

“To dose well our optimism, even in front of decreasing inflation and interest rates” - Dana Dima, BCR Vice-President

Bucharest, May 8. The lessons of the financial and economic crises that Romanians have gone through over the last 15 years are valuable sources of information for the future financial decisions. The cyclicity of these crises is the key argument for making the right decisions, even during economically optimistic times. These are some of the conclusions drawn by the representatives of the banking system interviewed by journalists in the financial education project initiated by **Alternative Banking Dispute Resolution Centre (ABDRC)**.

In the proximity of a way and in difficult financial and social times, financial education can steer the path a people towards either poverty or prosperity. Building on this assumption, the ABDRC (Alternative Banking Dispute Resolution Centre) has taken steps to provide information to the consumers of financial information about their relation with banks and their own finances. During the 12 meetings hosted by ABDRC, economic journalists of repute talk to presidents or vice-presidents of commercial bank, the Legal Director of the National Bank of Romania and the management of the Romanian Association of Banks, university professors, and well-known lawyers.

These interviews are captured in 12 financial education podcasts addressing current topics for the economy of Romania. The quotes and video links below contain pieces of the podcasts with representatives of BCR, ARB and ING Bank, as well as of the interview with Professor Radu Rizoiu, honorary conciliator with ABDRC.



Dana Dima, Vice-President of Banca Comercială Română, talking to Adrian Negrescu, financial consultant:



| ABDRC PODCAST | https://youtube.com/shorts/jFGi3_DcKGo

“The drop in inflation expected in the second half of this year would have a positive impact of bank customers, particularly those who took floating-rate loans in the past. Despite the signs that the steep rise in the inflation and interest rates came to an end, we must remain careful and balanced. Optimism must be dosed well! Because the drop in the inflation rate increases appetite for new loans. The important thing is to make the wisest decision for our and our family's finances, including during times when we are optimistic and confident.

We have already started building a preventive model 10 years ago. Over the past years, we have promoted loans in RON and fixed interest rate, and the results could be seen during this period of very large fluctuations. Many of our customers have been protected by fixed interest rates and the stability of the national currency. More than 85% of the real estate loan production - the standard product of Banca Comercială Română - has fixed interest rates, whereas consumer loans are granted 100% also with fixed interest rates. A while ago, we had difficulties in explaining why a fixed interest rate could be a support, particularly in times of volatility, but today we can talk about a healthy portfolio.”



Florin Dănescu, Executive President of the Romanian Association of Banks, talking to Denis Ciularu, radio and TV producer:



| ABDRC PODCAST | <https://youtube.com/shorts/3Ot9g3dHaCw>

"Having a good fixed interest rate in times of turbulence and high inflation is luck is not something that last forever. When I bought my first apartment, with a 15% fixed interest rate for newlyweds, the interest rate was 160%, and we still managed to pay it off in two years, from two salaries that were not at all high. Back then, the bank lost the difference between the inflation rate and my interest rate, but is unlikely that this scenario would ever repeat. Banks must take safety measures because they are responsible both for the deposits of the population and companies, and to other industries. Now, there are tools that can correct a relatively wrong initial decision. If you take a loan with a variable interest rate now and find out the hard way that it might not have been the best choice, there are refinancing alternatives or you can look for a product with a fixed interest rate. In a nutshell, you can switch, talk with the bank, and negotiate via ABDRC. There are many solutions to problems, and you don't have to remain stuck in a 20-year loan."



Nicolae Andreica, Retail Director of ING Bank, talking to Cătălin Bălan, ABDRC Communication Specialist and former journalist.



| ABDRC PODCAST | https://youtube.com/shorts/uQY_JKcmyTs

"Beyond from the customers' decision on the lending costs and the best time to take this step, there is also the responsibility of the banks. We, the banks, have to offer our customers simple products. Simple to understand, simple to use, with no fine print or hidden terms. Then, we have to help our customers use those products in the right context for their needs, as long as they are convinced that it is what they need when they access it. I use an anecdote as an example: last year, I was in an agency dealing with a customer somehow intrigued that the bank had not extended her a loan to buy her child the newest and most expensive phone model then on the market. Love is not about buying something things which you can't afford and need to borrow money for. And when even the bank tells you this, there is no point in trying to get into even more debt."



Prof. Radu Rizoiu PhD, honorary conciliator with ABDRC, talking to Vasile Coman, founder of Bancherul.ro:



| ABDRC PODCAST | https://youtube.com/shorts/_qJ5qtK1l7k

"Today, the banking system is better prepared should a new financial crisis break. ABDRC can act as a shock dumper in case of a potential crisis, because it put in place a framework for the consumer and the bank to sit down at the same table and look for solutions to their contractual problems, together. And the banking system is more stable, too. Should a bank become subject to recovery procedures, an entire floor of the NBR is ready to step in. There are people who have been preparing for years for potential financial crises, as requested by the European Union."

The cyclicality of economic crises cannot be avoided. Communism couldn't do it either, although the planning had never looked elsewhere than up. The only thing we can do is contain the amplitude. The truth is that the 2008 financial crisis found the banks unprepared. That is precisely why we have been working on a piece of regulation that would require the banks to think way in advance about the bad years and set aside resources to manage a potential crisis situation. It remains to be seen whether the legislative safeguards imposed on banks will cope or not."



Alexandru Păunescu, representative of the National Bank of Romania in ABDRC: *"We see know that the increase in floating interest rates started last year stopped, and that the rate inflation has tamed. However, we will continue to see high interest rates, at least this year. When the inflation rated went above 16 percent, a record-high over the last 20 years, the National Bank of Romania was forced to increase the monetary policy rate from a historically low of 1.25% during the pandemic, up to 7%. Unfortunately, the economic and financial turmoil is felt by consumers. Those with floating interest loans have endured significant increases in their monthly instalments. But the consumers who took fixed-rate loans before the start of the war in Ukraine are best protected, and enjoy at least 5 years of predictable lending costs. Consumers and banks have reacted well to this complicated financial and banking market setting we've*

unfortunately been witnessing for more than one year now. Many consumers have switched from ROBOR to IRCC and thus managed to shelter themselves against important increases in their monthly instalments, but only for a few months. Others, switched to fixed interests rates amid the increase in the floating rates. Whatever savings had been made before the pandemic, were used to early repay loans. Last but not least, more than 3,500 consumers have approached ABDRC since March 2022 in an attempt to negotiate amendments to their contracts with banks and ease the repayment burden. This dialogue framework provided by ABDRC is an important resource that consumers and banks have been able to rely on throughout these disturbing times. In 2022 and 2023 alone, there have been almost 900 negotiations between consumers and banks, and in more than 90% of them, a solution was found and embraced by both parties."

About ABDRC: ABDRC is an entity set up under an European Directive, and intermediates, free of charge and in not more than three months, negotiations between consumers and banks or NBFIs, for contracts/agreements in progress. Consumers from any county of the country may file applications with the Alternative Banking Dispute Resolution Centre (ABDRC) filling-in an online form directly on the website www.csalb.ro. Once the bank accepts to enter the conciliation/negotiation procedure, a conciliator is appointed. ABDRC works with 17 conciliators, of the best specialists in law and with relevant experience also in the financial and banking field. Everything is settled amicably, and the understanding between the parties has the power of court judgment. More information about the work of the Centre is available by phone at 021 9414 (charged a normal rate).