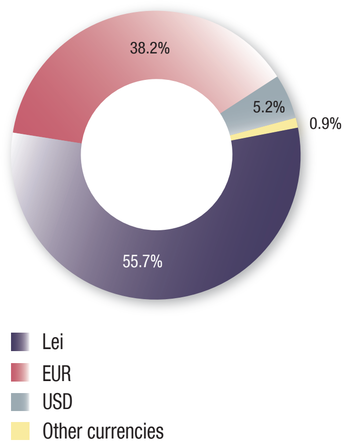
[84] On 31 December 2022, the 100,000-euro coverage level was the equivalent of 494,740 lei.

[85] Percentages below 50% of total eligible deposits were registered in 2008, before the guarantee ceiling moved up from 20,000 euros to 50,000 euros.

Household Deposits at Affiliated Credit Institutions

billion lei; end-period

Structure of eligible deposits by currencies



The climb in natural persons' deposits in 2022 was a result of both their higher incomes on the back of the rise in wages and a reinvigorated labour market, and the appealing incentives credit institutions offered in the second half of the year in order to attract liquidity from the market.

The consumer confidence index on a European level improved (without reaching pre-pandemic levels, however), which also reflected in the savings behaviour in Romania that was mostly due to the upward trend in banks' interest rates, as already mentioned.

The labour market in Romania, adversely impacted by the pandemic-related measures of previous years, recovered further in 2022 driving the unemployment rate to 5.6 percent at the end of the year[86], slightly down from the end of the precedent year. As the restrictions imposed to prevent the spread of the COVID-19 pandemic were lifted, digitalisation expanded and hybrid or remote work options multiplied leading to a rise in employment opportunities in the labour market and, implicitly, an intensified recruitment process.

At the end of the year, the average net earnings[87] reached 4,398 lei after a 13.4 percent annual increase, the highest in recent years. In real terms, however, that rise could not offset the climb in inflation and, compared with the same period of 2021, the wage index stood at 97.4 percent in conditions in which the annual inflation rate remained high.

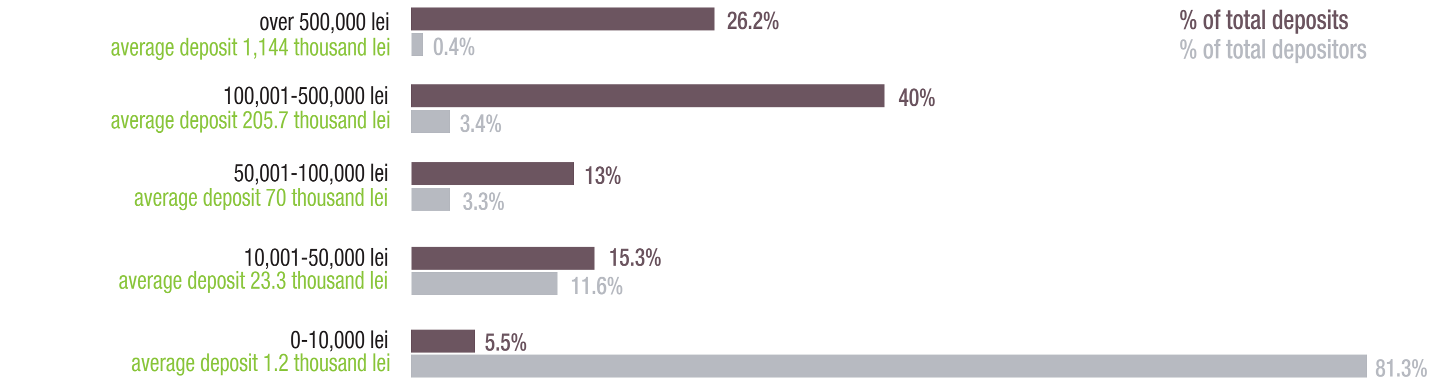
[86] Press Release No. 25/1 February 2023 of the National Institute of Statistics.

[87] Press Release No. 33/13 February 2023 of the National Institute of Statistics. The average net earnings in most economic sectors were higher than in the previous month mostly as a result of occasional rewards (such as, quarterly, annual, holidays and performance bonuses or the 13th-month pay), payments in kind and allowances, cash profit sharing or sharing of other funds (including vouchers). Furthermore, the rise in the average net earnings was also a result of improvements in production or bigger receipts (depending on contracts/projects), as well as of layoffs in a number of economic areas of employees earning wages below average.

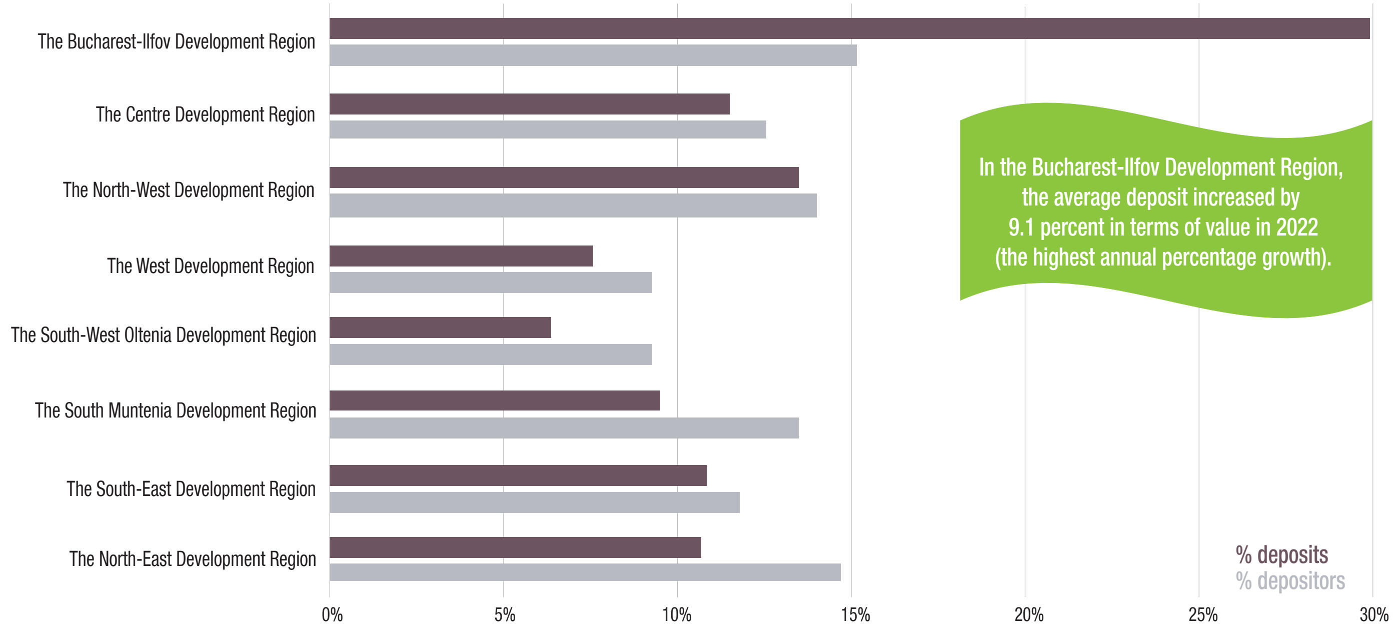
At the end of the year 2022[88], the average monthly pension (for all categories of pensioners) spiralled up by 11.1 percent from the previous year to 1,866 lei (in real terms, however there was a 4.5 percent drop under the impact of the inflationary flare-up). The ratio of average number of non-workers on state pensions to the average number of workers was of eight to 10.

An analysis of the data which credit institutions affiliated to the FGDB reported on 31 December 2022, pointed to several specific features of the distribution of depositors, natural persons, and the spread of their deposits. Much like in previous periods, in 2022, too, there was an inversely proportional relationship between the number of depositors and the worth of their deposits.

Distribution of Deposits by Ranges of Values



Distribution of deposits and depositors by regions



[88] Press Release No. 64/16 March 2023 of the National Institute of Statistics.

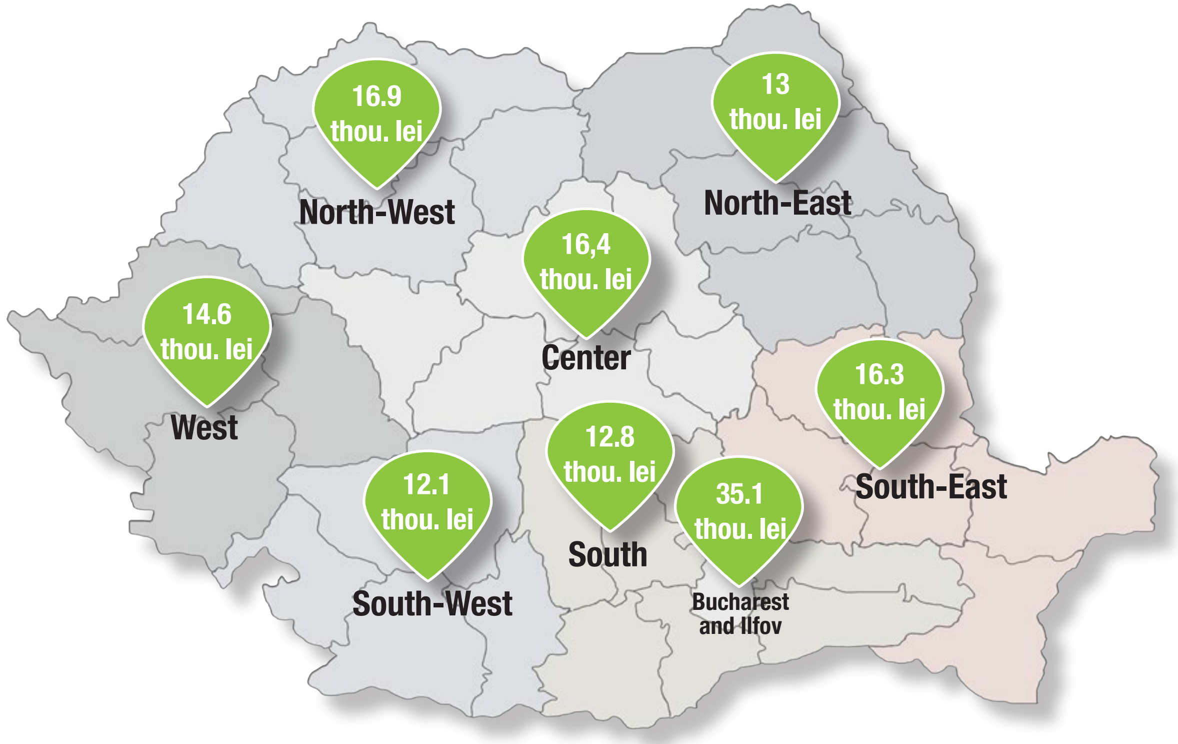
The first segment – and also the most numerous one (accounting for 81.3 percent of the total number of people included in the analysis) – grouped depositors holding amounts smaller or equal to 10 thousand lei, their deposits, worth an average 1.2 thousand lei, accounting for a mere 5.5 percent of total deposits in this category.

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 – included 14.9 percent of depositors holding 28.3 percent of total deposits. Depositors having in their accounts more than 100 thousand lei and up to 500 thousand lei represented a scant 3.4 percent of total depositors and took the largest portion of total deposits, that is 40 percent. The average deposit in this segment was worth 205.7 thousand lei.

Individuals with more than 500 thousand lei in their accounts represented the smallest segment, accounting for only 0.4 percent of total depositors, natural persons, and holding 26.2 percent of total deposits. The average deposit in this segment stood at 1.144 thousand lei (up three percent from the average level on record at the end of the previous year).

The Bucharest-Ilfov Development Region, the most developed region in Romania, concentrated almost 30 percent of the deposits held by the natural persons included in this analysis and, on 31 December 2022, it registered the highest average deposit (35.1 thousand lei). In nominal terms, deposits in the Bucharest-Ilfov Development Region posted an increase of slightly more than six billion lei in 2022, rather similar to the rise of the previous year, accounting for about 38 percent of the total advance of deposits for the whole year, as reported to the FGDB by member credit institutions. At the opposite end of the ladder, there lies the South-West Oltenia Development Region which, by comparison with all the other regions of the country, registered the lowest average deposit in terms of value (12.1 thousand lei), and also recorded one of the lowest increases over the entire year (+4.4 percent). The average deposit in the Centre Development Region shot up by 8.3 percent in 2022, the second highest rise after that in the Bucharest-Ilfov Region.

By nationality, non-resident natural persons holding the largest amounts of money in bank accounts in Romania at the end of 2022 came from Germany, Italy, the United States of America, Greece and Ukraine (the order is descending).



Covered deposits increased on the back of the rise in natural persons' deposits by an annual variation of +3.7 percent. Natural persons' total covered deposits amounted to 218.6 billion lei at the end of 2022 when they accounted for 84.6 percent of total eligible household deposits. Generally speaking, natural persons' covered deposits below or equal to the leu equivalent of the guarantee limit have a significant share of total eligible deposits.

For the year 2022 as a whole, household deposits were the exclusive driver behind the rise in the total volume of covered deposits, particularly thanks to the advance recorded in the last quarter of the year.

Most of the depositors from among the population, more precisely 14,320,790 persons (or 99.6 percent of the total number of depositors, natural persons), benefit from full coverage as their deposits are at most equal to the coverage ceiling.

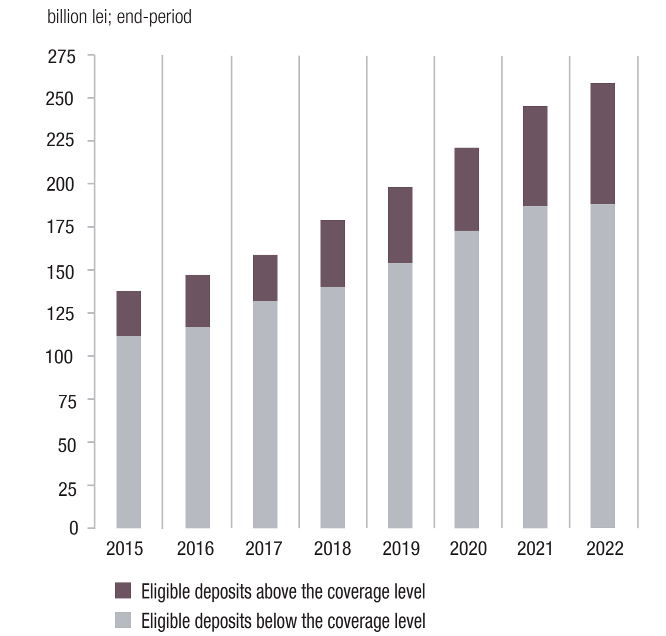
In 2022, deposits in this segment saw an increase of circa one percent, heading up to 186.8 billion lei at the end of the year and accounting for 72.3 percent of total eligible deposits held by natural persons. However, the most significant rise of 2022 occurred in the segment including deposits higher than the coverage limit. In nominal terms, the annual growth in this category was of more than four times higher than the rise in deposits below or equal to the leu equivalent of 100,000 euros.

LEGAL PERSONS' ELIGIBLE DEPOSITS

At the end of 2022, guaranteed legal entities (all enterprises, irrespective of size) held deposits with credit institutions totalling 193.5 billion lei, having gained 8.8 percent from 31 December 2021. A positive evolution of leu-denominated deposits above the guarantee ceiling triggered that annual growth.

As underscored previously, with their advance, both household and corporate deposits contributed in almost equal proportion to the annual increase in eligible deposits.

Positioning of Eligible Household Deposits in Relation to the Guarantee Ceiling



On 31 December 2022, the average worth of a covered deposit held by a natural person amounted to 15.2 thousand lei (an annual variation of +2.7 percent).

On 31 December 2022, the FGDB guaranteed deposits belonging to 1,157,717 depositors, legal persons, of which 99.8 percent residents. These entities held deposits at credit institutions in the membership of the FGDB which added 8.6 percent to the end-2021 level to stand at 188.9 billion lei and account for the bulk of eligible deposits of this depositor category.

At the macroeconomic level, the lifting of the restrictions introduced during the COVID-19 pandemic put in place the prerequisites for the relaunch of the economy in 2022 when gross domestic product increased by 4.8

percent[89] against 2021 with the contribution of almost all economic sectors. However, legal persons' deposits picked up throughout 2022 also against developments that took place in an economic environment impacted by the uncertain geopolitical conditions and the higher inflationary pressure that had build up since the start of the year.

Economic agents continued to show an extremely cautious investment and operational behaviour all through 2022, which meant more money in their bank accounts by the end of the year. Acting as a deterrent to investment decisions were also the lending conditions in the market which got harsher as banks considered that the credit risk associated with business lending had increased further and had not diminished by year's end either.

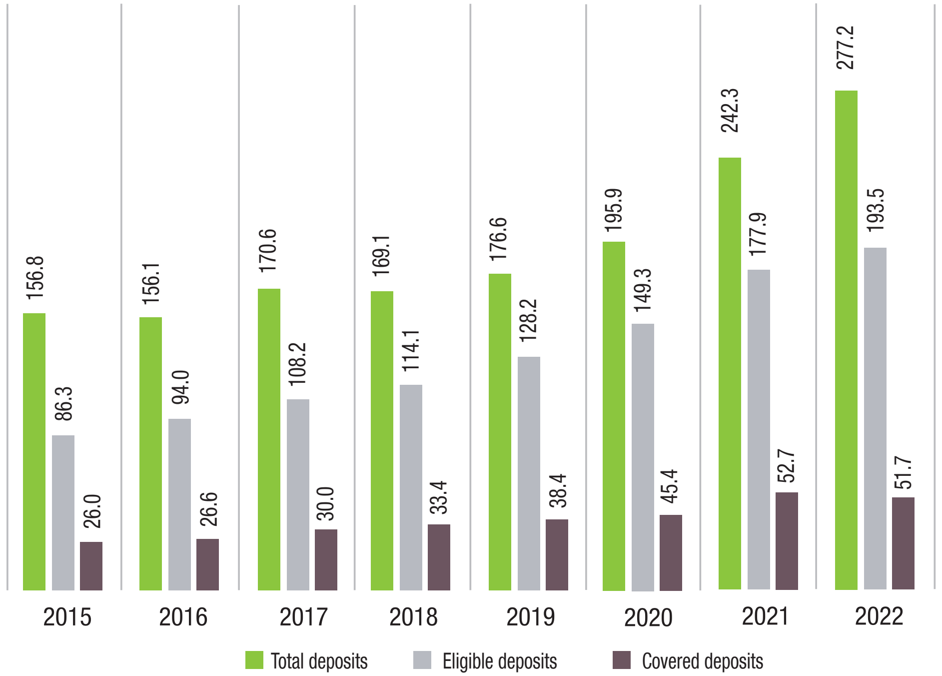
In 2022, the number of newly registered legal entities[90] increased minimally (inching up by three percent as to end-2021), while a larger number of companies were dissolved (+24.2 percent), suspended (+20.6 percent) and deregistered (+10.1 percent).

Nevertheless, the economic confidence index in Romania remained relatively stable throughout 2022, following the previous year's higher reading, unlike the confidence indicator in Europe which declined slightly.

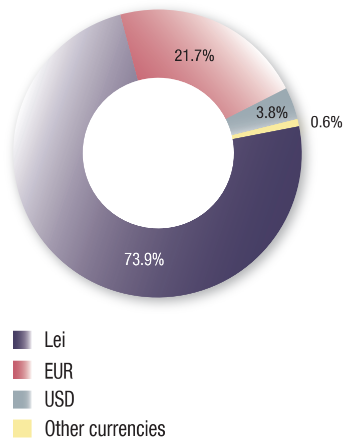
Savings in the national currency represented a salient feature of the year 2022. By year's end, companies, just like households, had deposited amounts mostly in the leu currency, with leu-denominated eligible deposits amounting to 143 billion lei (an annual increase of 9.2 percent). More than three thirds of the annual climb in deposits held by businesses was accounted for by leu-denominated deposits.

Deposits in foreign currencies stood at the leu equivalent of 50,5 billion, 7.6 percent more than at the end of the precedent year. The rise in deposits in the euro, which

Legal Entities' Deposits with Affiliated Credit Institutions



Structure of eligible deposits by currencies



[89] Press Release No. 54/8 March 2023 of the National Institute of Statistics.

[90] Source: The National Trade Register Office, the Statistics section.

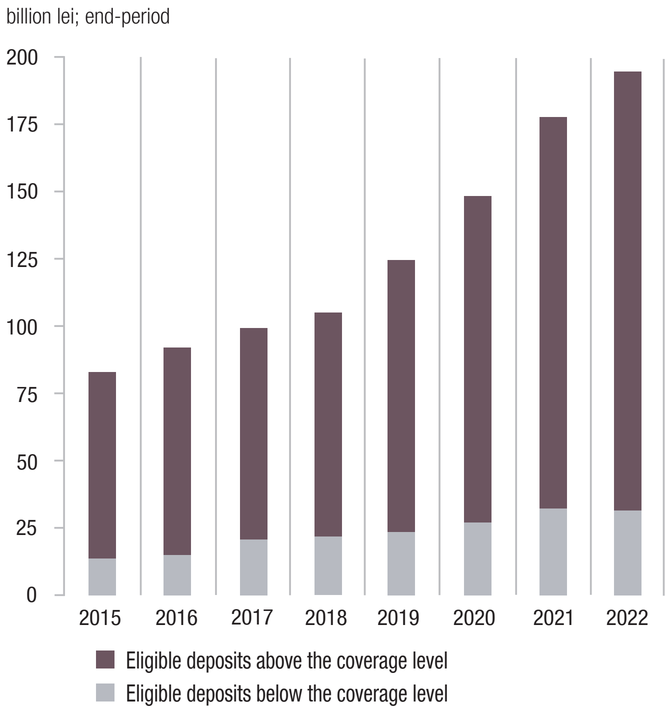
are the main component of legal persons' deposits in hard currency, accounted for more than half the annual increase in deposits in foreign currencies.

On 31 December 2022, 96.5 percent of the number of guaranteed depositors, legal persons, held deposits within the guarantee ceiling, benefitting therefore of full coverage for the money in their bank accounts. And yet, covered deposits accounted for less that one third of the total worth of legal entities' deposits at affiliated credit institutions (26.7 percent). Covered deposits held by businesses totalled 51.7 billion lei at the end of 2022, having shed a scant 1.9 percent year on year, a decline offset nominally by the rise in deposits above the 100,0000-euro threshold.

Deposits above the leu equivalent of the 100,000-euro limit advanced by 10.9 percent throughout 2022 to stand at 161.7 billion lei on 31 December. They accounted for 83.6 percent of total eligible deposits held by legal entities.

At the end of 2022, an eligible deposit within the coverage threshold was worth 28.5 thousand lei on average, while a deposit above that ceiling averaged 4,027.2 thousand lei. The average value of a covered deposit held by a guaranteed legal person amounted to 44.6 thousand lei (an annual fall of 4.1 percent).

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



THE PAYOUT PROCESS

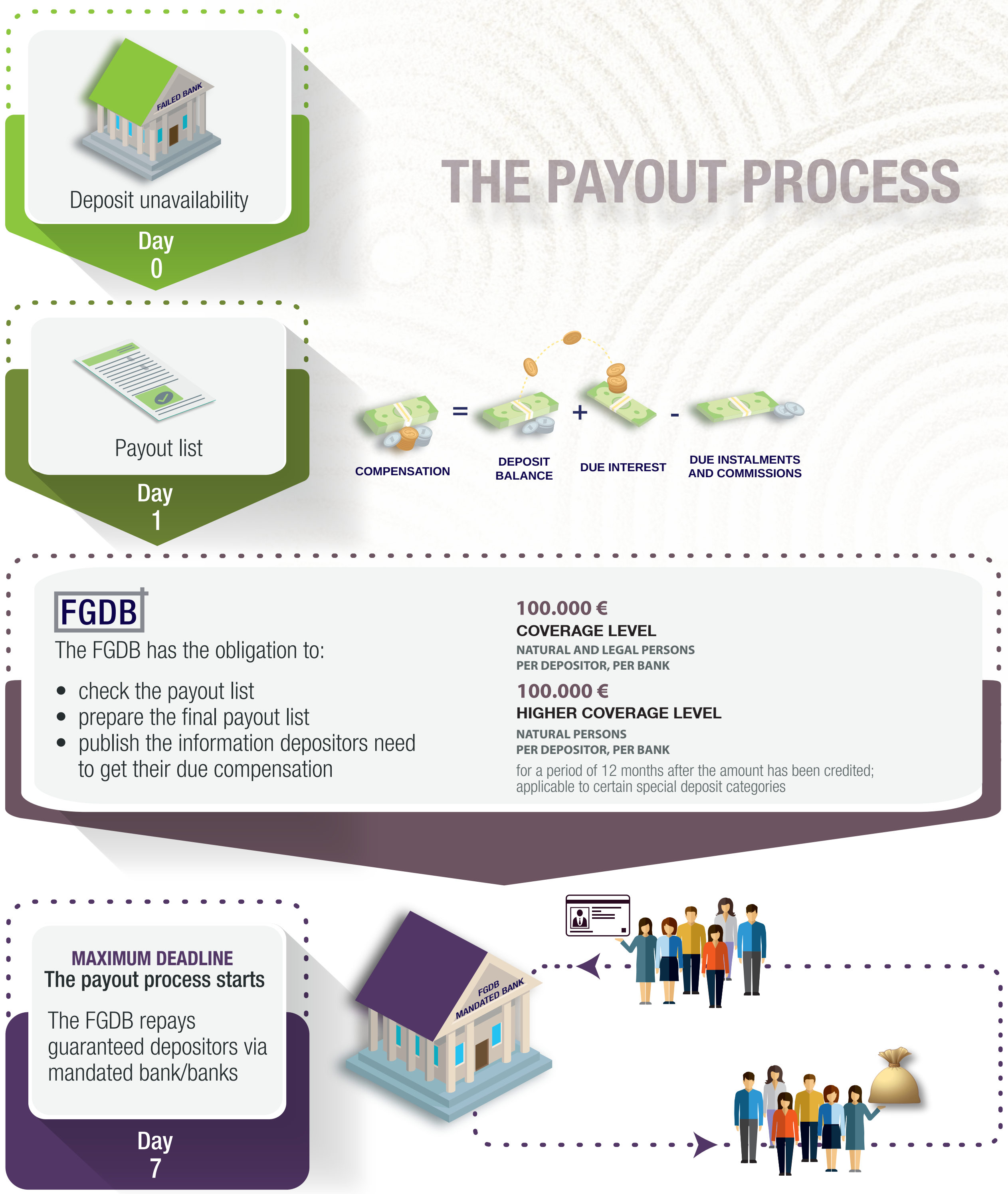
In the more than 26 years of operation, the FGDB paid 512.2 million lei in compensation to holders of guaranteed deposits at seven banks that failed over 1999-2006.

The payout process to compensate depositors of the last bank that went bankrupt in Romania in 2006 was completed in January 2010. All reimbursements ran within the legal timeframe and without incident.

In compliance with the legislation that governs its activity, the FGDB has the obligation to disburse due compensation to guaranteed depositors within at most seven business days of the date of deposit unavailability, which is the shortest repayment deadline set out in the *European Union's Directive 2014/49/EU on deposit guarantee schemes*[91]. In order to fulfil that mandate, the FGDB has shown constant interest in putting in place the necessary conditions for a rapid and effective payout process, which is a significant element in consolidating depositor confidence.

[91] Within the European Union, the payout deadline is envisaged to be gradually reduced from 20 working days to seven working days by the year 2024.

THE PAYOUT PROCESS



To this end, the FGDB, with the support of the National Bank of Romania and of the Ministry of Finance, took the necessary action to promote a bill amending *Law no. 311/2015* referring, among other aspects, to the need to impart flexibility to repayment methods. As mentioned previously in this Report, 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.

In contrast to the former state of affairs when only credit institutions mandated as agent banks[92] could disburse payouts, the current legal framework allows the FGDB to establish the compensation payment methods to be used.

Moreover, the FGDB initiated an extensive project to implement modern payout methods, in keeping with current trends towards digitalisation and in consonance with the practice of other guarantee schemes in the European Union, all while taking heed of the requirements and level of financial education of various categories of depositors.

The studies and the analyses conducted as part of that project led to the conclusion that repayments via a web platform would best fit market conditions in Romania, to which end the preparation of the necessary documentation (feasibility study, specifications, etc.) on platform architecture was scheduled to start in the immediate future.

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 officially recognised either in legislation or by the designated authority. Credit institutions which are Romanian legal entities authorised by the National Bank of Romania are members of 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 are affiliated to the guarantee schemes in their home countries.

On 31 December 2022, the FGDB had in its membership 24 institutions[93], of which 21 banks, two savings and loan banks and a credit cooperative (central body and affiliated cooperatives)[94].

Throughout 2022, there were mergers, in October and December respectively, between two credit institutions (absorbed banks) and another two credit institutions (absorbing banks).

Pursuant to legislation in effect, the FGDB conducts annual on-site inspections at all participating credit institutions to verify their deposit-related reports, as well as the procedures they follow to inform depositors of the deposit guarantee process. The main aim of such inspection visits is to confirm that both the credit institutions and the FGDB provide all the necessary conditions for an effective run of the payout process, for the appropriate classification of deposits in terms of coverage, and for the supply to depositors of reliable information about the protection the FGDB guarantees.

Control activities were performed according to a hybrid work arrangement, with remote verification of reported data based either on correspondence exchanged with the credit institutions undergoing inspection or on the information they provided via secure/encrypted files over the interbank communication network (ICN) and by electronic mail, and, respectively, on-site visits at the headquarters of the Bucharest units of credit institutions to check on the modalities whereby depositors are offered information about the deposit guarantee process.

[92] The FGDB's Supervisory Board, with the approval of the Board of Directors of the National Bank of Romania, annually selects the credit institutions to be given a mandate for the following 12 months to make reimbursements in the event that deposits become unavailable and the FGDB decides to make reimbursements through agent banks.

[93] The number of credit institutions participating in the FGDB dropped from the end-2021 level to stand at 24.

[94] A List of FGDB-Member Credit Institutions as at 31 December 2022 is available in Annex 4.

As many as 18 credit institutions had been verified by 31 December 2022, with the remaining eight credit institutions scheduled for inspection in the first three months of 2023. With the results of the inspection visits as a basis, the contributions credit institutions paid to the Bank Deposit Guarantee Fund in 2022 will be regularised.

The goal of the inspection process was to verify whether member credit institutions comply with the regulations referring to:

(i) 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 transmission to the Bank Deposit Guarantee Fund of the information needed to prepare the payout list and to calculate credit institutions' annual contributions* (hereafter referred to as *"Regulation No. 2/2018"*);

(ii) content and presentation of the information on deposit guarantee offered to depositors, in consonance with the provisions set out in *Legal Regulations No. 1/2020 on the information of depositors by credit institutions* (hereafter referred to as *Legal Regulations No. 1/2020*).

Unlike in previous years, the payout list was checked with the aid of an IT application that was used for the first time and is a part of the new integrated IT system implemented within the Fund.

Credit institutions received reports referring to the aspects and errors identified during the verification, which needed to be corrected.

The verification process also focused on the observance of provisions under *Legal Regulations No. 1/2020* in point of the information credit institutions supply to depositors either via their official websites or at the headquarters of their units in the territory. The results of the controls conducted at the 18 affiliated credit institutions showed an improvement in the quality of the data reported to the Fund.

In addition to its annual verification and in line with the Plan of measures to improve the Fund's operational capability to disburse payouts, the FGDB ran an exercise over September-October 2022 to test the capability of 25 credit institutions to prepare and transmit their Payout List on a date other than the last day of a month.

The SCV files sent by credit institutions were verified with the aid of the new integrated IT system. During the testing in view was the observance of the requirements of the E*uropean Banking Authority's Guidelines on stress tests of deposit guarantee schemes under Directive 2014/49/EU ('Revised Guidelines on DGS stress tests') - EBA/GL/2021/10.* With only one exception, the credit institutions involved met the deadline for submitting their payout lists even if, within the respective timeframe, there were one or more retransmissions (several banks delivered the list on the next working day after the Fund sent a request) following the Fund's verification with the aid of an IT application which identified errors.

The results of the exercise the Fund conducted showed that member credit institutions were able to prepare and transmit payout lists within the deadline set by regulations in force. The respective results may be considered as satisfactory in terms of the fulfilment of the Fund's statutory duties. They also showed that credit institutions had adequately met the requirements spelled out in current regulations on the preparation and transmission of the Payout List.

4 THE FGDB-MANAGED FINANCIAL RESOURCES

The two FGDB-managed funds – the deposit guarantee fund[95] and the bank resolution fund[96] – continued to move in an upward direction throughout 2022 when the FGDB's funding capability enhanced further.

On 31 December 2022, the financial resources of the deposit guarantee fund and of the bank resolution fund totalled 9,792.31 million lei, having gained 857.51 million lei from the end of the year 2021.

The financial resources of the two funds include the distributed portion of the FGDB's 2022 profit which is to be capitalised after the financial statements have been approved. According to legislation, the bulk of the FGDB's profit is channelled to the deposit guarantee fund and the bank resolution fund to top up their available financial means.

Both the deposit guarantee fund and the bank resolution fund have an ex-ante funding mechanism, which allows a gradual accumulation of financial means and provide adequate responses to requirements set for 2024 within the European Union, more precisely a target level of 0.8 percent of the sum of covered deposits in the case of the deposit guarantee fund and, respectively, a target size set at one percent of total covered deposits in the case of the bank resolution fund.

The risk-adjusted contributions of the FGDB-affiliated credit institutions also replenish the resources of the two FGDB-managed funds which have not been used recently in order to serve their original purpose[97].

With a macroeconomic background marred by uncertainties due to post-pandemic developments and the conflict in Ukraine with the whole train of consequences on the raw materials market and prices, the FGDB pursued a cautious funding policy in 2022. Consequently, as far as the deposit guarantee scheme was concerned, it focused on reaching a target level for funds in the [2.35 percent – 2.70 percent) range and on striking a balance between the aim to maintain an adequate amount of financial means and the intention to keep the total volume of collected contributions within sustainable limits for the participating credit institutions.

From the viewpoint of sustainability, as the aggregate profit of member credit institutions was high at the end of 2021[98], the Fund could maintain a countercyclical approach in its funding policy by collecting annual contributions to the deposit guarantee scheme totalling around 300 million lei in 2022.

The significant increases in covered deposits – by 14.6 percent in 2020 and 9.1 percent in 2021, gradually eroded the funding level of the guarantee scheme pulling it down from 2.96 percent on 31 December 2019, to 2.71 percent in 2020 and 2.6 percent on 31 December 2021. Under these circumstances, the Fund revised downwards the target level for funds: from [2.55 percent – 2.90 percent), applied over 2020-2021, to [2.35 percent – 2.70 percent).

The year 2022 was atypical in point of the evolution of covered deposits at affiliated credit institutions. After the impressive growth rates of the 2020-2021 period, the year 2022 saw the annual growth rate of covered deposits decrease sharply to 2.6 percent. The main factors behind such developments were the strong rebound of consumption in the post-pandemic period following the lifting of the restrictions previously imposed for people protection and the accelerated inflation which shifted people's preferences away from savings and towards consumption. Such developments validated the estimation the Fund used when setting the guidelines of its funding policy so that the funding level of 2.68 percent at end-2022 stayed within the target.

Operations related to building up, investing and using financial resources in order to guarantee deposits and finance 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 resources are firmly established by law. In its capacity as administrator of the two funds, the FGDB covers all its operating expenses exclusively from revenues arising from investments of the financial means of the two funds, which makes it financially autonomous.

In order to fulfil its responsibilities laid down in legislation[99], the FGDB may use both its internal resources and external/

[95] 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.

[96] As pointed out in *Chapter 1*, 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 applied 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 over 2012-13 December 2015, its resources being taken over from the special compensation fund (2010-2011), which was created to provide the financial resources needed to compensate persons negatively affected by measures proposed and implemented during special administration procedures.

[97] Deposit guarantee fund resources were last used for payouts when Romania registered the last bank failure and has not been used since. Similarly, the 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.

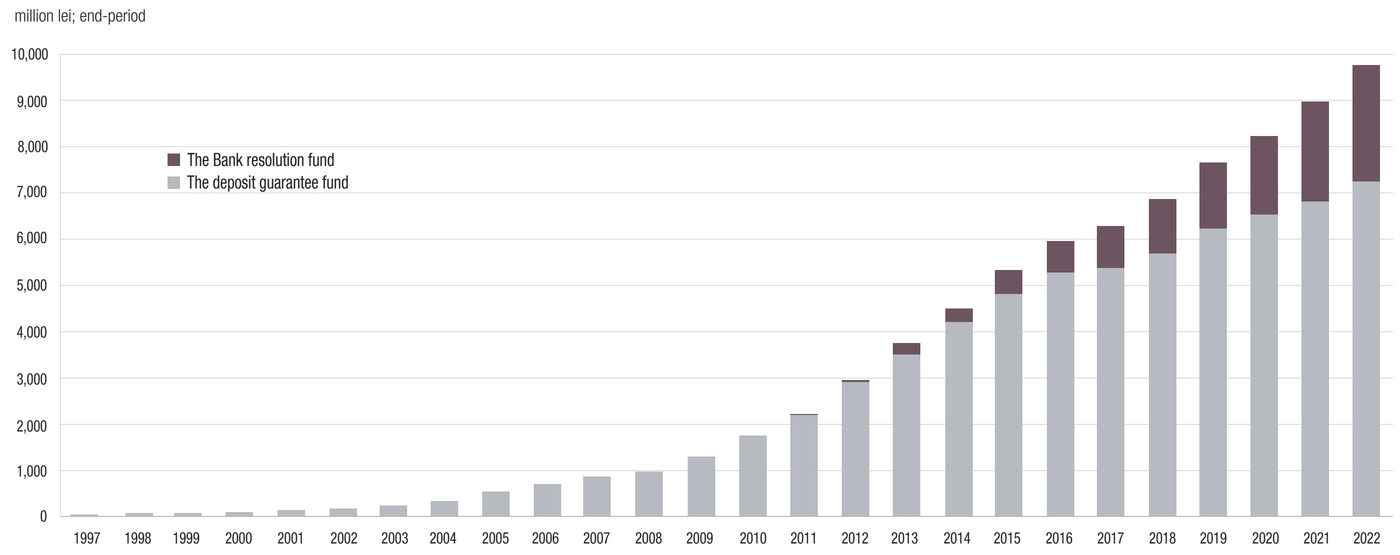
[98] The profit credit institutions made in 2021, amounting to approximately 6.9 billion lei, is distributed in 2022.

[99] In the very early years of activity, the FGDB had to compensate the guaranteed depositors of Bankcoop and Banca Internațională a Religiilor, two banks that failed in the first half of 2000. Due to a shortage of internal resources needed for payouts, the FGDB had to resort to loans from the National Bank of Romania, according to the legislation in force at that time. By 2005, it had paid back those loans.

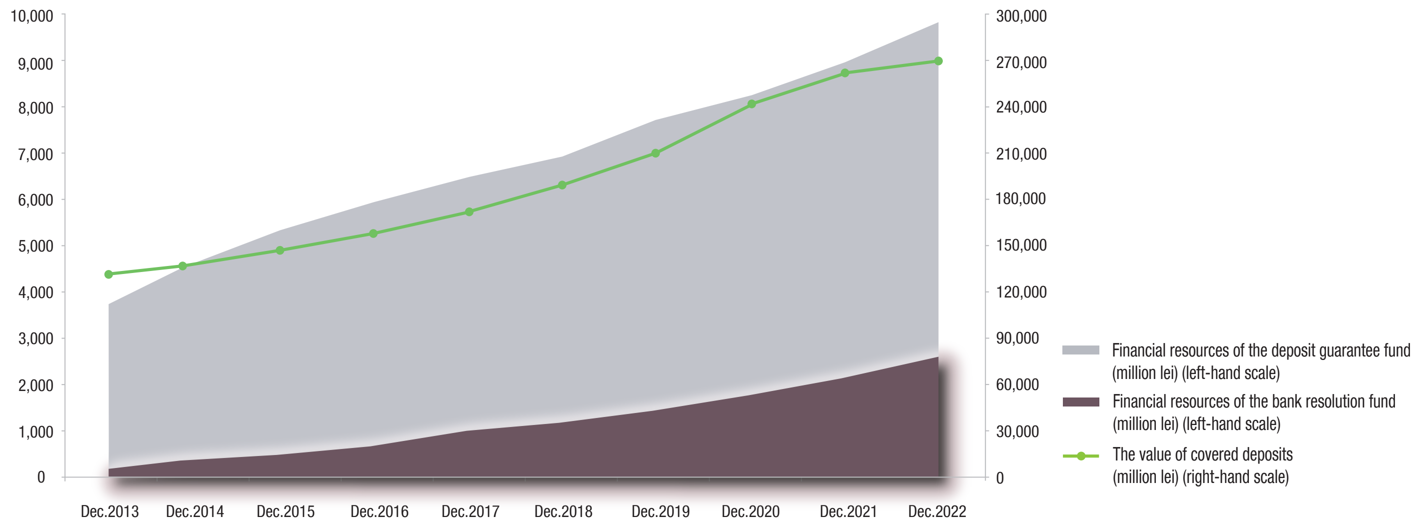
The Financial Resources* and the Use of FGDB-Managed Funds

** in compliance with the legal framework as at 31 December 2022*
*** 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*

Financial Resources Administered by the FGDB Since Its Creation to 31 December 2022

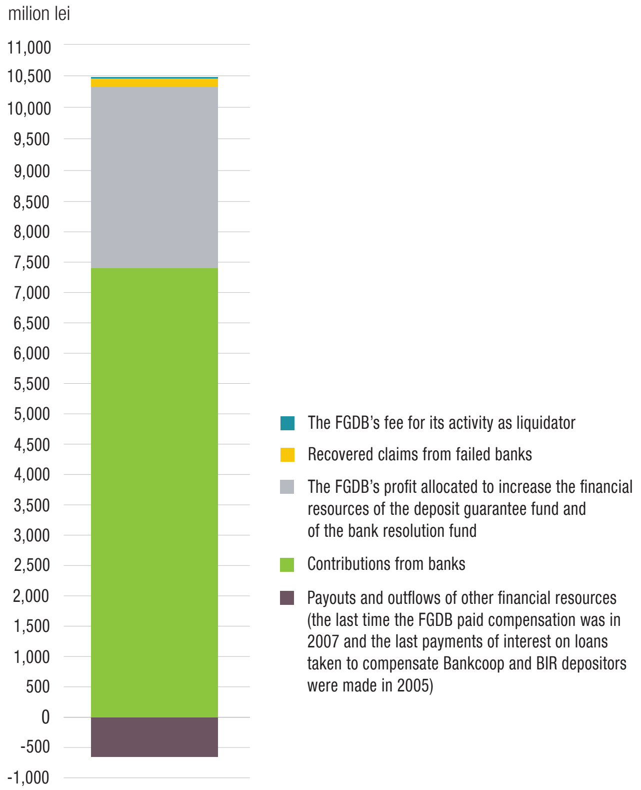


FGDB-Managed Financial Resources and the Value of Covered Deposits



alternative funding sources, such as loans from credit institutions, financial institutions, other deposit guarantee schemes or from the Government[100], or precautionary loans from international financial institutions or credit institutions or, in the case of resolution measures, from other resolution funding mechanisms within the European Union.

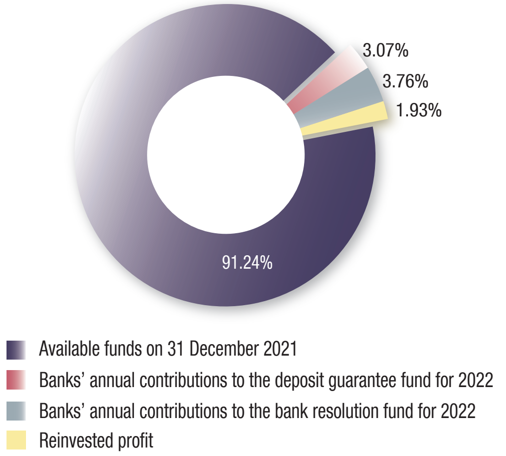
The FGDB's Total Funds and Liabilities Since Its Creation to 31 December 2022



Throughout 2022, FGDB-managed financial resources increased by 9.6 percent, while the total worth of covered deposits rose by 2.6 percent.

In 2022, credit institutions in the membership of the FGDB contributed an aggregate 668.01 million lei to the two FGDB-administered funds, which got one more substantial inflow of resources worth 189.47 million lei following the distribution of profit according to the law.

The FGDB's Financial Resources in 2022 (percentages by categories)



Strategy for Investing Available Financial Resources

In compliance with 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*, with subsequent amendments and completions, the 2022 strategy for investing financial resources pursued as main targets the minimisation of risk, the diversification and liquidity of investments, as well as on yields, seen as a related goal.

[100] In exceptional circumstances when: (i) the available financial resources of the FGDB, as deposit guarantee scheme, are insufficient to cover payouts or to fund resolution measures, or (ii) the financial resources of the FGDB-managed bank resolution fund are insufficient to fund measures for the resolution of credit institutions in line 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.

The high inflation of the year 2022, as well as the countermeasures the National Bank of Romania took by successively raising the monetary policy rate pushed up interest rates on both the passive operations of commercial banks and on new issues of government securities. In such conditions, the Fund remained cautious in managing its available resources, seeking to spread risk by ensuring an adequate diversification and by holding low-risk assets in the portfolios of both the deposit guarantee fund and the bank resolution fund. Strategically and tactically, available financial resources were administered in keeping with the European Banking Association's recommendations[101] and with the good practices EFDI-member deposit guarantee schemes have developed and applied in resource investment.

Under the adverse impact of the conflict in Ukraine – primarily, the disruption of supply chains and the increase in the prices of raw materials which triggered an overall hike in the prices of consumer goods and in the tariffs of services – credit institutions had to cope with a drop in the quality of loan portfolios and a rise in provisions for non-performing exposures. In those conditions, the Fund constantly maintained a liquidity buffer which was actually comfortably above the minimum threshold set under the strategy for investing financial resources. Consequently, the Fund secured for both portfolios under its management a monthly liquidity reserve of more than 20 percent and a volume of investments with remaining maturity of up to one year of over 40 percent of total available resources.

Liquidity management mainly focused on maintaining an optimal number of financial instruments classified as available-for-sale securities in order to keep liquidity of the two portfolios as high as possible, all while considering aspects related to the impact of the marking to market of those instruments. Given the unfavourable shifts in the prices of financial instruments on both domestic and international markets following the hike in interest rates, the FGDB counted on an active administration of its financial instruments portfolio, which provided for the optimisation of treasury operations and also kept risks low.

In 2022, the FGDB kept a rich portfolio of government securities and expanded the group of credit institutions holding a significant share of the market for government securities with which it concluded repurchase agreements. Once a legislative framework[102] was established to allow repo operations with the National Bank of Romania, the Fund, together with the specialised departments in the central bank, launched a project for their operationalisation. Finalisation of the project is expected for 2023.

Diversification remained a key target in decision-making on the management of available financial resources in 2022. The Fund maintained highly granular investment portfolios by identifying new eligible counterparties/issuers and instruments. Given the unfavourable and uncertain internal and international situation, generated by the Ukraine conflict and hiking energy prices, the Fund allocated less money for its deposit accounts with member credit institutions. There were several brief periods throughout 2022 when the Fund had no investments in participating credit institutions. By the end of 2022, deposits at affiliated credit institutions accounted for 4.62 percent of the available financial resources of the guarantee scheme and the bank resolution fund had an exposure of 8.22 percent. Romanian government securities remained relatively stable, while the tradable bonds issued by international financial institutions and other foreign financial institutions gained ground in relative terms.

The Fund continued to adjust the structure of its exposure – by counterparties, types of investments, foreign currencies and maturities – adopting tactical measures to prevent the potential negative effects of the unfavourable developments on 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 Fund uses an assessment methodology which is regularly updated to reflect the adjustments made by the central bank as part of the Supervisory Review and

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

[102] In effect since 11 March 2022 under Article 122^1 of *Law No. 311/2015.*

Evaluation Process (SREP). This methodology assumes many of the indicators that are being used when calculating annual contributions to the deposit guarantee scheme. A risk assessment is prepared every three months based on data that credit institutions report to the National Bank of Romania. The Fund has access to those data under its cooperation agreement concluded with the central bank in 2012 and updated in 2017.

In conditions in which the banking system covered a highly challenging period – the pandemic crisis and the war in Ukraine together with the whole chain of direct and indirect effects – the FGDB preserved the proactive nature of its actions providing for the early identification of potential risk sources based on the financial performance of credit institutions. Preventatively, it used more restrictive eligibility criteria in its strategy for investing financial resources. Furthermore, the Fund 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.

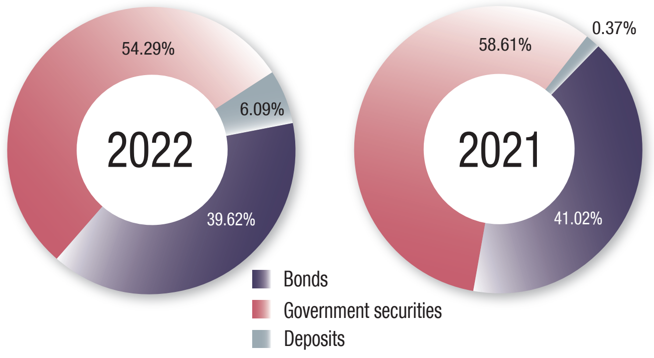
Whenever necessary and based on the risk ratings the Fund had determined for credit institutions in Romania and on the ratings assigned by international rating agencies to the other categories of counterparties/issuers, adjustments were made to the structure of investments with a view to keeping it strictly in consonance with the provisions of the investment strategy.

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 2022 Strategy for investing financial resources, were constantly observed and monitored

Tactically, the Fund's decisions in applying the provisions of its strategy for the investment of financial resources were intended to maintain an optimal liquidity level and a balanced and diversified structure of the investment portfolio, both being permanently adjusted to developments in the financial and banking market and to the additional uncertainties generated by tense geostrategic circumstances.

In 2022, the average invested capital increased by 9.1 percent from end-2021 to stand at 9,459.8 million lei.

The Structure of the FGDB's Overall Investments

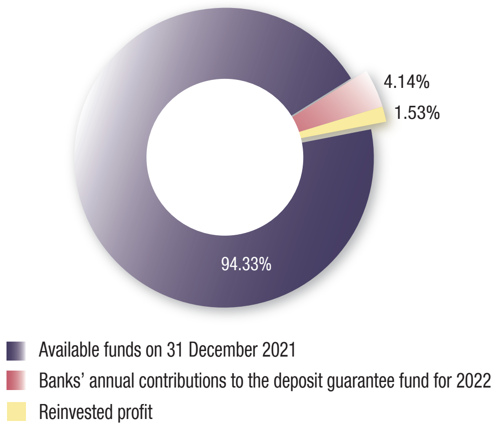


THE DEPOSIT GUARANTEE FUND

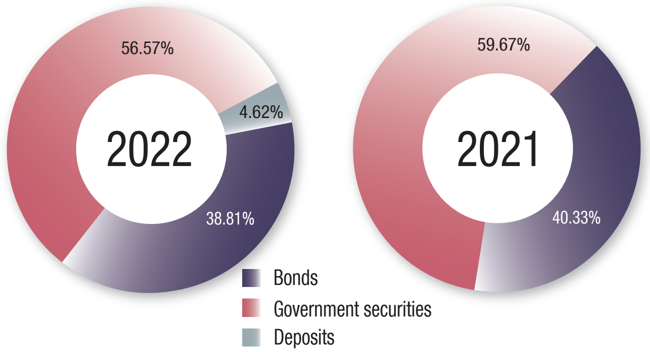
Much like in previous years, the Fund places on a leading standing among EFDI-member guarantee schemes in point of the actual level for funds which is more than three times higher than the 0.8 percent minimum target level set for European Union member states.

On 31 December 2022, the financial resources of the deposit guarantee fund (which also include the reinvested 2022 profit) amounted to 7,249.55 million lei, having added 410.95 million lei to the level at the end of the precedent year. In consequence, the financial resources of the guarantee scheme are considered sufficient for the FGDB to be able to pay compensation for any of the member credit institutions which are not designated by the National Bank of Romania as "other systemically important institutions (O-SII)" according to the central bank's Order No. 8/2022 regarding the buffer related to the credit institutions authorized in Romania which were identified as other systemically important institutions (O-SII). In 2022, contributions to the deposit guarantee fund stood at 300.3 million lei. Throughout 2022, the percentage of deposit guarantee fund resources placed into deposit accounts at participating credit institutions moved up to reach 4.62 percent on 31 December, unlike the previous year which the Fund ended with no bank deposits.

Financial Resources of the Deposit Guarantee Fund (percentages by categories)



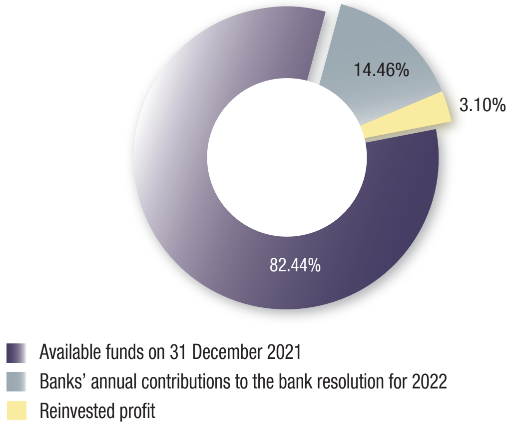
Structure of the FGDB's Investments of Deposit Guarantee Fund Resources



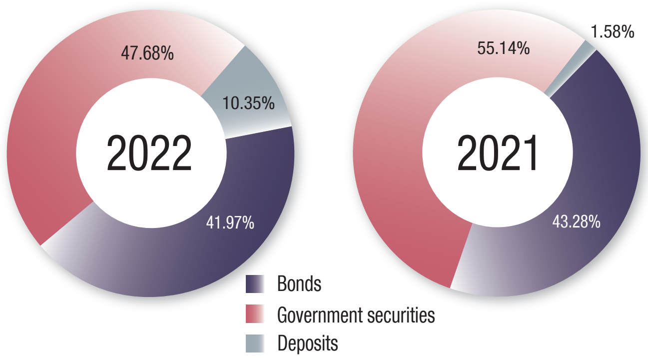
THE BANK RESOLUTION FUND

The bank resolution fund, created by taking over the financial resources of the bank restructuring fund, had a positive balance from the very beginning and has increased steadily in the years that followed. The available financial resources of the bank resolution fund, including the reinvested 2022 profit, stood at 2,542.76 million lei on 31 December 2022, posting a rise by 446.56 million lei from the end of 2021.

Financial Resources of the Bank Resolution Fund (percentages by categories)



Structure of the FGDB's Investments of Bank Resolution Fund Resources



The ratio of available financial means to FGDB-covered deposits moved up by 0.1 percentage points year on year to 0.9 percent[103].In its capacity as resolution authority, the National Bank of Romania sets the level of annual contributions to the bank resolution fund tailored to the risk profiles of credit institutions. In 2022, contributions to the bank resolution fund amounted to 367.7 million lei.

Alternative Funding Mechanisms

In 2022, the legislative framework was finalised allowing the Fund to operationalise alternative funding mechanisms, more precisely, to take a precautionary loan from the International Bank for Reconstruction and Development (BIRD):

- On 11 March 2022 Law No. 42/2022 came into force granting the Fund swift access to precautionary loans backed by the full guarantee of the Ministry of Finance;
- On 31 August 2022, Government Resolution No. 1084/2022 was issued approving Methodological Regulations for the approval of provisions under Article 119, paragraphs (1) – (4), Article 119^1 and 119^2 of Law No. 311/2015 on deposit guarantee schemes and the Deposit Guarantee Fund. More precisely, these methodological rules describe the process whereby the FGDB gets loans/sub-loans from the Government or requests Government-backed guarantees for loans from credit institutions and international financial institutions.

At the same time, the IBRD completed the due diligence process which made the basis for the contract documents approved by the Board of Directors of the National Bank of Romanian in its 18 November 2022 meeting, and by the IBRD Board of Directors in their meeting on 19 December 2022.

By the time the present annual report was completed, the Romanian Government had approved the guarantee for the precautionary loan which is to be legally ratified.

Law No. 42/2022 also topped up the tool box the Fund has at its disposal in order to mitigate liquidity risk. A legislative framework was created which grants the Fund access to short-term liquidity via repo transactions with the National Bank of Romania, in compliance with the central bank's rules on this type of operations and with the provisions in Article 123 of the Treaty on the functioning of the European Union. Consequently, besides the repo conventions which the FGDB concluded with several credit institutions with a significant share of the market for government securities, an agreement with the central bank will be operationalised as an additional precautionary measure given the low liquidity of Romania's secondary market for government securities and other fixed-income instruments.

[103] According to EU regulations, in the case of the bank resolution fund, all member states must attain a minimum target level of one percent by 2024.

5 LIQUIDATION OF FAILED BANKS

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

While in operation, the FGDB had active interventions to protect depositors of banks that failed in Romania over 1999-2006, namely Banca Comercială "Albina" S.A., Bankcoop S.A, Banca Internațională a Religiilor (BIR) S.A, *Banca Română de Scont (BRS) S.A, Banca Turco Română (BTR) S.A,* Banca "Columna" S.A and Nova Bank S.A.[104]. Once the payout process was completed, the FGDB was subrogated to the rights of repaid depositors and joined the body of creditors of the failed banks.

In line with its extended mandate under legislation in effect in 2002, the FGDB was appointed liquidator of *BRS* and *BTR*. However, following the amendment of the respective legislation on 14 December 2015, the FGDB may no longer act as court-appointed liquidator, though it will continue its activity in that capacity in the case of *BRS* and *BTR* until bankruptcy proceedings against them close.

Cumulative Data on Claims Against the Banks That Went Bankrupt over 1999-2006

Total claims (body of creditors) 996 million lei[105]	Total recovered claims 345 million lei
FGDB's claims = 513 million lei	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)*

Total Receipts and Expenses of Failed Banks in 2022

Failed Bank	Total receipts (thousand lei)	Total expenses (thousand lei)
1. BIR	615	196
2. *BRS*	160	613
3. *BTR*	215	607
4. Banca "Columna"*	12	7
Total	**1,002**	**1,423**

At the end of 2022, the FGDB was still monitoring three failed banks acting as creditor for one of them[106] and as liquidator for the other two[107].

In 2022, the bulk of the total receipts of the failed banks where the FGDB is either creditor or liquidator came from recovered claims (81 percent), while most of the expenses fell into the "personnel-related spending" category (53 percent).

** for the January-February 2022 period alone; starting March 2022, there were no operations at all following the submission of the final report on the closure of the procedure.*

[104] On 22 August 2006, the National Bank of Romania decided the dissolution of Nova Bank followed by its liquidation and on 4 September 2006 the FGDB was appointed as 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.

[105] The aggregate claims of the body of creditors of all failed banks, worth 1,001 million lei at the end of 2021, diminished by circa five million lei in 2022 following a *BTR* creditor's renunciation of their claim. As a result, the claim was removed from the list of the respective bank's debts.

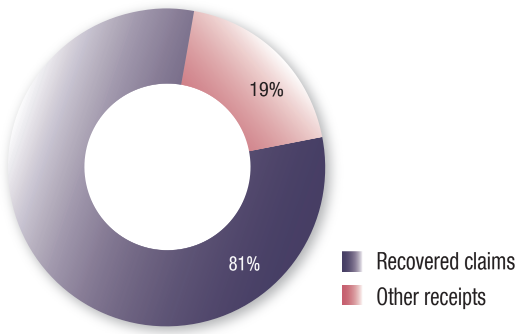
[106] Bankruptcy procedures were closed against Banca Comercială "Albina" on 14 December 2012, against Bankcoop on 5 November 2019 and against Banca "Columna" S.A. on 30 May 2022.

[107] The FGDB ceased to be a creditor of Nova Bank in 2007 following an assignment of claims agreement with another creditor. The FGDB was no longer a creditor of the banks where it had acted as liquidator following the recovery of its claims in full as part of distributions to creditors (in 2004 from *BRS* and in 2011 from *BTR*).

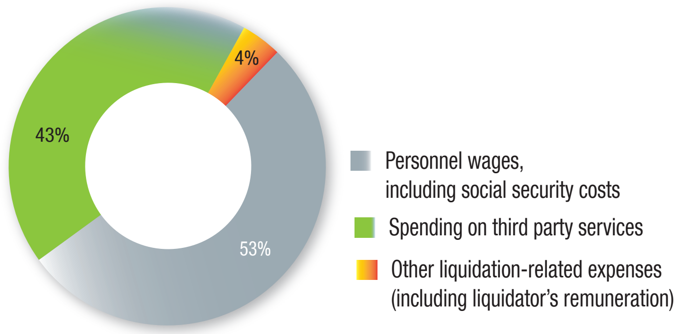
THE FGDB ACTING AS CREDITOR	THE FGDB ACTING AS LIQUIDATOR
Banca Internațională a Religiilor S.A. – undergoing bankruptcy proceedings since 10 July 2000. The procedure is expected to close within two or three years or so.	**Banca Română de Scont SA (BRS) S.A. – filed for bankruptcy on 16 April 2002** Further measures were taken to carry out the enforceable title obtained early in 2018 following the resolution of the criminal case concerning the embezzlement of *BRS*[108], and the processing continued of the civil cases pending before the courts for claims against the final recipients of the embezzled *BRS* funds, as did actions to capitalise on assets.
	Banca Turco Română (BTR) S.A. – went bankrupt 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. At the end of 2022, actions to recover that claim were underway abroad, more specifically in the United States.

[108] 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 amount of 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).

Structure of failed banks' receipts



Structure of failed banks' expenses



The FGDB recovered no claim from BIR in 2022. It got its last receipt amounting to 2,500 thousand lei in August 2021 commensurate with its 79.18 percent share in the unsecure creditors' category. Distributions under bankruptcy proceedings in which the FGDB still participates as either creditor or liquidator totalled 172 million lei on 31 December 2022. In 2022, the failed banks where the FGDB acts as creditor or liquidator took further steps to recover claims, the number of debtors in their records decreasing from 93 on 31 December 2021 to 89 at end-2022.

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 2022
1	*2*	*3*	*4=2-3*
1. BIR	22,416	22,340	76
2. *BRS*	232	222	10
3. *BTR*	1,286	1,283	3
Total	**23,934**	**23,845**	**89**

Total receipts, expenses, and funds for distribution to creditors as at 31 December 2022

Failed bank	Total claims to recover on the date of bankruptcy (thousand lei)	Total liquidation-related receipts[1] (thousand lei)		of which: recovered claims			assets sales		other receipts		Total liquidation-related expenses (thousand lei)		Total funds allotted for distribution (thousand lei)
		on 31 December 2022	of which, in 2022[2]	value (thousand lei)	*% of total claims to recover*	*% of total receipts*	value (thousand lei)	*% of total receipts*	value (thousand lei)	*% of total receipts*	on 31 December 2022	of which, in 2022[2]	
1. BIR	213,982	190,408	615	153,330	*71.66*	*80.53*	23,559	*12.37*	13,519	*7.10*	83,931	196	108,452
2. *BRS*	37,750	39,267	160	18,458	*48.90*	*47.01*	16,423	*41.82*	4,386	*11.17*	21,036	613	18,130
3. *BTR*	227,480	67,310	215	14,981	*6.59*	*22.26*	31,899	*47.39*	20,430	*30.35*	19,721	607	45,506
4. Banca "Columna"	138,518	55,502[3]	12	34,949	*25.23*	*62.97*	15,788	*28.45*	4,765	*8.58*	16,738[3]	7	50,903
TOTAL[4]	**617,730**	**352,487**	**1.002**	**221,718**	*38.81*	*62.82*	**87,669**	*24.28*	**43,100**	*12.90*	**141,426**	**1,423**	**222,991**

1) Net value (free of VAT or other deductions, as the case may be).
2) In the case of Banca "Columna", 2022 data refer to the January-February period alone; starting March 2022, there were no operations at all following the submission of the final report on the closure of the procedure.
3) Cumulative receipts and expenses during the bankruptcy procedure, namely 18 March 2003 – 30 May 2022.
4) Overall liquidation-related receipts, which include Banca "Albina", Bankcoop and Nova Bank, amount to 543,263 thousand lei (recovered claims worth 330,572 thousand lei, asset sales totalling 158,270 thousand le i and other receipts adding up to 54,421 thousand lei), total expenses worth 215,062 thousand lei, and the funds allotted for distribution amounting to 344.716 thousand lei.

Banca Română de Scont (BRS)

From bankruptcy date (16 April 2002) to the end of 2022, claims worth 18,458 thousand lei were recovered, which means a recovery ratio of 49 percent of total claims in the accounting records on the date the bank failed.

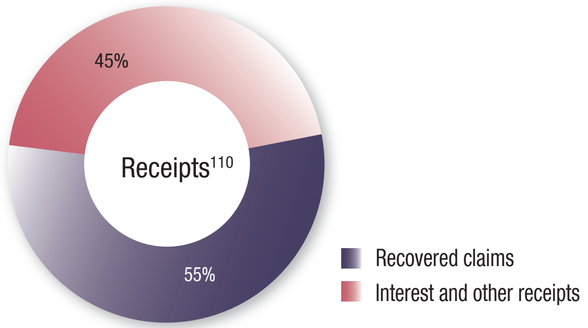
Despite the 1,173 thousand lei in hand and at bank at the end of 2022, the *BRS,* much like in previous years, could not distribute any funds to its creditors because its assets were under precautionary seizure[109].

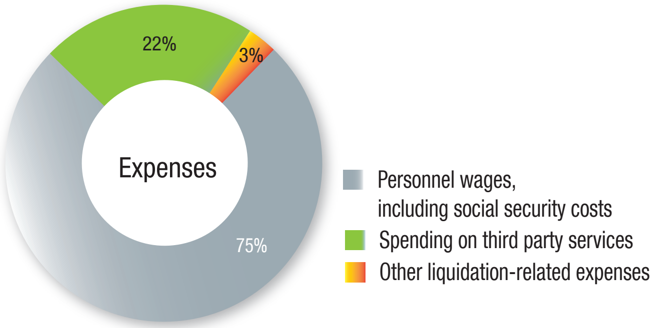
The funds distributed to *BRS*'s creditors before the application of the precautionary seizure in 2011 totalled 18,130 thousand lei, satisfying 47.16 percent of the body of creditors – the highest level of creditor satisfaction among failed banks.

Further measures were taken throughout 2022 to carry out the enforceable title obtained in March 2018 following the resolution of the criminal case concerning the embezzlement of *BRS*. The implementation of those measures is 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.

Furthermore, actions were taken to capitalise on the *BRS*'s share of the assets (land lots and an access road) located in the vicinity of the quartz quarry in the Şiglău-Uricani area, in Hundeoara county. To this end, a *BRS* creditors' meeting on 15 December 2022 approved an analysis referring to the possible sale of the aforesaid assets by the two co-owners – *BRS* and Astra Asigurări Reasigurări S.A. (undergoing bankruptcy proceedings).

Structure of *BRS*'s Receipts and Expenses in 2022





[109] 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 will be maintained 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.

[110] In 2022, *BRS*'s receipts amounted to 160 thousand lei, of which 88 thousand lei resulting from recovered claims and 72 thousand lei arising from interest on investments and other receipts.

Banca Turco Română (BTR)

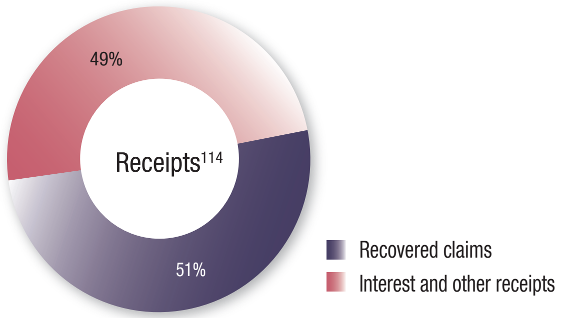
From the date of bankruptcy (3 July 2002) to 31 December 2022, claims were recovered amounting to 14,981 thousand lei and accounting for 6.59 percent of total claims, and, respectively, for 34.75 percent of claims in its records on bankruptcy date, leaving aside the claims over its main debtor[111], wherefrom a partial amount – that is, 8,724 thousand lei – was recovered in 2017.

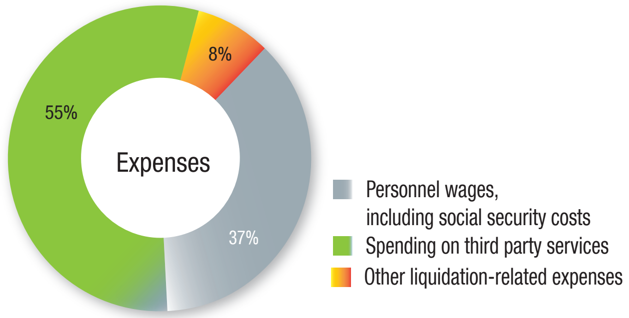
In the aggregate, financial revenue – a specific element of the bankruptcy procedure of *Banca Turco Română S.A.* due to its size – covered liquidation costs until the end of 2021[112]. On 31 December 2022, total liquidation expenses (amounting to 19,721 thousand lei) outran financial revenue (standing at 19,238 thousand lei) by 2.5 percent due to a drop in bonus interest rates on time deposits held at credit institutions. *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, amounts to 59.4 million USD and 11.3 million EUR, plus legal interest. On 31 December 2022, this accrued debt, including interest and outstanding recoveries, amounted to 115.5 million USD and 22.5 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 – in consideration of the cross-border nature of the matter (given the Turkish citizenship of four of the five co-debtors, former bank administrators) – also abroad.

The culmination of *BTR*'s relentless effort in Switzerland over October 2013-November 2016 was the recovery of 2.06 million CHF[113] in the first quarter of 2017, which made the basis for a first partial distribution to seventh-rank creditors, legal persons. Thanks to a litigation

Structure of *BTR*'s Receipts and Expenses in 2022





[111] 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 the date of bankruptcy. 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

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

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

[114] In 2022, *BTR*'s receipts added up to 215 thousand lei, of which 110 thousand lei from recovered claims and 105 thousand lei in interest on investments.

funding arrangement valid over October 2016-December 2021, *BTR* benefited from 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). Starting 2022, the budget allotted under the litigation funding arrangement dried out and *BTR* allocated funds from the available amounts in the liquidation account as approved by a creditors' meeting on 3 March 2022, to proceed with and end the litigation pending before a court in the United States of America.

By 31 December 2022, 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 2022, the FGDB was still a major creditor of BIR, with 78.90 percent of the body of creditors, and one of the unsecured creditors of Banca "Columna", where it holds an insignificant share of the body of creditors (of 0.04 percent)[115]. The FGDB ceased to be a creditor of six bankrupt 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, Bankcoop in 2019 and Banca "Columna in 2022).

The FGDB's accounting records as at 31 December 2022 showed an outstanding claim over BIR amounting to 100,938 thousand lei, which means, considering the total stated claim worth 186,149 thousand lei, a claim recovery ratio of 45.78 percent.

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:

- Banca Comercială "Albina", Bankcoop and Banca "Columna" – where bankruptcy procedures closed in December 2012, in November 2019 and, respectively, in May 2022 – the FGDB has yet to recoup claims;
- *BRS, BTR* and Nova Bank – the FGDB recovered its claims in full,

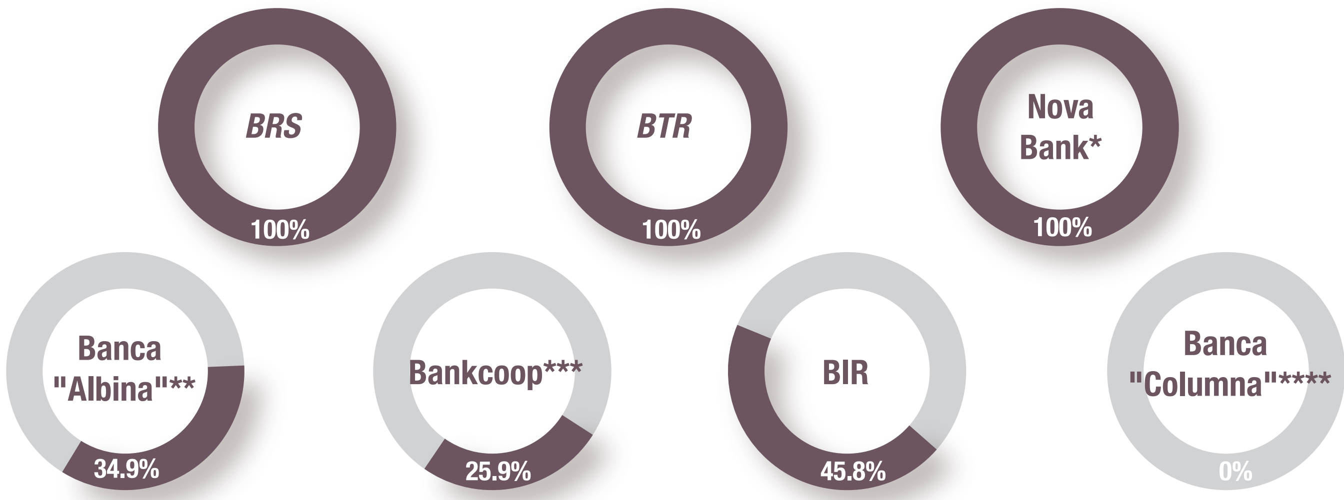
the recovery ratio was 30.86 percent (100,968 thousand lei), which means an average recovery ratio of 38.32 percent for all failed banks.

Essentially, the dissimilarity of claim recovery ratios between the failed banks was a result of the FGDB's different positions in the creditor hierarchy, in compliance with legislation applicable in each bankruptcy case. The most demonstrative example in this respect is the case of Banca "Columna", which went bankrupt on 18 March 2003 after going through judicial reorganization, starting 29 June 1998, in line with Law No. 64/1995 on judicial reorganization and bankruptcy, which remained the law that governs bankruptcy cases.

By comparison, the procedures followed in the other bank failures of the 1999-2002 period[116] complied with bank-related legislation, namely Law No. 83/1998 on bankruptcy of credit institutions. The FGDB did not recoup any amount from Banca "Columna" as its claim (amounting to 92,278 lei and arising from payouts, as well as from the bank's contribution owed and unpaid before filing for bankruptcy) had low priority according to the order of payment of claims laid down in Law No. 64/1995. Moreover, the body of creditors includes the Authority for State Assets Management with a high-value budgetary claim, which is a higher-ranking priority claim. That claim could not be recovered in full before the closing of the procedures *(Our note: according to legislation, claims are paid according to priority ranking in the order of payment of claims and distributions to satisfy lower-ranked creditors may start only after higher-ranking priority claims have been paid in full).*

[115] As an unsecured creditor with a claim of 92 thousand lei, the FGDB will not recover any amount from distributions until budgetary claims, which, in this case, have priority, are covered in full. Therefore, the FGDB's chance to recoup its claim is virtually nil.

[116] 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. However, the case of this bank is irrelevant as the FGDB recovered its claims worth 278 thousand lei in full 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".



* The FGDB ceased to be a creditor of Nova Bank in 2007 following an assignment of claim agreement with another creditor. The bankruptcy procedure against Nova Bank came to an end on 28 May 2020.

** Banca Comercială "Albina" bankruptcy proceedings ended on 14 December 2012.

*** Bankcoop bankruptcy process closed on 5 November 2019.

**** Banca "Columna" bankruptcy procedure ended on 30 May 2022.

After the operationalisation of the deposit guarantee scheme in Romania in 1996, the same low-priority status was assigned to the FGDB's claims over the first three failed banks – Banca Comercială "Albina" (with proceedings opening in May 1999), Bankcoop (in February 2000) and BIR (in July 2000). The bankruptcy procedures in these cases complied with *Law No. 83/1998* which was in force at the respective time and which did not provide for 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 of failed banks was introduced in to *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 palpable result 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 the specific creditor hierarchy set out in Law No. 83/1998 applied). With the Insolvency Code taking effect in 2014 (*Law No. 85/2014 on insolvency prevention procedures and insolvency proceedings*, with subsequent amendments and completions), the FGDB's claims arising 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.

By the end of 2022, the FGDB had recovered claims worth 186,108 thousand lei, of which 185,127 thousand lei for repayments to guaranteed depositors and 981 thousand lei for contributions owed to the FGDB and unpaid by Bankcoop, *BTR* and Nova Bank before filing for bankruptcy. This means a recovery ratio of 36.26 percent of total claims over the failed banks worth 513,300 thousand lei.

6 PUBLIC INFORMATION

Communication, the wish to be informed, concerns and pursuits of the banked population have known major changes in recent years on the back of the COVID-19 pandemic first and the war in Ukraine later.

In order to meet depositors' requirements, the FGDB has constantly adapted its communication to both the environment and the new times, delivering accessible messages to various target groups via a myriad of channels.

Following the sudden outbreak of the war in Ukraine, the FGDB received far more phone calls and e-mails from depositors inquiring about deposit guarantee arrangements if force majeure events or a state of war occur. The FGDB promptly answered depositors' every query and also adjusted its website to be able to supply answers to the new type of inquiries.

The FGDB thoroughly updated the *Frequently Asked Questions* section of its website, and, under the slogan *The Money in Your Bank Account Is Protected!* posted explanatory notes related to deposit guarantee.

As part of its actions intended to inform depositors and, implicitly, instil in them confidence in the Romanian banking system, the FGDB initiated a meeting with representatives of the Romanian Banking Association (ARB) in a bid to identify ways to promote a concerted strategy intended to make available to the public information about bank deposit protection.

In 2022, the FGDB distributed a new depositor information poster, boasting a coloristically attractive design, to its member credit institutions to be put on display in their units in the territory. Along with the new poster, the FGDB also gave out self-adhesive labels to be placed at bank entrances. Such a label lets depositors know the respective credit institution is affiliated to the FGDB. Last but not least, the video on the FGDB running on screens inside banks (where they were available) contributed to making people aware of the slogan

"WE EXIST AND THAT'S GOOD TO KNOW!"

Furthermore, online campaigns continued in a bid to make the public aware of deposit protection and the deposit guarantee scheme operating in Romania.

Web banners embedded into the most visited news websites proved a significant channel of delivering information. Moreover, the information campaign also ran on local news websites. The strategic idea was to consolidate the basic information about FGDB by associating the images and information on the FGDB's web page with the images and information sent online or contained in the materials distributed to banks.

Concomitantly, a campaign got underway intended to help draw a distinction between the Bank Deposit Guarantee Fund-FGDB and other institutes with names that include the term "Fund".

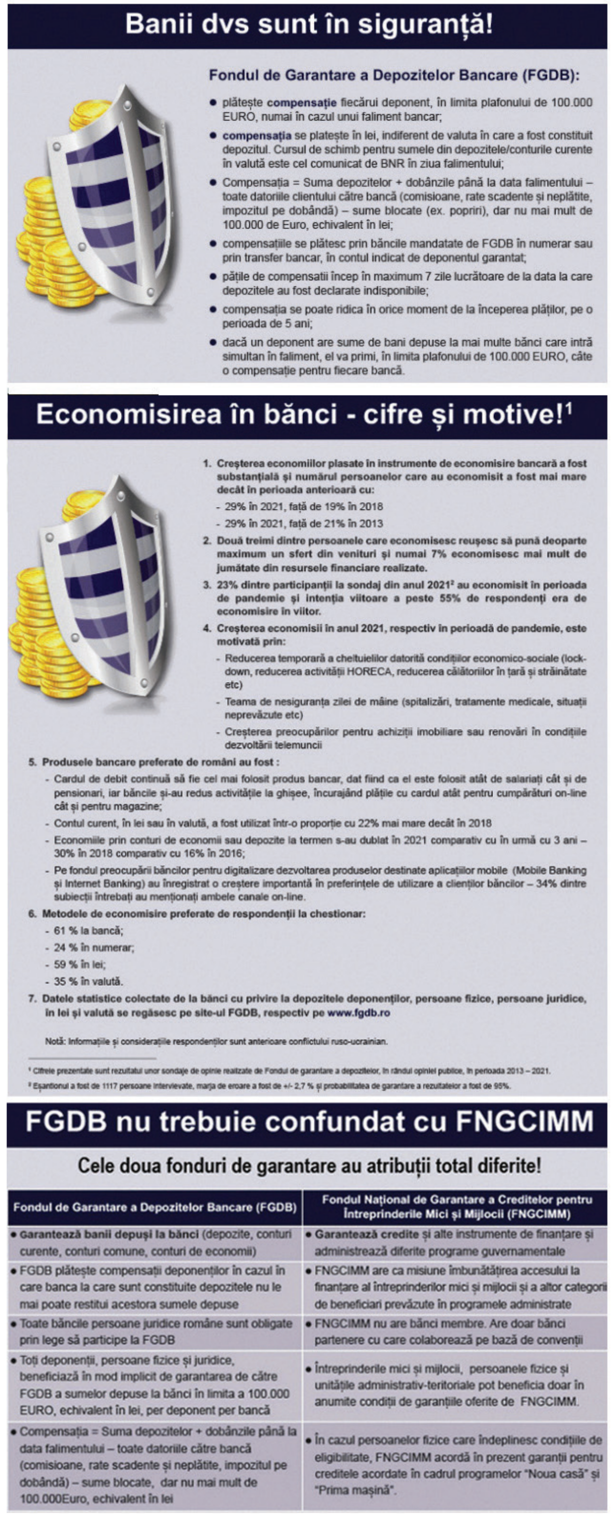
In the FGDB's communication strategy, social media[117] represent a powerful communication channel as they provide for interaction with the public, no matter their location, thus contributing to enhancing the FGDB's prominence. The communication endeavour materialised in both messages posted on the FGDB's web page and information supplied to target audiences.

The key goal of the campaigns conducted on this platform was to gain good reputation among Facebook users and also to educate the public to seek information from official sources, that is, from the FGDB's website.

[117] The FGDB's official web page for the Facebook Platform is the **Bank Deposit Guarantee Fund–FGDB**/user name - facebook.com/**fgdbro**.

This multifaceted array of informational efforts helped shed more light on the role the FGDB plays in the financial and banking sector, as reflected by the fact that some of the most frequently asked questions refer to the specific conditions in which particular types of deposits are protected.

A pertinent indicator of the interest depositors take in deposit guarantee was the number of monthly visits to the FGDB's website, which increased significantly – by approximately three times in two years.



In 2022, in an effort to heighten awareness about deposit guarantee, the FGDB initiated activities targeting a new audience. In December 2022, the FGDB was represented to an event marking the International Day of People with Disabilities, namely "*The Importance of Disability in Romania's Economy – an Opportunity Rather Than a Hurdle*". The FGDB General Director took part in a panel on "*Independent Life and Inclusion – the Cost of Living for People with Special Needs*".

Moreover, based on cooperation with associations of people with disabilities, in the first quarter of 2023, flyers containing significant information on deposit guarantee were printed in Braille. These flyers will be distributed to FGDB-member credit institutions to be put at the disposal of clients.

In 2022, training sessions were further organized for the call-centre operators of the banks which were mandated to disburse payouts. Whereas under normal circumstances those training sessions were exclusively focused on payouts, in 2022 additional measures, imposed by another kind of crisis, were taken into consideration. Albeit indirectly, this is an activity that concerns all depositors, as call-centre operators attend regular training sessions to be able to answer questions related to deposit guarantee based on updated information.

The year 2022 was a propitious one for meetings of the EFDI working groups involved in communication and public relations activities where the interaction with foreign experts proved a source of useful information about experiences and practices in that sector. In a globalized world where financial and banking institutions operate also outside their home countries, an effective communication between the main players involved is essential, should unforeseen circumstances occur, to convey an accurate, full, and timely message to the public.

PROMOTION THROUGH EDUCATION

In 2022, as the FGDB was co-opted in projects run by the National Bank of Romania, it expanded the scope of its actions aimed to nurture financial education.

At the end of 2022, the FGDB joined the National Bank of Romania and the Gheorghe Lazăr National College in the organisation of the "*Video Economia*" National Financial Education Competition, a contest of videos on economic topics. The competition, at its first edition, attracted a great deal of interest from high-school students, who, coordinated by their teachers within the college's Economics Club, produced videos on such subjects as financial markets, risk and success in business, money and trust, business plans, Brexit vs EU.

Moreover, in March 2023, the "*Eugeniu Carada*" *National Financial Education Contest* for eleventh-graders was launched as part of the *Let's Talk about Money and Banks* project conducted by the National Bank of Romania, jointly with the FGDB. The contest was included on the *List of national competitions on fields of study, sporting disciplines and educational projects* in which high-school students participate.

At the same time, the FGDB continued with its own contest – the *"Costin Murgescu Contest for Economic Research"* – which addresses Romanian university students, master's students and doctoral students. The contest, at its eleventh edition in 2022, offers young specialists an opportunity to prove themselves and also contributes to promoting the FGDB among professionals. Students and professors alike showed interest in the competition and its jury deemed the young students' works valuable.

The award of the 11th edition went to **Robert Adrian Grecu** for his *"Assessing the Level of Fiscal Multipliers During the Phases of the Business Cycle".*

In consideration of the quality of the papers that entered the contest, the jury also awarded three mentions to:

- ***Georgiana Pleșa***, Georgiana Pleșa, for her essay *"The Impact of Globalization on Macroeconomic Dynamics. Evidence over EEC Countries Based on a Time-Varying Bayesian VAR"*
- **Teodora Mădălina Pop**, for her essay *"Economic Growth and Income Inequality: Evidence from Eastern European Countries"*
- **Ștefan Constantin Radu**, for his essay *"The Effect of Shocks on the Romanian Economy. A Dynamic Macroeconomic Model with Heterogeneous Agents in Continuous Time"*

The prize awarding ceremony took place via online platforms and was an occasion for talks and analyses with renowned members of the academic community who have been familiar with the FGDB's work along the years.

In 2022, the FGDB further supported the "*Cristian Popișteanu*" *Annual Symposium of Banking History and Civilisation*, organised by the National Bank of Romania and the "Magazin Istoric" Cultural Foundation. The theme of the symposium, which reached its 30th edition, was *"Frontiers, Institutions and Gold in Times of War".*

RELATIONSHIP WITH THE MEDIA

ZF. LIVE cu 16%, până la 735 mil. lei, în 2022 *** Francesco Curcio, Pinum: După construcția

OPINII

Cât de solid este sistemul de garantare a depozitelor din România?

Tweet Share Print Mail

Vezi galeria foto (2 poze)

Autor: Petre Tulin, director general FGDB 14.03.2022, 17:33 577

Petre Tulin, directorul general al Fondului de Garantare a Depozitelor Bancare a publicat luni o opinie legată de soliditatea acestui sistem în România, menționând că deponenții de pe piața românească beneficiază de aceleași condiții generale de garantare a depozitelor bancare ca toti ceilalți deponenți din statele membre ale Uniunii Europene.

Mai jos aveți opinia integrală:

The FGDB refashioned its communication with the media to be able to keep up with recent developments in this field which brought about the supremacy of online communication. The FGDB's website, thanks to permanent updates to its information content, has turned into the finest and most reliable source of information for the media. Both the specialised and the local media picked up and reported basic information about the FGDB's role, which was obviously helpful to depositors.

At the same time, the FGDB continued its direct communication with journalists and promptly answered their requests by phone or e-mail.

The FGDB was a presence in mass media also with its own answers and articles on deposit guarantee, as well as information about the amendments made to FGDB legislation in 2022.

7 THE FGDB'S FINANCIAL STATEMENTS

At the end of 2022, total FGDB assets amounted to 9.9 billion lei, 11.2 percent more than back on 31 December 2021, with government securities still accounting for the largest portion.

THE FGDB'S RECEIPTS AND PAYMENTS[118]

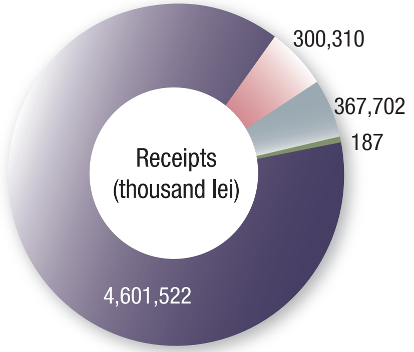
a) In 2022, the FGDB's receipts (cash inflows) added up to 5,269,721 thousand lei, of which:

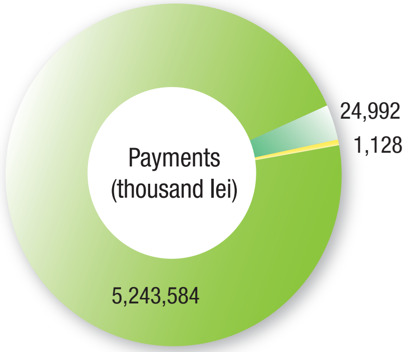
- 300,310 thousand lei - annual contributions to the deposit guarantee fund;
- 367,702 thousand lei - annual contributions to the bank resolution fund;
- 4,601,522 thousand lei - receipts from investments of the FGDB's financial resources plus interest;
- 185 thousand lei - interest on funds in the FGDB's current accounts at credit institutions;
- 2 thousand lei - other receipts.

b) The FGDB's 2022 payments (cash outflows) totalled 5,269,704 thousand lei, of which:

- 24,992 thousand lei - current operating expenses;
- 1,128 thousand lei - acquisitions of fixed assets and of intangible assets;
- 5,243,584 thousand lei - investments of the FGDB's financial resources.

Structure of the FGDB's Receipts and Payments in 2022





- Receipts from investments of the FGDB's financial resources plus interest
- Annual contributions to the deposit guarantee fund
- Annual contributions to the bank resolution fund
- Other receipts

- Payments related to investments of the FGDB's financial resources
- Current operating expenses
- Acquisitions of fixed assets and of intangible assets

THE FGDB'S BALANCE SHEET

- thousand lei -

Assets	31.12.2021	31.12.2022	Liabilities	31.12.2021	31.12.2022
1. Total fixed assets, of which:	**5,658,942**	**5,224,310**	**1. Total own funds of which:**	**8,937,138**	**9,920,491**
• intangible assets	667	686	• reserves	8,706,299	9,602,842
• tangible assets	763	1,352	• profit for the fiscal year	230,839	317,649
• financial assets	5,657,512	5,222,272			
2. Total current assets, of which:	**3,279,129**	**4,684,442**	**2. Total debts, of which:**	**1,504**	**1,909**
• short-term financial investments	3,276,310	4,680,133	• debts payable within one year	1,363	1,661
• cash at bank and in hand	2,139	3,336	• income received in advance and accrued liabilities	141	248
• other claims (settlements with credit institutions)	680	973			
3. Prepaid expenses	**571**	**13,648**			
TOTAL ASSETS	**8,938,642**	**9,922,400**	**TOTAL LIABILITIES**	**8,938,642**	**9,922,400**

[118] In correlation with the cash flow statement for fiscal year ended 31 December 2022.

PROFIT AND LOSS ACCOUNT

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

In 2022, the FGDB earned total revenues worth 374,393 thousand lei, arising from:

334,372 thousand lei - due interest and coupons on investments of its financial resources throughout 2022 (accounting for 89.3 percent of total revenues);

185 thousand lei - interest on funds in its current accounts at credit institutions;

39,836 thousand lei - other revenues (revenues resulting from adjustments for depreciation, revenues resulting from currency rate differences).

The FGDB's 2022 expenses totalled 56,744 thousand lei, of which:

15,972 thousand lei - personnel-related sending;

6,935 thousand lei - operating expenses (services, rents, amortisations);

33,837 thousand lei - other spending (arising from adjustments for depreciation, currency rate differences).

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

In 2022, the ratio between the FGDB's expenses and its revenues from investments of financial resources remained very low, at 1:6.

In recent years, the FGDB has permanently improved its financial performance thanks 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.

In compliance with legal provisions, a significant portion of the FGDB's profit is channelled into the two funds it manages to top up their available financial resources. The distribution of the profit for fiscal year ended 31 December 2022, along with the FGDB's financial statements, was approved by the Board of Directors of the National Bank of Romania.

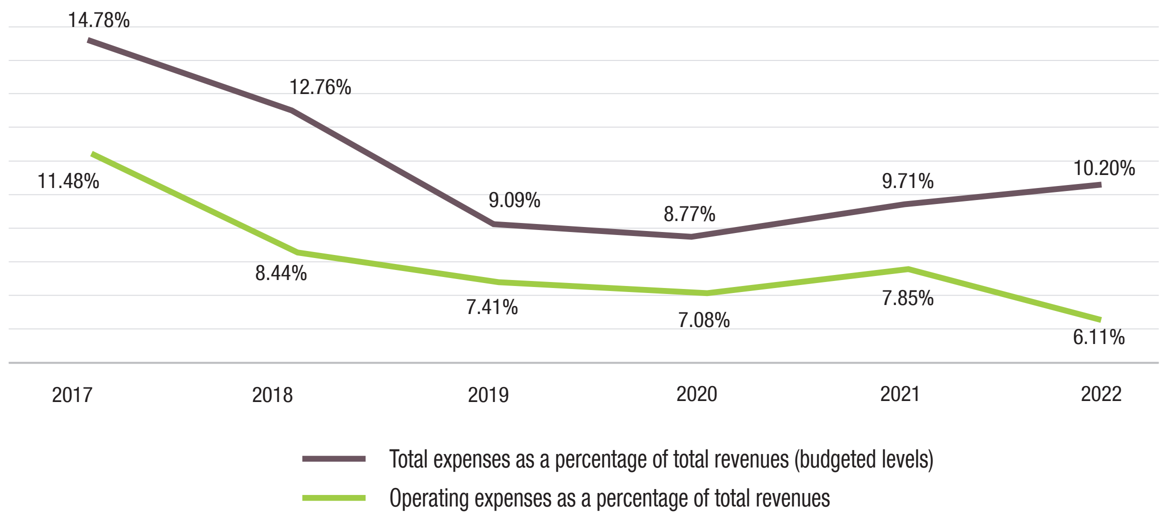
The financial statements of the FGDB were endorsed by its Supervisory Board on 28 March 2023 and approved by the Board of Directors of the National Bank of Romania on 7 April 2023.

The Profit and Loss Account

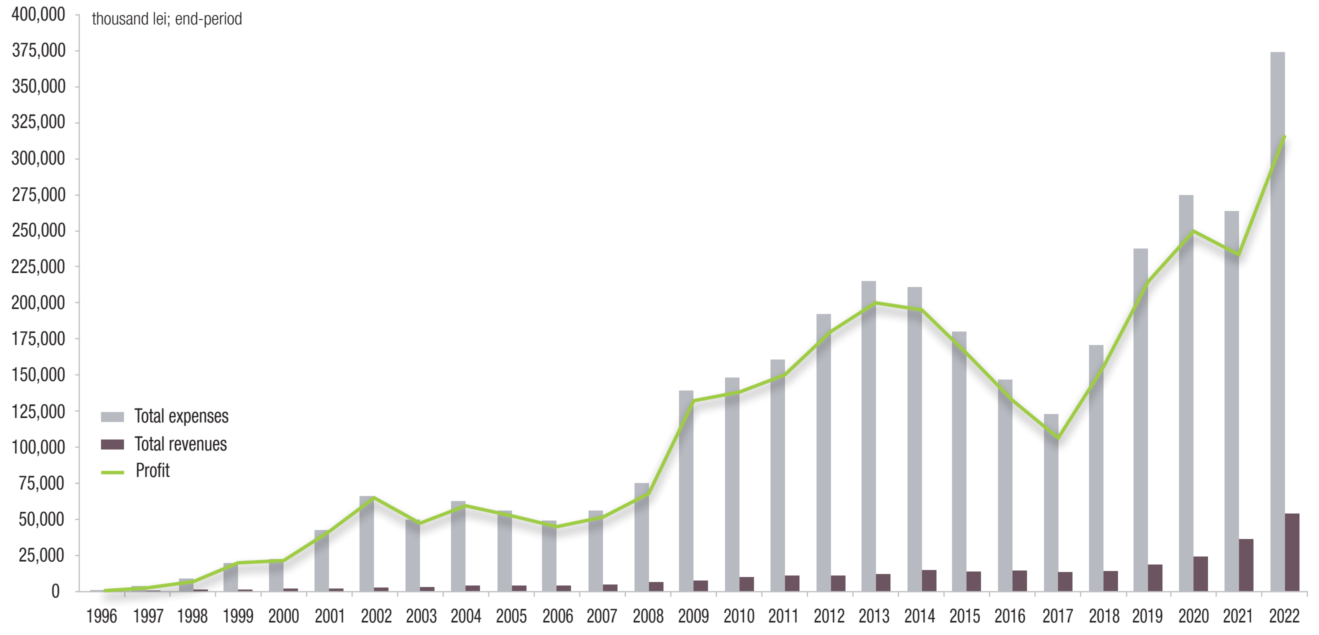
- thousand lei -

	31.12.2021	31.12.2022	Difference
1. Total revenues	265,409	374,393	108,984
2. Total expenses	34,570	56,744	22,174
3. Result for fiscal year	**230,839**	**317,649**	**86,810**

The FGDB's Expenses as Percentage of Total Revenues



Evolution of the FGDB's Revenues, Expenses and Profit



The FGDB's financial statements as at 31 December 2022 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 31.12.2022 and of its financial performance and cash flows for the fiscal year then ended, in compliance with the National Bank of Romania's Order No. 6/2015 (with subsequent amendments) and with the accounting rules described in the Notes 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 2022, 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 and bank resolution funds: 9,602,842,142 lei
   - Net profit for the fiscal year: 317,649,295 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 2022 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 rules 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 31.12.2022 the Fund's records show financial investments consisting of public instruments, bonds and other fixed income securities totalling 9,300,504 thousand RON (31.12.2021: 8,900,794 thousand RON), accounting for 93.7 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: • thoroughly understand the process of collecting contributions from affiliated credit institutions, as well as the process of investing the collected contributions and of managing the Fund's investment portfolio; • test the effectiveness of the design and operation of relevant manual controls and application controls (where required); • perform random review of relevant documentation supporting a selection of purchases and sales and, respectively, maturities of financial investments during the year; • perform analytical and detail procedures (reconciliation, recalculation, reasonableness testing) regarding revenues and expenses related to financial investments; • obtain confirmation replies as at 31.12.2022 from depositary banks regarding the Fund's financial investments; • analyse the valuation methods the Funds used as at 31.12.2022 and their compliance with NRB Order 6/2015 and, respectively, the recalculation of the value of financial instruments as at 31.112.2022 using independent sources; • analyse 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 draw a conclusion, 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 the underlying 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 inconsistencies, whether due to fraud or error.
The Management's Report is presented on pages 1 to 25 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 31.12.2022, 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 31.12.2022 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(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 financial statements expressed herein is consistent with the additional report to the Fund's Audit Committee, which we issued on 28.03.2023 in line with Article 11 of Regulation (EU) No. 537/2014.

mazars

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, 28.03.2023

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 2600
www.mazars.ro
BALANCE SHEET as at 31 December 2022

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 2022

- RON -

Indicator	Item code	31 December 2021	31 December 2022
A	*B*	*1*	*2*
Cash	010	7,370	15,071
Claims against credit institutions	020	35,158,851	605,220,777
• on demand	023	2,132,211	3,320,777
• other claims	026	33,026,640	601,900,000
Public instruments, bonds and other fixed income securities	040	8,900,793,759	9,300,503,657
• issued by public bodies	043	5,179,719,033	5,303,302,909
• issued by other issuers	046	3,721,074,726	3,997,200,748
Intangible assets	050	667,113	1,352,469
Tangible assets	060	763,590	686,491
Other assets	070	680,131	973,802
Prepaid expenses and accrued income	080	570,518	13,647,391
Total assets	**090**	**8,938,641,332**	**9,922,399,658**
Other liabilities	330	1,362,677	1,660,221
Income recorded in advance and accrued liabilities	340	141,100	248,000
The bank deposit guarantee fund and the bank resolution fund	360	8,706,298,762	9,602,842,142
• The bank deposit guarantee fund	361	6,659,559,329	7,138,890,328
› The deposit guarantee fund consisting of credit institutions' contributions	362	4,247,037,446	4,547,348,214
› 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	365	2,333,176,245	2,512,196,476
› The deposit guarantee fund consisting of other revenues as set by law	366	2,993,762	2,993,762
• The bank resolution fund	367	2,046,739,433	2,463,951,814
Reserves	370	-	-
Result for fiscal year – Profit	**403**	**230,838,793**	**317,649,295**
Total liabilities and own funds	**420**	**8,938,641,332**	**9,922,399,658**

PROFIT AND LOSS ACCOUNT
FOR FISCAL YEAR ENDED 31 DECEMBER 2022

- RON -

Indicator	Item code	31 December 2021	31 December 2022
A	*B*	*1*	*2*
Interest receivable and similar income, of which:	010	260,412,985	334,556,572
• on public instruments, bonds and other fixed income securities	015	255,601,036	316,089,957
Interest payable and similar expenses	020	71	422
Commissions	040	30,961	15,840
Net profit or loss from financial operations	050	-8,717,062	5,993,734
Other operating income	060	410	6,126
General administrative expenses	070	18,856,404	20,515,982
• Personnel-related expenses, of which:	073	14,604,142	15,972,319
› Wages	074	14,158,000	15,445,426
› Social security costs, of which:	075	446,142	526,893
- pension-related expenses	076	-	-
• Other administrative expenses	077	4,141,341	4,416,030
• Utilities expenses, of which:	078	110,921	127,633
› Electricity expenses	078a	56,047	85,160
› Natural gas bill	078b	32,540	32,773
Adjustments to the book value of tangible and intangible assets	080	368,264	673,003
Other operating expenses	090	1,601,840	1,701,890
Result of current activity – Profit	**143**	**230,838,793**	**317,649,295**
Total revenues	180	265,408,980	374,392,930
Total expenses	190	34,570,187	56,743,635
Pre-tax result – Profit	203	230,838,793	317,649,295
Net result for the fiscal year – Profit	**223**	**230,838,793**	**317,649,295**

EXPLANATORY NOTES TO THE FGDB'S FINANCIAL STATEMENTS – EXCERPTS[119]

2. Significant Accounting Methods and Policies

Some of the main accounting policies used when preparing these financial statements are set out 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 non-banking financial institutions, 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.

The present financial statements contain the Fund's own individual financial statements. These financial statements were prepared on the historical cost convention basis, with the exceptions detailed in the accounting policies below.

The financial statements herein were not prepared to reflect the Fund's financial position and the results of its operations in line 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 28 March 2023

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, irrespective of swings in its market value.

A precondition for the classification as investment securities is the assessment of the Fund's intent and ability to hold these instruments until they mature; 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 reach maturity, the designation of these instruments as investment securities is no longer appropriate, they shall be reclassified as trading securities and appraised 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").

[119] The explanatory notes bear the same numbers as in the original material from which they are quoted, as was the different name of the institution, that is "The Fund" instead of "the FGDB" as has been used in this 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 fluctuations in the market could not have had any significant impact on the fair value of the financial asset;
- takes place 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 resources 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 arising from the previous years' profits. If financial resources run dry, the Fund may borrow from the Finance Ministry, under lending contracts, in order to cover the shortage.

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 affiliated credit institution pays into the Fund an annual contribution calculated 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. The annual contribution is determined and paid by credit institutions on a yearly basis 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 are insufficient to cover payouts.

(iii) Recovered claims

They represent inflows of funds as the Fund recovers its claims over failed banks for its compensation payments.

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

In compliance with 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 arising 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 determined 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 is channelled to an annual profit-sharing fund, while the remainder tops up the financial means for each of the activities stipulated in Article 92, paragraphs (1) and (2).

The account for financial resources is diminished as an outcome of:
- the Fund's repayments to the legally guaranteed depositors of the banks where deposits have become unavailable;
- instalment and interest payments, as well as exchange rate differences on loans taken to fund payouts;
- funds transferred to the resolution authority;
- loans to other guarantee schemes, granted within the law.

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

According to 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, 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 2022, the Fund's cash in hand amounted to the RON equivalent of 15,071 (on 31 December 2021, cash in hand stood at 7,370 in the RON equivalent).

4. Claims over credit institutions

(RON)	31 December 2021	31 December 2022
Current accounts	2,132,211	3,320,777
Placements with banks	33,026,640	601,900,000
Total	**35,158,851**	**605,220,777**

5. Public instruments, bonds and other fixed income securities

(RON)	31 December 2021	31 December 2022
Long-term securities, of which:		
• Bonds and other fixed income securities	-	-
• Public instruments and similar assets	88,527,749	49,588,705
Total long-term securities	**88,527,749**	**49,588,705**
Medium-term securities, of which:		
• Bonds and other fixed income securities	2,358,272,168	2,430,717,428
• Public instruments and similar assets	3,210,710,846	2,741,965,007
Total medium-term securities	**5,568,983,014**	**5,172,682,435**
Short-term securities, of which:		
• Bonds and other fixed income securities	1,362,802,558	1,566,483,320
• Public instruments and similar assets	1,880,480,437	2,511,749,197
Total short-term securities	**3,243,282,996**	**4,078,232,517**
Total plasamente	**8,900,793,759**	**9,300,503,657**

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

The annual contribution of each credit institution is determined based on the statements it sends to the Fund. In 2022, the Fund raised 300,310,856 lei in annual contributions the level of which was calculated depending on the degree of risk incurred by each participating credit institution related to the amount of covered deposits it held on 31.12.2021 (2021: 100,076,443 RON). Total 2022 contributions were set in compliance with the guidelines of

(RON)	31 December 2021	31 December 2022
Initial contribution - 1%	6,472,230	6,472,230
Annual contribution, including increased contribution	4,705,856,644	5,006,167,413
Extraordinary contribution	61,777,997	61,777,997
Credit line fee	-14,825,698	-14,825,699
Deposits compensation	-512,243,727	-512,243,727
Total	**4,247,037,446**	**4,547,348,214**

the Fund's financing policy and according to the method of calculating risk-adjusted contributions, both approved by the Board of Directors of the National Bank of Romania.

If, upon the request of the Fund, the Board of Directors of the National Bank of Romania considers that the Fund's financial resources 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 2022 or in 2021.

Compensation is the sum of money, within the guarantee ceiling, which the Fund pays out to each guaranteed depositor when deposits, no matter the number of depositor accounts, have become unavailable. The year 2022 recorded no compensation payments, the way 2021 registered no such disbursements.

11. The bank resolution fund

(RON)	31 December 2021	31 December 2022
Annual contribution	1,891,185,956	2,258,888,163
Capitalised profit	155,553,477	205,063,651
Total	**2,046,739,433**	**2,463,951,814**

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.

Pursuant to Article 539 of 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, 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 2022, the Fund collected 367,702,207 lei worth of contributions, the level of which was set under a decision of the National Bank of Romania. In 2021, the Fund raised 350,200,553 lei in annual contributions, which were determined according to a decision by the National Bank of Romania.

The 2021 profit, amounting to 49,510,174 lei and having resulted from investments of the financial resources of the bank resolution fund, was capitalised under a Fund's Supervisory Board decision after the financial statements as at 31 December 2021 had been approved.

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

(RON)	31 December 2021	31 December 2022
Recovered claims	185,126,831	185,126,831
Interest on bank loans – NRB	-108,774,955	-108,774,955
Total	**76,351,876**	**76,351,876**

Recovered claims consist of credit institutions' annual contributions still outstanding on bankruptcy date and the compensation payments to depositors. In 2022, the Fund recovered no claims from the bankrupt credit institutions.

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

(RON)	31 December 2021	31 December 2022
Fund consisting of revenues from investments of available financial resources - share of profit	2,333,176,245	2,512,196,476
Total	**2,333,176,245**	**2,512,196,476**

The amounts above 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 2021	31 December 2022
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 2021	31 December 2022
Result of current activity – profit, of which:	230,838,793	317,649,295
Profit from the financial resources of the deposit guarantee fund	180,828,516	238,040,968
Profit from the financial resources of the bank resolution fund	50,010,277	79,608,327
Undistributed profit	**230,838,793**	**317,649,295**

(RON)	31 December 2021	31 December 2022
Result of current activity – profit, of which:	230,838,793	317,649,295
Profit distribution to the deposit guarantee fund	179,020,231	110,660,558
Profit distribution to the bank resolution fund	49,510,174	78,812,244
Profit distribution to the employees' profit-sharing fund	2,308,388	3,176,493
Profit distribution to the reserve fund	-	125,000,000

18. Risk management

Financial and operational risks are the main 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 shifts in market interest rates, which have an impact on its financial position and cash flows. As an outcome of such moves, interest rates may either increase or fall, and may generate losses if unexpected changes occur. The Fund's management periodically monitors exposure to swings in interest rates.

Here below are the interest rates the Fund obtained on RON-denominated invested assets and on the balance of its accounts as at 31 December 2022:

(RON)	2021		2022	
	min	max	min	max
Claims over credit institutions	1.95%	1.95%	7.20%	9.75%
Public instruments, bonds and other fixed income securities	1.88%	4.82%	2.00%	10.10%

Hereunder are the interest rates the Fund obtained on EUR-denominated invested assets and on the balance of its accounts as at 31 December 2022:

(RON)	2021		2022	
	min	max	min	max
Claims over credit institutions	-	-	-	-
Public instruments, bonds and other fixed income securities	0.45%	2.48%	0.46%	4.41%

b) Market risk

Romania is still a developing economy and there is a rather high level of uncertainty about the path domestic economic policies are likely to follow. The Fund's management cannot foresee either the changes to occur in Romania or the impact 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 backdrop of swinging exchange rates of widely traded currencies (EUR, USD, CHF, GBP). In consequence, the risk of a decrease in the value of its RON-denominated net monetary assets is low.

(RON)

Items 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
Expenses recorded in advance and accrued income	13,647,391	-	-	-	-	13,647,391
Liquidity 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 bank 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)

Items as at 31 December 2021	RON	USD	EUR	GBP	Other currencies	Total
Cash	3,387	2,841	1,142	-	-	7,370
Current accounts at banks	1,929,622	561	201,675	154	199	2,132,211
Claims over credit institutions	33,026,640	-	-	-	-	33,026,640
Public instruments, bonds and other fixed income securities	8,748,993,720	-	151,800,039	-	-	8,900,793,759
Other assets	680,131	-	-	-	-	680,131
Expenses recorded in advance and accrued income	570,518	-	-	-	-	570,518
Liquidity risk-free assets	1,430,703	-	-	-	-	1,430,703
Total assets	**8,786,634,721**	**3,402**	**152,002,856**	**154**	**199**	**8,938,641,332**
Other liabilities	1,504,277	-	-	-	-	1,504,277
The bank deposit guarantee fund	6,658,917,535	-	641,794	-	-	6,659,559,329
The bank resolution fund	2,046,739,433	-	-	-	-	2,046,739,433
Total liabilities	**8,707,161,245**	**-**	**641,794**	**-**	**-**	**8,707,803,039**
Liquidity surplus (needs)	**79,473,476**	**3,402**	**151,361,062**	**154**	**199**	**230,838,293**

d) Liquidity risk

A main cause of liquidity risk is the mismatch between the maturities of the Fund's assets and its liabilities.

To the extent possible, the Fund's strategy seeks to maintain a sufficiently high liquidity level so that it may meet liabilities as they come due, without incurring losses.

(RON)

Items as at 31 December 2022	Up tp 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	-	-	-	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
Expenses recorded in advance 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 bank 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)	**-8,421,624,241**	**3,514,582,282**	**5,173,090,357**	**49,588,705**	**2,038,960**	**317,649,295**

(RON)

Items as at 31 December 2021	Up tp 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Over 5 years	Maturity undefined	Total
Cash	7,370	-	-	-	-	7,370
Current accounts at banks	2,132,211	-	-	-	-	2,132,211
Claims over credit institutions	33,026,640	-	-	-	-	33,026,640
Public instruments, bonds and other fixed income securities	771,420,811	2,471,862,185	5,568,983,014	88,527,749	-	8,900,793,759
Other assets	10,547	-	-	-	669,584	680,131
Expenses recorded in advance and accrued income	511,688	58,830	-	-	-	570,518
Liquidity risk-free assets	-	-	-	-	1,430,703	1,430,703
Total assets	**807,109,266**	**2,471,921,015**	**5,568,983,014**	**88,527,749**	**2,100,287**	**8,938,641,332**
Other liabilities	1,503,777	-	-	-	-	1,503,777
The bank deposit guarantee fund	6,659,559,329	-	-	-	-	6,659,559,329
The bank resolution fund	2,046,739,433	-	-	-	-	2,046,739,433
Total liabilities	8,707,802,539	**-**	**-**	**-**	**-**	8,707,802,539
Liquidity surplus (needs)	**-7,900,693,273**	**2,471,921,015**	**5,568,983,014**	**88,527,749**	**2,100,287**	**230,838,793**

e) Credit risk

Throughout 2022, the Fund gave particular attention to the effectiveness of investments of its available financial resources in conditions of higher liquidity and lower risk and in compliance with its 2022 exposure strategy which the Board of Directors of the National Bank of Romania had approved.

Securities – classification by maturities

(RON)	31 December 2021	31 December 2022
Long-term securities, of which:	**88,527,749**	**49,588,705**
• Bonds and other fixed income securities	-	-
• Public instruments and similar assets	88,527,749	49,588,705
Medium-term securities, of which:	**5,568,983,014**	**5,172,682,435**
• Bonds and other fixed income securities	2,358,272,168	2,430,717,428
• Public instruments and similar assets	3,210,710,846	2,741,965,007
Short-term securities, of which:	**3,251,752,810**	**4,081,879,756**
• Bonds and other fixed income securities	1,362,802,559	1,566,483,320
• Public instruments and similar assets	1,888,950,252	2,515,396,436
Total gross amount	**8,909,263,574**	**9,304,150,896**
Adjustments for the depreciation of public instruments and similar assets	8,469,814	3,647,239
Total net amount	**8,900,793,759**	**9,300,503,657**

Bank deposits

As at 31 December 2021	Total
Total bank deposits	33,026,640
Current accounts	2,132,211
Total bank deposits and current accounts	**35,158,851**

As at 31 December 2022	Total
Total bank deposits	601,900,000
Current accounts	3,320,777
Total bank deposits and current accounts	**605,220,777**

ANNEXES

ABBREVIATIONS

ARB	Romanian Banking Association
BCI	Bridge credit institution
BIRD	The International Bank for Reconstruction and Development
BRRD	Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms
CMDI	Crisis Management and Deposit Insurance Framework
CNSM	The National Committee for Macroprudential Supervision
EBA	The European Banking Authority
EDDIES	The Central Exchange Mechanism between Deposit Guarantee Schemes in the European Union
EDIS	The European Deposit Insurance System
EFDI	The European Forum of Deposit Insurers
ESRB	European Systemic Risk Board
FGDB	The Bank Deposit Guarantee Fund
IADI	International Association of Deposit Insurers
ICN	The Interbank Communication Network
MF	Ministry of Finance
MREL	Minimum Requirement for own funds and Eligible Liabilities
NRB	The National Bank of Romania
ROA	Return on Assets
ROE	Return on Equity
SCV	Single Customer View
SREP	Supervisory Review and Evaluation Process
EU	The European Union

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

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*

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 had rendered a decision opening 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 2022

Indicator	31 Dec. 2021*	31 Dec. 2022	Differences	
1	*2*	*3*	*4 = 3 - 2*	*5 = 4 / 2 (%)*
1. Total number of deposit holders, of which:	15,499,682	15,625,251	125,569	*0.8*
• natural persons	14,333,662	14,434,093	100,431	*0.7*
• legal entities	1,166,020	1,191,158	25,138	*2.2*
2. Total number of eligible deposit holders, of which:	15,419,008	15,542,909	123,901	*0.8*
• natural persons	14,285,372	14,385,192	99,820	*0.7*
• legal entities	1,133,636	1,157,717	24,081	*2.1*
3. Total number holders of eligible deposits within the guarantee ceiling, of which:	15,322,948	15,438,365	115,417	*0.8*
• natural persons	14,230,801	14,320,790	89,989	*0.6*
• legal entities	1,092,147	1,117,575	25,428	*2.3*
4. Total deposits (million lei), of which:	485,326.6	535,992.0	50,665.4	*10.4*
• in lei	303,838.9	333,224.0	29,385.1	*9.7*
• in foreign currencies (in the leu equivalent)	181,487.7	202,768.0	21,280.3	*11.7*
• natural persons' deposits	242,992.6	258,827.7	15,835.1	*6.5*
• legal entities' deposits	242,334.0	277,164.3	34,830.3	*14.4*
5. Total eligible deposits (million lei), of which:	420,495.8	451,936.6	31,440.8	*7.5*
% of total deposits	*86.6*	*84.3*	*-2.3 p.p.*	
• in lei	264,027.9	286,894.3	22,866.4	*8.7*
• in foreign currencies (in the leu equivalent)	156,467.9	165,042.3	8,574.4	*5.5*

Indicator	31 Dec. 2021*	31 Dec. 2022	Differences	
1	*2*	*3*	*4 = 3 - 2*	*5 = 4 / 2 (%)*
6. Natural persons' eligible deposits (million lei), of which:	242,615.3	258,456.5	15,841.2	*6.5*
% of total eligible deposits	*57.7*	*57.2*	*-0.5 p.p.*	
• in lei	133,060.6	143,885.9	10,825.3	*8.1*
• in foreign currencies (in the leu equivalent)	109,554.7	114,570.6	5,015.9	*4.6*
7. Legal entities' eligible deposits (million lei), of which:	177,880.6	193,480.1	15,599.5	*8.8*
% of total eligible deposits	*42.3*	*42.8*	*0.5 p.p.*	
• in lei	130,967.3	143,008.4	12,041.1	*9.2*
• in foreign currencies (in the leu equivalent)	46,913.3	50,471.7	3,558.4	*7.6*
8. Total covered deposits (million lei), of which:	263,468.8	270,299.2	6,830.4	*2.6*
% of total eligible deposits	*62.7*	*59.8*	*-2.9 p.p.*	
9. Natural persons' covered deposits (million lei), of which:	210,785.3	218,618.3	7,833	*3.7*
% of total covered deposits	*80.0*	*80.9*	*0.9 p.p.*	
10. Legal entities' covered deposits (million lei), of which:	52,683.6	51,680.9	-1,002.7	*-1.9*
% of total covered deposits	*20.0*	*19.1*	*-0.9 p.p.*	

* Final data which were updated after the basis for calculation of the 2022 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 2022

- 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 de Export Import a României EXIMBANK S.A.[120]
- 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.
- First Bank S.A.
- Garanti Bank S.A.
- Idea 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.
- Techventures Bank S.A.
- UniCredit Bank S.A.
- Vista Bank (România) S.A.[121]

[120] On 31 December 2022, this credit institution merged by absorption with Banca Românească S.A. (absorbed bank).
[121] On 1 October 2022, Crédit Agricole Bank România S.A. (absorbed bank).