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IMPORTANT

You must read the following before continuing. The following applies to the Information Memorandum following this page, and you are therefore required to read this carefully before reading, accessing or making any other use of the Information Memorandum. In accessing the Information Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT TO QIBs PURSUANT TO RULE 144A.

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You are reminded that this Information Memorandum has been delivered to you on the basis that you are a person into whose possession this Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Information Memorandum to any other person.

Any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

This document is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

This Information Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers or Dealers named herein, any person who controls any such persons, or any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Information Memorandum distributed to you in electronic format and the hard copy version.

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INFORMATION MEMORANDUM



ROMANIA
ACTING THROUGH THE MINISTRY OF FINANCE

EUR 46,000,000,000
Global Medium Term Note Programme

Under this EUR 46,000,000,000 global medium term note programme ("**Programme**") described in this information memorandum ("**Information Memorandum**"), Romania acting through the Ministry of Finance ("**Romania**" or "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes ("**Notes**") on the terms set out herein, as supplemented by a Final Terms or Drawdown Information Memorandum (each as defined herein). The aggregate principal amount of Notes outstanding will not at the time of issuance exceed EUR 46,000,000,000 (or the equivalent in other currencies).

This Information Memorandum does not comprise a prospectus for the purpose of the Prospectus Regulation (as defined herein). Accordingly, this document has not been and will not be submitted for approval to any competent authority within the meaning of the Prospectus Regulation and in particular the *Luxembourg Commission de Surveillance du Secteur Financier* ("**CSSF**"), in its capacity as competent authority for the purposes of the Prospectus Regulation.

Applications may be made for Notes to be admitted to listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. The relevant Final Terms in respect of any issue of any Notes will specify whether or not such Notes will be admitted to listing and/or trading on any other market and/or stock exchange.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended ("**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States (the "**U.S.**"), and Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person except in certain transactions permitted by U.S. tax regulations. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States except in certain transactions exempt from the registration requirements of the Securities Act. The Notes may be offered and sold (A) outside the United States in reliance on Regulation S and (B) within the United States to persons who are "qualified institutional buyers" ("**QIBs**") in reliance on Rule 144A under the Securities Act ("**Rule 144A**"). Prospective purchasers who are QIBs are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Information Memorandum, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Arrangers

ERSTE GROUP BANK AG

SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING

Dealers

BARCLAYS

BNP PARIBAS

CITIGROUP

DAIWA CAPITAL MARKETS EUROPE

DEUTSCHE BANK

ERSTE GROUP BANK AG

GOLDMAN SACHS INTERNATIONAL

HSBC

IMI – INTESA SANPAOLO

ING

J.P. MORGAN

MIZUHO SECURITIES

NATIXIS

NOMURA

RAIFFEISEN BANK INTERNATIONAL AG

SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING

UNICREDIT

6 April 2021

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IMPORTANT NOTICES

This Information Memorandum contains information provided by the Issuer in connection with the Programme and the Notes to be issued under the Programme. The Issuer accepts sole responsibility for the information contained in this Information Memorandum and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Information Memorandum does not constitute a prospectus within the meaning of the Prospectus Regulation (as defined below) nor an alleviated prospectus pursuant to Part III of the Luxembourg law of 16 July 2019 on prospectuses for securities (the "**Luxembourg Prospectus Law**"). Accordingly, this Information Memorandum does not purport to meet the format and the disclosure requirements of the Prospectus Regulation and it has not been and will not be, submitted for approval to any competent authority within the meaning of the Prospectus Regulation and in particular the CSSF, in its capacity as competent authority under the Luxembourg Prospectus Law.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" ("**Conditions**") as amended and/or supplemented by a document specific to such Tranche called final terms ("**Final Terms**") or in a separate information memorandum specific to such Tranche ("**Drawdown Information Memorandum**") as described under "*Final Terms and Drawdown Information Memorandum*". In the case of a Tranche of Notes which is the subject of a Drawdown Information Memorandum, each reference in this Information Memorandum to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such 'information being specified or identified in the relevant Drawdown Information Memorandum unless the context requires otherwise. This Information Memorandum must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" that this Information Memorandum contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Information Memorandum does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Information Memorandum and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Information Memorandum or any responsibility for any acts or omissions of the Issuer or any other person (other than the relevant Dealer) in connection with the issue and offering of the Notes. Neither the delivery of this Information Memorandum or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Information Memorandum is true subsequent to the date hereof or the

date upon which this Information Memorandum has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Information Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Information Memorandum and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Information Memorandum or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

In particular, the Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person except in certain transactions permitted by U.S. tax regulations. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes may be offered and sold (A) outside the United States in reliance on Regulation S and (B) within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION ("SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS INFORMATION MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Distributors should

take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

NOTIFICATION UNDER SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA") AND THE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018 OF SINGAPORE (THE "CMP REGULATIONS 2018") – In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notify all persons (including all relevant persons (as defined in Section 309A(1) of the SFA)), that all Notes issued or to be issued under the Programme are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Neither this Information Memorandum nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Information Memorandum or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Information Memorandum or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer, including consultation with its such tax, legal and financial advisors as it deems necessary.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR 46,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In this Information Memorandum, unless otherwise specified, references to the "**Government**" are to the government of the Republic of Romania, references to the "**EEA**" are to the European Economic Area, references to a "**Member State**" are references to a Member State of the EEA, references to "**$**", "**U.S.$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**RON**" and "**Leu**" are to Romanian New Leu, references to "**EUR**" or "**euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended, and references to the "**Prospectus Regulation**" mean Regulation (EU) 2017/1129.

As of the date of this Information Memorandum, the Programme has been rated "Baa3" by Moody's Deutschland GmbH ("**Moody's**"), "BBB-" for unsecured Notes with a maturity of one year or more and "A-3" for unsecured Notes with a maturity of less than one year by Standard & Poor's Global Ratings Europe Limited ("**S&P**") and "BBB-" by Fitch Ratings Limited ("**Fitch**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above, which are assigned to the Programme and not to the Notes issued under the Programme, or the rating(s) assigned to the Programme or to Notes already issued. There is no assurance that the Notes under the Programme will be assigned a rating, or that the rating assigned to a specific issue under the Programme will be the same as the rating assigned to the Programme. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the over-allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Romania is a foreign sovereign nation, and a substantial portion of the assets of Romania are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon Romania, or to enforce in the United States, court judgments obtained in courts located in the United States, against Romania. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, liabilities predicated upon U.S. securities laws.

Furthermore, the United States and Romania currently do not have bilateral or other treaties between them providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. A final and conclusive judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. securities laws, would not automatically be recognised or enforceable in Romania.

The procedure for the recognition and enforcement in Romania of a judgment rendered by a court in a jurisdiction outside Romania in commercial and civil matters depends on whether that jurisdiction is from (i) a state which is a member of the European Union ("**EU**"), (ii) a state which is a party to a bilateral or multilateral international convention by which Romania is bound, which waives the application of the Romanian Civil Procedure Code provisions on the recognition and enforcement of foreign judgments (including the 2007 Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("**Lugano Convention**") and the Convention of 30 June 2005 or Choice of Court Agreements (the "**Hague Choice of Court Convention**")) or (iii) a non-EU Member State which is not a party to any bilateral or multilateral international convention mentioned under paragraph (ii) above.

A judgment of a court of law of a non-EU Member State which is not a party to a bilateral or multilateral international convention by which Romania is bound, which waives the application of the Romanian Civil Procedure Code provisions on the recognition and enforcement of foreign judgments, made *in personam* for a certain sum, which is not impeachable as void or voidable under the internal laws of the foreign jurisdiction ("**Non-European Judgment**") would be recognised in Romania provided that the relevant conditions in respect of recognition of foreign judgments set out in the Romanian Civil Procedure Code are met. Among other requirements, such conditions require that: (a) the Non-European Judgment is final ("*hotărâre definitivă*") according to the law of the state where it was made; (b) the court rendering such Non-European Judgment had, according to *lex fori*, jurisdiction to try the relevant litigation, but without relying exclusively on the presence in that jurisdiction of the defendant or of some of its assets which are not directly connected with that litigation; (c) there exists reciprocity regarding the effects of foreign judgments between Romania and the foreign jurisdiction which rendered the Non-European Judgment whose recognition is sought; (d) when given in default of appearance, the party who lost the trial was served in due course with a summons for appearance for the hearing where the court tried the merits of the case and with the document which instituted the proceedings, was given the possibility to defend itself and was given the possibility to challenge the Non-European Judgment; (e) such Non-European Judgment is not manifestly contrary to the Romanian private international public order law (such incompatibility is evidenced by taking into account, in particular, the criterion of strength of the link between the specific case and the Romanian jurisdiction, as well as the gravity of the consequences of such incompatibility); (f) where the Non-European Judgment is rendered in an area of law where persons cannot dispose freely of their rights, the Non-European Judgment was not obtained exclusively for the purpose of withholding the matter from the incidence of the law that would otherwise be applicable pursuant to Romanian conflict of law rules; (g) the claim has not been settled between the same parties through a judgment (even if not final) of the Romanian courts nor was pending before Romanian courts as at the date the foreign court was vested; (h) the Non-European Judgment is not irreconcilable with a prior foreign judgment which may be recognised in Romania; (i) Romanian courts did not have exclusive jurisdiction to try the subject matter of the

Non-European Judgment; (j) the right of defence was not breached; (k) the Non-European Judgment may not be challenged in any other manner in the state where it was rendered; and (l) the application for recognition before Romanian courts is duly made according to the Romanian procedural rules and encloses all the documentation thereby required. Additionally, the recognition of the Non-European Judgment may not be refused solely for the reason that the foreign court rendering the Non-European Judgment applied another law than the law that would have been applicable according to Romanian conflict of law rules, except where the trial concerns the civil status and the capacity of a Romanian citizen and the solution adopted by the court differs from the solution that would have been reached according to the Romanian law.

A Non-European Judgment can be enforced in Romania based on a final decision of a Romanian competent court approving the enforcement, only if: (i) the requirements mentioned above for the recognition in Romania of Non-European Judgments are met; (ii) the Non-European Judgment is enforceable according to the law of the jurisdiction where it was made; (iii) where the Non-European Judgment establishes an obligation arising from a foreign fiscal law, there exists reciprocity regarding the effects of foreign judgments in the relevant fiscal matter between Romania and the foreign jurisdiction which rendered the Non-European Judgment whose recognition and enforcement is sought; (iv) the application for enforcement before Romanian courts is duly made according to the Romanian procedural rules and encloses all the documentation thereby required; and (v) the right to enforce the final judgment is not restricted by any limitation period.

A judgment of a court of law of a state which is a party to a bilateral or multilateral international convention by which Romania is bound, which waives the application of the relevant Romanian Civil Procedure Code provisions on the recognition and enforcement of foreign judgments (including the Lugano Convention and the Hague Choice of Court Convention) would be recognised and enforced in Romania in accordance with the rules set forth in the relevant convention.

The Hague Choice of Court Convention applies exclusively to judgments of courts which have been rendered based on an exclusive jurisdiction clause. Where the parties did not include an exclusive jurisdiction clause, the rules set out in the Romanian Civil Procedure Code shall apply.

Under the Hague Choice of Court Convention, a final and conclusive judgment rendered in a state which is a contracting party to the Hague Choice of Court Convention, other than Romania, would be enforced in Romania provided that the conditions for enforcement are met, as follows: (i) it is enforceable in the state where the Non-European Judgment was made; (ii) the Romanian competent court is provided with a complete and certified copy of the judgment and if the judgement was given by default, the original or a certified copy of a document establishing that the document which instituted the proceedings or an equivalent document was notified to the defaulting party, and any documents necessary to establish that the judgment has effect or, where applicable, is enforceable in the state of origin; (iii) the Romanian competent enforcement authority is provided with the exclusive choice of court agreement, a certified copy thereof, or other evidence of its existence.

Under the Hague Choice of Court Convention, recognition or enforcement of the judgments rendered in a contracting state may be refused only if: (a) the agreement which included the exclusive choice of jurisdiction was null and void under the law of the state of the chosen court, unless the chosen court has determined that the agreement is valid; (b) one of the parties lacked the capacity to conclude the agreement which included the exclusive choice of jurisdiction under the law of the requested state; (c) the document which instituted the proceedings or an equivalent document, including the essential elements of the claim, (i) was not notified to the defendant in sufficient time and in such a way as to enable him to arrange for his defence, unless the defendant entered an appearance and presented his case without contesting notification in the court of origin, provided that the law of the state of origin permitted notification to be contested; or (ii) was notified to the defendant in the requested state in a manner that is incompatible with fundamental principles of the requested state concerning service of documents; (d) the judgement was obtained by fraud in connection with a matter of procedure; (e) recognition or enforcement would be manifestly incompatible with the public policy of the

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requested state, including situations where the specific procedures leading to the judgement were incompatible with fundamental principles of procedural fairness of that state; (f) the judgment is inconsistent with a judgement given in the requested state in a dispute between the same parties; (g) the judgement is inconsistent with an earlier judgement given in another state between the same parties on the same cause of action, provided that the earlier judgement fulfils the conditions necessary for its recognition in the requested state; (h) the judgment awards damages, including exemplary or punitive damages, that do not compensate a party for the actual loss or harm suffered.

The procedure for recognition, declaration of enforceability or registration for enforcement, and the enforcement of the judgement will be governed by the Romanian Civil Procedure Code. Recognition or enforcement may be postponed or refused if the judgment made in a contracting state is the subject of review in the state of origin or if the time limit for seeking ordinary review has not expired. A refusal does not prevent a subsequent application for recognition or enforcement of the judgment. Romanian courts may refuse the recognition or enforcement of a judgment made in a contracting state if, and to the extent that, the judgment was based on a ruling on a matter excluded from the scope of the Hague Convention under Article 2, paragraph 2 of the Hague Convention (including without limitation matters relating to consumers, employment, the status and legal capacity of natural persons, family law matters, maintenance obligations, insolvency, composition and analogous matters, anti-trust (competition) matters, claims for personal injury brought by or on behalf of natural persons, tort or delict claims for damage to tangible property that do not arise from a contractual relationship, rights in rem in immovable property, tenancies of immovable property, the validity, nullity, or dissolution of legal persons, the validity of decisions of corporate bodies, the validity or infringement of certain intellectual property rights and the validity of entries in public registers).

Interim measures of protection are not governed by the Hague Choice of Court Convention. Judgements rendered in connection with preliminary matters are not recognized or enforced under the Hague Choice of Court Convention.

Non-European Judgments stipulating for protective measures and those for which only a temporary enforcement is available ("*hotarari date cu executare provizorie*") cannot be enforced in Romania.

A final and conclusive judgment *in personam* rendered in an EU Member State other than Romania (a "**European Judgment**") would be recognised and enforced in Romania provided that the relevant conditions set forth in Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) ("**Regulation 1215/2012**") are met. Under Regulation 1215/2012, European Judgments may be recognised in Romania only if: (a) such recognition is not manifestly contrary to public order in Romania; (b) where it was given in default of appearance, if (i) the defendant was served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable him to arrange for his defence and failing that, if (ii) the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so; (c) it is not irreconcilable with a judgment given in a dispute between the same parties in Romania; (d) it is not irreconcilable with an earlier judgment given in a EU Member State or in a third state involving the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions necessary for its recognition in Romania; and (e) the European Judgment does not conflict with the provisions of the Regulation 1215/2012 dealing with jurisdiction in matters relating to insurance, jurisdiction over customer contracts, individual contracts of employment and exclusive jurisdiction, as applicable.

A European Judgment can be enforced in Romania only if: (i) it is enforceable in the state where the European Judgment was made; (ii) the Romanian competent enforcement authority is provided with a copy of the European Judgment which satisfies the conditions necessary to establish its authenticity; (iii) the Romanian competent enforcement authority is provided with an original certificate issued by the relevant state's court or

other competent authority substantially in the form set out in Annex I of the Regulation 1215/2012 and none of the conditions above preventing the recognition of a European Judgment is applicable; (iv) where the European Judgment orders a periodic payment by way of penalty, (including but not limited to, default interest), the amount of the payment has been finally determined by the court of the state of origin; and (v) the right to enforce the final judgment is not restricted by any limitation period.

In addition to the above, other conditions may be applicable with respect to specific matters under special local or international conventions.

In addition to and independently from the procedure provided by Regulation 1215/2012, Regulation (EC) No 805/2004 of the European Parliament and of the Council ("**Regulation 805/2004**") regulates the creation of a European Enforcement Order for uncontested claims (within the meaning of Regulation 805/2004) in civil and commercial matters. A European Judgment that has been certified as a European Enforcement Order in the EU Member State of origin (provided that the conditions set forth under Regulation 805/2004 for such certification have been met) shall be recognised and enforced in Romania without the need for a declaration of enforceability and without any possibility of opposing its recognition. The European Enforcement Order certificate shall take effect only within the limits of the enforceability of the judgment. The enforcement procedures shall be governed by Romanian law. A judgment certified as a European Enforcement Order shall be enforced in Romania subject to the same conditions as those applicable to a judgment rendered in Romania. Enforcement shall, upon application by the debtor, be refused by the competent Romanian enforcement authority if the judgment certified as a European Enforcement Order is irreconcilable with an earlier judgment given in any EU Member State or in a third country, provided that: (i) the earlier judgment involved the same cause of action and was between the same parties; and (ii) the earlier judgment was given in Romania or fulfils the conditions necessary for its recognition in Romania; and (iii) the irreconcilability was not and could not have been raised as an objection in the court proceedings in the EU Member State of origin.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Information Memorandum, as well as written and oral statements that Romania and its representatives make from time to time in reports, filings, news releases, conferences, teleconferences, web postings or otherwise, are or may be deemed to be forward-looking statements. Statements that are not historical facts, including, without limitation, statements about Romania's beliefs and expectations, are forward-looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. When used in this Information Memorandum, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. Therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date on which they are made and Romania undertakes no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. Romania cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Forward-looking statements include, but are not limited to: (i) plans with respect to the implementation of economic policy, including privatisations, and the pace of economic and legal reforms; (ii) expectations about the behaviour of the economy if certain economic policies are implemented; (iii) the outlook for gross domestic product, inflation, exchange rates, interest rates, foreign investment, trade and fiscal accounts; and (iv) estimates of external debt repayment and debt service.

In addition to the factors described in this Information Memorandum, including those discussed under "*Risk Factors*", the following factors, among others, could cause future results to differ materially from those expressed in any forward-looking statements made herein:

- adverse external factors, such as global or regional economic slowdowns that may affect Romania, higher international interest rates, reduced demand for Romania's exports or increases in oil and gas prices, which could each adversely affect Romania's economy and in particular could negatively affect the current account, balance of payments and international reserves and cause or contribute to recession or low growth in Romania;
- adverse domestic factors, such as recession, declines in foreign direct investment ("**FDI**") and portfolio investment, high domestic inflation, high domestic interest rates, exchange rate volatility, strong variations in yearly agricultural output, a reduction in gas supplies, difficulties in borrowing in the domestic and foreign markets, trade and political disputes between Romania and its trading partners, political uncertainty or lack of political consensus, which could each lead to lower growth in Romania and lower international currency reserves;
- decisions of Romania's official creditors regarding the provision of new debt or rescheduling of the existing debt and decisions of international organisations, such as the International Monetary Fund ("**IMF**") or the EU, regarding the terms of their financial assistance to Romania, and accordingly the net cash flow to or from Romania over the life of the Notes;
- decisions of international financial institutions such as the IMF, the European Bank for Reconstruction and Development ("**EBRD**") and the European Investment Bank ("**EIB**") regarding the funding of new or existing projects over the life of the Notes; and
- political and economic factors in Romania and abroad, which affect the timing and structure of economic reforms in Romania, the climate for FDI, the rate of absorption of the EU funds and the pace, scale and timing of privatisations in Romania.

INFORMATION SOURCES

The statistical information in this Information Memorandum has been derived from a number of different identified sources. All statistical information provided in this Information Memorandum may differ from that produced by other sources for a variety of reasons, including the use of different definitions, methodologies of calculation and cut-off times. The source for most of the financial and demographic statistics for Romania included in this Information Memorandum is data prepared by, and is stated on the authority of, the National Institute of Statistics, a Romanian government agency. The National Institute of Statistics harmonises, to the extent possible, its programmes and methodologies with the statistics of the EU. Certain other financial and statistical information contained herein has been derived from official Romanian government bodies including the Ministry of Finance and from the National Bank of Romania (the "**NBR**"), and is stated on the authority of such bodies.

OVERVIEW

This following is a brief overview only and must be read, in relation to any Series of Notes, in conjunction with the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the Notes set out herein. The following overview does not purport to be complete and is qualified in its entirety by the remainder of this Information Memorandum. Words and expressions defined in "*Terms and Conditions of the Notes*" or elsewhere in this Information Memorandum have the same meanings in this summary.

Issuer:	Romania, acting through the Ministry of Finance.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.
Arrangers:	Erste Group Bank AG and Société Générale.
Dealers:	Barclays Bank Ireland PLC, BNP Paribas, Citigroup Global Markets Europe AG, Daiwa Capital Markets Europe Limited, Deutsche Bank Aktiengesellschaft, Erste Group Bank AG, Goldman Sachs Bank Europe SE, HSBC Continental Europe, ING Bank N.V., Intesa Sanpaolo S.p.A., J.P. Morgan AG, Mizuho Securities Europe GmbH, Natixis, Nomura Financial Products Europe GmbH, Raiffeisen Bank International AG, Société Générale, UniCredit Bank AG and any other Dealer appointed from time to time by the Issuer generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent, Paying Agent, Transfer Agent:	Citibank, N.A., London Branch.
Registrar:	Citigroup Global Markets Europe AG.
Luxembourg Listing Agent:	Société Générale Luxembourg.
Final Terms or Drawdown Information Memorandum:	Notes issued under the Programme may be issued either (1) pursuant to this Information Memorandum and associated Final Terms or (2) pursuant to a Drawdown Information Memorandum. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms or, as the case may be the relevant Drawdown Information Memorandum.
Listing and Trading:	Applications may be made for Notes to be admitted from the date hereof to listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Clearing Systems:	The Depositary Trust Company ("**DTC**"), Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to EUR 46,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Forms of Notes:	Notes may be issued in bearer form or in registered form. Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes. ***Bearer Notes*** Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If TEFRA D is specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-

bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Registered Notes

Each Tranche of Registered Notes will be represented by either:

(i) Individual Note Certificates; or

(ii) one or more Unrestricted Global Note Certificates in the case of Registered Notes sold outside the United States in reliance on Regulation S and/or one or more Restricted Global Note Certificates in the case of Registered Notes sold to QIBs in reliance on Rule 144A,

in each case as specified in the relevant Final Terms.

Each Note represented by an Unrestricted Global Note Certificate will either be: (a) in the case of an Unrestricted Global Note Certificate to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg or (b) in the case of an Unrestricted Global Note Certificate which is not to be held under the New Safekeeping Structure, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, or registered in the name of Cede & Co. as nominee for DTC and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depositary or such other nominee or custodian.

Each Note represented by a Restricted Global Note Certificate will either be:

(a) in the case of a Restricted Global Note Certificate to be held under the New Safekeeping Structure, registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg; or

(b) in the case of a Restricted Global Note Certificate which is not to be held under the New Safekeeping Structure, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, or registered

	in the name of Cede & Co. as nominee for DTC and/or any other relevant clearing system and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the common depositary or such other nominee or custodian.
Currencies:	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes:	The Notes and Coupons relating to them constitute direct, unconditional and unsecured obligations of the Issuer which rank and will at all times rank *pari passu*, without preference among themselves, with all other unsecured Public External Indebtedness (as defined in Condition 5 (*Negative Pledge*)) of the Issuer, from time to time outstanding, *provided, however*, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public External Indebtedness and, in particular, the Issuer shall have no obligation to pay other Public External Indebtedness at the same time or as a condition of paying sums due on the Notes and/or Coupons and vice versa. See "*Terms and Conditions of the Notes – Status*" and "*Risk Factors - Risks Related to Notes Generally – The Issuer is not required to effect payment under the Notes equally or rateably with payment(s) under its other debt obligations and, in particular, is not required to make payment under the Notes at the same time as or as a condition of paying sums due under its other debt obligations and vice versa*".
Issue Price:	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Maturities:	Any maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments

	(as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.
Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
Cross Default:	The Notes will have the benefit of a cross default as described in Condition 13 (*Events of Default*).
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of Romania, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Governing Law:	English law.
Enforcement of Notes in Global Form:	In the case of Global Notes and Global Note Certificates, individual investors' rights against the Issuer will be governed by a deed of covenant dated 6 April 2021 ("**Deed of Covenant**"), a copy of which will be available for inspection during normal business hours at the specified office of the Fiscal Agent upon reasonable request.
Meetings of Noteholders:	The Conditions contain a "collective action" clause which permits defined majorities to bind all Noteholders.

	If the Issuer issues future debt securities which contain collective action clauses in substantially the same form as the collective action clause in the Conditions, the Notes would be capable of aggregation for voting purposes with any such future debt securities, thereby allowing 'cross-series' modifications to the terms and conditions of all affected series of Notes (even, in some circumstances, where majorities in certain Series did not vote in favour of the modifications being voted on). See "*Risk Factors – Risks Related to Notes Generally – The terms and conditions of the Notes contain a "collective action" clause under which the terms of any one series of Notes and/or multiple Series of Notes may be amended, modified or waived without the consent of the holders of all Notes or of all affected Series of Notes*".
Ratings:	The following ratings have been assigned to the Programme: "BBB-" by Fitch; "Baa3" by Moody's; and "BBB-" (for unsecured Notes with a maturity of one year or more) and "A-3" (for unsecured Notes with a maturity of less than one year) by S&P. Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above, which are assigned to the Programme and not to the Notes issued under the Programme, or the rating(s) assigned to the Programme or to Notes already issued. There is no assurance that the Notes under the Programme will be assigned a rating, or that the rating assigned to a specific issue under the Programme will be the same as the rating assigned to the Programme. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Canada the Republic of Italy, Romania, Switzerland and Singapore see "*Subscription and Sale*".
Transfer Restrictions:	There are restrictions on transfers of Notes. See "*Transfer Restrictions*".

RISK FACTORS

The Issuer believes that the following factors may affect or hinder its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prospective investors should read the entire Information Memorandum and reach their own views prior (including in consultation with any tax, legal and financial advisors as it deems necessary) to making any investment decision. Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in this Information Memorandum have the same meanings in this section.

Risks Relating to Romania

Political and economic uncertainty could have an adverse effect on Romania's economy.

Romania has undergone major changes during its recent history. Many political and economic reforms have been implemented, but Romania's economy still has a number of structural weaknesses. These include under-capitalisation of both private and public firms, a large emigration of the working age population, an ageing population coupled with negative population growth, a very uneven distribution of gross domestic product (**"GDP"**) between regions, a significant transport infrastructure gap, historical current account deficits, as well as delayed absorption of EU funds and a lack of certain key reforms.

Political uncertainty (including that Romania has, at the date of this Information Memorandum, appointed its sixth Prime Minister since 2017), economic uncertainty and increasing direct pressure, including in the form of large street protests, as have been witnessed in Romania in recent years, could delay or stop economic and regulatory reforms in Romania and challenge political stability which could have an adverse effect on Romania's economy. See "*Description of Romania –Political System*" for further information in relation to political uncertainty and "*Description of Romania – International Relations*" for further information in relation to geopolitical and security challenges.

The worldwide economic effects of the outbreak of the Coronavirus have adversely affected Romania's economy and may continue to do so.

The outbreak of Coronavirus disease 2019 ("**COVID-19**") is currently having an indeterminable adverse impact on the world economy. The COVID-19 was reportedly first detected in Wuhan, Hubei Province, China, and first reported to the World Health Organization ("**WHO**") country office in China on 31 December 2019. On 30 January 2020, the WHO declared COVID-19 a public health emergency of international concern and on 11 March 2020, declared the outbreak a pandemic. COVID-19 has had numerous worldwide effects on general commercial activity. In Romania, following the discovery of the first case of COVID-19 in the country on 26 February 2020, the government implemented various protective measures, including declaring a state of emergency with effect from 16 March 2020, decreeing a national curfew and closing schools, restaurants, hotels and non-essential retail businesses. Domestic and international travel restrictions, including the closure of certain border points with Hungary, Ukraine, Moldova, and Serbia, the suspension of international passenger flights and a prohibition, with certain exemptions, on entry for non-Romanian citizens from 22 March 2020

were also imposed. In addition, all cultural, scientific, artistic, religious, entertainment, gambling and sports events were suspended.

The state of emergency was terminated at midnight on 14 May 2020, with Romania entering a "state of alert" on 15 May 2020 which continues to date. During the state of alert, Romania imposed certain restrictions relating to COVID-19, including, the imposition of night-time curfews, the prohibition of public rallies, demonstrations, processions, concerts or other types of gathering in open spaces, limiting the daily opening hours of shops and the compulsory usage of face masks in public spaces, for a period of 30 days and subject to renewal. The restrictions vary depending on the number of cases registered. Certain measures can be relaxed subject to the number of registered cases being below a certain threshold which differs depending on the relaxation measure envisaged (i.e. re-opening of schools, re-opening of indoor facilities etc.).

At this time, given the uncertainty around the lasting effect of COVID-19, the financial impact on Romania's economy cannot be fully determined. In the winter forecast for the draft budget 2021, real GDP in 2020 decreased by 4.4 per cent. Public debt according to EU methodology at the end of 2020, based on preliminary data, was 47.3 per cent. of GDP. Unemployment is also projected to have risen by 5.0 per cent. by 31 December 2020 as compared to December 2019, due to an increase in the number of "technically unemployed" individuals, who are employees of companies that (i) discontinue their activities in whole or in part during the state of emergency or (ii) reduce their activity as a result of the effects of the COVID-19 pandemic and do not have the financial capacity to pay all the wages of their employees. Technically unemployed individuals can collect up to 75 per cent. of the gross average wage in the economy, as stipulated by the law of the state social insurance budget for the year 2020 (No. 6/2020). These payments will be supported by the state from the unemployment insurance budget.

In monetary and fiscal terms, systemic risks include the worsening of domestic macroeconomic indicators, an increase in financing costs and the budgetary deficit, as well as a rise in global economic and political uncertainty and a marked deterioration of investors' sentiment towards emerging economies. Further risks are also posed by the uncertain and unpredictable legislative framework in the financial sector, the heightened default risk for loans to the private sector and the access to finance for the real economy.

As previously expected, foreign trade contracted due to supply chain disruptions and decreases in demand, along with a broad-based worsening in confidence, in Europe and elsewhere. Both exports and imports decreased, and several services suffered significant contractions, due to a reduction of demand and transportation issues. According to the latest balance of payments data, the current account deficit increased to 5.2 per cent. of GDP in 2020, above the 4 per cent. threshold set by the European Commission's scoreboard indicator monitoring the external imbalance in EU Member States, from a multiannual perspective.

On 21 December 2020, the European Medicines Agency approved the BioNTech-Pfizer COVID-19 vaccine (the "**Pfizer vaccine**") for use in the European Union. Romania received its first 10,000 doses of the Pfizer vaccine on 26 December 2020 and began its vaccination campaign on 27 December 2020. Between 27 December 2020 and 18 March 2021, 2,376,330 people were vaccinated, (1,946,853 doses of which were from Pfizer, 169,952 from Moderna and 259,525 from AstraZeneca) and 761,753 people in Romania had received both first and second doses, equal to a vaccination rate of 3.92 per cent. of Romania's total active population. Romania has contracted approximately 10 million doses of the Pfizer vaccine, and expects to receive approximately 140,000 doses each week. Although Romania planned to vaccinate up to 10.4 million people within the first nine months of 2021, there is no guarantee that its vaccination campaign will be successful or that restrictions relating to COVID-19 can be removed in the near or medium term. In addition, there is no guarantee that Romania can ensure the continued supply of the number of vaccine doses required to meet its vaccination targets within the stated time period or at all. If the spread of COVID-19 is prolonged or if Romania's or the European Union's vaccination campaign is delayed or ineffective in combating the spread of COVID-19 in the medium to long term, it could adversely affect the economies and financial markets of

Romania and of many other countries, resulting in an economic downturn that could, among other effects, reduce international trade flows and global output. The occurrence of these events could have an adverse effect on Romania's economy.

An investment in an emerging market, such as Romania, is subject to greater risks than an investment in a more developed country

An investment in a country such as Romania, which joined the EU in 2007, but which is still an emerging market, is subject to greater risks than an investment in a country with a more developed economy and more developed political and legal systems. Although progress has been made in reforming Romania's economy and political and legal systems, the development of Romania's legal infrastructure and regulatory framework is still ongoing. As a consequence, an investment in Romania carries risks that are not typically associated with investing in more mature markets. Accordingly, investors must decide for themselves whether, in light of those risks, an investment in Romania is appropriate. Generally, investments in emerging markets, such as Romania, are only suitable for sophisticated investors who can fully appreciate the significance and consequences of the risks involved. Romania is currently rated BBB- by S&P, Baa3 by Moody's and BBB- by Fitch with a "Negative" outlook from Moody's, Fitch and S&P.

In addition, international investors' reactions to events occurring in one country sometimes demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors. Therefore, investment in Romania's sovereign securities, as in any other comparable economy, could be adversely affected by negative economic or financial developments in other countries. Disruptions in the international capital markets, especially in relation to sovereign and as experienced more recently, emerging markets debt, could lead to reduced global liquidity. Further, such disruptions could result in higher credit risk premiums for certain market participants, including Romania, which may lead to a reduction of available financing. While Romania has put certain measures in place to offset such contagion risks, there can be no assurance that they will be sufficient to mitigate all future risks.

Romania is exposed to risks relating to macroeconomic events, particularly those affecting Europe and the European Union

Romania experienced some contraction in its economy and other adverse economic and financial effects as a result of the global financial crisis, including a correction in the real estate sector and limited access to international capital markets, followed by a moderate resumption of growth starting in 2011-2012 which has accelerated over the past several years. The impact of COVID-19 on the global, European and Romanian economy and the resultant financial impact, including the contraction in global GDP for 2020, has also caused contraction in the Romania economy and other adverse economic and financial effects.

Market and economic disruptions stemming from the sovereign debt crisis in Europe have affected, and may continue to affect, the inflow of capital for the purposes of investment; consumer confidence levels and spending; bankruptcy rates; levels of incurrence of and default on consumer debt; and home prices, among other factors. There can be no assurance that market disruptions in Europe, including the increased cost of funding for certain government institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets in Europe or elsewhere. The possible exit from the Eurozone of one or more European states and/or the replacement of the euro by one or more successor currencies could cause significant market dislocations and lead to adverse economic and operational impacts that are inherently difficult to predict or evaluate, and otherwise may have potentially materially adverse impacts on Romania and its economy.

Economic and financial difficulties affecting other EU member countries may negatively affect Romania's economy due to the high percentage of Romania's trade that is realised with other EU countries. Following the global financial crisis of 2008-2009, the EU experienced a moderate recovery, but also recent periods of very

slow growth. In addition, following the global recession in 2020 due to the ongoing COVID-19 pandemic, the EU has experienced contraction in its economy and felt the impact of the recession in most sectors of the European economy. If the EU or other countries with which Romania has a trading or investment relationship experience an extended period of very slow economic growth, or if they fail to maintain growth, Romania's economy would be adversely affected and such events could also affect Romania's ability to raise capital in the future. Any economic crisis in the Eurozone could significantly affect Romania's economy, which is heavily reliant upon intra-EU trade. See "*Description of Romania*" and "*Foreign Trade and Balance of Payments*".

Foreign investors may also decrease investment in Romania, due to the difficulties experienced by other EU economies, resulting in lower demand for Romanian export products or services (see "*Foreign Trade and Balance of Payments – Foreign Direct Investments*").

On 29 March 2017, the United Kingdom formally notified the European Council of its intention to leave the European Union ("**Brexit**"). On 24 January 2020, a withdrawal agreement was entered into between the European Union, the European Atomic Energy Community and the United Kingdom and on 24 December 2020, the United Kingdom and the European Union agreed a trade and cooperation agreement (the "**Trade and Cooperation Agreement**"), which took provisional effect from 1 January 2021 (provisional application shall cease on the earlier of the date the agreement enters into force or 30 April 2021) and provided for, among other things, zero-rate tariffs and zero quotas on the movement of goods between the United Kingdom and the European Union.

The uncertainty and unpredictability concerning the United Kingdom's future laws and regulations as well as its legal, political and economic relationships with Europe following its exit of the European Union may continue to be a source of heightened levels of market volatility both in the EU and globally which could indirectly affect Romania. Though Romania has not experienced any disruptions in trade or otherwise since 1 January 2021 as a result of Brexit, the long-term effects of Brexit will depend on the implementation of the Trade and Cooperation Agreement and any future agreements (or lack thereof) between the United Kingdom and the European Union, in particular regarding tariffs and other trade regulations with either the EU or individual Member States. Romania's products and services could be subject to increased import duties, levies and regulatory requirements in the United Kingdom, which could negatively affect trade between Romania and the United Kingdom and could, as a result, negatively impact the Romanian economy. In addition, as the United Kingdom was also one of the biggest net contributors to the EU budget, there is a risk that following Brexit, the EU budget and, consequently funds available to Romania, could be reduced.

Prospective investors should ensure that they have sufficient knowledge and awareness of global financial and economic developments, the COVID-19 crisis and subsequent global recession, the Eurozone crisis and the economic situation and outlook in Romania as they consider necessary to enable them to make their own evaluation (including in consultation with any tax, legal and financial advisers, as it deems necessary) of the risks and merits of an investment in the Notes.

There is an uncertain and unpredictable legislative framework in the Romanian financial and banking field

In the course of 2016, two pieces of legislation impacting the Romanian banking and financial sector, Law 77/2016 relating to the discharge of mortgage debt ("**Debt Discharge Law**") and the law on converting CHF-denominated loans into lei denominated loans at the exchange rate applicable as at the execution date of the loan agreement ("**CHF Conversion Law**"), were passed by the Romanian Parliament. Subsequently, some provisions of the Debt Discharge Law and the CHF Conversion Law in its entirety were declared unconstitutional by the Constitutional Court. The potential impact of these laws on Romanian financial institutions, as well as the uncertainty surrounding their implementation while they were under review by the Constitutional Court had an adverse effect on the stability of the Romanian banking and financial sector. See

"*Monetary and Financial System – Banking Sector – Structure of the Banking Sector*". While the decisions of the Constitutional Court ultimately allayed concerns about the impact of these laws, future legislative uncertainty of this type could have an adverse impact on the stability of the Romanian banking and financial sector and on Romania's economy as a whole.

On December 29, 2018, the Romanian Government introduced Government Emergency Ordinance No. 114/2018 ("**GEO 114/2018**") (see "*Monetary and Financial System—Banking System—Current Condition of the Banking Sector*"). GEO 114/2018 became effective on 1 January 2019 and brought an additional element of complexity and impacted the overall capital generation of the banking system. One of the new taxation elements brought by the ordinance is the tax on assets, a bank levy applied on the total assets of a bank if the quarterly average ROBOR rate exceeds 2 per cent.

Government Emergency Ordinance No. 19/2019 ("**GEO 19/2019**") published at the end of March 2019 amended GEO 114/2018, adjusting the tax on banking assets as follows: (i) the tax rate is 0.4 per cent. if the bank's asset market share exceeds 1 per cent. and 0.2 per cent. otherwise, (ii) the taxable base is substantially diminished by exempting cash, accounts at central bank, sovereign exposures, interbank loans, non-performing loans, and loans with a sovereign guarantee, (iii) it introduces a tax adjustment mechanism that can diminish the tax to 0 according to the degree of target achievement (the target is an 8 per cent. increase for annual loan growth or an 8 per cent. decrease for the interest rate spread for loans granted to the real sector), and (iv) loss-making banks and banks with credit granting restrictions from the supervisory authority are exempt from the tax. The provisions regarding the tax on banking assets were repealed by Government Emergency Ordinance No. 1/2020.

Continued uncertainty around the legislative framework in the Romanian financial and banking field could have an adverse impact on the sector and the wider economy.

The high level of foreign ownership and growing levels of private debt in the Romanian banking system make it vulnerable to disruption as a result of internal and external factors

The Romanian banking sector is dominated by subsidiaries of banks incorporated in Eurozone countries, with a relatively large proportion of assets being held by Austrian (23.9 per cent. of the total net assets of credit institutions in Romania), Dutch (12.8 per cent.), French (12.3 per cent.), Italian (9.3 per cent.) and Greek (3.2 per cent.) banks as at the end of December 2020 (see "*Description of Romania*" and "*Monetary and Financial System—Banking System—General*"). As at the end of December 2019, foreign banks also owned 70.5 per cent. of banks' net assets in Romania. Foreign banks may rebalance their global loan portfolio in a manner that might adversely affect Romania as a result of events related or unrelated to Romania, including the potential economic turbulence in the Eurozone and sovereign debt markets. In addition, foreign banks may dispose of, decrease new funding to or refinance the funding to their subsidiaries operating in Romania in the event of weaker than expected economic performance. This may lead to, among other things, depleted capital in the event of increased economic stress and RON depreciation. Resulting balance sheet mismatches may negatively affect the Romanian economy and, as a result, have an adverse effect on Romania's capacity to meet its obligations under the Notes.

In addition, the non-performing loans ("**NPLs**") ratio has been decreasing in recent years sustained by banks' balance sheet clean-up and it is currently at the lower bound in the intermediate risk bucket according to EBA assessment of risks, while the coverage ratio of NPLs is in the EBA's lower risk range. While the reduction in NPLs continued in March, deteriorating economic conditions could have an impact on banks' asset quality, diminishing the positive trend witnessed in recent years. The COVID-19 pandemic has led to sudden supply and demand shocks, causing rising default rates and higher provisioning needs. The worsening financial position of corporates and households, in particular in highly indebted cases, might affect existing loan portfolios and efforts to manage NPLs.

The difficult external environment could pose a challenge to financial stability in Romania. In particular, the fallout from the sovereign debt crisis along with the lingering vulnerabilities in certain banking sectors in Europe, may harm economic growth in Romania and the capacity of the banking sector to access financing, as well as undermining banks' asset quality.

Romania's credit rating may change

The long-term foreign and domestic currency debt of Romania is currently rated BBB- by S&P, Baa3 by Moody's and BBB- by Fitch (see "*Description of Romania—Public Finance—Public Debt—Credit Ratings*"). The rating outlook is "Negative" for Fitch, Moody's, and S&P.

A credit rating downgrade could result in a sub-investment grade rating of the Notes. In turn, any adverse changes in an applicable credit rating or its outlook could adversely affect the trading price for the Notes. In addition, a sub-investment grade rating could adversely affect Romania's ability to refinance existing indebtedness, finance its deficit and could adversely affect its capacity to meet its obligations under the Notes.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Infrastructure in Romania is underdeveloped, and Romania may experience difficulties in financing and developing infrastructure successfully

Compared to Western Europe, infrastructure in Romania, particularly the transportation system, is underdeveloped. The poor infrastructure is due partly to the dominance of inefficient state-owned enterprises ("**SOEs**") in the transportation and energy sectors where quality of public investment is low. Romania currently has plans to undertake various development projects to improve infrastructure in the country (see "*Description of Romania—Transportation—Infrastructure Development*"). Various financing plans have been proposed and attempted to further infrastructure development, including the use of public private partnerships ("**PPP**"). Romania also funds infrastructure development using budgetary sources and EU non-reimbursable funds and thus the development of infrastructure projects is connected to Romania's capacity to absorb such EU funds.

However, the funding and construction of infrastructure has been challenging. For example, whereas PPP projects have frequently been used in other countries in the EU for various investment objectives, Romania's previous legal framework governing this field did not have implementing rules and therefore, Romania could not utilise PPP projects; however Romania is now able to do so following approval of Government Emergency Ordinance No. 39/2018, which simplifies and streamlines the process of awarding and realising PPP projects. The implementation of a PPP project under the new ordinance is yet to take place.

To address its infrastructure gap and improve its growth prospects, Romania will need to advance reforms in administration and the SOEs sector and there can be no assurance that these reforms will be implemented successfully.

There can be no guarantee that infrastructure projects will be financed or completed successfully, and any failure or delays in developing infrastructure projects in Romania may slow the growth in the Romanian economy.

Delays in the reform of state-owned enterprises may hamper economic growth

Historically and most recently in 2013, Romania entered into financial assistance agreements with the IMF and the European Commission. In connection with these agreements, the IMF has issued country reports which noted that Romania had made slow progress in restructuring inefficient SOEs and such delays were severely affecting growth and investment.

Whilst the 2018 IMF Article IV Consultation highlights Romania's strong economic growth in 2017, with record low unemployment and an improving financial sector, private consumption boosted by fiscal stimulus and wage increases, it notes that the investment has lagged and structural reforms slowed. Public investment

fell to a multiyear low as a percentage of GDP (to 3.1 per cent. of GDP in 2017), with low absorption of EU funds, before increasing to 3.6 per cent. in 2018. In 2019, public investment increased to 4.12 per cent. of GDP and then increased to 5.10 per cent. of GDP in 2020 (according to preliminary execution data). Both the government deficit and current account deficit widened to 2.8 per cent. and 3.1 per cent. of GDP in 2017.

In 2018 the government deficit and the current account deficit reached 2.8 per cent. and 4.4 per cent. of GDP, respectively, led by continuing stimulus to private consumption from fiscal relaxation and accompanied by a current account deficit and elevated inflation, even as monetary policy was tightened. In 2019, government deficit and current account deficit widened to 4.6 per cent. and 4.9 per cent. of GDP, respectively. In 2020, the government deficit and current account deficit widened to 9.67 per cent. of GDP and 5.2 per cent. of GDP, respectively. The main medium-term challenges will be to reinvigorate public investment and structural reforms aimed at fostering sustainable and more inclusive growth, bringing inflation back within the target band after recent adverse supply shocks, and addressing the remaining vulnerabilities in the financial sector.

While structural reforms, including with respect to SOEs, remains a priority, the risk of delays and setbacks in implementing these reforms, particularly those risks which are of a political nature, is high. Any such delay or setback could further negatively impact improvements in the efficiency of, and the attractiveness of investing in, Romania's economy and, ultimately, adversely affect the trading price of the Notes.

Romania is subject to risk in relation to external balances[1]

Romania's current account deficit has been increasing. See "*Foreign Trade and Balance of Payments*". In addition, as the large majority of Romania's exports are to the EU, a slow economic recovery or a return to recession in the EU Member States to whom Romania primarily exports its goods and services, could negatively impact Romania's exports, and thus the trade deficit. A widening of the current account deficit could negatively impact Romania's economy. As regards the current account deficit as a share of GDP, a deterioration of 5.0 per cent. is estimated for 2020 as compared to the previous year.

Romania's trend of external deleveraging may not continue. High wage growth, expansionary fiscal policy and increased household lending could lead to a high growth in imports, which could widen the current account deficit. Higher deficits might necessitate external borrowing, and could therefore risk halting the trend of external deleveraging (see "*Foreign Trade and Balance of Payments – Foreign Direct Investments*").

Romania is subject to exchange rate and inflation risk

The RON is subject to a managed-floating exchange rate regime, whereby the value of the RON against foreign currencies is determined in the interbank foreign exchange market. The NBR's monetary policy strategy is inflation targeting. Since 2013, the inflation target has been set at 2.5 per cent. with a variation band of ± 1 per cent.

The managed-floating exchange rate regime is in line with using inflation targets as a nominal anchor for monetary policy and allowing for a flexible policy response to unpredicted shocks likely to affect the economy, and the NBR does not target any level or range for the exchange rate. The ability of the NBR to limit volatility of the RON is contingent on a number of economic and political factors, including the availability of foreign currency reserves and foreign direct investment inflows, as well as developments in market sentiment and investors' risk aversion. In December 2020, compared to the same period of the previous year, the RON depreciated in nominal terms by 1.9 per cent. against the Euro, with the volatility of the exchange rate remaining lower throughout the year relative to peer countries in the CEE region. In the same period, the RON appreciated

[1] For the purposes of this document, the balance of payments is presented according to the International Monetary Fund's BPM6 Methodology. Thus, figures referred to as "Goods" in the current account are different from the foreign trade data produced by the National Institute for Statistics because, in order to comply with the BPM6 principle regarding change in ownership, the former exclude from the international trade in goods data, the value of goods processed in Romania and abroad and include the net exports of goods under merchandising).

by 7.5 per cent. against the US Dollar. See "*Monetary and Financial System—Monetary Policy—Exchange Rate Policy*". With regard to inflation, the annual inflation rate followed a general downtrend throughout 2020, re-entering the target variation band in February, and falling slightly below the mid-point of the target in December, to 2.0 per cent., from 4.0 per cent in December 2019. The decline owed mainly to the drop in fuel prices, the fall in the annual dynamics of volatile food prices in the second half of the year, but also to the relative deceleration of core inflation during the last quarter (see *"Monetary and Financial System—Recent Monetary Policy" and — "Inflation Rates, Target Inflation Rates and Monetary Policy Rates"*). A surge in electricity and oil prices pushed CPI inflation into the upper half of the variation band at the beginning of 2021 (3.16 per cent in February). NBR's most recent medium-term projection (November 2020 Inflation Report) expected the annual inflation rate to decline slightly during the first quarter of 2021, before climbing and remaining close to the mid-point of the target range over the policy-relevant horizon, the same as in previous forecasts. Romania's public debt is also subject to foreign currency risk, as a substantial proportion of the country's public debt is denominated in foreign currencies (principally in euro). While this risk is partially mitigated by the existence of the hard currency buffer maintained at around four months of gross funding needs to provide protection against any vulnerabilities arising from external factors, there can be no assurance that the buffer will be adequate to eliminate this risk.

As the NBR's monetary policy primarily impacts the RON and has limited impact on foreign currencies, including the euro, the large-scale use of the euro in the Romanian economy may undermine the ability of the NBR to implement its monetary policy. Similarly, the policies of the European Central Bank ("**ECB**") affecting the euro may indirectly impact the Romanian economy and may pose limits on the NBR's monetary policy, which, may have an adverse effect on the Romanian economy.

The NBR's projection is subject to numerous risks stemming from the outbreak of the COVID-19 pandemic, particularly the emergence of new COVID-19 variants. The net impact of the interplay of negative demand-side shocks having disinflationary effects and supply-side shocks exerting opposite pressures is difficult to reconcile and depends on the future evolution of the COVID-19 pandemic, including the emergence of variants and the price and effectiveness of vaccine programmes. Domestically, developments in the labour market remain relevant, amid potential adjustments in both labour demand (and the subsequent disinflationary pressures), resulting from the removal of stimulus and support measures, and labour supply (in the context of a potential increase in the inactive population, given a higher number of discouraged workers). Following the recent liberalisation of the energy market and upside risks already materialized, further uncertainties are associated with their future dynamics, given possible decreases resulting from increased competition.

On the external front, more uncertainties are stemming from the increase in the coronavirus infection rate in some European countries and the reimplementation of lockdown restrictions, due in part to the emergence of COVID-19 variants. These uncertainties have had a negative impact on the speed and resilience of economic recovery and there is a risk of further possible adverse effects on manufacturing and global production capacity. On the other hand, the economic stimulus packages announced at the EU level could mitigate some of these risks. At the same time, a possible persistent increased volatility in international financial markets remains a relevant source of risks. Furthermore, relevant upside risks are associated with the future evolution of the international price of commodities amid potential increases in strategic supplies, export restrictions in the case of some goods and higher transport costs.

Romania is subject to risks of fiscal slippage and economic overheating

Romania's budget deficit is expected to be above 3 per cent. in 2020, in part due to the impact of the COVID-19 pandemic and the economic and fiscal-budgetary consequences thereof. The Government's estimate of a cash target deficit of 2.76 per cent. for 2019 with a forecast to gradually decrease to around 2 per cent. in 2021 depends on strong economic growth, with an assumption of 5.5 per cent. real GDP growth in 2019 and a nominal GDP growth of 7.7 per cent. On the other hand, high economic growth, coupled with a low interest environment

and a pro-cyclical fiscal policy stance, as well as renewed credit growth, could increase the risk of overheating in the economy, and potentially lead to an increase in credit or asset prices in the absence of appropriate policy reactions, which could have a detrimental impact on systemic financial stability of Romania. Nevertheless, overheating refers to the positive output gap being the difference between real GDP and potential GDP. The latter is a non-observable measure, which has been subject to frequent revisions, as growth consolidation after a crisis implies changes in the time series for both real and potential GDP. Growth rates of potential GDP are still below those from the pre-crisis period, which means that the output gap could be revised downwards in the future if potential GDP would be revised upwards, which also has implications on the structural deficit. The general government budget outcome for 2020 indicates an increase in budget deficit, from 4.6 per cent. of GDP in 2019 to 9.67 per cent. in 2020. Romania's budget deficit is expected to be 7.16 per cent. of GDP in 2021, in part due to the impact of the COVID-19 pandemic and the economic and fiscal-budgetary consequences thereof. The Government estimates a cash target deficit of 9.67 per cent. for 2020 gradually decreasing to around 7.16 per cent. in 2021 depending on strong economic growth, with an assumption of 4.3 per cent. real GDP growth in 2021 and a nominal GDP growth of 7.3 per cent. (from RON 1,040.8 billion in 2020 to RON 1,116.8 billion in 2021).

Failure to access all available EU funds could slow Romania's further development

Historically, Romania has had a low absorption rate on programmes potentially financeable from EU accession funds, in particular from EU Structural and Cohesion Funds (European Regional Development Fund, Cohesion Fund, European Social Fund), though the absorption rate has been significantly increasing since 2012 when the Ministry of European Funds was established. As at 5 March 2021, Romania's current absorption rate (the level of amounts sent for reimbursements to the EC as a percentage of the total amount of European Structural and Investment Funds available to it) was 48.3 per cent. of the total EU budget allocation for the 2014-2020 programming period.

The total amount received from the European Commission (including pre-financing) since the beginning of the programming period, for the programmes financed by ESIF (Large Infrastructure OP, Competitiveness OP, Regional OP, Technical Assistance OP, Human Capital OP, Administrative Capacity OP, National Rural Development Programme - NRDP and Fisheries and Maritime Affairs OP - FMAOP) is approximately EUR 16 billion, representing 52.1 per cent. of total EU allocation of the programmes.

With respect to the 2014-2020 programming period, the availability of funds depended on Romania meeting 36 ex-ante conditionalities. All ex-ante conditionalities have been fulfilled as required by EC regulation. Romania has undertaken various actions and measures to ensure that use of EU funding continues at the same pace or even possibly increases in the future, given the increase in the allocation for the programming period 2021-2027, as the loss of potential EU funding would have a negative impact on Romania's budget, which is already under pressure due to the impacts of the COVID-19 pandemic. Failure to utilise available funding could also slow the pace at which Romania is able to develop its infrastructure and economy, which could have an adverse effect on the Romanian economy and its capacity to meet its obligations under the Notes.

As of January 2021, no funds have been decommitted and the estimated amounts of payment applications (approximately EUR 3 billion) to be sent to the Commission in 2021 cover the risk of automatic decommitment of funds as of 31 December 2021. However, failure to access and apply all available EU funds in the future could have an adverse impact on Romania's economy.

Corruption and money laundering issues may hinder the growth of the Romanian economy, and otherwise have a material adverse effect on Romania and therefore on the Notes

Although progress was made by the passing of important laws needed to implement the provisions of European directives in the field of anti-money laundering, independent analysts and media reports have identified corruption and money laundering as ongoing problems in Romania. The delay in the implementation of

Directive 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (the "**Fourth Anti-Money Laundering Directive**") has triggered the commencement of infringement procedure by the European Commission. First notice in this respect was sent to Romania in July 2017. In August 2018, when the Romanian authorities received an application initiating the litigation phase (see "*Description of Romania – Membership in the European Union – Cases–Case C-549/18, the European Commission vs. Romania*" for further details of the penalties) the European Commission has requested the Court to award penalties for Romania's failure to implement the Fourth Anti-Money Laundering Directive.

On 16 July 2020, the European Court of Justice issued its judgment in Case C-549/18, which:

- declared that, by having failed to adopt, on the expiration of the period prescribed in the reasoned opinion of 8 December 2017, the laws, regulations and administrative provisions necessary to comply with the Fourth Anti-Money Laundering Directive or, in any event, by having failed to notify those provisions to the European Commission, Romania has failed to fulfil its obligations under Article 67 of the Fourth Anti-Money Laundering Directive;
- ordered Romania to pay the European Commission a lump sum payment of EUR 3 million;
- ordered Romania to pay the costs; and
- ordered the Kingdom of Belgium, the Republic of Estonia, The French Republic and the Republic of Poland to bear their own costs.

The Ministry of Finance made the payment in December 2020.

For further details on the status of the transposition of the Fourth Anti-Money Laundering Directive in Romania, see "*Monetary and Financial System – Money Laundering*" below.

In 2020, the Transparency International Corruption Perceptions Index, which evaluates data on corruption in countries throughout the world and ranked countries from 1 (least corrupt) to 180 (most corrupt), ranked Romania as being 69th with a score of 44/100.

Although Romania has implemented certain actions to effectively prosecute corruption cases, resulting in several high-profile convictions and several international evaluations have recognised Romania's improved track record in the fight against corruption, instances of corruption in the public and private sectors continue to occur. For details on ongoing reforms, see *Description of Romania—Overview—Judiciary and Constitutional Court—Recent legislative and constitutional developments*. Further setbacks in the implementation of the rule of law in Romania, particularly with respect to corruption, may have a material adverse effect on the Romanian economy.

There can also be no certainty that ongoing reforms can produce the desired results or that the new strategies will prove successful.

Official economic data and third party information included in this Information Memorandum may not be fully comparable with information on similar subjects from other sources or countries

This Information Memorandum includes information and statistics from a range of government ministries and other state entities, including the Ministry of Finance, the NBR, the National Commission for Prognosis and the Ministry of Economy, Entrepreneurship and Tourism. The various sources of this information may compile the information and statistics which they provide using differing methodologies and practices. These differences can produce variations in results. This Information Memorandum presents data as provided by the ministry or other source to which the data is attributed. No attempt has been made to reconcile such data to the data compiled by other ministries or state entities or by third party organisations.

The Romanian National Institute of Statistics estimates that, based on national statistics on tax evasion and the number of employees reported in business and household surveys, Romania has a significant shadow economy, though its current size is unknown. The accuracy of official economic data may therefore be distorted as a result of such shadow economy.

This Information Memorandum also provides information derived from third party sources. Romania has not independently verified such information.

The inconsistent application of law in the Romanian courts could have an adverse effect on the economy and therefore on the Notes

The Romanian judicial system's continued reformation efforts are aimed at: (i) improving transparency in the judicial process; (ii) improving efficiency of the investigation and prosecution of high level corruption; and (iii) implementing a broad anti-corruption framework.

To effect these reforms, Romania implemented new Criminal Code and Criminal Procedure Code in February 2014 which were applied to several major judicial institutions, including the Ministry of Justice, the High Court of Cassation and Justice ("**HCCJ**"), the Superior Council of Magistracy and the National Institute for the Magistracy ("**NIM**"). In addition, the Strategy for the Development of the Judiciary for the years 2015-2020 put forward by the Ministry of Justice was approved by the government. These documents draw heavily on recommendations made under the Co-operation and Verification Mechanism ("**CVM**"), as well as on studies developed with the World Bank, in particular the Functional Analysis of the Romanian judiciary.

As Romania is a civil law jurisdiction, judicial decisions under Romanian law have no precedential effect. For the same reason, courts are not bound by earlier court decisions taken under the same or similar circumstances. The Romanian judicial system has gone through several reforms to modernise and strengthen the system. While the 2017 CVM report from the European Commission to the European Parliament and the Council dated 25 January 2017 ("**January 2017 CVM Report**") highlights a number of areas of progress, it also points to several outstanding issues including the repetition of similar offences which suggests that corruption prevention efforts have not been wholly effective.

The report from the Commission to the European Parliament and the Council on progress in Romania under the CVM dated 13 November 2018 ("**November 2018 CVM Report**") concluded that the twelve recommendations set out in the January 2017 CVM Report are no longer sufficient to close the CVM in line with the objectives set out by President Juncker, and set out additional recommendations regarding the justice laws and Criminal Code, among other items.

The latest CVM report on developments in Romania on judicial reform and the fight against corruption published on 22 October 2019 noted that, while progress has been achieved for certain recommendations and other recommendations can be considered fulfilled, there are still recommendations to be implemented. The Commission raised concerns over certain measures taken by the Romanian State, including legislation being adopted swiftly, without public consultation and with unclear rationale behind their adoption. The Commission reiterated its November 2018 CVM Report conclusion on Benchmark four (tackling corruption at all levels) and stated that more work would be needed to progress towards completing the Benchmark. For Benchmark three (tackling high-level corruption), the Commission raised questions about the sustainability of Romania's achievement in the fight against high level corruption, pointing to the attack on the activities of the National Anticorruption Directorate and the High Court of Cassation and Justice, the successive changes to the legal framework and possible challenges to the authority of their final judgments.

On 13 November 2018, the European Parliament passed a non-binding resolution on the rule of law in Romania and expressed its concerns about the reform of the Romanian judicial and criminal laws, which was alleged to have the potential of undermining the separation of powers and the country's fight against corruption.

On 9 July 2018 the President of Romania dismissed the chief anti-corruption prosecutor, Ms. Laura Codruta Kovesi.

Ms. Kovesi appealed her dismission at the European Court of Human Rights ("ECHR") alleging unfair dismissal. According to the ECHR ruling, Romania violated Ms. Kovesi's rights by removing her from office before the end of her term.

The new chief anti-corruption prosecutor is Mr. Bologa Crin-Nicu who was appointed on 20 February 2020 following an open and transparent procedure conducted by the Minister of Justice. His nomination was also endorsed by the Superior Council of Magistracy.

In 2020 and 2021, the Ministers of Justice had a series of discussions with high representatives of the European Commission to present a way forward on CVM.

On 30 September 2020, the European Commission published the *2020 Rule of Law Report - Country Chapter on the rule of law situation in Romania*, which presents a synthesis of both the rule of law situation in the EU and an assessment of the situation in each Member State. According to the report, in 2020, the Government continued to affirm its commitment to restore the path of judicial reform after the reverses of 2017-2019. This led to a significant decrease in tensions with the judiciary. The recent appointments of new leadership for the key prosecutorial services could pave the way for more efficient continuation of prosecutorial activity. However, progress towards amending the relevant legislation has been postponed due to the COVID-19 pandemic combined with the forthcoming national elections. The controversial measures with negative impact on judicial independence continue to apply, such as the Section for the Investigation of Offences in the Judiciary, tasked exclusively with the prosecution of crimes committed by judges and prosecutors. The continued implementation of these measures increases uncertainty for the functioning of the justice system, in particular through their combined effect. Moreover, some of these measures may also negatively affect the human resources within the justice system, with implications for its efficiency.

On 20 January 2021, the Romanian Government adopted a memorandum on the necessary actions in order to finalise the CVM mechanism in Romania. See "*Description of Romania—Overview—Judiciary and Constitutional Court—Reform of the Judiciary*".

There can also be no certainty that ongoing reform efforts will produce the desired results or that the new strategies will prove successful. See "*Description of Romania—Overview—Judiciary and Constitutional Court—Reform of the Judiciary*". If Romania were unable to effectively and successfully implement its reform efforts or if existing reforms were to prove less effective than initially observed or contemplated, this would likely depress confidence in the Romanian judicial system, which may have a materially adverse effect on the Romanian economy.

A significant increase of Romania's debt level could make it difficult to refinance debt on favourable terms

The level of the total public indebtedness calculated based on the national legislation (including guarantees) increased to 56.0 per cent. of GDP at the end of December 2020 (preliminary data) compared to 42.4 per cent. of GDP at the end of December 2019. According to EU methodology, the general government debt increased to 47.3 per cent. of GDP as at the end of December 2020 (preliminary data), from 35.3 per cent. of GDP as at the end of December 2019, as a result of the impact of the COVID-19 pandemic and its economic and fiscal-budgetary consequences. Any further increase in Romania's indebtedness or deterioration in financing conditions as a result of market, economic or political factors outside Romania's control could make it difficult for Romania to refinance its indebtedness on favourable terms. The level of non-resident ownership of public debt was 50.9 per cent. (calculated as per EU methodology) at 31 December 2020. In addition, any deterioration

of the current account deficit and/or a decrease in net foreign direct investments would add further pressure on Romania's external finances.

Factors That Are Material for the Purpose of Assessing the Market Risks Associated with Notes Issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating

rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the prevailing rates on its Notes.

Floating Rate Notes

Reference rates and indices, including interest rate benchmarks, such as the London Interbank Offered Rate ("**LIBOR**"), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks"**), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmarks Regulation**") and the Regulation (EU) 2016/1011 as it forms part of United Kingdom domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") apply to the provision of benchmarks and the contribution of input data to a benchmark within the EU or the UK (as applicable) and the use of a benchmark within the EU or the UK.

The Benchmarks Regulation and the UK Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements of the Benchmarks Regulation and/or the UK Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

In a speech on 27 July 2017, Andrew Bailey, the Chief Executive of the Financial Conduct Authority (the **"FCA**"), questioned the sustainability of LIBOR in its current form, given that the underlying transactions forming the basis of the benchmark are insufficient to support the volumes of transactions that rely upon it, and made clear the need to transition away from LIBOR to alternative reference rates. He noted that there was support among the LIBOR panel banks for voluntarily sustaining LIBOR until the end of 2021, facilitating this transition. At the end of this period, it is the FCA's intention not to sustain LIBOR through its influence or legal powers by persuading or obliging banks to submit to LIBOR. Therefore, the continuation of LIBOR in its current form (or at all) after 2021 cannot be guaranteed. In a further speech on 12 July 2018, Andrew Bailey emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. On 5 March 2021, the FCA announced that (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021, (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023, (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the "**IBA**") to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end 2021) and (iv) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end June 2023).

In addition, although the European Interbank Offered Rate ("**EURIBOR**") has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with the new Euro Short-term Rate known as €STR or an alternative benchmark.

Other interbank offered rates (together with LIBOR and EURIBOR, the "**IBORs**") suffer from similar weaknesses to LIBOR and as a result (although no deadline has been set for their discontinuation), they may be discontinued or be subject to changes in their administration. Changes to the administration of an IBOR or the emergence of alternatives to an IBOR, may cause such IBOR to perform differently than in the past, or there could be other consequences which cannot be predicted. The discontinuation of an IBOR or changes to its administration could require changes to the way in which the Rate of Interest is calculated in respect of any Notes referencing or linked to such IBOR. The development of alternatives to an IBOR may result in Notes linked to or referencing such IBOR performing differently than would otherwise have been the case if the alternatives to such IBOR had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Notes linked to or referencing such IBOR.

Whilst alternatives to certain IBORs for use in the bond market are being developed (including SONIA (for sterling LIBOR) and SOFR (for U.S. dollar LIBOR)), in the absence of any legislative measures, outstanding notes linked to or referencing an IBOR will only transition away from such IBOR in accordance with their particular terms and conditions.

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the original Reference Rate was discontinued and if such original Reference Rate is discontinued permanently, the same Rate of Interest will continue to be the Rate of Interest for each successive Interest Period until the maturity of the floating rate Notes, so that the floating rate Notes will, in effect, become fixed rate Notes utilising the last available Rate of Interest. Uncertainty as to the continuation of the original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the original Reference Rate is discontinued may adversely affect the value of, and return on, the floating rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the floating rate Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest- bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks Related to Notes Generally

Set out below is a brief description of certain risks relating to the Notes generally:

The terms and conditions of the Notes contain a "collective action" clause under which the terms of any one Series of Notes and/or multiple Series of Notes may be amended, modified or waived without the consent of the holders of all Notes or of all affected Series of Notes.

The Conditions contain provisions regarding amendments, modifications and waivers, commonly referred to as "collective action" clauses. Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. The relevant provisions also permit, in relation to reserved matters, multiple Series of Notes to be aggregated for voting purposes (*provided that* each such Series also contains the collective action clauses in the terms and conditions of the relevant Notes).

The Issuer expects that all Series of Notes issued under the Programme will include such collective action clauses, thereby giving the Issuer the ability to request modifications or actions in respect of reserved matters across multiple Series of Notes. This means that a defined majority of the holders of such Series of Notes (when taken in the aggregate only, in some circumstances and/or individually) would be able to bind all holders of Notes in all the relevant aggregated Series.

Any modification or actions relating to reserved matters, including in respect of payments, amendment of the Events of Default and other important terms, may be made to a single Series of Notes with the consent of the holders of 75 per cent. of the aggregate principal amount outstanding of such Notes, and to multiple Series of Notes with the consent of both (i) the holders of 66⅔ per cent. of the aggregate principal amount outstanding of all Series of Notes being aggregated and (ii) the holders of 50 per cent. in aggregate principal amount outstanding of each Series of Notes being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable Condition in the Conditions, any such modification or action relating to reserved matters may be made to multiple Series of Notes with the consent of 75 per cent. of the aggregate principal amount outstanding of all Series of Notes being aggregated only, without requiring a particular percentage of the holders in any individual affected Series of Notes to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some Series of Notes only and, for the avoidance of doubt, the provisions may be used for different groups of two or more Series of Notes simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia,* to specify which method or methods of aggregation will be used by the Issuer.

There is a risk therefore that the terms and conditions of a Series of Notes may be amended, modified or waived in relation to a Reserved Matter (as defined in Condition 17.5 (*Reserved Matters*)) in certain circumstances whereby the Noteholders voting in favour of an amendment, modification or waiver may be Noteholders of a different Series of Notes and, as such, without a minimum percentage of the Noteholders of the relevant Series (such as the Notes) having voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple Series of Notes may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress

situation. Further, any such amendment, modification or waiver in relation to any Notes may adversely affect their trading price.

In the future, the Issuer may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the Conditions. If this occurs, then this could mean that any Series of Notes issued under the Programme would be capable of aggregation with any such future debt securities.

The terms and conditions of the Notes restrict the ability of an individual holder to declare an Event of Default, and permit a majority of holders to rescind a declaration of such a default.

The Notes contain a provision which, if an Event of Default occurs, allows the holders of at least 25 per cent., in aggregate principal amount of the outstanding Notes to declare all the Notes to be immediately due and payable by providing notice in writing to the Issuer, whereupon the Notes shall become immediately due and payable, at their principal amount, with accrued interest, without further action or formality.

The Conditions also contain a provision permitting the holders of at least 50 per cent., in aggregate principal amount, of the outstanding Notes to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Issuer shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

The Issuer is not required to effect payment under the Notes equally or rateably with payment(s) under its other debt obligations and, in particular, is not required to make payment under the Notes at the same time as or as a condition of paying sums due under its other debt obligations and vice versa

The Notes will at all times rank at least *pari passu* with all other unsecured Public External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Issuer. However, the Issuer will have no obligation to effect payment under the Notes equally or rateably with payment(s) under other unsecured Public External Indebtedness of the Issuer and, in particular, will have no obligation to make payment under the Notes at the same time or as a condition of paying sums due under other unsecured Public External Indebtedness of the Issuer.

Tax consequences of holding the Notes

Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in its particular circumstances. See "*Taxation*" below.

Bearer Notes generally may not be offered or sold in the United States or to U.S. persons. Unless an exemption applies, a U.S. person holding a Bearer Note or Coupon will not be entitled to deduct any loss on the Bearer Note or Coupon and must treat as ordinary income any gain realised on the sale or other disposition (including the receipt of principal) of the Bearer Note or Coupon.

Further Notes may be issued without the consent of Noteholders

The Issuer may from time to time create and issue further Notes without the consent of Noteholders, subject to terms and conditions which are the same as those of existing Notes, or the same except for the amount of the first new payment of interest. Such new Notes may be consolidated and form a single series with outstanding Notes, if such further Notes are able to be treated as fungible for the purposes of U.S. tax and securities laws.

A claimant may face delays in receiving payments under a court judgment or may not be able to enforce a court judgment against certain assets of Romania in certain circumstances

Romania is a sovereign state. Consequently, it may be difficult for investors to obtain judgments of courts in countries outside Romania against Romania. Enforcement of such judgments in Romania may be refused in certain circumstances in the absence of an applicable treaty facilitating such enforcement. There is also a risk that, notwithstanding the waiver of sovereign immunity by Romania, a claimant will not be able to enforce a court judgment against certain assets of Romania in certain jurisdictions (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale) without Romania having specifically consented to such enforcement at the time when the enforcement is sought.

Certain rights and properties of Romania benefit from sovereign immunity under Romanian or international law, which implies, *inter alia*, that such rights and properties, on the grounds that they belong to the public domain of Romania or of Romanian administrative-territorial units (i.e. counties, cities or villages) cannot (i) be sold or otherwise subjected to transfer of ownership, (ii) constitute security for creditors or be subjected to foreclosure or (iii) be acquired by third parties by prolonged or good-faith possession (i.e. *usus capio*) or by any other means whatsoever. Such rights and properties include, without limitation, all the assets listed in Article 136, republished, of the Romanian Constitution and Article 859 of the Civil Code of Romania (i.e. subterranean resources of public interest, airspace, waters with marketable hydroelectric potential, of national interest, beaches, territorial waters, natural resources of the contiguous economic zone and the continental shelf, as well as other assets established by law), the assets listed in the Schedule No. 2 to the Romanian Government Emergency Ordinance No. 57/2019 regarding the Administrative Code, any present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961 (including the furnishings and other property therein and the means of transport of such mission), any "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963 (including the furnishings and other property therein and the means of transport of such mission) or military property or military assets or property or assets of Romania related thereto, and any other assets that according to the Romanian laws or by their nature are of public use or interest and are acquired by legal means by the Romanian state or by the administrative-territorial units of Romania.

Under the Romanian Government Ordinance No. 22/2002 on the foreclosure of the public institutions' payment obligations under writs of enforcement as amended, the foreclosure of the payment obligations of public institutions (including Romania (as the Issuer)) established through writs of enforcement may only be carried out against the amounts included for such purposes in the relevant public budget. Should there be insufficient amounts in the budget for such purpose, Romania has the benefit of a six-month period from the date of receipt of the summons for payment from a competent enforcement officer to fulfil its payment obligations before the relevant creditor may begin foreclosure proceedings against it according to the Code of Civil Procedure or other applicable foreclosure laws. Furthermore, a court of law may grant a grace period or rescheduling of payments at the request of Romania, if Romania evidences that it is unable to meet its obligations towards the relevant creditor because of obligations incumbent on the Issuer according to the law. According to recent case law of the HCCJ, the amounts destined for the payment of salary rights held in the accounts of public institutions cannot be seized.

Prior to the accession of Romania to the EU, the practice of the Romanian courts was inconsistent when confronted with the request to issue judgments for amounts expressed in a currency other than RON. Following Romania's accession to the EU, such conduct could be deemed as being in breach of the European law principle of free movement of capital; nevertheless, there can be no assurance that a Romanian court will observe existing European case law. As a result, there may be cases where a Romanian court issues a judgment for amounts expressed in Romanian currency only, irrespective of the original currency of the claim.

The foreign exchange reserves of Romania are controlled and administered by the NBR, which is an independent central bank legally distinct from the government. Accordingly, such reserves would not be available to satisfy any claim or judgment in respect of the Notes.

Romanian courts are not familiar with the concept of insolvency of central public authorities, and consequently, the procedure for, and enforcement of payment under, the Notes in such circumstances is uncertain. While Romania is taking all the measures and actions to defend its position and its interest in respect of the matter referred to herein, there can be no assurance that the claimants in this or other proceedings will not seek to attach interest or principal of Romanian indebtedness, which may affect the proper delivery of payments to Noteholders.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Information Memorandum.

Notes where denominations involve integral multiples

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

Notes issued under the Programme will be represented on issue by one or more Global Notes or Global Note Certificates that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note and/or Global Certificate, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note or Global Certificate held through it. While the Notes are represented by a Global Note or Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes or Global Certificates, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note or Global Certificate.

Holders of beneficial interests in a Global Note or Global Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Transferability of the Notes may be limited under applicable securities laws

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. Certain Notes issued under the Programme may not be offered,

sold or otherwise transferred in the United States other than to persons that are QIBs. Each purchaser of Notes will be deemed, by its acceptance of such Notes, to have made certain representations and agreements intended by the Issuer to restrict transfers of Notes as described under "*Subscription and Sale*" and "*Transfer Restrictions*". It is the obligation of each purchaser of Notes to ensure that its offers and sales of Notes comply with all applicable securities laws.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Although an application has been made to list on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Luxembourg Stock Exchange's regulated market, there is no assurance that such application will be accepted or that an active trading market for the Notes will develop or, if one does develop, that it will be liquid or maintained. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

The market for securities issued by Romania is influenced by economic and market conditions in Romania and, to a varying degree, economic conditions in other Eastern European markets as well as global, emerging and developed markets generally. There can be no assurance that events which would cause volatility of the sort that occurred in worldwide financial markets in 1998 and 2008-2009, and which have continued to a considerable degree until the present, will not occur again, or that any such volatility will not adversely affect the price or liquidity of the Notes.

In addition, if the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Romania. As a result of the above factors, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit ("**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Currently, there are no exchange control restrictions in place in Romania. However, it may be mentioned in the context of notes with a maturity of less than one year that if significant short term foreign currency inflows were to exercise sufficient pressure on the foreign exchange market and significantly affect the central bank's

monetary and foreign exchange policies, with significant impact on internal liquidity and material deterioration of the payments balance, under the NBR Regulation No. 4/2005 on foreign exchange operations, the NBR may activate certain safeguard measures. These safeguard measures may consist of: obliging residents and non-residents to notify the NBR of their intention to enter into short-term capital foreign exchange transactions; setting thresholds and other limitations for short-term capital foreign exchange transactions which generate capital inflows and outflows by residents and non-residents; temporarily withholding, in an account domiciled with the NBR, certain incoming/outgoing amounts denominated in RON or foreign currency resulting from short-term capital foreign exchange transactions and which generate capital inflows and outflows by residents and non-residents; applying a fee on transactions made on the foreign exchange market; increasing minimum reserve requirements for amounts representing short-term capital inflows, held by residents or non-residents with credit institutions; setting maturity restrictions for certain short-term capital foreign exchange transactions; restricting the introduction of new short-term capital foreign exchange transactions; and introducing additional monitoring measures concerning capital foreign exchange transactions and/or currency control measures. Nevertheless, by virtue of NBR Regulation No. 4/2005, the enforcement of such measures cannot extend beyond a period of six months and should be notified to the EC (and stopped, if so requested by the EC). They must also apply without discrimination and may not be directed solely against a particular transaction or entity.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

RECENT DEVELOPMENTS

COVID-19

On 30 January 2020, the WHO declared COVID-19 a public health emergency of international concern and on 11 March 2020, declared the outbreak of a pandemic. COVID-19 has had numerous worldwide effects on general economic activity. In Romania, following the discovery of the first case of COVID-19 in the country on 26 February 2020, the government implemented various protective measures, including declaring a state of emergency with effect from 16 March 2020, decreeing a national curfew and closing schools, restaurants, hotels and non-essential retail businesses. Domestic and international travel restrictions, including the closure of certain border points with Hungary, Ukraine, Moldova, and Serbia, the suspension of international passenger flights and a prohibition, with certain exemptions, on entry for non-Romanian citizens from 22 March 2020 were also imposed. In addition, all cultural, scientific, artistic, religious, entertainment, gambling and sports events were suspended. The state of emergency was terminated at midnight on 14 May 2020, with Romania entering a 'state of alert' on 15 May 2020. During the state of alert, Romania imposed certain restrictions relating to COVID-19, including the imposition of night-time curfews, the prohibition of public rallies, demonstrations, processions, concerts or other types of gatherings in open spaces, limiting the opening hours of shops and the compulsory usage of face masks in public spaces, for a period of 30 days and subject to renewal. The restrictions vary depending on the number of cases registered. Certain measures can be relaxed subject to the number of registered cases being below a certain threshold which differs depending on the relaxation measure envisaged (i.e. re-opening of schools, re-opening of indoor facilities etc.).

Vaccinations

On 21 December 2020, the European Medicines Agency approved the Pfizer vaccine for use in the European Union. Romania received its first 10,000 doses of the Pfizer vaccine on 26 December 2020 and began its vaccination campaign on 27 December 2020. Romania has contracted approximately 10 million doses of the Pfizer vaccine, and will receive approximately 140,000 doses each week. As at the date of this Information Memorandum, Romania has not experienced any delay in the receipt of these doses. Romania planned to vaccinate up to 10.4 million people in the first nine months of 2021, leading to a collective immunisation of 60-70 per cent. of the population, with vaccines being non-mandatory and provided free of charge. Romania's vaccination campaign will be carried out in three stages. The first stage is dedicated to the medical personnel, the second includes the high-risk population and essential workers, and the third includes the rest of the population. Between 27 December 2020 and 18 March 2021, 2,376,330 people were vaccinated, (1,946,853 doses of which were from Pfizer, 169,952 from Moderna and 259,525 from AstraZeneca) and 761,753 people in Romania had received both first and second doses, equal to a vaccination rate of 3.92 per cent. of Romania's total active population.

Macroeconomic impacts of COVID-19

In the winter forecast for the draft budget 2021, real GDP in 2020 decreased by 4.4 per cent. On the supply side, there have been estimated decreases in the volume of activity in industry (-8.7 per cent.) where the COVID-19 pandemic hit strongly in the second quarter of 2020 and agriculture (-21.9 per cent.), on the basis of a weak agricultural year due to the pronounced draught. The occurrence of the second wave of the COVID-19 pandemic and the continued physical distancing measures in the fourth quarter had a larger negative impact than initially estimated on some categories of services, which required a wider decrease of 0.3 per cent. of gross value added for the sector. At the same time, the results for the construction sector were positively re-evaluated for 2020, with an increase of 1.1 per cent. Agriculture decreased over 10 per cent., and industry decreased by 0.5 per cent., as compared to the summer forecast, and an increase of approximately 3.7 per cent. for construction, and 0.7 per cent. for services (increasing from -2.7 per cent. in the summer forecast to -2.0 per cent. in the preliminary autumn forecast).

According to the November draft budget, private expenditures in 2020 are expected to have decreased by 4.0 per cent., while government consumption expenditures had a positive impact following the measures adopted by the government to control and limit the negative effects of the COVID-19 pandemic growing by 3.9 per cent.).

Elections

On 6 December 2020, Romania held parliamentary elections. Following the loss of the ruling National Liberal Party (*Partidul National Liberal* – "**PNL**") to the Social Democratic Party (*Partidul Social Democrat* – "**PSD**"), Mr. Orban resigned from his position, leaving Defense Minister Nicolae-Ionel Ciuca to serve as acting Prime Minister. On 18 December 2020, the PNL, USR-PLUS, and the Hungarian Democratic Union of Romania (*Uniunea Democrat Maghiara din Romania* – "**UDMR**") announced that they had reached a coalition agreement, and proposed finance minister Florin Cîțu as Prime Minister. Mr. Cîțu was officially appointed as Prime Minister-designate on 22 December 2020 by President Klaus Iohannis. On 23 December 2020, the Cabinet was inaugurated by the Parliament and took oath of office the same evening.

INFORMATION INCORPORATED BY REFERENCE

All amendments and supplements to this Information Memorandum prepared by the Issuer from time to time shall be deemed to be incorporated in, and form part of, this document save that any statement contained herein or any documents incorporated by reference in, and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The section "*Terms and Conditions of the Notes*" as contained in pages 36 – 72 (inclusive) of the Information Memorandum relating to the Programme dated 26 March 2019, the section "*Terms and Conditions of the Notes*" as contained in pages 45 – 81 (inclusive) of the Information Memorandum relating to the Programme dated 5 October 2017, the section "*Terms and Conditions of the Notes*" as contained in pages 38 – 68 (inclusive) of the Information Memorandum relating to the Programme dated 18 May 2016 and the section "*Terms and Conditions of the Notes*" as contained in pages 42 – 73 (inclusive) of the Information Memorandum relating to the Programme dated 21 May 2015, each of which has previously been published and has been filed with the CSSF, shall be incorporated by reference in, and form part of, this Information Memorandum.

Copies of the documents specified above as containing information incorporated by reference in this Information Memorandum may be inspected, free of charge, at the specified office of the Paying Agent during normal business hours upon reasonable request. Any information contained in any of the documents specified above which is not incorporated by reference in this Information Memorandum is either not relevant to investors or is covered elsewhere in this Information Memorandum.

FINAL TERMS AND DRAWDOWN INFORMATION MEMORANDUM

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes, the reasons for the issuance and its impact on the Issuer. In relation to the different types of Notes which may be issued under the Programme the Issuer has endeavoured to include in this Information Memorandum all of the necessary information except for information relating to the Notes which is not known at the date of this Information Memorandum and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Information Memorandum and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Information Memorandum. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Information Memorandum in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Information Memorandum.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Information Memorandum and must be read in conjunction with this Information Memorandum. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Information Memorandum will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Information Memorandum. In the case of a Tranche of Notes which is the subject of a Drawdown Information Memorandum, each reference in this Information Memorandum to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Information Memorandum unless the context requires otherwise.

Each Drawdown Information Memorandum will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document ("**Registration Document**") containing the necessary information relating to the Issuer, a securities note ("**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In addition, if the Drawdown Information Memorandum is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or material inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes will be included in the Securities Note.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form ("**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form ("**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in New Global Note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006, the ECB announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro ("**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

While any Bearer Note issued in accordance with United States Treasury Regulation §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended ("**TEFRA D**") is represented by a Temporary Global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (substantially in the form to be provided) to the effect that the beneficial owners of such Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by United States Treasury Regulations, has been received by the relevant clearing system(s) and the relevant clearing system(s) has or have given a like certification (based on the certifications it has or they have received) to the Fiscal Agent. Any reference in this section to the relevant clearing system(s) shall mean the clearing and/or settlement system(s) specified in the applicable Final Terms.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended ("**TEFRA C** ") or TEFRA D are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither TEFRA C nor TEFRA D are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date ("**Exchange Date**") of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

1. Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, duly authenticated and, in the case of a Permanent Global Note in NGN form, effectuated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Notes represented by the Permanent Global Note in accordance with its terms against:

    (a) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

    (b) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within seven days of the bearer requesting such exchange.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

2. If:

    (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

    (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

3. The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

    (a) on the expiry of such period of notice as may be specified in the Final Terms; or

    (b) at any time, if so specified in the Final Terms; or

    (c) if the Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

        (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

        (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons

and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

4. If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or

(c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that TEFRA C is applicable or that neither TEFRA C nor TEFRA D is applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Bearer Notes in definitive form ("**Definitive Notes**") not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that TEFRA D is applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

5. If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

6. If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

   (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

   (b) at any time, if so specified in the relevant Final Terms; or

   (c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

      (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or

      (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

   Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

7. If:

   (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

   (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date ((b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Registered Notes

Each Tranche of Notes in registered form ("**Registered Notes**") will be represented by either:

(a) individual Note Certificates in registered form ("**Individual Note Certificates**"); or

(b) one or more unrestricted global note certificates ("**Unrestricted Global Note Certificate(s)**") in the case of Registered Notes sold outside the United States in reliance on Regulation S ("**Unrestricted Registered Notes**") and/or one or more restricted global note certificates ("**Restricted Global Note Certificate(s)**") in the case of Registered Notes sold to QIBs in reliance on Rule 144A ("**Restricted Registered Notes**"),

in each case as specified in the relevant Final Terms, and references in this Information Memorandum to "**Global Note Certificates**" shall be construed as a reference to Unrestricted Global Note Certificates and/or Restricted Global Note Certificates.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the International Central Securities Depository (**"ICSDs"**) had designed in co-operation with market participants and that Notes to be held under the new structure ("**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro ("**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Note represented by an Unrestricted Global Note Certificate will either be: (a) in the case of a Certificate which is not to be held under the New Safekeeping Structure, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or registered in the name of Cede & Co. as nominee for DTC and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depositary or such other nominee or custodian; or (b) in the case of an Unrestricted Global Note Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Note represented by a Restricted Global Note Certificate will either be (a) in the case of a Certificate which is not to be held under the New Safekeeping Structure, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or registered in the name of Cede & Co. as nominee for DTC and/or any other relevant clearing system and the

relevant Restricted Global Note Certificate will be deposited on or about the issue date with the common depositary or such other nominee or custodian; or (b) in the case of an Restricted Global Note Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

If the relevant Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Note Certificate exchangeable for Individual Note Certificates

If the relevant Final Terms specifies the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be represented by one or more Global Note Certificates each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the relevant Final Terms specifies "in the limited circumstances described in the Global Note Certificate", then:

  (i) in the case of any Global Note Certificate held by or on behalf of DTC, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Note Certificate or DTC ceases to be a "clearing agency" registered under the U.S. Exchange Act of 1934 ("**Exchange Act**") or if at any time DTC is no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;

  (ii) in the case of any Global Note Certificate held by or on behalf of Euroclear, Clearstream, Luxembourg or any other relevant clearing system, if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and

  (iii) in any case, if any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding). In addition, whenever a Restricted Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in the Restricted Global Note Certificate must provide the Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificate will bear the legends and be subject to the transfer restrictions set out under "*Transfer Restrictions*".

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note or Individual Note Certificate will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*".

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of DTC, Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of DTC, Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*".

1 Introduction

(a) ***Programme***: Romania ("**Issuer**") has established a Global Medium Term Note Programme ("**Programme**") for the issuance of up to EUR 46,000,000,000 in aggregate principal amount of notes ("**Notes**").

(b) ***Final Terms***: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms ("**Final Terms**") which supplements these terms and conditions ("**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) ***Agency Agreement***: The Notes are the subject of an amended and restated issue and paying agency agreement dated 5 October 2017 ("**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as fiscal agent ("**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), paying agent ("**Paying Agents**", which expression includes any successor or additional paying agent appointed from time to time in connection with the Notes) and transfer agent ("**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes) and Citigroup Global Markets Europe AG as registrar ("**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes). In these Conditions references to the "**Agents**" are to the Fiscal Agent, the Registrar, the Paying Agents and the Transfer Agent and any reference to an "**Agent**" is to any one of them.

(d) ***The Notes***: The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the Specified Office of the Fiscal Agent and the Registrar during normal business hours and copies may be obtained from the Specified Office of the Fiscal Agent and the Registrar.

(e) ***Summaries***: Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to the detailed provisions of the Agency Agreement. Noteholders (as defined herein) and the holders of the related interest coupons, if any ("**Couponholders**" and "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents upon reasonable request, the initial Specified Offices of which are set out below.

2 Interpretation

(a) ***Definitions***: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Business Day**" means:

(A) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(B) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(A) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(B) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(C) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(D) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(E) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time ("**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(A) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(B) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(C) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(i) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30";

(v) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and "D2" is the calendar day, expressed as a number, immediately following the

last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer—Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer—Title to Registered Notes*);

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(A) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(B) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**Margin**" has the meaning given in the relevant Final Terms;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Rate of Interest**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Member State**" means a member state of the European Economic Area;

"**Minimum Rate of Interest**" has the meaning given in the relevant Final Terms;

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer—Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer—Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Participating Member State**" means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

(A) if the currency of payment is euro, any day which is:

(i) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(B) if the currency of payment is not euro, any day which is:

(i) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(A) in relation to euro, it means the principal financial centre of such Participating Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(B) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Put Option**" means a put option in accordance with the provisions of Condition 10 (d) (*Redemption at the option of Noteholders*);

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in consultation with the Issuer in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Reference Rate**" has the meaning given in the relevant Final Terms;

"**Regular Period**" means:

(A) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(B) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(C) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty establishing the European Communities, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3 Form, Denomination, Title and Transfer

(a) *Bearer Notes*: Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes*: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes*: Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

(d) *Title to Registered Notes*: The Registrar will maintain the registers in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership*: The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes*: Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or (as the case may be) the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not

be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its Specified Office.

(h) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or the Transfer Agent but against such indemnity as the Registrar or (as the case may be) the Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4 Status

The Notes and Coupons constitute direct, unconditional and unsecured obligations of the Issuer which rank and will at all times rank *pari passu*, without preference among themselves, with all other unsecured Public External Indebtedness (as defined in Condition 5 (*Negative Pledge*)) of the Issuer, from time to time outstanding, provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public External Indebtedness and, in particular, the Issuer shall have no obligation to pay other Public External Indebtedness at the same time or as a condition of paying sums due on the Notes and/or Coupons and *vice versa*.

5 Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement) the Issuer will not create or permit to subsist any Security Interest other than a Permitted Security Interest (as defined below) in any of its property or assets to secure Public External Indebtedness of the Issuer unless (i) the Notes are secured equally and rateably with such Public External Indebtedness or (ii) the Notes have the benefit of such other security, guarantee, indemnity or other arrangement as shall be substantially equivalent.

"**Permitted Security Interest**" means:

(a) any Security Interest upon property (or any revenues therefrom) to secure Public External Indebtedness incurred for the purpose of financing the acquisition or construction of such property;

(b) any Security Interest existing on any property (or any revenues therefrom) at the time of its acquisition;

(c) any Security Interest securing Public External Indebtedness incurred for the purpose of Project Financing provided that (i) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (ii) the property over which such Security Interest is granted consists solely of such assets and revenues;

(d) any Security Interest existing on the original date of issue of each series of Notes; and

(e) the renewal or extension of any Security Interest described in subparagraphs (a) to (d) above, provided that the principal amount of the Public External Indebtedness secured thereby is not increased.

"**Project Financing**" means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development, or exploitation of any property.

"**Public External Indebtedness**" means any obligations (other than the Notes) for borrowed monies that are (i) denominated or payable in a currency or by reference to a currency other than the lawful currency of Romania and (ii) evidenced or represented by bonds, notes or other securities which are for the time being or are capable of being or intended to be quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

6 Fixed Rate Note Provisions

(a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11(A) (*Payments — Bearer Notes*) and Condition 11(B) (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount*: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7 Floating Rate Note and Index-Linked Interest Note Provisions

(a) *Application*: This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11(A) (*Payments—Bearer Notes*) and Condition 11(B) (*Payments—Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

(iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and

(iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(e) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

(f) Maximum or Minimum Rate of Interest: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(g) Calculation of Interest Amount: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) *Calculation of other amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount.

The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange (or listing agent as the case may be) and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(j) *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent (if not the Calculation Agent), the Registrar, the Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8 Zero Coupon Note Provisions

(a) *Application*: This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9 Dual Currency Note Provisions

(a) *Application*: This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Rate of Interest*: If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10 Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).

(b) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 21 (*Notices*) (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(c) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(b) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(b) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant

Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(d) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to (but excluding) such date. In order to exercise the option contained in this Condition 10(d), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(d), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(d), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

(e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (d) above.

(f) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(f) or, if none is so specified, a Day Count Fraction of 30E/360.

(g) *Purchase*: The Issuer may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.

(h) *Cancellation*: All Notes so redeemed or purchased by the Issuer and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11 Payments

(A) Bearer Notes

This Condition 11(A) is only applicable to Bearer Notes.

(a) *Principal*: Payments of principal shall be made (where applicable) only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

(b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws*: All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons*: If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons ("**Relevant Coupons**") being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

(f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 11(A)(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(d) (*Redemption at the option of Noteholders*), Condition 10(b) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days*: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

(i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

(B) Registered Notes

This Condition 11(B) is only applicable to Registered Notes.

(a) *Principal*: Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a

bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11(B) arriving after the due date for payment or being lost in the mail.

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Payment Record Date*: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment ("**Payment Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Payment Record Date.

12 Taxation

Gross up: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Romania or of any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or

governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note, Note Certificate or Coupon presented for payment:

(a) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Note Certificate or Coupon by reason of its having some connection with Romania other than the mere holding of, or receipt of payment on, the Note, Note Certificate or Coupon; or

(b) more than 30 days after the Relevant Date except to the extent that the holder of such Note, Note Certificate or Coupon would have been entitled to such additional amounts on presenting such Note, Note Certificate or Coupon for payment on the last day of such period of 30 days.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 12 (*Taxation*).

13 Events of Default

If any of the following events (each, an "**Event of Default**") occurs and is continuing:

(a) any amount of principal is not paid on the due date for payment thereof or any amount of interest on the Notes is not paid within 30 days of the due date for payment thereof; or

(b) the Issuer fails to duly perform or observe any of its other material obligations under the Notes, which failure continues unremedied for 45 days after written notice thereof has been delivered by any Noteholder to the Issuer (with a copy to the Fiscal Agent); or

(c) Romania ceases to be a member of the IMF or to be eligible to use the general resources of the IMF, and such situation continues unremedied for 45 days after written notice thereof has been delivered by any Noteholder to the Issuer (with a copy to the Fiscal Agent); or

(d) (i) the acceleration of the maturity (other than by optional or mandatory prepayment or redemption) of any Public External Indebtedness of the Issuer, (ii) the Issuer defaults in the payment of any principal of or interest on any of its Public External Indebtedness when and as the same shall become due and payable, and such default continues for more than the grace period, if any, originally applicable thereto or, in the case of interest where such grace period does not exceed 30 days, for more than 30 days or (iii) the Issuer defaults in the payment when due and called upon of any guarantee or indemnity of the Issuer in respect of any Public External Indebtedness of any other person and such default continues for more than the grace period, if any, originally applicable thereto or, if such grace period does not exceed 30 days, for more than 30 days; provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned in this subparagraph (d) have occurred equals or exceeds $70,000,000 or its equivalent; or

(e) a moratorium on the payment of principal of, or interest on, the Public External Indebtedness of the Issuer is declared by the Issuer, unless such moratorium expressly excludes the Notes; or

(f) the validity of the Notes is contested by the Issuer or the Issuer shall deny any of its payment obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or it shall be or become unlawful for the Issuer to perform or comply with all or any of its payment obligations set out in the Notes or any such obligations shall be or become unenforceable or invalid, in each case as a result of any law or regulation in Romania or any ruling of any court in Romania whose decision is final and unappealable,

then the holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer.

If the Issuer receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect, but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

14 Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

15 Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent and the Paying Agent having its Specified Office in Luxembourg, subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

16 Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Fiscal Agent, Registrar, Paying Agents and Transfer Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Registrar, any Paying Agent or Transfer Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents or transfer agents; provided, however, that:

(a) the Issuer shall at all times maintain a Fiscal Agent; and

(b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in

any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Fiscal Agent, Registrar, Paying Agents or Transfer Agents or in their Specified Offices shall promptly be given to the Noteholders.

17 Meetings of Noteholders; Written Resolutions

17.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions:

(a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the provisions of the Agency Agreement. The Issuer will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(b) The Issuer will convene a meeting of Noteholders if the holders of at least 10 per cent. in principal amount of the outstanding Notes (as defined in the Agency Agreement and described in Condition 17.9 (*Notes controlled by the Issuer*)) have delivered a written request to the Issuer setting out the purpose of the meeting. The Issuer will set the time and place of the meeting. The Issuer will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(c) The Issuer will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer will arrange such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(d) The notice convening any meeting will specify, *inter alia*:

(i) the date, time and location of the meeting;

(ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(vi) whether Condition 17.2 (*Modification of this Series of Notes only*), or Condition 17.3 (*Multiple Series Aggregation – Single limb voting*), or Condition 17.4 (*Multiple Series Aggregation – Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;

(vii) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(viii) such information that is required to be provided by the Issuer in accordance with Condition 17.6 (*Information*);

(ix) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 17.7 (*Claims Valuation*); and

(x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(e) In addition, the Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to this Condition 17.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.

(f) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(g) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(h) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(i) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

(j) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 17 and Condition 18 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

17.2 Modification of this Series of Notes only:

(a) Any modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(b) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer

pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) by a majority of:

(i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

(c) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(d) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be, and on all Couponholders.

17.3 Multiple Series Aggregation – Single limb voting:

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, *provided that* the Uniformly Applicable condition is satisfied.

(b) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(c) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Extraordinary Resolution or Multiple Series Single Limb Written Resolution, as the case may be, and on all Couponholders and Couponholders of each other affected series of Debt Securities Capable of Aggregation.

(e) The "**Uniformly Applicable**" condition will be satisfied if:

(i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(f) It is understood that a proposal under paragraph 17.3(a) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(g) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 17.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

17.4 Multiple Series Aggregation – Two limb voting:

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(b) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of*

Noteholders; Written Resolutions), as supplemented if necessary, which is passed by a majority of:

(i) at least 66⅔ per cent. of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(c) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(i) at least 66⅔ per cent. of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually). Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be, and on all couponholders and couponholders of each other affected series of Debt Securities Capable of Aggregation.

(e) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 17.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

17.5 Reserved Matters:

In these Conditions, "**Reserved Matter**" means any proposal:

(a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(c) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(d) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(e) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(f) to change the definition of "Uniformly Applicable";

(g) to change the definition of "outstanding" or to modify the provisions of Condition 17.9 (*Notes controlled by the Issuer*);

(h) change the legal ranking of the Notes;

(i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 13 (*Events of Default*);

(j) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 25 (*Governing Law and Jurisdiction*);

(k) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(l) to modify the provisions of this Condition 17.5;

(m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security;

(n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

(i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

(ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

17.6 Information:

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 17.2 (*Modification of this Series of Notes only*), Condition 17.3 (*Multiple Series*

Aggregation – Single limb voting) or Condition 17.4 (*Multiple Series Aggregation – Two limb voting*), the Issuer shall publish in accordance with Condition 18 (*Aggregation Agent; Aggregation Procedures*) with the following information:

(a) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(c) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 17.l(d)(vii).

17.7 Claims Valuation:

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 17.3 (*Multiple Series Aggregation – Single limb voting*) and Condition 17.4 (*Multiple Series Aggregation – Two limb voting*), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the par value of the Notes and such affected series of debt securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

17.8 Manifest error, etc.:

The Notes, these Conditions and the provisions of the Agency Agreement may be amended without the consent of the Noteholders or Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

17.9 Notes controlled by the Issuer:

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution: (b) Condition 17.1 (*Convening Meetings of Noteholders: Conduct of Meetings of Noteholders; Written Resolutions*) and (c) Condition 13 (*Events of Default*), any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

(i) "**public sector instrumentality**" means the National Bank of Romania, any department, ministry or agency of the government of Romania or any corporation, trust, financial institution or other entity owned or controlled by the government of Romania or any of the foregoing; and

(ii) "**control**" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition, to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 18.4 (*Certificate*) which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

17.10 Publication:

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 18.7 (*Manner of publication*).

17.11 Exchange and Conversion:

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders and Couponholders.

18 Aggregation Agent; Aggregation Procedures

18.1 Appointment:

The Issuer will appoint an aggregation agent ("**Aggregation Agent**") to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of

the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

18.2 Extraordinary Resolutions:

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

18.3 Written Resolutions:

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

18.4 Certificate:

For the purposes of Condition 18.2 (*Extraordinary Resolutions*) and Condition 18.3 (*Written Resolutions*), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 17.2 (*Modification of this Series of Notes only*), Condition 17.3 (*Multiple Series Aggregation – Single limb voting*) or Condition 17.4 (*Multiple Series Aggregation – Two limb voting*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

(a) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 17.9 (*Notes controlled by the Issuer*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

18.5 Notification:

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 18 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

18.6 Binding nature of determinations; no liability:

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 18 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and Couponholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

18.7 Manner of publication:

The Issuer will publish all notices and other matters required to be published pursuant to the Agency Agreement including any matters required to be published pursuant to Condition 17 (*Meetings of Noteholders; Written Resolutions),* this Condition 18, Condition 19 (*Noteholders' Committee*) and Condition 13 (*Events of Default*):

(a) through Euroclear Bank SA/NV, Clearstream Banking S.A. and The Depository Trust Company and/or any other clearing system in which the Notes are held;

(b) in such other places and in such other manner as may be required by applicable law or regulation; and

(c) in such other places and in such other manner as may be customary.

19 Noteholders' Committee

(a) *Appointment*: Holders of at least 25 per cent. of the aggregate principal amount of the outstanding debt securities of all series of affected debt securities (taken in aggregate) may by notice in writing to the Issuer (with a copy to the Fiscal Agent) appoint any person or persons as a committee to represent the interests of such holders (as well as the interests of any holders of outstanding debt securities who wish to be represented by such a committee) if any of the following events has occurred:

(i) an Event of Default under Condition 13 (*Events of Default*);

(ii) any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 13 *(Events of Default),* become an Event of Default;

(iii) any public announcement by the Issuer, to the effect that the Issuer is seeking or intends to seek a rescheduling or restructuring of the Notes or any other affected series of debt securities (whether by amendment, exchange offer or otherwise); or

(iv) with the agreement of the Issuer, at a time when the Issuer has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Notes or any other affected series of debt securities are outstanding.

Upon receipt of a written notice that a committee has been appointed in accordance with paragraph (a) above, and a certificate delivered pursuant to Condition 19.2 (*Certification*), the Issuer, shall give notice of the appointment of such a committee to:

(i) all Noteholders in accordance with Condition 21 *(Notices*); and

(ii) the holders of each affected series of debt securities in accordance with the terms and conditions of such affected series of debt securities,

as soon as practicable after such written notice and such certificate are delivered to the Issuer.

(b) *Powers*: Such committee in its discretion may, among other things:

(i) engage legal advisers and financial advisers to assist it in representing the interests of the Noteholders;

(ii) adopt such rules as it considers appropriate regarding its proceedings;

(iii) enter into discussions with the Issuer and/or other creditors of the Issuer;

(iv) (designate one or more members of the committee to act as the main point(s) of contact with the Issuer and provide all relevant contact details to the Issuer;

Except to the extent provided in this Condition 19(b) (*Powers*), such committee shall not have the ability to exercise any powers or discretions which the Noteholders could themselves exercise.

19.1 Engagement with the committee and provision of information

(a) The Issuer shall:

(i) subject to paragraph (b) immediately below, engage with the committee in good faith;

(ii) provide the committee with information equivalent to that required under Condition 17.6 (*Information*) and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations; and

(iii) pay any reasonable fees and expenses of any such committee as may be agreed with it (including without limitation, the reasonable and documented fees and expenses of the committee's legal and financial advisers, if any) following receipt of reasonably detailed invoices and supporting documentation.

(b) If more than one committee has been appointed by holders of affected series of debt securities in accordance with the provisions of this Condition 19 and/or equivalent provisions set out in the conditions of any affected series of debt securities, the Issuer shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon the Issuer shall engage with such steering group.

19.2 Certification

Upon the appointment of a committee, the person or persons constituting such a committee ("**Members**") will provide a certificate to the Issuer signed by the authorised representatives of the Members, and the Issuer may rely upon the terms of such certificate.

The certificate shall certify:

(a) that the committee has been appointed;

(b) the identity of the initial Members; and

(c) that such appointment complies with the conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate, which the Issuer may rely on conclusively, will be delivered to the Issuer identifying the new Members. The Issuer will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this Condition 19.2 shall apply, mutatis mutandis, to any steering group appointed in accordance with Condition 19.1 (*Engagement with the committee and provision of information*).

In appointing a person or persons as a committee to represent the interests of the Noteholders, the Noteholders may instruct a representative or representatives of the committee to form a separate committee or to join a steering group with any person or persons appointed for similar purposes by other affected series of debt securities.

20 Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the outstanding Notes of any series of Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any Notes issued pursuant to this Condition 20 (*Further Issues*) and forming a single series with such Notes provided that, in the case of further Notes to which TEFRA D applies, such further Notes will initially be represented by Temporary Global Notes exchangeable for interests in Permanent Global Notes or Definitive Notes and such consolidation can only occur following the exchange of interests in the Temporary Global Notes for interests in the Permanent Global Notes or Definitive Notes upon certification of non U.S. beneficial ownership, and provided further that, in the case of Registered Notes that are part of a Series that was placed in whole or in part pursuant to Rule 144A under the Securities Act, such additional Notes are issued with less than *de minimis* original issue discount ("**OID**") for U.S. federal income tax purposes or as part of a qualified reopening for U.S. federal income tax purposes.

21 Notices

(a) *Bearer Notes*: Notices to the Holders of Bearer Notes shall be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or, in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes*: Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, if the Registered Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, notices to Noteholders will be published on the date of such mailing in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or, in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

(c) *Notices to Issuer*: All notices to the Issuer will be valid if sent to the Issuer at the Ministry of Finance, 16, Libertatii Boulevard, RO 050706 Bucharest, Romania for the attention of the Treasury and Public Debt Department, or such other address as may be notified by the Issuer to Noteholders in accordance with Condition 21(a) (*Bearer Notes*).

22 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency ("**first currency**") in which the same is payable under

these Conditions or such order or judgment into another currency ("**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

23 Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a per cent. (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all euro amounts used in or resulting from such calculations will be rounded up to the nearest cent (with one half cent being rounded up), (d) all RON amounts used in or resulting from such calculations will be rounded up to the nearest ban (with one half ban being rounded up), and (e) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24 Redenomination, Renominalisation and Reconventioning

(a) *Application*: This Condition 24 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.

(b) *Notice of redenomination*: If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date ("**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

(c) *Redenomination*: Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Fiscal Agent then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then

been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

(ii) if Notes have been issued in definitive form:

(A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date ("**Euro Exchange Date**") on which the Issuer gives notice ("**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;

(B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 24) shall remain in full force and effect; and

(C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and

(iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

(d) *Interest*: Following redenomination of the Notes pursuant to this Condition 24, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

(e) *Interest Determination Date*: If the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

25 Governing Law and Jurisdiction

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by, and construed in accordance with, English law.

(b) *English courts*: The courts of England have exclusive jurisdiction to decide any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to any non-contractual obligation arising out of or in connection with the Notes).

(c) *Appropriate forum*: The Issuer agrees, and any Noteholder will be deemed to agree, that the courts of England are the most appropriate and convenient courts to decide any Dispute and, accordingly, that they will not argue to the contrary.

(d) *Process agent*: The Issuer agrees that the documents which start any proceedings relating to a Dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the Embassy of Romania, 4 Palace Green, London W8 4QD, United Kingdom (Attention: Economic Secretary of the Romanian Embassy in the UK). If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(e) *Consent to enforcement etc.*: The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

(f) *Waiver of immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction and to the extent it is permitted to do so under applicable law provided, however, that immunity is not waived in respect of public property as such is regulated by the applicable Romanian legislation (including, without limitation, Article 136 of the Romanian Constitution and the Romanian Civil Code and the Administrative Code), present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961 (including the furnishings and other property therein and the means of transport of such mission), "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963 (including the furnishings and other property therein and the means of transport of such mission) or military property or military assets or property or assets of the Issuer related thereto.

26 Standard Clauses

Without prejudice to Condition 25(a) (*Governing Law*), for the purposes of Article 1203 of the Romanian Civil Code, the Issuer hereby expressly accepts all conditions in these terms and conditions which:

(a) Provide in favour of the Holders of any Notes: (i) the limitation of liability; (ii) the right to unilaterally terminate (*denuntare unilaterala*) the Notes; (iii) the right to suspend performing the Holders' obligations; OR

(b) Provide to the detriment of the Issuer: (i) the forfeiture of rights (*decadere din drepturi*); (ii) the forfeiture of the benefit of a timeline (*decaderea din beneficiul termenului*); (iii) the limitation of the right to raise defences (*dreptul de a opune exceptii*); (iv) the limitation of the right to contract with third parties; (v) the tacit renewal of the agreement; (vi) the applicable law; (vii) the submission to arbitration (*clauzele compromisorii*); or clauses derogating from the rules of court jurisdiction;

including, without limitation, Conditions 3(e), 4, 5, 7(j), 10(e) and (h), 13, 17.8, 25(a), (b), (c), (d), (f) and (g) and 27.

27 Hardship

Without prejudice to Condition 25(a) *(Governing* law), the Issuer, in full awareness of the contents and nature of the transaction contemplated by these terms and conditions, hereby assumes the risk of change of the circumstances under which these terms and conditions is entered into, in accordance with Article 1271 paragraph 3 letter (c) of the Romanian Civil Code, and hereby waives its right to raise defences based on hardship (*impreviziune).*

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

[MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[MIFID II product governance / Retail investors, professional investors and ECPs target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); ***EITHER*** [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] ***OR*** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and][non-advised sales][and pure execution services][, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable].]

[**UK MIFIR product governance / Retail investors, professional investors and ECPs target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is retail clients, as defined

in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"), and eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**") and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**"); ***EITHER*** [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] ***OR*** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and][non-advised sales][and pure execution services][, subject to the distributor's suitability and appropriateness obligations under COBS, as applicable]]. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under COBS, as applicable].]]

[**Notification under Section 309B(1) of Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"):** In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all persons (including all relevant persons (as defined in Section 309A(1) of the SFA)), that the Notes are [prescribed capital markets products] [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][2]

[2] For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

Final Terms dated [●]

ROMANIA
acting through the Ministry of Finance

Legal entity identifier (LEI): 315700IASY927EDWBK92

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]

under the EUR 46,000,000,000

Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

This document constitutes the final terms relating to the issue of Notes described herein. [Terms used herein shall be deemed to be defined as such for the purposes of the Conditions ("**Conditions**") set forth set forth in the Information Memorandum dated [*date*] [and the supplemental Information Memorandum dated [*date*]] ([together,]the "**Information Memorandum**"). These Final Terms contain the final terms of the Notes and must be read in conjunction with such Information Memorandum [as so supplemented].]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Information Memorandum with an earlier date.*]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions ("**Conditions**") set forth in the Information Memorandum dated [*original date*]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Information Memorandum dated [*date*] [and the supplemental Information Memorandum dated [*date*] ([together,]the "**Information Memorandum**"), save in respect of the Conditions which are [extracted from the Information Memorandum dated [*original date*] and are attached hereto/set forth in the Information Memorandum dated [*original date*] and are incorporated by reference in the Information Memorandum].]

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended ("**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States[, and Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person except in certain transactions permitted by U.S. tax regulations.] The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States except pursuant to an exemption from, or in certain transactions exempt from the registration requirements of the Securities Act.

Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.

1	(i)	Issuer:	Romania, acting through the Ministry of Finance
2	(i)	[Series Number:]	[●]
	(ii)	[Tranche Number:	[●] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).]
3		Specified Currency or Currencies:	[●]

		(*If Notes are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency*.)
4	Aggregate Principal Amount:	[●]
	[(i)] [Series]:	[●]
	[(ii) Tranche:	[●]]
5	Issue Price:	[●] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
6	(i) Specified Denominations:	[●]
	(ii) Calculation Amount:	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8	Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*] [*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available*.]
9	Interest Basis:	[[●] per cent. Fixed Rate] [[*Specify* reference rate] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*Specify*)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*Specify*)]
11	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]

13	Date [Min Fin] approval for issuance of Notes obtained:	[●] [and [●], respectively (*N.B. Only relevant where authorisation is required for the particular tranche of Notes*)
14	Method of distribution:	[Syndicated/Non–syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub–paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/ semi–annually/quarterly/monthly/other (*specify*)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of* "*Business Day*"]/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]
	(vi) [Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[●]
	(ii) Specified Period:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert* "*Not Applicable*"*)*
	(iii) Specified Interest Payment Dates:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert* "*Not Applicable*")
	(iv) [First Interest Payment Date]:	[●]

	(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vi) Additional Business Centre(s):	[Not Applicable/*give details*]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent])	[[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
	(ix) Screen Rate Determination:	
	• Reference Rate:	[*For example, LIBOR or EURIBOR*]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIBOR 01*]
	• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
	• Relevant Financial Centre:	[*For example, London/Euro–zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*]
	(x) ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• ISDA Definitions:	2006
	(xi) Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
	(xii) Margin(s):	[+/-] [●] per cent. per annum
	(xiii) Minimum Rate of Interest:	[●] per cent. per annum
	(xiv) Maximum Rate of Interest:	[●] per cent. per annum
	(xv) Day Count Fraction:	[●]
	(xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
17	**Zero Coupon Note Provisions**	[Applicable/Not Applicable]

		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	[Amortisation/Accrual] Yield:	[●] per cent. per annum
	Reference Price:	[●]
	Any other formula/basis of determining amount payable:	[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition [10(f)]]
18	**Index-Linked Interest Note/other variable-linked interest Note Provisions**	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub- paragraphs of this paragraph)
	(i) Index/Formula/other variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the interest due:	[●]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other	[●]
	(iv) Interest Determination Date(s):	[●]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi) Interest or calculation period(s):	[●]
	(vii) Specified Period:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention.* *Otherwise, insert* "*Not Applicable*")
	(viii) Specified Interest Payment Dates:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert* "*Not Applicable*")
	(ix) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
	(x) Additional Business Centre(s):	[●]

	(xi) Minimum Rate/Amount of Interest:	[●] per cent. per annum
	(xii) Maximum Rate/Amount of Interest:	[●] per cent. per annum
	(xiii) Day Count Fraction:	[●]
19	**Dual Currency Note Provisions**	[Applicable/Not Applicable]
	(If not applicable, delete the remaining sub-paragraphs of this paragraph)	
	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]
	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20	Call Option	[*Applicable/Not Applicable*] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(a) Maximum Redemption Amount	[●] per Calculation Amount
	(iv) Notice period:	[●]
21	Put Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	Optional Redemption Date(s):	[●]
	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	Notice period:	[●]
22	Final Redemption Amount of each Note	[●] per Calculation Amount

	In cases where the Final Redemption Amount is Index-Linked or other variable- linked:	
	(i) Index/Formula/variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[●]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi) [Payment Date]:	[●]
	(vii) Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii) Maximum Final Redemption Amount:	[●] per Calculation Amount
23	Early Redemption Amount	
	Early Redemption Amount(s) on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[Not Applicable (*If the Early Termination Amount are the principal amount of the Notes/ or the Early Termination Amount if different from the principal amount of the Notes*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	**Bearer Notes**: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]

		[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] *(Note: The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.)* **Registered Notes**: [Unrestricted Global Note Certificate exchangeable for unrestricted Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Unrestricted Global Note Certificate] [Restricted Global Note Certificate exchangeable for Restricted Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Restricted Global Note Certificate] [Restricted Global Note Certificate [(U.S.$ [●]/Euro [●] principal amount)] registered in the name of a nominee for [DTC]] [Unrestricted Global Note Certificate [(U.S.$/Euro [●] principal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))] [Restricted Global Note Certificate [(U.S.$/Euro [●] principal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]
25	New Global Note:	[Yes] [No] [Not Applicable]
26	New Safekeeping Structure:	[Yes] [No] [Not Applicable]
27	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii), 16(vi) and 18(x) relate*]
28	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]

29	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]
30	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
31	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition 24 (*Redenomination, Renominalisation and Reconventioning*)] apply]
32	Consolidation provisions:	[Not Applicable/The provisions [in Condition 20 (*Further Issues*)] [annexed to this Final Terms] apply]
33	Other final terms:	[Not Applicable/*give details*] [(*When adding any other final terms consideration should be given as to whether such terms trigger the need for a supplement to the Information Memorandum in accordance with the Information Memorandum.*)]

DISTRIBUTION

34	(i) If syndicated, names and addresses of Managers and underwriting commitments:	[Not Applicable/*give names, addresses and underwriting commitments*] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
	(ii) Date of Subscription Agreement:	[●]
	(iii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
35	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
36	Total commission and concession:	[●] per cent. of the Aggregate Principal Amount
37	U.S. Selling Restrictions:	Reg. S Compliance Category 1 (*In the case of Bearer Notes*) — [TEFRA C/TEFRA D/TEFRA not applicable] (*In the case of Registered Notes*) – [Not] Rule 144A Eligible
38	Non-exempt Offer:	Not Applicable
39	Additional selling restrictions:	[Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] public offer [admission to trading on the [regulated market of the Luxembourg Stock Exchange] [*other market*] of the Notes described herein] pursuant to the EUR 46,000,000,000 Global Medium Term Note Programme of Romania acting through the Ministry of Finance.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [(*Relevant third party information*) has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of

ROMANIA, ACTING THROUGH THE MINISTRY OF FINANCE:

By: .....

Duly authorised

PART B — OTHER INFORMATION

1 **LISTING**

(i) Listing	[London/Luxembourg/Other (*specify*)/None]
(ii) Admission to trading	Application is has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*]] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [●].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading*.)

2 **RATINGS**

Ratings:	The Programme has been rated: Standard & Poor's Global Ratings Europe Limited: "[●]" (for unsecured Notes with a maturity of one year or more) and "[●]" (for unsecured Notes with a maturity of less than one year)] Moody's Deutschland GmbH: "[●]" Fitch Ratings Limited*: "[●]" (*Other*: The exact legal name of the rating agency entity providing the rating should be specified-for example "Standard & Poor's Credit Market Services Europe Limited", rather than just Standard and Poor's*.) [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider*.] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*.)

3 **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

4 **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer:	[●] (*See ["Use of Proceeds"] wording in Information Memorandum — if reasons for offer different, will need to include those reasons here*.)]
[(ii)] Estimated net proceeds:	[●] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to*

fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses: [●]

[*Include breakdown of expenses*]

(*It is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above*.)

5 [**Fixed Rate Notes only — YIELD**

Indication of yield: [●]

Calculated as [*include details of method of calculation in summary form*] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 ***[Floating Rate Notes only* — HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7 [***Index-linked or other variable-linked notes only* — PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

8 **[*Dual Currency Notes only* — PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[*(When completing this paragraph, consideration should be given as to whether such matters described trigger the need for a supplement to the Information Memorandum in accordance with the terms of the Information Memorandum.)*]

9 **OPERATIONAL INFORMATION**

(i)	CUSIP:	[●] [Not applicable]
(ii)	ISIN Code:	[●]
(iii)	Common Code:	[●]
(iv)	Issuer LEI:	315700IASY927EDWBK92
(v)	Any clearing system(s) other than DTC, Euroclear Bank SA/NV and	[Not Applicable/*give name(s) and number(s)*]

	Clearstream Banking S.A. and the relevant identification number(s):	
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of initial Paying Agent(s):	[●]
(viii)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(ix)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No][Not Applicable] [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [*include this text for Registered Notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if "yes" selected in which case the Bearer Notes must be issued in NGN form*]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Note Certificates, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which (a) in the case of a Restricted Global Note Certificate held by or on behalf of DTC, will be Cede & Co. (or such other entity as is specified in the applicable Final Terms) as nominee for DTC or in the case of any Restricted Global Note Certificate which is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper; and (b) in the case of an Unrestricted Global Note Certificate held by or on behalf of DTC, will be Cede & Co. (or such other entity as is specified in the applicable Final Terms) as nominee for DTC or in the case of any Unrestricted Global Note Certificate which is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Note Certificate.

Transfers of Interests in Global Notes and Global Note Certificates

Transfers of interests in Global Notes and Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Fiscal Agent, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Note Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Transfer Restrictions*", transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the Registrar and the Transfer Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Note Certificates will be effected through the DTC Custodian, the Registrar and the Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Note Certificate resulting in such transfer and (ii) two business days after receipt by the Registrar or the Transfer Agent, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Upon the issue of a Restricted Global Note Certificate to be held by or on behalf of Euroclear, Clearstream, Luxembourg, DTC or the DTC Custodian will credit the respective principal amounts of the individual beneficial interests represented by such Global Note Certificate to the account of the Euroclear, Clearstream, Luxembourg or DTC participants, as applicable. Ownership of beneficial interests in such Global Note Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg or DTC or its nominee(s). DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes represented by a Global Note Certificate held by or on behalf of DTC (including, without limitation, the presentation of such Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Global Note Certificate are credited, and only in respect of such portion of the aggregate principal amount of such Global Note Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Global Note Certificate for Individual Note Certificates (which will bear the relevant legends set out in "*Transfer Restrictions*").

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent, the Registrar, the Dealers or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Note Certificate is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Individual Note Certificates for the relevant Series of Notes will not be eligible for clearing and settlement through such clearing systems.

Conditions applicable to Global Notes

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Note Certificate which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: In the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment ("**Payment Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 10(d) (*Redemption at the option of Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(b) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected

in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, registered in the name of DTC's nominee or deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

DESCRIPTION OF ROMANIA

Overview

Territory and Population

Romania is located in Central Eastern Europe, north of the Balkan Peninsula. Its neighbouring countries are Hungary, Ukraine, the Republic of Moldova, Bulgaria and Serbia. On the southeast it borders the Black Sea. The country is the second largest in the Central European region and covers an area of 238,391 square kilometres.

According to estimated 2020 data from Romania's National Institute of Statistics, Romania has approximately 19.2275 million inhabitants.

Political System

Romania has undergone major changes during its recent history. Many political and economic reforms have taken place, but Romania's economy still faces a number of structural challenges. These include reliance on industrial sector exports and, historically, an imbalance of exports compared to imports, each of which may affect Romania's creditworthiness.

Romania has had six Prime Ministers since 2017. On 4 January 2017, Mr. Sorin Grindeanu (PSD) was appointed as the Prime Minister. Following protests in several cities in Romania during January and February 2017, the Grindeanu cabinet was dismissed by a motion of no confidence in Parliament on 21 June 2017. A new cabinet led by Mr. Mihai Tudose took office on 29 June 2017. However, following a vote of no confidence from the executive committee of the PSD, Mr. Mihai Tudose announced his resignation on 15 January 2018.

On 29 January 2018, a new cabinet led by Mrs. Vasilica Viorica Dăncilă as Prime Minister received the vote of confidence from the Parliament of Romania and was sworn into office. On 10 October 2019, a no confidence vote to dissolve the Dăncilă Cabinet was adopted in the Parliament with 238 votes in favour, 4 against and 0 abstentions. On 4 November 2019, a minority Government led by Mr. Ludovic Orban from the PNL received the support of a majority in the Parliament and was sworn in office by President Iohannis.

Pushing for electoral reform and early elections, the Orban cabinet lost parliamentary support after a no confidence motion was passed on 5 February 2020. Nevertheless, on 14 March 2020, a new government led by Mr. Orban was voted in by the Parliament as the COVID-19 pandemic was already affecting the country. On 6 December 2020, Romania held parliamentary elections. Following the loss of PNL to the Social Democratic Party, Mr. Orban resigned from his position leaving Defence Minister Nicolae-Ionel Ciuca to serve as acting Prime Minister. The elections resulted in a political alliance between the PNL, the "Save Romania Union" (*Uniunea Salvaţi România* – "**USR**"), the Liberty, Unity and Solidarity Party ("**PLUS**"), and the UDMR. The Social Democratic party obtained 28.90 per cent. of the votes for the Chamber of Deputies (110 seats) and 29.32 per cent. of the votes for the Senate (47 seats). The National Liberal party obtained 25.19 per cent. of the votes for the Chamber of Deputies (93 seats) and 25.58 per cent. of the votes for the Senate (41 seats). The alliance between USR and PLUS obtained 15.37 per cent. of the votes for the Chamber of Deputies (55 seats) and 15.86 per cent. of the votes for the Senate (25 seats). The Alliance for the Unity of Romanians (AUR), a newly formed right-wing party, obtained 9.08 per cent. of the votes for the Chamber of Deputies (32 seats) and 9.17 per cent. of the votes for the Senate (14 seats). UDMR obtained 5.74 per cent. of the votes for the Chamber of Deputies (21 seats) and 5.89 per cent. of the votes for the Senate (9 seats).

On 23 December 2020, the newly elected Parliament gave the confidence vote to the government, supported by the PNL-USR-PLUS-UDMR coalition, with Mr. Vasile-Florin Cîțu. being appointed as the Prime Minister.

History and Constitution

Following the Second World War, Romania fell under the influence of the Soviet Union and, from 1948 to 1989, had a communist government and a centrally planned economy.

In December 1989, a popular revolt led to the downfall of the communist regime. Non-communist political parties were then established and free elections were held.

On 21 November 1991, a new constitution establishing Romania as a parliamentary democracy was adopted by the Romanian Parliament and subsequently approved by popular referendum. The constitution formally separates the legislative, executive and judicial branches of power. The constitution was amended in 2003, envisaging Romania's accession to the European Union, without altering the basic principles on which the political system of Romania was based.

Further amendments to the constitution are currently under debate in the parliamentary special committee appointed for this purpose, with the stated objective, among others, of reducing risks for conflict between the President and the Prime Minister by further clarifying their responsibilities and reducing the number of Members of Parliament.

Government

The Government exercises the executive power of the state. It comprises the Prime Minister and his cabinet. In practice, the largest party or coalition of parties in the Parliament forms the Government. Each cabinet appointment is subject to the approval of the President.

Parliament

Legislative power is vested in the Romanian Parliament. The Parliament of Romania has a bicameral structure consisting of the Senate and the Chamber of Deputies. Parliamentarians are directly elected for four-year terms.

Since December 2020, the following main political parties have had parliamentary representation:

- the National Liberal Party (*Partidul National Liberal*), a liberal, centre-right party, led by Ludovic Orban;
- the "Save Romania Union" (*Uniunea Salvaţi România*), a centrist and reformist alliance, led by Dan Barna, in an electoral alliance with the Liberty, Unity and Solidarity Party (*PLUS*), a centrist and reformist party, led by Dacian Cioloș;
- the Social Democratic Party (*Partidul Social Democrat*), a social democratic, centre-left party led by Marcel Ciolacu;
- the Alliance of Liberals and Democrats (*Alianta Liberalilor si Democratilor*), a liberal centre-right wing party led by Calin Popescu Tariceanu;
- the Hungarian Democratic Union of Romania (*Uniunea Democrat Maghiara din Romania*), a centrist, Hungarian minority party, led by Kelemen Hunor; and
- the Alliance for the Union of the Romanian (*Alianța pentru Unirea Românilor*), a right wing party, led by George Simion.

Parliamentary elections were held in Romania on 6 December 2020, in accordance to the changes introduced to Romania's electoral legislation in 2015. These changes reintroduced a proportional list-based election system requiring voters to cast their vote for the list nominated by a political party, rather than for an individual and provided for one deputy for every 73,000 citizens and one senator for every 168,000 citizens, which reduced

the total number of members of the Parliament. Under this system, 466 parliamentary seats (313 deputies, 17 minority deputies and 136 senators) are elected. Romanian citizens living abroad are represented by four deputies and two senators.

President

The President of Romania is the head of the Romanian state and is elected by popular vote for a five year term. Upon election, the President cannot be a member of a political party. The President nominates the Prime Minister and formally appoints the Government. The President is also the president of the Romanian Supreme Council of Defence and the commander-in-chief of the Romanian armed forces.

The most recent presidential elections were held on 10 November 2019 (first round) and 24 November 2019 (second round). In the run-off, Klaus Werner Iohannis (former leader of PNL since June 2014 and mayor of the city of Sibiu between 2000 and 2014) was re-elected as President of Romania with 66.09 per cent. of the votes, defeating then Prime Minister Viorica Vasilica Dăncilă. The two rounds of elections have seen a steep rise in voter turnout in the Romanian diaspora, with newly introduced legislation and electoral procedures allowing for a three-day voting period and nearly tripling the number of polling stations.

Local Government

Local government is conducted at the level of the 42 counties (*judete*), including Bucharest, and at the municipal level. County and municipal authorities are generally responsible for providing education, social services and basic utilities within their area. Proposals for establishing administrative regions to replace the 42 counties are currently being discussed, but such a change can be adopted only through an amendment to the Romanian constitution, and no such amendment has been formally proposed.

General local elections were last held on 27 September 2020, having been delayed due to the COVID-19 pandemic.

The next local elections are scheduled to take place in 2024.

Judiciary and Constitutional Court

General Structure of the Judiciary and Constitutional Court

Judicial authority is vested with the High Court of Cassation and Justice ("**HCCJ**") and a series of other courts established by law. The lower courts are comprised of regional courts of appeal (*curti de apel*), tribunals (*tribunale*), specialised tribunals (*tribunale specializate*), military courts (*instante militare*) and courts of first instance (*judecatorii*).

According to the constitution, the Constitutional Court is not deemed to be part of the judiciary. The Constitutional Court determines matters of constitutional significance.

The constitution grants courts of law jurisdiction only to the extent established by law. Courts with specialised subject matter jurisdiction may also be established, although these must also be established by law.

Ensuring the Independence of the Judiciary and of the Constitutional Court

Judges must be independent and obey only the law. They are appointed by the President, at the proposal of the Superior Council of Magistracy ("**Superior Council**"), which acts as guarantor of the independence of the judiciary. The Superior Council has 19 members: nine judges, five prosecutors and two representatives of the civil society. The other three members of the Superior Council are the Minister of Justice, the president of the HCCJ and the general public prosecutor of the Public Prosecutor's Office attached to the HCCJ.

The nine judges of the Constitutional Court are appointed (for a nine-year term that cannot be extended or renewed) by the President, the Chamber of Deputies and the Senate, each of which is entitled to make three appointments.

Reform of the Judiciary

The Romanian judicial system has gone through several reforms aimed at modernising and strengthening the independence of the judiciary and further reforms are currently being planned. These reforms have been largely based on the Strategies, which have been implemented so far. The Strategy for the Development of the Judiciary for 2015 to 2020 was put forward by the Ministry of Justice and approved by the Government on 23 December 2014 through Government Decision No. 1155/2014, published in the Romanian Official Gazette No. 19 on 12 January 2015. This document draws heavily on CVM recommendations, as well as on studies developed with the World Bank, in particular the Functional Analysis of the Romanian judiciary. Drawing on a series of underlying principles based on the rule of law, the strategy defines objectives for further reform in the period 2015 to 2020 to make the justice more efficient and accountable and to increase its quality. The action plan for implementation of the strategy was approved through Government Decision No. 282/2016, published in the Romanian Official Gazette No. 311 on 22 April 2016.

The HCCJ has further developed its use of preliminary rulings and appeals to unify jurisprudence. It has also pursued measures to improve the dissemination of court judgments. Similar practical steps have been seen in the prosecution and in the judicial leadership more widely. Thematic inspections conducted by the Judicial Inspection also contribute to establishing consistent practice among judges. There has been progress on the publication of court decisions. The Ministry of Justice completed a project (financed through EU funds) setting up a comprehensive legislative website which ensures free access to updated and consolidated legislation. This is interconnected with the European N-LEX Portal and is currently in operation.

The implementation of a new Criminal Code and Criminal Procedure Code in February 2014 was a major undertaking and a test of the ability of the judicial system to adapt. The Ministry of Justice, the HCCJ, the Superior Council of Magistracy, the prosecution and the National Institute for Magistracy worked together to implement the change. The Romanian magistracy has been adapting to the new codes without derogating from its ongoing work and had to adapt to several innovatory measures, such as a possibility for plea bargains, which since have been widely utilised. Romania established the National Integrity Agency ("**ANI**"), an independent and operational institution to control and verify the wealth, conflicts of interest and incompatibilities within the judiciary. The ANI has been operational since the end of 2007 and Romania was the first EU country to create such a specialised institution. In 2002 Romania also established the National Anticorruption Directorate (the former National Anticorruption Prosecutor's Office), which is a specialised, independent structure, functioning within the General Prosecutors' Office that investigates high-level corruption cases.

The National Anticorruption Strategy

Following an extensive public consultation process with the participation of approximately 90 entities from the civil society, public institutions, private companies and business associations, the Government approved, on 10 August 2016, the National Anticorruption Strategy ("**NAS**") for 2016-2020. The document, having a multidisciplinary character, continues a number of good practices identified in the implementation of the previous strategy and focuses on prevention and education measures to prevent acts of corruption. This change involves responsibility at a managerial level, in all institutions and public enterprises, including public institutions that represent the executive, legislative and judicial authorities, local administrations, the business sector and civil society. On 23 August 2016, the Government published the new NAS 2016-2020, adopted by Government Decision No. 583/2016, together with the performance indicators, risks associated with objectives and measures of the strategy and verification sources, list of the measures of institutional transparency and

corruption prevention, as well as evaluation indicators and standards of publication of information of public interest. It was published in the Romanian Official Gazette No. 644 on 23 August 2016.

The main purpose of NAS 2016-2020 is to promote integrity, by strictly applying the legal and institutional framework for preventing and combating corruption in Romania, as well as transparency in decision making and open governance.

The strategy is complemented by an extensive monitoring mechanism that consists, *inter alia*, of: five working groups (called cooperation platforms) comprised of (i) independent and anti-corruption institutions; (ii) central administration; (iii) local administration; (iv) the business sector; and (v) civil society; a peer review mechanism, aimed at assessing the way integrity instruments are working throughout the administration; and reporting carried out by Romanian public institutions (including annual progress reports, statistical indicators and analysis of integrity incidents). The results of all monitoring instruments are publicly available on the NAS website. The monitoring process aims to: identify the progress made in the implementation of the NAS; correct the practical problems encountered in the application of the anticorruption policies and norms; and increase the level of knowledge, understanding and implementation of the measures for corruption prevention in the public and private sector.

In order to help public institutions better address the integrity challenges, the Ministry of Justice has developed methodologies for evaluating corruption risks and for ex-post assessing of integrity incidents.

Currently, Romania is in the process of drafting a new national anti-corruption strategy for the period 2021 – 2025.

Cooperation and Verification Mechanism

The European Commission periodically evaluates the Romanian judicial system against four benchmarks ("**Benchmarks**") under the Cooperation and Verification Mechanism ("**CVM**"). These Benchmarks consist of: (i) ensuring a more transparent and efficient judicial process, notably by enhancing the capacity and accountability of the Superior Council and monitoring and reporting the impact of the new civil and criminal procedure codes; (ii) establishing an integrity agency with responsibilities for verifying assets, incompatibilities and potential conflicts of interest, and for issuing mandatory decisions on the basis of which deterrent sanctions can be taken; (iii) building on progress already made, continuing to conduct professional, non-partisan investigations into allegations of high-level corruption; and (iv) taking further measures to prevent and fight corruption, in particular within local government.

The January 2017 CVM report points out that following the entry into force of the new Codes, CVM reports have noted the increasing use and the effectiveness of the legal consistency mechanisms implemented by the HCCJ (such as appeals, preliminary questions/rulings on the clarification of certain laws), complemented by managerial efforts to promote consistency and the online availability of all court decisions. The 2016 CVM Report also noted signs of a cultural shift in favour of consistency within the judiciary.

As far as the consistency of court decisions is concerned, the January 2017 CVM Report specifies, in 2016, the HCCJ, having the main role in the unification of Romanian case law, continued to provide solutions to inconsistencies of court decisions through the legal mechanisms of appeal in the interest of the law under Art. 514 – 518 of the Civil Procedure Code and preliminary questions on the clarification of certain laws under Art. 519 - 521 of the Civil Procedure Code. The attitude of rank and file judges has changed as well, with a better consideration for the need to take into account decisions of other courts in similar cases. The judicial management and the National Institute of Magistracy will need to continue to promote consistency in law and practice and to develop the tools to facilitate the consistent application of the law as the follow-up of jurisprudence by public administration and excessive workload of courts continue to impact on the consistency

of court decisions. Further obstacles to the consistency of court decisions relate rather to broader issues concerning the legislative process.

The January 2017 CVM Report shows that Romania has made major progress towards the CVM benchmarks. A number of key institutions and many important pieces of legislation are in place and an established track record can be seen in many areas. The Commission also stated in the January 2017 CVM Report that Romania has demonstrated that a number of internal safeguards exist against abrupt reversals of progress.

There are, however, important remaining shortcomings which need to be addressed. Reform needs to continue on the same path and internal safeguards need to be further strengthened in order to ensure the irreversibility required to satisfactorily fulfil the benchmarks.

At the same time, a number of key issues identified in earlier reports have remained outstanding, and therefore the January 2017 CVM Report cannot conclude that the benchmarks have been fulfilled. However, the January 2017 CVM Report is able to identify a very limited number of key recommendations for the provisional closing of individual benchmarks and then the conclusion of the CVM process. Most of them focus on the responsibility and accountability required by the Romanian authorities and the internal safeguards needed to ensure the irreversibility of the results. It will also be supported by the development of reporting and accountability mechanisms to continue once the CVM has ended. The Commission believes that the CVM objectives can be achieved by following the recommendations set out in the January 2017 CVM Report.

The report from the Commission to the European Parliament and the Council on progress in Romania under the CVM dated 15 November 2017 (the "**November 2017 CVM Report**") report reiterates that a number of key institutions and many important pieces of legislation are in place, that the Romanian judicial system has undergone a profound reformation process and repeatedly demonstrated its professionalism, independence and accountability. The report also observed the existence of a series of internal safeguards against possible inadvertent deterioration of the progress achieved.

The November 2018 CVM Report reports that Romania has taken steps to implement the recommendations presented in the January 2017 CVM Report. Thus, a number of these recommendations are considered to be fulfilled, while further progress has been made as regards other recommendations.

The latest CVM report on developments in Romania on judicial reform and the fight against corruption published on 22 October 2019 noted that, while progress has been achieved for certain recommendations and other recommendations can be considered fulfilled, there are still recommendations to be implemented.

Rule of Law

On 30 September 2020, the European Commission published the *2020 Rule of Law Report - Country Chapter on the rule of law situation in Romania*, which presents a synthesis of both the rule of law situation in the EU and an assessment of the situation in each Member State. While recognising that Romania has made progress on some of the recommendations from the 2018 CVM Report, the European Commission noted that the first months of the year 2019 raised concerns as regards Romania's progress due to certain measures taken by the Romanian State such as pieces of legislation which were adopted swiftly, without public consultation and unclear rationale behind their adoption. The Commission welcomed the fact that in June 2019, the Romanian government expressed a wish take a more constructive approach, and that effort has been invested in new consultation mechanisms and dialogue with the judiciary. However, the Commission reiterated its November 2018 CVM Report conclusion on Benchmark four (tackling corruption at all levels) and stated that more work would be needed to progress towards completing the Benchmark". For Benchmark three (tackling high-level corruption), the Commission concluded that "despite the fact that both DNA and the High Court of Cassation and Justice have continued to investigate and sanction high-level corruption and demonstrated professionalism in very difficult circum-stances, the attacks on their activities, the successive changes to the applicable

legal framework and the possible challenge to the authority of final judgement raise questions about the sustainability of Romania's achievement in the fight against high level corruption."

Further steps were made as regards the collaboration with the European Commission under the CVM. In January 2021 the new Minister of Justice had a series of discussions with the high level representatives of the European Commission concerning the link between the EU Rule of Law Mechanism and the CVM. The EU Commissioner for Justice expressed his support for the CVM Report recommendations to ensure the predictability and sustainability of the justice reform process in Romania. An official statement was made by the Romanian Ministry of Justice, outlining the key points which were discussed, including the selection criteria of middle and top-level prosecutors, as well as the project to disband the Special Section for investigating magistrates.

On 20 January 2021, the Romanian Government adopted a memorandum on the necessary actions in order to finalise the CVM in Romania, these being the finalisation of the legislative proposal concerning the disbanding of the Special Section for investigating magistrates and its submission for approval to the Romanian Parliament by the end of February 2021, as well as the finalisation of the draft laws amending the main justice laws of Romania and their submission for approval to the Romanian Parliament by the end of April 2021.

In July 2020, the Romanian Ministry of Justice signed a financing contract with the Management Authority for the Operational Program Administrative Capacity 2014 – 2020 to carry out a functional review of the judiciary with the World Bank (scheduled to start in the first part of 2021) in order to get, *inter alia*, recommendations for the new Romanian Ministry of Justice strategy measures post 2020 and the related action plan.

For further details on recent developments relating to reform of the judiciary, see "*Risk Factors – The inconsistent application of law in the Romanian courts could have an adverse effect on the economy and therefore on the Notes*".

Recent legislative and constitutional developments

On 30 September 2020, the Ministry of Justice published draft laws proposing amendments to the statute of magistrates, the judicial organisation and the Superior Council of Magistracy and the deadline for the public debate is 31 March 2021. The draft laws will be sent, for advice, to the European Commission, Venice Commission and GRECO.

On 20 January 2021, the Government approved a Memorandum providing the deadlines for adoption of the draft law abolishing the Special Section for Investigation of Magistrates (by the end of February 2021). On 18 February 2021, the Government approved the draft law regarding the abolition of the Special Section for Investigation of Magistrates and of the abovementioned draft laws on justice (by the end of April 2020). Once adopted by the Government, the draft laws will be sent to the Parliament for approval.

The justice laws (being Law No. 303/2004 on the statute of magistrates, of Law No. 304/2004 on the judicial organisation and of Law No. 317/2004 on the Superior Council of Magistracy), have been further amended by various government emergency ordinances. This has been criticised by European Commission in its CVM reports, GRECO and the Venice Commission.

Certain provisions have also been criticised and recommendations have been issued (for example, the length of the initial training for magistrates, early retirement of magistrates, the composition of the appeal panels). Some of these recommendations have been already considered by Law no. 239/2019 which approved *GEO no. 92/2018* on amending and supplementing some normative acts in the field of justice:

- postponed until 1 January 2022 the entry into force of the provisions regarding the early retirement of magistrates (with 20 years of seniority); and

- postponed until 1 January 2021 the entry into force of the provisions regarding the appeal panels of three judges.

GEO no. 215/30.12.2020 on the adoption of certain measures regarding the appeal panels further postponed the entry into force of the provisions regarding the appeal panels until January 2022.

A series of amendments were brought to the *Criminal Code and to the Criminal procedure code* in order to ensure the transposition of certain directives of the European Union. For example:

- *Law no. 228/2020* amending and supplementing certain normative acts in criminal matters in order to transpose certain EU directives (published in the Official Gazette no. 1019/02.11.2020);
- *Law no. 217/2020* amending and supplementing Law no. 286/2009 on the criminal code and amending art. 223 para (2) of Law no. 135/2010 on the criminal procedure code (published in the Official Gazette no. 1012/30.10.2020);
- *Law no. 274/2020* amending and supplementing Law no. 286/2009 on the criminal code (published in the Official Gazette no. 1144/26.11.2020);
- *Law no. 283/2020* amending Law no. 78/2000 on the prevention, discovering and sanctioning the corruption acts and for other measures of transposition of Directive 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (published in the Official Gazette no. 1199/09.12.2020).

From the entry into force of the criminal code and of the criminal procedure code (1 February 2014), a series of Constitutional Court decisions admitted certain unconstitutionality exceptions regarding texts from the criminal procedure code and criminal code. An inter-institutional working group was set up in order to analyse possible legislative interventions on the criminal legislation. The representative institutions of the Judiciary take part in the meetings of this working group: The Superior Council of Magistracy, the High Court of Cassation and Justice, the Prosecutor's Office attached to the High Court of Cassation and Justice and its subordinated structures.

The Criminal and Criminal Procedure Codes will be modified, according to the Constitutional Court decisions. The draft law will be submitted to the Parliament during the fall 2021 session.

On 26 May 2019, a referendum was held on questions relating to the proposed amendments to the Criminal Code and Justice Laws. Over 80 per cent. of voters were in favour of banning amnesty and pardons for corruption offenses and prohibiting the use of government emergency ordinances relating to offenses, punishments and judicial organisation. The Constitutional Court validated the results of the referendum on 27 June 2019, rejecting five appeals that had been filed. The impact of the results of the referendum remain uncertain.

For additional details on recent legislative and constitutional developments, see also "*Risk Factors – The inconsistent application of law in the Romanian courts could have an adverse effect on the economy and therefore on the Notes*".

GRECO

On 23 March 2018, the Group of States Against Corruption ("**GRECO**") adopted an Ad hoc Report on Romania (the "**Ad hoc Report**"), published on 11 April 2018, in which it analyses the legislative proposals to amend the Justice Laws and expresses its concerns in relation to the intended amendments of the Criminal Code and the Criminal Procedure Code, the latter not being within the remit of the Ad-hoc evaluation. As a result of its analysis, GRECO made two sets of recommendations to Romania as follows:

(i) GRECO reiterated, in the Ad-hoc Report, two of the recommendations addressed to Romania in the Fourth Evaluation Round Compliance Report (published on 18 January 2018) which were not implemented up to the date of the Ad hoc Report, regarding the improvement of the transparency of the legislative process and of the procedure for the appointment and revocation for the most senior prosecutorial functions; and

(ii) With regard to the recent reforms to the judiciary, GRECO addressed recommendations to Romania in relation to (a) the staffing of the judiciary and prosecution service and the organisation of the latter; (b) ensuring that the independence of the prosecution service is - to the largest extent possible – guaranteed by law and the impact assessment of the intended changes on the future operational independence of prosecutors so that additional safeguards be taken, as necessary, to guard against interference; (c) avoiding the creation of new avenues for conflicts of interest and incompatibilities, particularly in connection with political activities and government functions; and (d) ensuring the independence of the judicial system by ensuring the predictability of rules concerning the rights and obligations and the liability of judges and prosecutors for judicial errors; and (e) the abandonment of the creation of the new special prosecutor's section for the investigation of offences in the judiciary.

The last three previous GRECO evaluation rounds were successfully closed. The fourth evaluation round and the ad hoc evaluation were conducted in June 2019, following which GRECO adopted the Follow-up Report to the Ad hoc Report on Romania. The Follow-up Report stated that the purpose of the ad hoc procedure under Rule 34 of GRECO's Rules of Procedure (which is to illuminate and analyse the legislative reform concerning the judiciary in Romania) has been achieved. GRECO decided to end the ad hoc procedure and to continue evaluating Romania's compliance with the pending recommendations from the Ad hoc Report under the on-going Compliance Procedure of its Fourth Evaluation Round. GRECO invited Romania to submit additional information concerning the pending recommendations and the progress report under the Fourth Evaluation Round by 31 December 2020. The second Interim Compliance Report (Fourth Evaluation Round) including follow-up to the Ad hoc (Rule 34) report on Romania, was debated and adopted at the GRECO Plenary Meeting which took place between 22 and 26 of March 2021 and which concluded that the level of compliance with the recommendations remains "globally unsatisfactory". The head of the delegation of Romania was asked to provide a report on progress in implementing the outstanding recommendations by 31 March 2022 at the latest and the President of the Statutory Committee was invited to send a letter to the Permanent Representative of Romania to the Council of Europe on the level of non-compliance with GRECO's recommendations.

Disputes in front of ICSID

Currently, Romania is party to the following pending cases at the International Centre for Settlement of Investment Disputes ("**ICSID**"): (i) Case No. ARB/14/28 (ALPIQ AG v. Romania) (ii) Ioan Micula, Viorel Micula and others v. Romania (ICSID Case No. ARB/14/29); (iii) Gabriel Resources Ltd. and Gabriel Resources (Jersey) v. Romania (ICSID Case No. ARB/15/31); and (iv) The Nova Group Investments BV v. Romania (ICSID Case No. ARB/16/19), (v) LSG Building Solutions GmbH and others v. Romania (ICSID Case No. ARB/18/19); (vi) Alverley Investments Ltd & Germen Properties Ltd v. Romania (ICSID Case No. ARB/18/30); (vii) Petrochemical Holding Group v. Romania (ICSID Case No. ARB/19/21).

Case No. ARB/14/28 (*ALPIQ AG v. Romania*)

On 10 November 2014, ALPIQ AG, a Swiss company, filed an application for arbitration, claiming that Hidroelectrica's insolvency and subsequent scrutiny and termination of the agreements that Hidroelectrica had for the delivery of electricity affected the financial interests of two of ALPIQ AG's subsidiaries operating in Romania. According to the arbitration claim, ALPIQ AG seeks that the arbitral tribunal: (i) finds that Romania has breached the Romanian-Swiss Agreement, ratified by Law No. 40/1994 as well as the Energy Charter Treaty, ratified by Law No. 14/1997; and (ii) obliges Romania to pay the applicant compensation for all damages

suffered together with interest and arbitration costs. The claim, as of 30 June 2017, amounted to USD 485 million.

Following the issuance of a favourable decision to Romania on 9 November 2018, the applicant filed a request for rectification of certain material errors in the body of the decision.

On 10 October 2019, the Ad-hoc Committee issued Procedural Order No. 1 by which the main elements regarding the development of the procedure, the procedural timetable and other terms of reference were established in the action for annulment.

On 14 February 2020, Alpiq submitted a memorandum on the partial annulment of the arbitral award.

On 11 September 2020, Alpiq filed a reply on annulment which is currently pending.

On 15 February 2021, Romania filed a reply post-hearing brief and a submission on costs.

Case No. ARB/14/29 (*Ioan Micula, Viorel Micula and others v. Romania*)

The claimants allege a failure of Romania to rein in the country's black market in alcohol sales and a unilateral change in the contracts for exploiting mineral water which led to an increase in the cost of extraction. Based on media press reports, the claim, if upheld, would be for a material amount, however, the Government strongly believes that the case lacks merit and intends to defend it vigorously. The oral hearings took place between 21 January 2019 and 2 February 2019. During the oral hearings, the arbitral tribunal was informed about the declarations of the European Union Member States of 15 and 16 January 2019 on the legal consequences of the judgement of the European Court of Justice in case No. C-284/16 (the "**Achmea case**") and on investment protection in the European Union. The case is ongoing.

On 5 March 2020, the ICSID tribunal issued an arbitral award in favour of Romania. The ICSID tribunal ruled that Romania had not violated the terms of the Agreement on the mutual promotion and protection of investments between the Government of Romania and the Kingdom of Sweden. In addition, it ordered the claimants Ioan Micula, Viorel Micula and the 10 claimant companies from the group controlled by them to pay Romania 75 per cent. of the arbitration costs amounting in total to EUR 4.5 million.

On 13 July 2020, the claimants filed a reply on annulment and on 19 January 2021, Romania filed a counter-memorial on annulment. The claimants filed a further reply on annulment on 19 March 2021 and Romania plans to file a rejoinder on annulment on 19 May 2021.

Case No. ARB/15/31 (*Gabriel Resources Ltd. and Gabriel Resources (Jersey) v. Romania*)

On 30 June 2017, the applicants filed a detailed memo containing 416 pages and nine expert reports. The main dissatisfaction that the claimants in the arbitral file have with the Romanian state is that it delayed and unjustifiably blocked the issuance of the necessary agreements for the implementation and development of the Roșia Montană mining project. The applicants claim compensation amounting to USD 3.28 billion, to which a LIBOR plus 4 per cent. capital interest is to be added starting from 29 July 2011 until the date of payment of the arbitration decision (i.e. USD 4.377 billion at current value for 30 June 2017).

On 22 February 2018, Romania submitted a written defence (the "**Counter-Memo**") to the claimant's allegations. On 2 November 2018, the claimants submitted a reply to the Counter-Memo. On 7 December 2018, the arbitral tribunal admitted the applications for action (Amicus curiae submission) filed by Alburnus Maior, Greenpeace CEE through Greenpeace Romania and the ICDER Independent Center for Environmental Resources Development.

Romania submitted the second round of detailed written defences on 24 May 2019 and subsequently two round of oral hearings took place. Thereafter, the arbitral tribunal ordered the parties to make written submissions in

two rounds; the first submission took place on 18 February 2021 and the second submission is scheduled to take place on 23 April 2021.

Case No. ARB/16/19 (*The Nova Group Investments BV v. Romania*)

The Nova Group Investments has complained about a series of measures taken by the competent public authorities in relation to an insurance company, which subsequently entered bankruptcy proceedings, as well as an alleged denial of the right to a fair trial as part of criminal proceedings (undertaken by the prosecution bodies and by the courts) concerning the representatives of the investor. On 21 July 2017, the claimant submitted a memo detailing its arbitral claim. The amount of compensation requested by the claimant is EUR 342.6 million plus interest.

Romania submitted its first detailed written defence (the Counter-Memo) on 9 February 2018, in which Romania strongly opposed the allegations of the plaintiff.

On 27 May 2018, the Tribunal rejected both the claimant's request for suspension of the arbitral proceedings and Romania's request to reconsider and withdraw the interim measures imposed by the decision of 29 March 2017. By procedural Order No. 7, the arbitral tribunal recommended Romania, pursuant to Art. 47 of the ICSID Convention, to withdraw the European provisional arrest warrant issued for Alexander Adamescu, associated with his extradition request addressed to the United Kingdom. The national judge has analysed this procedural order and has decided that there are no grounds for withdrawing the European provisional arrest warrant.

On 15 November 2018, the European Commission filed a request for intervention as *amicus curiae* in order to present the consequences of the European Court of Justice's decision in the Achmea case which are described in statements signed by the EU Member States on 15 and 16 January 2019, public documents published by the European Commission. On 9 January 2019, the arbitral tribunal admitted the intervention request of the European Commission and will allow it to submit its view on the legal issues arising from the European Court of Justice's Achmea case ruling after the resumption of the arbitration procedure.

On 16 July 2020, Romania submitted the last main written defence, the "Rejoinder". The final period of oral hearings was established following submission. On 20 February 2021, the Arbitral Tribunal issued a procedural order concerning organisation of the next phase of the hearing in order to rule on the jurisdiction and merits. The next hearings are scheduled to take place between 12 and 13 April 2021 and on 1 May 2021.

Case No. ARB/18/19 (LSG Building Solutions GmbH and others v. Romania)

The claimants, LSG Building Solutions GmbH, Green Source Consulting GmbH, Solluce Romania BV, Risen Energy Solar Project GmbH, Core Value Investments GmbH & Co KG Gamma, SC LJG Green Source Energy Beta, Anina Pro Invest Ltd, Giust Ltd and Pressburg UK GmbH introduced arbitration under the Energy Charter Treaty and Energy Charter Protocol on Efficienct energy and environmental issues. The claimants state that, following the ratification by Romania of the Kyoto Protocol to the United Nations Framework Convention on Climate Change, Law No. 3/2001, it undertook to adopt a series of measures to reduce emissions of gases by reducing the dependence on conventional energy sources and by encouraging renewable energy production. In this respect, it is stated that Romania has adopted several normative acts through which, according to investors, one of the most favourable incentive schemes for investments in renewable energy in Europe was established. As a consequence, the claimants argue that on the basis of this existing regulatory framework in 2012, they immediately brought substantial funds to their project companies set up in Romania to complete the construction of photovoltaic installations as soon as possible. However, since mid-2013, the applicants state that Romania has implemented a series of measures adopted by several normative acts that have had the effect of modifying the regime established in the renewable energy sector, affecting their investments significantly and irreversibly. The claimants argue that the actions and omissions committed by Romania constitute serious

and repeated infringements of the protection granted to foreign investors under the Energy Charter Treaty. The amount of compensation requested by the claimants is EUR 142.7 million.

On 30 October 2020 Romania submitted its response to the arbitral tribunal (the rejoinder on the merits and reply on jurisdiction). The claimants' response to the rejoinder was submitted to the Arbitral Tribunal on 21 December 2020. On 2 March 2021, the Arbitral Tribunal issued a procedural order concerning the procedural matters of the case. The parties have until the end of May 2021 to make written submissions (post-hearing briefs) and until the end of June 2021 to submit statements of costs.

Case No. ARB/18/30 (Alverley Investments Ltd & Germen Properties Ltd v. Romania)

The arbitral action is based on the provisions of the Agreement between the Government of Romania and the Government of the Republic of Cyprus on the promotion and mutual protection of investments. In the context of the arbitral proceedings, the claimants (Alverley Investments Ltd and Germen Properties Ltd.) essentially state to have indirectly invested through other companies based in Romania - Baneasa Investments SA, Baneasa Business & Technology Park S.A., Baneasa Developments S.R.L., Residential Baneasa S.R.L. in the real estate project "Baneasa". Following the establishment of a criminal case at the National Anticorruption Directorate, several persons were convicted in connection with the purchase below the market price of land in the Baneasa area that belonged to the state. Although the claimants Alverley and Germen were not accused in this case, the Romanian companies in which the former hold shares were parties. The imposition of seizures on the land by the courts affected the investments of Romanian companies and implicitly of Cypriot companies. The claimants argue that the accusations and convictions in this criminal case were unlawful and through them Romania violated its obligations not to apply discriminatory treatment to investors and not to expropriate investments. The amount of compensation requested by the claimants is at least EUR 200 million.

According to the order of the arbitral tribunal from 1 August 2019, Romania's request for a summary rejection of the arbitration action was not admitted. Instead, Romania's request to bifurcate the arbitration procedure was admitted, which means that the arbitral procedure will continue only regarding the jurisdiction of the tribunal to settle this case.

The hearings on the procedural phase of jurisdiction took place in April 2020. At the end of the hearings, the Arbitral tribunal established a timetable for both parties for the following period, namely the submission of a post hearing brief – 19 May 2020, the submission of a reply – 10 June 2020 and the submission of a statement of costs – 26 June 2020. In the following period, without having a deadline set for this purpose, the arbitral tribunal is set to rule on the jurisdiction phase. There have been no further developments in this case since 26 June 2020 and proceedings remain pending.

Case No. ARB/19/21 (Petrochemical Holding Group v. Romania)

The claimant states that in the period between 2005 and 2016, it invested an amount of more than EUR 476 million in the company Rafo S.A. ("**RAFO**"), whose main asset is a refinery located in Onesti, Bacau County. This amount would result from the acquisition of 97 per cent. of RAFO shares, as well as from the payment of RAFO debts to third parties (through the assignment of RAFO debts in 2006, through an agreement with AVAS, in the amount of EUR 6.9 million, and the payment of RAFO debts to the Romanian state in the amount of EUR 186.4 million), from loans made to RAFO that were converted into capital, as well as from amounts and expenses made in order to modernize the RAFO refinery.

The claimants argue that the violations on the part of Romania were subsequent to 2005, including, in 2009, the non-fulfilment of an agreement to offer a state guarantee in the amount of EUR 330 million or equivalent, in order to support the investments in the modernization of RAFO, as well as the seizure made by the National Agency for Fiscal Administration ("**NAFA**"), in 2015, on movable or immovable assets of RAFO, including on the refinery, for a percentage of 2.72 per cent. of the shares held by SC Prospecting S.A. at RAFO, a seizure

that was cancelled on 2 February 2017. Also, the investor claims that Romania has not complied with its own legislation adopted to stimulate investments (GEO no. 92/1997 on stimulating direct investments). More specifically, the measures taken by Romania (through the agencies, institutions or bodies for which Romania is responsible) would have had the effect of destroying or causing the claimant to lose its chance to revive the RAFO refinery, as well as the entire destruction of the claimant's investment in RAFO.

The claimant is of the opinion that the actions and omissions undertaken by Romania constitute serious and repeated violations of the protections granted to investments according to Part III of the Energy Charter Treaty. On 23 November 2020 the claimant lodged a statement detailing his claims against Romania and quantified the damages suffered at more than USD 835.8 million plus interest.

The Arbitral Tribunal decided the procedural calendar of this case in December 2020 and Romania's first written defence is due to be filed on 4 June 2021.

International Relations

Romania maintains diplomatic relations with 184 United Nations (the "**UN**") member states, as well as the Holy See, the Sovereign Military Order of Malta and Palestine. It has a broad foreign representation network, consisting of 147 diplomatic missions, including: 92 embassies, 7 permanent missions/delegations/representations to international organisations, 37 general consulates, 6 consulates, 1 vice-consulate and 4 consular offices, as well as 18 Romanian Cultural Institutes and a network of 189 honorary consulates.

Romania has been a member of the North Atlantic Treaty Organisation ("**NATO**") since 2004 and of the EU since 2007. Another key component of Romania's foreign policy is its active contribution to the activities of the international fora, especially the UN, the Council of Europe, the Organisation for Security and Co-operation in Europe ("**OSCE**") and the World Trade Organisation. In recent years, Romania has also developed its relations with the Organisation for Economic Cooperation and Development ("**OECD**"), with becoming a member being a top priority of Romania's foreign policy.

Predictability and continuity remain core principles in Romania's foreign policy. The key national security objectives encompass the further consolidation of the Strategic Partnership with the U.S., strengthening the profile of Romania within NATO and the EU, strengthening co-operation with neighbouring countries and states on NATO's Eastern flank and increasing regional co-operation.

In the first half of 2019, Romania delivered a successful mandate at the Presidency of the Council of the EU, and the country's performance was widely recognised by its EU partners and the European institutions' representatives. The substantial results of this mandate contributed to the consolidation of Romania's profile within EU.

At the EU level, Romania constantly focuses on strengthening its status as an active and responsible Member State, as demonstrated in the European debates on anti-crisis measures (by promoting a balanced approach between economic governance consolidation and economic growth support, technological development and job creation). Romania's objective is to promote sustainable convergence and unity within the EU, support for the cohesion and common agricultural policies, while acknowledging the need for special attention towards the green and digital dimensions. Special focus is placed on safe nuclear energy, completing the EU's internal energy market and developing the external dimension of energy security policy.

Romania is interested in NATO remaining a strong and relevant alliance and is determined to fulfil its commitments in this regard. In regard to the COVID-19 pandemic and its implications for NATO, Romania will continue to support and participate in the implementation of NATO's efforts related to increasing resilience, civil preparedness, military support to civil authorities, business continuity in times of crisis and the aim of

preventing the COVID-19 pandemic from becoming a security crisis. Romania also supports a close coordination and cooperation between EU and NATO in this respect. In today's security environment, all available resources are necessary and fair burden sharing, solidarity and cooperation constitute fundamental principles for the common effective engagement of these two organisations and their member states. The significant progresses achieved by the EU in the area of security and defence should contribute to a stronger European defence and lead to an enhanced cooperation with NATO. Against this background, ensuring synergy and coherence in the process of defence planning and capability development between NATO and EU remains essential.

Romania will continue to provide relevant contributions to NATO's operations and missions and to develop its national defence capabilities. The presence in Romania of a notable number of allied military personnel and assets is essential in developing a credible and sustainable deterrence in the Black Sea region, an area of strategic importance for the transatlantic security and contributes to increasing the overall deterrence and collective defence capacity of NATO.

The Government of Romania will continue to support the allocation of 2 per cent. of GDP for defence and to invest in important modernisation programmes. The 2021 NATO Summit is expected to ensure the consolidation of the collective defence and effective deterrence measures on the entire Eastern flank. More investments, modern capabilities, improved readiness and mobility of allied forces remain top priorities. These strategic priorities are also set in Romania's 2020-2024 national defence strategy.

From Romania's standpoint, the COVID-19 pandemic requires a comprehensive and coordinated approach both at the level of the states and at the level of international organisations. In the context of the COVID-19 pandemic, Romania has responded promptly to the UN and EU's calls for humanitarian and development assistance. More specifically, the MFA of Romania tripled its Official Development Assistance budget for 2020. Out of this budget, approximately 75 per cent. of the funds were directed towards projects tackling the negative effects of the pandemic with a specific focus on the EU's Eastern Neighbourhood states, the Western Balkans and Africa. Among other examples, Romania was also the first NATO ally to use the Strategic Airlift Capability to transport medical equipment from South Korea, and the first Member State to host EU medical equipment within the strategic reserve *rescEU*, making such deliveries to countries including Italy, Spain, Lithuania, Montenegro, the Republic of North Macedonia, and the Republic of Moldova. Romania has sent medical personnel to Italy, the Republic of Moldova and the US, it has contributed EUR 200,000 to the *Global Coronavirus Response* organised by the President of the European Commission, it has assisted foreign citizens by facilitating their repatriation to or from countries in Europe, Middle East and Northern Africa, it has provided transit facilities for the safe repatriation of EU and third countries' citizens by crossing the Romanian territory, and it has granted all requests for transit of humanitarian convoys.

On the bilateral level, Romania has increased its focus on consolidating its strategic partnerships and its other special or privileged relationships, first of all with EU member States, but also on developing and extending new relationships with states in Asia and the Pacific, the Middle East and the Gulf, Africa and Latin America.

In the multilateral field, concrete results have been actively searched for in several frameworks, in particular through its mandate chairing the global Community of Democracies and the Black Sea Economic Cooperation Organization. Moreover, Romania is an active part of the Franco-German Alliance for Multilateralism, an informal network of countries united in their conviction that a rules-based multilateral order is the only reliable guarantee for international stability and peace and that our common challenges can only be solved through cooperation.

The strategic partnership between Romania and the United States of America was launched in 1997 and remains a key pillar of Romania's foreign and security policy. Since then, it has undergone several key developments, marked by bilateral political declarations and agreements: the Joint Declaration on Strategic Partnership for the

21st Century between the United States of America and Romania (2011), the Agreement between Romania and the United States of America on the Deployment of the U.S. Ballistic Missile Defense System in Romania (2011) and the Joint Statement from the President of Romania and the President of the USA (August 2019, which reaffirmed the strategic partnership in its bilateral, regional and global dimensions). Romania and the United States of America continue to develop their strategic partnership by expanding their bilateral cooperation to new areas, such as civil nuclear energy, the security of 5G communication networks and the capitalization of 5G licenses (memorandums of understanding in this regard have been signed in 2019 and an intergovernmental agreement on nuclear energy projects was signed in December 2020). In 2021, both the Joint Declaration on the Strategic Partnership for the 21st Century between Romania and the United States of America as well as the Agreement between Romania and the United States of America on the Deployment of the United States Ballistic Missile Defense System in Romania will celebrate their ten year anniversaries. Both milestones will provide additional opportunities for deepening the Romania-US bilateral dialogue at all levels – political, military, economical and technological.

On 8 October 2020, the Minister of Defense of Romania and the United States Secretary of Defense signed a ten year road map for defence cooperation that captures the nations' common strategic goals and shared interests, such as defence modernisation and Black Sea-area security. The Export-Import Bank of the United States ("**EXIM**") signed a memorandum of understanding with Romania's Ministry of Economy, Energy, and Business Climate, aimed at enhancing trade and economic opportunities between the two countries. Under the memorandum of understanding, EXIM and Romania agree to explore and identify options to potentially use EXIM financing in a total aggregate amount of up to U.S.$7 billion, and to identify areas to work together to promote business development opportunities, particularly in the energy (including nuclear and liquefied natural gas and infrastructure projects including road, rail, bunkering stations) and infrastructure industries.

On 26 October 2020, the Romanian and French governments signed a declaration of intent regarding the cooperation of the two countries in the civil nuclear field, aimed at the construction, in a broader framework, with other strategic partners, of reactors 3 and 4 and the renovation of reactor 1 of the Cernavoda nuclear power plant. An agreement was also concluded between Nuclearelectrica and a French company, Orano (formerly Areva).

As part of Europe and a bridge to Central Asia and Afghanistan, the wider Black Sea region is an important part of the Euro-Atlantic security. Consequently, Romania supports efforts aimed at enhancing regional security and co-operation projects. Strengthening security in the wider Black Sea area requires regional approaches and multilateral solutions based upon democratic participation of countries in the region, as well as engagement with the EU, NATO and OSCE.

In 2019, Romania has made real breakthroughs in favour of enhanced EU involvement in Black Sea regional cooperation, with a particular focus on the development of a sustainable blue economy. Through supporting the adoption of the Strategic Research and Innovation Agenda for the Black Sea (Bucharest, 9 May 2019) and of the Common Maritime Agenda for the Black Sea (Bucharest, 21 May 2019), the European Commission has clearly stated its interest and commitment to regional cooperation. The commitment was renewed at EU Council level by the Foreign Affairs Council's Conclusions on the EU role in the Black Sea region, adopted on 17 June 2019 in Brussels, the first ones since 2007.

Romania's regional profile was further enhanced by assuming the Black Sea Economic Cooperation Chairmanship-in-office for the entire year of 2020, placing special emphasis in its mandate on consolidating regional interconnectivity and economic intergovernmental cooperation.

A special place in Romania's foreign policy is also reserved for major regional mechanisms and formats in the initiation and development of which Romania has participated and will continue to participate: the Bucharest 9 Format (B9), the Three Seas Initiative ("**3SI**") and the Security Trilateral with Poland and Turkey.

In terms of regional policies and cooperation, of particular interest for economic development remains the 3SI. The Covid-19 pandemic proved, more than ever, that Romania needs functional links and connections, in order to allow for a timely and non-discriminatory access to the necessary resources. The 3SI could make the difference through its positive impact on the implementation of major regional connectivity projects. Romania continues to work with the other participating states, partner states and financial institutions to fully capitalise upon the 3SI's potential, particularly with regard to projects of special interest to Romania, like *Rail2Sea* and *Via Carpathia*, as President of Romania Klaus Iohannis underlined in its intervention at the Three Seas Virtual Summit on 19 October 2020.

Another major priority is the development and deepening of Romania's bilateral strategic partnerships and special relationships, both those linking us to the EU core promoting a consolidated European Union, and those that bring added value to Romania's security and prosperity, in Europe and Asia. Special attention has been paid to the strategic relationships with Germany, France, Poland, Italy, Spain, the UK, Turkey and Azerbaijan. In Asia, negotiations are ongoing to raise the bilateral relation with Japan to strategic partnership level, while the strategic partnership with the Republic of Korea will continue. The strategic relationship with Israel and the traditional relations with Arab states in the Middle East, North Africa and the Gulf have deepened, including in the trade and investment dimensions. Romania maintains its traditional long held positions on the Middle East peace process and the status of Jerusalem.

In the immediate vicinity, the permanent first priority is the development and deepening of the bilateral strategic partnership for the Republic of Moldova, by continuing support for its path to European Union membership and efforts to strengthen democratic institutions, through bilateral projects for strategic interconnectivity and projects of assistance carrying direct benefits for the citizens of the Republic of Moldova. Romania gives sustained support to the sovereignty, territorial integrity and European Union membership aspirations of Ukraine, has consolidated its strategic relationship with Bulgaria, has developed relations with and continues to assist the European Union membership aspirations of Serbia and will continue to conduct relations with Hungary within the framework of the 1996 Basic Treaty and the 2002 Declaration of Strategic Partnership and in a spirit of good neighbours.

Romania remains committed to pragmatic and predictable relations with Russia, contingent on a constructive role on the Russian side in a resolution of the Ukraine conflict and in a redressed strategic balance in the Eastern Neighbourhood, and on respect for international commitments and international law as an absolute precondition for restoring a smooth dialogue. Economic relations are conducted in full compliance with the EU sanctions regime.

Romania also intends to expand its economic connections and trade and investment relations with other countries including Brazil and countries from North Africa, South-East Asia, the Middle East, the Gulf area and the South Caucasus.

Romania continues to be a strong candidate for OECD membership, and believes it has favourable chances to be nominated to open accession negotiations once an OECD Council decision on enlargement is issued. While the merits of Romania's candidacy have been widely recognised by the OECD and its members, its outcome depends on various factors including the ability of the OECD Council to find the right compromise on the substance and sequence of the new OECD enlargement process. The effects of the COVID-19 pandemic on the organisation's activities, the current process of selecting the future OECD Secretary General and the uncertainty about the position of the new US administration represent potentially negative factors in the OECD internal debate on enlargement.

Since 1990, Romania has steadily developed its relations with international financial organisations, including the IMF, the World Bank Group, EBRD, the European Investment Bank ("**EIB**"), the Council of Europe

Development Bank ("**CEB**"), the Japan International Cooperation Agency and the Black Sea Trade and Development Bank ("**BSTDB**").

Romania's partnership with the EIB includes financing and advisory services for both public and private sector, as well as support for EU initiatives agreed during the negotiations for the subsequent financial programming period, taking into account EU climate and digital objectives. Building on the experience of the Investment Plan for Europe, Romania continues to rely on this partnership and the increased role of the EIB in ensuring a smooth transition and achievement of the objectives, through public and private support from InvestEU Programme, the Just Transition Mechanism, the Modernization Fund and any further initiatives.

The EBRD is expected to continue its policy dialogue with the Romanian authorities and in co-operation with relevant institutions to further develop the Romanian capital markets under the Local Currency and Capital Market Development Initiative, a programme developed by the EBRD. Its main initiatives are: (i) creating a more local currency-friendly regulatory and monetary policy environment; (ii) improving the related implementing legislation; and (iii) streamlining, but not diminishing, the private pension pillar.

The EBRD also supports investments in private sector renewable generation to promote competition and to help Romania meet its EU 2020 targets. Under these targets, Romania is required to increase its share of renewable energy to 38 per cent. of total electrical energy production, including from large hydro-electric plants. In 2018, renewable energy provided 40.6 per cent. of Romania's national electricity production. In 2019, renewable energy provided 43 per cent. of Romania's national electricity production.

The Romanian Government signed two sovereign loans in an aggregate amount of EUR 660 million with the EIB in June and July 2016, a further loan in an amount of EUR 1 billion in July 2017 and a further loan in an amount of EUR 450 million in September 2018 in order to cover the state budget contribution to several Operational Programmes under the 2014 – 2020 programming period.

Romania is a founding member of the BSTDB, the financing arm of the Black Sea Economic Cooperation. Since it started operations in 1999, the BSTDB has financed over 42 projects in Romania (of which only one had a state guarantee), amounting to over EUR 600 million as of 31 December 2020.

Membership in the European Union

Overview

Romania has been an EU Member State since 1 January 2007. According to the EU treaties, Romania ranks amongst the Member States with medium voting power. The current Romanian member of the College of Commissioners in the EU holds the Transport portfolio (for the period from 2019 to 2024). Romania is also involved in the activity of a number of European consultative bodies, with 15 representatives on the Economic and Social Committee and 15 representatives on the European Committee of the Regions. Romania is also represented in the European External Action Service.

Following the European Parliament elections of 2019, Romania holds 33 out of the total of 705 parliamentary seats in the European Parliament. Romania supports the advancement of the European project, centred on major priorities such as economic growth, jobs, cohesion, stimulating investments, energy security and consolidation of the EU as a global actor.

2020 was an important year in terms of increasing Romania's visibility at EU level. Bucharest was selected to host the future European Cybersecurity Competence Centre, based on a strong application and reflecting the national expertise in cybersecurity as well as the rising competitiveness of Romania's digital sector. A Romanian diplomat has been designated, by the vote of the EU Member States, as executive director of the European Labour Authority, an important EU Agency whose main task is to promote and enforce the protection of mobile workers in the EU.

Romania held the Presidency of the EU Council in the first half of 2019 and assumed an ambitious programme aimed at enabling concrete results for the citizens and at working towards a more cohesive EU, in line with the motto, "Cohesion, a common European value". By assuming the role of an “honest broker” and reaching decisions with a large support from the other EU Member States, Romania has demonstrated the capacity to efficiently exercise leadership at EU level. In figures, the Romanian Presidency of the EU Council include the completion of the negotiations for 90 co-decision legislative files and the adoption of a number of 83 EU Council Conclusions. A landmark event for the Romanian Presidency of the EU Council was the Sibiu Summit which took place on 9 May 2019, and the adoption of the Sibiu Declaration contributed to advancing the EU agenda and setting the ground for the adoption of EU’s Strategic Agenda 2019-2024 at the June 2019 European Council.

Through its first mandate as rotating Presidency of the EU Council Romania acted for more cohesion in Europe, worked for a safer Europe and for strengthening EU’s external borders, promoted digitalisation and innovation, delivered results for consolidating the Energy Union and fighting climate change, worked for the strengthening of Economic and Monetary Union and for greater resilience to economic crises, contributed to strengthening the EU's global role in the neighbourhood and kept the EU enlargement agenda active.

On 29 March 2017, the United Kingdom formally notified the European Council of its intention to leave the European Union (“**Brexit**”). On 24 December 2020, the United Kingdom and the European Union agreed to the Trade and Cooperation Agreement, which took provisional effect from 1 January 2021 (while ratification and conclusion is expected to take place in the first months of 2021). The Agreement is centred on a free trade core, with zero tariffs and quotas while at the same time providing a solid level playing field in areas such as commerce, transport, and social security.

Whilst inevitable changes have already occurred since 1 January 2021, the provisional application of the Agreement has managed to mitigate major disruptions in businesses caused by the end of the transition period. The long-term effects of Brexit will however depend on the implementation of the Trade and Cooperation Agreement and any future agreements (or lack thereof) between the United Kingdom and the European Union, in particular regarding tariffs and other trade regulations with either the EU or individual Member States.

Romania supports a close partnership between the EU and the UK that will provide the opportunity to continue and extend co-operation in areas of common interest in a fair and equitable manner for all Member States and all Romanian citizens.

Romania is currently also actively engaged in debates on European economic recovery and in setting up an adequate financial framework for supporting companies and citizens affected by the COVID-19 pandemic. Romania advocates for an inclusive, EU-wide approach to the design and implementation of instruments meant to mitigate the economic cost of the medical crisis, so as to allow the EU to re-emerge as a consolidated, convergent and competitive economy.

Romania has a dynamic regional agenda and plays a key role in advancing the EU strategy for the Danube Region (“**EUSDR**”), a framework for regional cooperation under the EU “umbrella”. The EUSDR, launched by Romania jointly with Austria ten years ago, proved to be the basis for important economic and social projects in a region covered by 14 countries, contributing to its economic, social and territorial cohesion and assisting EU candidates and other EU neighbouring countries on their alignment with EU policies and values. Moreover, it gives investors the opportunity to participate in concrete projects financed mainly from EU sources in areas such as transport, communication, energy, environment, tourism and culture.

Romania has completed the evaluation process of the Schengen *acquis communautaire*, as confirmed in the conclusions of the 2011 June Justice and Home Affairs Council and by the positive vote of the European Parliament and reconfirmed by subsequent European Council conclusions.

At its meeting of 26-27 June 2014, the European Council reconfirmed, in its minutes, the support for Romania's accession to the Schengen area and invited the Council to address the accession of Romania and Bulgaria to Schengen at its earliest convenience. Romania has successfully fulfilled, since 2012, all the requirements of the Schengen *acquis communautaire*, so as to become a full member of the Schengen area, and benefits from the support of the Commission and the European Parliament, which have repeatedly expressed their views in favour of completing the process of enlarging the Schengen area. In the context of the initiatives taken at EU level to consolidate the EU internal security, the legal framework has been adapted in order to allow for Romania and Bulgaria to fully implement the new security tools. In this respect, the EU Council Decisions to grant to these two countries passive access to the Visa Information System and the full access to the Schengen Information System were adopted.

Joining the Schengen area is a major political objective for Romania, with, the subject constantly included as a priority on the agenda of the political diplomatic dialogue. Romania will continue to work with its European partners in order to identify solutions to facilitate progress on this issue as soon as possible. Romania continues to actively participate in the implementation of new security measures at EU level and will continue to work closely with all EU Member States and European institutions to strengthen EU internal security.

Romania supports the ongoing processes of further consolidating the Economic and Monetary Union ("**EMU**"), within the boundaries of the European Treaties and actively participated in the efforts to consolidate the Economic and Monetary Union and to create mechanisms for early warning and addressing future economic or financial crisis phenomena at the Eurozone and EU levels. Romania supported the setting-up of a reformed economic governance framework that takes into account and adequately involves the non-euro Member States. Considering the country's goal of adopting the single currency, Romania supports an inclusive and transparent approach with regard to non-Euro Member States in further advancing the consolidation of the EMU, without creating new barriers to joining the euro area.

Likewise, Romania has been actively engaged in the debates surrounding European economic recovery and in setting up the adequate financial framework for supporting companies and citizens affected by the COVID-19 pandemic. Romania has constantly advocated for an inclusive, EU-wide approach to the design and implementation of instruments meant to mitigate the economic cost of the medical crisis, so as to allow the EU to re-emerge as a consolidated, convergent and competitive economy.

In this regard, Romania has promoted a constructive approach throughout the process, aiming for a balanced and timely agreement during both inter-governmental and inter-institutional negotiations. Romania intends to use the various economic instruments which have been set at EU level (e.g. SURE and Recovery and Resilience Facility) in order to mitigate the economic and social impact of the pandemic, but also to increase its resilience, in terms of macroeconomic sustainability, digital agenda or green related investments.

In the current context, Romania will continue to support the objectives set forth in EU's Strategic Agenda for 2019-2024, endorsed by the European Council in June 2019 during the Romanian Presidency of the EU Council. Romania is actively participating in the ongoing discussions at EU level on shaping the future of the Union based on the priorities agreed: protecting the citizens and the fundamental freedoms, developing a strong economic base, including through facilitating the post-crisis economic recovery, building a climate-neutral, green, fair and social Europe, as well as promoting European interests and values on the global stage.

Energy and climate change are two of the main priority areas for Romania. In 2014, Romania supported the adoption of the 2030 Climate and Energy Framework, in view of ensuring instruments and mechanisms aimed at making the EU's economy and energy system more competitive, secure and sustainable. The EU's 2030 Climate and Energy Framework and the subsequent legislation adopted at European level represent important steps in the implementation of the commitments taken by the EU and its Member States under the Paris Agreement.

The European Union defined its Long-term Strategy on Climate Change, in line with the commitments under the Paris Agreement. Important steps in this regard have also been taken during the Romanian Presidency of the EU Council, whose main objective was to work towards a sustainable, responsible and comprehensive approach to climate change at European level.

Romania supported, at the European Council in December 2019, the objective of the EU reaching climate neutrality by 2050 as well as the new target for emissions reduction for 2030 (at least 55 per cent.) decided by the European Council in December 2020. For Romania, it is important that the specificities (energy mix, industrial structure) of the Member States are taken into account and mechanisms for economic and social support are provided in order to facilitate the green transition. After the recent adoption of a more ambitious reduction target for 2030, the current Climate and Energy Framework will be revised in order to reflect at sectoral level the overall EU target. The European Commission will include its proposals in the "*Fit for 55*" package to be published in mid-2021.

In order to ensure a coherent and homogenous approach in implementing the existing legislation and prepare for reaching the set objectives, Member States have to prepare national integrated plans for energy and climate change. The national plan of Romania was finalised and sent to the European Commission with the Environment Strategic Assessment to be conducted.

The Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity entered into force on 4 July 2019 and has a direct application in accordance with Community law. The provisions of this Regulation apply from 1 January 2020. The Regulation requires a number of changes to the electricity market model such as establishing mechanisms to set electricity prices on the basis of demand and supply, market rules that encourage free pricing and avoiding anti-competitive behaviour, mechanisms to enable customers to take advantage of market opportunities, market rules that provide adequate incentives for investments in production, especially for long-term investments in a sustainable and low-carbon electricity system, market rules that allow entry and exit of companies based on the assessment made by the respective companies regarding the economic and financial viability of their operations, the gradual removal of obstacles to cross-border flows of electricity between the bidding zones and Member States and the elimination of the upper and lower limits on the wholesale price of electricity. The foregoing will require a revision of both the primary and secondary legislation governing the electricity market.

During 2020, seven orders were issued to implement the requirements of Regulation 943/2019 concerning programming of dispatchable production units, dispatchable consumers and dispatchable storage facilities, operation and settlement of the balancing market, calculation and settlement of imbalances of the parties responsible for balancing, approval of the program for the implementation of the necessary measures in order to ensure the settlement conditions at an interval of 15 minutes, concluding bilateral electricity contracts by extended tender and the use of products to ensure trading flexibility, the organized trading framework on the centralized market intended for the award of electricity contracts for long delivery periods, methodology for establishing the reference consumption curves for final customers who actively participate in the electricity market and 2 decisions regarding the rejection of the request of derogation from the harmonization of the 15-minute imbalance settlement interval and approval of the document "Report on structural congestions".

In addition to offshore explorations for natural gas in the Black Sea, Romania is actively promoting the project known as "BRUA", which aims to interconnect Bulgarian, Romanian, Hungarian and Austrian natural gas transmission networks. BRUA aims to contribute to the diversification of gas supply sources and enhancing security of supply for Romania, South-eastern Europe and Central Europe. In 2020, Romania completed all 3 of the new compressor stations necessary to make the first phase of BRUA operational, in accordance with the schedule.

Phase II has the objective of increasing the transmission capacity in the Romania – Hungary direction up to 4.4 bcm/year. There are uncertainties regarding the timetable and the objectives of BRUA Phase II, as the allocation capacity procedure ended in April 2020 with the engagement of the bidders considered insufficient to justify the need to increase capacity.

The national natural gas transmission system operators from Greece, Bulgaria, Romania, Ukraine and the Republic of Moldova have undertaken before the European authorities the commitment to operationalise the Trans-Balkan Corridor concept. The first task consisted in the fulfilment of the technical conditions making possible the reversible flow of natural gas volumes able to contribute to the strengthening of energy security in the region. The Romanian transport operator has completed all technical work on the Romanian component of the Trans-Balkan gas pipeline, so that at this time there is a technical possibility that a volume of 4.5 billion cm of gas per year might be pumped to Ukraine. However, the physical possibility of meeting any demand from Ukraine depends on the pressure and quantities that the Bulgarian operator can provide at the southern border of Romania.

Cases before the Court of Justice of the European Union

As of the date of this document, 76 infringement procedures launched by the European Commission ("**EC**") against Romania are ongoing. All are in the pre-litigation phase, meaning that none of these procedures have been brought before the Court of Justice of the European Union – "**CJEU**"/"**Court**".

Court proceedings in the two cases which were pending before the CJEU in early 2020 have been finalised.

- Case C-549/18, the European Commission vs. Romania -

On 16 July 2020, the European Court of Justice issued its judgment in Case C-549/18, which:

- declared that, by having failed to adopt, on the expiration of the period prescribed in the reasoned opinion of 8 December 2017, the laws, regulations and administrative provisions necessary to comply with the Fourth Anti-Money Laundering Directive or, in any event, by having failed to notify those provisions to the European Commission, Romania has failed to fulfil its obligations under Article 67 of the Fourth Anti-Money Laundering Directive;
- ordered Romania to pay the European Commission a lump sum payment of EUR 3 million;
- ordered Romania to pay the costs; and
- ordered the Kingdom of Belgium, the Republic of Estonia, The French Republic and the Republic of Poland to bear their own costs.

The Ministry of Finance made the payment in December 2020.

Law No. 129/2019 on the prevention and countering of money laundering and terrorism financing, as well as for the modification and completion of certain legislation, finalised the transposition of the Fourth Anti-Money Laundering Directive. It was published in the Official Gazette of Romania No. 589 on 18 July 2019.

- Case C-638/18, the European Commission vs. Romania -

On 30 April 2020, the Court ruled that Romania failed to comply with some provisions of Directive 2008/50/EC on ambient air quality. No financial sanctions were applied. Romania must now take the measures required to comply with this judgment. Should the EC find that such compliance measures have not been taken, it may launch a new infringement procedure (which would consist of a pre-litigation phase and, if necessary, a litigation phase; only if such a case were referred to the Court could the EC ask that financial penalties be applied). So far the EC has not launched an infringement procedure alleging non-compliance with the judgment.

European Commission Investigations

Investigation into Wholesale Gas Prices

The European Commission has started the first stage of an infringement procedure against Romania after analysing the legislative measures adopted by the government in December 2018 (GEO 114/2018) and concluding that it establishes a system of regulated wholesale gas prices that is against the EU rules. The European Commission decided on 7 March 2019 to send a letter of formal notice to Romania for failing to correctly implement certain requirements of the Gas Directive (2009/73/EC) and the Security of Gas Supply Regulation (Regulation (EU) 2017/1938).

Following receipt of the European Commission's formal notice, the Romanian authorities adopted Law no. 290/2020 on the approval of the Government Emergency Ordinance no. 106/2020 for the amendment and completion of the Law on electricity and natural gas no. 123/2012. Law 290/2020 and Emergency Ordinance no. 1/2020 implement some fiscal-budgetary measures and amend and supplement some normative acts in order to solve the issues reported by the European Commission, in particular, the provisions of such normative acts that oblige natural gas producers to make available with priority on the Romanian market the quantities of natural gas needed to supply the regulated market. The Gas Release Program has also been established and is aimed at increasing liquidity in the market as well as improving the access of all customers to natural gas in conditions of competition and non-discrimination.

The Ministry of Energy informed the Government Agent of Romania for the Court of Justice of the European Union within the Ministry of Foreign Affairs on the evolution of the legislation in this field and requested the transmission to the European Commission of the answer regarding this case.

Hunedoara Energy Company (Complex)

The European Commission has found that energy producer Hunedoara Energy Company ("**HEC**") received approximately EUR 60 million of incompatible state aid from Romania through four publicly financed loans. On 8 November 2018, the European Commission adopted Decision No. C (2018) 7308 on the unlawful state aid granted by Romania for the restructuring of the HEC. The decision was declared as final on 8 November 2019. Furthermore, the European Commission provided Romania with clarifications regarding the calculation of the total amount of aid to be recovered. The whole of the HEC heritage is under NAFA seizure in the account of the loans granted. At this moment, NAFA cannot pass the forced execution of the HEC goods on which it has instituted the seizure because the forced execution is suspended by a judiciary decision.

The amount of RON 319.2 million (approx. EUR 66 million) was registered, per Decision No. C (2018) 7308, in HEC's table of receivables as a guaranteed receivable, with a rank of preference established by Article 159(1)(3) of Insolvency Law no. 85/2014.

On 14 November 2019, HEC entered insolvency proceedings based on the general insolvency procedure provided in Law No. 85/2014 on insolvency prevention procedures and insolvency at the request of its creditors.

On 27 March 2020, the judicial administrator of HEC in insolvency published a report on the causes and circumstances that led to the insolvency of the company.

The preliminary table of receivables was submitted to the case file together with the Report on the verification of receivables and was published in the bulletin of insolvency proceedings no. 3526 / 20.02.2020. 22 appeals were filed against the preliminary table of claims. After the final settlement in court of the appeals and the preparation and publication in the Insolvency Proceedings Bulletin of the final table of receivables, a reorganisation plan for HEC will be proposed.

National Uranium Company

By Decision No. C (2018) 2668 of 5 May 2018, the European Commission opened a formal investigation related to the individual rescue aid granted in 2016, authorised by European Commission Decision of 30 September 2016, SA 46312 (2016 / N) – Rescue aid granted to the National Uranium Company ("**NCU**"). According to the provisions of GEO 65/2016 on the establishment of the legal framework for the granting of individual rescue state aid for NCU, at NCU request the Ministry of Energy was authorised to grant a rescue aid over a period of 6 months in two instalments amounting up to RON 62 million to NCU, which faced major economic and financial difficulties. In March 2019, the NCU completed the Revised Restructuring Plan which provides for the measures the company is going to implement in order to ensure long-term viability. The restructuring plan will be submitted to the Competition Council for transmission to the European Commission for analysis.

On 24 February 2020, the European Commission issued Decision 24.02.2020 on State Aid SA.48394 2018/C (ex 2017/N) on the rescue aid granted to the NCU. According to article 3 of Decision 24.02.2020 on State Aid SA.48394 2018/C (ex 2017/N), the loan granted to the CNU and its related interest, not reimbursed after 6 months, constitutes illegal state aid granted by Romania in violation of Article 108 paragraph (3) of the Treaty on the Functioning of the EU, and is incompatible with the internal market.

On 6 March 2020, the shareholders of NCU convened an extraordinary general meeting to approve the initiation of procedures for the sale of the assets belonging to the Feldioara Branch to Societatea Nationala Nuclearelectrica S.A.

In order to carry out this operation, due-diligence analysis, evaluation reports of the goods to be subject to the transfer must be prepared, as well as environmental assessments in order to obtain the environmental approval according to the legislation in force.

EU Funding

Pre-accession Funds

After its accession to the EU, Romania continued to benefit from funding made available as part of the EU pre-accession funding programmes, including PHARE (Poland and Hungary: Assistance for Restructuring their Economies), ISPA (Instrument for Structural Policies for Pre-Accession) and SAPARD (Special Accession Programme for Agriculture and Rural Development). Closing procedures are ongoing in respect of most projects funded using pre-accession funds.

Post-accession Funds

Since 2007, the year of Romania's EU accession, the EU has provided and will continue to provide financial assistance to Romania through various instruments, among the most important of which are the EU Structural and Cohesion Funds and the European Agricultural Fund for Rural Development.

Structural and Cohesion Funds

Overview

The EU Structural and Cohesion Funds are financial tools set up to implement the cohesion policy of the EU, with the aim of reducing economic disparity among regions and Member States of the EU. The EU Structural and Cohesion Funds include the European Regional Development Fund ("**ERDF**"), the European Social Fund ("**ESF**") and the Cohesion Fund ("**CF**"), each of which has different objectives and priorities. Generally, support from the EU Structural and Cohesion Funds is granted to Romania for the purpose of accelerating its economic development.

For the 2014-2020 programming period, EUR 43 billion has been allocated to Romania, according to the Multiannual Financial Framework. Out of this amount, the allocation for European Structural and Investment Funds (ESIF) is EUR 31 billion. The allocation for the Cohesion Policy, which is financed under ESIF, is EUR

23 billion, out of which approximately EUR 15.5 billion (50 per cent.) was received from the European Commission (pre-financing and reimbursements) on 15 January 2021.

The Ministry of European Investments and Projects ("**MEIP**") assumes the coordination of the 2014-2020 European structural and investment funds ("**ESIF**") and the managing authorities ("**MAs**") for five operational programmes (Competitiveness, Large Infrastructure, Technical Assistance, Human Capital and Aid for the Most Deprived). The MAs for the Regional Operational Programme and Administrative Capacity Operational Programme are within the authority of the Ministry of Development Public Works and Administration (the "**MDPWA**").

Decommitment rule

The use of Structural and Cohesion Funds and of the European Structural and Investment Funds is subject to a decommitment rule, which provides that the EU shall automatically decommit any part of a budget commitment in an operational programme that has not been used for payment of pre-financing or interim payments or for which an application for payment has not been sent by the end of a certain period (which is two or three years after the year when the financial allocation is granted ("**n+2/n+3 rule**")). Allocations that are decommitted are permanently lost.

2014 – 2020

The "n+3 rule" is applied in the 2014-2020 programming period, with the aim of significantly reducing the automatic decommitment thresholds. All the operational programmes were adopted by mid-2015, except for the OP "SMEs Initiative" for which the decision on the elaboration of this distinct programme was adopted later in 2016.

The decommitment rule was applied for the first time at the end of 2017, but only for the OPs adopted by the EC at the end of 2014 (OP Competitiveness, OP Technical Assistance, OP "European Aid for Most Deprived"), but no amounts were decommitted.

Due to the fact that the payment applications sent to the European Commission exceeded the decommitment threshold at the end of each year, to date no amounts have been decommitted.

As of 12 March 2021, Romania ranked sixth among the 27 Member States, in absolute values of EU funds received, with approximately EUR 16.2 billion received from the European Commission. In addition, the contracting rate of 142 per cent. creates a prerequisite for an increase in the absorption rate in the upcoming period.

Absorption rates and ameliorative measures

When Romania first began accessing the Structural and Cohesion Funds, it struggled to fully absorb the amounts available and even the amounts allocated to it. The low level of payments made to beneficiaries by the national management authorities and the even lower level of the reimbursements made by the EC revealed problems and difficulties at both the beneficiary and the managing authority levels. Such difficulties affected the project preparation and submission stage, the appraisal, selection and contracting of projects and actual project implementation.

At the initiative of Commissioner for Regional Policy, Corina Cretu, a task force was created with the main objective of accelerating the absorption of 2007-2013 funds. This mechanism was proposed by the European Commission to eight Member States, Romania included, which had an absorption rate of less than 60 per cent. at the end of 2014.

The main actions to be implemented in order to pave the ground for the implementation of the 2014-2020 programming exercise were agreed in 2015.

These actions were transposed in a priority action plan ("**PAP**") that has been officially agreed between the Romanian Minister of the European Funds and the EU Commissioner for Regional Policy. The objectives of the PAP comprised avoiding a substantial de-commitment of funds, creating the pre-requisites for maximisation of the absorption rate.

In October 2015, Romania approved the National Strategy for Public Procurement, which aimed to improve and reform the national system for public procurement, with direct consequences on the implementation of the European Structural and Investment Fund ("**ESI Fund**").

The implementation of the National Strategy for Public Procurement is closely monitored by both the Romanian Government and the European Commission, considering that the fulfilment of the strategy measures is an ex-ante conditionality included in the Partnership Agreement for the 2014-2020 programming period ("**Partnership Agreement**").

Funds under the 2014-2020 programming period

The Partnership Agreement was adopted with EC Decision 5515/6.08.2014 (Romania being the 11th Member State for which this strategic document was adopted by the EC). The Partnership Agreement is the strategic document that defines Romania's development vision, including its use of European Union support, and it indicates how investments will be concentrated in order to promote competitiveness, convergence and co-operation and to encourage local development, based on economic growth and social inclusion.

Investments from the European Structural and Investment Funds 2014-2020 ("**ESIF**") are one of the most important tools to reduce development disparities between different regions of Romania, but also between Romania and other Member States.

The ESIF regulatory framework for the programming period 2014-2020 reflects the European Commission's orientation towards performance. Under Regulation (EU) No 1303/2013, the European Commission undertook and completed a review of the performance monitoring framework, including milestones and specific targets corresponding to each operational programme in 2019. The European Commission put in place, in order to improve the efficiency of spending of EU funds, performance reserves in amounts ranging between 5 and 7 per cent. of the allocations under each priority within the OP, with the exception of priorities dedicated to technical assistance and programmes dedicated to financial instruments.

Under the new framework, allocation of the performance reserve is made only to programmes and priorities that have achieved their milestones. On the basis of the performance review, the Commission adopts a decision to determine, for each ESI Fund and Member State, the programmes and priorities which have achieved their milestones. For the priorities that have achieved their milestones, the amount of the performance reserve established for the priority is considered to be definitively allocated.

Where priorities have not achieved their milestones, the Romanian authorities have proposed reallocating the corresponding amount of the performance reserve to the priorities set out in the Commission's decision, as well amending existing programmes as a result of the reallocation of the performance reserve.

Another important tool of the performance monitoring framework is the use of ex-ante conditionalities to ensure the conditions for effective cohesion policy investments at the start of OP reflecting the predictability of national sectorial policies. The availability of funds depended on Romania meeting 36 ex-ante conditionalities. The European Commission has officially accepted that Romania has fulfilled all 36 ex-ante conditionalities.

The European Commission has approved modifications for all OPs including reallocation of funds between OPs or between the priorities of the same OP, introduction of new priorities, modification of the co-financing ratios, revision of indications and modification of the OPs' financial plans, following the allocation of the performance reserve.

The eligibility period for the 2014-2020 programmes is between 1 January 2014 and 31 December 2023. Expenditure is eligible for a contribution from the ESI Funds only if it has been incurred by a beneficiary and paid within this period.

Designation/implementation process

The Romanian managing and certifying authorities for the OP financed through the 2014-2020 period were officially designated based on the necessary measures implementation and IT dedicated system development, European Commission being informed accordingly.

In accordance with the Commission's regulations, after the official designation of authorities involved in the management and control systems, Romanian authorities started to submit payment applications to reimburse the eligible expenditures declared by the beneficiaries.

As at 12 March 2021, for the programmes financed under ESIF the Fund for the European Aid to the Most Deprived, (Large Infrastructure OP, Competitiveness OP, Technical Assistance OP, Regional OP, Human Capital OP, Administrative Capacity OP and Aid to the Most Deprived OP), excluding the agriculture sector, the entire allocation had been launched. As at 31 December 2020, the absorption rate for the Large Infrastructure OP was 38.85 per cent., 23.31 per cent. for the Competitiveness OP, 59.92 per cent. for the Technical Assistance OP, 34.86 per cent. for the Regional OP, 43.00 per cent. for the Human Capital OP, 33.56 per cent. for the Administrative Capacity OP, and 48.24 per cent. for the Aid to the Most Deprived OP.

As at 12 March 2021, applicants have submitted projects that are under different stages of appraisal, contracting and implementation. MAs have signed 10,253 financing contracts, for a total amount of approximately EUR 40 billion, representing approximately 142 per cent. of the total EU allocation.

As at 12 March 2021, for the signed contracts, the payments made to the beneficiaries amounted to EUR 11 billion (the EU contribution is EUR 9 billion), representing 39 per cent. of OPs EU allocation. The amount requested from the Commission is approximately EUR 9.2 billion, representing a current absorption rate of approximately 40.0 per cent. Out of the amount requested, the Commission made reimbursements of EUR 7.8 billion which is equivalent to a 34.0 per cent. absorption rate. The total amount received from the European Commission is approximately EUR 16.2 billion (including pre-financing and reimbursements), which represents 52.4 per cent. of the total EU allocation.

Out of the EUR 43 billion allocated to Romania for the 2014-2020 programming period, EUR 31 billion is allocated for ESIF. To date, the total amount received from the Commission (including pre-financing), for the programmes financed by ESIF (Large Infrastructure OP, Competitiveness OP, Regional OP, Technical Assistance OP, Human Capital OP, Administrative Capacity OP, National Rural Development Programme and Fisheries and Maritime Affairs OP) is approximately EUR 16.2 billion, representing 52.4 per cent. of total EU allocation of the programmes. In addition, approx. EUR 10.3 billion were received from the European Commission for direct payments in agriculture.

The payment applications for the OPs managed by MEIP and MDPWA to be sent to the Commission in 2021 are estimated to amount to approximately EUR 3.1 billion. In addition, the estimated payment applications to be sent to the Commission for 2022 amount to approximately EUR 4.5 billion.

In order to generate a faster and more effective response to the COVID-19 pandemic, the European Commission has initiated a series of support measures available to the Member States with facilities to support actions at a national level in order to tackle the effects of the COVID-19 pandemic.

COVID-19 measures

Romania welcomed the facilities introduced by the European Commission to respond to the COVID-19 pandemic by providing additional flexibility so that the support provided through EU funds can be utilised to combat the negative effects of the COVID-19 pandemic, including:

- the eligibility of expenditure for operations to support crisis response capacities from 1 February 2020;
- the non-recovery by the European Commission of the amounts recoverable for the accounts submitted in 2020, thus allowing Romania to use these funds to accelerate investments related to the COVID-19 pandemic;
- the transfer of the entire annual pre-financing for 2020 (EUR 637.5 million) to the accounts for operational programmes for Romania, thus ensuring the necessary liquidity for interventions financed by the OPs, including for investments related to the COVID-19 pandemic;
- the temporary possibility to request, for cohesion policy programs, a 100 per cent. co-financing rate to be applied for the financial year 2020-2021, in order to reduce the burden on public budgets reacting to the COVID-19 pandemic (Large Infrastructure OP, Regional OP, Technical Assistance OP, PCTE Ro-Hu, Administrative Capacity OP and Aid to the Most Deprived OP); and
- the possibility to transfer the resources available for programming for 2020 for the "Investment for growth and jobs" objective between Funds.

Consequently, the Ministry of European Investments and Projects has identified, initiated and applied a series of measures to generate a timely response from the managing authorities to tackle the negative effects of the COVID-19 pandemic on the social and economic environment, as well as on the beneficiaries of non-reimbursable financial assistance.

Current challenges to economic recovery include challenges to job retention, improving access to employment, employment and reintegration, developing the skills of employees, supporting entrepreneurship, social economy structures and other business initiatives as a result of the negative effects caused by limiting or interrupting socio-economic activities. Several legislative initiatives have been promoted at government level by MEIP to mitigate such negative effects as well as effectively and efficiently use EU funds, including:

- GEO No. 30/2020 for amending and supplementing some normative acts, as well as for the establishment of measures in the field of social protection in the context of the epidemiological situation caused by the spread of the COVID-19 pandemic, which provides for support for employees who temporarily reduce or interrupt the activity in whole or in part as a result of the effects of the COVID-19 pandemic during the state of emergency.
- GEO No. 43/2020 for the approval of support measures financed from EU funds, due to the COVID-19 pandemic, during the state of emergency.
- GEO No. 94/2020 on the inclusion of National Programmes for funding from European funds aims to implement measures to support, among other fields, entrepreneurship, social economy structures and other business initiatives and active employment measures in the context of economic and social recovery actions following the COVID-19 pandemic. So far, five National Programmes have been approved: INNOTECH STUDENT, Digital skills for employees in large enterprises, Support for the establishment of social enterprises in rural areas, Digital skills for employees in SMEs and Digitisation of micro, small and medium-sized enterprises.
- GEO No. 130/2020 has granted financial support from non-refundable external funds related to the Operational Competitiveness Programme 2014-2020, with the Ministry of Economy, Entrepreneurship and Tourism acting as administrator of the state-aid scheme. The financing contract, in amount of

approximately EUR 1 billion, has been signed on 8 October 2020. Thus, an infusion of liquidity with macroeconomic impact is targeted, contributing to economic recovery in the aftermath of the COVID-19 pandemic.

- GEO No. 144/2020 on measures for the allocation of external, non-reimbursable funds necessary to carry out didactic activities for the school year 2020-2021 in the context of the risk of COVID-19 pandemic has created the legal framework for the reimbursement from the EU funds allocated to the Competitiveness OP of school tablets and IT equipment for pupils in pre-university education, as well as from the EU funds allocated to the Large Infrastructure OP of medical protection equipment and mobile sanitary containers.

At the level of the managing authorities, measures have been implemented or are under implementation to ensure increased flexibility and timely measures to tackle the economic effects of the crisis, as well as to avoid the automatic decommitment of funds, including:

- the launch of calls for proposals within the Coronavirus Response Investment Initiative, as well as the approval of state aid/de minimis aid measures in order to support the entities affected by the COVID-19 pandemic;
- the suspension of the deadlines for the submission of projects and for filing a complaint, respectively, on the beneficiary's request;
- the suspension of financing contracts and the amendment or the postponement of certain activities;
- the decision on the continuation or suspension of the projects implementation during the state of emergency belongs to the beneficiaries and the procedure for approval is launched at their initiative;
- the increase of the pre-financing amount granted to beneficiaries from a maximum of 10 per cent. to a maximum of 30 per cent. of the financing contracts' eligible value, until 31 December 2020, for some categories of beneficiaries;
- the extension of the execution period of the works contracts during the state of emergency, the amendment of activities or the suspension of works contracts;
- the extension of the deadline for submitting the reimbursement applications by the beneficiaries;
- suspension of the execution of debt securities and enforcement of collateral for the beneficiaries whose activity has been interrupted or affected;
- the suspension of the monitoring visits during the state of emergency; and
- electronic registration of documents.

In order to reduce the risk of losing financing contracts because of beneficiaries' limited access to human resources, GEO No. 52/2020 amends article 293 (2) GEO No. 40/2015 on the financial management of European funds for the 2014-2020 programming period and adopts measures for beneficiaries of European funds in the context of the COVID-19 pandemic, ultimately allowing for more flexibility around reimbursement application deadlines. Also, by GEO No. 65/2020, the Government approved measures for the digitisation of the system for the coordination and management of ESIF under the 2014-2020 programming period. Additionally, GEO No. 101/2020 on measures for the implementation of projects financed from European funds was also promoted to reduce the risk of decommitment from the 2014-2020 programming period.

Moreover, taking into account the approval by the European Commission of a temporary framework for state aid measures to support the economy through the COVID-19 pandemic, the MEIP has requested the managing

authorities to provide detailed financial statements in order to identify those allocations that can be reallocated between OPs or within the same OP, including the decision for the approval of EU funded state aid schemes that finance measures foreseen by the temporary framework.

The next EU Multiannual Financial Framework ("**MFF**"), which allocates funding to EU Member States in connection with the EU's Cohesion Policy, Common Agricultural Policy and the Just Transition Fund (EU Green Deal), along with the new recovery instrument Next Generation EU ("**NGEU**"), a temporary and exceptional EU instrument intended exclusively to support EU Member States in their recovery from the Covid-19 pandemic, is expected to play a central role in Romania's economic recovery.

The NGEU has a total value of EUR 750 billion, of which EUR 390 billion will be provided to Member States in the form of grants and EUR 360 billion in the form of loans, with the fund focused on financing investments and reforms that will increase the resilience of Member States and the EU. The NGEU's Recovery and Resilience Facility ("**RRF**") will support Member States in implementing investments and reforms that are essential for sustainable recovery, which the REACT-EU programme will provide a top-up for cohesion support, available from 2020, to support workers and SMEs, health systems and the green and digital transition across various sectors from tourism to culture.

In respect of the NGEU's potential impact on Romania's funding, from the RRF, Romania is projected to receive EUR 29.2 billion during the period 2021-2023, out of which EUR 14.2 billion would be in the form of grants and EUR 14.9 billion would be potentially in the form of loans, provided its National Plan for Recovery and Resilience is approved and properly implemented. Romania plans to access the full RRF allocation with grants in focus in the first stage of its National Recovery and Resilience Plan, and then to access loans. To this end, 70 per cent. of the RRF amount is available for contracting in the period 2021-2022, with the remaining 30 per cent. becoming available only in 2023 to be engaged until the end of that year.

From the REACT-EU operational programme, Romania is provisionally eligible to receive EUR 1.3 billion, and from the Just Transition Fund (another operational programme forming part of the NGEU) approximately EUR 1.2 billion. The potential NGEU envelope for Romania will be contracted until end 2023 and spent until end 2026 on projects related to Recovery from the COVID-19 pandemic and focusing on restoring sustainable growth, creating jobs and addressing the European Commission's Country Specific Recommendations and the transitions to a green and digital economy. The total NGEU amount of 32.4 billion allocated to Romania represents 4.0 per cent of the total value of the NGEU, with Romania receiving the fifth highest allocation of all EU Member States.

SURE Financial Instruments

Following the COVID-19 pandemic, in May 2020, the EU introduced (through Council Regulation (EU) 2020/672) the European instrument for temporary support to mitigate unemployment risks in an emergency ("SURE") , which can be used in addition to other financial support instruments, such as the EU Solidarity Fund ("EUSF"), to support Member States' efforts at national level and cover the sharp increase in public spending on employment.

A maximum amount of EUR 100 billion can be granted by the EU to its Member States in the form of a loan under the SURE instrument. In order to ensure even more advantageous costs for these loans (in addition to the guarantee provided by its rating), a system of guarantees is set up by the Member States which will protect EU resources and avoid the need for cash contributions from Member States. Romania has requested and been approved for a loan under the SURE instrument in an amount of up to EUR 4.1 billion planned to be disbursed during 2020 – 2021, EUR 3 billion of which has already been disbursed to Romania.

Pan-European Guarantee Fund

The three European level safety nets agreed in April 2020 by European leaders include support to businesses through the Pan-European Guarantee Fund ("EGF") implemented by the European Investment Bank, with the voluntary guarantee contribution from EU Member States. The EGF aims at short-term action to ensure liquidity to businesses and its operations need to be committed by the end of 2021. In August 2020, the Romanian government decided not to participate in the EGF on the basis of considerations of efficiency in the use of public money. Instead, Romania has focused its efforts on the national support measures mentioned above and set-up following several consultations with market participants/ relevant stakeholders.

SME Support

On 11 April 2020, the European Commission approved a RON 16 billion (approximately EUR 3.3 billion) Romanian scheme to support SMEs during the COVID-19 pandemic. The aim of the scheme is to help businesses cover immediate working capital or investment needs and ensure the continuation of their activities. The scheme was approved under the State Aid Temporary Framework adopted by the Commission on 19 March 2020, as amended on 3 April 2020.

Under the scheme, the support is granted in the form of direct grants and state guarantees for investment and working capital loans. Direct grants to SMEs include a loan for an amount not exceeding €800,000 per company, the costs of which are fully subsidised by the state until 31 December 2020. State guarantees are provided through the National Guarantee Fund for SMEs. The state guarantees up to 90 per cent. of the banking loans taken by the SMEs. The maximum amounts for loans are RON 10 million for investments and RON 5 million for working capital. The maximum cap on state guarantees for 2020 is RON 20 billion and RON 15 billion for 2021. Currently, 23 banking institutions have been accepted as lenders under this programme.

Further, SMEs which hold the certificate of emergency situation issued by the Ministry of Economy and other categories of taxpayers affected by the COVID-19 pandemic (public notaries, attorneys, judicial executors, family doctors and dental offices) benefit from the deferred payment for utilities, as well as deferred rent payments for registered and secondary offices, for the duration of the state of emergency. SMEs holding the certificate of emergency situation are also exempt for the duration of the state of emergency from any penalties for delays in execution of obligations arising from contracts concluded with public authorities.

In the 2021-2027 programming period, the Cohesion Policy's allocation proposed by the European Commission, EUR 273 billion for ERDF and CF and EUR 101 billion for ESF +, could be considered to support of the achievement the objectives of the TFEU on economic, social and territorial cohesion, and the need to reduce development disparities across EU regions. However, compared to the increases in allocations for other priorities (such as migrants and borders), there is a decline in the importance of the single investment policy existing at the European Union's level.

In Romania's case, the Cohesion Policy's allocation is EUR 29.2 billion, equivalent to approximately 27 per cent. relative growth, as compared to 2014-2020 programming period.

The total, which includes the Just Transition Fund (EUR 0.9 billion (provisional data)), is divided through the Partnership Agreement, the overarching strategic programming document that is under negotiation with EC Services, among the eight Regional Operational Programmes (ROP) and the following eight sectoral/national operational programmes: Sustainable Development OP, Transport OP, Health OP, Education and Employment OP, Inclusion and Social Dignity OP, Just Transition OP, Smart Growth, Digitization and Financial Instruments OP and OP for Technical Assistance.

In May 2020, the European Commission proposed the RRF. This mechanism was created with a view to supporting the necessary investments and reforms that would contribute to a sustainable recovery from the COVID-19 pandemic, an improved economic and social resilience of the Member States, as well as to the transition to a digital and green economy (Regulation no. 408/2020). Within this instrument, Romania has an

allocated budget of EUR 29.2 billion, out of which EUR 14.2 billion would be in the form of grants and EUR 14.9 billion would be potentially in the form of loans.

In order to access the funds granted under this instrument, the Ministry of European Investments and Projects coordinates the elaboration of the National Plan for Recovery and Resilience which is aimed at:

- setting up reforms and investments that address the six European relevant priorities;
- representing a series of measures that comply with the priorities identified at national level, corresponding to the EU priorities and contribute to the challenges identified in the country specific recommendations; and
- contributing to the transition to a digital and green economy.

The deadline for the official submission of the Plan to the European Commission is the 30 April 2021.

Agriculture related Financial Assistance

The European Agricultural Fund for Rural Development ("**EAFRD**") was created to support the implementation of the EU's Common Agricultural Policy by funding investments to increase the competitiveness of the agricultural sector, the improvement of environment and the improvement of rural areas, including improving the quality of life in these areas.

The European Agricultural Guarantee Fund ("**EAGF**") finances direct payments to farmers and implements measures to regulate the agricultural markets, for example through intervention and export refunds. The purpose of the European Maritime and Fisheries Fund ("**EMFF**") is to grant financial support to ensure the conservation and sustainable use of fisheries and aquaculture marine resources. For financial details regarding the use of these funds by Romania, please see the table titled "*Evolution of financial flows between Romania and the European Union as of 31 December 2020*" under "*—Membership in the European Union*".

For the National Rural Development Programme, the total amount requested in the period between 2014 and 2020 from the Commission is EUR 5.91 billion, of which EUR 5.88 billion was reimbursed by the Commission as of December 2020.

As regards the European Agricultural Guarantee Fund 2014-2020 the total amount requested in the period from 2015 to 31 December 2020 from the Commission is EUR 10.39 billion, of which EUR 9.86 billion was reimbursed by the Commission as of 15 January 2021.

Funds under the 2014-2020 programming period

The 2014-2020 EU fund allocation for the Romanian agricultural sector amounted to a total of EUR 20.66 billion (of which EUR 12.39 billion were allocated under EAGF for direct payments), EUR 238.5 million were allocated for the national support programme in the wine sector and EUR 10 million (2017-2019) were allocated for the apiculture programme. For the fishery and aquaculture sector, EUR 168.4 million was allocated under the European Maritime and Fisheries Fund.

As of 28 January 2021, 48,716 projects had been approved by the Managing Authority, of which 46,660 contracts were concluded for a total public value of EUR 5.2 billion. In addition, through the transition procedure, from the National Rural Development Programme 2007-2013, 18,695 contracts with a public value of EUR 417.7 million were transferred in the National Rural Development Programme 2014-2020, for completion. A total amount of EUR 7.0 billion had been paid to beneficiaries of the National Rural Development Programme 2014-2020 by the Paying Agency.

As of 31 December 2020, 499 projects had been contracted from the Operational Program for Fisheries and Maritime Affairs 2014-2020, for a total public value of EUR 184.85 million. A total amount of EUR 98.37 million had been paid to beneficiaries of the Operational Program for Fisheries and Maritime Affairs 2014-2020.

The following tables show the evolution of financial flows between Romania and the European Union as of 31 December 2020 under the Multiannual Financial Framework ("**MFF**"), *i.e.* the amounts received from MFF 2007-2013, the amounts received from MFF 2014-2020, the amounts paid to the EU during 2007-2020 and the balance of the MFF 2007-2013 and MFF 2014-2020. The MFF establishes the maximum annual amounts which the EU may spend in different policy fields and it provides a budgetary discipline by ensuring that EU spending is predictable and stays within the agreed limits.

Evolution of financial flows between Romania and the European Union as of 31 December 2020

Net Financial Balance

Amounts received from MFF 2007-2013

	Realised 2007	Realised 2008	Realised 2009	Realised 2010	Realised 2011	Realised 2012	Realised 2013	Realised 2014	Realised 2015	Realised 2016	Realised 2017	Realised 2018	Realised 2019	Realised 2020 (execution as of 31 December 2020)	Realised 2007-2020 (execution as of 31 December 2020)
								(EUR million)							
I. AMOUNTS RECEIVED FROM THE EU BUDGET (A+B)	1,599.71	2,642.34	2,930.24	2,293.63	2,621.59	3,422.13	5,557.21	5,932.51	5,493.30	4,540.14	13.30	6.55	(392.79)	2.88	36,682.76
A. Pre-accession funds	812.26	747.68	618.74	273.17	132.61	43.90	31.02	19.25	29.33	1.51	2.18	6.54	33.78	2.88	2,754.86
B. Post-accession funds, of which:	787.45	1,894.67	2,311.50	2,020.46	2,488.98	3,398.24	5,526.19	5,913.26	5,463.98	4,538.63	11.11	0.01	(426.57)	0.00	33,927.89
i) Prepayments	773.82	1,408.37	1,009.06	344.51	105.83	107.01	135.92	130.33	146.82	46.39	9.01	0.01	(561.57)	0.00	3,655.51
ii) Reimbursements (including EAGF)	13.63	486.30	1,302.44	1,675.94	2,383.15	3,291.23	5,390.27	5,782.93	5,317.16	4,492.24	2.10	0.00	135.00	0.00	30,272.39
B1. Structural and Cohesion Funds, of which:	421.38	648.45	917.84	505.54	708.36	1,170.92	2,963.12	3,587.61	2,635.56	3,693.39	2.10	0.00	8.51	0.00	17,262.77
a) Prepayments from Structural and Cohesion Funds	421.38	648.45	777.23	278.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,125.81
b) Reimbursements from Structural Cohesion Funds	0.00	0.00	140.61	226.80	708.36	1,170.92	2,963.12	3,587.61	2,635.56	3,693.39	2.10	0.00	8.51	0.00	15,136.96
B2. Agricultural, Rural Development and Fishering Funds, of which:	15.13	578.75	565.93	760.48	883.05	1,090.05	1,229.99	841.02	1,247.35	522.29	0.00	0.00	(435.09)	0.00	7,298.93
a) Prepayments/ prefinancing from Agricultural, Rural Development and Fishering Funds	15.13	578.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(561.58)	0.00	32.30
b) Reimbursements from Agricultural, Rural Development and Fishering Funds	0.00	0.00	565.93	760.48	883.05	1,090.05	1,229.99	841.02	1,247.35	522.29	0.00	0.00	126.49	0.00	7,266.63
B3. The European Agricutural Guarantee Fund (EAGF)	6.89	461.87	575.93	663.78	768.95	991.27	1,174.70	1,325.84	1,420.24	269.34	0.00	0.00	0.00	0.00	7,658.82
B4. Others, from which:	344.05	205.60	251.80	90.65	128.62	146.00	158.38	158.79	160.83	53.62	9.01	0.01	0.01	0.00	1,707.37
a) Prepayments	337.31	181.17	231.82	65.77	105.83	107.01	135.92	130.33	146.82	46.39	9.01	0.01	0.01	0.00	1,497.40
b) Reimbursements	6.74	24.42	19.97	24.88	22.79	38.99	22.46	28.47	14.01	7.23	0.00	0.00	0.00	0.00	209.97

Source: Ministry of Finance

Amounts received from MFF 2014-2020

Name	Realised 2014	Realised 2015	Realised 2016	Realised 2017	Realised 2018	Realised 2019	Realised 2020 (execution as of 31 December 2020)	Realised 2014-2020 (execution as of 31 December 2020)
				(EUR million)				
I. AMOUNTS RECEIVED FROM THE EU BUDGET (A+B+C+D)	48.51	945.11	2,820.74	4,805.44	4,437.87	5,552.89	7,119.64	25,730.21
i) Prepayments	48.51	914.84	761.42	142.57	69.81	300.73	704.10	2,941.98
ii) Reimbursements (including EAGF)	0.00	30.27	2,059.32	4,662.87	4,368.06	5,252.16	6,415.54	22,788.22
A. Structural and Cohesion Funds, of which:	48.51	666.25	660.15	1,280.44	1,469.11	2,568.86	3,566.78	10,260.09
a) Prepayments from Structural and Cohesion Funds	48.51	666.25	660.15	136.09	31.08	276.10	645.10	2,463.26
b) Reimbursements from Structural and Cohesion Funds	0.00	0.00	0.00	1,144.36	1,438.03	2,292.76	2,921.68	7,796.83
B. Agricultural, Rural Development and Fishering Funds, of which:	0.00	248.59	610.05	1,520.90	1,026.06	874.01	1,392.39	5,671.99
a) Prepayments/ prefinancing from Agricultural, Rural Development and Fishering Funds	0.00	248.59	86.03	0.99	0.20	1.86	4.75	342.42
b) Reimbursements from Agricultural, Rural Development and Fishering Funds	0.00	0.00	524.02	1,519.91	1,025.86	872.15	1,387.64	5,329.57
C. The European Agricultural Guarantee Fund (EAGF)	0.00	0.00	1,240.59	1,772.51	1,768.96	1,844.53	1,896.03	8,522.62
D. Others, from which:	0.00	30.27	309.96	231.59	173.75	265.49	264.44	1,275.51
a) Prepayments	0.00	0.00	15.25	5.50	38.53	22.77	54.25	136.30
b) Reimbursements	0.00	30.27	294.71	226.10	135.21	242.72	210.19	1,139.21

Source: Ministry of Finance

Amounts paid to the EU During 2007-2020

	Realised 2007	Realised 2008	Realised 2009	Realised 2010	Realised 2011	Realised 2012	Realised 2013	Realised 2014	Realised 2015	Realised 2016	Realised 2017	Realised 2018	Realised 2019	Realizat 2020 (execuția la 31.12.2020)	Realizat 2007-2020 (execuția la 31.12.2020)
								(EUR million)							
II. AMOUNTS PAID TO THE EU	1,150.89	1,268.93	1,364.43	1,158.91	1,296.24	1,427.77	1,534.77	1,619.89	1,456.25	1,504.70	1,499.53	1,677.48	2,047.31	2,241.11	21,248.22
C. Romanian Contribution to the EU Budget	1,129.13	1,246.78	1,315.49	1,109.25	1,234.26	1,405.57	1,469.80	1,604.92	1,441.69	1,479.98	1,468.50	1,640.15	2,004.08	2,198.72	20,748.31
D. Other contributions	21.77	22.15	48.94	49.66	61.98	22.20	64.96	14.97	14.57	24.72	31.04	37.33	43.23	42.39	499.92

Source: Ministry of Finance

Balance of MFF 2007-2013 + MFF 2014-2020

	Realised 2007	Realised 2008	Realised 2009	Realised 2010	Realised 2011	Realised 2012	Realised 2013	Realised 2014	Realised 2015	Realised 2016	Realised 2017	Realised 2018	Realised 2019	Realizat 2020 (execuția la 31.12.2020)	Realizat 2007-2020 (execuția la 31.12.2020)
								(EUR million)							
I. AMOUNTS RECEIVED FROM THE EU BUDGET (A+B)	1,599.71	2,642.34	2,930.24	2,293.63	2,621.59	3,442.13	5,557.21	5,981.02	6,438.42	7,360.88	4,818.74	4,444.42	5,160.10	7,122.52	62,412.96
A. AMOUNTS RECEIVED FROM THE EU BUDGET FROM MFF 2007-2013	1,599.71	2,642.34	2,930.24	2,293.63	2,621.59	3,442.13	5,557.21	5,932.51	5,493.30	4,540.14	13.30	6.55	(392.79)	2.88	36,682.76
B. AMOUNTS RECEIVED FROM THE EU BUDGET FROM MFF 2014-2020	X	X	X	X	X	X	X	48.51	945.11	2,820.74	4,805.44	4,437.87	5,552.89	7,119.64	25,730.21
II. AMOUNTS PAID TO THE EU	1,150.89	1,268.93	1,364.43	1,158.91	1,296.24	1,427.77	1,534.77	1,619.89	1,456.25	1,504.70	1,499.53	1,677.48	2,047.31	2,241.11	21,248.22
III. Balance of financial flows = I – II	448.82	1,373.41	1,565.81	1,134.72	1,325.35	2,014.36	4,022.45	4,361.13	4,982.17	5,856.18	3,319.21	2,766.94	3,112.79	4,881.41	41,164.74

Source: Ministry of Finance

THE ROMANIAN ECONOMY

Overview

In recent years, Romania has registered considerable progress in reducing macroeconomic imbalances through monetary policies and structural reforms which have contributed to maintaining macroeconomic and financial stability.

Romania recovered after the global financial crisis, recording real GDP annual average growth of approximately 4.7 per cent. between 2015 and 2019. Annual increases were among the largest in the EU28, which led to the improvement of the real convergence of the Romanian economy with the European average.

The National Institute for Statistics ("**NIS**") publishes quarterly and annual data regarding GDP, according to the European System of Accounts ("**ESA**") 2010 methodology, which is aligned with the amendments brought to the System of National Accounts 2008.

The following table shows the main macroeconomic indicators for the years 2016, 2017, 2018, 2019 and 2020 (where available, and except where specified otherwise):

Main Macroeconomic Indicators

	2016	2017	2018	2019	2020
Gross domestic product – current prices (EUR billion)[1]	**170.0**	**187.8**	**204.5**	**223.0**	**217.9**
Real growth (percentage change)[1]	4.7	7.3	4.5	4.1	(3.9)
GDP/per capita (EUR)	8,629.1	9,585.2	10,500.7	11,509.3	11,302.0
GDP/per capita (RON)	38,751.4	43,786	48,864.9	54,613.9	54,669.1
Average exchange rate (EUR/RON)	4.4908	4.5681	4.6535	4.7452	4.8371[2]
GDP/per capita purchasing power (percentage change)	60.0	64.0	66.0	70.0	—
Industrial production (percentage change)	1.7	8.2	3.5	(2.3)	(9.2)
Agricultural production (percentage change)	2.5	12.5	7.2	(3.8)[3]	—
Retail (percentage change)	12.4	10.8	5.4	7.2	2.2
Current account balance (EUR million)	(2,694)	(5,820)	(9,496)	(10,912)	(11,422)
Real wage (percentage change)	11.8	12.8	8.0	8.8	4.0
Average inflation (percentage change)	(1.55)	1.34	4.63	3.83	2.63
Employment (percentage change) (according to LFS – Labour Force Survey)	(1.0)	2.6	0.2	(0.1)	(1.8)

Notes:

(1) Final data for 2016 to 2018 according to Press Release No. 263 from 9 October 2020, National Institute of Statistics; semi-final data for 2019 according to Press Release No. 23 from 28 January 2021; data for 2020 according to Press Release No. 54 from 9 March 2021.

(2) Average of January – December 2020.

(3) Final data for 2019 according to Press Release No. 276 from 15 October 2020, National Institute of Statistics.

(4) Excluding sale, maintenance and repair of motors, vehicles and motorcycles.

Source: National Commission for Strategy and Prognosis, except where specified otherwise

In 2015, Romania's GDP increased by 3.0 per cent. compared to 2014. The major drivers of growth were gross fixed capital formation, which grew by 7.0 per cent. and private consumption, which grew by 5.9 per cent., each compared to the previous year, due to the improvement of the purchasing power following the cut in VAT rate applicable to food, non-alcoholic beverages and restaurants and catering services, as well as wage increases and the negative inflation rate. Net exports had a negative contribution to real GDP growth rate (1.7 per cent.).

In 2016, growth in GDP was 4.7 per cent. compared to 2015 which was the highest year-on-year growth recorded since 2010. This growth was largely based on the contribution of domestic demand for consumption as a result of the fiscal relaxation measures (reduced VAT) and wage increases that have improved the purchasing power of the population. Private consumption grew by 8.0 per cent. compared to 2015. Gross fixed capital formation recorded a decrease in real terms by 0.1 per cent. Net external demand made a negative contribution (0.2 per cent.).

In 2017, economic growth reached 7.3 per cent. compared to 2016, being the third highest rate of economic growth within the European Union, after Ireland and Malta.

This growth was based on domestic demand, whose contribution to GDP growth was 9.0 per cent. Unlike 2016, when household consumption was the sole contributor to the economic growth, in 2017, its contribution was complemented by the positive contribution of investments (gross fixed capital formation) which grew by 3.5 per cent. compared to 2016.

This high domestic demand required more imports, so the net exports had a marginal negative contribution to real GDP growth of 1.7 per cent.

In 2018, gross domestic product continued its robust growth albeit at a slower pace, increasing by 4.5 per cent. in real terms compared to the previous year, which was one of the fastest growth rates among the EU Member States. The economic growth was fuelled by domestic demand which registered a contribution of 6.1 per cent. while net exports had a negative contribution of 1.6 per cent.

In 2019, the real GDP growth was 4.1 per cent., one of the highest among EU Member States. Domestic demand increased by 5.1 per cent. and private consumption grew by 4.1 per cent. highlighting a moderation in consumer behaviour, while government consumption increased by 6.9 per cent. Gross investments (gross fixed capital formation) were the main driver of economic growth recording a significant increase of 13.0 per cent. compared to 2018. In contrast to the positive evolution of domestic demand, net external demand had a negative contribution to the real GDP growth (-1.2 per cent.).

In order to address the challenges presented by the COVID-19 pandemic and mitigate the effects of the public health crisis, the Government adopted a fiscal measures package totalling 3 per cent. of GDP, of which only a part will pass-through directly into a higher budget deficit. These measures include payments for technical unemployment, state guarantees, investment into the healthcare system (including to establish quarantine centres), faster VAT reimbursements, wage benefits for parents staying home with children, extended deadline for the payment of property taxes, deferral of corporate income tax payments, suspension of foreclosures affecting debtors with overdues and debt moratoriums on loans for companies and individuals affected by the COVID-19 pandemic.

In 2020 (provisional data), the Romanian economy registered a contraction in the volume of activity of 3.9 per cent. compared to the 2019 (according to unadjusted data). Within domestic demand, gross fixed capital formation registered an increase of 5.6 per cent. compared to 2019 (with a contribution to real GDP growth of 1.3 per cent.). The change in inventories decreased GDP by 1.1 per cent. At the same time, the measures implemented as a response to the COVID-19 pandemic have contributed to an increase in government consumption of 2.3 per cent., while private consumption decreased by 5.0 per cent. compared to 2019 (representing a negative contribution of 3.1 per cent. to real GDP growth). Net external demand had a negative

contribution of 1.4 per cent. to real GDP growth (as a consequence of the 10.0 per cent. reduction in exports of goods and services in correlation with a slight contraction in the level of imports of goods and services (6.0 per cent.)).

The following table shows percentage changes to GDP components for the years 2016, 2017, 2018, 2019 and 2020:

Gross Domestic Product Components

	2016	2017	2018	2019	2020
	(percentage change against the same period of the previous year)				
Domestic demand	4.9	8.9	5.9	5.1	(2.4)
Final consumption	6.5	9.5	6.8	4.7	(3.4)
Private consumption expenditures	8.0	10.8	7.7	4.1	(5.0)
Government consumption expenditures	0.0	4.4	3.3	6.9	2.3
Gross fixed capital formation	(0.1)	3.5	(1.1)	13.0	5.6
Change in inventories (Contribution to real GDP growth, per cent.)	0.0	0.8	1.0	(1.2)	(1.1)
Net exports (Contribution to real GDP growth, per cent.)	(0.2)	(1.7)	(1.6)	(1.2)	(1.4)
Gross domestic product	4.7	7.3	4.5	4.1	(3.9)

Source: National Institute of Statistics

Structure of the Economy

Since 1990, the structure of Romania's economy has changed significantly, with a shift from industry and agriculture to the service sector. In 2018, 2019 and 2020, the service sector's contribution to GDP was 57.9 per cent., 59.0 per cent. and 60.8 per cent., respectively. This is approaching the EU average, where the contribution of services to GDP is currently around 65 per cent.

The following table shows the structure of GDP by sector for the years 2016, 2017, 2018, 2019 and 2020:

	2016	2017	2018	2019	2020
	(structure, per cent.)				
Industry	24.1	23.7	22.7	21.2	19.7
Agriculture, forestry and fisheries	4.1	4.3	4.3	4.1	3.8
Construction	6.1	5.2	5.5	6.1	6.6
Services – Total	55.4	57.3	57.9	59.0	60.8
Trade, hotel and restaurants, transport and communications	22.9	23.9	23.7	24.0	24.8
Financial, real-estate, renting and business services	18.3	18.0	17.5	17.7	18.7
Other service activities	14.2	15.4	16.7	17.30	17.3
Net taxes	10.3	9.5	9.6	9.6	9.1
Gross domestic product	100.0	100.0	100.0	100.0	100

Source: National Institute of Statistics

The following table shows percentage changes in sectoral components of GDP for the years 2016, 2017, 2018, 2019 and 2020:

Changes in Gross Domestic Product by Sectors

	2016	2017	2018	2019	2020
	(percentage change against the same period of the previous year)				
Industry	4.7	8.4	4.3	(0.6)	(9.3)
Agriculture, forestry and fisheries	4.3	14.5	9.4	(5.0)	(16.2)
Construction	11.8	(8.0)	(10.6)	7.0	9.7
Services	4.3	8.2	4.7	6.2	(1.6)
Trade, hotel and restaurants, transport and communications	10.3	10.4	6.3	6.3	(1.0)
Financial, real-estate, renting and business services	3.1	6.4	4.6	7.5	(0.3)
Other service activities	(3.8)	6.7	2.3	4.8	(3.9)
Gross value added	4.9	7.4	3.9	4.0	(3.3)
Net taxes on goods	3.2	6.4	9.7	5.3	(8.7)
Gross domestic product	4.7	7.3	4.5	4.1	(3.9)

Source: National Institute of Statistics

Gross Value Added

In 2016, gross value added ("**GVA**") in industry increased by 4.7 per cent. compared to 2015, and by 8.4 per cent. in 2017 compared to the previous year. In 2018, GVA in industry increased by 4.3 per cent. as compared to the previous year. In 2019, GVA in industry decreased by 0.6 per cent. compared to the previous year. In 2020, GVA in industry decreased by 9.3 per cent. compared to the previous year, representing a contribution to real GDP growth of -2.0 per cent.

The agricultural sector in Romania is strongly influenced by climatic conditions. GVA in agriculture increased by 4.3 per cent. in 2016, as compared to 2015 and in 2017, GVA in agriculture increased by 14.5 per cent. as compared to the previous year, fuelled by good results in crop production. In 2018, GVA in agriculture increased by 9.4 per cent. compared to the previous year. In 2019, GVA in agriculture decreased by 5.0 per cent. compared to the previous year. In 2020, the gross value added in the agricultural sector decreased by 16.2 per cent. compared to the previous year, representing a contribution to real GDP growth of -0.7 per cent.

GVA in construction increased by 11.8 per cent. in 2016 compared to 2015, but decreased in 2017 by 8.0 per cent. compared to 2016. In 2018, GVA in construction decreased by 10.6 per cent. as compared to the previous year. In 2019, GVA in construction increased by 7.0 per cent. compared to the previous year. In the first nine months of 2020, GVA in construction increased by 12.7 per cent. compared to the same period in the previous year, representing a contribution to real GDP growth of 0.5 per cent.

GVA in the services sector increased by 4.3 per cent. in 2016 compared to 2015. In 2017, GVA in the services sector increased by 8.2 per cent. compared to 2016. In 2018, GVA in the services sector increased by 4.7 per cent. as compared to the previous year. In 2019, GVA in the services sector increased by 6.2 per cent. compared to the previous year. In 2020, GVA in the services sector decreased by 1.6 per cent. compared to the previous year.

Industrial Production

The following table shows percentage changes in industrial production by sector for the years 2016, 2017, 2018, 2019 and 2020:

Industrial Production by Sector

	2016	2017	2018	2019	2020
	(percentage change against the same period of the previous year)				
Mining and quarrying	(15.8)	5.9	(0.2)	(2.7)	(9.9)
Manufacturing	2.6	8.9	4.3	(1.9)	(10.2)
Energy	(1.1)	1.0	0.0	(4.2)	(2.7)
Total industry	**1.7**	**8.2**	**3.5**	**(2.3)**	**(9.2)**

Source: National Institute of Statistics

In 2020, as compared to 2019, industrial production decreased by 9.2 per cent. During this period, the largest decrease in production was in manufacturing (a decrease of 10.2 per cent.).

In 2020, as compared to 2019, labour productivity decreased by 4.2 per cent. During this period, the following sectors registered the largest decreases in labour productivity: mining of coal and lignite (a decrease of 27.3 per cent.) repair, maintenance and installation of machinery and equipment (a decrease of 26.3 per cent.), and tanning and dressing of leather (a decrease of 18.6 per cent). During this period, the following sectors registered increases in labour productivity: manufacture of computers, electronic and optical products (7.6 per cent.), manufacture of chemicals and chemical products (7.3 per cent.), other manufacturing n.e.c. (2.2 per cent.), manufacture of other non-metallic mineral products (1.7 per cent.), and manufacture of electrical equipment (0.3 per cent.) (*Source: Monthly Statistical Bulletin No. 12/2020 – National Institute of Statistics*).

Natural Gas

The following table shows the total amount of natural gas available in Romania for the period between 2016 to 2020:

	2016	2017	2018	2019	2020
	(billion cubic metres)				
Total amount of natural gas available	13.194	13.600	13.368	13.991	11.836
Generated by domestic production	9.811	10.582	10.278	9.959	9.017
Imported	1.476	1.196	1.517	2.681	2.117

Source: Data for 2016, 2017, 2018, 2019 and 2020: *Energy balance and the energy equipment structure, National Institute of Statistics, Ed. 2016, 2017, 2018, 2019 and 2020.*

Data for 2020 – *Industry Statistical Bulletin No.1/2021.*

In order to reduce dependency on any single source of natural gas, Romania is actively promoting projects to diversify both the delivery routes and sources of its natural gas, as evidenced by its interest in promoting the Azerbaijan-Georgia-Romania Interconnector project. On 12 November 2018, the Romanian Parliament passed Law No. 256/2018, which contained measures concerning the implementation of petroleum operations by the parties carrying out the exploratory work.

Pursuant to GEO 114/2018, amended by GEO 19/2019 and GEO 1/2020, for the period from 1 May 2019 to 28 February 2022, the producers, including their subsidiaries and/or affiliates belonging to the same economic

interest group carrying out both extraction activities and sales activities of natural gas extracted from Romania have the obligation to sell to the suppliers of household customers and the producers of thermal energy at the price of 68 lei/MWh the natural gas from the current domestic production only for the quantity of natural gas used for the production of heat in the cogeneration plants and in the thermal power stations for consumption population. The suppliers will no longer be able to conclude sales contracts with delivery in Romania at prices higher than 68 lei/MWh, and amounts lost by the suppliers having to sell below their acquisition costs in the years 2018 and 2019 will be recoverable by suppliers until 30 June 2020. The conditions of such sales are regulated by ANRE. Household customers who have exercised their eligibility right to buy natural gas at non-regulated prices have the right to return to regulated supply.

GEO 1/2020 amending GEO 114/2018 became effective on 9 January 2020 and impacts the energy, telecommunications and banking systems. The main measures adopted by GEO 1/2020 are the following:

- the bank levy applied on the total assets of a bank introduced by GEO 114/2018 has been eliminated;
- GEO 1/2020 introduces measures for the liberalisation of the electricity and natural gas markets. From 31 December 2020 for the electricity market and 30 June 2020 for the natural gas market, household consumers will no longer benefit from regulated prices;
- elimination of the provision imposing fines on telecommunication companies for breaches of applicable regulations;
- elimination of the optionality introduced by GEO 114/2018 for people that have contributed to pensions pillar II for more than five years to move to the first pensions pillar.

See also "*Description of Romania – Membership of the European Union – European Commission Investigations*" for further details on the EC infringement proceedings against Romania relating to legislative measures adopted by the government in December (GEO 114/2018).

Agriculture, Forestry and Fisheries

Agriculture is an essential part of the national economy with significant economic and social importance. According to the 2018 Romanian Statistical Yearbook, Romania's aggregate agricultural area in 2014, the latest year for which statistical data are available, represented approximately 14.6 million hectares or 61.4 per cent. of its total territory, of which arable land represented 64.2 per cent. of the total agricultural area. At the end of 2014, the total area covered by forests and other forest-like vegetation was 28.2 per cent. of the total land in Romania.

The varying performance of Romanian agriculture over the previous years is a direct result of the influence of weather conditions, in the context of the general absence of adequate technical facilities such as irrigation systems. Another factor contributing to poor results in agriculture is the fragmentation of agricultural lands, which makes irrigation, the use of large-scale mechanised equipment and the application of remedies more difficult.

According to data released by the National Institute of Statistics in the 2017 Romanian Statistical Yearbook, in 2016, crop output increased, as compared to 2015, for most crops: sunflower production increased by 13.8 per cent., maize grains production increased by 19.1 per cent., dried pulses production increased by 31.0 per cent. and rape production increased by 40.6 per cent. Production decreases of 8.6 per cent. were recorded for vegetables, 7.8 per cent. for grapes and 2.7 per cent. for sugar beet.

According to data released by the National Institute of Statistics in the 2018 Romanian Statistical Yearbook, in 2017 crop output increased, as compared to the previous year, for most crops: cereals for grains production increased by 24.7 per cent., wheat production increased by 19.0 per cent., , maize grains production increased

by 33.3 per cent., dried pulses production increased by 203.8 per cent., sunflower production increased by 43.3 per cent., soya beans production increased by 49.4 per cent., rape production increased by 29.4 per cent., and grapes production increased by 44.8 per cent.

In 2018, crop output increased, as compared to 2017, for most crops: maize grains production increased by 30.3 per cent. and soya beans production increased by 18.3 per cent., while the highest production decrease was recorded for dried pulses production (-36.5 per cent.).

According to latest data released by the National Institute of Statistics, in 2019 crop output decreased as compared to the previous year for most crops: rape production decreased by 49.9 per cent., soya beans production decreased by 13.7 per cent., grapes production decreased by 14.6 per cent. and potatoes production decreased by 13.1 per cent.. The highest production increases were recorded for dried pulses production, which increased by 24.5 per cent., and sunflower production, which increased by 15.5 per cent.

For 2020, (Monthly Statistical Bulletin No. 7/2020 and 11/2020), the statistical data regarding partial harvested production for stalky cereals and main crops highlights a significantly decreased production due to drought.

The following table shows percentage changes in the agricultural production by type (excluding forestry) for the years 2015, 2016, 2017, 2018 and 2019:

Agricultural Production[(1)]

	2015	**2016**	**2017**	**2018[(2)]**	**2019[(3)]**
		(percentage change against the previous year)			
Crop production	(10.7)	5.3	19.5	11.5	(5.6)
Livestock	1.5	(2.4)	(0.4)	(2.6)	(0.8)
Agricultural services	(13.5)	3.5	(1.0)	16.9	32.3
Total	(6.8)	2.5	12.5	7.2	(3.8)

Notes:

(1) According to the Eurostat methodology on "Economic Accounts for Agriculture".

(2) Final data according to 2019 Romanian Statistical Yearbook.

(3) Final data according to Press Release No. 276 from 15 October 2020.

Source: National Institute of Statistics

Construction

In 2016, the volume of construction works decreased by 4.8 per cent. as compared to 2015. In 2017, the volume of construction works decreased by 5.4 per cent. as compared to 2016. In 2018, the volume of construction works decreased by 4.1 per cent. compared to 2017. In 2019, the volume of construction increased by 27.6 per cent. as compared to 2018.

In 2020, the volume of construction increased by 15.9 per cent. Capital repair works had a major increase of 46.0 per cent. while maintenance and current repair works and new construction works grew by 24.4 per cent. and 9.3 per cent., respectively. By type of construction works categories, residential buildings and civil engineering increased by 17.8 per cent. and 18.5 per cent., respectively, and, to a lesser extent, non-residential buildings by 10.9 per cent.

The following table shows the percentage change in the construction sector for the years 2015, 2016, 2017, 2018, 2019 and 2020:

Construction Sector

	2016	2017	2018	2019	2020
	(percentage change against the same period of the previous year)				
Construction works of total by structural elements:	(4.8)	(5.4)	(4.1)	27.6	15.9
New construction works	(2.7)	4.9	(8.4)	32.4	9.3
Capital repair works	(23.5)	(17.7)	1.5	0.9	46.0
Maintenance and current repairs works of total by type of construction:	1.5	(24.6)	7.9	26.4	24.4
(a) Buildings)	4.4	14.1	(14.3)	39.2	—
Residential buildings)	12.1	69.7	(23.6)	26.2	17.8
Non-residential buildings	1.1	(12.6)	(5.5)	49.1	10.9
(b) Civil engineering	(11.2)	(21.3)	8.0	16.7	18.5

Source: *National Institute of Statistics*

Services

In 2016, GVA in the services sector increased by 4.3 per cent. compared to 2015. Increases were recorded in "Trade, hotels and restaurants, transport and communications", and in "Financial, real-estate, renting and business services" of 10.3 per cent. and 3.1 per cent., respectively. GVA in "Other service activities" decreased by 3.8 per cent.

In 2017, GVA in the services sector increased by 8.2 per cent. compared to the previous year. Increases were recorded in all sub-sectors, including 10.4 per cent. in "Trade, hotels and restaurants, transport and communications", 6.4 per cent. in "Financial, real-estate, renting and business services" and 6.7 per cent. in "Other service activities".

In 2018, GVA in the services sector increased by 4.7 per cent. compared to the previous year. Increases were recorded in all sub-sectors, including 6.3 per cent. in "Trade, hotels and restaurants, transport and communications", 4.6 per cent. in "Financial, real-estate, renting and business services" and 2.3 per cent. in "Other service activities".

In 2019, GVA in the services sector increased by 6.2 per cent. compared to the previous year. Increases were recorded in all sub-sectors, including 6.3 per cent. in "Trade, hotels and restaurants, transport and communications", 7.5 per cent. in "Financial, real-estate, renting and business services" and 4.8 per cent. in "Other service activities".

In 2020, GVA in the services sector decreased by 1.6 per cent. compared to the previous year. Decreases were recorded in all sub-sectors, including 1.0 per cent. in trade, hotels and restaurants, transport, and communications, 0.3 per cent. in financial, real estate, renting and business services, and 3.9 per cent. in other service activities.

Energy

In 2016, the primary energy resources amounted to 40.9 million tons of oil equivalent, representing a 0.3 per cent. increase compared with 2015. In 2017, primary energy resources amounted to 41.8 million tons of oil equivalent, representing a 2.2 per cent. increase compared to 2016. In 2018, main primary energy resources amounted to 41.6 million tons of oil equivalent, representing a 0.4 per cent. decrease compared to 2017. In 2019, main primary energy resources amounted to 42.7 million tons of oil equivalent, representing a 2.5 per

cent. increase compared to 2018. In 2020, main primary energy resources amounted to 31.4 million tons of oil equivalent, representing a 10.8 per cent. decrease compared to 2019.

For the five years ended 31 December 2020, the structure of primary energy resources that together comprise Romania's domestic production was:

	2016	2017	2018	2019	2020
Net coal	17.1	17.6	16.1	16.0	14.3
Crude oil	15.0	14.0	14.0	14.2	18.0
Usable natural gas, Hydroelectric, wind and photovoltaic	31.7	33.9	34.3	33.7	40.5
Energy and nuclear electric energy	20.5	19.3	20.2	20.2	27.2
Others	15.7	15.2	15.4	15.9	—
Total	100	100	100	100	100

Notes:

Data for 2016, 2017, 2018 and 2019 – Energy balance and the energy equipment structure, 2016, 2017, 2018, 2019 and 2020 – National Institute of Statistics.

Data for 2020 is based on the share of main primary energy resources included in the Monthly Statistical Bulletin No. 12/2020 National Institute of Statistics.

Electricity

For the five years ended 31 December 2020, the structure of the sources of electricity production is as follows:

	2016	2017	2018	2019	2020
	(share of total, per cent.)				
Electricity produced in thermo-power stations	41.3	44.6	42.1	39.9	36.4
Electricity produced in hydro-power station	28.5	23.1	27.9	26.8	27.7
Electricity produced in wind-power station	10.1	11.5	9.7	11.4	12.4
Electricity produced in nuclear-electric stations	17.3	17.9	17.5	18.9	20.5
Electricity produced in photovoltaic sun stations	2.8	2.9	2.8	3.0	3.0
Total	100	100	100	100	100

Notes:

Data for 2016, 2017, 2018 and 2019 – Energy balance and the energy equipment structure. Data for 2016, 2017, 2018, 2019 and 2020 – National Institute of Statistics.

Data for 2020 is based on Electric Power Balance included in the Monthly Statistical Bulletin No. 12/2020 National Institute of Statistics.

Electricity Market

Romania has a balanced portfolio of electricity generation capacities comprising hydro, nuclear, coal and natural gas-fired power plants, wind, solar and biomass.

In 2015, the process of liberalisation of the electricity market for non-household consumers and the implementation of the timetable for eliminating regulated prices for non-household consumers of electricity was completed. Romania also passed Energy and Natural Gas Law No. 123/2012 ("**Energy and Natural Gas Law**") in order to implement the liberalisation process for household consumer.

The structure of the wholesale market has substantially changed due to the introduction of the obligation to sell electricity through public, centralised, non-discriminatory and transparent transactions. Thus, transactions between participants in the wholesale electricity market are conducted exclusively through OPCOM's platforms, including the centralised bilateral contracts markets, the Day-Ahead Market (PZU), the Intraday Market (PI), the Centralized Market for Universal Services and the centralised market with double continuous negotiation for electricity bilateral contracts ("**PC-OTC**").

The participants to the PC-OTC trade based on bilateral power contracts agreed before participating and based on the European Federation of Energy Traders' standard contract.

The Romanian electricity market is currently integrated in the European Market, thus increasing the expectations of improved liquidity in the wholesale electricity market in the near future. The "4M Market Coupling" (respectively the price coupling of the day–ahead markets from Romania, Hungary, Slovakia and Czech Republic) was launched in November 2014 as an intermediate step towards the Single European Market.

On 21 December 2018, the national regulatory authorities of Austria, Germany, Poland and the 4MMC Group countries (Czech Republic, Hungary, Romania, Slovakia) requested the initiation of the interim project for a net transfer capacity ("**NTC**") based market coupling between these countries. The project parties involved in the DE-AT-PL-4M MC Project ("**Interim Coupling**") have finalised the high-level market design to be implemented and the national regulatory authorities reconfirmed their support for the continuation of the project during an NRA-TSO-NEMO meeting held on May 2019.

The project aims to couple the 4MMC and Poland and the Multi-Regional Coupling (MRC) by introducing NTC-based implicit allocation on 6 borders (Poland-Germany, Poland-Czech Republic, Poland-Slovakia, Czech Republic-Germany, Czech Republic-Austria, Hungary-Austria) and implement Single Day-Ahead Coupling (SDAC).

The project intends to be a stepwise transition on the afore-mentioned borders from the current NTC-based explicit allocation towards the flow-based implicit allocation which is to be implemented in the framework of the Core Flow-Based Market Coupling Project as target solution required by regulation. The current planning foresees the launch of the Interim Coupling in the second quarter of 2021.

In August 2017, OPCOM signed a Memorandum of Understanding on establishing a Local Implementation Project of the Cross-Border Intraday solution to integrate intraday electricity markets from Romania, Bulgaria, Hungary, Croatia, Slovenia, Austria, Germany, Poland and the Czech Republic.

The coupling of the Romanian intraday electricity market with the markets of other 20 countries involved in the European project of introducing pan-European cross-border trading on the intraday timeframe was successfully launched on 19 November 2019.

The joint regional testing phase of the project started on 25 January 2021. In the first phase of testing (full integration testing phase), the project parties will run end-to-end functional tests at regional level performed with the objective to simulate the production environment, which should demonstrate the functionality between all systems involved in the market coupling process. After the successful completion of the full integration

testing phase, the project parties will test the operational procedures during the simulation integration testing phase.

The Day-Ahead Market coupling between Bulgaria and Romania reported strategic progress in January 2021, with the updated project roadmap having been approved in accordance with the go-live period of the Interim Coupling Project (ICP) in May 2021 which aims at connecting the borders of the 4MMC market coupling (the Czech Republic, Hungary, Romania and Slovakia) with the Multi-regional Coupling (MRC).

Directive 2009/28/EC establishes, as a mandatory target for Romania, a 24 per cent. share of energy from renewable sources in gross final consumption of energy by 2020. In order to achieve the national target of 24 per cent. renewable energy, Law No. 220/2008 was adopted to establish the system for promoting the production of energy from renewable energy sources. The beneficiaries of Law No. 220/2008 are producers of electricity from the following renewable sources: hydraulic power used in plants with installed capacity of up to 10 megawatt ("**MW**"), wind, solar, geothermal, biomass, biogas, waste gas fermentation and sewage fermentation gas from sewage plants. The support mechanism established by Law No. 220/2008 has led, in a few years, to a significant increase in investments in new renewable energy sources ("**RES**") generation capacities. The promotion scheme established by Law No. 220/2008 closed on 31 December 2016. Producers who have accessed the promotion scheme by this date will benefit from state aid until 2031.

According to Transelectrica data, electricity generation capacities from renewable sources with a total installed capacity of 4,772 megawatts), of which 2964 MW are produced in wind turbines, 1358 MW in photovoltaic panels, 343 MW in hydroelectric plants below 10 MW and 106 MW in biomass, biogas and waste gas fermentation are currently supported by Law No. 220/2008.

Restructuring and Investment

The Government intends to restructure the energy sector with the aim of increasing production efficiency, in line with the common energy policy at EU level.

The main objectives of Government policy for the energy sector include securing the energy supply, improving energy efficiency and promoting use of renewable energy sources. Romania enjoys a greater degree of security of energy supply compared to other countries in the region as its coal, lignite, oil and natural gas reserves and its integrated power infrastructure provides flexibility that allow for ample domestic electricity production.

Romania has made progress with its reform agenda for state-owned energy companies, in line with the restructuring plans discussed with the IMF, the European Commission and the World Bank.

The most important investment projects being promoted by the Government in the energy sector include:

- the construction of two additional nuclear units (3 and 4) at the Cernavoda power plant, in a consortium with private investors (Romania already has two nuclear facilities with an aggregate capacity of 1,400 MW);
- the Tarnita-Lapustesti pump storage hydroelectric power plant, with a capacity of 1,000 MW; and
- the Azerbaijan-Georgia-Romania natural gas transport system known as the "**AGRI**" project.

The AGRI project continues to be a priority for the Ministry of Energy, although the shareholders of the project are considering the need to suspend the activity of AGRI LNG company for a period of up to three years according to the Romanian legislation, due to a lack of assurance (i) the guaranteed gas supply from the main supplier of the project (Azerbaijan) and (ii) any other progress in the development of the project, especially in terms of securing funding. AGRI did not succeed in obtaining European funding. Although the feasibility study performed in 2014 in relation to the AGRI project confirmed the competitiveness of the project and its attractiveness for implementation, the study needs to be updated to take into account the latest developments in

the gas markets. The Ministry of Energy believes that the AGRI project is in line with the intentions of the European Commission, as highlighted in the strategy for liquified natural gas and gas storage.

The Romanian natural gas transportation network was connected to Hungary's transportation network and indirectly with the EU natural gas transportation network in 2010. The physical reverse flow capacity at Csanadpalota interconnection point, from 1 November 2014, is 50,000 c.m./h (10,000 c.m./h firm capacity and 40,000 c.m./h interruptible capacity).

For Romania, an important target is the interconnection of its natural gas transportation transmission network with the transmission systems of Bulgaria, Serbia and the Republic of Moldova.

A first step towards interconnecting with Moldova was made in August 2014, through the inauguration of the Iasi-Ungheni 42-km-long pipeline. Phase II of the interconnection of the gas transmission systems between Romania and Moldova is correlated with another important investment of Transgaz, the implementation in Romania of the project 'NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to/from the Republic of Moldova'. After a feasibility study, a tender book for the design brief was prepared and the design contract for the preparation of the project was signed between the Ministry of Economy of Moldova and Vestmoldtransgaz and SNTGN Transgaz SA.

The Romania-Bulgaria (Giurgiu-Ruse) interconnection was completed at the end of November 2016. The technical conditions for ensuring gas export from Romania to Bulgaria have been created. The metering-regulating stations, both in Romania and in Bulgaria, were built and accepted, enabling import and export activities after the signature of an interconnection agreement and the approval of the capacity-booking methodology. There are ongoing interconnection projects which will allow bi-directional flows at the following interconnections with Hungary and Bulgaria: (i) the interconnection between Romania and Hungary (Arad-Szeged), where additional technical developments of both the Romanian and Hungarian gas transport systems are necessary to reach the maximum bi-directional capacity of 4.4 b.c.m./year; and (ii) the interconnection between Romania and Bulgaria (Giurgiu-Ruse), which is designed to have reverse flow. The implementation of the Bulgaria-Romania-Hungary-Austria corridor will contribute to achieving the maximum technological parameters for the following interconnections: (i) the Romania-Hungary (Arad-Szeged) interconnection, where additional technical progress of the Romanian and Hungarian gas transmission systems is necessary for reaching a maximum bidirectional capacity of 4.4 bcm/y (after the implementation of BRUA Phase 2); (ii) the Romania-Bulgaria (Giurgiu-Ruse) interconnection, which is designed for a reverse flow of 1.5 bcm/y. The deadline for implementing the maximum bidirectional flow for both interconnections has been set for 2020 for the Romania-Hungary (Arad-Szeged) interconnection and the end of 2019 for the Romania-Bulgaria (Giurgiu-Ruse) interconnection, both on economic feasibility grounds.

Projects for the construction of natural gas storage facilities are, at the date of this Information Memorandum, under development, aiming at storing natural gas in areas with large consumers or with large variations of natural gas consumption.

In November 2017 the European Commission adopted the third list of key energy infrastructure projects that are to contribute to the achievement of Europe's energy and climate goals and which are essential elements of the EU's energy union. The projects, known as projects of common interest ("**PCIs**"), will allow a gradual development of the energy union by integrating Europe's energy markets and diversifying energy sources and transport routes. PCIs benefit from accelerated clearance procedures, better regulatory conditions and may be eligible for financial support.

Among the PCIs promoted by Romania, included in the list, in the natural gas sector, there are also investment projects for the purpose of increasing the natural gas storage capacities, namely the projects promoted by Romgaz and Depomureş:

- increasing the underground storage capacity of natural gas in the Sărmăşel storage; and
- underground gas storage Depomureş

On 20 November 2018, the European Commission launched a call for gas projects to be submitted as candidates for the fourth European Union 'Projects of Common Interest' ("**PCIs**") list. The list was adopted by the European Commission at the end of October 2019. In April 2020, the European Commission published the technical document for the fourth PCIs list, which provided a technical description of all of its 149 projects (electricity and gas), information on promoters and commissioning dates. For Romania, the BRUA project was added alongside underground storage projects.

Transportation

Between 2016 and 2018, an increase in air transport and road transport has led to a continual increase in inter-city and international transport of passengers. In 2019, only air transport increased by 6.3 per cent., while overall interurban and international transport decreased by 0.3 per cent. As a result of the COVID-19 pandemic, air and railway transport strongly decreased in 2020 by 69.0 per cent. and 27.5 per cent., respectively.

The following table shows the percentage change in the transport of passengers as compared to the previous year for 2016, 2017, 2018, 2019 and 2020:

Change in Passengers Transported According to Modes of Transport

	2016	**2017**	**2018**	**2019**	**2020**
	(percentage change against the same period of the previous year)				
1. Interurban and international transport[(1)]	8.0	8.1	8.4	(0.3)	(26.1)
Railway.....	(3.0)	7.1	(3.7)	4.8	(27.5)
Road	9.9	7.5	11.0	(1.6)	(23.1)
Inland waterways.....	—	0.0	(21.6)	(17.5)	20.7
Air.....	23.5	23.3	7.9	6.3	(69.0)
Maritime	(78.3)	(71.4)	—	—	—
2. Urban transport total	—	0.4	(1.3)	—	—

Source: National Institute of Statistics – publication "Passengers and goods transport, by mode of transport" – period 2016 – 2020

Note:

(1) Cruise passengers excursions – inwards included.

The following table shows the percentage change in goods transported as compared to the previous year for the years: 2016, 2017, 2018, 2019 and 2020:

Change in Goods Transported According to Modes of Transport

	2016	**2017**	**2018**	**2019**	**2020**
	(percentage change against the same period of the previous year)				
Goods transported – total.....	5.1	3.3	3.7	8.2	(2.0)

	2016	2017	2018	2019	2020
	(percentage change against the same period of the previous year)				
Railway	(4.9)	6.6	(1.2)	6.1	(15.5)
Road	8.8	4.7	4.8	8.2	3.9
Inland waterways	1.5	(4.7)	2.3	11.9	(8.2)
Air	16.9	12.2	7.9	(2.5)	(14.6)
Maritime	4.1	(0.3)	6.3	8.3	(11.1)
Transport via petroleum pipelines	2.4	(4.0)	(1.4)	6.1	(6.5)

Source: National Institute of Statistics – publication "Passengers and goods transport, by mode of transport" – period 2016 – 2020

Infrastructure Development

The Romanian Government is dedicated to making significant investments in infrastructure-related projects in order to improve the country's poor infrastructure system. The main areas of infrastructure development to which the Romanian Government has committed funds (which include projects that have been or may be developed in partnership with the private sector) include: constructing and modernising roads and motorways; modernising national railways; constructing and/or rehabilitating navigation facilities, inland waterways, river navigation monitoring systems; and modernising ports and airports.

The General Transport Master Plan ("**GTMP**") was approved by Government Decision No. 666 on 14 September 2016 and refers to the major objectives of the national transport system. The available budget taken into account in defining the implementation strategy in the GTMP for all the transport sectors is EUR 30.7 billion of which EUR 19.1 billion is from European Funds (Cohesion Funds, European Regional Development Fund and Connecting Europe Facility) and EUR 11.6 billion is from the State Budget.

Currently, the Investment Plan ("**IP**") for the development of transport infrastructure for 2020-2030 is being elaborated and updates the implementation strategy of the GTMP and also represents the confirmation of the strategic vision regarding the development of transport infrastructure for the next financial framework 2021-2027.

Railways

With respect to the programming period 2014-2020, Caile Ferate Romane ("**CFR**") has an objective of upgrading under the Operational Programme for Large Infrastructure ("**POIM**") 2014-2020 works for the rehabilitation of 307.86 km of railway lines, 62 structures (32 bridges, 28 culverts and 2 tunnels) and 44 station points modernised with safety systems for railway. Of the 62 proposed structures for rehabilitation, rehabilitation works have been completed for one railway station and 47 structures (23 bridges, 22 culverts and two tunnels). CFR has on-going feasibility studies for the rehabilitation of 534 km of railway lines, the modernising of 48 stations, the second stage of modernisation of bridges, culverts and tunnels comprising 173 structures in aggregate, and the modernisation of 150 level crossings. The CFR is also developing the procurement documentation for service contracts for the feasibility studies for five new projects. The projects entail the modernisation of 430 km of railway line, 47 railway stations, 150 level crossings and 173 bridges and culverts. Under the CEF program, CFR is procuring contracts for 112 km of railway lines and two service contracts for the feasibility studies for 260.9 km of railway line and to modernise the railway infrastructure in the port of Constanţa. In 2020. Additionally, one new station opened and 2.95 km of new railway line was added, providing a railway link to the Henri Coandă International Airport Bucharest – Otopeni.

Air

Modernisation processes were finalised between 2015 and 2018 for the airports situated in Suceava, Constanta, Iasi, Oradea, Craiova, Satu-Mare, Baia-Mare, Tulcea, Targu-Mures and Bacau, with the goal of increasing the operational capacity and improving connectivity.

Waterways

During 2015 and 2016, in order to improve the navigation on the Danube River, three projects were submitted and approved under the CEF programme: "FAST Danube – Improvement of the navigation conditions on the Romanian – Bulgarian common sector"; "FAIRWAY – Implementation of the Master Plan for Rehabilitation and Maintenance on the Danube River and its tributaries"; and "SWIM – SMART Waterway Integrated Management", an initiative developed under the European Union Strategy for the Danube Region. For the ports on the Danube, infrastructure projects are being developed with the goal of enhancing access to such ports and improving related infrastructure, with works already commenced in the ports of Tulcea and Isaccea. In the port of Constanta, two projects started in 2018 and some others are under preparation, with financing assured from POIM 2014 – 2020. The ongoing projects are: the modernisation of port infrastructure, by providing deeper approach channels and basins and by increasing the navigation safety in the port of Constanta and the modernisation of berth no. 80. As at the date of hereof, the projects are close to be completion. Works for the modernisation of the electricity networks in the port of Constanta are expected to start in 2021.

Roads

At the end of 2020, Romania had 912 km of motorways in operation.

In 2020, several sections of motorways and express road, totalling 372.88 km, were in different stages of construction, and 58.80 km were finalised by the end of 2020. Another 2,215.58 km of motorways and express roads in different stages of preparation: for 266.00 km the contract for technical project was signed in 2020, for 579.70 km the feasibility study and technical project for express road construction was signed in 2020 and a further 1,369.88 km are in different stages of preparation.

Inflation

The annual consumer price index ("**CPI**") inflation became and remained negative in the second half of 2015 and throughout 2016, owing mostly to the adoption of some stimulating fiscal measures (the broadening of the scope of the 9 per cent. reduced VAT rate to all food items, non-alcoholic beverages and public food services in June 2015 and the reduction in the standard VAT rate from 24 per cent. to 20 per cent. at the beginning of 2016), undeterred by the inflationary pressures stemming from rapidly increasing unit labour costs and the output gap becoming positive. Thus, inflation stood at -0.9 per cent. by year-end 2015 and -0.5 per cent. in 2016 respectively.

Despite the additional fiscal measures (a further reduction in the standard VAT rate from 20 per cent. to 19 per cent. and the elimination of some non-tax fees and charges at the beginning of 2017), inflation increased to 3.3 per cent. year on year in December 2017, within the target band of the National Bank of 2.5 per cent. +/-1 per cent. The upward trend in annual inflation was mainly driven by supply-side external shocks in the second half of 2017, to which was added the growing excess demand and higher production costs (related to both raw materials and wages). These shocks include: (i) the significant rise in electricity trading prices on the competitive market (which are fully included in the electricity price following the market liberalisation as of the end of 2017); (ii) the last liberalisation stage of the domestic producer price for natural gas in April 2017; (iii) higher fuel prices, mirroring the steep upward trend of the international oil price in the second half of 2017 and the increase in the excise duty levied on motor fuels in the autumn of 2017, and (iv) the steep increase in egg prices in the last quarter of 2017 following the supply shortage at European level.

CPI inflation continued to increase in 2018, with the annual rate peaking at 5.4 per cent. in May and June 2018. The increase was mainly due to the base effect associated with the fiscal measures implemented in the first two months of 2017 (the reduction in standard VAT rate from 20 per cent. to 19 per cent., the removal of the special excise duty on motor fuels and the scrapping of some non-tax fees and charges), and further rises in energy prices (electricity and gas). Apart from the supply-side factors mentioned above, the across-the-board increase in consumer prices in the first half of 2018 reflected the inflationary pressures of a wide positive output gap, rapidly growing labour costs and upward adjustments of inflation expectations. However, annual inflation declined markedly during the second half of 2018, entering the central bank's variation band target in November, where it remained until year-end (reaching 3.3 per cent. in December 2018). The swift downturn was caused primarily by the absence of 2017's supply-side shocks, in addition to a steep decline in international oil prices and decreases in the prices of most agri-food commodities.

In 2019, annual CPI inflation remained elevated and volatile, overshooting the upper bound of the variation band several times throughout the year and ending above it at 4.04 per cent.

Inflationary pressures stemming from the widened output gap were accompanied by supply-side pressures caused by the surge in the global price of pork (related to the African swine fever outbreak), the increase in prices of certain telecom services following the changes in the taxation of providers introduced at the end of 2018, and the depreciation of lei. These influences particularly affected the adjusted CORE2 inflation rate, which ended 2019 at 3.7 per cent., as compared to 2.4 per cent. in December 2018.

External components were under both inflationary and disinflationary pressures in 2019, resulting in a net cancellation effect on the aggregate index by the end of the year. Upward pressures came from volatile food prices, with a shortage in the supply of fruits across Europe due to the adverse weather conditions in the region throughout 2019, including temperature fluctuations, periods of frost in late spring and long droughts in the second half of the year. Fuel price inflation ended 2019 slightly higher than the year before, closely linked to international oil prices and affected by the uncertain geopolitical environment. Another source of inflation came from the increase in excise duties for cigarettes at the beginning of the year. Disinflationary pressures in 2019 came primarily from administered prices, given the significant decline in the price of natural gas in July.

Annual CPI inflation followed a steep decline in the first half of 2020, following the cut in fuel excise duties at the beginning of the year and the sharp drop in price of oil due to the negative global economic impact of the COVID-19 pandemic. In February 2020, at the beginning of the COVID-19 pandemic, annual inflation re-entered the target variation band around the target (3.1 per cent.), and decreased further throughout the year, reaching 2.06 per cent. in December 2020. All major CPI components followed disinflationary trajectories in 2020, mainly due to the global dip in energy prices and the negative output gap following the rapid spread of the COVID-19 pandemic. The complex intertwining of demand- and supply-side shocks generated by the COVID-19 pandemic kept adjusted CORE2 inflation relatively stable for most of the year (3.6 per cent. in October 2020, as compared to 3.7 per cent. in December 2019). On the one hand, the output gap plunged into negative territory in the second quarter of 2020, on the back of deteriorating wage dynamics and confidence, as well as, in some cases, the physical impossibility of encounter between demand and supply due to mobility restrictions. On the other hand, costs related to companies' efforts to keep environments secure for staff and customers gnawed away at margins, exerting inflationary pressure throughout the year. Pressures from unit labour costs have remained elevated throughout the year, despite being somewhat alleviated by the government furlough benefits scheme, recently extended until the end of the year. This has also helped boost consumer demand for goods in the third quarter close to pre-pandemic levels, offering less incentive to firms to adjust their prices. Exchange rate pressures have been limited, the national currency having depreciated only slightly against the euro during 2020, by around 1.8 per cent. compared to the previous year, and significantly less than other currencies in the region. Core inflation subsided in the last two months of 2020 (reaching 3.3 per cent. in December 2020), owing mostly to a favourable base effect on the meat segment.

Inflation reversed its downward trajectory in the first two months of 2021, primarily on the back of the energy component. The complete liberalisation of the electricity market for household consumers on 1 January 2021 drove these prices higher by more than 18 per cent. Regulated prices lagged significantly behind market prices during the previous two years, amid reduced supply caused mainly by the high costs of emission allowances affecting the activity of thermal power plants and dry weather conditions, reducing the output of hydroelectric plants. At the same time, oil prices rose in the first quarter of 2021, as a result of the gradual improvement of the global economic outlook and continuous supply management by the OPEC+, pushing fuel prices significantly higher. Thus, CPI inflation climbed to 2.99 per cent in January 2021 and increased further to 3.16 per cent in February 2021, but still within the variation band of the inflation target. Core inflation on the other hand remained on its downward path, reaching 3.1 per cent in February 2021, as the aforementioned favourable base effects managed to offset mounting pressures stemming from high labour costs, pandemic-related costs, the poor cereal harvest of 2020 and the steady closing of the negative output gap.

The following table shows percentage changes in consumer prices for the years 2016, 2017, 2018, 2019, 2020 and the first two months of 2021:

Increases in Consumer prices

	2016	**2017**	**2018**	**2019**	**2020**	**Jan-Feb 2021**
	(percentage change against the previous year)					
Food goods	(2.57)	2.48	3.75	4.69	4.80	4.52
Non-food goods	(1.04)	1.41	6.20	3.24	1.0	1.21
Services	(0.79)	(0.77)	2.5	3.87	3.10	2.85
Total	(1.55)	1.34	4.63	3.83	2.63	2.59
End of Period Increase						
Food goods	0.68	4.07	3.10	5.08	3.24	2.70
Non-food goods	(0.87)	4.11	3.75	3.31	1.01	3.80
Services	(1.83)	0.22	2.44	4.16	2.69	2.32
Total	(0.54)	3.32	3.27	4.04	2.06	3.16

Source: National Institute of Statistics and National Bank of Romania

The annual CPI inflation rate rose sharply in January 2021, following hikes in electricity prices amid this market's liberalisation, as well as increase in fuel prices, on the back of rising global oil prices. According to the latest NBR inflation report, published in March 2021, the annual CPI inflation rate is forecast to stay on an upward course until the end of 2021, when it is expected to reach 3.4 percent. This is associated solely with the dynamics of the external components of the consumer basket. Once these unfavourable influences have faded away, as anticipated for the start of next year, the annual CPI inflation rate is seen slowing down to 2.8 percent at end-2022. The adjusted annual CORE2 inflation rate is projected to fall in the first part of the forecast interval amid favourable base effects associated with the significant hike in processed food prices a year ago, as well as a gradual easing of supply-side inflationary pressures related to the effects of the COVID-19 crisis. In the opposite direction, rising inflationary pressures are seen coming from the output gap, which has been revised more substantially upwards after the unanticipated positive GDP figures for the fourth quarter of 2020, and from the recent increases in global agri-food commodity prices.

Wages

The following table shows gross earnings for the years 2016, 2017, 2018, 2019, and 2020:

	2016	2017	2018	2019	2020
Average gross nominal monthly earnings (value in RON)	2,809	3,223	4,357	4,853	5,396
(percentage change against the previous year)	9.9	14.7	—	11.4	6.4
Average net nominal monthly earnings (value in RON)	2,046	2,338	2,642	2,986	3,307
(percentage change against the previous year)	10.1	14.3	13.0	13.0	6.7
Real earnings (percentage change against the previous year)	11.8	12.8	8.0	8.8	4.0

Source: National Institute of Statistics

Note:

Data series for monthly average gross salary earnings up to 2017 are not comparable to the data for January 2018 to December 2018; data for 2018 includes the transfer of social security contributions from the employer to the employee.

From 1 January 2020, the gross minimum wage increased to RON 2,230 per month. At the same time, the minimum wage for higher education positions and construction remained unchanged. From 13 January 2021, the gross minimum wage increased to RON 2,300 per month. For higher education positions and construction, the gross minimum wage remained unchanged. At the same time, the monthly gross wage of staff paid from public funds remains at the same level set for December 2020.

In 2020 the average gross earnings increased to RON 5,396, 6.4 per cent. higher than 2019. Net average earning grew by 6.7 per cent. to RON 3,307 for 2020 and real earnings increased by 4.0 per cent. compared to the same period of 2019. In the public and private sectors, average gross earnings reached RON 6,894 and RON 5,028, respectively, in 2020.

In the budgetary sector, the average increase in gross average earning was 6.5 per cent. in 2020, as compared to 2019, while in the competitive sector it increased by 6.1 per cent. The real earnings in the public sector grew by 4.0 per cent. in 2020 and in the competitive sector by 3.8 per cent. In December 2020, as a result of the support measures taken by the Government, gross average earnings increased by 8.1 per cent., as compared to December 2019.

Employment

Romania's economy faced labour market adjustments as a result of the global financial crisis. Romania's accession to the EU led to an increase in labour mobility with free movement of Romanian workers to other EU Member States. Estimates indicate that approximately 2.5 million Romanian citizens work abroad, mostly in EU Member States; this labour-force displacement has had a visible impact on the national labour market, as it has reduced the supply of skilled labour. The trends of unemployment in Romania are determined by particularities of Romania's economic structure. The large proportion of the population living in rural areas, the relatively large share of the public sector, the size of the hidden economy and of the informal labour market and the significant number of daily workers are among the economic factors influencing the unemployment evolution. The positive labour market trends registered over the past several years were in line with the evolution of the economy. The labour market impact of the COVID-19 pandemic and the various measures implemented in response is still difficult to evaluate, but it is likely to reverse the positive trend of labour market indicator registered over the past five years.

The following table shows changes in the labour force for the years 2016, 2017, 2018, 2019 and 2020:

Labour Force[1]

	2016	2017	2018	2019	2020
Active population[2][3]	(1.8)	1.3	(0.6)	0.0	(0.4)
Employment[2]	(0.8)	2.4	0.2	0.3	(1.6)
Employees	2.3	3.1	1.7	1.2	(1.2)
Activity rate[2][3]	65.6%	67.3%	67.8%	68.6%	69.2%
Employment rate[2]	61.6%	63.9%	64.8%	65.8%	65.6%
International Labour Organisation (ILO) unemployment rate	5.9%	4.9%	4.2%	3.9%	5.0%

Source: National Institute of Statistics

Notes:

(1) Data according to the 2011 Population Census and The Households Labour Force Survey (AMIGO).

(2) Working age population (15 to 64 years old).

(3) Total number of individuals who are either employed or are actively seeking employment.

The employment rate for the working-age population increased from 61.6 per cent. in 2016 to 63.9 per cent. in 2017, 64.8 per cent. in 2018, 65.8 per cent. in 2019 and 65.6 per cent. in 2020.

The positive economic evolution over the last five years was also translated into the labour market with the ILO unemployment rate following a decreasing trend, from 6.8 per cent. in 2015 to 5.9 per cent. in 2016, 4.9 per cent. in 2017, 4.2 per cent. in 2018 and 3.9 per cent. in 2019.

As a result of the COVID-19 pandemic, in 2020, the unemployment rate reached 5.0 per cent., 1.1 per cent. higher than in 2019.

At the end of December 2020, the number of employees had decreased by 1.3 per cent. compared to 2019, to 4,910.6 thousand people. The average number of employees was affected by the gradual closure of activities in certain economic sectors as a result of the COVID-19 pandemic, including manufacture of textiles, manufacturing of road transport vehicles, tanning and dressing of leather, manufacturing of travel and leather goods. However, as a result of activities of the workforce shows that in December 2020, as compared to the end of December 2019, jobs were created in construction, information and communications and health services.

In terms of monthly evolution, according to the data issued by NIS, the ILO unemployment rate was 5.2 per cent. in December 2020 (seasonally adjusted data) compared to that registered in the previous month (5.1 per cent.). The number of registered unemployed persons was 296,051, being 5,375 persons higher than in the previous month and higher by 38,186 persons than at the end of December 2019.

The registered unemployment rate decreased from 4.8 per cent. at the end of 2016 to 2.97 per cent. in December 2019. This was primarily a result of job creation due to economic growth and active government policies and measures, including measures to incentivise employers to hire employees from certain categories of disadvantaged persons (by increasing the subsidies offered to employers) and also measures aimed at incentivising the labour mobility of unemployed persons. The latest available data indicates a registered unemployment rate of 3.38 per cent. in December 2020 (higher by 0.41 per cent. as compared to the end of December 2019).

The following table shows the rate of unemployment registered at the national level as at 31 December 2016, 2017, 2018, 2019 and 2020:

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
			(%)		
Registered Unemployment Rate	4.8	4.0	3.3	2.97	3.38

Source: NIS and ANOFM

The number of active registered individual employment contracts concluded for an unlimited duration registered was 5,591,864 as at 31 December 2015, 5,761,188 as at 31 December 2016, 5,808,766 as at 31 December 2017 and 5,843,202 as at 31 December 2018.

The number of registered active individual employment contracts for a limited duration was 501,782 as at 31 December 2015, 477,979 as at 31 December 2016, 470,137 as at 31 December 2017 and 534,762 as at 31 December 2018.

The number of daily labourers was 778,722 as at 31 December 2015, 807,934 as at 31 December 2016, 913,199 as at 31 December 2017 and 1,029,781 as at 31 December 2018.

The authorities took measures to fight against undeclared work and between January and December 2016, the authorities carried out 76,690 labour inspections, which resulted in 9,024 fines being applied and 263 criminal prosecution procedures being initiated. Between January and December 2017, the authorities carried out 73,002 inspections, which resulted in 6,679 fines being applied and 114 criminal prosecution procedures being initiated. From August 2017, having more than five people without labour contracts is no longer a criminal offence. However, the situations which can be classified as undeclared work have been extended and the sanctions regime has been tightened. Between January and December 2018, the authorities carried out 71,666 inspections, which resulted in 7,743 fines being applied.

In order to enhance the positive outcomes of economic growth into the labour market, amendments to the legislation on the unemployment insurance system were adopted in 2016 and 2017 aiming to increase activation of long-term unemployed persons and at facilitating internal mobility in order to solve regional deficits, but also at supporting the growth of the employment rate until 2020.

The amendments to the legal framework also aimed at tackling the problem of youth unemployment and at enhancing integration into the labour market of young people (i.e. between 15 and 24 years). The unemployment rate of youth decreased from 24.0 per cent. in 2014 to 16.2 per cent. in 2018. The data for 2019 indicated a youth unemployment rate of 16.8 per cent.

Government Emergency Ordinance no. 30/2020 was enacted in response to the COVID-19 pandemic in an attempt to minimise the impact through social protective measures. The measure was intended to support jobs and prevent rising unemployment during the pandemic. The "technical unemployment" benefit has been paid from public funds to those in the following categories during the state of emergency and will continue to be paid until 30 June 2021 where restrictions on the relevant economic activities are maintained:

- employees who have their individual contract of employment suspended by their employer;
- persons who have concluded individual labour agreements; and
- individuals who obtain revenues exclusively from copyright and related rights.

Starting 1 June 2020, employers who have registered employment contracts suspended for a period of at least 15 days during the state of emergency qualify for the technical unemployment settlement, entitling them to a salary of 41.5 per cent. of the gross basic salary for a period of three months. This technical unemployment benefit is paid from public funds (by the unemployment insurance budget) both for employees and for other

professional categories that do not carry out lucrative activities based on an individual employment contract, as well as the employers whose employees had their individual employment contracts suspended in accordance with the provisions of Law No. 53/2003 (Labor Code). Relevant employers have the obligation to maintain employment until 31 December 2020, except for seasonal workers.

Until 1 September 2021, employers who employ individuals aged between 16 and 29 full-time or employ persons over the age of 50 whose employment has ceased for reasons not attributable to them during the state of emergency receive 50 per cent. of the employee's monthly salary, but not more than RON 2,500, for a period of 12 months, with the obligation to maintain employment for a period of at least 12 months after the grant period. This aid is provided for a period of 12 months to all employees hired through 31 December 2020.

In response to the COVID-19 pandemic, employers are able to temporarily reduce employee working time up to 50 per cent. of the daily, weekly or monthly hours provided in the individual employment contract. The employees affected by the measure receive an indemnity of 75 per cent. of the difference between the gross basic salary provided for in the individual employment contract and the gross basic salary for the hours worked, calculated in accordance with the law. In case of temporary reduction of the work time due to the COVID-19 pandemic and for up to three months from the end of the last period in which the state of emergency was in place, professionals and anyone with individual labour agreements based on Law no. 1/2005 (as amended) are eligible to receive a monthly allowance of 41.5 per cent. of the average gross earnings upon request.

Social Security System

Unemployment Benefits

The unemployment insurance system is mandatorily available to: persons engaged in individual labour contracts or temporary employment contracts, except pensioners; civil servants and other persons appointed to perform public functions; people working in elective office or certain other government positions; people working in elected positions within non-profit organisations; administrators of companies, who perform a mandate-based activity and others who obtain income from certain additional activities covered by the law. The main source of revenue of the unemployment insurance budget is work insurance contributions (paid by employers only) to the state budget, of which 20 per cent. of such monthly work insurance contributions is allocated to the unemployment insurance budget.

The unemployment insurance budget mainly covers the following expenditures: payment of unemployment benefits, including in certain circumstances, unemployment benefits conferred by competent institutions of other EU Member States; the payment of contributions for state social insurance for the beneficiaries of unemployment benefits; certain compensatory payments granted by law; the financing of certain measures aimed at stimulating employment and at preventing unemployment; and the financing of vocational training services.

Unemployment benefits represent (i) partial compensation of income lost as a result of job loss or (ii) an income for graduates of educational institutions who did not find a job after graduation. Unemployment benefits are paid monthly to unemployed persons for six, nine or twelve months, depending on the length of contribution, and represents 75 per cent. of the social reference indicator, plus, for those with a contribution period exceeding three years, an additional amount based on length of contribution and the average income for the last 12 months for which the contribution was made.

In order to address the challenges presented by the COVID-19 pandemic and mitigate the effects of the public health crisis, unemployment benefits were modified to offer more relaxed conditions to qualify for technical unemployment assistance. Technically unemployed individuals can collect up to 75 per cent. of the gross average wage in the economy, as stipulated by the law of the state social insurance budget for the year 2020 (No. 6/2020). This provision applies to employees of companies that (i) discontinue their activities in whole or

in part during the state of emergency and (ii) reduce their activity as a result of the effects of the COVID-19 pandemic and don't have the financial capacity to pay all the wages of their employees. These payments will be supported by the state from the unemployment insurance budget.

The following table shows the evolution of realised unemployment insurance budget as at 31 December 2015, 2016, 2017, 2018 and 2019:

Unemployment Insurance Budget

	As at 31 December				
	2015	**2016**	**2017**	**2018**	**2019**
			(RON)		
Revenues	1,790,077,695	1,984,131,562	2,211,012,895	2,549,801,460	2,449,773,059
Expenditure	1,318,146,184	1,008,049,127	950,647,703	953,457,406	1,701,252,819
Surplus/Deficit	471,931,511	976,082,435	1,260,365,192	1,596,344,054	748,520,840

Source: National Employment Agency

The expenditures in 2015, 2016, 2017, 2018 and 2019 are presented in the following table:

Unemployment Benefits Expenditure

	Year ended 31 December				
	2015	**2016**	**2017**	**2018**	**2019**
			(RON)		
Guarantee fund expenses	26,607,505	30,407,329	19,442,823	12,090,074	10,590,181
Education	35,335,777	29,014,965	27,987,821	35,537,594	43,456,157
Insurance and social assistance	918,375,170	791,775,929	700,626,066	614,910,231	595,235,172
General economic, commercial and employment activities	337,827,732	156,850,904	202,590,993	290,919,507	1,051,971,309
Total expenditure	1,318,146,184	1,008,049,127	950,647,703	953,457,406	1,701,252,819
Per cent. of GDP	0.18	0.14	0.12	0.10	0.16

Source: National Employment Agency

The annual evolution on registered unemployed persons as at 31 December 2016, 2017, 2018, 2019 and 2020 is presented in the following table:

Annual Evolution on Registered Unemployed Persons

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
Receiving Benefits	90,111	72,917	62,004	58,336	100,740
Not Receiving Benefits	328,126	278,188	226,892	199,529	195,311
Total	418,237	351,105	288,896	257,865	296,051

Source: National Employment Agency

The expenditures during 2015, 2016, 2017, 2018 and 2019 on active employment measures designed to reduce the level of unemployment and to foster employment are presented in the following table:

Expenditure on Active Employment Measures

	Year ended 31 December				
	2015	**2016**	**2017**	**2018**	**2019**
			(RON)		
Active employment measure					
Vocational training	29,449,679	27,178,705	26,371,267	33,976,032	41,652,389
Stimulating employment of graduates	39,699,637	36,111,833	31,963,469	32,519,144	41,768,123
Stimulating employment of unemployed persons before the expiration of unemployment period	14,499,715	13,029,852	13,780,365	14,542,381	16,191,774
Stimulation of labour mobility	3,359,971	2,911,112	5,064,296	11,574,985	8,783,404
Stimulating the employment of unemployed from disadvantaged groups	89,118,312	90,127,129	134,613,986	148,260,837	149,008,551
Payments to foster graduates employment	2,589,265	2,032,973	1,996,889	1,240,057	1,986,547
Payments under Law 72/2007	803,481	956,174	927,343	792,446	314,510
Payments for vocational training of graduates (Article 84 of Law 76/2002)	503,699	889,267	1,454,034	1,008,121	175,678
Payments under Law L76/2002 modified L250/2013 (solidarity contracts)	7,892,478	5,945,210	4,650,819	2,796,409	2,579,816
Programmes for temporary employment	0	0	0	0	0
Active measures to combat unemployment (Counselling and career assistance)	1,528,250	508,465	393,943	NA	909,025
Pre-dismissal services	888,019	914,165	879,270	NA	386,980
Low interest loans for SMEs	0	0	0	0	0
Law No. 335/2013 on internships	254,779	192,558	286,998	537,010	647,075
Activation incentive (art.73^2)OG 60/2017	—	0	12,039,872	4,721,222	5,535,032
Relocation incentive (art.76^2)OUG6/2017	—	0	316,899	5,463,304	10,004,237
Insertion incentive	—	—	—	NA	—
Total	190,587,285	180,797,443	234,739,450	258,719,710	1,096,316,350
Expenditure on active measures as a share of GDP (per cent.)	0.03	0.02	0.12	NA	0.13

Source: National Employment Agency

Health System in Romania

Romania relies on a social health insurance system to finance a large part of its health care. Introduced in 1998, this system has been beneficial as it has increased the amount of public spending available to the sector. The National Health Insurance House ("**NHIH**") is the institution that manages the Single National Health Insurance Fund ("**SNHIF**"). One of the principles on which the health insurance system in Romania is based is the mandatory participation in the payment of the social health insurance contribution for financing the SNHIF. Contributions are due by natural and legal persons, respectively, employees, as well as by other natural persons who earn income on which the contribution is due. For certain categories of people contributions are provided by the state budget. The full contribution rate due to the employee is 10 per cent., and for the other categories of persons who generate income on which the contribution is due, the share is 10 per cent.

In 2010, the ownership of the majority of hospitals was passed to local administrations.

In 2014, the basic package was redefined in order to reduce hospital admissions, increasing the number of cases resolved in day care and establishing conditions for the development of primary and outpatient health care services.

The following table shows public health expenses for the 2015, 2016, 2017, 2018 and 2019 budget:

	Public health expenses for 2015-2019				
	2015	**2016**	**2017**	**2018**	**2019**
Per cent. of GDP	4.1	4.0	4.0	4.4	4.8
State budget *(RON million)*	3,758.5	4,086.6	4,537.2	6,060.0	9,576.3
Local administrations' budgets *(RON million)*	9,273.9	10,149.5	12,784.3	16,671.6	19,682.5
Sole National Health Insurance Fund budget (*RON million)*	22,013.3	24,458.5	27,346.5	33,365.3	39,052.6
Foreign credit inputs *(RON million)*	0.0	0.0	0.0	0.0	0.0
Fully/partially own income financed institutions[(1)] *(RON million)*	6,998.1	7,116.6	8,556.4	10,929.1	11,206.7
EU funding *(RON million)*	22.4	22.2	22.2	0.6	2.6
Transfers between budgets[(2)] *(RON million)*	(13,119.0)	(15,539.5)	(18,986.0)	(25,092.3)	(28,836.8)
Financial operations *(RON million)*	(29.5)	(28.7)	(12.4)	(11.8)	(23.9)

Notes:

(1) Hospitals of the Ministry of Health.

(2) Subject to deduction from the total amount.

Source: Ministry of Finance

Romania has historically committed a lower share of its national wealth to healthcare than other EU Member States. About 5.2 per cent. of Romania's GDP was spent on healthcare in 2017, compared to an average of 9.8 per cent. in the EU. This is despite a consistent increase in spending on healthcare as a share of total public spending in previous years. Preventive care is underfunded, and its availability is limited. Spending on preventive care in Romania is considerably below the EU average. Considering the fact that life expectancy is a key factor for economic growth, Romania's priorities for increasing financial allocations in the health sector include increasing the public financing of the health system, increasing the capacity of the health care system in order to attract external funds and increasing the tax deductibility for complimentary health insurance.

Romania had to implement measures to better equip hospitals to combat the COVID-19 pandemic and limit the spread and impact on Romania. Normative acts, protocols, measures for prevention and control in different sectors of activity were implemented in an attempt to ensure the availability of medical equipment and devices and supply medical staff with specialized protective equipment to appropriately transport affected persons in isolation. The funding of the public health units was aimed at supporting the public medical system in orchestrating a timely and efficient response to the COVID-19 pandemic.

Romania has continued the reform of the national healthcare system, by initiating the implementation of the national health strategy, that improves access to medical services, efficiency and financial sustainability of the healthcare system and supports modernisation of healthcare provisions at the regional level. In order to modernize the healthcare infrastructure at a regional level, the Ministry of Health is in the process of building three regional emergency hospitals for which feasibility studies have been developed.

In line with strategic directions of health strategy, an analysis of the resources needed to modernise the healthcare infrastructure was developed and will be implemented as a World Bank project. A loan in an amount of EUR 250 million was approved by the World Bank Board in March 2014 to implement this project. The project started in 2015 and is currently under implementation.

To improve access to medicine, CNAS, the National Health Insurance House, was authorised to negotiate and enter into cost-volume-result contracts.

Pension System Reform

The following table shows the average number of employed persons, the average number of pensioners receiving state social security and the dependency ratio in 2016, 2017, 2018, 2019 and 2020:

	2016	2017	2018	2019	2020
Average no. of employees (*thousands*).....	4,759.4	4,945.9	5,068.1	5,164.5	5,090[(1)]
Average no. of pensioners receiving state social security (*thousands*).....	4,677.7	4,678.1	4,684.5	4,672.3	4,675.2
Dependency ratio[(2)].....	0.983	0.9459	0.9243	0.9047	0.9185

Notes:

(1) NCSP Estimated data.

(2) According to National Institute of Statistics methodology. Represents the ratio between average number of pensioners receiving state social security and average number of employees.

Public Pension System

The Romanian public pensions system, which has been traditionally financed by the Romanian Government by means of subsidies, has seen its deficit increase since 2008 as a result of a number of factors in Romania that combined to put pressure on the pension system, including demographic factors (the ageing of population); increases in state expenditures per person on pensions and other pressures on the state social insurance budget; the emergence of special public pensions (which introduced a number of privileges and favourable treatment of certain professional categories, leading to a large gap between the highest and lowest paid state pension); and the existence of laws governing the organisation and functioning of different pension schemes for certain professions which was hampering the functioning of the pension system.

In 2015, the deficit of the public pension system increased further to RON 18.4 billion (approximately EUR 4.0 billion at the 2015 December-average exchange rate). In 2016, the deficit decreased to RON 15.1 billion (approximately EUR 3.33 billion at the December 2016 average exchange rate), following the entry into force of Law No. 223/2015 on state military pensions, according to which the amounts for the financing of pensions in the defence sector, public order and national security were excluded from the pension budget (state social insurance budget). These are now funded from the state budget, through the budgets of the Ministry of National Defence, the Ministry of Internal Affairs and the Romanian Intelligence Service.

In 2017, the deficit of the public pension system increased to RON 13.6 billion (approximately EUR 2.92 billion at the December 2017 average exchange rate). In 2018, the deficit of the public pension system decreased to RON 4.7 billion (approximately EUR 1.14 billion at the December 2018 average exchange rate) due to an increase in the revenues of the public pension system (due to both the increase in gross average earnings and the number of employees as well as the fiscal measures applied in 2018) while expenditures increased by a smaller amount (due to the increase in the pension point by 10 per cent. from 1 July 2018 and the increase in

the average number of pensioners). In 2019, the deficit of the public pension system decreased to RON 2.8 billion (approximately EUR 586 million at the December 2019 average exchange rate). In 2020, the deficit of the public pension system increased to RON 14 billion (approximately EUR 2.87 billion at the December 2020 average exchange rate).

The deficits of the public pension system budget were covered by amounts transferred from the state budget in the form of subsidies.

Aiming to tackle the growth of the deficit of the public pension system under the impact of the global economic crisis, and in order to meet a condition of the financial assistance programmes with the IMF and the EU, the Romanian Government has reformed the Romanian public pension system for the purpose of ensuring its financial stability, eliminating the inequities in the system and stimulating private savings through a voluntary private pension system.

The reforming measures under Law No. 263/2010 on the unitary system of public pensions ("**UPPL**") include: annual indexation of the state pension to the forecast consumer price index instead of gross average wage, prohibiting discretionary pension increases, gradually increasing the retirement age, by January 2015, to 60 years for women and 65 years for men, introducing measures to reduce fraudulent claims for disability pensions, gradually increasing the retirement age for women from 60 years to 63 years by 2030, increasing by 2030 the contribution periods for old age pension, gradually equalising the contributions for women and men by 2030, introducing disincentives for early retirement and integrating the special pension systems (such as those for military and certain professions) into a unified public pension system.

The public pension system under the UPPL is contribution-based. Social insurance funds are derived from the contributions paid by individual and legal persons that are part of the public pension system and social insurance rights are granted on the basis of the contributions paid. Contribution rates have changed since 2018 in accordance with Law No. 227/2015 on the Fiscal Code, as amended and supplemented. The social security contribution rate currently paid by employees and workers of equivalent status is 25 per cent. of gross salary, with employers paying 4 per cent. or 8 per cent. depending on the working conditions in which the employee carries out the activity. The contribution to Pension Pillar II is a part of the total contribution due by the employees and the current level is 3.75 per cent. According to GEO 114/2018, as of 1 January 2019, the share of total social security contributions due by construction workers was reduced by 3.75 per cent. to 21.25 per cent., as construction workers are now exempt from the Pension Pillar II contribution.

The adoption of UPPL improved the viability of the pension system and contributed to the sustainability of public finances. Partly as a result of the implementation of the UPPL, the real average retirement age increased in the whole system, from 57.8 years in 2010 to 60.9 years in 2020 for men and from 56.1 years in 2010 to 59.2 years in 2020 for women.

Despite the stricter requirements for anticipated pensions, the total number of persons who registered for pensions increased from 307,282 in 2010 to 310,382 in 2020, the number of people who registered for anticipated pensions increased from 2,896 in 2010 to 7,113 in 2020 but the number of people who registered for partial early retirement decreased from 42,340 in 2010 to 33,294 in 2020. The implementation of stringent eligibility requirements for disability pension retirement, designed to discourage abuse, led to a decrease of the number of persons who signed up for disability pension, from 61,905 pensioners in 2010 to 35,238 pensioners in 2020. A 40 per cent. increase in public pensions through the doubling of pillar I pension benefits by 2022 had previously been legislated. While the current Government does not intend to implement this increase (with Romanian pension law postponing such an increase until 2024), any further action on pensions would require further legislation.

The draft law on the public pension system was adopted by the Parliament in December 2018 and was subsequently declared partially unconstitutional by the Constitutional Court on 13 March 2019 and will now be

re-examined by the Parliament. The draft law proposes a new public pension system that removes inequalities between the beneficiaries by gender and within the same gender, as well as between categories of persons who worked under the same working conditions and with a relatively similar level of pay, irrespective of the year of retirement.

The draft law proposes to change the pension calculation formula from 2021. Under the draft law, the amount of the pension would be determined by multiplying the total number of points (the sum of the annual scores) by the value of the reference point. The benchmark reference point would be RON 75 as of 1 September 2021. According to the draft law, this would be phased in between 1 September 2019 and 1 September 2021, with annual increases in the pension point.

Subsidies

Subsidies are granted by the Romanian government primarily for the support of public railroad transportation, public subway transportation, exports, business environment and international trade, farmers and programmes for preservation and closing of mines. The following Government ministries offer subsidies out of the state budget in order to support projects in these areas: the Ministry of Transportation and Infrastructure, the Ministry of Economy, Entrepreneurship and Tourism, the Ministry of Agriculture and Rural Development and the Ministry of National Defence.

Subsidies from the general consolidated budget accounted for 0.9 per cent. of GDP in 2015 and 2016, decreased to 0.7 per cent. of GDP in 2017, 2018 and 2019 and were budgeted at 0.8 per cent. for 2020.

Privatisation

The Authority for State Assets Administration ("**AAAS**"), placed under the co-ordination of the Minister of Economy and subordinated to the Government, administers privatisation policies in line with the national industrial strategy and the policies for the recovery of State claims over privatised companies. (ICSID litigation No. ARB/12/25, Marco Gavazzi and Stefano Gavazzi v. Romania and AAAS was finalised and the arbitral award was rendered on 18 April 2017 and rectified on 13 July 2017. The Romanian State (the AAAS) was ordered to pay U.S.$3,792,147.88 and EUR1,947,320.43 to the Gavazzi brothers.)

As at 31 December 2020, AAAS's portfolio comprised stakes in 448 companies, amounting to a total nominal value of AAAS's participation of RON 834.51 million. Out of the total 448 companies, only 244 are currently operational and the nominal value of AAAS's participation in these companies amounts to RON 222.84 million. AAAS holds majority stakes in 12 operational companies and the total share capital held by the state in these companies does not exceed RON 132.5 million.

In 2019, following several reorganisations within the Ministry of Economy and, in accordance with Government Emergency Ordinance no. 30/2019 upon the reorganisation of the Ministry of Economy in order to exercise the rights and fulfil the obligations arising from the state shareholder status at certain economic operators as well as to amend some normative acts, the Department for Privatization and Administration of State Ownership ceased to exist as a result of a merger with the Ministry of Economy.

GEO No. 68/2019 reorganised and consolidated the Ministry of Economy with the Ministry of Energy, the Ministry of Business Environment, Trade and Entrepreneurship and the Ministry of Tourism into the newly established Ministry of Economy, Energy and Business Environment.

Privatisation of Oltchim

Starting with the commencement of the insolvency proceedings (30 January 2013), the activities of Oltchim S.A. ("**Oltchim**") (a major producer in the Central and Eastern European chemical industry) have been carried out in accordance with the procedures regulated by Law No. 85/2006 regarding the insolvency procedure. Thus, on 9 March 2015, the reorganisation plan was approved by the Creditors' Assembly and subsequently modified

by decision No. 1502 from 28 June 2017 of the Ramnicu Valcea Tribunal. The reorganisation plan was modified in order to ensure economic discontinuity. This was done by changing the method of sale from selling shares of Oltchim SPV to selling functional asset packages.

Following the first sale process, two sale-purchase agreements were concluded, namely:

- with Dynamic Selling Group on 1 February 2018, as purchaser of a single asset, a contract concluded on 13 June 2018, with the full payment of EUR 1.9 million plus VAT; and
- with Chimcomplex Borzesti on 17 October 2017, as purchaser of five assets, a contract concluded on 7 December 2018, with the full payment of EUR 127 million plus VAT.

Following these transactions, Oltchim remains with conservation assets, for which the consortium of judicial administrators will continue the sales procedures provided in the reorganisation plan.

In April 2016, the European Commission initiated an investigation to determine whether certain measures taken by Romania to support Oltchim were compliant with EU State aid rules, in particular:

- the non-enforcement and further accumulation of debts owed by Oltchim to AAAS in Romania after the failed privatisation of Oltchim in September 2012;
- cancellation of over EUR 300 million of debt by AAAS owed by Oltchim to various state owned enterprises; and
- continued supply by the Romanian state and by state-owned enterprises (CET Govora and Salrom) to Oltchim without payment despite the company's deteriorating financial situation.

The Commission found that no private market creditor would have agreed to write-off Oltchim's existing debts or provide further supplies to Oltchim under the same terms as AAAS and other state-owned creditors did in 2015. Therefore, public support measures were considered to constitute state aid within the meaning of EU rules.

Subsequently, the Commission assessed these measures in accordance with applicable EU State aid rules, namely the 2014 Guidelines on State aid for rescue and restructuring. The Guidelines allow the state to intervene in support of a company in financial difficulty only under specific conditions, requiring in particular that the company is subject of a sound restructuring plan, contributes to the cost of its restructuring and that any competition distortions are limited.

In this case, no such restructuring plan was notified to the Commission. In addition, the Commission found that there was no discernible contribution from investors to the restructuring costs of the company.

The Commission therefore concluded that the public funding granted by Romania to Oltchim, collectively totalling approximately EUR 335 million plus interest, was incompatible with the EU State aid rules and needs to be recovered by Romania. Interested parties had a period of 2 months and 10 days from date of communication of the decision of the Commission (17 December 2018) to submit appeal against the decision of the Commission. Any measures that will apply depend on the outcome of any appeals.

On 28 February 2019, the General Creditors Meeting of Oltchim voted to approve the proposal of the consortium of judicial administrators to contest the state aid decision issued by the European Commission to the CJEU according to the report published in the insolvency procedure Bulletin no. 4388/01.03.2019.

At the deadline of 8 May 2019, the court ordered the initiating of the bankruptcy procedure for Oltchim, considering that the maximum duration of implementation for the reorganisation plan had expired. Currently, the consortium of judicial liquidators is seeking potential buyers of non-functional assets, which remained in conservation after the bankruptcy proceedings were initiated, in order to cover as much of the current debts as

possible. During the bankruptcy procedure, Oltchim will be put through liquidation processes in accordance with the provisions of Law 85/2006 regarding insolvency procedure. These processes seek to capitalise on unsold assets and identify solutions to attract potential investors.

Shadow Economy

Romania has a significant shadow economy, around half of which is believed to be based on unregistered labour. Its size, although difficult to verify, is estimated by the authorities based on national statistics on tax evasion and the number of employees reported in the business and household surveys prepared by the National Institute of Statistics.

FOREIGN TRADE[3] AND BALANCE OF PAYMENTS[4]

The current account deficit was 1.6 per cent. in 2016 (final data) increasing to 3.1 per cent. in 2017, to 4.6 per cent. in 2018 (final data), to 4.9 per cent. of GDP in 2019 (semi-final data) and 5.2 per cent. of GDP in 2020 (provisional data). In 2016, despite the increase in the current account deficit (to EUR 2,694 million,) non-residents' direct investment kept pace at EUR 4,517 million. In 2017, the increasing current account deficit (EUR 5,820 million) was financed through capital transfers and non-residents' direct investment, while in 2018 to 2020 besides capital transfers and non-residents' direct investment, portfolio investment also contributed to the financing of the growing deficit (EUR 9,496 million, EUR 10,912 million and EUR 11,422 million, respectively). In 2016, capital transfers were 1.5 times higher than the current account deficit while in 2017 this ratio was 0.3, in 2018 and 2019 it was 0.2 and in 2020 it slightly increased to 0.3.

Trade in goods

Due to a greater increase in imports than in exports, the share of the goods' balance deficit in GDP increased to to 5.7 per cent. of GDP in 2016, 6.8 per cent. of GDP in 2017, 7.5 per cent. of GDP in 2018, 8.0 per cent. of GDP in 2019 and 8.8 per cent. of GDP in 2020. The ratio of growth of imports to the growth of exports was 1.28 in 2019, and 1.33 in 2020.

The following table shows changes in foreign trade for the years 2016 to 2020:

Source: National Bank of Romania

	2016	**2017**	**2018**	**2019**	**2020[(1)]**
Current account balance (*EUR million*).	(2,694)	(5,820)	(9,496)	(10,912)	(11,422)
Per cent. of GDP.....	(1.6)	(3.1)	(4.6)	(4.9)	(5.2)
Trade balance FOB[(1)] (*EUR million*).....	(9,659)	(12,807)	(15,341)	(17,856)	(19,166)
Per cent. of GDP.....	(5.7)	(6.8)	(7.5)	(8.0)	(8.8)
Exports of goods (*EUR million*)	52,168	57,189	61,819	63,062	57,551
Annual percentage change.....	6.2	9.6	8.1	2.0	(8.7)
Imports of goods FOB[(2)] (*EUR million*).....	61,827	69,996	77,160	80,918	76,717
Annual percentage change.....	8.0	13.2	10.2	4.9	(5.2)

Notes:

(1) = Provisional data as of end March 2021

(2) Free on board ("**FOB**") means the seller's obligation to deliver is fulfilled when the goods have passed over the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of, or damage to, the goods from that point. Imports on FOB of goods are calculated based on the coefficient published by the National Institute of Statistics. ("**CIF**" means cost, insurance and freight.)

Source: National Bank of Romania

Main trends from 2016 to 2020

During 2016 to 2017 (final data), the goods deficit increased from EUR 9,659 million to EUR 12,807 million, despite the increase in exports (from 6.2 per cent. in 2016 to 9.6 per cent. in 2017) on the back of an even higher

[3] For the purposes of this document, trade in goods is compiled according to the International Monetary Fund's BPM6 Methodology. Thus the figures refer to the "Goods" balance in the current account and are different from the foreign trade data produced by the National Institute for Statistics in that the former exclude from the international trade in goods data, the value of goods processed in Romania and abroad and include the net exports of goods under merchanting in order to comply with the BPM6 principle of change in ownership).

[4] Balance of payments data for 2010 – 2020 revised as of March 26, 2021. For 2010 – 2019 only imports of goods were revised, in order to include private persons' imports of second-hand cars. For 2020, beside the inclusion of second-hand cars, other items were subject to current revision, in accordance with the Harmonized EU revision calendar for external statistics.

imports growth rates (from 8.0 per cent. to 13.2 per cent. in the same period). Meanwhile, the imports through exports coverage rates decreased from 84.4 per cent. to 81.7 per cent. The share of trade with EU countries in the total trade in goods deficit decreased by 12.5 per cent., to 84.2 per cent.

In 2018 (final data), the goods deficit increased by 19.8 per cent. as compared to 2017, to EUR 15,341 million, with imports growth (10.2 per cent.) continuing to outpace exports growth (8.1 per cent.) as compared to 2017. 72.7 per cent. of the goods deficit was brought by the intra-EU trade in goods, while extra-EU trade in goods made up the remaining 27.3 per cent. The imports through exports coverage was 80.1 per cent., down 1.6 per cent. year on year.

In 2019, the goods deficit increased by 16.4 per cent. as compared to 2018, to EUR 17.856 million, with imports growth (4.9 per cent.) slowing compared to 2018, but continuing to outpace exports growth (2.0 per cent.). 74.2 per cent. of the goods deficit was brought by the intra-EU trade in goods, while extra-EU trade in goods made up the remaining 25.8 per cent. The imports through exports coverage was 77.9 per cent., down 2.2 per cent. year on year.

In 2020 (provisional data), the goods deficit increased to EUR 19,166 million (from EUR 17,856 million in 2019), with decreases in both imports (by 5.2 per cent.) and exports (8.7 per cent.).

Exports and imports of goods included in the balance of payments

During 2016 – 2017, exports of goods continued to grow, from EUR 52,168 million to EUR 57,189 million, with annual growth rates ranging from 6.2 per cent. to 9.6 per cent., due to positive performances of most commodity groups (Combined Nomenclature), especially of "Machinery, apparatus, electric equipment, transport equipment". The Combined Nomenclature (CN) is a tool for classifying goods, set up to meet the requirements both of the Common Customs Tariff and of the EU's external trade statistics. It is a further development (with special EU-specific subdivisions) of the World Customs Organization's Harmonized System nomenclature. This is a systematic list of commodities applied by most trading nations (and also used for international trade negotiations). Exports to other EU countries recorded an average annual increase of nearly 10.9 per cent. and an average of 74.5 per cent. as a share of total exports. During the same period, imports of goods continued to increase, from EUR 61,827 million to EUR to EUR 69,996 million, with annual growth rates between 8.0 per cent. and 13.2 per cent. Imports of goods purchased from EU countries increased on average by nearly 11.8 per cent. annually and recorded an average 76.3 per cent. of total imports.

In 2018 (final data), exports of goods totalled EUR 61,819 million, 8.1 per cent. increase compared to 2017 due to positive performances of all commodity groups (Combined Nomenclature). Exports to other EU countries increased by 10.2 per cent. with a corresponding increase in the share of total exports (by 1.5 per cent. to 76 per cent.), while exports to countries outside the EU rose by 1.6 per cent. Over the same period, imports of goods amounted to EUR 77,160 million, representing a 10.2 per cent. increase from 2017. Imports of goods purchased from EU countries increased by 8.9 per cent. (but decreased from 76.3 to 75.4 per cent. as a share of total imports), while imports from countries outside the EU increased by 14.6 per cent.

In 2019 (final data), exports of goods increased by 2.0 per cent. to EUR 63,062 million, mainly from agrifood products and other products (mainly construction materials), chemical and plastics, machines and equipment. Exports to other EU countries increased by 1.7 per cent., but decreased by 0.2 per cent. as a share in total exports, to 75.8 per cent. Imports of goods amounted to EUR 80,918 million, representing a 4.9 per cent. increase from 2018, brought by chemical products, agrifood products and mineral products. Imports of goods purchased from EU countries increased by 5.0 per cent., but stayed flat as a share of total imports (75.4 per cent.).

Exports of goods in 2020 (provisional data) amounted to EUR 57,551 million, a 8.7 per cent. decrease as compared to 2019, mainly from all merchandise groups, except for agrifood products and chemical and plastics

products. Exports to EU countries accounted for 73.2 per cent. of total exports, down 2.6 per cent. year-on-year. In 2020, imports of goods amounted to EUR 76,717 million, a decrease of 5.2 per cent. as compared to 2019, from all merchandise groups, except for agrifood products and chemical and plastics products. Imports from EU countries went down 1.5 percentage points. as a share of total imports, to 73.9 per cent.

The shares of groups of goods (according to Combined Nomenclature) in total exports and in total imports from 2016 to 2020 are shown in the table below:

Trade Balance – Groups of Goods and Sections

	Export FOB					Import FOB				
	2016	**2017**	**2018**	**2019**	**2020[1]**	**2016**	**2017**	**2018**	**2019**	**2020[1]**
	(per cent.)									
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 Agri-food items	11.7	11.1	10.4	11.3	12.1	11.0	10.4	9.8	10.2	11.4
I Live animals and animal products	1.6	1.6	1.4	1.5	1.5	2.2	2.3	2.2	2.3	2.4
II Vegetable origin products	6.6	6.1	5.8	6.1	5.8	3.6	3.3	2.9	3.0	3.7
III Animal or vegetable oils and fats	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2
IV Foodstuff, beverages, tobacco	3.2	3.0	2.8	3.4	4.5	4.9	4.6	4.5	4.7	5.1
2 Mineral products (V)	4.2	4.3	4.7	4.4	2.8	6.2	7.1	8.0	8.1	5.6
3 Chemical and plastic products	9.6	9.7	9.6	9.7	10.0	17.7	17.4	16.5	16.9	18.1
VI Chemical products	3.5	3.6	3.6	3.7	3.9	10.4	10.1	9.5	10.1	11.3
VII Plastics, rubber	6.1	6.1	6.0	6.0	6.1	7.3	7.2	7.0	6.8	6.8
4 Wood products, paper	3.9	3.7	3.4	3.3	3.6	2.6	2.4	2.4	2.3	2.3
IX Wooden products	3.1	2.9	2.6	2.5	2.8	0.9	0.9	0.9	0.9	0.9
X Wood pulp, paper	0.8	0.8	0.8	0.8	0.8	1.7	1.5	1.4	1.4	1.4
5 Textiles, clothing, footwear	5.5	5.1	4.8	4.4	4.0	6.3	6.1	5.8	5.7	5.9
XI Textiles and articles thereof	4.1	3.8	3.6	3.3	3.1	5.4	5.1	4.8	4.7	5.0
XII Footwear	1.4	1.3	1.2	1.0	0.9	0.9	1.0	1.0	1.0	1.0
6 Common metals (XV)	8.3	9.1	9.3	8.9	8.7	10.1	10.6	10.6	10.0	9.6
7 Machinery, apparatus, electric equipment, transport means	48.0	47.2	47.9	47.9	49.1	39.0	38.1	38.6	37.4	36.9
XVI Machinery, appliances and electric equipment	29.3	28.2	28.4	28.9	30.0	28.0	27.2	27.4	26.3	27.0
XVII Transport means	18.7	19.0	19.5	18.9	19.1	11.1	10.9	11.2	11.0	10.0
8. Others	8.8	9.8	9.7	10.1	9.5	7.1	8.0	8.4	9.4	10.2
VIII Undressed leather and dressed leather, furs and fur products	0.3	0.3	0.3	0.2	0.2	1.0	1.0	0.9	0.8	0.7
XIII Stone products, cement, ceramics, glass	0.6	0.6	0.6	0.7	0.7	1.3	1.3	1.4	1.4	1.4

	Export FOB					Import FOB				
	2016	**2017**	**2018**	**2019**	**2020[1]**	**2016**	**2017**	**2018**	**2019**	**2020[1]**
					(per cent.)					
Miscellaneous goods and products	7.8	8.9	8.8	9.2	8.6	4.7	5.7	6.1	7.2	8.1

Notes:

(1) = Provisional data as of end March 2021

Some totals may differ from the sum of components due to rounding.

Source: National Institute of Statistics, National Bank of Romania calculations

The main markets for imports and exports for Romania in 2016 to 2020 are shown in the table below:

Trade Balance – Geographical Distribution

	Export FOB					Import FOB				
	2016	**2017**	**2018**	**2019**	**2020[1]**	**2016**	**2017**	**2018**	**2019**	**2020[1]**
					(per cent.)					
Country Group										
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
- Intra EU Trade (EU-28), of which	73.6	74.5	76.0	75.8	73.2	77.3	76.3	75.4	75.4	73.9
Germany	21.1	22.7	22.9	22.4	22.9	20.6	20.0	20.4	19.9	20.6
Italy	9.2	8.8	9.3	9.0	8.8	8.8	8.7	8.2	8.0	7.9
France	7.3	6.8	7.3	7.1	6.8	5.5	5.3	5.1	4.8	4.6
Hungary	5.5	4.9	5.0	5.0	5.2	8.0	7.8	7.2	7.4	7.6
Bulgaria	3.5	3.6	3.5	3.8	3.9	3.3	3.0	2.9	3.1	3.2
United Kingdom of Great Britain and Northern Ireland	4.1	3.8	4.1	3.6	3.3	2.1	2.3	2.4	2.6	2.4
Spain	3.2	3.2	3.3	3.2	3.1	2.8	2.8	2.8	2.9	2.5
Netherlands	2.5	2.5	2.7	3.1	3.4	4.3	4.2	4.1	4.2	4.1
Poland	3.2	3.4	3.4	3.8	3.9	5.4	5.7	5.7	6.1	6.3
Austria	2.4	2.4	2.3	2.2	2.3	3.7	3.4	3.3	3.1	3.2
- Extra EU Trade (extra-EU-28), of which	26.4	25.5	24.0	24.2	26.8	22.7	23.7	24.6	24.6	26.1
Turkey	3.5	3.6	3.2	3.5	3.6	3.9	4.0	4.4	4.4	4.3
Russian Federation	1.9	1.9	1.7	1.6	1.4	3.0	3.3	3.7	3.5	2.2
U.S.	1.7	1.8	2.1	2.0	1.8	0.9	1.2	1.0	0.9	1.1
Ukraine	0.5	0.6	0.6	0.6	0.7	0.9	0.8	0.8	0.8	0.9
Republic of Moldova	1.2	1.5	1.6	1.6	1.5	0.5	0.6	0.6	0.5	0.5
People's Republic of China	1.2	1.3	1.2	1.2	1.4	5.3	5.1	5.4	5.3	6.3
Japan	0.4	0.4	0.4	0.4	0.8	0.5	0.5	0.4	0.4	0.4
Kazakhstan	0.1	0.1	0.1	0.1	0.1	1.2	1.5	1.6	1.9	1.4

Notes:

(1) = Provisional data as of end March 2021

(*) Data for 2020 refers to EU-27 /(excluding UK)

Some totals may differ from the sum of components due to rounding.

Source: National Institute of Statistics, National Bank of Romania calculations

Balance of Payments

Current Account

According to the International Monetary Fund's BPM6 Methodology, the "Current Account" consists of goods (calculated based on the international trade in goods data, from which the value of goods processed in Romania and abroad is eliminated and to which the net exports of goods by merchants is added; in order to comply with the BPM6 principle of change in ownership), services (which also include the value of the processing of goods owned by others and is not simply translated from goods, but compiled based on alternate data sources, i.e. quarterly surveys of international trade in services), primary income (including compensation of employees, investment income and other primary income) and secondary income (purely current transfers). The methodological change has been coherently applied across EU countries starting with the reference month of July 2014.

The current account deficit increased by 0.8 per cent. of GDP in 2016 (to 1.6 per cent. of GDP) and continued to increase to 3.1 per cent. of GDP in 2017 (final data). The increase was due in large part to an increase in goods and primary income deficits, while services balance and secondary income balance consolidated their surpluses.

In 2018 the balance-of-payments current account posted a deficit of EUR 9,496 million (4.6 per cent. of GDP), compared with a deficit of EUR 5,820 million (3.1 per cent. of GDP) in 2017. The goods balance deficit increased by 19.8 per cent. to EUR 15,341 million (7.5 per cent. of GDP), with imports growth (10.2 per cent.) continuing to outpace the exports growth (8.1 per cent.). Exports of goods amounted to EUR 61,819 million, 8.1 per cent. above the prior year's level, due to positive performances of all commodity groups (Combined Nomenclature). Over the same period, imports of goods amounted to EUR 77,160 million, representing a 10.2 per cent. increase from 2017. The primary income deficit increased by 41.2 per cent. compared to 2017, to EUR 3,767 million, mainly from larger non-residents' direct investment income (dividends and reinvested earnings). As a share of GDP, the primary income deficit increased by 0.4 per cent., to 1.8 per cent. in 2018. The secondary income surplus decreased from EUR 1,469 million in 2017 to EUR 1,252 million in 2018, simultaneously from higher EU contributions and lower inflows of EU funds (European Fund for Agriculture and Rural Development). As a share of GDP, the secondary income surplus decreased by 0.2 per cent. to 0.6 per cent. The services surplus accounted for EUR 8,360 million in 2018 as compared to EUR 8,187 million in 2017, following higher receipts related to IT services, road freight, professional and management consulting services, which together accounted for more than half of the services receipts in 2018. As a share of GDP, the services surplus decreased by 0.3 per cent. to 4.1 per cent.

In 2019, the balance of payments current account posted a deficit of EUR 10,912 million (4.9 per cent. of GDP), compared with a deficit of EUR 9,496 million (4.6 per cent. of GDP) in 2018, with the goods balance having the solely unfavourable impact. The goods balance deficit increased by 16.4 per cent. to EUR 17,856 million (8.0 per cent. of GDP), with imports growth slowing (4.9 per cent.), but continuing to outpace exports growth (2.0 per cent.). Exports of goods amounted to EUR 63,062 million, 2.0 per cent. above the prior year's level, due to positive performances of some commodity groups (Combined Nomenclature), including: agri-food products, chemical and plastics products, machines, equipment and transport means. Over the same period, imports of goods amounted to EUR 80,918 million, representing a 4.9 per cent. increase from 2018, with all commodity groups, except for basic metals, posting positive growth rates. The primary income deficit decreased by 15.3 per cent. compared to 2018 to EUR 3,192 million, mainly from larger compensation of employees and EU agricultural subsidies. As a share of GDP, the primary income deficit decreased by 0.4 per cent. to 1.4 per cent. in 2019. The secondary income surplus increased from EUR 1,252 million in 2018 to EUR 1,484 million

in 2019, from higher workers' remittances. As a share of GDP, the secondary income surplus increased by 0.1 per cent., to 0.7 per cent. The services surplus accounted for EUR 8,652 million in 2019 as compared to EUR 8,360 million in 2018, following higher receipts related to IT services, road freight, technical, commercial, professional and management consulting services, which together accounted for almost 90 per cent. of the services receipts in 2019. As a share of GDP, the services surplus decreased by 0.2 per cent., to 3.9 per cent.

In 2020 (provisional data), the current account deficit increased to EUR 11,422 million (5.2 per cent. of GDP), from EUR 10,912 million (4.9 per cent. of GDP) in 2019, mainly due to higher goods and primary income deficits. The goods deficit increased to EUR 19,166 million (from EUR 17,856 million in 2019). Exports of goods amounted to EUR 57,551 million, an 8.7 per cent. decrease as compared to the corresponding period in 2019. Imports of goods amounted to EUR 76,717 million, a decrease of 5.2 per cent. as compared to the corresponding period in 2019. The services surplus increased by 8.9 per cent. to EUR 9,423 million compared to 2019, mainly from higher receipts from IT services and lower payments related to travel. The primary income recorded a deficit of EUR 3,668 million in 2020, as compared with EUR 3,192 million in 2019, mainly due to the reduction in the receipts representing compensation of employees and to the increase of interest payments on portfolio debt instruments. The secondary income surplus increased from EUR 1,484 million to EUR 1,989 million, amid increased inflows from the European Fund for Agriculture and Rural Development.

Romania's external position has deteriorated since 2016, with the current account deficit widening to values around 5.2 per cent. of GDP in 2020. This resulted in Romania being one of the EU Member States with the highest current account deficit as a share of GDP. According to the latest projection underlying the inflation report published by NBR in March 2021, both exports and imports are expected to regain momentum. As of 2021, the current account deficit-to-GDP ratio is forecast to post marginal corrections. However, a significant correction of the current account will be hindered by the persistence of structural deficiencies, which are likely to induce upward pressures on imports over the medium term.

In 2016, the combined current and capital account deficit was EUR 1,566 million while the non-residents' direct investment in Romania stayed at a comfortable level of EUR 4,517 million. In 2017, the combined current and capital account ended with a deficit of EUR 3,602 million, entirely covered by non-residents' direct investment of EUR 4,797 million. In 2018, the combined current and capital account ended with a deficit of EUR 6,981 million, while non-residents' direct investment stood at EUR 5,266 million. In 2019 the combined current and capital account ended with a deficit of EUR 8,062 million while non-residents' direct investment stood at EUR 5,173 million. In 2020 (provisional data), the combined current and capital account ended with a deficit of EUR 7,244 million while non-residents' direct investment stood at EUR2,033 million, following the trend of both equity and intra-group losses.

The financing of the current account through FDI and EU funds for 2016 to 2020 is summarised in the table below:

	2016	**2017**	**2018**	**2019**	**2020**[(1)]
			(EUR million)		
Current account balance	(2,694)	(5,820)	(9,496)	(10,912)	(11,422)
Foreign direct investments flows	4,517	4,797	5,266	5,173	2,033
EU funds inflows, of which:	7,360	4,819	4,444	5,734	7,120
Subsidies	1,510	1,773	1,769	1,845	1,896
Current transfers	1,626	1,094	922	1,435	1,886
Capital transfers	4,224	1,935	1,753	2,455	3,338

Note:

(1) = Provisional data as of end March 2021

Source: National Bank of Romania

Capital Account

After reaching an average of 2.5 per cent. of GDP in three years ending 2016 (and entirely covering the current account deficit), the capital account surplus went down to 1.2 to 1.3 per cent. of GDP during 2017 to 2019. The underlying factor for this development was reduction of inflows of EU funds in the form of capital transfers (such as European Regional Development Fund and Cohesion Fund).

In 2018, the capital account ended with a surplus of EUR 2,515 million (as compared with EUR 2,218 million in 2017), mainly consisting of inflows of EU funds in the form of capital transfers, but also from the sale of CO_2 certificates.

In 2019, the capital account ended with a surplus of EUR 2,850 million (as compared with EUR 2,515 million in 2018), gaining 0.1 per cent. of GDP to 1.3 per cent. The upward trend followed the inflows of EU funds (mainly European Regional Development Fund, Cohesion Fund and European Social Fund). In 2020, the surplus on capital account increased to EUR 4,178 million (or 1.9 per cent. of GDP), reflecting inflows of EU funds and receipts from the sale of CO_2 certificates.

Financial Account

After recording net outflows in 2016 (accounting for 1.6 per cent. of GDP), mainly reflecting withdrawals of non-residents' deposits with resident multinational financial institutions, the financial account started to register net inflows during 2017 to 2020.

In 2018, the financial account ended with net inflows totalling EUR 5,149 million, compared with net inflows of EUR 3,120 million in 2017, mainly due to the decrease in NBR's reserve assets and in currency and deposits placements abroad. Direct investment recorded net inflows of EUR 4,945 million in 2018 compared to EUR 4,883 million in 2017. Non-residents' direct investment in Romania totalled EUR 5,266 million in 2018, out of which equity capital and net reinvested earnings accounted for EUR 5,546 million and intra-group loans recorded a negative net value of EUR 280 million. Portfolio investment recorded net inflows of EUR 2,880 million in 2018, compared with EUR 2,987 million in 2017. Other investment ended 2018 with net outflows of EUR 3,362 million, as compared with EUR 4,397 million in 2017, mainly from the repayment of the principal related to the government loan granted by the EU and the reduction of currency and deposits placed abroad. In 2018, 81.9 per cent. of the current account deficit covered by the net inflows of direct investment and capital inflows, while the difference was covered by the issuance of government bonds.

In 2019, the financial account ended with net inflows totalling EUR 5,134 million, compared with EUR 5,149 million in 2018, mainly due to the decrease of net inflows of direct investment and the slowing down of the increase in NBR's reserve assets. Direct investment recorded net inflows of EUR 4,849 million (EUR 4,945 million in 2018). Non-residents' direct investment in Romania totalled EUR 5,173 million in 2019, out of which equity capital and net reinvested earnings accounted for EUR 5,021 million and intra-group loans EUR 152 million. Portfolio investment recorded net inflows of EUR 2,436 million in 2019, compared with EUR 2,880 million in 2018, the lower level reflecting an increase of foreign assets owned by resident financial corporations other than MFIs. Other investment ended 2019 with net outflows of EUR 2,456 million, as compared with EUR 3,362 million in 2018, the development being influenced by the decrease in the EUX payments account, opened by NBR at the ECB, within the participation in the TARGET2 settlement system, as well as by slowing down the roll-over of residents' deposits with non-resident banks. In 2019, 73.5 per cent. of the current account deficit were covered by the net inflows of direct investment and capital inflows, while the difference was covered by the issuance of government bonds.

In 2020 (provisional data), the financial account ended with net inflows of EUR 7,427 million, compared with net inflows of EUR 5,134 million in 2019, mainly as a result of higher net inflows of portfolio investment and an increase in NBR reserve assets. Portfolio investment recorded net inflows of EUR 13,837 million in 2020, compared with net inflows of EUR 2,436 million in 2019, mainly reflecting public and private bonds issuances, but also domestic public issuances bought by non-residents. Other investment net outflows increased in 2020 to EUR 2,710 million, from EUR 2,456 million in 2019, reflecting upward trends of resident banks' deposits abroad. In 2020, approximately 53 per cent. of the current account deficit were covered by the net inflows of direct investment and capital inflows, while the difference was covered by the issuance of government bonds.

Non-residents' direct investment in Romania is estimated at EUR 2,033 million in 2020, mainly consisting of equity capital and net reinvested earnings.

Balance of Payments for the Years 2016-2020

Item	2016			2017			2018			
	credit	debit	balance	credit	debit	balance	credit	debit	balance	credit
1. Current account	81,133	83,828	(2,694)	88,701	94,520	(5,819)	95,282	104,778	(9,496)	101,966
A. Goods and services	71,048	72,826	(1,778)	78,920	83,541	(4,620)	85,612	92,593	(6,981)	90,120
a. Goods[2]	52,168	61,827	(9,659)	57,189	69,996	(12,807)	61,819	77,160	(15,341)	63,062
- General merchandise on a balance of payments basis	52,195	61,827	(9,632)	57,184	69,996	(12,812)	61,750	77,160	(15,411)	63,012
- Merchanting - export net	(27)	0	(27)	4	0	4	69	0	69	50
Merchanting - goods acquired	(298)	0	(298)	(259)	0	(259)	(331)	0	(331)	(395
Merchanting - goods sold	271	0	271	263	0	263	400	0	400	445
- Nonmonetary gold[1]	0	0	0	0	0	0	0	0	0	0
b. Services	18,880	10,999	7,881	21,731	13,544	8,187	23,793	15,433	8,361	27,058
- Manufacturing services on physical inputs owned by others	2,738	216	2,522	2,999	193	2,806	2,936	182	2,754	2,969
- Transportation	5,763	2,004	3,758	6,425	2,437	3,987	6,912	2,932	3,980	7,966
- Travel	1,836	2,324	(488)	2,711	3,854	(1,143)	2,877	4,522	(1,646)	3,195
- Other services	8,543	6,454	2,089	9,597	7,060	2,537	11,069	7,796	3,273	12,928
B. Primary income	5,025	7,281	(2,256)	5,241	7,909	(2,667)	5,271	9,038	(3,767)	6,295
- Compensation of employees	2,905	61	2,844	2,965	93	2,872	2,946	104	2,842	3,597
- Investment income	600	7,003	(6,403)	465	7,587	(7,122)	539	8,689	(8,150)	822
Direct investment	119	5,160	(5,041)	62	5,916	(5,853)	89	6,832	(6,743)	200
Portfolio investment income	152	1,112	(959)	114	1,020	(906)	134	1,219	(1,086)	242
Other investment income	46	732	(686)	35	651	(616)	58	638	(579)	61
Reserve assets income	283	0	283	254	0	254	258	0	258	319
- Other primary income	1,520	217	1,303	1,811	229	1,582	1,786	245	1,541	1,877
C. Secondary income	5,061	3,721	1,340	4,540	3,071	1,469	4,399	3,148	1,252	5,551
- General government	1,689	1,525	164	1,135	1,448	(313)	972	1,500	(527)	1,484
- Other sectors	3,372	2,196	1,176	3,405	1623	1,782	3,427	1,648	1,779	4,067
A. Capital account	4,413	153	4,260	2,250	33	2,218	2,580	65	2,515	3,255
a. Capital transfers	4,231	109	4,121	1,975	2	1,973	1,827	0	1,827	2,469
- General government	4,225	0	4,225	1,953	0	1,953	1,753	0	1,753	2,455
- Other sectors	6	109	(103)	22	2	20	74	0	74	14
b. Gross acquisitions/ disposals of nonproduced nonfinancial assets	183	44	139	276	30	245	753	65	688	786

Item	2016			2017			2018			
	credit	debit	balance	credit	debit	balance	credit	debit	balance	credit
		2016			2017			2018		
	Net acquisition of assets[3]	Net incurrence of liabilities[3]	Net	Net acquisition of assets[3]	Net incurrence of liabilities[3]	Net	Net acquisition of assets[3]	Net incurrence of liabilities[3]	Net	Net acquisitio n of assets[3]
B. Financial account	6,196	3,546	2,650	4,407	7,528	(3,120)	2,825	7,974	(5,149)	3,485
a. Direct Investment	1,143	5,656	(4,513)	350	5,233	(4,883)	1,259	6,204	(4,945)	1,723
- Equity	8	4,341	(4,333)	387	3,965	(3,578)	478	5,532	(5,053)	195
Equity other than reinvestment of earnings	46	3,203	(3,157)	428	2,232	(1,804)	470	2,959	(2,488)	110
Reinvestment of earnings	(37)	1,138	(1,176)	(41)	1,733	(1,775)	8	2,573	(2,565)	85
- Debt instruments	1,135	1,316	(181)	(37)	1,268	(1,304)	781	672	108	1,528
b. Portfolio investment	352	1,327	(975)	510	3,497	(2,987)	422	3,302	(2,880)	1,368
- Equity and investment fund shares/units	128	(412)	540	117	(62)	178	(67)	(409)	342	119
- Debt securities	223	1,738	(1,515)	393	3,558	(3,165)	488	3,710	(3,222)	1,249
c. Financial derivatives	38	0	38	(71)	0	(71)	85	0	85	(49
d. Other investment	2,405	(3,437)	5,842	3,195	(1,202)	4,397	1,830	(1,532)	3,362	698
1 Other equity other direct investment and portfolio investment	5	0	5	4	0	4	8	0	8	(1
2 Currency and deposits	1,608	(3,095)	4,703	1,874	(1,140)	3,014	458	(898)	1,357	(300
3 Loans	86	(1,161)	1,247	56	(1,490)	1,547	(47)	(1,636)	1,589	(149
4 Insurance, pension and standardised guarantee schemes	107	53	55	73	4	69	41	10	31	18
5 Trade credits and advances	576	763	(187)	1,186	1,368	(182)	1,378	1,051	328	1,128
6 Other accounts receivable/payable	23	3	20	1	56	(55)	(9)	(59)	50	2
7 SDRs	0	0	0	0	0	0	0	0	0	0
e. Reserve Assets	2,258	0	2,258	424	0	424	(771)	0	(771)	(255
3. Net errors and omissions	0	0	1,084	0	0	481	0	0	1,833	

Notes:

(*) Provisional data as of end March 2021

(1) BPM6 metodology

(2) FOB imports are BNRs' figures calculated using NIS CIF/FOB coefficient.

(3) "+" = Increases; "-"= Decreases

Differences between total and the sum of components are due to roundings.

Foreign Direct Investment

According to the results of the annual statistical surveys (final data for 2016 to 2019), foreign direct investment recorded a continuous increase in volume from 2016 to 2018 (from EUR 4.5 billion to EUR 5.3 billion), but slightly decreased to EUR 5.2 billion in 2019. As a share of GDP, after an increase to 2.7 per cent. in 2016, non-residents' direct investment stayed flat at 2.6 per cent. of GDP in 2017 and 2018, dropping at 2.3 per cent. of GDP in 2019. The ranking of the main recipients' economic activities remained unchanged along the period, with manufacturing in the leading position with around 30 per cent. of the total (mainly transport equipment, oil processing and chemicals, metallurgy, food, beverages and tobacco) followed by construction and real estate, wholesale/retail trade, financial intermediation and insurance, electricity, natural gas and water supply and IT&C. The non-residents' direct investment originated mainly in the Netherlands, Germany and Austria.

According to the results of the annual statistical survey regarding FDI, in 2019, FDI was channelled primarily to manufacturing (29 per cent. of the total), out of which the main recipients were: transport equipment (22.4 per cent.), oil processing and chemicals (20.4 per cent.), metallurgy (12.4 per cent.) and food, beverages and tobacco (10.4 per cent.). Apart from manufacturing, other activities that also attracted significant FDI were construction and real estate (16.9 per cent. of total FDI), wholesale/retail trade (16.6 per cent.), financial intermediation and insurance (11.5 per cent. of total FDI) and electricity, and water supply. Out of the total FDI stock of EUR 88.3 billion, more than two thirds consisted of equity, including reinvested earnings (EUR 61.4 billion), while the net credit from foreign investors amounted to EUR 27 billion. The four largest countries from which FDI originated as at 31 December 2019 were The Netherlands (23.2 per cent. of FDI at end-2019), Austria (12.6 per cent.), Germany (12.3 per cent.) and Italy (8.2 per cent.).

In 2020, non-residents' direct investment in Romania sharply decreased to EUR 2.03 billion (from EUR 5.17 billion 2019), following the trend of both equity and intra-group loans.

The following table shows non-residents' direct investment in Romania for 2016 to 2020:

Net Foreign Direct Investment[(2)]

	2016	2017	2018	2019	2020[(1)]
Net FDI	4,517	4,797	5,266	5,173	2,033
Equity, including reinvested earnings	4,341	3,968	5,546	5,021	3,991
Other capital (intra-group loans)	176	829	(280)	152	(1,959)

Source: NBR

Notes:

(1) Provisional data as of end March 2021.

(2) Non-residents' direct investment in Romania.

Various incentives are offered to investors (irrespective of local or foreign status), including governmental non-reimbursable grants for the acquisition of assets, governmental contributions when new workplaces are created, incentives in the form of interest reductions to investors when contracting loans for investments or state guarantees to investors. Investors are also entitled to apply for European Union funds for the reimbursement of eligible expenses incurred in connection with certain types of investments.

Governmental incentives are available for investments made in, among other sectors, agricultural and industrial processing activities, electric and thermal energy production and supply, environment protection, IT and communications and research and development. Upon completion of various conditions related to the

investments and provided that the relevant State aid schemes are created by the competent authorities, investors are entitled to request and benefit from the incentives established under the relevant legislation.

From November 2007 to March 2021, the Ministry of Finance, through the state aid schemes that it administered, granted aid amounting to EUR 1,375.05 million to support 177 large investment projects with a total value of EUR 4,858.21 million and creating at least 39,752 new jobs. Additionally, various state aid schemes are available for SME's and large enterprises at the level of other several public authorities, both from budgetary and EU funds.

The Foreign Investment Directorate within the Ministry of Economy, Energy and Business Environment is the governmental body dedicated to providing professional support and advice to foreign investors in Romania. Its purpose is to attract and facilitate foreign direct investment in the country and support new international companies and existing companies on the domestic market developing their business in Romania. Its mission is to increase inward FDI by internationally promoting Romania's business offer and assisting worldwide entrepreneurs in project implementation. The value of its portfolio of investment projects amounted to EUR 6.1 billion in 2019, generating almost 25,000 new jobs and EUR 3.46 billion in 2020 generating over 17,000 new jobs.

MONETARY AND FINANCIAL SYSTEM

National Bank of Romania

The NBR is the central bank of Romania, organised as an independent public institution and has its headquarters in Bucharest. The primary objective of the NBR, set forth in its statutory provisions, is to ensure and maintain price stability.

The NBR is empowered and authorised:

- to develop and apply monetary policies and foreign exchange policies;
- to authorise, regulate and supervise, from a prudential perspective, credit institutions;
- to promote and monitor the proper functioning of payment systems in order to ensure financial stability;
- to issue Romanian legal tender (banknotes and coins);
- to establish a foreign currency regime and to supervise its observance; and
- to manage the international reserves of the Romanian state.

The Government, acting through the Ministry of Finance, and the NBR maintain a close working relationship. Although the NBR is expected to support the Government's economic policy, the NBR's power to determine monetary policy or to generally perform its duties is not subject to any review or consent by the Government. The NBR does not receive instructions from any public authority, institution or any other authority.

The NBR is managed by a board of nine members and its executive functions within the Monetary Policy Committee and the Supervisory Committee are delegated to a governor, a first deputy governor and two deputy governors. The members of the board of the NBR are appointed by the Parliament for five-year terms and can be reappointed.

In its capacity as bank supervisor, the NBR has the legal power to require credit institutions to: (i) hold own funds over the minimum solvency ratio; (ii) reinforce internal governance arrangements, processes, mechanisms and strategies; (iii) apply a specific provisioning policy or treatment of assets in terms of own funds requirements; (iv) impose restrictions or limitations on business, operations or network; (v) reduce the risk inherent in their activities, products and systems; (vi) limit variable remuneration as a percentage of total net revenues when it is inconsistent with the maintenance of a sound capital base; and (vii) use net profits to strengthen their capital base.

The NBR is also empowered to: (i) withdraw the approval granted to the credit institution managers and/or board members; (ii) limit the qualifying holdings of the credit institution in financial or non-financial institutions, effectively forcing a sale of such holdings; (iii) require the credit institution to draw up and approve a recovery plan to improve the condition of its business; (iv) require shareholders with qualifying holdings to financially support the credit institution by increasing the share capital or by providing subordinated loans and/or by converting such loans into shares; and (v) prohibit or limit profit distribution for purposes other than those provided by law, until the NBR ascertains that the financial condition of the credit institution has been restored.

Monetary Policy

The chief monetary policy instruments used by the NBR are open market operations, standing facilities and reserve requirements. Open market operations are conducted at the central bank's initiative and play a key role in steering interest rates, managing liquidity conditions in the money market and signalling the monetary policy

stance. The NBR may not acquire from the primary market receivables against the state, central and local public authorities, autonomous administrations, national companies and other majority state owned companies or receivables against other bodies and public companies from EU Member States. The main categories of open market operations available to the NBR on the secondary market are: repo operations, deposit-taking operations, issuance of certificates of deposit, reverse repo operations, credit operations against eligible assets as collateral, outright sales/purchases of eligible assets and foreign exchange swaps. The NBR's standing facilities to credit institutions, consisting of a credit facility and a deposit facility, aim to absorb and provide overnight liquidity, signal the general monetary policy and bind overnight interbank rates by the corridor defined by the interest rates on the lending and deposit facilities. The standing facilities are available to credit institutions upon request.

Recent Monetary Policy

2016

The NBR kept the monetary policy interest rate unchanged throughout 2016. The decisions were justified by the significant divergence between short-term developments in inflation and its longer-term outlook together with the current uncertainties and risks to inflation prospects. Specifically, in line with NBR forecasts, the annual inflation rate moved deeper into negative territory in the first half of 2016. This was partly as a result of a cut in the standard VAT rate from 24 to 20 per cent. and in other indirect taxes effective as of 1 January 2016, coupled with the still manifest effects arising from broadening the scope of the reduced VAT rate to all food items, and also from the decline in international oil prices. At the same time, however, the revised medium-term forecast reconfirmed the outlook for the annual inflation rate to post a large upward correction at the beginning of 2017, reflecting the base effects associated with the first standard VAT rate cut, before picking up in 2018 to values in the upper half of the variation band of the flat target. Rising inflationary pressures anticipated to emerge from the reversal of the cyclical position of the economy in the second half of 2016 and from the subsequent increase of the excess aggregate demand, as well as from sustained increase in unit wage costs, were underlying these prospects.

The subsequent statistical data and assessments pointed to a deeper fall of the annual inflation rate, and into negative territory in the second quarter of 2016, on the back of stronger effects of the drop in international commodity prices. Data also showed a stronger-than-expected acceleration of economic growth in the first two quarters of 2016, implying an earlier reversal of the cyclical position of the economy. Against this backdrop, according to the medium-term projection of macroeconomic developments updated in August and November 2016, the trajectory of the forecasted inflation was lower than previously anticipated over the short term, while retaining its upward profile. In particular, the annual inflation rate was expected to remain in negative territory until end-2016 and below the lower bound of the variation band of the flat target in the first half of 2017, before climbing to the upper half of the band during 2018.

The assessments conducted during the latter part of 2016 also revealed a considerable heightening of uncertainties and mixed risks associated with the medium-term inflation forecast. The most significant uncertainties stemmed from the fiscal and income policy prospects amid the still pending 2017 budget construction. The uncertainties surrounding global economic growth and euro area recovery also remained relevant.

During 2016, given the dynamics of foreign-currency lending (see "*Monetary and Financial System—Recent Developments in the Lending Process—2016"*), the NBR lowered the minimum reserve requirement ratio on foreign-currency denominated liabilities of credit institutions in two steps of 2 per cent. each, in January and September, to 10 per cent. The measures were meant to continue the harmonisation of the reserve requirements mechanism with the standards and practices of the ECB and the major central banks across the European Union.

2017

In the first three quarters of 2017, the NBR kept both the monetary policy interest rate (at 1.75 per cent.) and the characteristics of the corridor of interest rates on the standing facilities unchanged, before initiating the adjustment in the monetary policy stance by narrowing, in two consecutive steps, the corridor of interest rates on standing facilities around the policy rate and pursuing firm management of liquidity in the banking system.

The NBR's approach in the first three quarters of the year was warranted by the strong transitory disinflationary force impact of supply-side shocks manifested in the first half of the year and anticipated in the near term, as well as by the evidence over the short term of inflationary pressures, presumably stemming from the stronger-than-expected cyclical position of the economy and from the sustained rise in wage costs. The two types of divergent influences originated primarily in the set of fiscal and wage measures launched in 2015-2016, and especially the additional measures adopted in 2017, leading to extensions of the pro-cyclical nature of the fiscal and income policies. Under these circumstances, in line with expectations, the annual inflation rate returned only marginally into positive territory in January 2017. This was due to the fading out of the one-off impact of reducing the standard VAT rate a year earlier. Despite the inflation rate slowly increasing, it remained far below the lower bound of the variation band of the target and trailed behind the prevalent values across the EU until mid-2017. At the same time, its projected upward path witnessed two successive downward revisions in the February and May forecasting exercises. The former was called for by the unexpected new disinflationary supply-side shocks manifested in January through February, while the May revision was warranted by evidence of a weakening relationship between core inflation and output gap. The opening of the positive output gap was, however, anticipated to be wider, given the faster-than-expected pick-up in economic growth in the fourth quarter of 2016 and the upward revision of the projected GDP dynamics for 2017 and 2018.

Against this background, the NBR kept the monetary policy rate unchanged at the historical low of 1.75 per cent. in the first half of 2016. Moreover, the central bank further pursued adequate liquidity management on the money market and maintained the existing level of the minimum reserve requirement ratio on leu-denominated liabilities of credit institutions. At the same time, given the persistent contraction in foreign currency lending and the consolidation of international reserves above the adequacy level, the NBR lowered the minimum reserve requirement ratio on foreign currency-denominated liabilities of credit institutions by another 2 per cent. to 8 per cent. This was in order to continue the harmonisation of the reserve requirement mechanism with the standards and practices in the field pursued by the ECB and the major central banks of the EU Member States. The NBR extended the status-quo of monetary policy instruments into the third quarter as well, given that the uptrend in the annual inflation rate remained outside the variation band of the target at the end of the first half of the year and the prospects of its considerable steepening in the quarters ahead were surrounded by heightened uncertainties and risks. The most significant risks related to the future fiscal and income policy stance, given the possible adoption of corrective fiscal measures in the context of the budget revision envisaged for September.

The NBR initiated in October and continued in November the adjustment of the monetary policy stance by narrowing the symmetrical corridor of interest rates on the NBR's standing facilities around the policy rate to ±1.25 per cent., and ±1.0 per cent., respectively, (from ±1.50 per cent.) and deciding, in the latter meeting, to ensure firm liquidity management in the banking system. Also, in the two meetings, the NBR Board kept unchanged the monetary policy interest rate, at 1.75 per cent., and the existing levels of minimum reserve requirement ratios on both lei- and foreign currency-denominated liabilities of credit institutions (each 8 per cent.).

The decisions were adopted as the annual inflation rate increased significantly in September and October and, according to the updated medium-term forecast (November Inflation Report), was seen accelerating further in the first quarters of 2018, exceeding temporarily the upper bound of the variation band of the flat target (2.5 per cent. ±1 per cent.), driven by (i) the sizable base effects associated with previous changes to indirect taxes and

non-tax fees, (ii) the expected developments of its external components (higher international oil price, larger increases in some regulated prices and in tobacco product prices), and the (iii) build-up of underlying inflationary pressures stemming from the widening of the output gap, amid the easing of fiscal and income policies, accommodative monetary conditions and consolidation of external demand, the increase in unit wage costs, and the uptrend in inflation expectations. The annual inflation rate was expected to re-enter the variation band of the target (2.5 per cent. ±1 per cent.) in the fourth quarter of 2018 (reaching 3.2 per cent. in December 2018), on the back of the impact of supply-side factors fading out, and to remain in the upper half of the band until the third quarter of 2019 (the end of the projection horizon), driven solely by the underlying inflationary pressures, expected to lessen to a certain extent only towards the end of the projection horizon, with the positive output gap resuming at mid-2019 a slightly downward slope.

2018

The NBR strengthened the adjustment of the monetary policy stance during the first months of 2018, raising the monetary policy rate by 0.25 per cent. in January, February and May to 2.50 per cent. Correspondingly, the interest rates on the deposit facility and the lending facility were increased to 1.50 per cent. and 3.50 per cent. respectively. In addition, the central bank firmed the control of liquidity in banking system by organising, beginning with the second part of April, one-week deposit-taking operations, carried out in the form of fixed rate full allotment tenders. These operations were conducted until July. In August, amid the re-emergence of a net liquidity deficit in the banking system, the NBR resumed its liquidity-providing 1-week repo operations.

The decisions were adopted as the annual inflation rate accelerated its increase during the fourth quarter of 2017 and the first half of 2018, reaching 3.32 per cent. in December 2017 – i.e. in the upper half of the variation band of the target – and then 5.41 per cent. in May 2018, significantly above the upper bound of the target. According to the updated medium-term projections, the annual inflation rate was seen remaining around 5 per cent. in the third quarter 2018, before declining to the 3.5 per cent. level in December 2018, re-entering at the beginning of 2019, and remaining afterwards, in the upper half of the variation band of the target. This sizeable inflationary upsurge was attributable to the numerous adverse supply-side shocks, originating from both domestic and external environment, occurring in the second part of 2017 and the first half of 2018. These supply-side shocks consisted mainly of repeated increases in electricity, natural gas and heating prices, as well as a faster pick-up in fuel prices (amid rising oil prices and the reintroduction of the special excise duty on motor fuels). Similar effects also stemmed from the higher prices for vegetables, fruit and eggs and the rise in tobacco product prices towards the end of 2017. The fading-out of transitory disinflationary effects associated with measures implemented in January – February 2017 (reduction of VAT standard rate to 19 per cent., the scrapping of fuel excise and a number of non-tax fees and charges) in the first months of 2018 also added to the effects.

The broad-based monthly increases in prices, leading to a higher pace of growth of the annual inflation rate, to a large extent also reflected the gradual build-up of inflationary pressures stemming from developments in aggregated demand, wage costs and short-term inflation expectations. Thus, the annual adjusted CORE 2 inflation rate rose to 2.4 per cent. in December 2017 and to 3.05 per cent. in March 2018 – significantly above the midpoint of the target. Moreover, according to May 2018 medium term forecast, the annual rate of core inflation was expected to further increase to 3.1 per cent. in December 2018 and to 3.4 per cent. at the end of 2019, thus being the sole component of the CPI responsible for the headline inflation to remain in the upper part of the variation band of the target throughout the next year.

In the second half of 2018 the policy rate was kept unchanged at 2.5 per cent. The interest rates on the deposit facility and the lending facility were maintained at 1.50 per cent. and 3.50 per cent. respectively. This contributed to the decline of the annual inflation rate to levels compatible with the inflation target, while protecting financial stability. The decisions were adopted as, in line with expectations, the annual inflation rate stopped its uptrend in June, remaining at 5.4 per cent. and resumed its decline in the third quarter of 2018, reaching 5.03 per cent. in September. Meanwhile, since mid-2018, monetary conditions had become noticeably

less accommodative, as relevant money market rates rose to levels significantly above the key policy rate, and the exchange rate remained relatively stable. The medium term projections updated in the second half of the year showed a slightly improved inflation outlook, mainly as pressures from excess demand were expected to be less intense amid the likely stronger-than-previously-anticipated moderation of economic growth in 2018. In addition, the outlook for economic growth – and implicitly for underlying inflationary pressures – were marked by uncertainties associated with the future evolution of consumer confidence and the pace of EU funds absorption, but also with risks posed to the EU economy by protectionist trade policies, the UK's exit from the EU, the political tensions in some European countries and the international financial market volatility.

2019

The NBR decided to leave the monetary policy interest rate unchanged at 2.5 per cent. throughout 2019, while tightening control over money market liquidity. At the same time, the deposit facility interest rate and the credit facility interest rate were maintained at 1.5 per cent. and 3.5. per cent., respectively, and the minimum reserve requirement ratios on leu- and foreign currency-denominated liabilities were kept at 8.0 per cent.

The NBR's approach was warranted by the unexpected deterioration of inflation developments and outlook at the beginning of the year under the transitory impact of renewed supply-side shocks and overlapping the uptrend in underlying inflationary pressures. It also took into consideration, however, heightened uncertainties and risks stemming from the domestic and international environment which caused weakening of economic growth and inflation in the euro area and in other developed countries.

Thus, after having fallen to 3.3 per cent. in December 2018, the annual inflation rate resumed growth in January 2019, contrary to forecasts, climbing again and remaining– amid slight fluctuations – above the upper bound of the variation band of the target, while the annual adjusted CORE2 inflation rate repositioned on a steadily upward path, from 2.5 per cent. in December 2018 to 3.7 per cent. in December 2019.

At the same time, according to the medium-term forecasts updated during 2019, the annual inflation rate was expected to re-enter the target band in the first quarter of 2020, but to stay in the upper half in the second half of 2019. The outlook was driven by the rising inflationary pressures expected to stem from the cyclical position of the economy, the significant stimulative effects assumed to be exerted further by the fiscal and income policies, alongside the gradually abating ones implied in the case of monetary conditions, the sustained increase in wage costs, and from the faster dynamics of import prices, *inter alia* due to the evolution of the leu's exchange rate. The external imbalance was also expected to deteriorate further, both as a result of price competitiveness losses stemming from increases in wage costs as well as some non-price competitiveness issues.

The uncertainties associated with future fiscal and income policy, as well as the risks thus induced to the medium-term forecasts, increased progressively during 2019. There was a steep loosening trend in budget execution, which materialised in the widening of the budget deficit significantly above the 3 per cent. of GDP ceiling set under the Stability and Growth Pact and rendering necessary the start of fiscal consolidation in 2020, especially amid the provisions of the new pension law. Uncertainty was also generated by the fiscal and budgetary measures that became effective from 1 January 2019 due to their ambiguities and complexity, but also due to the possible implications for monetary policy and lending, potentially compounded by some legislative initiatives regarding the banking sector approved in that period.

Steadily growing uncertainties and risks also stemmed from the external environment, given the increasingly obvious weakening of economic activity in the euro area and worldwide, as well as the heightened risks to their outlook, induced by the U.S.-China trade tensions and Brexit. Moreover, amid the high interest rate differential and the trade balance worsening trend due to price and non-price competitiveness issues in some sectors, particularly relevant were also the ECB's and the Federal Reserve's signals and decisions on monetary policy easing, as well as the stance of central banks in the region.

2020

In January and February 2020, the NBR kept unchanged the monetary policy rate at 2.50 per cent., the deposit facility rate at 1.50 per cent. and the lending facility rate at 3.50 per cent., while maintaining strict control over money market liquidity. Also, the minimum reserve requirement ratio on leu-denominated liabilities of credit institutions was preserved at 8 per cent, while the minimum reserve requirement ratio on foreign currency-denominated liabilities of credit institutions was lowered in February to 6 per cent, from 8 per cent. As at December 2020, the long-term interest rate was set at 3.9 per cent.

The decisions to extend the monetary policy rate status-quo were adopted as (i) headline inflation went up slightly higher than expected in the last quarter of 2019 mainly due to action of the supply side factors, but also to the acceleration in core inflation amid the rise in some international agri-food prices which overlapped significant inflationary pressures from excess demand and unit labour costs, (ii) underlying inflationary pressures were expected to remain elevated in perspective and somewhat stronger than previously envisaged, given the forecasts on the cyclical position of the economy, wage costs, as well as import price dynamics, and (iii) the uncertainties and risks to the outlook for economic growth, implicitly for inflation, continued however to be extremely high, stemming mainly from the fiscal and income policy stance, but also from the external environment, given the weakness of the euro area and global economies.

Given the developments in foreign currency lending and the adequate level of foreign exchange reserves, the NBR Board decided however to cut the minimum reserve requirement ratio on foreign currency-denominated liabilities of credit institutions to 6 per cent. from 8 per cent. starting with the 24 February 2020 to 23 March 2020 maintenance period. The measure was also aimed to continue the harmonisation of the minimum reserve requirements mechanism with the relevant standards and practices of the European Central Bank and the major central banks across the European Union.

In an emergency meeting convened on 20 March 2020, the NBR Board adopted a package of measures aimed at curbing the economic impact of the COVID-19 pandemic while also consolidating liquidity in the banking system, with a view to ensure a smooth functioning of the money market and other financial market segments and adequate financing conditions for the real economy and public sector.

It therefore decided:

- to cut the monetary policy rate from 2.50 per cent. to 2.00 per cent., as well as to narrow the symmetrical corridor defined by interest rates on standing facilities around the monetary policy rate to ±0.5 per cent. from ±1.0 per cent.; thus, the deposit facility rate was kept at 1.50 per cent., while the lending facility rate was lowered to 2.50 per cent. from 3.50 per cent.;
- to carry out repo transactions to provide liquidity to credit institutions; and
- to purchase leu-denominated government securities on the secondary market.

These measures were adopted in the context of an abrupt deterioration of the global and domestic economic environment as a result of the impact of the COVID-19 pandemic, likely to cause a sharp slowdown in domestic economic growth in the first quarter of 2020 followed by a contraction, triggering downside risks to the inflation outlook over the long term. At the same time, the surge in global financial market tensions against this background also affected different segments of domestic financial market.

The NBR Board decided to further cut the monetary policy rate by 0.25 per cent. in a meeting on 29 May 2020, and then to add a further prudent cut of same size in a meeting on 5 August 2020, thus bringing the key rate down to 1.50 per cent. and lowering the deposit and lending facility rates to 1.00 and 2.00 per cent. respectively. Given the liquidity shortfall in the money market, the NBR Board also decided to further conduct repo transactions and continue to purchase leu-denominated government securities on the secondary market.

Furthermore, the existing levels of the minimum reserve requirement ratios were kept unchanged on both leu- and foreign currency-denominated liabilities of credit institutions.

These decisions were adopted as statistical data showed, in line with expectations, the severe economic impact of the COVID-19 pandemic peaking in April 2020, but starting to diminish in May 2020 amid the gradual lifting of lockdown and with the support from government programs and the NBR's monetary policy affecting inflation developments.

Consequently, the annual inflation rate declined further in the second quarter, even more significantly than anticipated, and reached 2.58 per cent. in June 2020 (down from 3.05 per cent. in March 2020) as a result of a substantial drop in fuel prices in annual terms. The annual adjusted CORE2 inflation rate however remained broadly flat, just above the upper bound of the variation band of the target, its dynamics reflecting the pre-pandemic underlying inflationary pressures, overlapped by influences from changes in the consumption structure brought about by the COVID-19 pandemic and social distancing measures, as well as by the impact of cost increases associated with bottlenecks in production and supply chains and with the measures to prevent the spread of COVID-19.

Economic growth decelerated considerably in the first quarter of 2020, but its quarterly dynamics remained in positive territory which implied that the output gap remained firmly positive. At the same time, the trade deficit widened markedly faster in this period, while the current account deficit coverage by foreign direct investment and capital transfers deteriorated further. However, the cyclical position of the economy changed suddenly in the second quarter of 2020, with incoming data confirming the severe contraction of the economy in this period, expected to be somewhat reversed in the following quarter. The evolution implied an abrupt opening of a large negative output gap in the second quarter, followed however by a significant reduction in the third quarter of 2020.

The financial market conditions improved, as a result of the monetary policy measures, with interest rates on the main segments of domestic financial market continuing to decline. The EUR/RON exchange rate, however, remained quasi-stable and the leu had even tended to appreciate somewhat against the euro in July 2020, and even more so against the US dollar. Yet the deterioration of the fiscal position and its outlook, along with the external imbalance placed more pressure on sovereign risk premium, with possible consequences on the leu exchange rate volatility and, implicitly, on inflation and confidence in the domestic currency, and ultimately on financing costs and the pace of economic recovery following the downturn.

The medium-term macroeconomic forecast updated in August 2020 reconfirmed, with a mild downward adjustment in the near term, the previous inflation outlook. Thus, the annual rate of inflation is expected to remain stable until December 2020, when it was calculated as being 2.3 per cent., and then to undergo a downward trend and converge towards the mid-point of the inflation target over the monetary policy-relevant horizon.

The uncertainties surrounding the new macroeconomic forecasts remain extremely high, triggering two-way risks, with the major source being the COVID-19 pandemic, which resurged in July 2020, and the associated restrictions likely to affect the speed of the economic recovery. Major risks and uncertainties were stemming as well from the fiscal and income policy stance, given the potentially larger increase of the fiscal deficit in 2020, but also the fiscal consolidation likely to be initiated shortly, but with its impact possibly alleviated by the availability of EU funds. Two-way risks also stemmed from the external environment, against the background of the more favourable signs coming from other European economies, but also of the recent resurgence of the pandemic.

In a meeting on 12 November 2020, the NBR Board decided to keep the monetary policy interest rate unchanged at 1.50 per cent. and the deposit and lending facility rates at 1.00 and 2.00 per cent., respectively, as well as the existing level of the minimum reserve requirement ratio for the leu-denominated liabilities of credit institutions

(at 8 per cent.), while lowering the minimum reserve requirement ratio for their foreign currency-denominated liabilities to 5 per cent. (from 6 per cent.). The decisions were adopted as (i) the annual inflation rate declined in the preceding months, to reach 2.24 per cent. in October 2020, visibly below the projected level and slightly below the 2.58 per cent. level seen in June 2020, while the annual adjusted CORE2 inflation rate was flat in the third quarter and posted only a minor decrease in October 2020, in line with forecasts, reaching 3.6 per cent. from 3.7 per cent. in June 2020; (ii) according to the latest data, covering the July 2020 to August 2020 period, the economy saw a stronger-than-expected recovery during the summer, but its near-term outlook has deteriorated in the context of the second wave of the COVID-19 pandemic; (iii) the pattern of future inflation changed from the previous projection only over the short term, when it was expected to fall visibly below the previously envisaged levels; specifically, the annual inflation rate was anticipated to decline further to 2.1 per cent. in December 2020 and to 2.0 per cent. in March 2021, before climbing and remaining thereafter close to the mid-point of the target range over the policy-relevant horizon (broadly, the second half of the two-year projection horizon), the same as in previous forecasts; (iv) the uncertainties and two-way risks surrounding the new macroeconomic projections continued to be extremely elevated, stemming from the COVID-19 pandemic and the related containment measures, but notably from the outlook of the fiscal and income policy stance, especially in the absence of the draft budget for 2021 and in view of upcoming parliamentary elections; significant uncertainties and risks also stem from the external environment, given the new wave of the COVID-19 pandemic and the associated containment measures.

Given the developments in foreign currency lending and the adequate level of forex reserves, the NBR Board decided to cut the minimum reserve requirement ratio on foreign currency-denominated liabilities of credit institutions to 5 per cent. from 6 per cent. starting with the 24 November 2020 to 23 December 2020 maintenance period. The measure also aimed to continue the harmonisation of the minimum reserve requirements mechanism with the relevant standards and practices of the European Central Bank and the major central banks across the European Union.

2021

In a meeting on 15 January 2020, the NBR Board decided to cut the monetary policy rate by 0.25 per cent., to 1.25 per cent. and to lower the deposit and lending facility rates, to 0.75 and 1.25 per cent. respectively. The minimum reserve requirement ratios for leu- and foreign currency-denominated liabilities of credit institution were kept unchanged (at 8 per cent. and 5 per cent., respectively). The decisions were adopted as, according to the new data and assessments, the annual inflation rate continued to decline below the mid-point of the target during the last two months of 2020, to 2.06 per cent. in December, slightly lower than the forecast, owing to a relatively faster deceleration in core inflation. At the same time, its short-term outlook was reconfirmed, showing a slight step-up in the first two months of 2021, mainly on the back of external CPI components, followed by a correction in March, an evolution compatible with the most recent projection. Furthermore, it was revealed that economic activity recovered in the third quarter of 2020 a significant part of its previous contraction, although slightly less than expected, and the recovery envisaged for the fourth quarter of 2020 to the first quarter of 2021 was similar in size to that forecasted in November 2020; yet it was differently distributed between the two quarters, amid an uninterrupted pick-up in economic activity throughout the period, which implied that the negative output gap would continue to narrow slowly during that interval instead of remaining stable as expected. However, an important change in the future fiscal and income policy stance was about to take place, also vis-à-vis the NBR's latest medium-term forecast, as the potential budget deficit target for 2021 and some measures announced and/or adopted by the new Government, such as the temporary capping of public sector wages, rendered likely the start in 2021 of the necessary fiscal consolidation, with favourable implications also for the sovereign risk premium and, ultimately, for financing costs. In addition, heightened uncertainties and risks from the increase in the coronavirus infection rates in some European countries and the renewed tightening of mobility restrictions, had been weighing on the recovery of euro area economies, probably until the effects of vaccination campaigns became clearer.

In a meeting on 15 March 2021, the NBR Board decided to keep unchanged the monetary policy interest rate at 1.25 per cent., as well as the deposit facility rate, at 0.75 per cent., and the lending facility rate, at 1.75 per cent. At the same time, the minimum reserve requirement ratios on leu- and foreign currency denominated liabilities of credit institutions were maintained at their existing levels (8 per cent. and 5 per cent., respectively). The decisions were adopted as: (i) the annual inflation rate rose to 2.99 per cent. in January 2021 and to 3.16 percent in February, i.e. well above the previously-expected level, under the transitory impact of the liberalisation of the electricity market for household consumers and following the rise in fuel prices driven by higher oil prices, while the annual adjusted CORE2 inflation rate continued to decrease slowly over the same period, falling to 3.1 per cent. in January and remaining at that level in February, chiefly on account of disinflationary base effects associated with the developments in some processed food prices, to which added the modest influences of the aggregate demand deficit; (ii) economic activity continued its particularly fast recovery in the fourth quarter of 2020, well exceeding the forecast, owing entirely to domestic demand; against this background, the aggregate demand deficit likely shrunk way above expectations at end-2020; (iii) the updated forecast (March 2021 Inflation Report) saw the path of the expected annual inflation rate revised significantly upwards in the short term and to a smaller extent over the latter part of the projection horizon; specifically, the annual inflation rate was anticipated to pick up gradually during 2021 until nearing the upper bound of the variation band of the target, under the impact of supply-side shocks, and after a sizeable downward correction at the beginning of next year, to climb again and remain slightly above the mid-point of the target, amid the earlier reopening of the positive output gap and its subsequent slow widening; (iv) the new outlook was surrounded by high uncertainties and risks stemming from the third pandemic wave and the associated restrictive measures, as well as from the dynamics of vaccination worldwide, but especially across the EU. Other major sources of uncertainties and risks were the fiscal policy stance, in the context of the budget consolidation presumed to be carried out gradually over the medium term, alongside the absorption of European funds allocated to Romania, as well as labour market developments, under the influence of the public health situation and government support measures. Also relevant were, however, the synchronised uptrends in many commodity prices, as well as the recent heightening of international financial market volatility, accompanied by a broad-based increase in government bond yields, owing to investors' rising inflation expectations and concerns about the outlook for the Fed's monetary policy stance.

Expected future developments in monetary policy

The NBR will further configure parameters of the monetary policy towards ensuring price stability over the medium-term, in line with the 2.5 per cent. ± 1 per cent. target, including by firmly anchoring medium- to long-term inflation expectations. The inflation developments and outlook and the assessment of the balance of risks to the inflation forecast are the key factors behind future monetary policy decisions.

Recent Developments in the Lending Process

2016

The annual growth rate of credit to the private sector stood at a relatively high level as compared to the preceding three years, supported by both loans to households and to companies, although it has weakened since May 2016, mainly on account of the increase in the volume of non-performing loans removed from credit institutions' balance sheets. In the case of both households and companies, the driver of credit growth was the RON-denominated component, whose growth rate remained high from the perspective of the post-2008 period, despite the slowdown recorded at the end of H1 2016 due to the above-mentioned factor, in addition to the temporary adverse effects exerted by the adoption of the Debt Discharge Law. The dynamics of foreign currency-denominated loans remained in negative territory around the lowest levels in 16 years. The annual dynamics of loans for house purchases moderated during the second half of the year, while consumer and other purposes loans recovered, but still remaining in negative territory.

2017

The annual growth rate of credit to the private sector followed an ascending trend in 2017, mainly on account of RON-denominated lending dynamics, which increased in the second half of the year (standing at 16 per cent. in December) after having been broadly stable during the first six months. With regards to foreign currency-denominated loans, the growth rates remained in the negative territory (-8 per cent. in December 2017, annual terms). On the account of these developments, the share of RON-denominated credit to total credit for the private sector increased to 63 per cent. in December 2017, the highest level registered since the end of 1996. Lending to non-financial companies returned in the positive territory in 2017 (3 per cent. annual growth at the end of 2017), but was surpassed by lending to households (+8 per cent. at the end of 2017 compared to 2016). In terms of the type of credit granted to households, the growth in lending for house purchases was robust (13 per cent. increase in 2017), and the growth in consumer and other purposes loans, while comparatively lower, became one of the highest since 2009, at 2 per cent. in 2017).

2018

During January to December 2018, the annual growth rate of credit to the private sector stood around the highest levels in more than five years. It was mainly sustained by robust growth in domestic currency-denominated loans, but also to some extent by the easing of the contraction in the foreign currency-denominated component beginning with the second quarter. The share of the lei–denominated component in total credit to the private sector kept rising, reaching the maximum since September 1996 (66.0 per cent. in December 2018). The growth rate of loans to non-financial companies stood relatively stable at high levels for the post-2012 period, increasing more vigorously in December 2018, whilst the growth rate of loans to households embarked on an upward path during the first half of 2018 (reaching the highest level in the last eight and a half years during April-June period), driven by loans for house purchase and in particular loans for consumption and other purposes, and moderated only slightly afterwards.

2019

The annual growth rate of credit to the private sector remained robust during 2019, staying around the highest levels in almost seven years. The evolution was mainly driven by the solid, albeit slowly decelerating, growth in domestic currency-denominated loans, but also to some extent by the foreign currency-denominated component, whose annual dynamics entered positive territory in May 2019, after almost seven years – exclusively due to loans to companies. The share of the lei–denominated component in total credit to the private sector continued to rise, reaching the maximum since May 1996 (67.6 per cent. in December 2019). The annual dynamics of loans to non-financial companies consolidated around the high levels reached at the beginning of the year, representing a peak of the past seven years. The growth rate of loans to households continued to increase relatively strongly – however at a slower pace – mainly due to the robust growth in mortgages, but also due to loans for consumption, whose dynamics benefited from the consistent contribution of new consumer loans in lei, which reached, as a monthly volume, a new historical peak in July.

2020

The annual growth rate of credit to the private sector was robust during 2020 (5.5 per cent.), continuing to be supported mainly by the strong, though slowly decelerating, growth in the lei-denominated component, and, to a lesser extent, by foreign currency-denominated loans, which continued to increase in annual terms. The annual dynamics of loans to non-financial companies decreased slightly, whilst that of loans to households remained broadly stable at high levels, mainly on the back of the strong growth in loans for house purchase.

However, under the influence of the COVID-19 pandemic and the associated restrictive measures, lending growth slowed down in April 2020 and May 2020 (to 4.5 per cent. in annual terms), notably in the case of loans to non-financial companies. The deceleration eased considerably in the subsequent two months, while in August the annual dynamics of credit to the private sector changed course, rising gradually to 5.5 per cent. in December

2020. The evolution reflected the pick-up in leu-denominated lending, amid the recovery of economic activity, but especially against the background of the Government support programmes (IMM Invest Romania, adopted in response to the pandemic crisis which provides state guarantees and subsidies to support the SMEs' access to bank lending for working capital and investments and the New Home, which provides state guarantees on mortgage loans, and the general decrease in interest rates on new loans). The outstanding loans in lei also benefited from the temporary moratorium on payments of loan instalments, based on the pandemic relief measures for borrowers. Hence, the annual growth of domestic currency-denominated loans recovered to 8.5 per cent. in December 2020 (from 6.0 per cent. in June 2020, compared to 9.6 per cent. in the first quarter of 2020). The annual dynamics of foreign currency-denominated component (expressed in euros) decreased to -5.0 per cent. in October 2020 before easing somewhat to -2.5 per cent. in December 2020. Against this background, the share of domestic currency-denominated component in total credit to the private sector rose to 69.5 per cent. in December 2020 (representing the post-January 1996 record). From the perspective of the main sectors, the annual growth in total loans to non-financial companies picked up to 5.3 per cent. in December 2020, following a relatively steeper decline to 1.5 per cent. in July 2020, from 5.4 per cent. on average during the first quarter of 2020, while the dynamics of loans to households declined gradually (4.8 per cent. in December 2020, from an average of 7.6 per cent. during the first quarter of 2020), and largely on the back of loans for consumption, as growth in loans for house purchase remained resilient.

2021

The annual growth rate of credit to the private sector remained relatively robust during the first two months of 2021, staying around the level reached at the end of 2020 (5.3 per cent. in February 2021). The dynamics of domestic currency-denominated loans rose further (to 9.9 per cent. in February 2021, from 8.5 per cent. in December 2020) amid the recovery of economic activity and as result of Government support programmes (IMM Invest Romania, the New Home Programme) and falling interest rates. The annual contraction of foreign currency-denominated component (expressed in euros) re-intensified (-5.2 per cent. in February 2021). Therefore, the share of the leu–denominated component in total credit to the private sector continued to pick up, reaching the maximum since January 1996 (69.9 per cent. in February 2021). From the perspective of the main sectors, the growth rate of loans to non-financial companies accelerated further (to 6.7 per cent. in February 2021 from 5.3 per cent. in December 2020) with the unique contribution of medium and long-term loans in lei, whilst that of loans to households continued to decline gradually (to 4.3 per cent. in February 2021, from 4.8 per cent. in December 2020), solely on the back of loans for consumption.

Inflation Rates, Target Inflation Rates and Monetary Policy Rates

The following table sets out actual quarterly inflation rates, annual target inflation rates and monetary policy rates as at the end of each quarter from 2016 to 2020:

End of Period	**Inflation Rate**	**Target Inflation Rate**	**Monetary Policy Rate**
		(per cent.)	
March 2016	(2.98)	2.5	1.75
June 2016	(0.70)	2.5	1.75
September 2016	(0.57)	2.5	1.75
December 2016	(0.54)	2.5	1.75
March 2017	0.18	2.5	1.75
June 2017	0.85	2.5	1.75
September 2017	1.77	2.5	1.75

End of Period	Inflation Rate	Target Inflation Rate	Monetary Policy Rate
		(per cent.)	
December 2017	3.32	2.5	1.75
March 2018	4.95	2.5	2.25
June 2018	5.40	2.5	2.50
September 2018	5.03	2.5	2.50
December 2018	3.27	2.5	2.50
March 2019	4.03	2.5	2.50
June 2019	3.84	2.5	2.50
September 2019	3.49	2.5	2.50
December 2019	4.04	2.5	2.50
March 2020	3.05	2.5	2.00
June 2020	2.58	2.5	1.75
September 2020	2.45	2.5	1.5
December 2020	2.06	2.5	1.5

Source: National Institute of Statistics, National Bank of Romania

Monetary Aggregates

The following table shows selected monetary aggregates as at 31 December 2016, 2017, 2018 and 2019 and as at 31 December 2020:

	As at 31 December				
	2016	2017	2018	2019	2020
			(RON million)		
M1 (narrow money) – Total	179,980.2	210,636.4	235,126.3	276,938.6	337,558.6
Currency in circulation	54,672.2	63,272.6	67,704.4	74,125.5	88,162.8
Overnight deposits	125,308.1	147,363.8	167,421.9	202,813.1	249,395.9
M2 (intermediate money) – Total	314,025.9	350,004.8	381,075.3	422,631.7	487,450.5
M1	179,980.2	210,636.4	235,126.3	276,938.6	337,558.6
Deposits with agreed maturity of up to two years	134,045.7	139,368.5	145,949.1	145,693.1	149,891.9
M3 broad money	314,134.6	350,111.8	381,075.3	422,631.7	487,450.5
M2	314,026.0	350,004.8	381,075.3	422,631.7	487,450.5
Other financial instruments (repurchase agreements, MMFs, shares/units, debt securities with maturity of up to two years)	108.6	107.0	0.0	0.0	0.0

Source: National Bank of Romania

Interest Rates

2016

The liquidity surplus expanded substantially in January 2016 due to large reserve injections arising from Treasury's operations and narrowed gradually in subsequent months, while registering high values throughout the year. During 2016, the NBR carried on absorbing the liquidity surplus exclusively via its deposit facility. Against this background, overnight interbank rates declined and stood in the proximity of the deposit facility rate (0.25 per cent.), rising only briefly to levels around 0.50 per cent. at the end of July, October and December, amid temporary reductions of excess reserves. In turn, the three-month to 12-month ROBOR rates remained on a downward trend in the first two months of the year, and stabilised towards the end of the third quarter, when they decreased slightly, hitting new historical lows. The ROBOR rates tended to increase somewhat towards the end of 2016, most likely due to the revision of credit institutions' expectations on the future developments in very short-term interest rates on the interbank money market.

In 2016, the average interest rates applied by credit institutions to new time deposits and new loans of non-bank customers stood below the levels of the previous year, although their downward trend moderated. The average interest rate on new time deposits reached 0.61 per cent. reflecting the overall decrease in the case of households (-0.58 per cent., to 0.90 per cent.) and in that of non-financial corporations (-0.18 per cent., to 0.44 per cent.). The average interest rate on new loans dropped to new historical lows (-0.43 per cent., to 4.92 per cent. in December 2016), mainly due to the decline in the average interest rate charged for non-financial corporations (-0.64 per cent., to 3.72 per cent.), as that applied to households decreased only marginally (-0.04 per cent., to 6.57 per cent.).

2017

Amid a structural surplus narrowing progressively after the significant re-widening seen at the beginning of the year, the NBR continued to absorb the liquidity surplus in the banking system exclusively via the deposit facility during the first three quarters. Nevertheless, given the simultaneous contractionary impact of key autonomous liquidity factors, credit institutions' net liquidity position reversed in October, turning negative. This prompted the NBR to resume in October, and continue thereafter, the supply of liquidity via one-week repos conducted in the form of fixed-rate tenders with full allotment. However, these operations were stopped towards the end of the quarter due to the re-emergence of a sizeable net reserve surplus, following the liquidity injections caused by the substantial increase in budget spending in December. In the new environment, excess liquidity was absorbed via the deposit facility, bearing an interest 0.5 per cent. higher than in the first three quarters of the year. Against this background, overnight rates on the interbank money market stayed in the vicinity of the deposit facility rate in January through September. Afterwards, they witnessed a significant upward adjustment, climbing at the end of the third quarter and then remaining during the first two months of the fourth quarter close to the monetary policy rate, before returning to the vicinity of the increased level of the deposit facility rate in December. In turn, the three-month to 12-month ROBOR rates further stood markedly below the monetary policy rate during the first three quarters. However, they embarked on a steep uptrend at end of the third quarter, before consolidating above the policy rate in the fourth quarter, under the impact of: (i) the upward revision of inflation expectations, (ii) the radical change in money market liquidity conditions and credit institutions' expectations of tight liquidity conditions on the money market persisting for some time, (iii) the NBR's decisions on narrowing the width of the corridor of interest rates on the standing facilities around the policy rate, as well as (iv) the expectations of an on-going adjustment of the monetary policy stance in the near term.

The average interest rates on new term deposits and new loans applied by credit institutions to non-bank customers saw mixed developments during the first eight months of 2017, followed by a generalised increase since September 2017, broadly tracking the upward adjustment of money market interest rates. Specifically, the

average interest rate on new term deposits reached a record low in the first part of the year (around 0.50 per cent.) and stood broadly unchanged until August 2017, before rising to 1.09 per cent. by December 2017. Compared to the end of 2016, they were up 0.48 per cent., solely on the back of the increase in interest rates on term deposits of non-financial corporations (+0.77 per cent., to 1.21 per cent.), while those on household deposits were still slightly below the values seen in December 2016 (-0.10 per cent., to 0.80 per cent.). In the case of the interest rates on new loans, the increase since September 2017 brought them back near the level reached in May 2017 following an upward adjustment from the historical low seen in December 2016. Over the entire period from January 2017 to December 2017, they went up by 0.95 per cent. (to 5.87 per cent.), due to the rise of the average interest rates on new loans to non-financial corporations (+1.21 per cent., to 4.93 per cent.) and to households (+0.29 per cent., to 6.86 per cent.).

2018

Overnight interbank rates remained until mid-April in the vicinity of the deposit facility rate whose level, alongside that of the lending facility rate, was raised by the central bank in tandem with the monetary policy rate (thus reaching 1.25 per cent). The overnight interbank rates saw a steep upward adjustment during the second quarter, in response to the tightening of the NBR control over banking system liquidity – by launching in mid-April and conducting afterwards on a weekly basis one-week deposit-taking operations via fixed-rate tenders with full allotment – climbing in the proximity of the monetary policy rate and increasing afterwards with the latter. The upward trend continued into the first part of the third quarter with overnight interbank rates nearing the lending facility rate amid a tightening of liquidity conditions under the influence of autonomous liquidity factors. However, as the NBR resumed the supply of liquidity in early-August via one-week repos conducted in the form of fixed-rate tenders with full allotment, overnight interbank rates returned to, and remained afterwards, in the vicinity of the monetary policy rate.

The 3-month to 12-month ROBOR rates were broadly stable until mid-April 2018, and followed a steep uptrend afterwards (with the 3-month rate returning above the policy rate and interest rates on longer maturities increasing their positive spreads to the key policy rate), reflecting initially the tightening of central bank control over banking system liquidity and then the policy rate hike in May and the adjustment of credit institutions' expectations regarding the future monetary policy stance. They increased at an even faster pace during the first part of the third quarter of 2018, widening their positive spreads to the policy rate (to around 1 per cent. in the case of 3-month maturity). With the resumption of repos by the NBR, as well as in the context of the monetary policy rate status quo, these rates saw a downward adjustment, and stood for the remainder of 2018, amid some fluctuations, significantly above the policy rate.

The average interest rates on new term deposits and new loans applied by credit institutions to non-bank customers extended their general uptrend during 2018, amid slight downward adjustments towards the end of the year, broadly tracking the developments of money market interest rates. Specifically, the average interest rate on new term deposits of non-bank customers increased to 1.96 per cent. in December 2018 (up 0.87 per cent. from December 2017), with the upward adjustment somewhat larger in the case of households (+0.96 per cent., to 1.76 per cent.) compared to that observed in the case of non-financial corporations (+0.84 per cent., to 2.05 per cent.). The average interest rates on new loans increased to 6.98 per cent. (+1.06 per cent. compared to December 2017), reflecting the increases of the average interest rates on new loans to non-financial corporations (+0.90 per cent., to 5.84 per cent.) and to households (+1.19 per cent., to 8.09 per cent.).

2019

Since its meeting of April 2019, the NBR Board decided to keep the policy rate unchanged while maintaining strict control over money market liquidity. Such control was de facto implemented by the central bank even from the first months of the year, as the NBR resumed in January deposit-taking operations and accommodated temporary liquidity deficits that occurred in February an April exclusively via credit facility. Subsequently,

amid the re-emergence and consolidation of a net liquidity surplus in the banking system, on the back of State Treasury's considerable injections, the NBR reinitiated in May and consistently conducted afterwards deposit-taking operations in the form of fixed-rate and full allotment tenders.

Against this background, overnight interbank rates saw an upward adjustment in January and tended to stay subsequently near the lending facility rate, amid some wider fluctuations, before declining and fluctuating slightly around the policy rate, with only episodic declines near the deposit facility rate towards the end of the reserve maintenance periods.

In turn, the 3-month to 12-month ROBOR rates resumed their uptrend at the beginning of 2019, and continued to increase until April, implicitly widening again their positive spreads to the policy rate. Subsequently, they remained significantly above the policy rate, amid a slight downtrend, which extended towards the end of the year and was followed by repositioning at higher levels, in the context of changes in current and expected liquidity conditions.

The average interest rates on new loans applied by credit institutions to non-bank customers extended their general upward tendency in early 2019, and notably during the first quarter, but reversed it afterwards. Over the year as a whole, the average interest rate on new loans decreased by 0.27 per cent., to 6.71 per cent. in December. The downward adjustment was more noticeable in the case of new loans to households (-0.49 per cent. compared to December 2018, to 7.60 per cent), and only marginal for new loans to non-financial corporations (-0.05 per cent., to 5.79 per cent. in December 2019). The average interest rate on new time deposits of non-bank customers increased early in the year and generally retained its adjustment afterwards, amid some mild fluctuations. In December 2019 it stood 0.30 per cent. higher compared to December 2018 (to 2.25 per cent.), as a result of the increases recorded both in the case of households (by 0.22 per cent., to 1.98 per cent.) and non-financial corporations (by 0.31 per cent., to 2.36 per cent.).

2020

The net liquidity surplus in the banking system re-amplified at the beginning of the year, and was further absorbed by the NBR via deposit-taking operations, while in March it narrowed swiftly and banks' net liquidity position became strongly negative, as volatility on international financial markets exacerbated and preference for liquidity surged abruptly amid the spread of the COVID-19 pandemic. The liquidity deficit remained considerable during the second quarter of 2020, and was covered by the NBR mainly via repo operations and, in addition, through outright purchases of government bonds in the secondary market. It persisted afterwards, while gradually declining amid some fluctuations, such that the NBR continued to provide liquidity to credit institutions via repo operations and, in addition, purchases of government bonds, but in lower volumes compared to the second quarter of 2020 and in a prudent manner, which was associated with a temporary increase in banks' resort to NBR's lending facility in September 2020 and October 2020, implying a decrease in liquidity conditions. Since November 2020, liquidity conditions saw a relative normalization, with the contribution of NBR's repo operations, followed by a slight easing towards the end of the fourth quarter of 2020.

Against this background, overnight interbank rates remained broadly constant during the first four months of 2020 around 2.5 per cent, standing during most of the first quarter in the proximity of the policy rate, and declining in May 2020 and June 2020 in line with the policy rate. Subsequently, they neared and remained generally in the proximity of the lending facility rate (also after the NBR cut it to 2 per cent. in August 2020), notably in October 2020, before declining in November 2020 to December 2020 towards the monetary policy interest rate.

In turn, the 3-month to 12-month ROBOR rates re-embarked at the beginning of the year, and stood for most of the first quarter upon a slightly descending path, before suffering a relatively abrupt increase in mid-March. This was followed, however, by a swift and relatively ample downward adjustment after the NBR's monetary

policy decisions of March 20 and a gradual declining trend until August 2020, also in response to subsequent cuts in the monetary policy rate. They stood broadly stable afterwards until the end of 2020.

The average interest rate on new loans of non-bank customers increased temporarily at the beginning of the year, but resumed its general downward trend afterwards, reaching 5.42 per cent. in December 2020, the lowest level of the past almost three and a half years (down 1.29 per cent. compared to December 2019). The decline was slightly stronger in the case of the interest rate on new loans to non-financial corporations, which went down by 1.15 per cent. since December 2019, to 4.64 per cent., also in the context of the IMM Invest Romania Programme (which provides state guarantees and subsidies to support the SMEs' access to bank lending, being adopted in response to the COVID-19 pandemic crisis). The average interest rate on new loans to households fell by 0.93 per cent. to 6.67 per cent.). The average interest rate on new time deposits declined by 0.73 per cent. during the year, to 1.52 per cent. in December 2020, reflecting the decreases in the households sector (-0.43 per cent., to 1.55 per cent.), as well as the non-financial corporations sector (-0.85 per cent., to 1.51 per cent.).

2021

The easing of money market liquidity conditions observed towards the end of 2020 became more pronounced in January 2021, as the large injections from the Treasury's operations increased the liquidity surplus, absorbed by the NBR via its deposit facility. In that context, overnight interbank rates fell abruptly in the lower half of the interest corridor and stood around these levels until the first half of February 2021. Overnight interbank rates saw an upward adjustment in the second half of the month, as the NBR conducted a 1-week deposit-taking operation, before rising and staying during most of March 2021 just below the lending facility rate, amid a tightening of liquidity conditions, in a context of heightened global financial market volatility. In turn, the 3-month to 12-month ROBOR rates followed a steep downward path until towards end-January 2021, also in response to NBR's policy rate cut, before stabilising slightly above the monetary policy rate, while in the early days of March 2021, they witnessed a visible upward adjustment.

In January 2021, the average interest rate on new loans of non-bank customers saw an upward adjustment (+0.57 per cent. from December 2020, to 5.98 per cent.), reflecting, however, the change in the compositions of new loans, as interest rates on main loan categories declined or consolidated at low levels. The average interest rate on new time deposits went down by 0.36 per cent. in the same month, to 1.16 per cent., with a more significant decline observed in the case of non-financial corporations sector (-0.43 per cent., to 1.08 per cent.).

The following table shows key financing interest rates as at 31 December 2016, 2017, 2018, 2019 and 2020:

National Bank of Romania – Annual Interest Rate (Domestic Currency Operations)

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
Policy rate	1.75	1.75	2.50	2.50	1.50
Lending facility	3.25	2.75	3.50	3.50	2.00
Deposit facility	0.25	0.75	1.50	1.50	1.00

Source: National Bank of Romania

The following table shows annual average interest rates for loans and term deposits as at 31 December 2016, 2017, 2018, 2019 and 2020:

	As at 31 December				
	2016	2017	2018	2019	2020
			(per cent.)		
Individuals					
Loans	6.57	6.80	7.95	7.69	6.83
Term Deposits	1.11	0.90	1.38	1.87	1.82
Non-financial corporation					
Loans	4.04	4.85	5.94	5.81	4.80
Term Deposits	0.52	1.05	2.14	2.20	1.59
Total					
Loans	5.47	5.98	7.16	6.99	6.06
Term Deposits	0.95	0.94	1.62	1.97	1.75

Source: National Bank of Romania

Foreign Exchange and Convertibility of the RON

The NBR issues and implements regulations governing foreign currency transactions in Romania and supervises their implementation under NBR Regulation No. 4/2005, as amended and republished ("**FX Regulation**").

The FX Regulation sets out safeguard measures for foreign exchange transactions which the NBR may apply in the event of substantial changes in domestic liquidity or severe imbalances of payments.

In contemplation of the accession of Romania to the EU, all capital transactions had been liberalised by 1 September 2006 under the FX Regulation. As such, residents and non-residents currently engage freely in both current and capital transactions, in foreign and domestic currency.

The imported and exported cash amounts are regulated by Regulation (EC) No. 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community, directly applicable in Romania and which is within the competence of the National Customs Authority of Romania.

Exchange Rate Policy

The exchange rate of the RON is determined in the interbank foreign exchange market.

2016

The EUR/RON exchange rate increased slightly on average compared to the previous year, in the context of successive swings throughout the period. These were associated, on the one hand, with volatility spikes in international financial markets – the slowdown of the Chinese economy and of other emerging economies, the Brexit vote, and, towards the end of the year, the U.S. elections and their unexpected outcome – which however had limited effects on the local market. Conversely, stronger influences were exerted by the domestic legislative initiatives regarding the banking sector, as well as by the fiscal and wage measures put forward in the pre-election context, perceived by investors as generating risks to domestic fundamentals.

Over the course of 2016, the RON depreciated by 0.3 per cent. compared to EUR in nominal terms (0.8 per cent. in real terms) and by 3.3 per cent. compared to USD (3.9 per cent. in real terms).

2017

The EUR/RON exchange rate followed a generally upward trend during the year, reflecting mainly the change in financial investors' risk perception towards domestic economy and financial market, as both the trade balance and current account balance deteriorated progressively in conjunction with the pro-cyclical stance of the fiscal and income policies. In that context, the persistent abatement of global financial market volatility – with the ECB and other central banks in the region preserving or even easing further the strongly accommodative monetary policy stance, and the Federal Reserve proceeding in a gradual manner with monetary policy normalisation – was reflected to a much lower extent by developments in the local market.

Over the course of 2017 (December 2016 to December 2017), the RON depreciated by 2.6 per cent. against the EUR in nominal terms (while appreciating by 0.7 per cent. in real terms) and appreciated by 9.3 per cent. compared to the USD (12.9 per cent. in real terms).

2018

The EUR/RON exchange rate extended its slow uptrend into the first month of 2018, but stabilised afterwards, only displaying some fluctuations around the values reached following a period of over 1 year of quasi-continuous growth. Its behaviour reflected, on the one hand, the significant increase of local financial market interest rate differential, and, during the second quarter, a relative improvement in the dynamics of foreign trade. On the other hand, its movements were driven by changes in global risk appetite/investor sentiment towards emerging markets related, initially, to higher U.S. Treasury yields and a stronger U.S. dollar versus major currencies, and, subsequently, to turbulences in financial markets in Turkey, Argentina and Russia, trade tensions between the U.S. and China/EU, Brexit and disputes between Italy and the European Commission over the country's budget plan.

Compared to December 2017, the RON depreciated in December 2018 by 0.4 per cent. against the EUR in nominal terms (while appreciating by 2.9 per cent. in real terms) and depreciated by 4.1 per cent. compared to the USD (1.0 per cent. in real terms).

2019

The EUR/RON exchange rate witnessed a relatively abrupt increase in the latter part of January 2019, amid concerns over the new fiscal and budgetary measures implemented at the onset of this year, especially over the tax on credit institutions' financial assets and the new regulations on private pension funds, including in the context of the worsening trend in the economy's external position. However, the rise in the EUR/RON exchange rate levelled off relatively quickly, amongst others amid the tightening of liquidity conditions and the increase in interbank money market rates. Its fluctuations subsided further after the approval of the revised configuration of the tax on credit institutions' financial assets at the end of March, while in late-May and early-June the EUR/RON exchange rate saw a downward correction, in tandem with the exchange rates of the other currencies in Central and Eastern Europe, and subsequently remained at the lower values thus reached, amid investors' expectations and signals from the Federal Reserve and ECB on a forthcoming easing of the monetary policy stance. The period of relative stability extended until August, amid fluctuations in investor risk appetite, induced by the developments related to the trade dispute between the US and China and the Brexit process, but also the higher differential of the local interest rate. The EUR/RON exchange rate embarked on an upward trajectory in September – in the context of increased investor fears related to the trade dispute between the US and China and to the Brexit process, and hence to the euro area and global economic growth outlook, and of the revised expectations regarding the potential of the monetary policy accommodation by the ECB and the Federal Reserve. The upward move extended into October, somewhat decoupling from the developments of the exchange rates of the other currencies in the region, and steepened in November, amid rising investor concerns over the country's fiscal and external positions.

Compared to 31 December 2018, the RON depreciated in nominal terms by 2.6 per cent. against the EUR and by 4.9 per cent. against the US Dollar at 31 December 2019. In real terms it appreciated during the same period by 1.3 per cent. against the EUR and it depreciated by 1.1 per cent. against the US Dollar.

2020

Amid the generally favourable sentiment on international financial markets, the EUR/RON exchange rate remained stable in January, and declined slightly in the first half of February, following the announcement on the inclusion of Romanian Government bonds into the Bloomberg Barcalys Global Aggregate Index starting in September 2020. However, the EUR/RON exchange rate suddenly reversed its movement in mid-February 2020, facing rising pressures which sharpened around mid-March 2020 as the volatility in the international financial markets exacerbated amid the COVID-19 pandemic. The increase of the EUR/RON exchange rate came to a halt afterwards, with the relative easing of global financial market tensions, also due to the monetary policy measures adopted by major and emerging market central banks, but also in the context of the tightening of domestic money market conditions. Both the upward movement of the EUR/RON in March 2020 and its subsequent fluctuations were considerably more moderate compared to those of the exchange rates of the currencies in the region.

Throughout May 2020 and August 2020, the EUR/RON exchange rate fluctuated in a narrow range, as global financial market sentiment saw a relative improvement,but also against the background of liquidity conditions on the domestic money market and the interest rate differential.

In September 2020, the EUR/RON exchange rate moved higher, given (i) the abrupt increase in global risk aversion and worsening investor perception of the financial markets in the region, amid the sharp increase in new COVID-19 infections, and (ii) investor concerns regarding the the outlook on Romania's fiscal position and sovereign rating. The EUR/RON exchange rate however remained relatively stable in October 2020 and November 2020 in the context of the temporary tighter liquidity conditions on the domestic money market and of the interest rate differential. The pressures on the EUR/RON exchange rate essentially faded away towards the end of 2020, against the background of an improvement in investor perception on the domestic economy following the parliamentary elections and a subsequent increase in global risk appetite.

Compared to December 2019, the RON depreciated in December 2020 in nominal terms by 1.9 per cent. against the EUR and appreciated by 7.5 per cent. against the US Dollar. In real terms, it appreciated by 0.1 per cent. against the EUR and by 9.7 per cent. against the US Dollar.

2021

The EUR/RON exchange rate remained relatively stable in the first two months of 2021, against the background of improved investor perception on the local economy following the December 2020 elections, and low fluctuations in global risk appetite, as well as in the context of the interest rate differential. In March 2021, the EUR/RON saw a slight upward adjustment, amid heightened global financial market volatility associated with investors' rising inflation expectations and concerns about the outlook for the Fed's monetary policy stance. Nevertheless, the adjustment was more modest than those of the exchange rates of the currencies in the region.

Compared to December 2020, the RON depreciated in February 2021 in nominal terms by 0.1 per cent. against the EUR and by 0.7 per cent. against the US Dollar. In real terms, it appreciated by 1.7 per cent. against the EUR and by 1.0 per cent. against the US Dollar.

The pace of 12-month nominal depreciation of the RON against the EUR remained unchanged from previous month in February 2021, at 1.9 per cent., while the nominal appreciation against the US Dollar increased to 8.8 per cent.

EUR/RON and USD/RON Exchange Rates

The following table sets out the EUR/RON and USD/RON exchange rates as at 31 December 2016, 2017, 2018, 2019 and 2020 and the average EUR/RON and USD/RON exchange rates for the years ended 31 December 2016, 2017, 2018, 2019 and 2020:

EUR/RON and USD/RON Exchange Rate

	2016		2017		2018		2019		2020	
	31 December	Average	31 December	Average	31 December	Average	31 December	Average	31 December	Average
EUR	4.5411	4.4908	4.6597	4.5681	4.6639	4.6535	4.7793	4.7452	4.8694	4.8371
USD	4.3033	4.0592	3.8915	4.0525	4.0736	3.9416	4.2608	4.2379	3.9660	4.2440

Source: National Bank of Romania

Real Effective Exchange Rate

In 2016, with the nominal effective exchange rate broadly stable, pressures on the price competitiveness position became more manifest, the most visible developments being those of the manufacturing Unit Labour Cost ("**ULC**") and total economy ULC-based indicators (annual dynamics broadly hovered around 8 per cent., starting in the second quarter of the year). In this regard, an important role is ascribable to labour market tightening and repeated economy-wide minimum wage hikes, as well as repeated public-sector wage hikes (which also have an effect on private sector wages). Labour-intensive sectors such as food processing, the light industry or furniture production were the most affected, while in other industries, like automotive or electrical equipment production, ULC rises were more subdued.

During 2017, even with a slightly weaker leu in nominal terms, the REER dynamics against 2016 remained high for the manufacturing ULC-based and total economy ULC-based indicators, continuing to signal price/cost competitiveness erosion. Subsequently, these pressures seem to have abated. In manufacturing, year-on-year dynamics of the corresponding REER entered negative territory in 2018 and remained stable thereafter. The total ULC-based REER continued to signal competitiveness erosion in 2018, was stable in 2019 and rose in the first three quarters of 2020. Yet, given the way in which furlough schemes and other labour market support measures may distort ULC, in the Romanian economy or elsewhere, both the 5 per cent. appreciation signalled by the total economy ULC-based REER and the stable path of the manufacturing ULC-based REER should be approached in a balanced manner. Although labour costs have increased steadily during the last years, their effect on the Producer Price Index-based ("**PPI**") REER was fairly limited, as the indicator was stable in the last years (between 2016 and 2019, year-on-year changes ranged between approximately negative 1 per cent. and 1 per cent.). In the first months of 2020, the indicators trended a bit higher, (year-on-year changes averaged 1.5 per cent. in the first quarter of 2020), only to fall subsequently to more moderate appreciations of less than 1 per cent. between May 2020 and December 2020, according to ECB readings.

International Reserves

As of 31 December 2016, Romania's foreign exchange reserves amounted to EUR 34,242 million, an increase of EUR 2,004 million compared to 31 December 2015. The main inflows, totalling EUR 14,225 million, were due to inflows into the Ministry of Finances' accounts, increases in credit institutions' foreign currency required reserves with the NBR and inflows into the European Commission account. Main outflows for the period, totalling EUR 12,221 million, were due to repayment of principal and interest payments on public and publicly guaranteed foreign currency debt and decreases in credit institutions' required reserves due to NBR board's decisions to lower the minimum reserve ratio on foreign currency denominated liabilities of credit institutions with a residual maturity of up to two years twice during the year from 14 per cent. at the end of 2015 to 12 per cent. in January 2016 and to 10 per cent. in May 2016.

As of 31 December 2017, Romania's foreign exchange reserves amounted to EUR 33,494 million, a decrease of EUR 748 million compared to 31 December 2016. The main inflows, totalling EUR 13,313 million, were mainly represented by credit institutions' foreign currency required reserves with the NBR, inflows into the Ministry of Finance's accounts and inflows into the European Commission account. Main outflows for the period, totalling EUR 14,035 million were due to decreases in credit institutions' required reserves as a consequence of entering into force of the decision to cut the minimum reserve requirement ratio on foreign currency-denominated liabilities of credit institutions to 8 per cent. from 10 per cent. starting with the 24 May 2017 to 23 June 2017 maintenance period and also due to interest and principal payments on foreign currency public debt.

As of 31 December 2018, Romania's foreign exchange reserves amounted to EUR 33,065 million, a decrease of EUR 429 million compared to 31 December 2017. The main inflows, totalling EUR 17,674 million were represented by credit institutions' foreign currency required reserves held with the NBR, inflows into the Ministry of Finances' accounts due to external and internal bond issuances (amounting to EUR 5,121 million) and also inflows into the European Commission account (amounting to EUR 3,216 million). The main outflows for the reported period were represented by withdrawals of credit institutions' foreign currency required reserves as well as the repayment of principal and interest payments on public and publicly guaranteed foreign currency debt (amounting to EUR 5,395 million) and payments from the European Commission account. Both the foreign and domestic currency-denominated liabilities of credit institutions minimum reserve requirement ratio kept their level at 8 per cent. during the year. Romania's gold reserve assets has remained at approximately 103.7 tonnes since the second half of 2007 and was valued at EUR 3,735 million as of 31 December 2018, EUR 123 million higher than on 31 December 2017.

As of 31 December 2019, Romania's foreign exchange reserves amounted to EUR 32,926 million, an increase of EUR 139 million compared to 31 December 2018. The principal inflows, totalling EUR 19,335 million, were represented by credit institutions' foreign currency required reserves held with the NBR, inflows into the Ministry of Finances' accounts (including flows from the Ministry of Finance's external bond issuances amounting to EUR 6,750 million) and inflows into the European Commission account (amounting to EUR 3,952 million). The principal outflows for the reported period totalling EUR 19,474 million were represented by withdrawals of credit institutions' foreign currency required reserves as well as the repayment of principal and interest payments on public and publicly guaranteed foreign currency debt (amounting to EUR 6,546 million) and payments from the European Commission account.

As of 31 December 2020, Romania's foreign exchange reserves amounted to EUR 37,379 million, an increase of EUR 4,453 million compared to 31 December 2019. The principal inflows, totalling EUR 42,215 million, were represented by credit institutions' foreign currency required reserves held with the NBR, inflows into the Ministry of Finances' accounts (including flows from the Ministry of Finance's foreign currency bond issuances amounting to EUR equivalent 14,400 million) and inflows into the European Commission account (amounting to EUR 5,024 million). The principal outflows for the reported period totalling EUR 37,762 million were represented by withdrawals of credit institutions' foreign currency required reserves as well as the repayment of principal and interest payments on public and publicly guaranteed foreign currency debt and payments from the European Commission account.

As of 28 February 2021, Romania's foreign exchange reserves amounted to EUR 35,139 million, a decrease of EUR 2,240 million compared to 31 December 2020. The principal inflows, totalling EUR 3,937 million, were represented by credit institutions' foreign currency required reserves held with the NBR, inflows into the Ministry of Finances' accounts (including flows from the Ministry of Finance's foreign currency bond issuances amounting to EUR equivalent 1,260 million) and inflows into the European Commission account (amounting to EUR 934 million). The principal outflows for the reported period totalling EUR 6,177 million were represented by withdrawals of credit institutions' foreign currency required reserves as well as the repayment

of principal and interest payments on public and publicly guaranteed foreign currency debt and payments from the European Commission account.

The amount of total reserves was EUR 35,485 million as of the end of 2015, EUR 37,905 million as of the end of 2016, EUR 37,106 million as of the end of 2017, EUR 36,800 million as of the end of 2018, EUR 37,450 as of the end of 2019, and EUR 42,517 million as of the end of 2020 and EUR 39,992 million as of 28 February 2021. Romania's gold reserve assets have remained at approximately 103.6 tonnes since the second half of 2007 and was valued at EUR 4,853 million on 28 February 2021.

As regards the extent to which the reserves are encumbered by liens, the central bank has opened custody accounts with international financial institutions in order to manage the foreign reserves. The technical procedures of the custodians, which are commonly used for custody and settlement systems, may entitle the custodians to exercise certain remedies and to benefit from certain guarantees in relation to the participants, in case of non-compliance with the custodians' general terms and conditions, which are intended to ensure the fulfilment of such participants' obligations. The NBR is not engaged in any type of currency derivative transactions.

The following table shows Romania's international reserves as at 31 December 2016, 2017, 2018, 2019, 2020 and 28 February 2021:

	As at 31 December					**As at 28 February**
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
			(EUR million)			
Foreign exchange reserves	34,242	33,494	33,065	32,926	37,379	35,139
Gold reserves	3,663	3,612	3,735	4,524	5,138	4,853
Total reserves	37,905	37,106	36,800	37,450	42,517	39,992

Source: National Bank of Romania

Future changes to NBR's reserve assets could be triggered by monetary policy decisions impacting the international reserves size and currency composition as well as inflows/outflows triggered by foreign currency public debt management.

Banking System

General

A variety of structural changes by way of privatisation or the granting of banking licences, including to domestic branches of foreign based banks, occurred over the years. In addition, the share of domestic majority owned private banks, foreign majority owned private banks and state majority owned banks also experienced some changes over the past three years.

As at 31 December 2020, the share of assets held by banks with total or majority private capital in total assets of the Romanian banking system was 89.4 per cent., while the share of assets held by banks with total or majority foreign capital, including foreign bank branches, was 70.5 per cent. Banks with total or majority state-owned capital held 10.6 per cent., while the private domestic capital held 18.9 per cent. As at 31 December 2020, the total net balance sheet assets of the Romanian banking system amounted to EUR 115.0 billion and the share capital was EUR 6.0 billion.

Market share of credit institutions in terms of assets

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
	(per cent. market share)				
Banks with majority state capital	8.2	8.7	8.1	8.2	10.6
Banks with majority domestic private capital	0.5	14.3	16.9	18.1	18.9
Banks with majority foreign capital	91.3	77.0	75	73.7	70.5
Total banking system	100.0	100.0	100.0	100.0	100.0

Source: National Bank of Romania

In terms of net assets, the market share of banks with majority foreign capital was 70.5 per cent. in December 2020 compared to 73.7 per cent. in December 2019. The largest share of this majority foreign ownership was Austrian (23.9 per cent. in December 2020), followed by Dutch (12.8 per cent.) and French (12.3 per cent.). The market share of banks with a majority of Greek capital declined significantly over the past six years, from 12.2 per cent. in December 2014, to 4.9 per cent. at the end of December 2019, and 3.2 per cent. as of December 2020.

Banking System Ownership

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
	(per cent. of total net assets)				
Romania	8.73	23.02	25.03	26.35	29.47
Austria	25.90	25.23	24.82	23.87	23.92
Cyprus	1.80	1.54	1.65	1.84	1.92
France	13.60	13.24	13.30	12.73	12.32
Greece	10.00	9.18	5.26	4.94	3.20
Hungary	2.10	2.14	2.46	2.68	2.65
Italy	10.40	10.77	10.47	10.32	9.27
Netherlands	11.40	12.15	12.49	12.66	12.81
Other	16.07	2.73	4.52	4.61	4.44

Source: National Bank of Romania

The share in total equity capital held by banks with majority foreign capital was 61.9 per cent. in December 2020, lower than 66.8 per cent. in December 2019. Banks with majority Austrian capital hold the largest share (15.2 per cent. in December 2020).

Banking System Ownership

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
	(per cent. of total equity capital)				
Romania	13.25	29.43	31.42	33.17	38.14
Austria	17.44	17.00	17.01	17.83	15.16

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
	(per cent. of total equity capital)				
Cyprus	2.50	2.68	3.57	3.43	3.47
France	11.00	10.76	11.05	10.10	10.46
Greece	16.82	16.31	6.75	3.33	3.38
Hungary	4.87	5.19	5.76	6.35	6.43
Italy	7.88	7.64	8.81	8.05	8.16
Netherlands	8.80	7.80	7.87	7.31	7.41
Other	17.43	3.19	7.76	7.60	7.39

Source: National Bank of Romania

Structure of the Banking Sector

At the end of December 2020, the Romanian banking system had 34 credit institutions, which consisted of two majority state owned institution one fully state owned institution (CEC Bank), eight branches of foreign banks and 23 credit institutions with private capital (including Banca Centrală Cooperatistă CREDITCOOP – the network of credit cooperatives), of which 20 had majority foreign ownership.

The following table shows the composition of the Romanian banking sector as at 31 December 2020:

Type of capital	**Number of banks**	**Total loans**	**Total deposits**	**Total balance sheet**
		(per cent. market share)		
State-owned	1	7.0	7.7	7.4
Majority state-owned	2	3.5	2.4	3.2
Majority privately owned banks, of which	23	76.1	76.6	76.9
– majority domestic capital	3	15.2	19.3	18.9
– majority foreign capital	20	60.9	57.3	58.0
Branches of foreign banks	8	13.4	13.3	12.5

Source: National Bank of Romania

Current Condition of the Banking Sector

The prudential and financial indicators of the Romanian banking sector stood at adequate levels relative to risks. The total capital ratio (20.0 per cent., 20.7 per cent., 22.0 per cent. and 23.2 per cent. in December 2017, 2018, 2019 and 2020, respectively), Tier 1 capital ratio (18.0 per cent., 18.6 per cent., 20.0 per cent. and 21.2 per cent. in December 2017, 2018, 2019 and 2020, respectively) and the liquidity coverage ratio (239.2 per cent., 237.8 per cent., 242.6 per cent. and 265.6 per cent. in December 2017, 2018, 2019 and 2020 (unaudited), respectively) continue to exceed both prudential parameters and the EU average, giving stability to credit institutions facing the effects of the COVID-19 pandemic. The balance sheet structure favours the liquidity position of banks. The loan-to-deposit ratio for the banking sector has been in decline since December 2017 (76.8 per cent., 76.2 per cent. and 72.8 per cent. in December 2017, 2018 and 2019, respectively, and 67.1 per cent. in December 2020). The financing is dispersed and comes mainly from the population. The relatively high share of claims on the government sector in the balance sheet (23.2 per cent. in December 2020) supports liquidity, but can contribute to the amplification of shocks to the banking sector in the event of a significant increase in risk aversion, manifested in the form of higher government bond yields.

Banking business strategies take into account, in particular, retail lending, characterised by high or stable yields, such as consumer or mortgage loans, but also elements that preserve capital while ensuring liquidity (government securities). The structural vulnerabilities associated with non-financial companies limit the activity of Romanian bank-lending to this segment, thus contributing to a low level of financial intermediation.

Asset quality has further improved, but at a slower pace, amid low cost of risk and a favourable macroeconomic environment ahead of the March 2020 COVID-19 pandemic. The NPL rate decreased to 3.83 per cent. in December 2020 (from 4.09 per cent. in December 2019; 4.96 per cent. in December 2018; 6.41 per cent. in December 2017), compared to the EU average of 2.8 per cent. (September 2020). At the end of December 2020, the volume of NPLs outstanding decreased by 3.9 per cent. year on year to RON 13.4 billion. The NPL coverage ratio remains adequate (60.7 per cent. in December 2019 and 63.3 per cent. in December 2020), significantly higher than the European Union average (45.5 per cent. in December 2020). Also, the indicator measuring the adequacy of NPL coverage by provisions and Tier 1 capital, the Texas ratio, has improved at both the individual level and the consolidated level (23.7 per cent. in September 2020). Due to the COVID-19 pandemic, the NBR and banks expect a deterioration of the asset quality for both households and the non-financial sector.

The Romanian banking sector recorded a RON 6.3 billion net profit in 2019. At December 2020 the net financial result was RON 5.1 billion on account of still low, albeit increasing loan loss expenses. Profits are concentrated at the level of large banks. Return on assets amounted to 1.3 per cent. in December 2019 (1.0 per cent. in December 2020), while the return on equity stood at 12.2 per cent. (8.9 per cent. in December 2020).

The banking sector's balance sheet continued to strengthen (posting a 13.8 per cent. annual rise, up to RON 607.0 billion in December 2020), given the robust savings, increasing exposure to the private and public sectors and the slowdown in the balance sheet clean-up. The liabilities structure continues to be dominated by deposits from resident non-government clients (69.3 per cent. in December 2020). Households remain the main funding provider for the banking sector (accounting for 42.5 per cent. in total liabilities and 61.0 per cent. of all deposits from residents, December 2020). The foreign currency-denominated household savings continued to have a significant contribution.

Cross-border activity remained relatively small in the balance sheet total, yet foreign assets posted an upward trend (10.56 per cent. as at December 2020). Investments in foreign markets are mainly in the form of short-term loans to credit institutions in the euro area and are concentrated in the balance sheets of a few large banks. Exposures to the external public sector are minor (less than half a per cent. of total assets). External financing has been gradually reduced in an orderly manner over the last years (including due to measures taken to reduce lending to unhedged borrowers) and has been fully replaced by local deposits. At the end of December 2020, the share of such funding accounted for 5.9 per cent. of total liabilities, from an annual average of 23 per cent. over the period 2010-2014.

Financial intermediation remained low (the credit-to-GDP ratio was 27.1 per cent. and the gross assets-to-GDP was 58.3 per cent. in December 2020), against the background of persistent structural vulnerabilities in the domestic economy.

With the onset of the COVID-19 pandemic, the Romanian public authorities have adopted a series of measures to support certain debtors facing payment difficulties, similar to those of other countries in the region. In March 2020, a public moratorium on the deferral of instalments of up to nine months was established.

Due to the COVID-19 pandemic, for precautionary purposes, the European Central Bank and the National Bank of Romania have agreed to set up a repo line arrangement to provide euro liquidity to the NBR to address possible euro liquidity needs in the presence of market dysfunctions. Under the new repo line, the NBR will be able to borrow up to €4.5 billion from the ECB in exchange for high quality euro-denominated collateral. The maximum maturity of each drawing will be three months. The repo line will remain in place until March 2022.

Government Emergency Ordinance No. 37/2020 suspended certain payment obligations to banks by their clients. These provisions were addressed to individuals, individual enterprises, family businesses, SMEs and non-banking financial institutions. Debtors whose income had been directly or indirectly affected by the COVID-19 pandemic could request banks to freeze their payments from one to nine months, but no later than 31 December 2020. The initial form of Government Emergency Ordinance No. 37/2020 provided that requests to freeze payments could be made up to 45 days after the ordinance entered into force. The normative act provided that for this period, interest will be capitalised and paid later over the period of the credit (with the option that the existing maximum lending period may be extended equal to the duration of the suspension of the payment obligation or with the option of restructuring the credit contract). The interest for the period of the suspension represents a separate debt for which the debtors will not pay any interest. For mortgage loans, the interest rate capitalised must be paid in instalments up to the end of the contractual agreement. For real estate loans the government will guarantee 100 per cent. of the interest rate for this period. These provisions apply to existing credits that do not register payment arrears on the date of the enforcement of the state emergency.

However, the Government Emergency Ordinance No. 37/2020 was subsequently amended through the Government Emergency Ordinance No. 227/2020, taking into account the EBA Guideline EBA/GL/2020/15 (Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis). The deadline for payment moratoria requests submitted by debtors was extended until 15 March 2021. The creditors had until 31 March 2021 to issue their decisions.

The NBR also initiated a set of measures to limit the effects of the crisis on the banking sector and the national economy. Monetary policy measures were taken to maintain adequate liquidity and ensure low interest rates for the private sector. Operational measures have ensured the proper functioning of payment and settlement systems in national currency, as well as uninterrupted cash flows for credit institutions. From a prudential perspective, in accordance with measures taken throughout the EU, the NBR allowed banks to temporarily use previously implemented macroprudential capital buffers and to temporarily allow banks to operate with a liquidity coverage ratio below one, if needed. At the same time, measures aimed at preserving banks' capital include recommendation to all banks to avoid distributing dividends or otherwise reduce the level of capital (such as through share buybacks or remuneration policies). However, the NBR, acting in the same direction as other European authorities, decided that the easing of requirements imposed for macroprudential reasons would not apply to credit institutions and non-bank financial institutions within the NBR's supervisory scope who are opting for the distribution of dividends. Additionally, the FSA issued a temporary rule amending the cap on private pension funds' investments in government securities, which allows private pension fund managers to invest in government securities issued by Romania, EU Member States or from the EEA above the maximum 70 per cent. threshold until next year.

The microprudential policies that stimulated the NPL decrease described above were enhanced by the implementation of macroprudential measures. In December 2017, NCMO recommended the implementation of a systemic risk buffer of 0 per cent., 1 per cent. or 2 per cent. of total risk-weighted assets using two criteria/indicators: the NPL rate and NPL coverage (applied starting 30 June 2018) with the aim of supporting the adequate management of credit risk and enhancing banking sector resilience to unanticipated shocks, amid unfavourable structural circumstances. The NCMO recommended that NBR reassess the indicators and thresholds in the calibration of the systemic risk buffer with a half-yearly frequency, so as to closely monitor the progress of resolving non-performing loans. In this sense, in 2018, the NCMO issued a new recommendation on the systemic risk buffer in order to update the reference period for calculating the asset quality indicators. However, the recent legislative initiatives related to the market of NPLs, together with the provisions on the limited deductibility of NPL sales related expenses, limit the process of improving the banks' balance sheets impinging on the positive downward trend of the NPL rate. The legislative initiatives in this area include: (i) regulating the maximum limits of interest rates on credits (amendments to the Government Ordinance No. 13/2011 on the payable and penalising legal interest for money obligations), (ii) imposing obligations for the

credit agreement assignees' and for limiting the recoverable value of the assigned receivables (amendments to the Government Emergency Ordinance No. 50/2010 on credit contracts for consumers), (iii) the elimination of the enforceable title of credit agreements (amendments to the Government Ordinance No. 51/1997 on leasing operations and leasing companies as well as Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy), (iv) the extension of the coverage of Debt Discharge Law and (v) the tax deductibility regime in case of debt cession starting January 2018 (Ordinance No. 25/2017 for amending and completing Law No. 227/2015). The first three legislative initiatives mentioned above were declared unconstitutional by the Constitutional Court. Following the declaration of unconstitutionality, the three legislative initiatives were sent for re-examination to the Parliament and they were rejected by the Senate. Currently, they are registered at the Chamber of Deputies for re-examination.

During the course of 2019, the following draft laws were submitted to the Parliament for debate:

- a draft law on consumer protection against speculative assignments of claims (Senate - L583 / 2019; Chamber of Deputies PL-x 665/2019). The legislative proposal establishes a debt relief procedure by the debtor's payment of the actual price paid by the assignee to the assignor, as well as a limitation of the nominal value of the debt assigned speculatively to the actual price paid by the assignee to the assignor, in order to preserve the contractual balance and ensuring the integrity of the internal financial-banking market. Currently, the legislative proposal is in parliamentary procedure at the level of the Chamber of Deputies;

- a draft law on consumer protection against excessive interest (Senate - L586 / 2019; Chamber of Deputies - PL-x 664/2019). The provisions of the legislative proposal referred to the legal relationship between consumers and financial creditors, establishing rules for consumer protection against excessive interest, in order to preserve the contractual balance and ensure the integrity of the internal financial-banking market. The Constitutional Court declared the legislative proposal unconstitutional in its entirety;

- a draft law on consumer protection against abusive or unexpected foreclosure proceedings (Senate - L585 / 2019: Chamber of Deputies - PL-x 663/2019). The legislative proposal would apply to both financial creditors and other traders who benefit from the enforceability itself of the legal act generating the enforceable claim, including leasing companies or public service providers. Currently, the legislative proposal is registered in the standing committees of the Chamber of Deputies for debate; and

- a draft law on consumer protection against currency risk in credit agreements (Senate - L584 / 2019; Chamber of Deputies -PL-x 662/2019). The legislative proposal would apply to legal relations between consumers and financial creditors, establishing rules to protect consumers against currency risk in credit agreements, in order to preserve the contractual balance and ensure the integrity of the internal financial-banking market. Currently, the legislative proposal is in parliamentary procedure at the level of the Chamber of Deputies.

The "Debt Discharge Law" (Law no 52/2020) defines the hardship, during the credit agreement as (i) an increase of the exchange rate of more than 52.6 per cent. compared to the date of concluding the credit agreement and (ii) the monthly payment obligation increases by more than 50 per cent. due to the increase in the variable interest rate. Thus, it will apply to all the mortgages made out in Swiss francs issued before the 2008 financial crisis. Although not directly referring to NPLs, these initiatives potentially have direct and indirect effects on NPL resolution through lengthening judicial procedures, limiting the recoverable amount, weakening the link between risk and return and other transmission channels which could lead to an increase of NPLs in the future.

As at November 2020, in the case of non-financial companies, the NPL ratio diminished (according to the methodology developed by the European Banking Authority), both for year-on-year (with 1.05 per cent.) and month-on-month (with 0.17 per cent.) comparison.

For the household sector, the NPL ratio (according to the methodology developed by the European Banking Authority) decreased significantly in recent years to 3.7 per cent. in December 2020. By loan type, the NPL ratio for consumer loans was 7 per cent. in December 2020, increasing by 0.2 per cent. compared to December 2019, while the NPL ratio for mortgage loans was 1.9 per cent., 0.2 per cent. lower compared to the previous year. The total volume of exposures rose by 4.8 per cent. in annual terms and the non-performing exposures increased by 0.2 per cent. in December 2020. In certain segments however, credit risk went up, with leu-denominated loans posting an increase in non-performing exposures both at aggregate level (RON 0.4 billion and 18.7 per cent. in annual terms in December 2020) and by main type of products targeting households. As for foreign currency lending, the non-performing loan ratio for foreign currency loans is higher than that for domestic currency loans (NPL ratio of 8.0 per cent. for foreign currency loans compared to NPL ratio of 2.5 per cent. for domestic currency loans in December 2020).

Romania also expects to witness a deterioration of the asset quality for both households and the non-financial sector due to the COVID-19 pandemic, which is also expected to cause a deterioration of the expected one-year probability of default for households as of December 2019, initially estimated at 0.3 per cent. for mortgage loans and at 2.8 per cent. for consumer loans. In June 2020, these estimations were revised up significantly for both housing loans (by +1 per cent.) and consumer credit (by 5.8 per cent.) due to the deterioration of the macroeconomic conditions caused by the COVID-19 pandemic. The COVID-19 pandemic is also expected to reverse estimations for maintenance of credit standards for household loans and corporates.

In October 2018, the NBR Board adopted the Regulation No.6/2018 amending and supplementing NBR Regulation No. 17/2012, as subsequently amended and supplemented on certain lending conditions. According to the new provisions, the maximum level of indebtedness shall be 40 per cent. of the net income for leu-denominated loans and 20 per cent. for foreign currency loans. The total level of indebtedness is measured as a ratio of monthly debt service to the monthly net income. The maximum level of indebtedness shall be raised by 5 per cent. on first-time home buyer loans for borrower-occupied dwellings. The Regulation amendments has become effective on 1 January 2019. As a result, the median level of indebtedness (debt service to income, DSTI) for new loans granted in December 2020 was 36.8 per cent. which was 8.3 per cent. lower compared with the loans granted in December 2018, the final year before the regulation was implemented. In addition, these developments are likely to lower the credit risk for new loans and to improve debtors' capacity to make repayments even in adverse economic conditions.

In the context of the crisis generated by the COVID-19 pandemic, the NBR Board adopted, in July 2020, the Regulation No.5/2020 amending NBR Regulation No.17/2012 on certain lending conditions, as subsequently amended and supplemented, and the NBR Regulation No.6/2018 amending and supplementing NBR Regulation No.17/2012 on certain lending conditions. According to the new provisions, refinancing operations of the stock of loans (granted to individuals) at the date of entry into force of the NBR Regulation No.5/2020 are exempted from the application of the requirements on LTV, the maximum maturity of 5 years applicable to consumer loans and the maximum level of indebtedness administratively established, in order to alleviate the current burden on borrowers, including through consolidation operations of credits previously contracted, leading to a decrease in the costs incurred by the debtor.

The credit standards for both non-financial companies and households were on an upward trend in the last years due to expectations regarding current or expected capital position of the banks, as well as the NBR's monetary policy decisions and prudential measures, as well as the deterioration of the economic outlook and banks' lower risk tolerance. More specifically, in the case of household loans the tightening followed the changes of the NBR regulation on lending conditions (NBR Regulation No. 17/2012). Against the background of persistence and

resurgence of COVID-19 pandemic nationwide, credit standards saw mixed developments in the third quarter of 2020, according to the NBR Bank Lending Survey. Specifically, in the case of loans to households for house and land purchase, most banks reported that lending conditions were left unchanged from the previous quarter, whereas the remaining respondents moved to tighten somewhat or to ease them. As for consumer credit, the weights of responding entities were almost equal for all three types of measures, i.e. tightening, no change and easing. All the responding credit institutions kept virtually unchanged their credit standards for loans to non-financial corporations, which proved beneficial for this sector given its stronger need for liquidity amid the negative impact from the COVID-19 pandemic. For the last quarter of 2020, credit standards for loans to households remained predominantly constant and also for the first quarter of 2021 expectations are for relatively unchanged credit conditions, according to the majority of credit institutions participating in the survey, for both categories of loans to households. As for non-financial corporations, lending standards were tightened in the fourth quarter of 2020 in the opinion of a net percentage of about 27 per cent. of credit institutions, especially in the case of loans to SMEs, regardless of the maturity of loans. For the first quarter of 2021, credit institutions estimate that the trend of tightening credit standards for companies will continue at the aggregate level.

To date, the Romanian Government has not used public funds to support the stability of the financial system. The recapitalisation of the banking sector was entirely supported by bank shareholders. The backstop measures available in Romania mainly consist of private sector solutions and only a few public sector solutions. The authorities adopted further amendments to the legal framework in order to improve the bank recovery and resolution mechanisms so as to preserve stability and to avoid systemic contamination. The private sector solutions of the backstop toolkit consist of supervisory and resolution measures, available to the NBR in accordance with its statutory powers.

In its capacity as resolution authority, the NBR carries out the resolution planning activity under the harmonised EU legal framework for each bank or banking group in the European Union present in Romania. It takes part in updating the group-level resolution plans within the resolution colleges established by the Single Resolution Board (SRB) or the resolution authorities in Member States where the consolidating supervisor is also located, in order to adopt the joint decisions on the resolution plans and MREL (as defined below). For the subsidiaries of cross-border banking groups, where most of the banking groups present in Romania encompass the features listed below:

- structure and operations highly integrated. As an example, shared services are provided by a common and unique company located below the top-tier holding company for the whole group, centralised liquidity, trading, hedging and risk management;
- significant financial interconnections between the local subsidiary and the group as the deposit arrangements and loan commitments, financial guarantees and other commitments received from the parent entity represent a significant part of the total liabilities;
- a narrow market for issuing eligible liabilities for Minimum Requirements for Eligible Liabilities ("**MREL**") at the subsidiary level; there is sufficient MREL eligible instruments available at the top parent entity capable to absorb potential losses;
- mostly the same legal structure applicable for the host entity and the EU parent entity; and
- the business model of the banking groups has mostly followed an integrative approach for services and financing arrangements in order to develop synergies,

the analysis performed by NBR in this respect considers that for the groups that meet the above conditions the most effective resolution strategy is single point of entry.

The NBR, in its capacity as resolution authority issued the first decisions with respect to MREL in 2020, on the basis of the BRRD1 – Directive 2014/59/EU and the MREL policy (*Policy regarding the determination of minimum requirement for own funds and eligible liabilities(MREL) for the credit institutions under the remit of the NBR*) approved at the beginning of 2019. The next set of decisions with respect to MREL will the issued on the basis of the provisions of BRRD2 Directive (EU) 2019/879, following its transposition in Romania.

The existing legal framework provides the NBR with the tools to manage financial stability threats posed by the deterioration of the financial situation of the banking system. The set of stabilisation measures for the credit institutions in distress in addition to the special administration procedure, and consist of: (i) the total or partial transfer of assets and liabilities of a credit institution to one or more eligible institutions; (ii) the appointment of the Bank Deposit Guarantee Fund as a delegated administrator and as a shareholder of the credit institution; and (iii) the transfer of assets and liabilities of a credit institution to a bridge bank, established for this purpose. Where the resources of the Bank Deposit Guarantee Fund are insufficient, they may be supplemented by loans granted to it by the Ministry of Finance, in which case the general lending conditions are to be set by Government decision.

The alignment with the EU legislative requirements relating to bank supervision and resolution is ensured in Romania and recently the necessary steps were performed in order to transpose revised EU legislation at national level regarding the "RRM package".

On the 18 December 2019, in the Official Journal of the EU was published the Covered bonds package including *Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU* and *Regulation (EU) 2019/2160 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds*. The Directive has to be transposed in national legislation by the 8 July 2021. The respective national provisions shall apply, at the latest, from the 8 July 2022. The Regulation shall apply from the 8 July 2022.

Currently, the NBR is developing the proposals of normative acts for the transposition of Directive (EU) 2019/2162 in the national legislation.

On 8 July 2020, in Official Gazette of Romania Part I, no 600, the Law no.113/2020 was published, which transposes EU *Directive 2017/2399 of the European Parliament and of the Council of 12 December 2017 regarding the ranking of unsecured debt instruments in insolvency hierarchy*. The law regulates the ranking of unsecured debt instruments provided by the Law on insolvency for credit institutions and other entities which are subject to *Directive 2014/59/EU*, in accordance with the *Directive (EU) 2017/2399*.

Romanian Banking Regulation and Business Standards

Banking Regulation and Supervision

Credit institutions are mainly regulated by the Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy ("**Banking Law**"), as subsequently amended and supplemented, which ensures the transposition of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV**") in national legislation and by Regulation No. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**") and, among others, by the Law No. 85/2014 regarding the procedures for the prevention of insolvency and the insolvency procedures. In 2015, the Romanian Parliament adopted the Law No. 304/2015 on the issuances of covered bonds, followed by secondary legislation issued by the NBR in the beginning of 2016. The new legislation was developed according to standards set out in the EBA Report on EU Covered Bonds Frameworks and Capital Treatment (2013). The capacity of credit

institutions to use covered bonds as a stable financing tool could be seriously affected by the Debt Discharge Law, since the legislation could create difficulties in the cover pool's dynamic optimisation process.

At the beginning of 2016, the NBR issued secondary legislation on the issuances of covered bonds, in order to implement the new law on covered bonds. The main areas addressed by the secondary legislation are NBR approval of the issuance of covered bonds and the prudential requirements and supervisory reporting for the risk management of covered bonds.

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 ("**BRRD1**") was transposed into Romanian legislation by Law No. 312 as of 4 December 2015, which establishes the domestic grounds for the recovery and resolution of credit institutions, and which repealed certain provisions of Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy regarding the stabilisation measures.

The current prudential regulatory framework ensures:

(i) harmonisation with CRD IV and adequate measures to facilitate the implementation of CRR,

in the above-mentioned context, the following were issued:

- NBR Regulation No. 5/2013 on prudential requirements for credit institutions, as amended and supplemented, which ensures the transposition of the provisions of CRD IV and specifies the manner in which the national options included in the CRD IV package have been exercised.

  This regulation was amended by NBR Regulation No. 9/2016 in order to clarify the application of the capital buffer requirements in relation to any requirements imposed by the competent authority in the context of Pillar II measures with the aim of ensuring legal certainty as regards the calculation of the Maximum Distributable Amount (as defined in Article 141 of CRD IV);

- NBR-FSA Regulation No. 7/8/2013 repealing certain regulatory acts. The said Regulation concerns acts that were jointly issued by the NBR and the National Securities Commission to implement Directives 2006/48/EC and 2006/49/EC, whose application ceases with the entry into force of the CRD IV package;

(ii) harmonisation with guidelines/recommendations issued by European Banking Authority, areas in which the EBA guidelines/recommendations were transposed into Romanian regulations refer to governance arrangements, assessment of the suitability of members of the management body and key function holders, remuneration policies, credit risk management practices and accounting for expected credit losses, prudential treatment of legislative and non-legislative moratoria on loan payments introduced in response to the COVID-19 pandemic, management of non-performing and forborne exposures, specification of types of exposures to be associated with high risk under the CRR, internal capital and liquidity adequacy assessment process and management of significant risks, liquidity cost benefit allocation, conditions for outsourcing of activities, assessment and validation of using advanced approaches for calculating capital requirements for credit and operational risks, retention requirements in securitisation transactions, clarifications regarding the revised large exposures regime and clarifications regarding the exemption of some short-term exposures from the application of the large exposures regime, the eligibility criteria for capital instruments to be recognised as original own funds, recovery and resolution of credit institutions, liquidity coverage ratio ("**LCR**") disclosure, disclosure requirements under Part eight of the CRR, disclosure regarding transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic, implicit support for securitisation transactions, modified

duration for debt instruments, acquisitions and qualifying holdings, connected clients, definition of default, funding plans, ICT risk.

Moreover, starting with the CRD IV/CRR and BRRD implementation, credit institutions are required to observe the EC's implementing regulations laying down technical standards, directly applicable in all Member States, including also those related to the reporting field.

One of the key objectives of the regulations is to continue the harmonisation process of national regulations with the guidelines and standards issued by EBA.

In January 2018, the NBR issued Regulation No. 1/2018 which (i) amended the Regulation No. 5/2013 on prudential requirements for credit institutions, by requiring banks to take the necessary steps in order to avoid keeping the beneficial terms granted under remuneration packages for clients who are no longer employees and (ii) repealed the NBR Regulation No. 16/2012 on classification of loans and investments and the establishment and use of prudential value adjustments.

In October 2018, the NBR issued Regulation No. 5/2018 amending and supplementing NBR Regulation No. 5/2013 on prudential requirements for credit institutions, which establishes the level of materiality thresholds used by credit institutions in the context of the definition of default, and the deadline for compliance with those thresholds, and the obligation for credit institutions to draw and communicate to the NBR a list of their bank agents. Based on the information transmitted by the credit institutions, the NBR keeps and updates a bank agents' register.

In December 2020, the NBR issued Regulation No.11/2020 amending and supplementing NBR Regulation No. 5/2013 on prudential requirements for credit institutions, as subsequently amended and supplemented, in areas such as internal governance, assessment of the suitability of members of the management body and key function holders, risk management, internal capital and liquidity adequacy assessment process (ICAAP/ILAAP), management of interest rate risk arising from non-trading book activities. The revision of the Regulation No. 5/2013 also took into account the recommendations made by the International Monetary Fund and the World Bank as a result of Financial Sector Assessment Program in Romania (2017 – 2018).

In November 2011, the NBR issued Regulation No. 25/2011 on credit institutions' liquidity, which was subsequently amended and supplemented by Order No. 26/2011, aimed at improving the methodology of computing the liquidity ratio and being in line with the developments in the accounting field related to IFRS introduction. Accordingly, credit institutions are required to permanently maintain the liquidity ratio for all the operations in RON equivalent at least at the level of one for the maturity bands of up to one year. At the same time, credit institutions shall distinctly calculate the liquidity ratios for operations in euro and for operations in RON for all the maturity bands, as well as for all the operations in RON equivalent for the maturity band of over one year. In March 2018, the NBR issued the Regulation No. 2/2018 amending and supplementing NBR Regulation No. 25/2011 on credit institutions' liquidity, which envisages the modification of the treatment of loan commitments given to non-financial clients for which estimated drawing schedules are not provided. The regulation also removes the obligation of observing the limit of the liquidity ratio for the first maturity band (up to one month), aligning national requirements with those at the EU level, where the required minimum standards of LCR ratio for short-term (of up to 30 days) liquidity requirements have been fully introduced starting with 1 January 2018. In December 2020, the NBR issued Regulation No.12/2020 on authorisation of credit institutions and changes in the situation of credit institutions in areas such as licensing, changes in the situation of credit institutions, mergers/divisions, licensing of the bridge - credit institution.

On 7 June 2019, the risk reduction measures package (the "**RRM package**") were published which included (i) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU regarding exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures ("**CRD V**"), (ii) Regulation

(EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regarding the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements and Regulation (EU) No 648/2012 ("**CRR II**") and (iii) Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regarding the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC ("**BRRD II**").

The implementation of the RRM package is an important step forward towards completing the Economic and Monetary Union (EMU), which will also ensure, apart from risk reduction, the strengthening of banks` ability to withstand potential shocks, through better capitalisation and by holding much more adequate tools to this end.

The text proposals of the draft laws ensuring the transposition of Directive (EU) 2019/878 and Directive (EU) 2019/879 in the national legislation were elaborated by the NBR and were sent to the Ministry of Finance in July 2020. For the current stage, the inter-institutional approval procedure is carried out at the level of Ministry of Finance. The Government, as a legislative initiator, will submit the draft laws to the Parliament for approval at the next stage.

The technical provisions shall be transposed by amending the regulations issued by the NBR in the field of authorisation of credit institutions as well as in the field of prudential requirements, which are currently being finalised at the NBR level. Those regulations shall be adopted and published in the Official Gazette of Romania after adopting the law amending GEO No.99/2006. The law amending GEO No.99/2006 has been approved by the Ministry of Finance and is currently awaiting required approval by the Romanian Parliament. The technical provisions of the Directive (EU) 2019/878, which regulate the attributions of the macro-prudential authority (the NCMO in Romania) have already been transposed at the level of the secondary legislation by appropriately modifying the *NCMO Regulation no. 2/2017 on the methodology and procedure used to establish the capital buffers and the scope of these instruments*. The *NCMO Regulation no. 1/2020* has been published in the Official Gazette of Romania on the 22 December 2020.

At the beginning of 2012, the Romanian banking system implemented IFRS as its accounting basis and for preparing financial statements. The accounting regulation framework applicable to credit institutions is reflected in NBR Order No. 27/2010 which includes the accounting rules for banks' operations (chart of accounts and its content) in accordance with the treatments set out by IFRS and provisions regarding the preparation of financial statements (approval, auditing and publication) along with the shift to the effective enforcement of IFRS.

The financial reporting framework ("**FINREP**") approved by the European Banking Authority, is governed by the (EU) Regulation No 680/2014, as subsequently amended and supplemented, being directly applicable to the EU credit institutions. In order to ensure the optimal conditions for the unitary application of the FINREP individual reporting framework by the Romanian credit institutions, as well as the correlation thereof with the FINREP consolidated reporting framework, this framework was adapted in 2014 for solo reporting purposes and subsequently updated following the adoption at EU level of the new standard IFRS 9 and the other amendments brought by the EBA to the FINREP consolidated reporting framework, being issued NBR Order No. 9/2017. For ensuring the continuity of the financial and accounting statistical information, reported by the Romanian branches of credit institutions having their head offices in other Member States, needed for performing analyses and studies at the NBR level, the NBR also issued the Order No. 10/2017.

As of 28 February 2017, the Parliament adopted Law No. 12/2017 for the macro-prudential supervision of the national financial system. The law establishes the National Committee for Macro-prudential Oversight ("**NCMO**"), as an inter-institutional structure of co-operation between the NBR, the Financial Supervisory

Authority and the Government. The fundamental objective of the NCMO is to contribute to financial stability safeguarding by strengthening the capacity of the financial system to resist shocks and by reducing the accumulation of systemic risk, thereby ensuring a sustainable contribution of the financial sector to economic growth. The law implements at national level the relevant recommendations of the European Systemic Risk Board by establishing NCMO as a macro-prudential authority, and also entitles the NCMO to issue recommendations addressed to NBR and FSA in order to impose the capital buffers regulated by CRD IV. Finally, the NCMO shall act as the designated authority for the activation of macro-prudential measures which can be taken under CRR.

The prudential supervision system of the NBR consists of both off-site and on-site inspections.

Off-site supervision consists mainly of regularly monitoring the activities of individual credit institutions, groups of credit institutions and the banking sector as a whole, reviewing compliance with the prudential rules (relating to matters such as solvency, large exposures, related party lending, credit classification and provisioning, foreign exchange positions, own funds and liquidity) and limits, and taking remedial measures when problems are identified. It is based on the continuous appraisal of all available information on credit institutions' activities taken from various sources, in particular the statements and reports regularly submitted by credit institutions on an individual and consolidated basis, credit institutions' financial statements and annual reports, auditors' reports, credit institutions' presentations, the results of on-site inspections and information-gathering visits and other sources, including publicly available reports. Meetings with credit institutions' representatives also help supervisors obtain additional information on credit institutions' activities and performance. Conclusions and findings arising from off-site supervision assist in the selection of credit institutions to be supervised through on-site inspections and the related activities.

In addition to regular assessment of credit institutions' financial condition, off-site supervision also focuses on some other aspects of credit institutions' activities relating to the assessment of the suitability of persons intending to acquire qualifying share holdings and the approval of persons nominated for members of the board and executive managerial positions based on factors such as their reputation, moral integrity and experience and the approval of external auditors.

Regulatory framework developments have changed the supervisory methodology substantially, from a compliance-based approach to a risk-based assessment. The NBR focuses on enhancing the quality of supervision through a greater involvement of credit institutions' management in risk management, credit institutions' assessment focusing on their risk profile and consolidated supervision based on close cross- border co-operation, both between consolidating credit institutions and their corresponding supervisory authorities.

On-site inspections are carried out according to the annual programme of inspections approved by the NBR's Supervisory Committee, focusing on areas such as credit, market, operational and reputational risk management, management of IT systems, money laundering prevention and overall assessment of internal control systems. During on-site inspections, assessments are made of the methods used by credit institutions to identify, measure, evaluate, monitor and limit the risks that they face. Attention is given to the methods applied by credit institutions to measure, evaluate and monitor risks, to whether the information used in risk management is complete, reliable and up to date, and also as to whether there is a clear definition and assignment of responsibilities to competent departments and staff members. On this basis, relevant conclusions are drawn regarding the overall performance of credit institutions and their risk profiles.

Minimum Capital Requirements

The minimum capital requirements of credit institutions are regulated by the CRR and the NBR Regulation No. 5/2013 on the prudential requirements for credit institutions, in accordance with which:

- the minimum initial capital of a bank is RON 37 million;

- the minimum initial capital of a mortgage bank or a building society is RON 25 million;
- the minimum amount of the initial capital and of the own funds of a central body of credit co-operatives is the equivalent in RON of EUR 5 million;
- the minimum amount for the own funds of a credit co-operative is RON 300,000; and
- the minimum amount of the total capital and of the own funds of a co-operative network is set at the equivalent in RON of EUR 10 million.

The subscribed minimum capital of a credit institution has to be paid up, in full and in cash, on incorporation. Similarly, in capital increase operations, the subscribed capital has to be paid-up, in full and in cash, at subscription.

Minimum Reserve Requirements

The main function of RON-denominated reserve requirements is the monetary control (in close correlation with liquidity management by the NBR) and stabilisation of interbank money market rates while the function of foreign currency denominated reserve requirements is to moderate the expansion of foreign exchange loans. During the period of 2014 through 2017, the NBR reduced the minimum reserve requirement ratios on RON-denominated liabilities of credit institutions to 8 per cent. from 15 per cent.; the minimum reserve requirement ratio on their foreign currency-denominated liabilities was lowered over the same period to 8 per cent. from 20 per cent, and then further to 5 per cent in 2020. Both measures were aimed at ensuring further harmonisation of the minimum reserve requirements mechanism with the relevant standards and practices of the European Central Bank and the major central banks across the EU, while the former was primarily geared towards supporting the sustainable recovery of lending activity.

Provisioning and Loans/Investments Classification

Credit Institutions

Since 2012, all provisions are determined according to IFRS as adjustments for impairment losses.

From a prudential perspective, with a view to avoid any disruptions in terms of prudential ratios, the adopted approach for switching to IFRS was to preserve and adapt the requirements of the former prudential framework.

As a consequence, for the period from 2012 to 2017, the classification of loans and investments based on the NBR methodology has continued to be undertaken monthly, but only for the purpose of establishing if there is a need for additional prudential value adjustments beyond those required by IFRS adjustments. At the beginning of 2018, the NBR Regulation No. 16/2012 on classification of loans and investments and the establishment and use of prudential value adjustments was repealed due to phasing out of the requirements imposed by Art. 481 of the CRR.

Starting with 2018, all banks apply IFRS 9, which requires allowances for expected credit losses (based on internal calculations) for all loans, including for those classified as performing (i.e. stage 1 and stage 2) to be set aside.

For non-performing exposures, the Regulation (EU) 2019/630 amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures was published on 25 April 2019. This Regulation sets out a minimum loss coverage ratio for NPLs also imposing prudential backstop (deduction from own funds) where the imposed minimum loss coverage is not met.

Loan Classification for Creditors other than Credit Institutions

Pursuant to the NBR Regulation 5/2012, loans granted by creditors other than credit institutions to their non-bank debtors are classified from an exposure perspective into five categories: standard, watch, sub-standard,

doubtful and loss. For each of these categories the provisioning coefficients are stipulated as follows: zero for "standard", 0.05 for "watch", 0.2 for "sub-standard", 0.5 for "doubtful" and 1 for "loss", in the case of loans other than those booked in foreign currency or indexed to a foreign currency, granted to individual borrowers exposed to foreign exchange risk; and 0.07 for "standard", 0.08 for "watch", 0.23 for "sub-standard", 0.53 for "doubtful" and 1 for "loss" in case of loans booked in foreign currency or indexed to a foreign currency, granted to individual borrowers exposed to foreign exchange risk.

Credit exposures are classified by the reporting institutions according to debt service history (the number of past-due days from the maturity date) and the commencement of legal proceedings against the debtor.

Credit exposures against which specific provisions are to be set up are those remaining after deducting any security interests securing the loan that are eligible for risk mitigation. The institution can decide whether to deduct such security interests or not. Security interests eligible for deduction range from any type of collateral (provided that the collateral is specified in the internal norms of the institution and provided that the institution has in place a methodology for determining the fair value of the collateral, which should be in line with applicable IFRS) to a set of personal guarantees stipulated in the legal framework along with their coefficients used to adjust the value of the guarantee to be deducted. Security interests securing the principal of credits classified as "loss" and in respect of which legal proceedings have been started and/or in respect of which at least 90 days elapsed since the credit became overdue are eligible to be taken into account (up to 25 per cent. as a general rule, and in case of certain types of collateral of a better quality, up to 50 per cent.) as credit risk mitigation factors, while the security interests securing the payment of interest on these credits are not eligible to be taken into account.

Institutions must send a report on the classification of credits and investments to the NBR, along with the specific provisions for credit risk, no later than 25 days after the end of the quarter for which the report is made.

Capital Adequacy

The own funds requirements for credit institutions are regulated by the CRR. Hence, credit institutions shall maintain own funds which are at all times at least equal to the sum of the following capital requirements:

- for credit risk and dilution risk in respect of all of their business activities (other than trading – book business), 8 per cent. of the total of their risk weighted exposure amounts calculated, in accordance with the relevant provisions of the CRR;
- for credit valuation adjustment risk, in accordance with the relevant provisions of the CRR;
- in respect of their trading-book business, for position risk, settlement and counterparty risk, the capital requirements determined in accordance with the relevant provisions of the CRR;
- in respect of all of their business activities, for foreign exchange risk, settlement and commodities risk, the capital requirements determined in accordance with the relevant provisions of the CRR; and
- in respect of all of their business activities, for operational risk, the capital requirements determined in accordance with the relevant provisions of the CRR.

Capital Buffers

The CRD IV/CRR regulatory package makes available a set of macro-prudential instruments that national competent authorities can resort to with a view to preventing the emergence of cyclical systemic risks or mitigating structural systemic risks, as follows: (i) the capital conservation buffer; (ii) the countercyclical capital buffer; (iii) the buffer relating to global systemically important institutions (G-SII buffer), (iv) the buffer relating to other systemically important institutions (O-SII buffer); and (v) the systemic risk buffer. By regulating capital buffers through a European Directive and a directly applicable Regulation, it was envisaged to (a) ensure a level

playing field across EU Member States, as an essential pre-requisite for the functioning of the internal market, (b) prevent regulatory arbitrage, (c) ensure a high level of harmonisation, and (d) enhance transparency and predictability in the macro-prudential field.

According to the NBR Order No. 12/2015 regarding the capital conservation buffer and the countercyclical capital buffer, issued on the basis of Recommendation of the National Committee for Financial Stability No. 1/2015 regarding the implementation of capital buffers in Romania, as of 1 January 2019, the capital conservation buffer is set at 2.5 per cent. of the credit institutions' total risk exposure amount.

In Romania, the countercyclical capital buffer was set at 0 per cent. from 1 January 2016, as the total indebtedness continues to remain below the alert threshold. In order to identify systemic risks, the NBR continues to monitor signals pointing to the build-up of vulnerabilities as regards loans granted to certain sectors. The countercyclical capital buffer is still 0 per cent, according to the most recent NCMO Recommendation R/9/2020 from December 2020, and is expected to remain at this level in the wake of the COVID-19 pandemic. While The National Bank of Romania will further monitor developments in the economy and lending at aggregate and sectoral levels, with a focus on the impact of COVID-19 pandemic on household and corporate financing by credit institutions.

The NBR has implemented at national level the methodology for identifying systemically important credit institutions in line with the EBA *Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*, which strike a balance between convergence, comparability and flexibility in identifying systemic institutions.

Starting from January 2021, according to the NBR Order No. 5/2020 issued on the NCMO the basis of Recommendation No. R/8/2020, credit institutions authorised in Romania and identified as other systemically important institutions have to maintain an O-SII buffer rate of 1 per cent. or 2 per cent. as follows: (i) 2 per cent. for Banca Comercială Română S.A. (consolidated level), Raiffeisen Bank S.A. (consolidated level), Banca Transilvania S.A. (consolidated level), CEC Bank S.A. (individual level) and (ii) 1 per cent. for UniCredit Bank S.A. (consolidated level), BRD – Groupe Société Générale S.A. (consolidated level), Alpha Bank România S.A. (individual level) and OTP Bank România S.A. (consolidated level).

The systemic risk buffer requirement is reviewed at least every second year.

On 18 December 2017, the NCMO adopted Recommendation No. R/9/2017, recommending the NBR, as competent authority, to implement a systemic risk buffer ("**SRB**") of 1 per cent. or 2 per cent., applicable to all exposures, starting 30 June 2018, aiming at (a) encouraging banks' efforts to continue cleaning up their balance sheets, without affecting other prudential indicators, considering a possible upward trend of the non-performing loans and (b) protecting the financial stability, assuming the persistence of the macroeconomic strains and of the regional and global uncertainties. The 2 per cent. buffer rate is applied to banks which are both above the NPL ratio threshold and below the coverage ratio threshold, the 1 per cent. rate is applied to banks which meet only one of the criteria, while a 0 per cent. rate is applied to banks that are both below the NPL ratio threshold and above the coverage ratio threshold, as detailed in the following table:

Non-performing loan ratio	**Coverage ratio**	**Buffer level (% of total exposures)**
<5%	>55%	0%
>5%	>55%	1%
<5%	<55%	1%
>5%	<55%	2%

The recommendations were enforced by NBR Order No. 4/2018 regarding the Systematic Risk Buffer, published in the Official Gazette of Romania Part I No. 433 on 22 May 2018. By Recommendation No. R/7/2018, implemented by NBR Order No. 8/2018, the NCMO recommended further application of the provisions and methodology of the above mentioned Recommendation from 1 January 2019.

Romania aligned with the European recommendations of EBA and ESRB in taking prudential measures to mitigate the risks arising from the COVID-19 pandemic. In that respect, among other measures, NBR provides the possibility of banks to make use of the capital buffers accumulated, and temporarily operate below the macroprudential requirements. So far, no measures regarding the permanent release or reductions in the level of capital buffers have been implemented.

Participation in Other Enterprises

According to the NBR Regulation No. 5/2013 and the CRR, for qualifying holdings (direct or indirect holdings in an undertaking which represents 10 per cent. or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking) in an undertaking (other than a credit institution, financial institution, insurance/reinsurance undertaking or an undertaking carrying on activities which are a direct extension of banking services or concern services ancillary to banking, such as leasing, factoring, management of investment funds, data processing services or any other similar activity) for the purpose of calculating the capital requirement, Romanian credit institutions shall apply a risk weight of 1.250 per cent. to the greater of the following:

- the amount of qualifying holdings in excess of 15 per cent. of the eligible capital; and
- the total amount of qualifying holdings that exceed 60 per cent. of the eligible capital of the institution.

According to the Banking Law, Romanian credit institutions may not acquire qualifying holdings in an undertaking if in this manner they may exercise control over the undertaking in question.

In order to establish a prudential treatment for temporary holdings of capital during a financial reconstruction or rescue operation of an undertaking operating outside the financial sector (debt-to-equity-swap operations), in accordance with the agreement concluded by Romania with the IMF and EU, the NBR published Regulation No. 26/2011, as further amended, which aims to ensure that a credit institution's involvement in such operations will be based on a prudent decision-making process.

Lending Limits

With respect to lending limits, credit institutions shall observe the rules established by EU Regulation No. 575/2013 regarding the large exposures of a credit institution to a connected client or a group of connected clients.

In order to prevent abuses arising from exposures to related parties, as provided by the Basel Core Principle No. 11, the NBR set out provisions to limit such exposures and to prevent banks from performing non-arm's length transactions with related parties. The limits on exposures to related parties are harmonised with those imposed for large exposures:

- an institution shall not incur an exposure to a related party or group of related parties, with a value in excess of 25 per cent. of its own funds;

where that client is an institution or where a group of related parties includes one or more institutions, the exposure shall not exceed 25 per cent. of the institution's own funds or EUR;

- 150 million (in the case of credit institutions), whichever the higher.

In line with the previous regulatory framework on responsible and sustainable lending and borrowing, in December 2012, the NBR implemented the recommendations of the European Systemic Risk Board on lending in foreign currency, aiming at strengthening the currency and interest rate risk awareness mechanism for unhedged borrowers and introducing the creditors' obligation to evaluate, apart from households, the companies' creditworthiness, in order to create prerequisites for forex loans to be granted only to debtors that are able to cope with the increase in loan instalments resulting from a severe depreciation of the RON and an increase in the loan's currency interest rate. The NBR has also adopted regulations requiring credit institutions to incorporate in their internal risk management systems the risks incurred by foreign currency lending and to account for these risks in their internal pricing and internal capital allocation.

In 2016, the provisions in the area of creditworthiness assessment and remuneration policies from the Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 and from the Guidelines EBA/GL/2015/11 on creditworthiness assessment were transposed into the national legislation by amending the NBR regulatory framework on responsible lending.

Deposit Guarantee Scheme

In 2015, following the approval of Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast), the national legal framework was updated in order to ensure the transposition of this directive into national legislation by the Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund. The Bank Deposit Guarantee Fund is regulated as a scheme administered by a public body and, according to the law, is also entrusted with the authority to administer the resolution fund. The current coverage level for the aggregate deposits of each depositor is EUR 100,000 and the repayment period is seven working days. Subsequently, considering the obligation of the central bank to establish, periodically reconsider and publish on its official website the coverage level for the aggregate deposits of each depositor above EUR 100,000, deriving from the provisions of the Directive 2014/49/EU, the NBR issued the Regulation No. 24/2016 on the coverage level provided in article 62 para.1 of the Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, establishing, for specific deposits and situations the additional coverage level to the RON equivalent of EUR 100,000.

Non-Bank Financial Institutions Sector

Non-bank financial institutions are entities performing lending activities as their core business; the main difference from credit institutions is that the former are not entitled to accept cash deposits or other repayable funds from the public. Non-bank financial institutions are supervised/monitored and regulated by the NBR in order to ensure financial stability based on a healthy and sustainable development of the market, as well as the removal of regulatory discrimination between these entities and credit institutions.

The legal framework for non-bank financial institutions applies to financial institutions which are not organised as credit institutions and which engage in lending activities in the broad sense, that is: (i) lending, including consumer credits, mortgage credits, real-estate credits, micro-credits, financing of commercial transactions, factoring, discounting and forfeiting operations; (ii) financial leasing; (iii) guarantees and commitments; (iv) granting of credits in exchange of goods for safekeeping (such as pledging via pawnshops); (v) granting of credits to members of mutual benefit organisations; and (vi) other credit-like financing methods. The non-bank financial institutions must maintain a share capital of at least EUR 200,000 or EUR 3 million in the case of non-bank financial institutions that include the granting of mortgage credits in the scope of their activity.

As of 31 December 2020, there were 174 non-bank financial institutions registered in the General Register under the NBR oversight, out of which 69 are listed in the Special Register and are under NBR prudential supervision. During 2020, there were 10 deletions from the General Register, following requests from non-bank institutions (5 cases), sanctions (4 cases) or as a result of other causes provided by law (one case).

As of 31 December 2020, the financial aggregate indicators of non-bank financial institutions were as follows: a total share capital of RON 3.52 billion; total assets of RON 39.85 billion; loans and commitments granted of RON 41.30 billion and non-performing loans (including commitments) of RON 3.64 billion.

In the non-bank financial institutions sector, the prudential supervision system of the NBR consists of both off-site and on-site supervision.

Off-site supervision consists mainly of regularly monitoring the activities of individual non-bank financial institutions, reviewing compliance with the prudential rules (relating to matters such as large exposures, related party lending, credit classification and provisioning and own funds) and limits, and taking remedial measures whenever problems are identified. It is based on the continuous appraisal of all available information on non-bank financial institutions' activities taken from various sources, in particular the statements and reports regularly submitted by non-bank financial institutions, non-bank financial institutions' financial statements and annual reports, auditors' reports, the results of on-site inspections and other sources. Conclusions and findings arising from off-site supervision assist in the selection of non-bank financial institutions to be supervised through on-site inspections and the related activities.

On-site inspections are carried out according to the annual programme of inspections approved by the NBR's Supervisory Committee, focusing mainly on areas such as the management of granting loans to individuals and companies, credit, market, operational and reputational risk management, money laundering prevention and overall assessment of internal control and audit systems.

The non-bank financial institutions apply NBR Order No. 6/2015 for the approval of the accounting regulations in compliance with the European legislative requirements.

The accounting regulatory framework applicable to non-bank financial institutions was updated by issuing the NBR Order No.8/2019 according to which, starting in 2022, non-bank financial institutions registered in the General Register must adopt International Financial Reporting Standards and use only these standards as a basis for accounting and for the preparation of the individual annual financial statements. At the same time, for the non-bank financial institutions registered in the Special Register, a transitional regime for own funds was established between July 1, 2020 - December 31, 2021. Due to the COVID-19 pandemic, in order to support the non-bank financial institutions activity, NBR issued the Order No.3/2020 according to which the application of IFRS as accounting basis and for the preparation of the individual annual financial statement has been postponed from 2022 to 2023. Starting from 2023, these institutions must stop preparing individual financial statements according to the national regulations in compliance with the European Directives. In addition, over the period between 2019 and 2022, non-bank financial institutions registered in the General Register must prepare, for informational purposes only, a set of individual annual financial statements in accordance with IFRS, obtained by restating the information of the financial statements prepared according to the national regulations in compliance with the European Directives.

In this context, in July 2020, the NBR Board adopted also the Regulation No.4/2020 amending NBR Regulation No.20/2009 on non-bank financial institutions, so as to ensure a 6 months deferral of the program for the application of the transitional regime for own funds, applicable from 1 January 2021, instead of 1 July 2020. In addition, as a result of the amendment of the NBR Regulation no.20/2009, non-bank financial institutions registered in the Special Register were allowed not to comply, for a limited period of time, with the requirements on the minimum level of own funds set at the minimum level of share capital, being established a mechanism similar to the one regulated for the situation where the limits of exposure are exceeded.

Payment Services Sector

The NBR is the sole authority entitled to authorise and perform prudential supervision of payment institutions, according to the existing regulatory framework.

As of 31 December 2020, there were eight payment institutions registered in Register of Payment Institutions and 21 agents through which they provide payment services in Romania and Moldova. Among authorised payment institutions, four also hold the quality of non-banking financial institution and are registered in the General Register. The national legal framework was updated in order to ensure the transposition of Directive (EU) 2015/2366 on payment services in the internal market by the Law No. 209/2019 on payment services and for the modification of some normative acts and Law No. 210/2019 on the activity of issuing electronic money.

Electronic Money Institutions Sector

The NBR is the sole authority entitled to authorise and perform prudential supervision of electronic money institutions, according to the existing regulatory framework.

As of 31 December 2020, there were two authorised electronic money institutions registered in the Register of Electronic Money Institutions and one agent through which payment services are provided abroad. Among authorised electronic money institutions, one also holds the designation of non-banking financial institution and is registered in the General Register.

The legislative measures for the full transposition of the EU Directive 2015/2366 (that cover both the payment services sector and electronic money institutions sector) were adopted and published in the Official Gazette of Romania No. 913 of 13 November 2019 (Law No. 209/2019 on payment services and for the modification of some normative acts), respectively No. 914 of 13 November 2019 (Law No. 210/2019 on the activity of issuing electronic money).

Financial System Supervision

In December 2012, the Romanian Government approved, by way of emergency ordinance, the establishment of the Financial Supervisory Authority ("**FSA**"). From 30 April 2013, the FSA took over the responsibilities of the National Securities Commission ("**CNVM**"), the Insurance Supervisory Commission and the Private Pension System Supervisory Commission, thus overseeing the capital markets and the insurance and private pension markets.

The FSA is a specialised, autonomous administrative institution, independent and self-financed, led by a council of nine members, including a president, a first vice-president and three vice-presidents with executive functions, each with specific tasks corresponding to one of the three sectors of financial supervision.

Private Pension System

Pension reform in Romania has included the introduction and implementation, within the pension system, of two private pension pillars, one mandatory (second pillar) and the other voluntary (third pillar), both managed by private companies.

In 2020, the Law No. 1/2020 regarding occupational pension was adopted, which established the framework for an occupational pension system. There are no administrators licensed yet for managing occupational pension funds.

Second Pillar

Participation in the second pillar is mandatory for employees and certain other persons up to 35 years old and voluntary for those between 35 and 45 years old.

The contribution to a private pension fund represents a part of an individual's social insurance contribution payable to the public pension system. The contribution to a pension fund is deducted from the monthly gross salary of the participant, the level of which is determined by the amount of salary an employee receives. The contribution to a pension fund does not impose supplementary financial obligations on the state. In 2008, the privately administered pension funds received the first contributions, namely 2 per cent. of each participant's gross salary. In 2014, the contributions represented 4.5 per cent. of a participant's gross salary, which increased to 5 per cent. starting on 1 January 2015 and to 5.1 per cent. in 2016 and 2017.

Starting from 1 January 2018, the contributions to the mandatory private pillar have decreased to 3.75 per cent. from 5.1 per cent..

The level of the average monthly transfer to Pillar II for 2019 was RON 702.27 million

In January 2020, through an emergency ordinance (Government Emergency Ordinance No. 1/2020 ("**GEO 1/2020**")), the amount of the minimum share capital required to manage a private pension fund has been changed from a percentage regulated under GEO 114/2018 to the fixed amount of Romanian leu, equivalent of EUR 4 million, calculated based on the exchange rate issued by the central bank (the NBR) as at the set-up. The ordinance also eliminated the possibility of second pillar participants withdrawing from the private pension fund scheme during the period for which they are liable to pay their contribution to the public pension system until their entitlement to private pension becomes active.

The contribution rate for the Pillar II remained unchanged for 2020 at 3.75 per cent. The GEO 114/2018 introduced the option for people who have contributed to Pillar II for more than five years to move to the first pillar. However, this option was eliminated by GEO 1/2020. The only exemption introduced by GEO 114/2018 and unchanged by GEO 1/2020 is for the individuals working in the construction sector, who are excempt from contributing to the mandatory pension system in the period January 1 2019 to December 31 2028.

The average monthly transfer to Pillar II for 2020 was RON 741.04 million. Transfers to the second pillar pension fund in 2020 totalled RON 8.9 billion.

The level of the amounts paid in 2019 as lump sum or programmed withdrawals to former pension fund members was RON 76.45 million. For 2020 the benefits paid amount to RON 178.35 million.

The following table shows the number of pension funds (second pillar) and the total value of their net assets as at 31 December 2016, 2017, 2018, 2019 and 2020 and as at 30 June 2016, 2017, 2018, 2019 and 2020:

	Net assets	**No. of pension funds**
	(RON million)	
As at		
30 June 2016	27,578.54	7 pension funds
31 December 2016	31,465.94	7 pension funds
30 June 2017	36,061.81	7 pension funds
31 December 2017	39,741.22	7 pension funds
30 June 2018	43,711.01	7 pension funds
31 December 2018	47,576.61	7 pension funds
30 June 2019	55.150,48	7 pension funds
31 December 2019	61.966,75	7 pension funds

	Net assets	No. of pension funds
	(RON million)	
As at		
30 June 2020	65.939,76	7 pension funds
31 December 2020	75.105,43	7 pension funds

Source: Financial Supervision Authority

The table below shows the evolution of the number of participants to the second pillar pension system as at 31 December 2016, 2017, 2018, 2019 and 2020 and as at 30 June 2016, 2017, 2018, 2019 and 2020:

	No. of participants 2nd pillar
As at	
30 June 2016	6.68 million
31 December 2016	6.80 million
30 June 2017	6.92 million
31 December 2017	7.04 million
30 June 2018	7.15 million
31 December 2018	7.25 million
30 June 2019	7.34 million
31 December 2019	7.46 million
30 June 2020	7.56 million
31 December 2020	7.63 million

Source: Financial Supervision Authority

Third Pillar

The voluntary pension scheme (third pillar) became operational in June 2007 and is based on individual accounts and voluntary participation. The activity of the funds pursuing business within this system is regulated by Law 204/2006 on voluntary pensions.

Contributions to a voluntary pension fund are established according to the rules of the various voluntary pension schemes, are charged and transferred by the employer together with the mandatory social security contributions or, as the case may be, paid by the participant, monthly, into a pension fund account.

The amount representing the contributions to voluntary pension fund is tax deductible for both participant and employer up to the RON equivalent of EUR 400 per fiscal year.

The table below shows the number of pension funds (third pillar) and the total value of their net assets at 31 December 2016, 2017, 2018, 2019 and 2020 and as at 30 June 2016, 2017, 2018, 2019 and 2020:

	Net assets	**No. of pension funds**
	(RON million)	
As at		
30 June 2016	1,353.62	10
31 December 2016	1,501.66	10
30 June 2017	1,668.25	10
31 December 2017	1,780.58	10
30 June 2018	1,889.46	10
31 December 2018	1,997.47	10
30 June 2019	2.273,83	10
31 December 2019	2.507,42	10
30 June 2020	2.604,32	10
31 December 2020	2.926,29	10

Source: Financial Supervision Authority

The table below shows an increase in the number of participants to the third pillar pension system as at 31 December 2016, 2017, 2018, 2019 and 2020 and as at 30 June 2016, 2017, 2018, 2019 and 2020:

	No. of participants 3rd pillar
As at	
30 June 2016	399,273
31 December 2016	410,241
30 June 2017	427,349
31 December 2017	446,131
30 June 2018	459,340
31 December 2018	472,160
30 June 2019	486.311
31 December 2019	501.123
30 June 2020	517.057
31 December 2020	527.336

Source: Financial Supervision Authority

Insurance Market

The FSA is a full member of the European Insurance and Occupational Pensions Authority (EIOPA), an institution which has replaced the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) since 1 January 2011. FSA is also a member of the European Insurance and Occupational Pensions Committee (EIOPC), as well as of the International Association of Insurance Supervisors (IAIS).

Insurance activity in Romania may be pursued only subject to an authorisation granted by the FSA or due to an authorisation in another European Union Member State.

Recent significant changes were introduced to the legislation on the insurance sector with the following laws having been published and entered into force:

- Law No. 237/2015 on the authorisation and supervision of the business of insurance and reinsurance, which transposes into the national legislation the provisions of the EU Directive 2009/138, Directive 2011/89 and Directive 2014/51, was published in the Official Gazette of Romania No. 800 of 28 October 2015 and entered into force on 1 January 2016;
- Law No. 246/2015 on the insurers' recovery and resolution was published in Official Gazette of Romania No. 813 of 2 November 2015;
- Emergency Ordinance No. 54/2016 on compulsory motor liability insurance for damages caused to third parties by motor vehicle accidents and trams – repealed by the Law No. 132/2017; and
- Law No. 132/2017 on the compulsory insurance against civil liability for the damage to third parties caused by vehicle and tram accidents.

During 2016 and mid-2017, FSA issued 29 rules regarding the insurance sector, as follows: four on Motor third party liability, 10 on Resolution, one regarding Street Victim Protection Fund, four on accounting regulation, one on Insurance intermediaries register, one on licensing and monitoring of the insurance undertakings, one on the reporting requests for insurance undertakings, one on the supervisory of insurance undertakings' branches from third countries, one on the transposing of EIOPA Guidelines, one on the paid share capital of insurance undertakings regarding the private pension funds, one on the compulsory house insurance, one on the special administration of the insurance undertakings, one on reducing the tax for brokers activity, one on complaints handling.

Between 1 July 2017 and 30 June 2018, FSA issued seven legal acts relating to accounting in the insurance sector and two legal acts on motor third party liability insurance.

Data regarding the insurance undertakings and intermediaries

Number of insurance undertakings and intermediaries

The following table sets out the number of insurers and insurance intermediaries in Romania as at 31 December 2016, 2017, 2018, 2019 and as at 30 June 2020.

	2016	2017	2018	2019	2020 (June)
Insurers (total), of which	31	31	29	28	27
Non-life	17	17	16	15	14
Life	7	8	7	7	7
Composite	7	6	6	6	6
Insurance intermediaries	327	314	300	287	294

The insurance companies, authorised and regulated by the Financial Supervision Authority (ASF), subscribed, in the first six months of 2020, gross premiums amounting to RON 5.6 billion, increasing by 3.4 per cent. compared to the same period of the previous year. The increase in the volume of gross written premiums in the first six months of 2020 compared to the same period in the previous year is due exclusively to the positive dynamics recorded in the first quarter of 2020, when their volume reached the highest quarterly value in recent years (RON 2.95 billion). In the second quarter of 2020, the insurance market in Romania was affected as a result of the effects of the COVID-19 pandemic and the measures taken to prevent its spread, the value of gross written premiums standing at RON 2.67 billion, decreasing by 1.9 per cent. as compared to the second quarter of 2019 and by 9.5 per cent. as compared to the previous quarter.

The Romanian insurance market remains oriented towards the non-life insurance activity, which holds a share of 81 per cent. of the total gross premiums subscribed by the insurance companies authorised and regulated by ASF. The value of gross written premiums for non-life insurance activity increased by 5.4 per cent. in the first half of 2020 compared to the same period in 2019, while the value of gross written premiums for the life insurance activity registered a decrease of 4.2 per cent.

At the level of the entire market, the rates of Solvency Capital Requirements (the "**SCR**") and the Minimum Capital Requirements (the "**MCR**") were super-unitary both on 30 June 2020 and during the years 2016 to 2019. Compared to the previous year, on 30 June 2020, the SCR at the market level increased slightly, while the MCR at the whole market level increased by about 11 per cent. The SCR at the market level was at a level of 1.81, and the MCR at a value of 4.38.

The total value of insurance premiums written for motor third party liability insurance ("**MTPL**") in the first six months of 2020 reached the value of approximately RON 1.96 billion, the rest up to the total of class A10 (RON 2.066 billion) representing the insurance of the carrier for goods transported as carriers and MTPL insurance taken out on the territory of other EU Member States based on the freedom to provide services. Compared to the first half of the previous year, the value of gross written premiums increased by about 2 per cent. in the first six months of 2020.

As of 30 June 2020, there were 13 branches operating in the insurance market based on the right of establishment (freedom of establishment), of which 10 practiced non-life insurance activity and 3 practiced life insurance activity. In the six months ending June 2020, the branches accumulated gross written premiums amounting to about RON 505 million, increasing by approximately 11 per cent. compared to the same period of the previous year. At the same time, the branches reported gross indemnities paid, cumulated for the two categories of insurance, in the amount of about RON 155 million.

Following the centralisation of the reports submitted by the brokerage companies, for the six months ended 30 June 2020, there was an increase of 9.37 per cent. in the value of intermediated premiums for non-life insurance and life insurance, compared to the same period in 2019, from RON 3,476.784,002 to RON 3,802,619,958. In the first half of 2020, insurance and/or reinsurance brokers intermediated 67.59 per cent. of the total volume of gross premiums written by insurers for the two categories of insurance, an increase compared to the same period in 2019 (63.92 per cent.).

Capital Markets

Law No. 297/2004, as amended and supplemented ("**Capital Market Law**"), Government Emergency Ordinance No. 32/2012, as amended and supplemented, ("**GO 32/2012**"), Law No. 24/2017 on issuers of financial instruments and market operations, Law No. 74/2015 on managers of alternative investments funds and Law No. 126/2018 regarding market in financial instruments, and the secondary legislation issued in their application, represent the main legal framework for capital markets in Romania. Initially, the Capital Market

Law regulated the operation of regulated markets and alternative trading systems, the activity of investment firms, the market abuse regime, as well as the activity of issuers. Due to the enactment of Law No. 24/2017 on issuers of financial instruments and market operations, the provisions related to issuers and market abuse regime existing in Law No. 297/2004 have been repealed and replaced by a series of provisions designed to contribute to increasing the transparency, integrity and competitiveness of the capital market.

On 28 August 2020, Law no. 158/2020 for the amendment, completion and repealing of certain legislative acts, as well as for the establishment of certain measures for the application of (EU) Regulation 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU, and Regulations (EC) no. 1060/2009 and (EU) no. 648/2012 entered into force, through which amendments and completions are made to several normative acts, the most important of which refer to the amendment and completion of Law no. 24/2017 on issuers of financial instruments and market operations.

The GO 32/2012 regulates the activity of asset management companies and collective investment undertakings. Law No. 74/2015 lays down the rules for the authorisation, ongoing operation and transparency of the managers of alternative investment funds (AIFMs) which manage and/or market units of alternative investment funds (AIFs).

Law No. 10/2015 approving GO 32/2012 on undertakings for collective investment in transferable securities and investment management companies, and amending and supplementing Capital Market Law No. 297/2004, was published on 12 January 2015.

In October 2014, Law No. 151/2014 ("**Law 151/2014**"), regarding the legal status of shares traded on the RASDAQ market or the unlisted securities market, was adopted, providing a term and a procedure which had to be observed in order to clarify the legal status of the shares traded on the RASDAQ market or the unlisted securities market. To this end, within a period of 120 days of the entry into force of Law 151/2014, each extraordinary general meeting of the shareholders of the companies listed on the RASDAQ market or the unlisted securities market had to decide whether the company would transfer on a regulated market or an alternative trading system or it would withdraw from the market. Law 151/2014 also established that the activity of the RASDAQ market and of the unlisted securities market would terminate by operation of law at the expiry of a period of 12 months after the date of entry into force of the law, which occurred on 27 October 2015.

Law No. 126/2018 implements the provisions of MiFID II and applies to Romanian investment firms, market operators, data reporting services providers, central depositaries, central counterparties, investment firms from other Member States that operate in Romania and also to third country firms which are providing investment services or performing investment activities in Romania by establishing a subsidiary.

Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms was published in the Official Journal of Romania, on 11 December 2015. This law modifies certain provisions of the Capital Market Law regarding companies admitted to trading in order to align the current disposals to the legislation on recovery and resolution of investment firms.

With a view to aligning the Romanian capital markets legislation and practice to European and international standards, while ensuring their adjustment to local particularities, the Romanian competent authority seeks to follow and capture recent developments in the international and European capital markets. The FSA is a full member of the European Securities and Markets Authority and of the International Organisation of Securities Commission.

In terms of supervisory activity, the FSA focuses on strengthening its monitoring capacity over regulated entities. One of the FSA's priorities is to ensure the implementation of the reporting requirements both for

issuers and other entities and to ensure a fair treatment for investors. The FSA monitors the completeness of the periodic reports as well as the observance by issuers of the deadline for the submission of these reports. Significant achievements in this respect were made by the implementation by the Romanian competent authority of an application for the electronic supervision of issuers and other regulated entities through reports, easing the FSA's monitoring mission. Issuers failing to comply with the legal requirements are notified accordingly by the FSA.

The FSA also undertakes real-time monitoring of transactions performed on the Romanian regulated markets and analyses any abnormal movements of the prices and the quantity of the transactions carried out during trading sessions for the purposes of detecting possible cases of market abuse.

The FSA exercises its monitoring prerogatives by performing regular and transparent controls of the activity of regulated and supervised entities. The control activity performed by the Romanian competent authority in recent years was finalised with sanctions, notifications of the companies under investigation with regard to the obligation to remedy the deficiencies ascertained by the control teams and notification of other state institutions (e.g. the National Office for Prevention and Control of Money Laundering, the Ministry of Internal Affairs, the General Inspectorate of Romanian Police, the Prosecutor's Office attached to the High Court of Cassation and Justice and the NAFA).

Capital Market Intermediaries

Investment services and activities are performed by intermediaries such as investment firms authorised by the FSA, credit institutions authorised by the NBR, as well as by foreign regulated entities authorised in an EU Member State or in a non-EU State by the relevant home State authorities.

Intermediaries on the local capital market

The following table shows the number of intermediaries on the local market as at the dates indicated.

	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020
Investment firms authorised by the FSA	27	24	21	20	19
Credit institutions authorised by the NBR	8	8	7	25	24
Investments firms authorised by the home competent authority in a Member State	1,572	1,614	1,714	1,753	475
Credit institutions authorised by the relevant authority in a Member State	151	155	161	167	129
Branches of investment firms from other EU Member States	7	8	7	7	6
Branches of credit institutions from other EU Member States	3	3	3	3	3
Total	1,768	1,812	1,913	1,975	656

Source: Financial Supervision Authority

Investment firms and credit institutions from other EU Member States are registered with the FSA in order to perform financial services in Romania further to notifications addressed to the FSA by the relevant competent authorities of the relevant Member States. Following the United Kingdom's departure from the EU and the end of the transition period thereafter, investment firms and credit institutions from the UK were removed from the

FSA Public Register. Intermediaries, both Romanian and foreign, must be registered as participants on the Romanian stock exchanges in order to perform transactions on those markets. Among the intermediaries registered with the Bucharest Stock Exchange ("**BSE**"), six intermediaries are foreign entities originating from Austria, , Bulgaria, Poland, Hungary and the Czech Republic.

Collective Investment Undertakings (*Organisme de Plasament Colectiv*)

Over recent years, collective investment undertakings ("**CIUs**") have strengthened their role as alternative savings vehicles, collecting significant financial resources from individuals and legal persons.

The table below shows statistical data on active CIUs (undertakings for collective investment in transferable securities ("**UCITS**") and collective investment undertakings, other than UCITS ("**non-UCITS**")), as well as on other entities active in Romania:

Collective Investment Undertakings

The following table shows the undertakings for collective investment in transferable securities ("**UCITS**") in Romania and UCITS authorised in a Member State and whose units have been distributed in Romania as at 31 December 2016, 2017, 2018, 2019 and 2020.

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
Undertakings for collective investment in transferable securities:					
Open-end investment funds (performing activities in practice)	75	78	78	88	83
Collective investment undertakings, other than UCITS (non-UCITS):					
Closed-end investment funds (active)	25	24	25	28	26
Investment companies	6	6	6	6	6
Total no. of CIUs	106	109	109	122	115
Management companies	21	18	18	18	17
Depositories	6	6	5	4	4
Entities from Member States:					
UCITS authorised in a Member State and whose units have been distributed in Romania	52	54	57	53	66

Source: Financial Supervision Authority

On a year-on-year basis since 2009, in the context of an increased aversion to risk caused by the global financial crisis, Romanian investment funds registered a growth in the ratio of bank deposits and bonds in the investment funds' overall level of assets.

The following table shows certain data in relation to the evolution of indicators describing the funds industry as at 31 December 2016, 2016, 2018, 2019 and 2020.

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
Development of mutual funds					
Number of management companies	21	20	18	18	18
Total assets under management (million EUR)	9,126	9,342	8,803	9,744	8,101
Equity funds and investment companies (excluding ETFs)	4,312	4,397	4,262	4,994	4,286
Bond funds	4,434	3,788	3,359	3,764	3,016
Hybrid funds	356	1,129	1,145	984	797
Money market funds	24	27	31	0	0
ETFs	1	1	5.2	5.2	2
Number of CIUs	106	105	109	114	115
Equity funds and investment companies (excluding ETFs)	30	30	27	38	39
Bond funds	31	27	26	32	33
Hybrid funds	43	46	52	43	43
Money market funds	1	1	1	0	0
ETFs	1	1	3	1	1

Source: Management companies reports submitted by FSA. Reports total assets can be found on the official websites of investment funds managed.

Regulated Market and Multilateral Trading Facility

From 3 January 2018, Bucharest Stock Exchange ("**BSE**") is the only market operator registered in Romania. In 2017, BSE and SIBEX – Sibiu Stock Exchange SA (Sibex) merged by absorption.

The BSE is authorised by the FSA as a market operator and, as such, it manages a regulated market ("**Regulated Market**"). Companies listed on the BSE Regulated Market are classified into two tiers ("**Premium**" and "**Standard**"), according to their compliance with several qualitative and quantitative criteria. The Regulated Market includes an International Tier and Other International Financial Investments Sector. In addition, BSE also operates a Multilateral Trading Facility ("**MTF**") with two main sections: one dedicated to the listing of securities issued by small and medium-size enterprises for shares (AeRO) and bonds, and another one dedicated to trading of foreign shares already listed on a regulated market in EU or on another exchange in a non-EU country, using market-maker services.

On 21 September 2020, Romania was included in the Emerging Market Indices by the global index provider FTSE Russell.

On 31 December 2020, there were shares issued by 83 companies listed on BSE's Regulated Market, out of which 80 are domestic companies and three are foreign companies. At the same date, there were 14 issues of domestic bonds listed on BSE, out of which one is a covered bond listed on BSE, 34 issues are municipal bonds, 18 government bonds and 7 foreign corporate bonds. As at 31 December, 2020, two mutual funds and one ETF were listed on the BSE's Regulated Market.

As for MTF, as at 31 December 2020, there were 290 issues of shares tradable on the two markets sections of the MTF operated by the BSE, out of which 290 issues of shares were listed in the section dedicated to SMEs (AeRO market) on the 2 tiers (21 Premium shares and 251 Standard shares) and 15 issues of shares were traded

in the section dedicated to trading of foreign shares already listed on a regulated market in the EU or on another exchange in a non-EU country. At the same date, 28 issues of bonds and one issue of mutual funds were listed on the MTF.

Capitalisation of the BSE Regulated Markets

The following table shows the market capitalisation of the BSE Regulated Markets as at 31 December 2016, 2017, 2018, 2019 and 2020.

	Market Capitalisation	**Year Change**
	(EUR billion)	*(per cent.)*
As at		
31 December 2016	32.27	0.09
31 December 2017	35.28	8.53
31 December 2018	30.66	(13.09)
31 December 2019	37.85	18.99
31 December 2020	31.67	(19.51)

Source: BSE

Trading Values on the BSE Regulated Markets

The following table shows certain information relating to trading volumes on the BSE Regulated Markets as at the end of 2016, 2017, 2018, 2019 and 2020.

Trading Volumes

	As at the end of year				
	2016	**2017**	**2018**	**2019**	**2020**
Total Trading Volumes					
Total trading volumes (EUR)	1,750,564,591	2,273,709,463	2,186,283,028	2,041,563,322	2,489,739,116
Stock (EUR)	1,585,504,951	2,150,997,885	2,077,628,634	1,975,658,420	2,239,349,477
Bonds (EUR)	68,865,818	62,061,477	34,522,762	25,253,877	76,323,700
Rights (EUR)	0	0	0	0	0
Fund Units (EUR)	906,976	2,772,341	2,046,205	1,473,124	2,981,568
Structured Products (EUR)	95,286,846	57,877,760	72,085,427	39,177,901	171,084,371
Futures (EUR)	0	0	0	0	0
Number of trading days	254	248	249	249	249

Source: BSE

Note:

The table does not include the values of the public offers conducted by BSE and of the transactions on the Unlisted Market.

Daily Average Turnover of the BSE Regulated Markets

The following table shows the daily average turnover of the BSE Regulated Markets as in 2016, 2017, 2018, 2019 and 2020.

	Daily Average Turnover	Year Change
	(EUR million)	*(per cent.)*
Year		
2016	6.89	(14.83)
2017	9.17	33.09
2018	8.78	(4.25)
2019	8.2	(6.6)
2020	10.0	21.95

Source: BSE

BSE Indices

The following table shows the value of the BSE Indices as at 31 December 2018, 2019 and 2020.

	Value as at 31 December 2018	Value as at 31 December 2019	Value as at 31 December 2020	Change in 2020 (compared to 31 December 2019)
	(points)	*(points)*	*(points)*	*(per cent.)*
BSE Indices				
BET	7,383.68	9,977.30	9,805.60	(1.75)
BET-XT	680.44	914.83	871.60	(4.96)
BET Plus	1,109.85	1,490.07	1,464.75	(1.73)
BET-TR	10,870.97	15,969.07	16,509.64	3.27
BET-FI	34,636.37	47,546.89	43,077.92	(10.37)
BET-NG	603.34	785.89	693.14	(13.38)
BET-BK	1,459.26	1,892.43	1,867.14	(1.35)
BET-XTTR	1,012.68	1,474.16	1,474.50	0.02
RTL	15,336.78	20,876.89	20,559.86	(1.54)

Source: BSE

The BET index, reflecting the performance of the 17 most liquid companies admitted to trading on the BSE's Regulated Market, has decreased in 2020, as at 31 December 2020, by 1.75 per cent. compared to end-year 2019. BET-FI, which represents the index of the investment companies admitted to trading on the BSE's Regulated Market, decreased in 2020, as at 31 December 2020, by 10.37 per cent. compared to end-year 2019. The BET-XT index, which reflects the performance of the 25 most liquid companies admitted to trading on the BSE Regulated Market, decreased in 2020 by 4.96 per cent. compared to end-year 2019 and the BET-NG, which represents the index of the energy and utilities companies admitted to trading on the BSE's Regulated Market decreased in 2020 by 13.38 per cent. as at 31 December 2020, compared to end-year 2019.

Money Laundering

First legislation on anti-money laundering was enacted in Romania in 1999 (Law No. 21/1999), which was subsequently repealed by Law No. 656/2002 on the prevention and sanctioning of money laundering, as well as on establishing measures for preventing and combating terrorism financing. In 2008, significant progress was made in the field of money laundering by the adoption of important anti-money laundering and counter terrorism finance legal acts needed to fully transpose the provisions of Directive 2005/60/EC of the European Parliament and Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and of EC Directive 2006/70/EC as regards politically exposed persons, and to implement the recommendations in the Assessment Report on Romania adopted by the Moneyval Committee of the Council of Europe.

Since 2009, the anti-money laundering and counter terrorism finance (AML/CFT) supervision competence of the National Bank of Romania is carried out through a specialised division (Monitoring of International Sanctions Enforcement, Prevention of Money Laundering and Terrorist Financing Division).

Over the time, the scope of AML/CFT supervision was extended to include, beside credit institutions, the payment institutions, electronic money institutions and non-bank financial institutions (lenders and leasing companies) registered in the central bank Special Register and the branches from Romania of similar foreign institutions.

In addition, a risk-based approach was implemented in the evaluation of supervised institutions, taking into account the nature of the activity and the size of the supervised institution, correlated with the level of money laundering or terrorism financing risks.

The below table provides further detail on the activities carried out by the specialised competent division.

Indicators	**Credit institutions**					**Payment institutions, electronic money institutions and non-bank financial institutions**				
	2015	**2016**	**2017**	**2018**	**2019**	**2015**	**2016**	**2017**	**2018**	**2019**
On-site examinations...	31	40	34	40	23	22	6	14	17	15
Off-site examinations ..	0	0	1	4	0	0	0	0	2	0
Mandatory order of measures	0	3	12	8	2	3	0	3	3	2
Letter of recommendations	6	4	12	0	6	1	2	0	0	2
Notices.....	13	19	17	33	5	3	2	5	11	3
Contravention fines	14	19	31	40	3	1	1	3	6	2
Amount of contravention fines (RON).....	90,000	325,000	510,000	805,000	205,000	1,769	10,000	70,000	80,000	35,000

In 2015, the National Office for Prevention and Control of Money Laundering ("**NOPCML**") submitted to the GPO 476 cases of money laundering; six notifications were sent to the GPO and Romanian Intelligence Service for suspicions of terrorism financing; and 369 notifications were sent to competent bodies for other offences. During 2015, the Board of the NOPCML decided to suspend financial operations with a total value of EUR 7.5 million.

In the performance of its activity, NOPCML co-operates closely with the Ministry of Justice, the GPO and the Court of Accounts. NOPCML is also part of the newly founded Inter-ministerial Committee against corruption, transnational organised criminality and of serious forms of financial and economic criminality.

Following the approval of the Fourth Anti-Money Laundering Directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, the national legal framework is in the process of being updated in order to ensure the transposition of this directive into the national legislation.

The delay in the implementation of the Fourth Anti-Money Laundering Directive, whose transposition deadline expired in June 2017, has triggered the commencement of an infringement procedure by the European Commission. By judgment on 16 July 2020 (Case C-549/18), the Court of Justice of the European Union ruled that Romania has failed to transpose the Fourth Anti-Money Laundering Directive in due time and ordered Romania to pay the European Commission a lump sum of EUR 3 million.

In 2019, the NBR continued its efforts to strengthen its operational capacity in the supervisory area in terms of the risk of money laundering and terrorist financing to which credit institutions and the financial institutions in its supervisory scope are exposed, by allocating additional human resources and steadily improving the methodologies and instruments used. The latter have been tailored to the new legal framework in this field, thereby the NBR Regulation No. 2/2019 on preventing and combating money laundering and terrorist financing was adopted. This NBR Regulation repealed the NBR Regulation no.9/2008 on know-your-customer for the prevention of money laundering and terrorist financing.

As regards the procedures and methodologies applied, the risk-based supervisory and evaluation process was adjusted in line with the institutions' exposure to the money laundering and terrorist financing risk, leading to a significant improvement in the quality and effectiveness of this process. Moreover, the aim was to ensure an appropriate balance between off-site and on-site supervisory activities, based on the institutions' risk profile and systemic importance. As a result, the amount of information requested, as well as the frequency and intensity of checks, reviews and assessments were established depending on the business model, the internal governance, the dynamics and the level of risk of money laundering and terrorist financing.

The Law No. 129/2019 on the prevention and countering of money laundering and terrorism financing, as well as for the modification and completion of some normative acts, transposing the Fourth Anti-Money Laundering Directive, was adopted by the Romanian Parliament and published in the Official Gazette of Romania No. 589 on 18 July 2019.

Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU has been transposed in Romania by the Government Emergency Ordinance no. 111/2020 on amending and supplementing Law no. 129/2019 for preventing and combating money laundering and terrorist financing, as well as for amending and supplementing some legislative acts, for completing art. 218 of the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, for the amendment and completion of Law no. 207/2015 on the Fiscal Procedure Code, as well as for completing art. 12 para. (5) of Law No. 237/2015 on the authorisation and supervision of the insurance and reinsurance activity.

Public Finance

The Budgetary System

The Budgetary Process

The Romanian Ministry of Finance prepares two main budget laws each year (the central state budget law and the state social security budget law). The central state budget is prepared by the Romanian Government, acting

through the Ministry of Finance, and is based on draft budgets (proposals) from the direct recipients of budgetary allocations (line ministries).

The budget proposals submitted to the Ministry of Finance include programmes for investment by public institutions and other capital expenditures. These investment and capital expenditure programmes are based on a listing of certain projects approved in accordance with the legal provisions in force, as well as global amounts for other expenditures for investments.

The budgets are approved by Parliament in their entirety. If the central state budget and the state social security budget have not been approved by the end of the year preceding the period budgeted, the Romanian Government applies, with certain limitations, the provisions of the previous year's budget until the budget for the current year is adopted.

The consolidated general budget is prepared by the Ministry of Finance and includes, amongst others: the central state budget plus the state social security budget; the special funds; the autonomous and self-financed institutions' budgets; and the local government budgets.

The state social security system and local governments are each responsible for the management of their own revenues and expenditure.

- State Social Security Budget

The state social security budget is independent of the central state budget, although it is subject to approval by Parliament each year. The public pension system is based on a "pay as you go" principle, with the contributions paid by employers representing the main source of income for the system. The majority of expenditure from the state social security budget is in the form of pension benefits, including old age pensions, early retirement pensions, partial early retirement pensions, disability pensions, survivor pensions and death benefits.

- Special Funds

Special Funds are the national health insurance funds, the budget of which is approved as an annex to the central state budget law, and the budget for unemployment insurances, which is approved along with the state social security budget law.

- Local Budgets

Local budgets are prepared, approved and executed according to the law on local public finances and the law on local public administration. These laws authorise local authorities to develop and approve their own budgets and assign to them certain sources of revenue, including a share of personal income tax and certain other taxes collected at the level of the central state budget. Additional local budget revenues come from property taxes. Local authorities are required to balance their current spending and they are able to contract loans for investment purposes and for refinancing local public debt.

Since 2011, when the Government Emergency Ordinance No. 63/2010 amending the Law on local public finances No. 273/2006 came into force, the budgets of administrative territorial units are prepared and approved in two sections, operational and development.

Each of the two sections has its own revenue and expenditure. Thus, operational expenditure includes current expenses and repayment of loans, while development expenditure includes capital expenditures and post-accession EU co-financed projects.

Amounts can be transferred from the operational section to the development section only after payments for operational costs have been completely secured.

Local budgets of communes, towns, cities, Bucharest districts, counties and the Bucharest municipality, as well as the budgets of public institutions financed from their own revenues and subsidies from local budgets and external grant budgets are approved, under the "balanced budget" condition, while the development section deficit can be covered by the previous year operational section's surplus.

The annual budget will include distinct appropriations for payment of the previous year's arrears. Since 2011, revenues and expenditures presented off budget have been included in the local budget.

Since 1 January 2011, the permitted level of indebtedness of each administrative territorial unit/subdivision (such as a city or a county) has been limited to 30 per cent. of their own revenues (consisting of taxes, fees, contributions, other income and allocated shares from income tax) as averaged across the last three years preceding the year in which approval is requested, less the income resulting from the sale of certain assets over the same period, belonging to the private domain of the respective administrative territorial subdivision. Loans contracted and/or guaranteed by the administrative territorial subdivision relating to financing of projects which benefit from pre and post-accession non-reimbursable external funds from the European Union are not included in the calculation.

The loans contracted and/or guaranteed by administrative territorial subdivisions in respect of the financing of projects which benefit from pre- and post-accession non-reimbursable external funds from the European Union are exempted from the 30 per cent. limit of the level of indebtedness.

Medium-Term Budgetary Planning Process

Although medium-term budgetary planning has been utilised in Romania since 2003, the Medium-Term Budgetary Framework became mandatory only when Law No. 69/2010 on fiscal responsibility ("**Fiscal Responsibility Law**") entered into force in 2010 resulting in medium-term budget ceilings requiring approval by Parliament.

The most important reforms regarding the fiscal framework (as provided under the Fiscal Responsibility Law) include the following:

- *Mandatory Medium-term Planning*: A new stage has been introduced in the budgetary calendar. By 15 July of each year the Ministry of Finances shall submit to the Government the Fiscal Budgetary Strategy ("**FBS**") (covering the following three years), which shall be further presented to the Parliament by 15 August each year.
- *Parliament Approval on Key Medium Term Budgetary Targets*: Together with the FBS, the cabinet submits a draft law to be debated and voted on by the Parliament, which includes a maximum threshold for the structural deficit (as a percentage of GDP), the cash budget balance (as a percentage of GDP), personnel expenditures (as a percentage of GDP), guarantees issued by the government and local authorities, loans contracted by local authorities, total expenditure, excluding financial assistance from EU, public debt (as a percentage of GDP), etc.
- *Binding Medium-term Targets*: When preparing the annual budget, the maximum thresholds referred to above must be observed.
- *Escape Clauses*: The FBS may be revised if: (i) there is a change in the scope of the general consolidated budget; (ii) there is a significant worsening of the macroeconomic indicators used in preparing the FBS; or (iii) there is a change in government. In the latter case, the new government will make public whether its programme is consistent with the FBS and, if not, the Ministry of Finance will prepare a new draft FBS. This revision must be approved by Parliament and is subject to the review and opinion of the Fiscal Council.

- *New Fiscal Rules*: (i) The structural deficit cannot be higher than 0.5 per cent. of GDP (or 1.0 per cent. of GDP if the public debt is comfortably below 60 per cent. of GDP); (ii) public debt should not be higher than 60 per cent. of GDP; (iii) the intermediate prudential public debt thresholds have been set at 45 per cent., 50 per cent. and 55 per cent. of GDP; (iv) an automatic correction mechanism has been put in place if a deviation of the above rules occurs; (v) the annual increase of public sector expenditure has to be in line with the rules set by the EC Regulation No. 1466/1997; (vi) the macroeconomic forecast utilised for budget planning has to be compared with the EC official forecast and any difference clearly presented; (vii) during the budget year, funds approved for public investment cannot be transferred to current expenditure; (viii) there cannot be more than two budget rectifications during one year; and (ix) a budget rectification may take place only in the second half of the year.

- *The New Fiscal Institution*: The Fiscal Responsibility Law introduces the Fiscal Council, an independent body made up of five members, one from each of the Romanian Academy, Romanian National Bank, the Academy of Economic Studies, the Romanian Banking Institute and the Romanian Banking Association, who are appointed by the Parliament for a period of nine years. The Fiscal Council issues opinions and recommendations on official macroeconomic and budgetary forecasts, and on the FBS, Annual Budget Law, Budget execution and major legislative initiatives which can have an impact on budget expenditures. The Fiscal Council also monitors the observance of the fiscal rules.

Taxation system

The following table presents the share of the main sources of revenue in the general consolidated budget as at 31 December 2016, 2017, 2018, 2019 and 2020:

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
			(per cent.)		
Social security contributions	27.4	28.5	33.2	34.7	34.8
VAT	23.1	21.3	20.2	20.4	18.9
Non-fiscal revenues	8.1	8.7	9.2	8.4	7.6
Income tax	12.7	12.0	7.7	7.2	7.5
Excises	12.0	10.6	9.7	9.8	9.5
Corporate tax	7.3	5.9	5.3	5.5	5.0
Other	9.4	13.0	14.7	13.9	16.8
Total	100	100	100	100	100

Source: Ministry of Finance

Value Added Tax

According to the Fiscal Code, the standard VAT rate is 19 per cent. from 1 January 2017.

Romania applies a reduced VAT rate of 9 per cent. for the supply of: food products other than high quality foods (mountain, eco and traditional products), irrigation water in agriculture and for water supply and sewerage services; orthopaedic products and prostheses (except for dental prostheses); human and veterinary medicines; fertilisers and pesticides used in agriculture, seeds and other agriculture products for sowing or planting and services of a kind of those specified used in agriculture.

Romania also applies a reduced VAT rate of 5 per cent. for the supply of: high quality foods (mountain, eco and traditional products); social housing and the land on which they are built; school-books, books, newspapers and magazines, except for those used solely or principally for advertising; services consisting in admission to

castles, museums, memorial houses, historical, archaeological and architectural monuments, zoos and botanical gardens, fairgrounds, amusement parks and recreational parks, fairs, exhibitions and cultural events, sporting events and cinemas, other than those exempted; the accommodation in the hotel sector or sectors with a similar function; restaurant and catering services except for alcoholic beverages; and the right to use the sport facilities.

The VAT registration threshold applied for small undertakings is RON 300,000 (approximately EUR 88,500 calculated using the exchange rate on the day of Romania's accession to EU. Entities that carry out activities which generate revenues below this threshold are not obliged to register for VAT purposes, but can opt to do so. Romania currently applies an optional VAT cash accounting system which is available to companies with a turnover of less than RON 2,250,000 (approximately EUR 500,000), adopted in order to assist SMEs.

Fiscal interventions introduced by the Romanian government to tackle COVID-19 included:

- the deferral of VAT payment for VAT paying companies importing COVID-19 test kits, protective equipment and disinfectants, medical equipment and medicines;
- a temporary VAT exemption for intra-community supplies, imports and purchases of individual protective masks and intensive care units necessary for the establishment of *RescEU* EU capacity reserves. This measure terminated on 1 October 2020, when Romania's participation in this project terminates; and
- By GEO No. 226/2020, Romania introduced a VAT exemption for intra-community acquisitions of Remdesivir, based on the framework contract signed on 7 October 2020 by the European Commission with the pharmaceutical company Gilead for the delivery of Veklury, the trade name of Remdesivir and a VAT exemption with the right of deduction for supplies of medical devices for the in vitro diagnosis of COVID-19, of vaccines against COVID-19, as well as the related vaccination and testing services, other than those exempt from VAT. These measures are applicable until of December 31, 2022.

In addition, the following measures have been implemented by the NAFA:

- the issuance of VAT refunds during March for all settled settlements and for which up-to-date reimbursement decisions have been issued; and
- the implementation of a new VAT reimbursement mechanism, aimed at speedily settling payments, starting from 1 April 2020 until 31 March 2021, according to GEO no. 226/2020;

The aforementioned measures will be applied by NAFA both during the state of emergency and for the period ending 30 days from the end of the state of emergency.

Romania also passed GEO No. 99/2020 and approved the proposals of the Ministry of Finance to extend the application of the following fiscal measures until 25 October 2020, including measures relating to the suspension of enforcement, the significant reduction of the period for settling returns with negative amounts of VAT with the option of reimbursement, the suspension of the limitation period, the suspension of the conditions for maintaining payment rescheduling.

Income Tax

As of 1 January 2016, the income tax rate for the income received by individuals as dividends, including the income derived in relation to holding participation titles (shares, fund units, etc.), as defined by the legislation related to collective investment funds, has decreased from 16 per cent. to 5 per cent.

Starting from 1 January 2018, the personal tax rate on salary income, income from independent activities, lease operations and interest was reduced from 16 per cent. to 10 per cent. Through GEO 69/2020, under certain

conditions, 10 per cent. bonuses were granted in the case of income tax paid in full until the end of the first half of the year.

Social contributions

Starting with August 2017, the income taken into consideration for the payment of social contributions for full-time or part-time employees with earnings that are lower than the minimum wage shall be the minimum wage for the month for which they are owed, corresponding to the working days in which the employee was active (Government Ordinance 4/2017). On January 2020, Law No. 263/2019 came into effect and abolished the rule concerning mandatory use of minimum wage to compute social contributions.

Starting from 1 January 2018, social security contributions and health insurance contributions are payable by the employee at a rate of 25 per cent. and 10 per cent., respectively. The employer is required to pay only the contribution for special conditions of work at a rate of 4 per cent. and 8 per cent., respectively, as prescribed by law, under social security contributions. In addition, an "Insurance contribution for work" at a rate of 2.25 per cent. payable by the employer was also implemented. Through GEO 69/2020, under certain conditions, 10 per cent. bonuses were granted in the case of social contributions paid in full by the end of the first half of the year.

Excises

Romania applies excise duties to goods which are mandatory subject to excise tax at the EU level (ethyl alcohol, alcoholic beverages, manufactured tobacco, energy products and electricity), and also for the tobacco contained in the heated tobacco products and liquids containing nicotine, set up as non-harmonised excise duties.

The excise duty levels for the products specified above are provided in Law no. 227/2015 regarding the Fiscal Code, with subsequent amendments, and are set out in Annex no. 1 for harmonised excise duties products and in Annex no. 2 for non-harmonised excise duties products.

In July 2017, for cigarettes, fine-cut tobacco intended for the rolling of cigarettes and others smoking tobacco products a timetable for the gradual increase of excise duties until 2022 was established, which is also set out in Annex no. 1 to the Fiscal Code.

Also, as provided in Fiscal Code, both excise duties levels, harmonised and non-harmonised are mandatory updated on an annual basis, by reference to the growth in consumer prices, calculated over a period of 12 months ending in September of the year that precedes the period for which the new level of excise duties shall apply, by comparison to the level of the consumer prices for the period October 2014 to September 2015 which was officially announced by the National Institute for Statistics.

During 2017, for leaded petrol, unleaded petrol and diesel, the level of excise duty increased in two phases, by RON 0.16 per litre from 15 September 2017 and by RON 0.16 per litre from 1 October 2017.

A differentiated level of excise duties has been established for gas oil used as motor fuel for the carriage of goods by road for one's own account and for other persons, as well as for the carriage of persons, whether by regular or occasional service, excluding local public transport, by decreasing the standard level by RON 217.31/ton (from RON 2,175.24/ton to RON 1,957.93/ton) and by RON 183.62/1,000 litres (from RON 1,838.04/1,000 litres to RON 1,654.42/1,000 litres), from 30 March 2018.

The reduction of the excise duties mentioned above will be achieved by reimbursement of the amounts representing the difference between the standard rate of excise duty and the level of the differentiated excise duty to economic operators licensed in the European Union. The conditions, the procedure and the terms of restitution are established by a Government decision.

From 1 January 2018, the level of excise duties was increased for fine-cut smoking tobacco intended for cigarettes rolls as well as for the other smoking tobacco from RON 383.78 per kilogram to RON 398.70 per kilogram.

From 1 April 2018, the level of total excise duty was increased for cigarettes from RON 439.94 per 1000 cigarettes to RON 448.74 per 1000 cigarettes. Pursuant to the Fiscal Code, starting in 2018, the excise duty level for cigarettes is not updated by reference to the growth in consumer prices.

From 1 January 2019, the total excise duty level for cigarettes was increased from RON 448.74 per 1000 cigarettes to RON 483.74 per 1000 cigarettes. Additionally, according to the timetable for the gradual increase of excise duties and to the updating rules established by Fiscal Code, the excise duty level for fine–cut tobacco intended for rolling of cigarettes and other smoking tobacco was increased from RON 398.70 per kg to RON 429.83 per kg.

From 1 January 2020, the level of total excise duty for cigarettes was increased from RON 483.74 per 1000 cigarettes to RON 503.97 per 1000 cigarettes and the timetable for the gradual increase of excise duty until 2022 was revised. Additionally, according to the timetable for the gradual increase of excise duties and to the updating rules established by Fiscal Code, the excise duty level for fine–cut tobacco intended for rolling of cigarettes and other smoking tobacco was increased from RON 429.83 per kg to RON 466.18 per kg. Also, by Law. no. 263/2019 and the updating rules established by Fiscal Code, the excise duty level for some energy products was decreased as follows: leaded petrol decreased from RON 2,268.23 per 1,000 litres to RON 2,085.97 per 1000 litres; unleaded petrol decreased from RON 1,976.36 per 1000 litres to RON 1,773.46 per 1000 litres; gas oil decreased from RON 1,838.04 per 1000 litres to 1,625.37 per 1000 litres. At the same time, state aid granted to transporters ceased. Previously, this aid set a differentiated level of excise duty for the gas oil used as motor fuel for the carriage of goods by road for one's own account and for other persons, as well as for the carriage of persons, whether by regular or occasional service, excluding local public transport.

From 1 April 2020, the total excise duty level for cigarettes increased from RON 503.97/1000 cigarettes to RON 533.97/1000 cigarettes, in accordance with the above-mentioned timetable.

In order to comply with Council Directive 2011/64/EU (Art. 10, Par. 2) on the structure and rates of excise duty applied to manufactured tobacco, starting 1 January 2021, the total excise duty level for cigarettes increased from RON 533.97 per 1000 cigarettes to RON 546.21 per 1000 cigarettes. From 1 April 2021, the total excise duty level for cigarettes will be increased from RON 546.21 per 1000 cigarettes to RON 563.97 per 1000 cigarettes, according to the timetable for the gradual increase of excise duties established by Fiscal Code.

Corporate Income Tax

According to the Fiscal Code, with subsequent amendments, the Romanian corporate tax system is represented by:

- a general system of taxation, corporate income tax, established by applying a tax rate of 16 per cent. on taxable profit, required to be calculated and paid quarterly or annually;
- a simplified system of taxation, tax on micro-enterprises income, established by applying a differentiated tax rate by number of employees (1 per cent. of turnover for micro-enterprises having one or more employees, 3 per cent. of turnover for micro-enterprises without employees) for micro-enterprises having revenues up to EUR 1,000,000;
- starting with 1 January 2016, the tax rate on dividends paid by a Romanian legal person to another Romanian legal person is 5 per cent.

Starting from 1 April 2018, micro-enterprises which have subscribed a share capital of at least RON 45,000 and have at least 2 employees may opt to apply the provisions of Title II – "Corporate Income Tax" of Fiscal Code only once from the quarter in which these conditions are cumulatively fulfilled, such election being final.

Certain fiscal measures have been implemented in order to: (i) stimulate the incorporation of holding companies; (ii) attract foreign capital; and (iii) create incentives for the repatriation/investment of domestic capital.

These fiscal measures consist mainly of:

(a) the exemption of income from dividends received from Romanian legal persons (without holding conditions);

(b) the exemption of income from dividends received from legal persons from EU Member States;

(c) the exemption of income from dividends received from foreign legal persons located in a third country which has concluded a double tax treaty with Romania;

(d) the exemption of capital gains realised by taxpayers from the assessment/reassessment/sales/assignments of the equity securities held in a Romanian legal person or a foreign legal person located in a country which has concluded a double tax treaty with Romania; and

(e) the exemption of income obtained by a Romanian legal entity from the liquidation of another Romanian legal person or a foreign legal person located in a third country which has concluded a double tax treaty with Romania.

The incentives provided under (b) to (e) above are granted only if the taxpayer has, for an uninterrupted period of one year, a minimum of 10 per cent. of the share capital of the legal entity.

Other tax incentives are:

(A) Fiscal incentives for research and development (R&D) activities

Romanian taxpayers that perform R&D activities can benefit from various incentives for corporate income tax relief, including:

- an additional 50 per cent. deduction for the eligible research and development related expenses; and
- accelerated depreciation for equipment and devices used in R&D activities of up to 50 per cent. of the fiscal value of the asset which may be deducted during the first year in usage. The remaining fiscal value of the asset would be depreciated over the remaining useful life.

Among the eligible expenses for the R&D incentives are the following:

- depreciation and rental expenses assets that are used by taxpayers in R&D activities;
- salaries of personnel directly involved in R&D activities and related expenses;
- maintenance and repair costs for the assets used for the R&D activities;
- operating expenses, including expenses costs of consumables, materials, etc.; and
- overhead expenses.

Starting with January 2017, a new fiscal incentive was introduced, a corporate income tax exemption for taxpayers engaged exclusively in innovation, research and development activity, and its related activities, in the first 10 years of activity.

(B) Corporate income tax exemption for reinvested profit

- The tax exemption scheme applies to reinvested profit in the production and/or acquisitions of technological equipment and machinery, computers and peripheral equipment, tax cash registers, software and rights to use software.
- Fiscal incentives: a 5 per cent. discount for large companies and a 10 per cent. discount for small and medium taxpayers for corporate income tax paid by 25 April 2020; and for the second and third quarter, the discount was 10 per cent.

Tax on specific activities

Starting from 1 January 2017, Law No. 170/2016 regarding tax on specific activities has introduced a tax on specific activities by applying a formula to determine the annual specific tax for taxpayers which carry on certain activities such as tourism, restaurants and bars. The tax on specific activities replaced the profit tax for companies with the following expressly mentioned activities: hotels, restaurants, catering, bars and other activities related with these activities. The specific tax is an annual tax and its declaration and payment is made every six months in equal instalments.

Taxpayers were granted several tax exemptions during the state of emergency, including:

- hospitality industry taxpayers paying specific tax benefited from the tax exemption, provided certain conditions were fulfilled;
- subsequent exemption for a period of 90 days;
- tax exemption granted from October 2020 to year end 2020, in view of continued restrictions in response to the COVID-19 pandemic.

Fiscal procedures measures

Fiscal interventions introduced by the Romanian government to tackle COVID-19 include:

- deferral of tax payments for taxes on buildings, land and means of transport for local budgets until 30 June 2020;
- the modification of a Government Ordinance establishing tax facilities in order to allow companies to restructure their outstanding budgetary obligations at 31 December 2020;
- the cancellation of interest and late penalties for unpaid fiscal obligations due from the date of entry into force of Government Emergency Ordinance No. 29/2020 ("GEO 29/2020") until the end of these extraordinary measures;

Romania also passed GEO No. 99/2020 and approved the proposals of the Ministry of Finance to extend the application of the following fiscal measures until 25 October 2020, including:

- the cancellation of interest and late penalties for unpaid fiscal obligations due from the date of entry into force of GEO No. 29/2020 until October 2020; and
- the cancellation of interest and penalties, according to the Fiscal Procedure Code, for late payment of instalments in the rescheduling schedules.

Certain measures relating to energy and telecommunications companies

GEO 114/2018 introduced certain measures on various sectors of the Romanian economy, including telecommunication and energy companies. In particular, it (i) increased National Authority for Management and Regulation in Communications' ("**ANCOM**") annual monitoring fee to 3 per cent. of total turnover of a

telecommunications operator for the preceding year; "(ii) increased ANRE's annual fee to 2 per cent. of total turnover of an energy company for the preceding year generated by licensed activities; (iii) conditioned any extension of an existing mobile communication license on the payment of a fee equivalent to 4 per cent. of the total turnover of Romania's mobile telephony market for the year preceding the requested extension date, multiplied by the number of years for which the extension is requested; (iv) conditioned any issuance of new mobile communication licenses on the payment of fees equivalent to 2 per cent. or 4 per cent. (depending on the frequency band for which the license is requested) of the total turnover of Romania's mobile telephony market for the year preceding the issuance date, multiplied by the number of years for which the new license is requested; and (v) significantly increased penalties for breaches of applicable regulations. GEO 114/2018 provides for fines of up to 10 per cent. of a company's turnover in the year prior to the decision to impose such penalties.

Taxation of non-residents

The following types of income, when derived from Romanian sources by non-residents are not considered as subject to withholding tax:

- interest paid on public debt instruments;
- income obtained from transactions involving the use of derivative financial instruments for risk management purposes in relation to holding governmental public debt instruments;
- income from the trading of governmental bonds and bonds issued by administrative-territorial units domestically or on foreign markets;
- interest related to instruments issued by the NBR for the achievement of monetary policy targets and income from the trading of transferable securities issued by the NBR; and
- interest from debt instruments/debt securities issued by Romanian companies, set up according to Law No. 31/1990, republished, as subsequently amended and supplemented, if the debt instruments/debt securities are issued under a prospectus approved by the competent regulatory authority and the interest is paid to a person who is not affiliated to the issuer of the debt instruments/securities.

Local Taxes and Fees

The Fiscal Code regulates the local taxes and fees which generate revenues for local budgets. The local taxes and fees include property taxes (the tax on buildings, tax on land, tax on vehicles, taxes on advertising, fees for issuing of certificates and permits) as well as other taxes and fees which can be set by local municipalities.

The main criterion for determining the tax on buildings is the actual use of the property – residential, non-residential or mixed and not primarily the legal status of the owner (individual or legal entity).

The tax rates are similar for individuals and legal entities who own similar types of buildings. The tax base is the assessed value of the building, based on standards approved by the National Association of Authorized Valuators. An exception applies with respect to the value of residential buildings owned by individuals which is calculated taking into consideration an area-based value, adjusted by coefficients designed by the law, which take into consideration the quality of the building, location and rank of municipality.

Municipalities benefit from more local autonomy as they are allowed to increase any local tax or fee by up to 50 per cent., according to specific local conditions. Also, for poorly maintained buildings or land in the built-up area of the locality, municipalities may increase the taxes by up to 500 per cent.

From 1 January 2017, the values provided in the Fiscal Code in connection with local taxes and fees will be updated on an annual basis, rather than every three years, based on to the inflation index for the previous year.

Other taxation matters

Additional fiscal interventions introduced by the Romanian government to tackle COVID-19 include the following measures have been implemented by the NAFA:

- the suspension of fiscal control actions (such as tax inspections and anti-fraud controls), except for checks that can be carried out remotely and cases of tax evasion; and
- the suspension of anti-fraud actions and of specific activities at the Hungarian and Bulgarian border.

The aforementioned measures will be applied by NAFA both during the state of emergency and for the period ending 30 days from the end of the state of emergency.

Budgetary Income Collection

In order to enhance budgetary income collection, as to increase the efficiency of the fiscal administration authorities, as well combating tax evasion, certain measures have been implemented, such as:

- ANAF enrolment in the National Electronic Payment System for individuals;
- installation of point–of–sale devices in tax units, to facilitate the payment obligations of individual taxpayers;
- implementing a new registration procedure for VAT purposes to reduce cases of registration of taxpayers with high risk;
- developing programmes for notification to declare the tax liability;
- sending SMS notifications and announcements to taxpayers;
- development of the electronic application "Guidance form" in order to improve assistance to taxpayers by using information and communication technologies, which have unified all channels of communication with taxpayers, in terms of guidance and assistance in tax matters;
- further simplification of tax returns by reducing the number of forms for certain categories of taxpayers, by making statements; by analysing forms content, to streamline the required information; redesigning tax return forms to facilitate their completion by taxpayers;
- creating applications for mobile devices connected to the internet (smart phone) to expand access to taxpayer information;
- communicating tax administration documents using the e-mail service; developing "Virtual Private Area" and "Newsletter Tax" services;
- ensuring the possibility of filling by electronic transmission means of the high frequency and high content return forms; and
- by adopting law No. 70/2015 the extension of the limitation of cash payments and receipts between all economic operators, as well as limiting cash operations made between economic operators and individuals, as well as those between individuals, has been regulated. The purpose of such measures is to reduce the shadow economy by providing a future traceability of financial flows through banking transactions in the context of improving the compliance with legal provisions, as a need to reduce tax evasion by increasing the usability of the cards instead of cash.

The General Consolidated Budget

The following table shows income and revenues relating to the general consolidated budget for the years ended 31 December 2016, 2017 and 2018, 2019 and 2020:

	2015	2016	2017	2018	2019	2020
			(RON million)			
A. Revenue	233,795.2	223,900.2	251,866.5	295,264.7	321,074.9	322,518.1
Current incomes	215,456.3	215,717.8	233,821.2	267,800.0	294,871.2	287,918.3
Taxes	138,301.6	136,406.0	140,241.8	142,510.0	156,361.7	151,279.2
Income fee, profit and capital gain from legal entities	14,814.5	16,408.0	16,757.5	18,827.2	21,449.7	19,142.3
Income fee, profit and capital gain from individuals	27,276.4	28,373.6	30,143.1	22,679.0	23,201.4	24,333.8
Property fees and taxes	5,738.0	5,898.1	5,361.8	5,469.4	6,191.9	5,935.9
Fees and taxes on goods and services	89,207.5	84,127.0	86,188.6	93,770.4	103,546.9	99,824.5
Fee on the external trade and international transactions	816.0	882.7	933.3	1,050.1	1,159.9	1,119.574
Other fiscal fees and taxes	449.2	716.6	857.4	713.9	811.8	923.2
Contributions to social securities	57,616.5	61,270.2	71,705.7	98,101.1	111,473.5	112,250.7
Non-fiscal incomes	19,538.2	18,041.7	21,873.7	27,189.0	27,036.1	24,388.4
Incomes from capital	918.3	768.3	830.4	849.4	867.3	776.0
Donations	2.3	1.7	8.9	13.8	19,840792	2,052657
Amounts in distribution	(28.8)	472.7	29.1	(578.7)	-3,7	266.6
Amounts received from EU	17,447.1	6,939.7	17,177.0	27,180.2	25,320.3	33,555.1
Financial operations	—	—	—	—	—	—
B. Total Expenses	243,426.0	242,204.4	276,161.2	322,115.0	369,629.2	424,434.8
Current expenses	226,423.6	223,106.6	257,813.9	300,392.0	343,058.7	393,039.6
Personnel related expenses	52,070.0	57,068.4	69,611.4	86,138.4	102,338.0	109,978.2
Goods and services	40,457.9	40,910.5	40,684.9	44,612.1	53,340.3	57,045.1
Interest	9,573.2	10,013.8	10,124.6	12,943.5	12,153.8	14,510.3
Subsidies	6,275.1	6,605.1	6,201.1	6,669.5	7,107.5	8,140.2
Transfers between the units of the public administration	1,584.8	1,042.5	1,333.5	1,537.6	891.8	1,501.0
Other transfers	11,288.1	10,935.7	12,149.2	14,119.4	16,496.2	19,065.5
Projects financed from non-reimbursable EU Funds post-accession (including national co-financing)	24,263.3	3,997.1	868.8	577.1	335.6	269.8
Social assistance	75,962.0	81,818.2	92,570.9	101,364.2	114,739.1	138,552.9
Projects financed from non-reimbursable EU Funds post-accession financing programme 2014-2020	495.7	6,338.8	18.760.3	24,946.9	27,572.8	34,862.8
Other expenses	3,997.6	3,980.0	5,231.8	7,032.3	7,582.6	8,357.0
Programmes financed from reimbursable funds (including local funds)	455.9	396.5	277.4	387.8	500.9	756,8

	2015	2016	2017	2018	2019	2020
			(RON million)			
Capital expenses	18,039.1	19,097.8	19,558.9	23,584.8	30,239.6	33,208.0
Loans granted	—	—	—	—	—	—
Payments for previous years	(1,036.8)	—	(1,211.6)	(1,798.8)	(3,669.1)	(1,812.8)
C. Surplus/Deficit	(9,630.7)	(18,304)	(24,294.7)	(26,850.3)	(48,554.3)	(101,916.7)
Deficit as % of GDP	(1.4)	(2.4)	(2.8)	(2.8)	(4.6)	(9.8)
Deficit as % of GDP (according to ESA 2010)	(0.6)	(2.6)	(2.6)	(2.9)	(4.4)	(8.6)*
Gross domestic product	712,588	765,135	875,896	951,728	1,058.2	1,053.9

Notes:

(*) Provisional data.

(1) Data regarding general consolidated budget were compiled by including budgets of local public institutions financed partially or totally from own revenues, internal and external local loans, revenue and expenditure outside the local budget, budget of public institutions subordinated to ministries, budget of property fund and issuance of compensation titles. Data has been prepared on a cash basis.

Source: Ministry of Finance

The following table shows revenues, expenditure and deficit as a percentage of GDP figures relating to the general consolidated budget for the years 2015 to 2017 according to EU methodology (European System of Accounts 2010):

	2015	2016	2017	2018	2019	2020
			(EUR billion)[1]			
Revenues (*EUR billion*)	56.9	54.3	57.9	65.3	71.0	n.a.
Public expenditure (*EUR billion*)	57.8	58.8	62.8	71.3	80.7	n.a.
Deficit as % of GDP	(0.6)	(2.6)	(2.6)	(2.9)	(4.4)	(8.6)*

Note:

(*) Provisional data.

(1) EUR/RON exchange rates used are based on the NBR average exchange rate for the year.

Source: Ministry of Finance

2016 Budget

The budget for 2016 assumed a cash deficit of 2.8 per cent. of GDP (revenues of 31 per cent. of GDP and expenditures of 33.8 per cent. of GDP), which translates into an ESA computed deficit of 2.95 per cent. of GDP.

The following table shows the macroeconomic indicators used for the 2016 budget:

	2016 Budget
GDP (*RON billion*)	746.6
Real growth rate (%)	4.1
Average exchange rate EUR/RON	4.44

	2016 Budget
Inflation – annual average (%)	0.5
Average number of employees (*thousand persons*)	4,780
No. of unemployed persons registered as at the end of year (*thousands*)	450
– Rate of registered unemployment (%)	4.8
Gross average salary (*RON/month*)	2,681
Goods & Services exports – growth (%)	5.8
Goods & Services imports – growth rate (%)	7.2
Current account balance (*% of GDP*)	(1.2)

The estimated impact on public spending due to the changed legislation regarding the calculation of the indemnity granted to persons in parental leave is approximately RON 200 million in 2016 (five months of implementation) and approximately RON 600 million in 2017.

2016 Budget Execution

The execution of the general consolidated budget for 2016 ended with a deficit of RON 18.3 billion, representing 2.41 per cent. of GDP, compared to the estimated deficit of RON 20.9 billion.

The revenues of the general consolidated budget in 2016, amounting to RON 223.7 billion, represented 29.5 per cent. of GDP and an achievement degree of 95.1 per cent. of annual estimates.

Fiscal revenues decreased, compared to 2015, by 1.4 per cent. in nominal terms and by 1.5 per cent. as share of GDP.

The expenditures of the consolidated general budget in the year 2016 amounted to RON 242.2 billion, which represents 31.8 per cent. of GDP and a degree of achievement compared to the planned level of 94.5 per cent. share of expenditures in the annual programme.

The personnel expenses increased by 9.6 per cent. compared to the same period in the previous year and as a per cent. of GDP by 0.2 per cent. points, being influenced by the increase of the minimum gross national salary and the increase of the rights salaries for some categories of budget staff.

Social assistance expenditures increased in nominal terms by 7.7 per cent. compared to the previous year, but as a share of GDP were at the same level as 10.7 per cent. in 2015.

Expenditures on social assistance to the state budget registered an increase of 49.5 per cent. compared to the previous year, this increase being determined by the fact that, starting with 2016, according to the Law No. 223/2015, regarding the state military pensions, with the subsequent modifications and completions, the payment of military pensions and police officers shall be provided from the state budget, through the budgets of the Ministry of National Defence, the Ministry of Internal Affairs and the Romanian Intelligence Service. Accumulated payments in 2016 were made in the amount of RON 5.84 billion, compared to RON 156.7 million in 2015.

Expenditure on investment, including capital expenditures, as well as those related to development programs financed from domestic and external sources in 2016, decreased by 31.1 per cent. compared to 2015 and was made in the amount of RON 28.7 billion, or 3.8 per cent. of GDP.

2017 Budget

The following table shows the macroeconomic indicators used for the 2017 budget:

Indicators	**2017 Budget**
GDP (*RON billion*)	815.2
Real growth rate (%)	5.2
Average exchange rate EUR/RON	4.46
Inflation – annual average (%)	1.4
Average number of employees (*thousand persons*)	4,954
No. of unemployed persons registered as at the end of year (*thousands*)	387
Monthly average net wage (RON)	2,274
Exports of goods – growth (%)	7.3
Exports of goods – growth rate (%)	8.1
Current account balance (*% of GDP*)	(2.3)

2017 Budget execution

The macroeconomic indicators for 2017 are presented in the table below:

Indicators	**Monetary Units**	**2016**	**2017**
		Budget Execution	**Budget Execution**
Gross domestic product	RON (billions)	767.4	856.7
Actual growth rate	%	4.8	7.0
Average exchange rate	EUR/RON	4.4908	4.56817
Inflation – end of year	%	(0.54)	3.32
Year average	%	(1.55)	1,34
Average number of employees	persons (thousand)	4,759.4	4,945.9
Number of unemployed registered at the end of the year	persons (thousand)	418.2	351.1
– Unemployment rate recorded	%	4.8	4.0
Gross average earning	RON/month	2,809	3,223
– Nominal growth	%	9.9	14.7
Exports of goods – growth rate	%	5.1	10.0
Imports of goods – growth rate	%	7.0	11.3
Current account balance	% of GDP	(2.1)	(3.2)

The key aspects of 2017 budget execution are as follows:

- the general consolidated budget revenues amounted to RON 251.8 billion, representing 29.9 per cent. of GDP, 12.5 per cent. higher in nominal terms compared to 2016;
- the revenues collected in the main four budgets that make up the general consolidated budget (i.e. state budget, social security budget, unemployment insurance budget, the single national health insurance budget) represented 100.3 per cent. of the revised budget;

- there were increases for social security contributions (+RON 10.4 billion, which is a 17 per cent. increase), taxes on wages and income (+RON 2.4 billion, which is an 8.6 per cent. increase), and non-tax revenues, which were RON 3.8 billion higher compared to 2016 (a 21.1 per cent. increase);
- proceeds from taxes and property taxes declined by 9.1 per cent. compared to 2016, mainly due to the abolition of special construction tax on 1 January 2017;
- proceeds from other taxes and duties on goods and services increased by 38.1 per cent. compared to the previous year, mainly due to the evolution of the receipts related to the contribution due for medicines as well as medication reimbursement financed from the budget of the Single National Health Insurance Fund;
- VAT revenue receipts increased by 3.6 per cent. compared to the previous year due to an increase in voluntary compliance by companies, notwithstanding the reduction of the standard VAT rate from 20 per cent. to 19 per cent., a measure which is reflected in earnings starting with February 2017; and
- the amounts from the European Union for payments made amount to RON 17.1 billion compared to RON 6.9 billion in 2016.

The main areas targeted on the expenditure side were:

- the general consolidated budget amounted to RON 276.1 billion, which represents an increase in nominal terms of 14 per cent. compared to 2016;
- personnel costs increased by 22 per cent. over the previous year, driven by wage increases in the second half of 2016, as well as the wage increases in 2017;
- expenditure on goods and services and subsidies decreased by 0.7 per cent. and 6.1 per cent. respectively as compared to 2016;
- expenditure on social assistance increased by 13.1 per cent. compared to the previous year, mainly because of a 5.3 per cent. increase of the pension point from 1 January 2017 (to RON 917.5), and by 9 per cent. from 1 July 2017 (to RON 1,000), as well as the measures approved during 2016 (modifying and increasing the monthly childcare allowance and incentives for parents returning earlier to work from parental leave); and
- expenditure on investments, including capital expenditures, as well as those related to development programs financed from domestic and external sources, amounted to RON 26.7 billion, a decrease of 0.7 per cent. compared to 2016, which represents 3.2 per cent. of 2017 GDP.

2018 Budget

The budget for 2018 assumes economic growth of 5.5 per cent., a medium annual inflation of 3.1 per cent., a medium exchange rate of RON 4.55/EUR and an average gross monthly wage of RON 4,162.

The following table shows the macroeconomic indicators for the 2018 budget.

Indicators	Monetary Units	2018
Gross domestic product, current prices	RON (billions)	907.9
Growth rate	%	5.5
Unemployment rate at the end of the year	%	3.9
Monthly average gross wage	RON/month	4,162
Export of goods – growth rate	%	7.6
Import of goods – growth rate	%	8.7
Current account balance	% of GDP	(2.6)

2018 budget execution

According to the final data, the execution of the general consolidated budget, during the period of 1 January 2018 to 31 December 2018, ended with a cash deficit of RON 27.3 billion, or 2.88 per cent. of GDP, below the annual target of 2.97 per cent. of GDP.

- Consolidated general government revenues of RON 295.1 billion accounted for 31.1 per cent. of GDP, compared with 29.4 per cent. of GDP in 2017. Percentage of revenues was 17.2 per cent. higher in nominal terms, compared to last year.
- There were increases over the previous year in the case of insurance contributions (+ 36.8 per cent.). The receipts from the insurance contributions were influenced by the increase in the number of employees in the economy, the gross average earning, the minimum wage, as well as the new legal conditions regarding the transfer of contributions from the employer to the employee, regulated by Government Emergency Ordinance No. 79/2017.
- Since May, there has been an improvement in VAT revenue collection, contributing to a 11.3 per cent. increase over the 2017 figures, reaching RON 59.6 billion for the whole of 2018.
- The revenues from excises amounted to RON 28.5 billion (3.0 per cent. of GDP), 7.2 per cent. higher than in the previous year.
- Income tax and property taxes also rose by 2.0 per cent. compared to 2017, and non-tax revenue earnings increased by 24 per cent., due to positive influence of dividend payments.
- Wage and income tax revenues declined by 24.8 per cent. due to a reduction in the income tax rate from 16 per cent. to 10 per cent. as of 1 January 2018, which was reflected in receipts starting with the month February 2018.
- There was also a decrease of 42.0 per cent. compared to the previous year in tax revenues from the use of goods, the authorisation of the use of the goods or the carrying out of activities as a result of the application of Government Emergency Ordinance No. 52/2017 on the reimbursement of the amounts of special taxes on cars and motor vehicles, motor vehicle pollution taxes and the motor vehicle environment.

The total amounts of payments by the European Union were RON 27.1 billion, 57.8 per cent. higher than in 2017.

The expenditures of the general consolidated budget amounted to RON 322.4 billion, 16.8 per cent. higher than in the previous year.

- The personnel expenses were 23.7 per cent. higher than in 2017, the increase being determined by the salary increases granted under the Framework Law No. 153/2017 on the remuneration of staff paid out of public funds.
- Expenditure on goods and services increased by 9.8 per cent. over the previous year. Significant increases were recorded both in local budgets and in the budget of the single national health insurance fund and in the budgets of public institutions funded from own revenues and budget subsidies.
- Subsidies increased by 7.6 per cent. compared to 2017, remaining at the same level as the percentage of GDP at 0.7 per cent.
- Interest payments were 27.8 per cent. higher compared to 2017, accounting for 1.4 per cent. of GDP.
- Social assistance expenditures increased by 9.5 per cent. compared to the previous year, mainly due to a 9 per cent. increase in the pension point as of 1 July 2017, reaching RON 1,000, and a further 10 per cent. increase as of 1 July 2018, reaching RON 1,100, the increase of the social allowance for pensioners from RON 520 to RON 640, as well as the increase and modification of the way of setting the monthly child allowance and the incentive for parent's earlier return to work from parental leave.
- Expenditures for investments, including capital expenditures, as well as those related to development programs financed from domestic and foreign sources, amounted to RON 34.2 billion, 27.9 per cent. higher than in 2017.

2019 Budget

The draft budget for 2019 was approved by the Government at its meeting on 8 February 2019 and the Parliament adopted the draft budget on 15 February 2019, which was promulgated by the President of Romania on 14 March 2019.

The key aspects of the draft budget for 2019 are:

After in the period from 2016 to 2018 the budget deficit was sustained amid economic growth within the maximum range allowed by the Treaty on the Functioning of the European Union (ESA budget deficit marginally below 3 per cent. of GDP), the year 2019 marks the entry into a trajectory of gradually adjusting the deficit.

The headline budget deficit is expected to adjust only marginally in 2019 with the pace of the adjustment increasing over 2020-2022 in a no policy change scenario. After the significant deviation from Medium-Term Budget Objective (the "**MTO**") set for Romania under the EU's Stability and Growth Pact (a set of rules designated to ensure that countries in the EU pursue sound public finances and coordinate their fiscal policies) in 2016-2017, the structural deficit is forecast to remain at 3 per cent. and GDP over 2019-2020 and adjust only gradually to 2.4 per cent. by 2022.

The following table shows the projection of budgetary indicators for the period from 2017 to 2022:

	2017	**2018**	**2019**	**2020**	**2021**	**2022**
			(percentage of GDP)			
Revenues – general consolidated budget (cash)	29.40	31.08	33.51	32.23	31.97	33.12
Expenditures – general consolidated budget (cash)	32.24	33.96	36.28	34.55	33.98	34.92
Balance – general consolidated budget (cash)	(2.84)	(2.88)	(2.76)	(2.33)	(2.01)	(1.80)

	2017	2018	2019	2020	2021	2022
Balance – general consolidated budget (ESA)	(2.92)	(2.96)	(2.78)	(2.68)	(2.45)	(2.01)
Structural Balance	(3.4)	(3.03)	(2.97)	(3.03)	(2.77)	(2.38)

The following table shows the macroeconomic indicators that were taken into account when drafting the proposed 2019 budget:

Indicators	**Monetary Units**	**2018**	**2019**
Gross domestic product	RON (billions)	949.6	1,022.5
Actual growth rate	%	4.5	5.5
Inflation – end of year	%	4.63	2.8
Inflation – annual average	%	3.27	2.8
Average number of employees	persons (thousand)	5,109	5,282
Number of unemployed registered at the end of the year.	persons (thousand)	288.9	287
Unemployment rate recorded	%	3.3	3.2
Gross average earning	RON/month	4,502	5,163
Exports of goods – growth rate	%	8.8	8,6
Imports of goods – growth rate	%	10.1	9.2
Current account balance	% of GDP	(4.5)	(3.3)

Main measures on the revenue side include:

- the budget revenue from excises are impacted by the hike in tobacco and fuels excises (+ RON 0.6 billion) which is still observing the conditions regarding the minimum level of the total excise duty applicable to cigarettes that the EU Member States have to respect, as well as the improvement in collection rate (RON 1 billion) supported by NAFA anti-tax evasion measures;
- the estimation of the VAT receipts took into account both the additional revenues assumed by NAFA to be collected from the improvement of the collection (RON 6 billion) and the legislative amendments approved in 2018 regarding the extension of the application of the reduced VAT rate of 9 per cent. for water supply and sewerage and extension of the application of the reduced VAT rate of 5 per cent. for sports and recreation, accommodation, restaurants and catering;
- increased gambling taxation (RON 0.5 billion);
- increased minimum wage to construction sectors workers and reduced labour taxation (RON -2,2 billion);
- transfer to the state budget of 35 per cent. of the amounts allocated to other reserves that have not been used for investment purposes according to Art. 43 of the GEO 114/2018 (RON 1.5 billion);

- the application in 2019 of the measures for the distribution of at least 90 per cent. of the net profit made in the form of payments to the state or local budget, in the case of state owned autonomous entities, or dividends, in the case of national companies and companies with full or majority capital of the state.

Consolidated general government revenues are projected to reach RON 342.7 billion for 2019, representing 33.5 per cent. of GDP, an increase of 2.4 per cent. over 2018, when the consolidated general government revenues accounted for 31.1 per cent. of GDP.

The largest shares in the budget revenues are projected to be social security contributions (34.2 per cent.), VAT (20.3 per cent.), amounts received by the EU (9.8 per cent. of the total), excises (9.1 per cent.), non-tax income (8.3 per cent.) and income tax and wages (6.9 per cent.).

Compared to 2018, the main estimated budget revenues in 2019 are as follows:

- income from social contributions will increase as a share of GDP by 1.2 per cent. compared to the previous year following increase of the salary fund, which will increase by 18.6 per cent. in 2019 compared to 2018;
- VAT revenues will increase as a share of GDP by 0.5 per cent. compared to the previous year;
- excise tax revenues will remain as 0.3 per cent. of GDP, the same share of GDP as in the previous year; and
- the amounts received from the EU are estimated to increase by 0.9 per cent. compared to 2018.

Main measures on the expenditure side include:

- continuing the phased implementation of the Framework Law No. 153/2017 on the remuneration of staff paid out of public funds, namely the increase from 1 January 2019 of basic wages by a one quarter of the difference between the statutory basic wage for the year 2022 and that of December 2018;
- from 1 January 2019, the minimum gross national wage guaranteed will be RON 2,080 per month;
- from 1 September 2019, the value of the pension point will increase by 15 per cent., from RON 1,100 to RON 1,265;
- from 1 September 2019, the social pension for pensioners guaranteed will increase by 10 per cent., from RON 640 to RON 704;
- the monthly gross wage of public service employees will remain at the level set for December 2018 at most for staff who occupy the same position and operate under the same conditions;
- granting, during the period 2019-2020, holiday vouchers within the limit of RON 1,450 per employee;
- granting, during the period 2019-2020, the food allowance provided in Art. 18 of the Framework Law No. 153/2017;
- additional work (after working hours) will only be compensated for with adequate spare time; and
- the non-receipt of valuables, prizes, aids or indemnities in case of retirement.

Estimated budget expenditures for the year 2019 are expected to amount to RON 370.9 billion, representing 36.3 per cent. of GDP, increasing by RON 48.4 billion, or 2.3 per cent. compared to 2018.

The highest increase is expected to be registered by the social assistance expenditures estimated at RON 109.6 billion as a nominal value, due to the retirement and social measures adopted, representing 10.7 per cent. of GDP in 2018, an increase of around 9.5 per cent. compared to 2017.

Staff expenditures are estimated to be RON 102.1 billion, or 10.0 per cent. of GDP in 2019, 0.9 per cent. higher than in 2018, when they represented 9.1 per cent. of GDP. Growth is expected to be driven by the implementation of wage policy measures.

Goods and services are projected to reach RON 48.6 billion in 2019, or 4.8 per cent. of GDP in 2019, 0.1 per cent. higher than in 2018, when they represented 4.7 per cent. of GDP.

Expenditure on projects financed from post-accession non-reimbursable funds 2014-2022 are expected to increase by 1.1 per cent. compared to 2018.

Expenditures for investment in 2019 are expected to be RON 49.9 billion, representing approximately 4.9 per cent. of GDP, an increase of RON 15.7 billion, or 1.3 per cent. compared to 2018.

The budget planning for 2019 sets the budget deficit at 2.76 per cent. of GDP and the ESA budget deficit at 2.78 per cent. of GDP. 2021 is planned to be the first year when the budget deficit adjustment starts; there will be an adjustment of 0.5 per cent. per year compared to 2018, which will continue in 2022, reaching 2.01 per cent. of GDP, an adjustment of 0.95 per cent. compared to 2018.

Execution of the general government budget for 2019

Based on operational data, the general government budget in 2019 registered a RON 48.3 billion deficit (4.6 per cent. of GDP). The general government budget outcome for 2019 indicates a widening by 1.7 per cent. in GDP in budget deficit, from 2.8 per cent. of GDP in 2018.

General government revenue

Total revenue amounted to RON 321.13 billion, 8.8 per cent. above the level recorded in 2018. Compared to the initial target provided by the annual budget law, general government revenue was RON 21.5 billion lower (93.7 per cent.).

However, as a share of GDP, the budget revenue registered only a marginal decrease (0.1 per cent.) from 31.0 per cent. of GDP in 2018 to 30.9 per cent. of GDP in 2019. The decline was mainly due to a reduction of non-tax revenue (0.3 per cent.) and EU funds (0.4 per cent.), whereas tax revenue stood at 15 per cent. of GDP in 2019, and social contributions receipts advanced by 0.4 per cent. of GDP.

Corporate income tax revenue amounted to RON 17.7 billion in 2019, up 13.2 per cent. from 2018, mainly driven by a 70 per cent. increase of the CIT revenue due by the banking sector. CIT receipts rose in December by 28.4 per cent. year on year, faster than the pace reached over the first 11 months of the year.

Personal income tax receipts recorded RON 23.2 billion in 2019, up 2.2 per cent. compared to 2018 (but decreasing as a share of GDP, from 2.4 per cent. in 2018 to 2.2 per cent. in 2019). Annual dynamics mainly reflected a statistical base effect in January 2019 compared to January 2018 due to social contributions transfer from employers to employees and to a lower PIT rate (from 16 per cent. to 10 per cent. according to GEO 79/2017, impact of RON 1.2 billion). Compared to the initial target, PIT revenue was RON 0.46 billion lower (98 per cent.). Labour income tax receipts account for 80 per cent. of PIT. Annual dynamics of the labour income tax receipts mainly reflects the overall economy's wage bill developments (gross average earning increased by 14.7 per cent. and the average number of employees by 1 per cent. over the reference period). Nevertheless, exempting the employees from construction and some industrial sectors (according to GEO 114/2018) from the labour income tax lowered the annual revenue by RON 1.1 billion.

Social contributions revenue recorded RON 111.5 billion in 2019, 13.6 per cent. higher than 2018 level (from 10.3 per cent. of GDP in 2018 to 10.5 per cent. of GDP in 2019). Compared to the initial planning, revenue was RON 5.77 billion lower (95.1 per cent.). Similar to PIT receipts, social contributions revenue is in line with developments in the overall economy's wage bill (16 per cent. since December 2018 to November 2019). In

the fourth quarter social contributions receipts reflects the easing in wage dynamics. Furthermore, the receipts dynamics was adversely affected by exempting the employees from construction and some industrial sectors from the health insurance contribution, as well as by reducing the social contributions due by employers (according to GEO 114/2018, with a negative impact of RON 1.6 billion) and, to a lesser extent, by transfers to the second pillar pension fund (RON 8.5 billion in 2019). In addition, social contributions transfer from the employer to the employee according to GEO 79/2017 brought a significant increase in revenue in January 2019 compared to January 2018 (significant base effect).

Excise duties receipts amounted to RON 31.46 billion in 2019, up 10.3 per cent. from the previous year's revenue. Compared to the initial target, revenue was RON 0.39 billion higher (101.3 per cent.), mainly reflecting a 16 per cent. year on year increase in revenue in December. As a share of GDP, excise revenue stood at 3.0 per cent. in 2019, with energy products and tobacco excises accounting for 96.5 per cent. of all.

Compared to 2018, excise revenue from energy products grew by 6.4 per cent., due to a 3.1 per cent. increase in the level for fuels and a 7 per cent. rise in fuels consumption. Excise revenue from tobacco products was 17.7 per cent. larger compared to 2018, mainly reflecting an 8 per cent. increase in excise duty level for cigarettes.

VAT receipts amounted to RON 65.42 billion in 2019, up 9.7 per cent. compared to 2018. As a share of GDP, VAT revenue stood at 6.2 per cent. in 2019. Compared to the initial target, the revenue was RON 4.23 billion lower (93.9 per cent.). VAT receipts rose by 8.1 per cent. year on year in December, faster than the relevant macroeconomic base (turnover in trade, services and industry). Revenue from reimbursements from the EU amounted to RON 25.32 billion.

Revenue from taxes on use of goods decreased by RON 0.3 billion compared to 2018, mainly due to RON 3.0 billion refunds of environment stamp duty for cars collected in previous years (in 2018 were refunded RON 1.6 billion). Gambling tax revenue increased by an annual 25.7 per cent. pace in 2019. However, revenue from taxes on the use of goods were RON 3.5 billion lower compared to the initial target, mainly due to postponed 5G frequencies sale.

Non-tax revenue totalled RON 27.1 billion in 2019 (a decrease of 0.4 per cent. year on year) and RON 1.20 billion lower compared to the initial target (95.8 per cent. year on year). Revenue from SOEs dividends and payments from the autonomous administrations net profit was RON 6.0 billion in 2019, 20 per cent. lower than the 2018 receipts, as a result of lower additional dividends by RON 1.3 billion in December, according to GEO 114/2018. Non-tax revenue to the state budget (from concessions, interest, services and other activities, administrative and licenses fees, penalties and confiscations) increased by 15.1 per cent. compared to 2018.

General government expenditure

General government expenditure amounted to RON 369.4 billion (34.9 per cent. of GDP), up 14.7 per cent. compared to the previous year, but marginally lower compared to the initial target (99.6 per cent.). Total expenditure increased by 1.7 per cent., from 33.8 per cent. of GDP in 2018 to 34.9 per cent. of GDP in 2019.

The expansion of budget expenditure is explained by the increase, as a share of GDP, of compensation of employees by 0.8 per cent., social assistance by 0.4 per cent., investment by 0.6 per cent. and goods and services by 0.4 per cent.

Compensation of employees increased by 18.8 per cent. year on year in 2019, to RON 102.3 billion, in line with the initial target. As a share of GDP, compensation of employees increased by 0.7 per cent., from 9.0 per cent. in 2018 to 9.7 per cent. in 2019. This dynamic is principally explained by the increases in public wages (according to Law 153/2017) and in minimum wage. This amount also includes wage settlements for state universities personnel stipulated by Law 85/2016 – 2018 arrears and payments corresponding to 2019, as well as settlements as to court decisions related to wage rights in education and justice (impact of RON 1.7 billion).

Goods and services expenditure amounted to RON 52.8 billion (an 18.3 per cent. year on year growth), RON 4 billion above the initial target, due to additional spending for drugs and overdue invoices in local public administration.

Interest expenditure amounted to RON 12.2 billion, 6.1 per cent. lower compared to 2018 and RON 1.3 billion below the initial target.

Subsidies amounted to RON 7.1 billion and stood at 0.7 per cent. of GDP.

Social assistance expenditure amounted to RON 114.7 billion, up 13.2 per cent. year on year. This dynamic is mainly explained by increases in: (i) pension point by 10 per cent. as of 1 July 2018 (to RON 1,100) and by 15 per cent. Since 1 September 2019 (to RON 1,265); (ii) social allowance for pensioners as of 1 July 2018 and 1 September 2019 (from RON 520 to RON 640 and subsequently to RON 704) and (iii) child allowances. Compared to the initial target, social assistance (pensions, child allowances, disability allowances, maternity allowances etc.) were RON 5.2 billion higher. RON 1.2 billion correspond to overdue health insurance payments on medical leave.

Other expenditure (mainly amounts related to the payment titles issued by the National Authority for Properties Restitution according to legislation in force, scholarships for students and civil damages) amounted to RON 7.62 billion in 2019, RON 1.5 billion above the initial target. This increase also includes the settlement of RON 0.91 billion in December as to arbitration decision issued by the International Centre for Settlement of Investment Dispute (Arbitration File no. ARB/05/20).

Investment, which includes capital expenditure, as well as spending related to development programs financed from domestic and external sources, amounted to RON 43.6 billion (4.1 per cent. of GDP). The 27.4 per cent. annual increase was mainly driven by the settlement of invoices issued over the last two months (RON 16.8 billion, representing 38.5 per cent. of total annual investments) for the investment projects in central and local administration (bringing the final capital expenditure RON 5.0 billion above initial target). On the other hand, expenditure for projects financed from non-reimbursable external funds (including EU subsidies for agriculture) amounted to RON 28.0 billion, RON 10.4 billion lower than the initial target. A slow implementation of projects financed from EU funds was also reflected on the revenue side (0.8 per cent. of GDP lower the initial target).

Budget for 2020

The budget for 2020 was significantly impacted by the COVID-19 pandemic, which decreased demand and internal and external trade. The Romanian Government approved and implemented a series of tax and financial measures, in order to mitigate the COVID-19 pandemic's negative effects.

Initial planning – the State budget law for 2020 no. 5/2020 and the Social insurance budget law for 2020 no. 6/2020.

In the context of forecasted economic growth of 4.1 per cent. of GDP, the initial tax and budgetary policy for 2020 pursued an adjustment of the budgetary balance (cash) of approximately 1 per cent. The forecasted revenues of 31.9 per cent. of GDP and expenses of 35.5 per cent. of GDP, a target of 3.6 per cent. of GDP was established for the government deficit, in comparison to a deficit of 4.6 per cent. of GDP in 2019.

Main measures considered in drafting the budget for 2020:

- The minimum guaranteed national basic gross salary increased to RON 2,230 (monthly), starting 1 January 2020, as compared to RON 2,080 in 2019, representing an increase of 7.2 per cent. as compared to December 2019.

- When estimating the costs of human resources in the consolidated budget for 2020, a gradual implementation of the Framework law no. 153/2017 on the salaries of staff paid from public funds,

as subsequently amended and supplemented, was taken into consideration.

- Removal of the VAT split payment mechanism in order to align to the European Union in this field; the enforcement of the existing amounts in the VAT accounts will be properly handled by the creditor institutions, within the limits of the total amount of budgetary liabilities, as individualised in the garnishment notice.

- From 1 January 2020, the monthly allowances for public dignitaries and similar functions, as provided in the annex IX in the Framework law no. 153/2017, as subsequently amended and supplemented, are maintained at the same level as in December 2019.

- The value for food allowance is maintained at the level as 2019;

- From January 2020, the monthly amount for the merit allowance is maintained at RON 6,240.

- 2 per cent. of GDP is allotted for defence.

The first budget rectification from April 2020

The first budget rectification from April 2020 was implemented to address the effects of the COVID-19 pandemic, which changed key economic forecasts (expected contraction of 1.9 per cent. of GDP growth was expected for 2020) and required budget provisions to fund the implementation of measures taken in order to prevent the spread of the virus and to limit its negative effects.

Consequently, the deficit target for 2020 was changed from 3.6 per cent. of GDP, as it was in the initial budget law, to 6.79 per cent. of GDP. The revenues of the general consolidated budget decreased by RON 19 billion (1.7 per cent. of GDP) and the budget expenditures were supplemented by RON 12.9 billion (1.2 per cent. of GDP).

The second budget rectification from August 2020

The second budget rectification from August 2020 was enacted through Government Emergency Ordinance, no. 135/2020 on the rectification of the state budget for 2020 and through the Government Emergency Ordinance no. 136/2020 for the rectification of the state social insurance budget for 2020.

This rectification was implemented to address (i) the revision of GDP growth forecast, from negative 1.9 per cent. to negative 3.8 per cent. (real growth), (ii) the need to correlate the budget planning with the budget execution for the first six months of 2020 and (iii) the need to reflect the additional measures taken in the public health, education and social protection sectors, as well as measures to limit the negative effects caused by the limitation or interruption of socio-economic activities in the budget.

The revenues of the consolidated general budget were estimated at 32.2 per cent. of GDP, while the expenses of the consolidated general budget represented 40.9 per cent. of GDP, resulting in a budgetary deficit target in cash of 8.6 per cent. of GDP, which corresponded to an ESA deficit of 8.61 per cent. of GDP.

The decrease of RON 7.8 billion (0.7 per cent. of GDP) of the economic revenues was covered by the increase of the non-reimbursable funds of RON 8.5 billion (0.8 per cent. of GDP), which resulted in a slight increase of RON 0.9 billion (0.1 per cent. of GDP) of the revenues of the consolidated general budget. The budgetary expenses were supplemented of RON 19.4 billion (1.8 per cent. of GDP), such increase being the main cause for the increase of the budgetary deficit in the second budget rectification.

The increase of the budgetary deficit by 5 per cent. of GDP, from 3.6 per cent. of GDP established during the initial budget construction for 2020 at 8.6 per cent. of GDP, incurred due to the decrease of activity in the economic sectors affected by the COVID-19 pandemic, as well as due to the increase social revenues and revenues for supporting the economy in order to prevent and fight the effects of the COVID-19 pandemic.

The third budget rectification from November 2020

The third budget rectification from November 2020 was based on a contraction of 4.2 per cent. of GDP (in the context of a GDP of RON 1,050.5 billion and a deflation rate of 3.4 per cent.) and set a new target for the budget deficit of 9.1 per cent. of GDP, or RON 96.0 billion.

The general consolidated budget deficit in cash terms increased by RON 5.0 billion compared to the second budget rectification and by RON 55.5 billion compared to the initial budget.

The revenues of the general consolidated budget were estimated at RON 337.8 billion, or 32.2 per cent. of GDP, out of which RON 298.3 billion, or 28.4 per cent. of GDP, represented revenues from the economy and RON 39.5 billion, or 3.8 per cent. of GDP, represented revenues from non-reimbursable external funds.

Compared to the August budget rectification, the revenues of the general consolidated budget after the third budget rectification decreased by RON 4.2 billion, of which RON 2.1 billion represented the decrease in revenues from the economy (including decreases in profit tax, excise duties and non-fiscal revenues) and RON 2.2 billion from a decrease in revenues from European funds.

The expenditures of the general consolidated budget after the third budget rectification amounted to RON 433.8 billion, or 41.3 per cent. of GDP.

Compared to the second budget rectification, the expenses of the general consolidated budget after the third budget rectification increased by RON 0.8 billion, comprising an increase in current expenses and capital of RON 2.2 billion, which was partially offset by RON 1.4 billion in savings registered on projects financed from non-reimbursable external funds.

The main objectives of the third budget rectification were (i) the continuation of investments, estimated at RON 55.0 billion, increasing compared to the initial budget by RON 4.5 billion and which represented the largest allocation in the last ten years for investments and (ii) ensuring the necessary funding in the fields of health, social assistance and education.

The main supplemented amounts took into account the budget of the National Health Insurance Fund, the payment of recalculated and increased pensions, as well as the payment of active measures approved to combat the negative effects of the COVID-19 pandemic, the payment of bills for projects funded from the National Program for Local Development (PNDL), subsidies in agriculture from non-reimbursable external funds (EAGF) and payment of public debt (interest and commissions).

The main macroeconomic scenarios, as projected by the National Commission of Strategy and Prognosis, taken into consideration for the third budgetary revision of 2020, are shown as compared to the previously estimated macroeconomic indicators taken into consideration for the 2020 budget, the first budgetary revision of 2020 and the second budgetary revision of 2020 in the table below:

Indicators	2020 (Estimated)	2020 (Revised Budget April)	2020 (Revised Budget August)	2020 (Revised Budget November)
GDP - billion RON	**1,129.2**	**1,082.1**	**1,058.0**	**1,050.5**
- Real growth (%)	4.1	(1.9)	(3.8)	(4.2)
Inflation/ end of the year (%)	3.0	3.0	2.8	2.2
Inflation/ annual average (%)	3.1	3.1	2.8	2.7
Average number of employees ('000s)	5,268	5,087	5,070	5,090
No. of unemployed persons registered at the end of the year ('000s)	275	295	338	320
Registered rate of unemployment (%)	3.0	3.4	3.9	3.7
Gross average salary (RON/month)	5,429	5,212	5,114	5,160
Goods exports – growth rate (%)	4.5	(7.3)	(10.5)	(10.3)
Goods imports – growth rate (%)	5.5	(6.1)	(7.2)	(6.6)

Execution of the general government budget for 2020

Based on operational data, the general government budget in 2020 registered a RON 101.9 billion deficit (9.7 per cent. of GDP). The general government budget outcome for 2020 indicates an increase by 5.1 per cent. of GDP in budget deficit, from 4.6 per cent. of GDP in 2019.

Revenues of the consolidated budget

The revenues of the general consolidated budget amounted to RON 322.5 billion in 2020, by 0.4 per cent. above the level collected in the previous year.

Wage and income tax revenues registered 24.3 RON billion in 2020, recording an increase of 4.9 per cent. as compared to 2019. A significant component of this increase was the dynamics of the pension income tax (increased to 40.9 per cent.). Additionally, the Single declaration for income tax and social contributions of individuals increased to 9.2 per cent. and the dividend tax increased to 7.9 per cent.

Insurance contributions amounted to RON 112.3 billion in 2020, registering a marginal increase of 0.7 per cent. as compared to 2019.

Income tax revenues amounted to RON 16.0 billion in 2020, decreasing by 9.8 per cent., as compared to 2019. Income tax revenues from economic agents decreased by 5.2 per cent. as compared to 2019, while income tax revenues from commercial banks decreased by 44.0 per cent., as compared to 2019.

Other taxes on income, profit and capital gains from legal entities registered RON 3.2 billion in 2020, decreasing by 15.4 per cent. from year-to-year. The dynamics of these revenues were also affected by the unfavourable economic situation, the restructuring and rescheduling of tax obligations declared by taxpayers paying income tax on micro-enterprises, as well as the 10 per cent. bonuses granted to them for the payment of maturity tax (GEO 33/2020).

The amounts reimbursed by the European Union on account of payments made and donations totalled RON 33.6 billion in 2020, increasing by 32.4 per cent. compared to the level recorded in 2019.

Expenditures of general consolidated budget

Expenditures of the general consolidated budget in the amount of RON 424.4 billion increased in nominal terms by 14.8 per cent. compared to 2019.

Personnel expenses amounted to RON 109.98 billion, up 7.5 per cent. compared to the previous year, reflecting salary increases, food allowance, both those applied since 1 January 2019, granted under Framework Law no. 153/2017 on the remuneration of staff paid from public funds, as well as the salary increases applied from 1 January 2020.

Expenditures on goods and services were RON 57.1 billion, up 7.0 per cent. from the previous year. Within the general consolidated budget, increases compared to the average are recorded at the level of the local administration, including the hospitals under their subordination, increases determined mainly by additional payments for medicines, sanitary materials, reagents and other products necessary for diagnosing and treating patients infected with COVID-19.

Expenditures on subsidies amounted to RON 8.1 billion, most of which were allocated to the agricultural sector and transport, respectively subsidies to support agricultural producers, subsidies for passenger transport and for price and tariff differences.

Expenditures on social assistance amounted to RON 138.6 billion, an increase of 20.8 per cent. compared to the previous year. The evolution of social assistance expenditures was mainly influenced by the increase of the pension point from 1 September 2019, as well as by the increase of the pension point from 1 September 2020 by RON 177, respectively from RON 1,265 to RON 1,442. It also reflects the increase from 1 September 2020 of the level of the social allowance for pensioners guaranteed from RON 704 to 800, as well as the increases to the state allowances for children on 1 May 2019, 1 January 2020 and 1 August 2020, which represent an increase of the allowance by approximately 20 per cent. more than the allowance paid in July 2020.

Investment expenditures, which include capital expenditures, as well as the most important financial development programs from internal and external sources, amounted to RON 53.2 billion, the largest amount invested in the economy in the last 10 years, increasing by RON 9.5 billion compared to the previous year. Within the general consolidated budget, the increases appear to the state and local budgets both from national funds and related to projects financed from non-reimbursable external funds. Thus, the local administration invested 64.6 per cent. more than the same period last year in financial projects in non-reimbursable external funds related to the financial framework 2014-2021.

Budget for 2021

The following table shows the main macroeconomic indicators used for the 2021 budget planning.

Indicators	**MU**	**2020**	**2021**
GDP, current prices	RON billions	1,040.8	1,116.8
Growth rate.....	%	(4.4)*	4.3
Inflation – annual average.....	%	2.63	2.4
- annual, year end	%	2.06	2.5
Average number of employees	thousands persons	5,090	5,158
Number of unemployed registered at the end of the year	thousands persons	305	310
- Unemployment rate at the end of the year	%	3.5	3.6
Gross average earnings	RON/month	5,150	5,380

Indicators	MU	2020	2021
Exports of goods - growth rate	%	(10.4)	7.7
Imports of goods - growth rate	%	(7.1)	9.7
Current account balance	% of GDP	(5.0)	(4.6)

Note:

The data in relation to GDP are selected from the winter prognosis of the National Commission for Strategy and Prognosis.

(*) According to the signal data published by the National Institute of Statistics, the gross domestic product has decreased in 2020 by 3.9 per cent. as compared to 2019 as a result of the industry, agriculture and construction results which were better than the estimations, with December weighing significantly.

General objectives of the budgetary construction:

- Following a trajectory of fiscal consolidation, but ensuring a sustainable economic growth;
- Supporting the economy and the health system; and
- Increasing the funds allocated for investments (from RON 53.1 billion in 2020 to RON 62.0 billion in 2021), as well as an improvement of the related structures by growing the weight of the European funds.

Measures taken into account in the budgetary planning for 2021:

- maintaining the amount of the gross basic salaries and remuneration for military personnel, policemen and special personnel in the penitentiary system and monthly employment allowances that benefits the personnel paid from public functions, at the same level granted in December 2020;
- maintaining the amount of the supplements, allowances, indemnities, premiums and other elements of the salary system which form part of the monthly gross salary, in accordance with the legal provisions, to a maximum amount equal to the amount granted in December 2020, to the extent the personnel hold the same function and perform their activity in the same conditions;
- maintaining the amount of the food allowance at the level established for 2020;
- withholding the awards and the holiday allowance provided under the Framework law no. 153/2017;
- compensating overtime for the budgetary personnel only with adequate free time; in the case of policemen and military personnel the provisions from the previous years are maintained in relation to granting salary rights for the activity performed during legal holidays;
- extending validity of holiday vouchers issued in 2019 and in 2020 until the end of 2021 and suspending issuance of holiday vouchers in 2021 by the public authorities and institutions;
- Students enrolled in full-time learning at accredited universities and which are up to 26 years old benefit from a 50 per cent. discounted fee for means of local public transportation, domestic road transportation, internal rail transportation for all categories of trains and naval transportation. Orphan students or originating from foster homes do not pay for using the above-mentioned means of transportation;

- The national average gross basic salary guaranteed for payment has increased to RON 2,300 starting 13 January 2021, representing an increase of 3.1 per cent. compared to December 2020;

- Starting January 2021, the amount of the state allowance for children is increased by 16 per cent. as compared to the amount as of December 2020;

- funding the social protection measures in the pandemic context generated by the COVID-19 pandemic, extending their applicability until 30 June 2021;

- supporting the business environment through the following programmes:

- SME INVEST ROMANIA: Small and medium enterprises support program;

- SME EQUIPMENT AND MACHINERY LEASING: Small and medium enterprises support program;

- IMM FACTOR Program: Commercial credit guarantee product and state aid scheme to support the activity of SMEs associated to the Program;

- "State aid for funding the investment projects" Program;

- "Transfers within the state – aid schemes representing reimbursed amounts for diesel excise duty used as fuel" Program

Thus, the revenues of the Consolidated general budget for 2021 were estimated at RON 364.9 billion (32.7 per cent. of GDP), which includes an increase in revenues from the EU amounting to the equivalent of 1 per cent. of GDP, while the expenses were estimated at RON 444.9 billion (39.8 per cent. of GDP), resulting in a budgetary deficit of RON 80 billion (7.16 per cent. of GDP).

Over the medium term, the budgetary policy aims an adjustment of the deficit in accordance with the table below:

Revenues, Expenditures and Balance of the General Consolidated Budget (% GDP)

	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
				(Estimates)			
Cash revenues.....	31.0	30.3	30.6	32.7	31.4	31.0	30.9
Cash expenditures.....	33.8	34.9	40.3	39.8	37.2	35.3	33.8
Cash balance.....	(2.82)	(4.59)	(9.67)	(7.16)	(5.84)	(4.37)	(2.89)
ESA balance	(2.94)	(4.37)	(9.10)	(8.23)	(6.36)	(4.68)	(2.90)
Structural balance	(3.34)	(5.09)	(.76)	(7.42)	(6.07)	(4.83)	(3.39)

Note:

(1) Due to rounding, the total may not be equal to the sum of the components.

Arrears of the General Consolidated Budget

The following table shows the breakdown of government arrears (outstanding for more than 90 days in accordance with the definition in the standby agreement 2009-2011 concluded with the IMF, that various

institutions in the central and local government have to their suppliers) by sectors for the years 2016, 2017 and 2018, 2019 and 2020. The local authorities have the highest amount of arrears and those are the delayed payments for the investment projects.

	As at 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
			(RON million)		
State Budget[(1)]	23.68	34.19	21.28	25.58	23.05
Local Budget	178.15	188.26	171.34	110.83	206.63
Social Security Budget	0.00	0.00	0.00	0.00	0.00
Total	201.83	222.45	192.62	136.41	229.68

Note:

(1) Includes State budget and self-financed.

Source: Ministry of Finance

Public Debt

Overview

The public debt of Romania is subject to Government Emergency Ordinance No. 64/2007 ("**Debt Ordinance**"), which came into force in June 2007. For the purposes of reporting governmental public indebtedness, Romania distinguishes between governmental public indebtedness incurred directly and governmental public indebtedness guaranteed by the Romanian Government through the Ministry of Finance, and includes amounts advanced temporarily from the credit of the treasury account and debt contracted directly by line ministries. For the purposes of reporting local public indebtedness, Romania includes indebtedness incurred directly or guaranteed by local public administration authorities in accordance with the Debt Ordinance and Law No. 273/2006 on local public finance.

According to the revised funding plan, the gross financing need at government level has been adjusted upward to RON 148.9 billion, following an increase in the budgetary deficit to 9.67 per cent. of GDP according to the data published by the Ministry of Finance on the preliminary execution of the consolidated general budget deficit on 31 December 2020, (approximately RON 101.9 billion) and given the volume of debt refinanced in 2020 (approximately RON 47.1 billion). The Government borrowed RON 91.4 billion in the domestic market by issuing government securities and EUR 15.7 billion from the foreign market by issuing Eurobonds and in the form of loans, including from the European Commission under the SURE instrument. Preliminary calculations of the Ministry of Finance estimate the gross financing needs of government in 2020 as representing 14.1 per cent. of GDP (9.7 per cent. of which corresponds to budgetary deficit, and 4.5 per cent. to the refinancing of public debt). The Ministry of Finance forecasts the gross financing needs of government in 2021 as representing 11.7 per cent. of GDP (7.2 per cent. of which corresponds to budgetary deficit, and 4.6 per cent. to the refinancing of public debt).

The level of the total public indebtedness calculated based on the national legislation (including guarantees) increased to 56.0 per cent. of GDP at the end of December 2020 (preliminary data) compared to 42.4 per cent. of GDP at the end of December 2019.The following table shows public indebtedness indicators according to national legislation for the years 2016, 2017, 2018, 2019 and December 2020.

	31 December 2016		31 December 2017		31 December 2018		31 December 2019		31 December 2020 (preliminary data)	
	(RON million)	*(EUR million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*
Public government debt of:	323,039.3	71,136.8	353,015.9	75,759.4	384,965.0	82,541.4	432,480.7	90,490.4	573,432.5	117,762.5
direct public debt	306,440.5	67,481.6	335,543.2	72,009.6	366,933.4	78,675.2	413,853.2	86,592.8	540,524.2	111,004.3
guaranteed debt	16,598.8	3,655.2	17,472.7	3,749.8	18,031.6	3,866.2	18,627.5	3,897.6	32,908.3	6,758.2
weight in GDP (%)	42.3%	42.3%	41.1%	41.1%	40.4%	40.4%	40.8%	40.8%	54.4%	54.4%
direct debt, weight in GDP (%)	40.1%	40.1%	39.1%	39.1%	38.6%	38.6%	39.1%	39.1%	51.3%	51.3%
guaranteed debt, weight in GDP (%)	2.2%	2.2%	2.0%	2.0%	1.8%	1.8%	1.7%	1.7%	3.1%	3.1%
Local debt of	16,040.9	3,539.4	15,433.0	3,323.7	15,958.6	3,421.7	16,534.3	3,459.6	16,930.1	3,476.8
contracted directly	15,446.1	3,401.4	14,844.5	3,185.7	15,407.2	3,303.5	15,967.9	3,341.1	16,357.2	3,359.2
guaranteed by local public authorities	594.8	138.0	588.5	138.0	551.4	118.2	566.4	118.5	572.9	117.71
weight in GDP (%)	2.1%	2.1%	1.8%	1.8%	1.7%	1.7%	1.6%	1.6%	1.6%	1.6%
direct debt, weight in GDP (%)	2.0%	2.0%	1.7%	1.7%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%
guaranteed debt, weight in GDP (%)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Public debt	339,080.2	74,676.2	368,448.9	79,083.1	400,923.6	85,963.1	449,015.0	93,950.0	590,362.6	121,239.3
Total public debt, weight in GDP (%)	44.4%		42.9%		42.1%		42.4%		56.0%	
GDP (mln RON)	763,652.5		857,895.7		951,728.5		1,058,190.3		1,053,881.4	
Exchange rate at the end of reporting period (EUR/RON)	4.5411		4.6597		4.6639		4.7793		4.8694	

Source: Ministry of Finance

Governmental Public Indebtedness

The level of external governmental public indebtedness, which represented direct external liabilities of Romania or liabilities guaranteed by Romania, increased by RON 64.8 billion from December 2019 to December 2020, mainly due to the debt contracted for deficit financing and refinancing of the public debt.

According to national legislation, the level of external governmental public indebtedness increased from 15.7 per cent. of GDP at the end of 2019 to 21.9 per cent. of GDP at the end of December 2020.

According to national legislation, domestic public government debt increased during the period from December 2019 to December 2020 by RON 76.2 billion, meaning by 7.3 per cent. as a per cent. of GDP. At the end of December 2020, outstanding government securities issued on the domestic market in RON and EUR amounted to RON 247.9 billion compared to RON 189.7 billion as at 31 December 2019, of which treasury bills represented RON 5.5 billion, retail bonds RON 10.3 billion and bonds RON 232.1 billion.

The Ministry of Finance will continue to pursue a flexible approach in the implementation of the funding plan in 2021 in amount of RON 130.8 billion, with a predictable and transparent supply of government securities in order to properly react to the potential changes in the market trends and in investor behaviour.

The governmental public indebtedness of the State according to national legislation for the years 2016, 2017, 2018, 2019 and the end of December 2020 developed as follows:

	31 December 2015		31 December 2016		31 December 2017		31 December 2018		31 December2019		31 December 2020 (preliminary data)	
	(RON million)	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*
Public Government Debt			323,039.3	100%	353,015.9	100%	384,965.0	100%	432,480.7	100%	573,432.5	100%

	31 December 2015		31 December 2016		31 December 2017		31 December 2018		31 December2019		31 December 2020 (preliminary data)	
	(RON million)	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*
by type												
direct debt			306,440.5	94.9%	335,543.2	95.1%	366,933.4	95.3%	413,853.2	95.7%	540,524.2	94.3%
guaranteed debt			16,598.8	5.1%	17,472.7	4.9%	18,031.6	4.7%	18,627.5	4.3%	32,908.3	5.7%
by creditor type												
multilateral			52,539.1	16.2%	47,801.5	13.5%	39,764.8	10.3%	33,779.3	7.8%	52,492.8	9.2%
bilateral			166.7	0.1%	144.7	0.0%	79.1	0.0%	74.4	0.0%	78.3	0.0%
private banks and others			270,333.5	83.7	305,069.7	86.5%	345,121.1	89.7%	398,627.0	92.2%	520,861.4	90.8%
by instrument												
T-bills			11,988.5	3.7%	8,428.6	2.4%	3,997.0	1.0%	1,660.5	0.4%	5,498.2	1.0%
cash management instruments			0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Bonds (ROL & Forex)			116,630.0	36.1%	131,343.1	37.2%	158,393.7	41.1%	182,760.0	42.3%	232,139.0	40.4%
Tezaur program			0.0	0.0%	0.0	0.0%	0.0	0.0%	5,240.5	1.2%	10,291.4	1.8%
Eurobonds			83,778.3	25.9%	95,766.3	27.1%	111,320.4	28.9%	131,382.8	30.4%	177,538.5	31.0%
loans			69,011.2	21.4%	65,043.5	18.4%	57,407.0	15.0%	52,083.5	12.0%	83,287.4	14.5%
loans from surplus of State Treasury account			41,631.3	12.9%	52,434.4	14.9%	53,846.9	14.0%	59,353.4	13.7%	64,678.0	11.3%
by initial maturity												
short-term			53,619.9	16.6%	60,863.0	17.2%	57,843.9	15.0%	61,013.9	14.1%	70,176.2	12.2%
medium-term (1-5 years)			62,990.3	19.5%	72,195.3	20.5%	86,846.3	22.6%	98,282.9	22.7%	165,130.6	28.8%
long-term			206,429.1	63.9%	219,957.6	62.3%	240,274.8	62.4%	273,183.9	63.2%	338,125.7	59.0%
by interest type												
fixed			240,873.5	74.6%	261,529.5	74.1%	296,635.7	77.1%	340,799.9	78.8%	457,904.7	79.9%
variable			82,165.8	25.4%	91,486.4	25.9%	88,329.3	22.9%	91,680.8	21.2%	115,527.9	20.1%
by currency												
RON			170,139.4	52.7%	192,055.0	54.4%	214,671.6	55.8%	245,191.2	56.7%	308,792.3	53.8%
USD			26,930.6	8.3%	23,667.6	6.7%	28,225.3	7.3%	29,134.0	6.7%	39,997..6	7.0%
EURO			123,498.2	38.2%	135,165.7	38.3%	140,026.4	36.4%	156,179.2	36.1%	222,882.4	38.9%
SDR			9.6	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
CHF			31.0	0.0%	17.7	0.0%	6.2	0.0%	0.0	0.0%	0.0	0.0%
CAD			383.6	0.1%	305.3	0.1%	229.0	0.1%	178.7	0.0%	102.0	0.0%
JPY			2,046.9	0.7%	1,804.6	0.5%	1,806.5	0.4%	1,797.6	0.5%	1,658.2	0.3%

Source: Ministry of Finance

According to preliminary data, at the end of December 2020, the outstanding amount of state guarantees was RON 32.9 billion (3.1 per cent. of GDP), of which RON 1.2 billion was guarantees granted for companies and RON 29.8 billion was granted under governmental programmes, mainly the IMM Invest programme, and RON 1.9 billion SURE guarantee.

Having in view the major impact on the economic environment due to the COVID-19 pandemic, the ceiling for government guarantees issuances for 2020 was been set at RON 32 billion. The state provided support in the form of state guarantees amounting RON 11.9 billion for financing contracted by SMEs through the SME INVEST ROMANIA Programme. According to the Fiscal Budgetary Strategy 2021-2023, the ceiling for government guaranteed issuances for 2021 is set at RON 30 billion.

Total public government debt service according to national legislation for 2020 based on the outstanding debt at the end of December is estimated at RON 60.6 billion, of which RON 59.5 billion is estimated for direct debt and RON 1.1 billion for guaranteed debt.

The following table sets out the debt service schedule for Romania's public government indebtedness according to national legislation based on outstanding debt as at the end of December 2020.

	2020	2021	2022	2023	2024	2025	Thereafter
				(RON million)			
Direct debt service:							
Principal	45,551.2	51,156.8	57,637.4	64,921.6	52,190.0	39,102.7	275,515.7
Interest and Commission	13,931.0	16,785.7	15,112.1	13,377.0	10,867.7	8,859.9	66,790.0
Total government direct public debt service	59,482.2	67,942.5	72,749.5	78,298.6	63,057.7	47,962.6	342,305.7
Guaranteed debt service:							
Principal	1,074.8	2,991.8	2,727.3	2,661.0	2,659.9	2,592.0	19,276.3
Interest and Commission	11.6	15.8	10.7	8.5	7.1	5.6	12.8
Total government guaranteed public debt service	1,086.4	3,007.6	2,738.0	2,669.5	2,667.0	2,597.6	19,289.1
Public government debt service							
Principal	46,626.0	54,148.7	60,364.7	67,582.6	54,849.9	41,694.7	294,791.9
Interest and Commission	13,942.6	16,801.4	15,122.8	13,385.5	10,874.8	8,865.5	66,802.9
Total government public debt service	60,568.6	70,950.1	75,487.5	80,968.1	65,724.7	50,560.2	361,594.8

Notes:

(1) Includes refinancing of government securities issued on domestic market.

(2) The payments in foreign currency are converted in RON using the exchange rate at the end of December 2020.

Source: Ministry of Finance.

Public Debt Instruments and External Financing Programmes

Government Bonds

Treasury bonds and bills denominated in RON are sold at regular auctions by the Ministry of Finance through the NBR. The primary domestic market is based on a selected group of banks acting as primary dealers.

Trading in Treasury bonds is conducted on three secondary markets: the non-regulated over-the-counter market: the E-Bond, an electronic platform developed by Bloomberg and used by Ministry of Finance to monitor the primary dealers performance vs the minimum requirements for market-making; and on the regulated markets of the Bucharest Stock Exchange.

Romanian government securities issued on the domestic market consist of the following:

- short-term treasury bills or treasury certificates, which may be issued as interest-bearing or discounted instruments, and which mature no more than one year after the date of issue; and
- medium or long-term benchmark bonds with maturities of three, five, seven, 10 and 15 years (in RON) and of three, four and five years (in EUR) issued as interest-bearing.

Romania's outstanding government bonds (including retail bonds) issued on domestic market amounted to RON 188.0 billion at the end of December 2019 and RON 242.4 billion at the end of December 2020.

The average time to maturity ("ATM") of local currency debt had increased to 4.2 years as at 31 December 2020 compared to 4.1 years as at 31 December 2019, while ATM of total debt was 7.3 years as at 31 December 2020 compared with 6.7 years as at 31 December 2019.

As of 31 December 2019, Romania's outstanding international bonds amounted to EUR 21.5 billion and USD 6.7 billion and at the end of December 2020 to EUR 28.3 billion and USD 10.0 billion.

External Financing Programmes

Under the World Bank Country Partnership Strategy 2014-2018 (as extended), it was agreed that the Romanian authorities could contract from the International Bank for Reconstruction and Development over that period EUR 4 billion (at a rate of approximately EUR 1 billion per year) of which 70 per cent. is to finance two new development policy loans (each, a "**DPL**") series and 30 per cent. is expected to be for loan operations in order to sustain sectorial reforms (i.e. in the health, education, energy, environment and social inclusion areas). In June 2014, Romania concluded with the World Bank two loan agreements amounting to EUR 1 billion. Both loans are effective and the first DPL was disbursed in 2015.

From 2015 to 2017, four loans in aggregate amount of EUR 808 million were signed with the World Bank.

During 2018, a loan in the amount of EUR 400 million was concluded with the World Bank, and under the Country Partnership Framework for 2019-2023, another loan in the amount of EUR 50 million was concluded for strengthening disaster risk management. Two similar loans, in the aggregate amount of EUR 90 million were signed.

In June 2019 an advance agreement in amount of EUR 2.5 million was signed by Ministry of Finance and the World Bank in preparation of the Justice District Development Project and in September the same year, Romania has concluded a Loan Agreement with the IBRD for a Program for Results operation in the health sector.

A new loan of EUR 100 million, for the Safer, Inclusive and Sustainable Schools Project is currently under negotiation and it is expected to be concluded by mid-2021.

In addition, under the newly established European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 pandemic, which enabled the EU to provide financial assistance to Member States, Romania has contracted in October 2020 a loan of EUR 4.1 billion.

In June 2016 and July 2016, the Romanian Government signed two sovereign loans with the EIB in the aggregate amount of approximately EUR 660 million, in July 2017 a loan in the amount of EUR 1 billion and in September 2018 a further new loan in the amount of EUR 450 million in order to partially cover state budget contribution to several OPs under the 2014-2020 programming period.

From 2016 to 2019 two loans in the aggregate amount of EUR 351 million were concluded with the Council of Europe Development Bank for a social housing programme and for the modernisation of judiciary infrastructure.

Since it started operations in 1999, the BSTDB has financed over 36 projects in Romania (of which only one had a state guarantee), amounting to approximately EUR 415 million as of 31 October 2018.

Total financing provided through EFSI by September 2020 was in amount of EUR 1 billion, expecting to trigger EUR 4 billion of investments.

As at 1 December 2020, the aggregate outstanding value of the public debt portfolios contracted from the World Bank, EIB, EBRD, CEB and JBIC in Romania was EUR 10,320 million, consisting of sovereign loans and guarantees mainly for the financing of public projects in the infrastructure and social sectors.

During 31 December 2018 and 31 December 2020, the Ministry of Finance has issued "no-objection" letters to the EIB, the IFC and EBRD for 37 projects financing the private sector and local authorities totalling approximately EUR 30.05 billion.

Expected Strategies and Trends for Public Debt

For 2020, as a result of the preliminary execution of the consolidated general budget deficit of 9.67 per cent. of GDP as at 31 December 2020 and the decrease of economic growth due to the COVID-19 pandemic, the public debt according to national legislation rose from 42.4 per cent. of GDP as at 31 December 2019 to 56.0 per cent. of GDP as at 31 December 2020 according to preliminary data.

Budgetary financing plan for 2020

In 2020 the budget deficit of about RON 101.9 billion (9.67 per cent. of GDP) was financed almost equally from domestic and external sources, having in view the volume of refinancing of public debt on domestic market. The financing needs was covered through government securities issued on domestic market and from external market Eurobonds under the MTN program, as well as drawings from loans from international institutions. See "*Recent Developments –Macroeconomic impacts of COVID-19*".

Debt management

In terms of government public debt management, the Government approved in September 2019 its medium-term strategy for the period 2019 to 2021. The main objectives of the approved strategy are: (i) covering the government financing needs, while minimising medium and long-term costs; (ii) limiting the risks of the government public debt portfolio; and (iii) developing the domestic market for government securities.

Starting with 2010, in order to improve public debt management and to avoid the seasonal pressure to finance the budget deficit and refinance debt, the Ministry of Finance established a financial reserve (buffer) in foreign currency, which will be consolidated to an amount equivalent to the needs of financing the budget deficit and refinancing the public debt over a period of up to four months.

Furthermore, the Ministry of Finance envisages the use of derivative financial instruments (currency swaps and interest rate swaps). In this respect the Ministry of Finance has modified the legal framework on public debt in order to allow it to use financial derivatives and is in the process of developing internal procedures to establish the activities and measures to be performed to cover all processes specific to transactions in derivative financial instruments, including negotiation and execution of specific documentation (such as an ISDA Master Agreement) for the use of these instruments. Currently, Ministry of Finance has hired legal advisory services for the implementation of ISDA Master Derivative Agreements and the execution of transactions with derivative financial instruments, respectively for interest rate swaps, currency swaps and cross-currency swaps.

Public debt according to the EU methodology[5]

The general government debt according to EU methodology increased to 47.3 per cent. of GDP as at 31 December 2020 from 35.3 per cent. of GDP as at 31 December 2019. With respect to the debt structure, the central government indebtedness has increased to 45.8 per cent. of GDP as at 31 December 2020 from 33.9 per

[5] For the purpose of the Excessive Deficit Procedure ("**EDP**") in the Economic and Monetary Union ("**EMU**"), as well as for the Growth and Stability Pact, the current Protocol 12, annexed to the 2012 consolidated version of the Treaty on the Functioning of the European Union, provides a complete definition of government debt: "*debt means total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government*".

This definition is supplemented by Council Regulation (EC) No. 479/2009, as amended by the Commission Regulation (EU) No 220/2014 (which has only updated references to ESA 2010 instruments) specifying the components of government debt with reference to the definitions of financial liabilities in ESA 2010. In this context, the stock of government debt in the Excessive Deficit Procedure (EDP debt) is equal to the sum of liabilities, at the end of year N, of all units classified within the general government sector (S.13) in the following categories: AF.2 (currency and deposits) + AF.3 (debt securities) + AF.4 (loans).

cent. of GDP as at 31 December 2019, and the level of local government indebtedness has increased to 1.5 per cent. at 31 December 2020.

The following table shows general government indebtedness indicators as at 31 December 2015, 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 by sub-sectors of general government:

	31 December 2015		**31 December 2016**		**31 December 2017**		**31 December 2018**		**31 December 2019**		**31 December 2020**	
	(RON million)	*(RON million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*
Central government debt			270,013.6	59,460.0	286,399.6	61,463.1	316,042.9	67,763.7	358,820.1	75,078.0	482,492.4	99,086.6
Weight in GDP (%).....			35.4%	35.4%	33.4%	33.4%	33.2%	33.2%	33.9%	33.9%	45.8%	45.8%
Local government debt of			15,539.5	3,422.0	14,758.8	3,167.3	14,544.1	3,118.4	14,804.5	3,097.6	15,859.6	3,257.0
Weight in GDP (%).....			2.0%	2.0%	1.7%	1.7%	1.5%	1.5%	1.4%	1.4%	1.5%	1.5%
Social security funds			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Weight in GDP (%).....			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General government debt			285,553.1	62,882.0	301,158.4	64,630.4	330,587.0	70,882.1	373,624.6	78,175.6	498,352.0	102,343.6
Total public debt, weight in GDP (%).....			37.4%		35.1%		34.7%		35.3%		47.3%	
GDP (mln RON)[1].....			763,652.5		857,895.7		951,728.5		1,058,190.3		1,053,881.4	
GDP (mln euro)			168,164.7		184,109.6		204,062.8		221,411.1		216,429.4	
Exchange rate at the end of reporting period (EUR/Lei)			4.5411		4.6597		4.6639		4.7793		4.8694	

Note:

(1) According to EU methodology the debt to GDP is calculated taking into account the sum of GDP in the last four quarters. As at 31 December 2020, GDP is calculated taking into account the NIS press release from 12 January 2021.

Source: Ministry of Finance

Taking into consideration the data published by the Ministry of Finance on the preliminary execution of the consolidated general budget deficit of 9.67 per cent. of GDP on 31 December 2020 due to the COVID-19 pandemic, the general government debt according to EU methodology rose from 35.3 per cent. of GDP as at 31 December 2019 to 47.3 per cent. of GDP at the end of 2020, according to preliminary data.

In order to maintain the general government debt at a sustainable level the Fiscal Responsibility Law stipulates the rules for the limits on government debt, calculated according to the EU methodology, as follows:

- if the government debt is between 45 per cent. and 50 per cent., Ministry of Finance submits to the Government a report explaining the debt increase presenting proposals to maintain this indicator at a sustainable level.
- if the government debt is between 50 per cent. and 55 per cent., the Government initiates and adopt a program approved by law with measures to reduce the weight of this indicator to GDP, including the freeze of wages in the public sector.
- if the government debt is between 55 per cent. and 60 per cent., additionally to the measures above, the Government will propose measures to freeze the social security expenditures of the public sector.
- if the general government debt is above 60 per cent., additionally to the measures above, the Government will propose to the Parliament a plan to reduce the public debt by an average of 5 per cent. per year.

The sensitivity analysis of the public debt as presented in the Fiscal Budgetary Strategy for 2021-2023, shows that a fiscal slippage could translate into a cash deficit of 11.3 per cent. of GDP per year with the European Commission autumn forecast 2020 estimating a cash deficit of 11.3 per cent. of GDP for 2021. This would lead

to a higher level of public indebtedness, which could increase by up to 15.4 per cent. of GDP at the end of 2023 as compared with the current level of general government debt estimated for 2023 at 54.3 per cent. of GDP.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used for budget deficit financing, redemption of public debt and liability management operations (buy-backs or exchanges).

TAXATION

Romanian Taxation

The following is a general description of certain Romanian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Romania of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Information Memorandum and is subject to any change in law that may take effect after such date.

Under Law No. 227/2015 on the fiscal code as subsequently amended and supplemented ("**Romanian Fiscal Code**"), certain types of income received by non-residents from Romanian sources are subject to Romanian tax at the rates prescribed by the Romanian Fiscal Code, irrespective of whether the income is received in Romania or abroad. For the purposes of the Romanian Fiscal Code:

(i) a "**non-resident**" is defined as any foreign legal person, any non-resident natural person, and any other foreign entities, including undertakings for collective investment in transferable securities, without legal personality, which are not registered in Romania according to the law;

(ii) a "**foreign legal person**" is defined as any legal person which is not a Romanian legal person and any legal person established pursuant to European law which is not headquartered in Romania;

(iii) a "**Romanian legal person**" is defined as any legal person established and functioning in accordance with Romanian law;

(iv) a "**legal person established pursuant to European law**" is defined as any legal person established in accordance with and by the mechanics contemplated by European regulations;

(v) a "**non-resident natural person**" is defined as any natural person which is not a resident natural person, as well as any foreign citizen enjoying diplomatic or consular regime within Romania, any foreign citizen who is an employee or officer of an international or intergovernmental organisation registered in Romania, any foreign citizen who is an officer or an employee of a foreign state in Romania, or their family members; and

(vi) a "**resident natural person**" is defined as any natural person that meets at least one of the following conditions: (a) is domiciled in Romania, or (b) has the centre of his vital interests (Romanian language: "*centrul intereselor vitale*") located in Romania, or (c) is present in Romania for a period or several periods exceeding in aggregate 183 days during any twelve consecutive months, and that period(s) end(s) in the relevant calendar year, or (d) is a Romanian citizen that works abroad as an officer or an employee of the Romanian state.

Taxation of non-resident Noteholders

Under the Romanian Fiscal Code interest payable to Noteholders, which are non-residents (as defined above), on the Notes is exempted from taxation (the special exemption applies since the Notes are Romanian public debt instrument). Also, for capital gains (determined as the difference between the sale price and the acquisition price and in some cases, the transaction costs) derived by non-residents (as defined above) from the transfer of Notes, such non-resident Noteholders are not taxed (the special exemption applies since the Notes are Romanian public debt instrument). Therefore, no tax on interest or capital gains will be levied on such income. Additionally, the income obtained by non-residents (as defined above) from financial derivative transactions utilised for the hedging of Romanian governmental public debt is exempted from Romanian withholding tax.

Other information

Romania is a party to over 90 double tax treaties and protocols with other jurisdictions, most of which are based on the OECD Model Convention.

Luxembourg Taxation

The following is a general description of certain Luxembourg tax considerations relating to the Notes which are admitted to the Official List and to trading on the regulated market of the Luxembourg Stock Exchange. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere.

This summary is based upon the law as in effect on the date of this Information Memorandum. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Prospective holders of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes on the basis of this Information Memorandum, including the effect of any state or local taxes, under the tax laws of Luxembourg and each country of which they are residents.

All payments of interest and principal by the Paying Agent under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individual beneficial owners of the Luxembourg law of 23 December 2005, as amended, which has introduced a 20 per cent. withholding tax (which is final when Luxembourg resident individuals are acting in the context of the management of their private wealth) on interest paid by a Luxembourg paying agent. Responsibility for the withholding of such 20 per cent. tax is assumed by the paying agent within the meaning of this law and not by the Issuer.

In addition, pursuant to the law of 23 December 2005, as amended, Luxembourg resident individuals who are the beneficial owners of interest paid by a paying agent established outside Luxembourg, in a Member State of either the European Union or the European Economic Area, can opt to self-declare and pay a 20 per cent. tax on this interest. This 20 per cent. tax is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

The Proposed Financial Transaction Tax ("FTT")

On 14 February 2013, the European Commission published a proposal ("**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each other than Estonia, a "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Under the current form of the Commission's Proposal, the issuance and subscription of Notes should, however, be exempt

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

In January 2019, France and Germany came with a new proposal on the content of the FTT. Discussions are still ongoing, however, there appears to be a consensus among the ministers of the participating Member States that the FTT should continue to be negotiated on the basis of the Franco-German proposal.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary discusses certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Notes purchased on original issuance at their "**issue price**" (as defined below);
- Notes held as capital assets;
- U.S. Holders (as defined below); and
- Notes treated as debt for U.S. federal income tax purposes.

This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or Medicare tax on net investment income), and does not address state, local, non-U.S., or other tax laws. This discussion also does not describe all of the tax consequences that may be relevant in light of a Holder's particular circumstances or to Holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- individual retirement accounts and other tax deferred accounts;
- tax-exempt organisations;
- persons holding Notes as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- U.S. Holders whose functional currency is not the U.S. dollar;
- partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes and their partners;
- persons subject to special rules for the taxable year of inclusion for accrual-basis taxpayers under Section 451(b) of the Internal Revenue Code of 1986, as amended (the "**Code**");
- persons that have ceased to be U.S. citizens or lawful permanent residents of the United States;
- persons holding Notes in connection with a trade or business outside of the United States; or
- U.S. citizens or lawful permanent residents living abroad.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed United States Treasury Regulations, all as of the date of this Information Memorandum and any of which may at any time be repealed, revised or subject to differing interpretation, possibly retroactively so as to result in U.S. federal income tax consequences different from those described below. Persons considering the purchase of the Notes should consult the relevant Final Terms of the Drawdown Information Memorandum for any additional discussion regarding U.S. federal income taxation.

This summary does not discuss Notes that by their terms may be retired for an amount less than their principal amount and Notes subject to special rules. The tax treatment of certain Notes, such as Index-Linked Notes, Dual Currency Notes, other variable-linked Notes and Notes that are not principal protected, may be specified in the

relevant Final Terms of the Drawdown Information Memorandum. Moreover, this summary does not discuss Bearer Notes, which are not being marketed to U.S. persons. In general, U.S. federal income tax law imposes significant limitations on U.S. Holders of Bearer Notes. U.S. Holders should consult their own tax advisers regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Bearer Notes.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- an individual that is a citizen or resident of the United States;
- a corporation created or organised in or under the laws of the United States or of any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Entities or arrangements classified as partnerships for U.S. federal income tax purposes holding Notes should consult with their tax advisers regarding the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE NOTES, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS, AND POSSIBLE CHANGES IN TAX LAW.

Payments of Stated Interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the Holder's method of accounting for U.S. federal income tax purposes, provided that the interest is "**qualified stated interest**" (as defined below). Interest income earned by a U.S. Holder with respect to a Note and original issue discount ("**OID**"), if any, accrued with respect to the Notes generally will constitute foreign source income for U.S. federal income tax purposes. Special rules governing the treatment of interest paid with respect to OID Notes and Foreign Currency Notes (each as defined below) are described under "*— Original Issue Discount*" and "*— Foreign Currency Notes*."

Original Issue Discount

A Note, other than a Note with a term of one year or less (a "**short-term Note**"), that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued at original discount for U.S. federal income tax purposes (and will be referred to as an "**OID Note**") unless the Note satisfies a *de minimis* threshold (as described below). The "issue price" of a Note generally will be the first price at which a substantial amount of the Notes are sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Note generally will equal the sum of all payments required to be made under the Note other than payments of "qualified stated interest." "Qualified stated interest" is stated interest unconditionally payable (other than in Notes of the Issuer) at least annually during the entire term of the Note at a single fixed rate of interest, at a single qualified floating rate of interest or at a rate that is

determined at a single fixed formula that is based on objective financial or economic information (or certain combinations thereof). A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option in a manner that minimises the yield on the Note, and the U.S. Holder will be deemed to exercise any put option in a manner that maximises the yield on the Note.

If the difference between a Note's issue price and its stated redemption price at maturity is less than a *de minimis* amount (generally 1⁄4 of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity, or, if the Notes provide for principal payments before maturity, the product of the same percentage and their weighted average maturity) the Note will not be considered to have OID. U.S. Holders of Notes with less than the specified *de minimis* amount of OID will include this OID in income, as capital gain, on a *pro rata* basis as principal payments are made on the Note.

A U.S. Holder of OID Notes will be required to include OID in income for U.S. federal income tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received. Under these rules, U.S. Holders generally will have to include in taxable income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any particular Note (including stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and generally may revoke such election (a "**constant yield election**") only with the permission of the U.S. Internal Revenue Service ("**IRS**"). If a U.S. Holder makes a constant yield election with respect to a Note with market discount (discussed below), the U.S. Holder will be treated as having made an election to include market discount in income currently over the life of all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies. U.S. Holders should consult their tax advisers about making this election in light of their particular circumstances.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under United States Treasury Regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis

points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer. Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument," then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) equal to or in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate

equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument, and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. See "*—Contingent Payment Debt Instruments*" for a discussion of the U.S. federal income tax treatment of such Notes.

Market Discount

If a U.S. Holder purchases after its original issuance a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an OID Note, its revised issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an OID Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of, a Note, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the U.S. Holder to include market discount in income as it accrues. An election to include market discount in income as it accrues applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies and may not be revoked without the consent of the IRS. In addition, a U.S. Holder that does not elect to include market discount in income currently may be required to defer, until the maturity of the Note or its earlier sale, exchange or other disposition (including in certain non-recognition transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

Market discount will accrue on a straight line basis unless a U.S. Holder makes an election on a Note to accrue on the basis of a constant interest rate. This election applies only to the market discount Note with respect to which it is made and is irrevocable.

Acquisition Premium and Amortisable Bond Premium

A U.S. Holder who purchases a Note for an amount that is greater than the Note's adjusted issue price but less than or equal to the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest will be considered to have purchased the Note at an acquisition premium. Under the acquisition premium rules, the amount of OID that the U.S. Holder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Note for an amount that is greater than the stated redemption price at maturity, the Holder will be considered to have purchased the Note with amortisable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The Holder may elect to amortise this premium, using a constant yield method, over the remaining term of the Note. A Holder who elects to amortise bond premium must reduce its tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the Holder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under "*—Original Issue Discount*") for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the Holder's debt instruments with amortisable bond premium.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a short-term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on short-term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale, exchange or retirement of the short-term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale, exchange or retirement. U.S. Holders who are not required and do not elect to accrue OID on short-term Notes will be required to defer deductions for interest on borrowings allocable to short-term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a short-term Note are included in the short-term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a short-term Note as if the short-term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the short-term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's

adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of OID and market discount included in the Holder's gross income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and decreased by any bond premium or acquisition premium previously amortised and by the amount of any payment received from the Issuer other than a payment of qualified stated interest. Gain or loss, if any, will generally be U.S. source income. For these purposes, the amount realised does not include any amount attributable to accrued but unpaid qualified stated interest on the Note. Amounts attributable to accrued but unpaid qualified stated interest are treated as payments of interest as described under "*— Payments of Stated Interest*."

Except as described below, gain or loss realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the U.S. Holder has held the Note for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the Holder's taxable income. See "*— Original Issue Discount*" and "*—Market Discount*." In addition, other exceptions to this general rule apply in the case of Foreign Currency Notes (as defined below), and contingent payment debt instruments. See "*—Foreign Currency Notes*" and "*— Contingent Payment Debt Instruments*." The deductibility of capital losses is subject to limitations.

Contingent Payment Debt Instruments

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including Notes with a variable rate that do not qualify as "variable rate debt instruments" for purposes of the OID rules) that are neither remote nor incidental, they generally will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Holder must account for interest for U.S. federal income tax purposes based on a "comparable yield," and the differences between actual payments on the Note and the Note's "projected payment schedule," as described below. The comparable yield is determined by the Issuer at the time of issuance of the Notes. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Notes. Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, the Issuer will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by the Issuer in determining interest accruals and adjustments, unless the U.S. Holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of its method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment debt instrument (as set forth below).

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a U.S. Holder would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of:
    - the amount of all previous interest inclusions under the contingent payment debt instrument; over
    - the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the two per cent. floor limitation imposed on miscellaneous itemised deductions. However, the deduction for miscellaneous itemised deductions is suspended for tax years beginning after December 31, 2017 and before January 1, 2026. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realised on a sale, exchange or retirement of the contingent payment debt instrument. Where a U.S. Holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange or retirement of a contingent payment debt instrument, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted basis in the contingent payment debt instrument. A U.S. Holder's adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Holder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent that the U.S. Holder's total interest inclusions on the contingent payment debt instrument exceed the total net negative adjustments on the contingent payment debt instrument the U.S. Holder took into account as ordinary losses, and the balance as capital loss. Gain or loss recognised by a U.S. Holder on the sale, exchange or retirement of a contingent payment debt instrument will generally be foreign source. The deductibility of capital losses is subject to limitations. In addition, if a U.S. Holder recognises loss above certain thresholds, the U.S. Holder may be required to file a disclosure statement with the IRS (as described under "*—Tax Reporting*").

A U.S. Holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument equal to the fair market value of the property, determined at the time of retirement. The Holder's holding period for the property will commence on the day immediately following its receipt. Special rules apply to contingent payment debt instruments that are denominated, or provide for payments, in a currency other than the U.S. dollar ("**Foreign Currency Contingent Payment Debt Instruments**"). Very generally, these Notes are accounted for like a contingent payment debt instrument, as described above, but in the currency of the Foreign Currency Contingent Payment Debt Instruments. The relevant amount must then be translated into U.S. dollars. The rules applicable to Foreign Currency Contingent Payment Debt Instruments

are complex and U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of such Notes.

Foreign Currency Notes

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of Notes that are denominated in a specified currency other than the U.S. dollar, or the payments of interest or principal on which are payable in a currency other than the U.S. dollar ("**Foreign Currency Notes**").

The rules applicable to Foreign Currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a Foreign Currency Note to be recharacterised as ordinary income or loss. The rules applicable to Foreign Currency Notes are complex and may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a Holder should make any of these elections may depend on the U.S. Holder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of Foreign Currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a Foreign Currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including OID or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Foreign Currency Note during an accrual period. The U.S. dollar value of the accrued income generally will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year.

An accrual method U.S. Holder may elect to translate interest income (including OID) into U.S. dollars at the spot rate on the last day in the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the partial accrual period in the relevant taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income on the date the payment of interest is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to the rules applicable to accrual method U.S. Holders apply in the case of a cash method taxpayer required or who elects to currently accrue OID or market discount.

OID, market discount, acquisition premium and amortisable bond premium on a Foreign Currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period.

Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above. Accrued market discount (other than market discount currently included in income) taken into account upon the receipt of any partial principal payment or upon the sale, retirement or other disposition of a Note is translated into U.S. dollars at the spot rate on such payment or disposition date.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as on the sale, exchange or retirement of the Foreign Currency Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a Foreign Currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a market loss to the extent of the bond premium.

A U.S. Holder's tax basis in a Foreign Currency Note, and the amount of any subsequent adjustment to the Holder's tax basis, will be the U.S. dollar value amount of the foreign currency amount paid for such Foreign Currency Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment, or the settlement date for the purchase, in the case of Notes traded on an established securities market that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). A U.S. Holder who purchases a Foreign Currency Note with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the Foreign Currency Note on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a Foreign Currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of, and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued qualified stated interest will be treated in accordance with the rules applicable to payments of interest on Foreign Currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the Foreign Currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the U.S. Holder or the "qualified business unit" of the Holder on whose books the Note is properly reflected. Any gain or loss realised by these U.S. Holders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of short-term Note, to the extent of any discount not previously included in the U.S. Holder's income, provided that the Note is not a Foreign Currency Contingent Payment Debt Instrument. U.S. Holders should consult their own tax adviser with respect to the U.S. federal income tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue.

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange, retirement or other disposition of a Foreign Currency Note equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. A cash method taxpayer who buys or sells a Foreign Currency Note that is traded on an established securities market is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations provided that the Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. If either (i) the Note is not traded on an established securities market

or (ii) it is, and the Holder is an accrual method taxpayer that does not make the election described above with respect to such Note, exchange gain or loss may result from currency fluctuations between the trade date and the settlement date of the purchase or sale. Any gain or loss realised by a U.S. Holder on a sale, exchange, retirement or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase Foreign Currency Notes) will be ordinary income or loss.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments of principal and interest, and accruals of OID, on the Notes and the proceeds from a sale, redemption or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes.

Tax Reporting

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, ownership or disposition of Notes constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

U.S. Holders should consult their own tax advisers regarding any additional tax reporting or filing obligations they may have as a result of the acquisition, ownership or disposition of the Notes, including reporting requirements related to the holding of certain specified foreign financial assets. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank Ireland PLC, BNP Paribas, Citigroup Global Markets Europe AG, Daiwa Capital Markets Europe Limited, Deutsche Bank Aktiengesellschaft, Erste Group Bank AG, Goldman Sachs Bank Europe SE, HSBC Continental Europe, ING Bank N.V., Intesa Sanpaolo S.p.A, J.P. Morgan AG, Mizuho Securities Europe GmbH, Natixis, Nomura Financial Products Europe GmbH, Raiffeisen Bank International AG, Société Générale, UniCredit Bank AG and any other dealer appointed from time to time ("**Dealers"**). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 6 April 2021 ("**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Selling Restrictions

United States of America

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder. The applicable Final Terms will identify whether TEFRA C or TEFRA D applies or whether TEFRA is not applicable.

The Notes will be offered and sold (A) outside the United States in reliance on Regulation S and (B) within the United States only to persons who are QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The Dealer Agreement provides that the Arranger, or any other Dealer with the prior written consent of the Arranger, may directly or through its respective agents or affiliates arrange for the resale of Restricted Registered Notes in the United States only to QIBs pursuant to Rule 144A.

Each issuance of index-linked Notes shall be subject to additional U.S. selling restrictions as the Relevant Dealer(s) shall agree as a term of the issuance and purchase of such Notes. Each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

1. *No deposit-taking*: in relation to any Notes having a maturity of less than one year:

   (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

   (b) it has not offered or sold and will not offer or sell any Notes other than to persons:

      (i) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses; or

      (ii) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

   where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

2. *Financial Promotion*: It has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

3. *General compliance*: It has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Romania

The Notes may not be offered or sold in Romania, nor may this Information Memorandum or any other material relating to the Notes be distributed in Romania, except in full compliance with all Romanian applicable laws, rules and regulations as amended and supplemented from time to time.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not directly or indirectly offered or sold and will not offer or sell any Notes in Romania and that it has not distributed and will not distribute any Drawdown Information Memorandum or any Final Terms or any related offering material relating to the Notes in Romania, except in full compliance with all Romanian applicable laws, rules and regulations as amended and supplemented from time to time.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation. Each Dealer has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of the Information Memorandum or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of the Information Memorandum or any other document relating to the Notes in the Republic of Italy must be:

1. made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB

Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and

2. in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Canada - Ontario

The Notes may be sold to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Information Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

If applicable, pursuant to section 3A.4 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering of Notes under the Programme.

Switzerland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except where explicitly permitted by the relevant Final Terms:

1. except as set out below, it will not make a public offer of the Notes, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the Swiss Financial Services Act ("**FinSA**");

2. the Notes will not be admitted by it to trading on a trading venue (exchange or multilateral trading facility) in Switzerland;

3. it will not offer, sell, advertise or distribute the Notes, directly or indirectly, in Switzerland, as such terms are defined or interpreted under the FinSA, except to professional clients as such term is defined or interpreted under the FinSA (the "**Professional Investors**"); and

4. no key information document pursuant to article 58(1) FinSA (or any equivalent document under the FinSA) has been or will be prepared in relation to any Notes and, therefore, any Notes with a derivative character within the meaning of article 86(2) of the Swiss Financial Services Ordinance may not be offered or recommended to private clients within the meaning of the FinSA in Switzerland.

The Notes may not be publicly offered, directly or indirectly, in Switzerland, except (i) to Professional Investors or (ii) in the case of Notes, the Final Terms of which explicitly permit a public offer in Switzerland. Offering or marketing material relating to Notes or the Final Terms which do not explicitly permit a public offer in Switzerland, may not be distributed or otherwise made available in Switzerland, except to Professional Investors.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Information Memorandum has not been registered as a prospectus with the Monetary

Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than:

1. to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA;

2. to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; or

3. otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

2. where no consideration is or will be given for the transfer;

3. where the transfer is by operation of law;

4. as specified in Section 276(7) of the SFA; or

5. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1) of the SFA and the CMP Regulations 2018: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notify all persons (including all relevant persons (as defined in Section 309A(1) of the SFA)), that all Notes issued or to be issued under the Programme are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any jurisdiction by the Issuer or any Dealer that would, or is intended to, permit a public

offering of the Notes, or possession or distribution of this Information Memorandum, any Final Terms or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Information Memorandum or any Final Terms come are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Information Memorandum or any other offering material relating to the Notes, in all cases at their own expense.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Information Memorandum.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge) comply with all applicable securities laws and regulations in force in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses or distributes this Information Memorandum, any Final Terms or any other offering materials. Other persons into whose hands this Information Memorandum or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Information Memorandum or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer described in the paragraph headed "*General*" above.

Certain of the Dealers and their affiliates have engaged, are currently engaged and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. Such persons may have received, or may continue to receive, customary compensation. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Information Memorandum, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

(i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;

(ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or any of their respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States; and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;

(iii) the purchaser understands that the Restricted Global Note Certificate and any restricted Individual Note Certificate (a "**Restricted Individual Note Certificate**") will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (4) TO THE ISSUER OR ITS AFFILIATES OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE INSTRUMENTS;

(iv) if it is acquiring any Notes for the account of one or more QIBs, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;

(v) the purchaser understands that Restricted Registered Notes offered in reliance on Rule 144A will be represented by a Restricted Global Note Certificate. Before any interest in a Restricted Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Unrestricted Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and

(vi) the purchaser understands that the Issuer, the Dealers, the Agents and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer and the Dealer(s).

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the Issuer will deliver only a Restricted Global Note Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar or the Transfer Agent such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate will, upon transfer, cease to be an interest in a Restricted Global Note Certificate and become an interest in an Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Note Certificate.

Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

CLEARING AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (together, the "Clearing Systems") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing Systems. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

DTC Book-Entry System

Registered Notes whether as part of the initial distribution of the Notes or in the secondary market, are eligible to be held in book-entry form in DTC.

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "**banking organisation**" within the meaning of the New York Banking Law, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "**clearing agency**" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants ("**Direct Participants**") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations ("**DTC Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below, and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest with respect to the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners

are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Notes for Individual Note Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Note Certificate, will be legended as set forth under "*Transfer Restrictions*".

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have each Tranche of Notes represented by the Restricted Global Note Certificate, and if applicable, the Unrestricted Global Note Certificate, accepted in its book-entry settlement system. Upon the issue of any Global Registered Notes, DTC or its custodian will credit, on its internal book-entry system, the respective principal amounts of the individual beneficial interests represented by such Global Registered Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer.

Ownership of beneficial interests in a Global Registered Note will be limited to Direct Participants or Indirect Participants. Ownership of beneficial interests in a Global Registered Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Global Registered Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the relevant Paying Agent on behalf of DTC's nominee and the relevant Paying Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Registered Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Agents or the Issuer. Payments of principal, premium, if any, and interest, if any, on Notes to DTC are the responsibility of the Issuer.

Transfers of Notes Represented by Global Registered Notes

Transfers of any interests in Notes represented by a Global Registered Note will be effected in accordance with the customary rules and operating procedures of Euroclear, Clearstream, Luxembourg and/or DTC, as the case may be. The laws of some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Registered Note to such persons may depend upon the ability to exchange such Notes for Individual Note Certificates. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Global Registered Note held by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Global Registered Note held by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Transfers at any time by a holder of a book-entry interest in a Restricted Global Note Certificate to a transferee who takes delivery of such book-entry interest through an Unrestricted Global Note Certificate for the same Series of Notes will only be made upon delivery to the Registrar or the Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S. Transfers at any time by a holder of a book-entry interest in an Unrestricted Global Note Certificate to a transferee who takes delivery of such book-entry interest through a Restricted Global Note Certificate for the same Series of Notes will only be made upon receipt by the Registrar or the Transfer Agent of a written certificate from the transferor of such book-entry interest to the effect that such transfer is being made to a person whom such transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any state of the United States.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, and/or the Transfer Agents, as the case may be, and any custodian with whom the relevant Global Registered Notes have been deposited.

On or after the relevant issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in DTC and Euroclear or Clearstream, Luxembourg participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear or Clearstream, Luxembourg on the other, transfers of interests in the relevant Global Registered Notes will be effected through the Registrar and/or the relevant Transfer Agent, as the case may be, and the custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payments must be made separately.

Euroclear, Clearstream, Luxembourg and DTC have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Registered Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer(s) will be responsible for any performance by Euroclear, Clearstream, Luxembourg and DTC or its respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

GENERAL INFORMATION

Responsibility

The Issuer accepts sole responsibility for the information contained in this Information Memorandum and has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects.

Authorisation

The establishment of the Programme was authorised by Government Decision No. 1264/2010 on the approval of the sovereign notes framework programme "Medium Term Sovereign Notes", as rectified through the rectification published in the Official Gazette of Romania, Part I, No. 730 of 29 October 2012 and as amended by Government Decision No. 361/2013, by Government Decision No. 923/2013, by Government Decision No. 192/2015, by Government Decision No. 242/2016, by Government Decision No. 929/2017, by Government Decision 352/2019 and by Government Decision no.238/2020. The increase in the size of the Programme from EUR 31,000,000,000 to EUR 41,000,000,000 was authorised by Government Decision No. 238/2020 of 26 March 2020 which entered into force on 2 April 2020. The increase in the size of the Programme from EUR 41,000,000,000 to EUR 46,000,000,000 was authorised by Government Decision No. 384 of 31 March 2021 which entered into force on 1 April 2021.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations (including without limitation such ministerial orders or approvals or governmental memoranda or approvals as may be required under applicable law from time to time) in connection with each issue and performance of Notes thereunder.

Budgetary authorisation

The Ministry of Finance is the institution which has the relevant credits provided in its budget, at the following budgetary subdivision: for the payment of interest, from the "Actiuni generale" division and the "Interest on direct external public debt" subdivision, and for the payment of principal, from the Ministry of Finance's foreign currency account with the National Bank.

Issue of Notes

The maximum aggregate principal amount of Notes outstanding from time to time under the Programme will not exceed the maximum amount specified in the Government Decision No. 1264/2010 on the approval of the sovereign notes framework programme "Medium Term Sovereign Notes", as rectified through the rectification published in the Official Gazette of Romania, Part I, No. 730 of 29 October 2012 and as amended by Government Decision No. 361/2013, by Government Decision No. 923/2013, by Government Decision No. 192/2015, by Government Decision No. 242/2016, by Government Decision No. 929/2017, by Government Decision No. 352/2019, by Government Decision No. 238/2020 of 26 March 2020 and by Government Decision No. 384 of 31 March 2021, and as may be rectified, amended or replaced from time to time, and in any other applicable Romanian law. The issue of Notes is made in accordance with the Government Emergency Ordinance No. 64/2007 on public debt, as subsequently amended, and Government Decision No. 1470/2007 on the approval of the methodological norms for the application of the Government Emergency Ordinance No. 64/2007 on public debt, as subsequently amended.

The Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is 315700IASY927EDWBK92.

No Significant Change

Save as otherwise disclosed in this Information Memorandum, there has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Issuer since 31 December 2020.

Legal and Arbitration Proceedings

There are no legal or arbitration proceedings against or affecting the Issuer, or any of its assets, nor is the issuer aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Notes.

Documents on Display

For so long as Notes may be issued pursuant to this Information Memorandum, copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of Citibank, N.A., London Branch, Citigroup Centre, 25 Canada Square, London E14 5LB upon reasonable request for:

(a) the current Information Memorandum in relation to the Programme, together with any amendments or supplements thereto;

(b) the Agency Agreement;

(c) the Deed of Covenant;

(d) the Programme Manual (which contains the forms of the Notes in global and definitive form); and

(e) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Bearer Notes in New Global Note form and Registered Notes to be held under the New Safekeeping Structure).

Clearing of the Notes

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The appropriate Common Code, International Securities Identification Number (ISIN), Financial Instrument Short Name (FISN) and Classification of Financial Instruments (CFI) code (as applicable) and/or the Committee on Uniform Security Identification Procedures (CUSIP) Number in relation to the Notes of each Series will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

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