

IMPORTANT

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THE FOLLOWING INFORMATION MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS INFORMATION MEMORANDUM MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES AND WITHIN THE UNITED STATES TO “QUALIFIED INSTITUTIONAL BUYERS” (“QIBs”) AS DEFINED IN AND PURSUANT TO RULE 144A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) (“RULE 144A”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

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.

Confirmation of your representation: In order to be eligible to view this Information Memorandum or make an investment decision with respect to any securities, you must be a person who is outside the United States unless you are a QIB in the United States. By accepting the email and accessing this Information Memorandum, you shall be deemed to have represented to the Arrangers and Dealers named herein that you and any customers you represent, unless you are QIBs, are not in the United States; the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia unless you are a QIB in the United States; and that you consent to delivery of such Information Memorandum by electronic transmission.

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.

INFORMATION MEMORANDUM



ROMANIA ACTING THROUGH THE MINISTRY OF FINANCE

EUR 62,000,000,000 Global Medium Term Note Programme

Under this EUR 62,000,000,000 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 62,000,000,000 (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

SOCIÉTÉ GÉNÉRALE
CORPORATE & INVESTMENT BANKING

Dealers

BARCLAYS

BNP PARIBAS

BofA SECURITIES

CITIGROUP

CRÉDIT AGRICOLE CIB

DAIWA CAPITAL MARKETS EUROPE

DEUTSCHE BANK

ERSTE GROUP

GOLDMAN SACHS BANK EUROPE SE

HSBC

IMI – INTESA SANPAOLO

ING

J.P. MORGAN

MIZUHO

MORGAN STANLEY

NOMURA

RAIFFEISEN BANK
INTERNATIONAL

SOCIÉTÉ GÉNÉRALE
CORPORATE & INVESTMENT BANKING

UNICREDIT

17 July 2023

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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.

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 2001 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 advisers as it deems necessary.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR 62,000,000,000 (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**”, “**lei**” 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 France SAS (“**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 S&P 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 on 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 (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 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

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 recognised 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 “ <i>Risk Factors</i> ” below.
Arrangers:	Erste Group Bank AG and Société Générale.
Dealers:	Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA, Citigroup Global Markets Europe AG, Crédit Agricole Corporate and Investment Bank, 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 SE, Mizuho Securities Europe GmbH, Morgan Stanley Europe SE, 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 62,000,000,000 (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 depository 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 17 July 2023 ("**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 advisers 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 and economic uncertainty 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.

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

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.

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 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.

The ongoing war of aggression launched by Russia against Ukraine could impact Romania

In February 2022, the Russian government commenced a war of aggression against Ukraine, resulting in a humanitarian crisis and significant disruption to global financial markets. Furthermore, the governments of the United States, the United Kingdom, the European Union, Japan and other jurisdictions have announced the imposition of extensive sanctions on certain industries and sectors in Russia, on the regions of Donetsk and Luhansk that have been temporarily occupied by Russian Armed Forces and on certain individuals in Russia and abroad. The sanctions announced to date include restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting politically connected individuals and political, military, business and financial organisations in Russia, barring certain Russian enterprises from raising money in the U.S. market and blocking the access of Russian banks to financial markets, including severing Russia's largest bank from the U.S. financial system entirely. Wider sanctions may be imposed if the conflict escalates further.

Romania has trade relations with both Ukraine and Russia, which were limited even before the war and together accounted for approximately 5 per cent. of Romania's total imports and 2 per cent. of Romania's total exports during the twelve months ended 31 December 2022. Romania has a limited dependency on Russia to meet its requirements for energy and raw materials. The share of Romania's total imports of fuels and raw materials from Russia in 2022 was around 17.3 per cent. The share of FDI with Russia as the country of origin is limited and was 0.2 per cent. (when accounting from the perspective of the immediate investor) of the total FDI in Romania in the last five years. The exposure is slightly higher (1.2 per cent. of total FDI) when accounting from the perspective of the final beneficiary of the investment.

Exports to Ukraine accounted for 0.9 per cent. of total Romanian exports in 2021 and 1.7 per cent. of total Romanian exports in 2022. Imports from Ukraine accounted for 1.3 per cent. of total Romanian imports in 2021 and 1.7 per cent. of total Romanian imports in 2022.

Romania is committed to strengthening the unity and solidarity within the North Atlantic Treaty Organisation ("NATO") and the EU in the face of threats posed by Russia's war of aggression. The challenges related to the Black Sea region are expected to be addressed in light of a broader transatlantic partnership. At the same time, Romania intends to continue its participation in relevant regional fora such as the Bucharest-9 Initiative (which includes Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia) and the Three Seas Initiative (a forum of twelve states in Central and Eastern Europe), in order to consolidate views on issues of interest in the North-Atlantic Alliance for participating nations, and to support joint security projects. However, there can be no assurance that participation in these initiatives 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's economy remains vulnerable to external and domestic economic conditions, including political and macroeconomic risks relating to the impact of Russia's war of aggression against Ukraine, the COVID-19 pandemic, and the effect of any future significant economic difficulties on its major trading partners or general "contagion" effects, which could have a material adverse effect on Romania's economic growth.

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 recession in 2020 due to the COVID-19 pandemic, the EU has experienced contraction in its economy and the impact of this 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. In addition, 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 *"Description of Romania"* and *"Foreign Trade and Balance of Payments"*.

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

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. Continued uncertainty around the legislative framework in the Romanian financial and banking sector 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 (22.99 per cent. of the total net assets of credit institutions in Romania), Dutch (12.07 per cent.), French (11.01 per cent.), Italian (9.72 per cent.) and Greek (3.01 per cent.) banks as at 31 December 2022 (see *"Description of Romania"* and *"Monetary and Financial System—Banking System—General"*). As at 31 December 2021, foreign banks also owned 68.11 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 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 has continued in recent years, deteriorating economic conditions could have an impact on banks' asset quality, diminishing this positive trend. Both the COVID-19 pandemic and subsequent recession and the Russian war of aggression against Ukraine have 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 'Stable' for Fitch, S&P and Moody's.

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.

Additionally, Romania has historically entered into financial assistance agreements with the IMF and the European Commission. In connection with these agreements, the IMF has issued country reports, which have noted that Romania had made slow progress in restructuring inefficient SOEs and that such delays were severely affecting growth and investment. To address its infrastructure gap and improve its growth prospects, Romania needs to advance reforms in administration and the SOEs sector and there can be no assurance that these reforms will be implemented successfully. While structural reforms, including with respect to SOEs, remain a priority, the risk of delays and setbacks in implementing these reforms and particularly those risks which are of a political nature is high.

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.

Any delay or setback in structural reform of inefficient SOEs could negatively impact improvements in the efficiency of, and the attractiveness of investing in, Romania's economy.

Romania is subject to risk in relation to external balances¹

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. In 2022, the current account deficit as a share of GDP increased to 9.3 per cent. of GDP, exceeding the previous year's current account deficit of 7.2 per cent. The external imbalance is likely to have reached the peak. Over the medium-term, it is envisaged to trend downward, reflecting an ease in bottlenecks in the global value chain and a relaxation of the energy crisis, as well as the Government's fiscal consolidation plan to reduce the budget deficit in line with the recommendations of the European Commission's recommendations.

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 uses inflation targets as a nominal anchor for monetary policy and allows for a flexible policy response to unpredicted shocks likely to affect the economy. The NBR does not target any level or range under this regime. 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. Compared to December 2021, the RON appreciated in December 2022 in nominal terms by 0.5 per cent. against the EUR and depreciated by 5.8 per cent. against the USD. In real terms, the RON appreciated during the same period by 17.0 per cent. against the EUR and by 9.6 per cent. against the USD. See "*Monetary and Financial System—Monetary Policy—Exchange Rate Policy*".

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 EUR). While this risk is partially mitigated by the existence of the hard currency buffer, which is maintained at up to four months of gross funding needed 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.

In 2021, a surge in energy prices pushed consumer price index ("CPI") inflation significantly above the upper bound of the variation band (2.5 per cent., +/- one percentage point) reaching 8.19 per cent. in December 2021. The trend continued through 2022, with headline inflation reaching 16.37 per cent. in December 2022. This was primarily due to increased commodity prices as a result of Russia's war of aggression against Ukraine, as

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).

well as to the disruption in global value chains (including poor availability of products and high cost of transport). Inflation has declined in recent months, reaching 11.23 per cent. in April 2023. Going forward, the NBR projects that inflation will continue to decrease steadily over the next two years, reaching single digit values as early as the third quarter of 2023.

The NBR's inflation projections are subject to numerous risks associated with the war in Ukraine, in particular the economic effects. The inflationary environment, coupled with the possibility that excess aggregate demand may persist over a long period of time, could further increase corporate profit margins and consequently decrease the share of wage costs as a component of total production costs. Such an outcome could significantly decrease households' purchasing power. The further erosion of households' purchasing power might lead to increased wage claims, potentially boosting inflation. In addition, uncertainties stemming from labour market developments also remain relevant in the medium-term, as there may be a shortage in skilled workers, especially in sectors focusing on sustainability initiatives and in sectors with a high level of digitalisation. This shortage may also result from both the demographic and migration patterns in the Romanian economy. On the external front, and as a result of the uncertainties related to the ongoing war in Ukraine, the risk of escalating trade tensions between China and the United States has also become increasingly relevant. Against this background, the progress made in restructuring and streamlining global value chains could be reversed, creating new inflationary pressures and potentially putting a drag on economic activity as well.

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.

Romania is subject to risks of fiscal slippage and economic overheating

Romania's budget deficit is expected to be 4.4 per cent. in 2023, in part due to an increase of 1.0 percentage points which has been allocated for investment expenditures. The Government's initial estimate of a cash target deficit of 4.4 per cent. for 2023 was based on the Autumn October 2022 national forecast, with an assumption of 2.8 per cent. real GDP growth in 2023 and a nominal GDP growth of 11.2 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.

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

Initially, Romania had a low absorption rate (defined as the level of amounts sent for reimbursements to the European Commission, as a percentage of the total amount of European Structural and Investment Funds available to it) 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). However, the absorption rate has been significantly increasing since 2012, as a result of the establishment of the Ministry of European Funds. As at 31 May 2023, Romania's current absorption rate was 73.0 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 2014-2020 programming period, for the operational programmes (“OPs”) financed by ESIF and The Fund for European Aid to the Most Deprived (“FEAD”) is approximately EUR 18.8 billion, representing 77.0 per cent. of total EU allocation of the programmes. In addition to these cohesion funds, Romania has additional available financing of approximately EUR 24 billion under the Common Agricultural Policy.

With respect to the 2014-2020 programming period, the availability of funds depended on Romania meeting 36 ex-ante conditionalities required by EC regulation, all of which have been fulfilled. 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 has been under pressure due to the impacts of the COVID-19 pandemic.

As of 31 May 2023, no funds have been decommitted and the estimated amounts of payment applications (approximately EUR 5.2 billion) to be sent to the European Commission in 2023 cover the risk of automatic decommitment of funds. However, failure to access and apply all available EU funds in the future could have an adverse impact on Romania’s economy, Romania’s ability to develop its infrastructure and its capacity to meet its obligations under the Notes.

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 its capacity to meet obligations under the Notes

The European Commission published the final report on Romania under the Cooperation and Verification Mechanism (“CVM”) on 22 November 2022. It contained positive conclusions, which note that all the objectives (benchmarks), including the anticorruption benchmarks, have been met and that further cooperation with the European Commission in the area of judicial reform can be carried out within the framework of the Rule of Law Mechanism, applicable to all EU Member States. Additionally, Romania officially became the 45th member of the Working Group on Bribery as of 3 May 2023. This working group was established to monitor compliance by the Organisation for Economic Cooperation and Development (“OECD”) member states with relevant legal instruments.

Although progress has been 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 an ongoing problem in Romania. Should these continue to be problems in Romania, or should they worsen, they could have an adverse impact on Romania’s economy.

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 reforms of the Justice Laws could have an adverse effect on Romania's economy and therefore on the Notes

The new Justice Laws (Law no. 303/2022 on the statute of judges and prosecutors, Law no. 304/2022 on the judicial organisation and Law no. 305/2022 on the Superior Council of Magistracy) have advanced reform of the judicial system, increasing its independence and efficiency. It is a step towards bringing the Romanian Judiciary in line with the values and principles of European justice.

The Romanian Government adopted a new judicial strategy and related action plan for 2022-2025 and intends to implement projects to improve the digitalisation of the justice system.

The Anti-Corruption Strategy for 2021-2025 was adopted in December 2021. Its effective implementation relies on political support to implement important legislative reforms for the investigation and sanction of corruption cases that have been ongoing for years.

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 failure by the Government to follow through on any of the aforementioned reforms, or inconsistent application of these reforms by the Government, could have an adverse effect on the economy and therefore on the performance of the obligations under the Notes.

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) decreased to 54.3 per cent. of GDP at the end of April 2023 compared to 58.4 per cent. of GDP at the end of December 2022. According to EU methodology, the general government debt increased to 49.0 per cent. of GDP as at the end of April 2023, from 47.3 per cent. of GDP at the end of December 2022. 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 25.5 per cent. (calculated as per EU methodology) at 30 April 2023. 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 the Euro Interbank Offered Rate (“**EURIBOR**”). 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 EURIBOR, 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, as applicable. 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.

Although 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. More specifically, the European Money Markets Institute, as administrator of the EURIBOR, having failed with an attempt to evolve the EURIBOR methodology to a fully transaction-based methodology, has developed a hybrid methodology for the determination of EURIBOR that takes into account current transaction data, historical transaction data and modelled data based on expert opinions and has obtained regulatory authorisation under the Benchmarks Regulation for the EURIBOR so calculated. However, since reference rates relying on expert opinion and modelled data are widely regarded as potentially less representative than reference rates determined in a fully transaction-based approach and because central banks, supervisory authorities, expert groups and relevant markets thus are developing towards preferred use of risk-free overnight interest rates with a broad and active underlying market as reference rates, there is a risk that the use or provision of EURIBOR may come to an end in the medium or long term.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of Benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks. Uncertainty about the future of Benchmarks, any of the above changes, or any other changes brought by international, national or other proposals for reform or other initiatives or investigations, could have an adverse effect on the value of, and return on, any Notes linked to, referencing, or otherwise dependant (in whole or in part) upon a Benchmark.

Other interbank offered rates (together with EURIBOR, the “**IBORs**”) 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.

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.

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. If a Tranche of Notes is issued to a single investor or a limited number of investors, this may result in an even more illiquid or volatile market in such Notes. 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.

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 40 – 76 (inclusive) of the Information Memorandum relating to the Programme dated 6 April 2021, 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 depository (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 depository 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 depository (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 62,000,000,000 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*);

“Independent Adviser” means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense;

“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 Issuer (or its agent or financial adviser); 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 Issuer (or its agent or financial adviser);

“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 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;

“**TARGET Settlement Day**” means any day on which T2 is open for the settlement of payments in euro;

“**Treaty**” means the Treaty establishing the European Communities, as amended;

“**T2**” means the real time gross settlement system operated by the Eurosystem, or any successor system; 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 calculate the Rate of Interest at such time and by reference to such sources as the Issuer, in consultation with an Independent Adviser (such Independent Adviser acting in good faith and in a commercially reasonable manner as an expert), 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 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 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 calculate the Rate of Interest at such time and by reference to such sources as the Issuer, in consultation with an Independent Adviser appointed by the Issuer, and (such Independent Adviser acting in good faith and in a commercially reasonable manner as an expert), determines appropriate.

Provided that in any circumstances where under the ISDA Definitions the Calculation Agent would be required to exercise any discretion, including the selection of any reference banks and seeking quotations from reference banks, when calculating the relevant ISDA Rate, the relevant determination(s) which require the Calculation Agent to exercise its discretion shall instead be made by the Issuer (or its agent or financial adviser).

- (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 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 17.1(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.luxse.com) 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.luxse.com) 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, 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), (e) and (f) 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 the Securities and Futures Act 2001 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 62,000,000,000

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:] | [●] |
| | | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]</i> |
| 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 <i>[insert date]</i> (<i>in the case of fungible issues only, if applicable</i>)] |
| 6 | (i) Specified Denominations: | [●] |
| | (ii) Calculation Amount: | [●] |
| 7 | (i) Issue Date: | [●] |
| | (ii) Interest Commencement Date: | [Specify/Issue Date/Not Applicable] |
| 8 | Maturity Date: | <p>[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]</p> <p><i>[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.]</i></p> |
| 9 | Interest Basis: | <p>[[●] per cent. Fixed Rate]</p> <p>[[Specify reference rate] +/- [●] per cent. Floating Rate]</p> <p>[Zero Coupon]</p> <p>[Index Linked Interest]</p> <p>[Other (Specify)]</p> <p>(further particulars specified below)</p> |
| 10 | Redemption/Payment Basis: | <p>[Redemption at par]</p> <p>[Index Linked Redemption]</p> <p>[Dual Currency]</p> <p>[Partly Paid]</p> <p>[Instalment]</p> <p>[Other (Specify)]</p> |
| 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: | <p>[Investor Put]</p> <p>[Issuer Call]</p> <p>[(further particulars specified below)]</p> |

- 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, EURIBOR*]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [*For example, Reuters EURIBOR 01*]
 - Relevant Time: [*For example, 11.00 a.m. Brussels time*]
 - Relevant Financial Centre: [*For example, 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: | <p>[Not Applicable/give details.</p> <p><i>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]</i></p> |
| 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: [Not Applicable/*give details*]
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]:
- 30 Details relating to Instalment Notes: [Not Applicable/*give details*]
amount of each instalment, date on which each payment is to be made:
- 31 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 24 (*Redenomination, Renominatisation 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 62,000,000,000 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 France SAS: "[●]"
- 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 [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.luxse.com).

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.

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.

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 2022, the following main political parties have had parliamentary representation:

- the National Liberal Party (*Partidul National Liberal*), a liberal, centre-right party, currently led by Nicolae-Ionel Ciucă;
- the "Save Romania Union" (*Uniunea Salvați România*), a centrist and reformist alliance, currently led by Cătălin Drulă;
- the Social Democratic Party (*Partidul Social Democrat*), a social democratic, centre-left party, currently led by Ion-Marcel Ciolacu;
- the Hungarian Democratic Union of Romania (*Uniunea Democrat Maghiara din Romania*), a centrist, Hungarian minority party, currently led by Kelemen Hunor; and
- the Alliance for the Union of the Romanian (*Alianța pentru Unirea Românilor*), a right wing party, currently led by George Simion.

Elections are conducted through 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.

On 6 December 2020, Romania held parliamentary elections. Following the loss of the National Liberal Party (the “**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 Salvați România* – “**USR**”), the Liberty, Unity and Solidarity Party (“**PLUS**”), and the UDMR.

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.

The Government was dismissed by a vote of no confidence passed on 5 October 2021 with 281 votes in favour of the dismissal. The dismissed Government led by Mr. Vasile-Florin Cîțu continued to rule as interim Government until the formation and voting of a new Government.

The new Government led by Mr. Nicolae-Ionel Ciucă received the vote of confidence by the Parliament on 25 November 2021. Its members entered into office on 25 November 2021.

On 12 June 2023, Mr. Nicolae-Ionel Ciucă officially submitted his resignation from the position of Prime Minister to the President of Romania, Mr. Klaus Werner Iohannis. On 15 June 2023, the Parliament gave the confidence vote to the government, supported by the PNL-PSD coalition, with Mr. Ion-Marcel Ciolacu being appointed as the Prime Minister.

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) was re-elected as President of Romania with 66.09 per cent. of votes.

The next presidential elections are scheduled to take place in 2024.

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.

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

Pursuant to Article 126 para. (1) and (3) of the Constitution, “justice shall be administered by the High Court of Cassation and Justice and by the other courts established by law”. 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 (for a six-year term that cannot be extended or renewed).

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 successive strategies for the development of the Judiciary, which have already been implemented to make the Judiciary more efficient and accountable.

The principles, structure and organisation of the Romanian judicial system are enshrined in the Romanian Constitution and Law no.304/2022 on the judicial organisation.

The following is a list of recent government decisions which have approved strategies relevant to the Romanian Judiciary:

- *Government Decision no. 436/2022 on the approval of the Strategy for the Development of the Judicial System 2022-2025.* The new strategy envisages three major directions for strategic intervention: 1. The independence, quality and the efficiency of the act of justice; 2) access to justice and 3) the fight against corruption and organised crime.
- *Government Decision no. 1269/2021 on the approval of the National Anticorruption Strategy 2021-2025 and of the related documents.* The strategy carries out an analysis of corruption at the national level and, correlatively, of the national response capacity, and presents an integrated, harmonised inter-institutional vision on the mission and objectives necessary to address such corruption. Response strategies are presented in accordance with general and specific objectives, and individualised according to the legal competence of each institution and priority sectors.

- *Government Decision no. 917/2021 on the approval of the National Strategy on recovery of debt claims from crimes for 2021-2025 “Crime is not profitable!” and the Action Plan for its implementation.* The Strategy establishes an efficient process for recovering claims from criminal activity, guided by the principle “crime does not pay”. The strategy aims at the effective and complete identification of assets related to crimes, the optimisation of the administration of the confiscated assets and the social reuse of the criminal assets.
- *Government Decision no. 930/2021 on the approval of the National Strategy against Organised Crime.* The Strategy aims at guaranteeing individual safety and at sustaining a social and economic environment developed in a rule of law climate, by means of the efficient prevention and fight against risk factors, vulnerabilities and threats related to organised crime.

Rule of Law

On 13 July 2022, the European Commission published the *2022 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. The Rule of Law Report is an annual report published by the European Commission. The 2022 Rule of Law Report recognises that Romania has made progress on several of the recommendations from recent CVM reports, including the adoption of the Anti-Corruption Strategy 2021-2025, the adoption of a new judicial strategy and seeking accreditation for the Institute of Human Rights as a National Human Rights Institution. The European Commission provided several additional recommendations for the Government, including introducing rules on lobbying for Members of Parliament, ensuring effective public consultation before the adoption of draft legislation, strengthening rules and mechanisms to enhance the independent governance and editorial independence of public service media, addressing the operational challenges of the National Anti-Corruption Directorate and ensuring that the revision of judicial laws reinforces safeguards for judicial independence.

The European Commission published its last report on Romania’s progress under the CVM on 22 November 2022. The European Commission concluded that the progress made by Romania is sufficient to meet the CVM commitments made at the time of its accession to the EU and that all benchmarks can be satisfactorily closed. The European Commission indicated that it will no longer monitor Romania under the CVM and that from now on the monitoring will continue within the annual rule of law report cycle as is done for all EU Member States.

Recent legislative developments

The most important pieces of legislation governing the Romanian Judicial system are the Constitution, the Justice Laws (Law no. 303/2022 on the statute of judges and prosecutors, Law no. 304/2022 on the judicial organisation and Law no. 305/2022 on the Superior Council of Magistracy), the Criminal Code, the Criminal Procedure Code, the Civil Code, the Civil Procedure Code and other special laws (*i.e.*, laws on companies, insolvency, trade register and asset recovery).

Criminal Code and Criminal Procedure Code Amendments

The Criminal Code and Criminal Procedure draft laws, which aimed to align certain provisions with Constitutional Court decisions were adopted during 2021 and 2022. The Constitutional Court has validated the legislative solution on the offence of abuse in office. The regulation of abuse of service is also in line with the Anti-Corruption Directive. In its decision, the Constitutional Court stated that only a few technical adjustments would be needed to ensure all the necessary guarantees for the use of national security warrants as evidence in criminal proceedings.

Romanian Recovery and Resilience Plan

On 27 September 2021, the European Commission adopted a positive assessment of Romania's recovery and resilience plan. On 29 October 2021, the EU Council approved Romania's recovery and resilience plan, an important step towards the EU disbursing EUR 14.2 billion in grants and EUR 14.9 billion in loans to Romania under the Recovery and Resilience Facility ("RRF"). This financing will support the implementation of crucial investment and reform measures to strengthen the public administration, including through reinforcing the effectiveness of the judicial system and fighting corruption. Romania aims to access the full RRF allocation of EUR 29.2 billion from the recovery and resilience plan, which consists of both grants and loans: 70 per cent. of this amount is available to be committed by 31 December 2022 and the remaining 30 per cent. will be available to be committed from 1 January 2023 until 31 December 2023. On 2 December 2021 Romania received a pre-financing of EUR 1.85 billion from the allocation. On 27 June 2023, the European Commission endorsed a positive preliminary assessment of part of the milestones required for the approval of Romania's second payment request by the RRF. This second payment request was for EUR 2.8 billion (from which 13 per cent. of pre-financing has been deducted). EUR 1.86 billion of the request is non-reimbursable financial support and EUR 0.93 billion of the request is loan support.

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); (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) Petrochemical Holding Group v. Romania (ICSID Case No. ARB/19/21); (vii) Ep Wind Project (Rom) Six Ltd (ICSID Case No. ARB 20/15); and (viii) FinDoc SRL and others (ICSID Case No. ARB 20/35).

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 decision favourable to Romania on 9 November 2018, the applicant filed a request for rectification of certain material errors in the body of the decision. The procedural timetable and other terms of reference have been established in the action for annulment. A reply on annulment (filed by Alpiq on 11 September 2020) is pending and Romania has filed a reply post-hearing brief and a submission on costs (filed on 15 February 2021).

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.

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.

In response to previous filings for an annulment of the claims made by the claimants and against Romania, the Ad Hoc Committee delivered a decision on 4 January 2022. The Ad Hoc Committee found that each party should bear the costs of its own legal representation and any other costs incurred during the arbitral annulment proceedings. The Ad Hoc Committee also found that each party should bear 50 per cent. of the costs incurred by the ICSID Arbitral Tribunal and the expenses and fees of the members of the Ad Hoc Committee in connection with this proceeding. As Romania did not contribute to the above-mentioned expenses during the annulment procedure, the claimants being the ones who advanced the necessary amounts, Romania was thus forced to pay to the claimants half of the amount advanced by them, which was USD 128,443.20.

In March 2022, the arbitral tribunal ended its proceedings related to this case. The arbitral tribunal decided that the claimants shall bear 75 per cent. of the costs of the arbitration and 75 per cent. of Romania’s legal fees and expenses. On 3 August 2022 the claimants filed a request for security for costs and for the tribunal to decide on costs. Arbitration proceedings are ongoing.

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 Roşia 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 Centre for Environmental Resources Development.

Romania submitted the second round of detailed written defences on 24 May 2019 and subsequently two rounds 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.

In January 2022 the Arbitral Tribunal ended its proceedings related to this case. In April 2022, the Arbitral Tribunal issued a list of additional questions to aid in preparation of the award. The parties filed submissions to these questions in the third quarter of 2022.

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". 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.

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 Efficient energy and environmental issues. The claimants stated 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 pieces of legislation 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 regulatory framework existing 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 stated that Romania has implemented measures that have had the effect of modifying the regime established in the renewable energy sector, significantly and irreversibly affecting their investments. The claimants argued 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 2 March 2021, the Arbitral Tribunal issued a procedural order concerning the procedural matters of the case.

In September 2021, Romania requested the consent of the Arbitral Tribunal for the submission of the CJEU decision in case C-741/19 (*Moldova v. Komstroy*), given its relevance to Romania's defences. On 12 November 2021, the claimants submitted their response with regards to the submission of the CJEU's decision in the *Moldova v. Komstroy* case. The Arbitral Tribunal allowed the submission of the decision.

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 modernise the RAFO refinery.

The claimant argues that the failure to offer, as agreed, a state guarantee in the amount of EUR 330 million or equivalent, to support investments in the modernisation of RAFO, as well as the 2015 seizure by the National Agency for Fiscal Administration (“**NAFA**”) on RAFO assets, including the refinery, for 2.72 per cent. of shares held by SC Prospecting S.A. in RAFO (a seizure that was cancelled on 2 February 2017). Also, the investor claims that Romania has not complied with its own laws adopted to stimulate investments. Specifically, the investor claims that the measures taken by Romania through its relevant institutions damaged the claimant’s ability to revive the RAFO refinery, as well as the claimant’s investment in RAFO.

The claimant believes that Romania’s actions are serious and repeated violations of the protections related to investments under Part III of the Energy Charter Treaty. On 23 November 2020 the claimant lodged a statement detailing its claims against Romania and quantified the damages suffered at more than USD 835.8 million plus interest.

Hearings in the case were held between 3 October and 14 October 2022 and a decision is currently pending.

Case No. ARB 20/15 (*Ep Wind Project (Rom) Six Ltd v. Romania*)

According to the procedural timetable established by the Arbitral Tribunal, Romania had to examine the documents identified at the national public authorities and the claimant’s allegations, and had to formulate its first detailed written defence (the “**Counter-Memorandum**”) by 10 May 2022. The hearings in this case took place between 8-19 May 2023 and a decision is currently pending..

Case No. ARB 20/35 (*FinDoc SRL and others v. Romania*)

On 7 January 2022, the Arbitral Tribunal rejected Romania’s request to bifurcate the proceedings in this case, with the possibility of submitting a new bifurcation request regarding the amount of damages requested by the claimants (EUR 243 million), through the Counter-Memorandum. Romania had to submit the Counter-Memorandum on 5 May 2022. The hearings in this case are scheduled to take place between 2-13 October 2023.

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 nearly 170 missions, including 94 embassies, 2 permanent representations, 3 permanent missions, 2 delegations, 44 general consulates, 6 consulates, 1 representation office, as well as 18 Romanian Cultural Institutes and a network of approximately 190 honorary consulates.

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, with the support and promotion of democratic

values, fundamental rights and freedoms, stability and security both in the region and globally and the promotion and strict observance of international law and effective multilateralism.

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.

A key component of Romania's foreign policy is its active contribution to the activities of the international fora, especially the UN, NATO, the Council of Europe, the Organisation for Security and Co-operation in Europe ("OSCE") and the World Trade Organisation, as well as to regional fora in the Balkans and the Black Sea area. A special focus is given to the Three Seas Initiative ("3SI"), the leadership summit for which Romania is hosting for the second time in 2023. Moreover, Romania is an active part of the 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.

Becoming a member of the OECD is a top priority of Romania's foreign policy. On 25 January 2022, Romania received the official invitation from the OECD to open accession negotiations (together with the other five aspiring countries). At the OECD Ministerial Council Meeting, held on 9 and 10 June 2022, the Accession Roadmap for Romania's accession to the OECD was adopted. At the national level, the accession process is coordinated by the Ministry of Foreign Affairs and the General Secretariat of the Romanian Government. Romania successfully submitted the Initial Memorandum, which assessed how close Romanian legislation is to the OECD judicial instrument. The Romanian Ministry of Justice was actively involved in this process, including through a coordination of the national self-assessment process for anti-corruption instruments that are in the OECD Working Group on Bribery ("WGB") portfolio.

On 18 April 2023, Romania received a formal invitation to accede to the Anti-Bribery Convention and to join the WGB. This invitation came in recognition of Romania's efforts in recent years to improve the fight against corruption and strengthen its judicial system. Furthermore, the OECD Council's invitation is a signal that Romania has the potential to support efforts to combat the bribery of foreign public officials in international economic operations.

Romania officially became the WGB's 45th member as of 3 May 2023.

NATO

Romania has been a member of NATO since 2004 and of the EU since 2007. NATO is a major guarantor of Romania's security. The NATO Foreign Affairs Meeting, which took place in Bucharest at the end of November 2022, has reconfirmed the strategic importance of the Black Sea, as well as NATO's full commitment to consolidating deterrence and defence on the Eastern Flank. In the run-up to the NATO Vilnius Summit in July 2023, Romania expects to continue to promote and support the consolidation of NATO's Eastern Flank, from the Baltic Sea to the Black Sea, and plans to further develop its national defence capabilities. Along with the Allied troops from the United States, France, Belgium, the Netherlands, Spain, Portugal and Luxembourg, Romania is building a robust NATO deterrence and defence posture on its territory. The decision to raise the national defence budget to 2.5 per cent. of GDP is in line with Romania's NATO commitments, and a contribution to the overall strengthening of the North-Atlantic Alliance as a whole.

Romania intends to provide consistent and multifaceted aid to Ukraine, while continuing to condemn Russia's war of aggression, and intends to actively participate in initiatives aimed at increasing the international pressure on Russia and ensuring accountability for its actions.

Romania promotes a vision of security, stability and prosperity in the Black Sea, based on the rules and principles of international law. To this end, Romania intends to continue to advocate for an increased Euro-Atlantic and European support for strengthening the resilience, defence and economies of the vulnerable

countries in the Black Sea region, Moldova and Georgia in particular, in order to make them less dependent on Russia and to develop the economic potential of the region. Ensuring that the Black Sea becomes an area of stability and prosperity is in the strategic interest of the Euro-Atlantic community as a whole.

Romania believes that the Black Sea region offers significant opportunities for both NATO and the EU. In the face of Russian military aggression against Ukraine, NATO-EU cooperation remains essential for European and Euro-Atlantic security, including in support of regional resilience and stability.

Partnership with the United States

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 capitalisation of 5G licences.

On 8 October 2020, the Minister of Defence of Romania and the United States Secretary of Defence 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 9 November 2022, in the margins of COP 27, EXIM issued two letters of interest for a U.S.\$3.05 billion loan aimed at the implementation of the Cernavodă project.

On 4 November 2021, Nuclearelectrica and Nu Scale also signed an agreement to advance the deployment of the latter's innovative small modular reactor (SMR) technology as early as 2027/2028. The NuScale 6-module power plant is estimated to generate 193 permanent power plant jobs, 1,500 construction jobs, and 2,300 manufacturing jobs. The project also has the potential to transform Romania into a regional energy hub and will help Romania reduce its CO2 emissions by four million tons per year. On 27 June 2022, during the G7 Summit, U.S. President Joe Biden announced a grant of U.S.\$14 million to finance the first stages of the implementation of the SMR Power Plant in Romania.

On 20 May 2023, during the G7 Summit in Japan, EXIM issued a letter of interest for a potential U.S.\$99 million loan for design studies on the SMR project. Alongside expressions of interest from public and private partners from Japan, Republic of Korea, and United Arab Emirates, the current early-stage support for the SMR Project amounts to U.S.\$275 million. In addition, the DFC and the U.S. EXIM also issued letters of interest for potential support of up to U.S.\$1 billion and U.S.\$3 billion, respectively, for project deployment.

Partnerships with Other Nations

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 Cernavodă nuclear power

plant. An agreement was also concluded between Nuclearelectrica and a French company, Orano (formerly Areva).

Romania also firmly supports the sovereignty, territorial integrity, independence and the EU membership aspirations of Ukraine. Since the beginning of Russia's war of aggression against Ukraine, Romania has extended humanitarian help to the Ukrainian authorities. As of May 2023, more than four million Ukrainian citizens have entered Romania, out of which approximately 100,000 have remained. A humanitarian hub was established in Suceava on 9 March 2022. As of 31 May 2023, 86 humanitarian transports were organised. On 26 July 2022, the Romanian Government released a national plan for the medium and long-term integration of Ukrainian refugees in Romania. Romania has provided help to all the refugees coming from Ukraine and has ensured accommodation, education for the children, access to health services and to the labour market and other facilities.

Since the beginning of the Russian invasion, Romania has also made a strong contribution in providing support for the transit of grain from Ukraine to third countries, (primarily in Africa and the Middle East). Romania continues to facilitate the transit of grain through the EU-Ukraine Solidarity Lanes, with over 50 per cent. of the grain shipped through the Black Sea.

Romania remains committed to 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.

A major priority for Romania is the development and deepening of its bilateral strategic partnerships and special relationships both those linking Romania 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, and also with neighbouring countries (*e.g.*, relations with Bulgaria have been raised to the level of a strategic partnership). In Asia, the bilateral relation with Japan was raised to strategic partnership level, while the strategic partnership with the Republic of Korea continues to deepen. 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. 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.

After Russia invaded Ukraine, Romania implemented a series of actions against Russia, both nationally and in solidarity with the European Union institutions and other member states. Among the most important measures were the adoption of the ten EU sanctions packages against Russian entities and individuals and the suspension of the activity of the Russian Center for Culture and Science in Bucharest. Following the invasion, Romania also initiated withdrawal procedures from the two international banks which represent successor institutions of the former Council for Mutual Economic Assistance (which remain under Russian influence), the International Investment Bank and the International Bank for Economic Co-operation. Politically, the Romanian authorities condemn the aggression of Russia against Ukraine and do not recognise the illegal annexation by Russia of the regions of Eastern Ukraine (including Luhansk, Donetsk, Kherson and Zaporozhye), which remain an inalienable part of the national territory of Ukraine, in accordance with core principles of international law.

Black Sea Initiatives

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, the US, NATO and OSCE.

In 2019, Romania made breakthroughs in favour of enhanced EU involvement in Black Sea regional cooperation, with a particular focus on the development of a sustainable blue economy.

Romania actively engaged with the United States, offering input on the drafting of the United States' Black Sea Strategy, which aims to better coordinate the efforts of the United States with its allies and partners in the Black Sea region.

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 3SI, the Security Trilateral with Poland and Turkey, and the Valencia Trio with Spain and Poland. The 3SI is particularly important to economic recovery and development; Romania is hosting the next 3SI summit in September 2023 and intends to continue to work with the other participating states, partner states and financial institutions to fully capitalise upon the 3SI's potential, particularly with respect to projects of special interest to Romania.

Transgaz SA, the transmission system operator of natural gas in Romania signed a roadmap agreement with the 3SI Fund on 24 May 2022 to collaborate on the construction of planned green-field gas infrastructure in Romania. The roadmap agreement builds on a January 2022 agreement between TGN and the 3SI Fund for the creation of a joint venture company which will implement hydrogen-ready transmission infrastructure projects worth a total EUR 626 million. Documentation for the joint venture was completed in September 2022, with the incorporation of the joint venture company completed in 2022.

Partnerships with Other Financial International Organisations

Since 1990, Romania has steadily developed its relations with international financial organisations, including the IMF, the World Bank Group, EBRD, the European Investment Bank, the Council of Europe Development Bank ("CEB"), the Japan International Cooperation Agency and the Black Sea Trade and Development Bank ("BSTDB").

The EIB has been working in Romania since 1991, channelling more than EUR 17 billion in financing for projects that further Romania's economic and financial development. Romania expects to receive almost EUR 30 billion of grants and loans from the EU Recovery and Resilience Facility, Europe's jointly-financed pandemic response fund. The EIB Group is a key co-financing partner in implementing the Romanian Resilience and Recovery Plan, which sets out the Romanian government's priorities for investing this money, particularly focused on supporting projects related to the energy transition, education, health, transport and inclusive growth.

Romania is also an EBRD donor. EBRD is well placed to support the modernisation of the Romanian economy, including by helping to mitigate the impact of COVID-19 and supporting economic recovery. EBRD is ready to assist with the preparation and financing of sustainable infrastructure projects and to support restructuring of SOEs, including by supporting the decarbonisation of the energy sector and its transition from coal to cleaner energy sources. This will reduce transition gaps in governance, inclusion and integration, unlock economic opportunities, and improve the quality of institutions and infrastructure. In the private sector, EBRD will focus its activities on supporting Romanian companies to become more competitive, improve product and process innovation, and increase technological penetration. EBRD will continue to sustain the diversification and development of the financial sector by contributing to local capital markets and local currency financing solutions, and by working with banks and non-bank financial institutions to increase access to finance and financial penetration, including to SMEs.

Romania signed the Agreement Establishing the Black Sea Trade and Development Bank (“**BSTDB**”), the financing arm of the Black Sea Economic Cooperation Organisation, on 30 December 1994 as a founding member. Following a capital increase in 2008, Romania subscribed capital for 280,000 shares, which represents 14 per cent. of the share capital stock of the BSTDB. Since it started operations in 1999, the BSTDB has approved 49 projects in Romania (of which only one had a state guarantee), amounting to over EUR 800 million of investment as of 31 December 2022.

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 (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, including the management of some EU Delegations and civilian missions.

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.

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.

From 2020 to 2022, Romania’s visibility and role in the EU has significantly increased as a result of how the country has handled various crises at the EU level. Romania continues to be an active promoter of the European integration process. Russia’s war of aggression against Ukraine reconfirmed that EU action must be based on solidarity and cohesion, as well as on the respect for Europe’s democratic values and principles, principles that Romania fully supports.

Romania has a dynamic regional agenda and plays a key role in advancing the EU strategy for the Danube Region (“**EUSDR**”), a framework launched by Romania and Austria for regional cooperation under the EU umbrella, covering nine EU member states and five EU candidate countries. Through its more than 12 years of existence, the EUSDR has contributed to the economic, social and territorial cohesion of the region. Moreover, it assists the EU candidate countries which participate in the EUSDR with their alignment with EU policies and values, thus contributing to the success of the EU enlargement policy. Furthermore, the EUSDR gives investors the opportunity to participate in concrete projects financed primarily from EU sources in areas such as transport, communication, energy, environment, tourism and culture.

Schengen Area

In 2022, Romania underwent significant steps in order to accelerate the agenda for its accession to the Schengen area. In this vein, Romania received two technical missions from the European Commission in October and November 2022. The conclusions of the technical mission experts and the European Commission reconfirmed that Romania continues to fulfil the conditions for its accession to the area of free movement. These demarches were corroborated with active political and diplomatic efforts to mobilise necessary support. Despite these efforts, the adoption of the final accession Decision did not reach unanimity at the JHA Council of 8 December 2022. Romania expects to continue to work with its European partners in order to identify a solution for the

completion of this process as soon as possible. Romania remains actively involved in the implementation of the measures for the consolidation of the Schengen area and will continue to work closely with all EU Member States and European institutions to strengthen EU internal security.

European economic recovery

Romania has been actively engaged in debates on European economic recovery and in setting up an adequate financial framework for supporting companies and citizens. Romania has advocated for an inclusive, EU-wide approach to the design and implementation of financial instruments meant to mitigate the economic impact of the COVID-19 pandemic and the twin transition, which aims to make the EU economy greener and more digital, so as to allow the EU to re-emerge as a consolidated, convergent and competitive economy. Following the agreements at EU level, Romania has emerged as one of the net beneficiaries of both the revised 2021-2027 Multiannual Financial Framework (“MFF”) and the Recovery and Resilience Facility.

Romania supports the ongoing processes of further consolidating the Economic and Monetary Union (“EMU”), and actively participates in the efforts to create mechanisms for early warning and addressing future economic or financial crisis.

Energy and Climate

Energy and climate change are two of the main priority areas for Romania. The EU’s 2030 Climate and Energy Framework and subsequent legislation adopted at the EU level represent important steps in the implementation of the commitments taken by the EU and its Member States under the Paris Agreement.

Romania supports the objective of the EU reaching climate neutrality by 2050 and has a proactive balanced approach within intra-EU negotiations on the intermediary binding EU target of a net domestic reduction of greenhouse gas emissions by at least 55 per cent. by 2030, compared to 1990 levels (the Fit For 55 package).

Moreover, Romania is currently adapting its energy and climate policy framework to incorporate new targets on renewable energy production and emissions reduction. These measures will be part of the REPowerEU Chapter in the Recovery and Resilience Plans.

Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU was transposed in national primary legislation by Governmental Emergency Ordinance no. 143/2021, amending the Electricity and Natural Gas Law no. 123/2012.

The full liberalisation of the retail electricity market was accomplished from 1 January 2021, by removing any regulated supply prices for final customers. However, the market continues to have capping and compensation mechanisms in place that allow for assistance to be provided to vulnerable customers and ensure protection against excessive price increases. These mechanisms help maintain market stability and consistent functioning of energy providers, distributors and producers. The current legal framework for these capping and compensation mechanisms are in place until 31 March 2025.

The competitive supply prices are compared on a centralised platform administered by Romania’s energy regulator (“ANRE”) and every consumer may change their supplier, according to European legislation provisions. ANRE has since implemented a project financed by a European grant program in order to allow the changing of supplier within 24 hours by 2026, by using a single changing platform administered by ANRE.

In addition to on shore exploitation and offshore exploration for natural gas in the Black Sea, Romania has operational gas interconnections with Bulgaria, Republic of Moldova and Hungary. Romania aims to contribute to the diversification of gas supply sources and the enhancement of the security of natural gas supply in southeastern Europe and Central Europe. Over the last few years, Romania has been working on developing its

natural gas infrastructure. Romania has additional plans to further increase transmission capacity with neighbouring countries.

At the European level, Romania has been actively engaged in EU initiatives aimed at securing EU energy supplies and mitigating the high energy prices.

As requested by European authorities, Greek, Bulgarian, Romanian, Ukrainian and Moldovan national natural gas transmission system operators have committed to operationalise the Trans-Balkan Corridor concept. The first task, which was completed in 2019, consisted of fulfilling technical conditions which allows the reversible flow of natural gas volumes. The Romanian transport operator also completed all technical work on the Romanian component of the Trans-Balkan gas pipeline and, as a result, Romania can pump 4.5 billion m³ of gas per year to Ukraine. However, the physical possibility of meeting any demand from Ukraine depends on the pressure and quantities of natural gas that the Bulgarian operator can provide at the southern border of Romania.

To secure its energy security in the current volatile political and economic environment, Romania engaged in exploratory negotiations targeting the attraction of supplementary volumes of gas from external markets, most notably from Caspian states, using Turkish systems of transit. On 28 June 2022, the production of natural gas from the Black Sea officially began with the Midia Natural Gas Development Project (the “**MGD**”), which is operated by the company Black Sea Oil & Gas. In 2022, 0.5 billion cubic meters of gas was estimated to be produced by the MGD, and from 2023 the production is expected to be about 1 billion m³ per year for the next three years of the ten years of life estimated for the Ana and Doina gas fields. On 21 June 2023, the operators of the Black Sea offshore Neptune Deep gas field announced their final investment decision (“**FID**”) regarding implementation of the project. The first gas volumes are expected to be delivered in 2027.

Romania is interested in Azerbaijan’s natural gas volumes that could reach the Romanian market and, subsequently, the markets of Central Europe. The completion and the commercial operationalisation of the Gas Interconnector Greece-Bulgaria (“**IGB**”) Pipeline could facilitate Romania’s access to the volumes of Azeri natural gas in the near future, which could also be distributed further on to balance the energy security of Romania’s Eastern partners, Moldova and Ukraine. On 3 December 2022, Romania started gas deliveries for Moldova through the Iași-Ungheni pipeline, and subsequently the two governments initiated discussions to increase the capacity of transport and expand this pipeline.

A concrete step in the energy diversification efforts regarding the Caspian and Black Sea area is the Memorandum of Understanding to encourage cooperation between the gas transmission system operators from Bulgaria (Bulgartransgaz EAD), Romania (Transgaz S.A.), Hungary (FGSZ Ltd.), Slovakia EUSTREAM), and the State Oil Company of the Azerbaijan Republic (SOCAR), signed in Sofia, Bulgaria, on 25.04.2023 (the so-called Solidarity Ring/STRING joint initiative).

Cases before the Court of Justice of the European Union

As of the date of this document, 62 infringement procedures launched by the European Commission against Romania are ongoing:

- 60 are in the pre-litigation phase, meaning that they have not been brought before the Court of Justice of the European Union (the “**CJEU**”).
- 2 are currently pending before the CJEU, namely:
 - Case C-109/22, European Commission vs Romania (failure to comply with CJEU judgment of 18 October 2018 in case C-301/17, European Commission vs Romania - obligation to close and rehabilitate unauthorised waste landfills) – the European Commission requests the CJEU to impose financial sanctions on Romania, in the form of a lump sum (based on a daily amount of EUR

3,311.5 multiplied by the number of days passed from the day following the judgment in case C-301/17 until full compliance or the day on which the CJEU delivers its judgment in case C-109/22, subject to exceeding a minimum lump sum of EUR 1,643,000) and a daily penalty (in the amount of EUR 29,781.3 for each day, with effect from the day on which judgment is delivered in the present case until full compliance with CJEU judgment in case C-301/17). The written phase of the procedure has been finalised and the CJEU decided that it will not organise a hearing and the Advocate General will not deliver an opinion on this case. On 29 March 2023, the European Commission informed the CJEU that 11 of the 44 landfills concerned by this case had been closed and, consequently, it withdraws the case regarding these 11 landfills.

- Case C-455/22, European Commission vs Romania (failure to ensure that three large combustion plants are not operated without a permit). The written phase of the proceedings before the CJEU has been finalised and the CJEU decided that it will not organise a hearing and the Advocate General will not deliver an opinion on this case.
- Case C-69/22, European Commission vs Romania (failure to adopt and notify a national air pollution control programme), which up until recently was pending before the Court, has been withdrawn by the European Commission and therefore removed from the Court's register.

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 EU's cohesion policy, which aims to reduce economic disparity among regions and EU Member States. 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 accelerating its economic development.

For the 2014-2020 programming period, EUR 51 billion was allocated to Romania under the Multiannual Financial Framework. Out of this amount, the allocation for European Structural and Investment Funds ("ESIF") was EUR 35.2 billion, for FEAD, EUR 0.5 billion, and for The European Agricultural Guarantee Fund ("EAGF") (direct payments in agriculture) it was EUR 15.3 billion. The allocation for the Cohesion Policy, which is financed under ESIF, was EUR 24.1 billion. As of 31 May 2023, approximately EUR 26.8 billion (76 per cent.) was received from the European Commission (pre-financing and reimbursements) and as of the same date, Romania ranked fifth among the 27 Member States in absolute value of EU funds received.

The contracting rate of 163 per cent. creates a prerequisite for an increase in the absorption rate in the upcoming period. As of 31 May 2023, the total absorption rate was 76 per cent.

The Ministry of European Investments and Projects (“**MEIP**”) coordinates the 2014-2020 European structural and investment funds (“**ESIF**”) and the managing authorities (“**MAs**”) for all operational programmes (Competitiveness, Large Infrastructure, Technical Assistance, Human Capital, Aid for the Most Deprived, Regional Operational Programme and Administrative Capacity Operational Programme).

Decommitment rule

The use of Structural and Cohesion Funds and of 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. 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.

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 to promote competitiveness, convergence and co-operation and to encourage local development, based on economic growth and social inclusion. Investments from the 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 completed a review of the performance monitoring framework, including milestones and specific targets corresponding to each operational programme in 2019. To improve spending efficiency of EU Funds, the European Commission put in place 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 European Commission adopts a decision to determine, for each ESI Fund and Member State, the programmes and priorities which have achieved their milestones. For priorities that 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, Romanian authorities have proposed reallocating the corresponding amount of the performance reserve to the priorities set out in the European 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

In accordance with the European 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 31 May 2023, the entire allocation for the programmes financed under ESIF and the FEAD, (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, was launched. As at 31 May 2023, the absorption rate for the Large Infrastructure OP was 84 per cent., 71 per cent. for the Competitiveness OP, 81 per cent. for the Technical Assistance OP, 71 per cent. for the Regional OP, 73 per cent. for the Human Capital OP, 73 per cent. for the Administrative Capacity OP, and 72 per cent. for the Aid to the Most Deprived OP.

As at 31 May 2023, applicants have submitted projects that are under different stages of approval, contracting and implementation. MAs have signed 16.650 financing contracts, for a total amount of approximately EUR 49 billion (the total EU contribution is EUR 40 billion), representing approximately 163 per cent. of the total EU allocation.

As at 31 May 2023, for the signed contracts, payments made to the beneficiaries provided for in the OPs amounted to EUR 21.6 billion (the EU contribution is EUR 19 billion), representing 77.5 per cent. of the OPs' EU allocation. The amount requested from the European Commission is approximately EUR 17.7 billion, representing a current absorption rate of approximately 72 per cent. Out of the amount requested, the Commission made reimbursements of EUR 16 billion as of 31 May 2023, which is equivalent to a 64 per cent. absorption rate. The total amount received for the above-mentioned OPs from the European Commission is approximately EUR 18.8 billion (including pre-financing and reimbursements), which represents 77 per cent. of the total EU allocation.

Out of the EUR 51 billion allocated to Romania for the 2014-2020 programming period, EUR 35.2 billion was allocated for ESIF. To date, the total amount received from the European Commission (including pre-financing), for the programmes financed by ESIF is approximately EUR 26.8 billion, representing 76 per cent. of total EU allocation of the programmes. In addition, approximately EUR 14.2 billion was received from the European Commission for direct payments in agriculture.

In the context of the humanitarian crisis of refugees from Ukraine, early measures were taken at the EU level. This included the adoption of CARE and CARE+, which allowed flexible use of "cross-financing" between ESF and ERDF, flexibility of 100 per cent. co-financing rate applicable for the current accounting year, the possibility of a simplified cost option for Ukrainian refugees' expenditure from ESF/ERDF and increasing pre-financing from REACT-EU. The financial resources identified from the savings generated by projects completed or in progress at the level of the Human Capital OP, in the amount of approximately EUR 100 million, are reused to finance these support measures and other humanitarian assistance for Ukrainian refugees in Romania.

The estimated payment applications to be sent to the European Commission for 2023 amount to approximately EUR 5.2 billion.

COVID-19 measures

In order to generate a faster and more effective response to the COVID-19 pandemic, the European Commission 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.

The 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 potential NGEU funding for Romania is expected to be spent through 2026 on projects related to recovery from the COVID-19 pandemic and focus on restoring sustainable growth, creating jobs and addressing the European Commission's country specific recommendations and the transition to a green and digital economy in the EU. As of 31 December 2022, a total of EUR 6.4 billion has been allocated from NGEU funding to Romania. Romania represents 5.8 per cent. of the total value of the NGEU, receiving the sixth highest allocation of all EU Member States.

On 29 October 2021, the EU Council approved through written procedure the National Resilience and Recovery Plan of Romania (the "**NRRP**"). Since the NRRP's approval, the Romanian authorities have been working on developing a series of legislative acts concerning the implementation of NRRP. Romania has signed both financial and loan agreements with the European Commission and has already received the prefinancing from the grant allocation of EUR 1.9 billion. On 23 December 2021, the loan agreement was approved based on GEO no. 134/2021. The prefinancing from the loan allocation was disbursed by the European Commission on 13 January 2022 in the amount of EUR 1.9 billion.

The estimated total allocation of Romania's NRRP is EUR 29.1 billion can be broken down as follows: Romania has requested a non-reimbursable financial support of EUR 14.2 billion and financial support from loans of EUR 14.9 billion under the RRF.

This financial support will be provided in instalments related to payment requests (for both grants and loans). One payment request was sent to the European Commission on 31 May 2022, and another on 15 December 2022, and subsequent payment requests will be sent in the first and third quarters of each year, according to the operational arrangements. The amount of each payment will be established in the Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Romania. The payment on 15 December 2022 includes the assessment on 51 milestones and targets which were achieved in the first and second quarters of 2022. The second payment request from the grant amounts EUR 2,147,491,242 and from the loan amounts to EUR 1,080,198,230. Romania's first payment request was reviewed by the European Commission and received the positive assessment of the fulfilment of all 21 milestones and targets included, which meant that the payment instalments could begin. The first payment was received on the 27 October 2022 in the amount of EUR 1.8 billion for the grant component and EUR 789.7 million for the loan component. The total amount received was EUR 2.6 billion, after deducting the pre-financing amount of EUR 264.8 million for the grant component and EUR 118.0 million for the loan component.

At the end of November 2021, the first progress report related to the implementation of milestones and targets was submitted to the EC, within the framework of the bi-annual reporting obligations on the NRRP. At the end of February 2022, Romanian authorities also reported on the EU's set of common indicators. The most recent progress report was sent by the Romanian authorities at the end of February 2023.

Under the NRRP, 41 per cent. of the total allocation for reforms and investments supports climate objectives, including EUR 3.9 billion for railway modernisation, EUR 1.8 billion for urban mobility, EUR 855 million for

clean energy production, EUR 2.7 billion for energy efficiency of buildings and EUR 1.1 billion for biodiversity and environmental protection. An additional 20.5 per cent. of the NRRP total allocation for reforms and investments supports digital objectives, including EUR 1.5 billion for the digitalisation of public administration, EUR 470 million for the digitalisation of the health system and EUR 881 million for the digitalisation of education. Additional measures under the NRRP are aimed at reinforcing Romania's economic and social resilience, such as strengthening the quality and effectiveness of the public administration, modernising the social benefits system, enhancing fiscal sustainability and strengthening the health system, including EUR 2 billion investments in upgrading hospital infrastructure.

Funds under the 2021-2027 programming period

The total allocation for Romania from the Cohesion Policy funds in the 2021-2027 programming period is EUR 31.35 billion in current prices and is balanced through the Partnership Agreement, comprised of eight Regional Programmes and the following eight sectorial/national Programmes: Sustainable Development, Transport, Health, Education and Employment, Inclusion and Social Dignity, Operational Programme for Just Transition, Operational Programme for Smart Growth, Digitalisation and Financial Instruments and Operational Programme for Technical Assistance. The total Cohesion Policy's allocation also includes approximately EUR 0.4 billion for European Territorial Cooperation programmes, distributed to the eight programmes in which Romania participates.

The next EU Multiannual Financial Framework is expected to play a central role in Romania's economy addressing specific green, digital, infrastructure, social and health issues at the national, regional and local levels, contributing to the EU general objective on investments for growth and jobs and reducing disparities between regions.

The Partnership Agreement with the EU was approved on 25 July 2022, and all 16 programmes were approved throughout 2022. The official launch on the 2021-2027 Cohesion Policy of Romania took place on 3 April 2023 in Iasi.

As of 31 May 2023, for the 2021-2027 programming period, Romania received EUR 753.3 million in pre-financing from the European Commission.

To ensure the predictability of the financing opportunities and to achieve the absorption targets, the Government of Romania approved a Memorandum regarding the indicative timetable for launching calls for proposals which are planned for 2023, for the programmes financed by the 2021-2027 Cohesion Policy and by the National Recovery and Resilience Plan.

According to this timetable, as regards the programmes financed by the 2021-2027 Cohesion Policy (eight national programmes and eight regional programmes), it is estimated that the managing authorities will launch 490 calls for proposals, with a total EU value of approximately EUR 23 billion.

To start the 2021-2027 programmes smoothly, on 15 February 2023 MEIP published the consolidated version of the Indicative Calendar of Calls for projects for all 16 programmes of the 2021-2027 period, aiming to create stability and predictability and to promote transparency for potential beneficiaries/applicants to organise resources for preparing applications and accessing EU funds.

To date, the draft applicant's guidelines for 95 calls for proposals has been published for public consultation. These guidelines establish the conditions for granting financial support by the relevant management authorities. During the public consultation process, potential beneficiaries are able to submit observations and comments, to be reviewed by the management authorities. The guidelines contemplate granting a total amount of approximately EUR 8 billion, out of which EUR 5 billion comes from EU contributions.

Mid-term review of MFF 2021-2027

On 20 June 2023, the European Commission presented an assessment of the implementation of Romania's current multiannual financial framework and its proposals. The main elements of the proposal address the continuation of the financial support for Ukraine, migration and external partnerships, boosting the EU's long-term competitiveness on critical technologies through the STEP Platform and a mechanism to cater to the increase of NGEU funding costs.

The proposals are currently undergoing a process of analysis at the national level in Romania. They will also be discussed at technical and political levels within EU formats, with a view towards an agreement near the end of 2023.

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, to support Member States' efforts at national level and cover the sharp increase in public spending on employment.

Romania has requested and has been approved a loan under the SURE instrument in an amount of up to EUR 4.1 billion, which was distributed during 2020 – 2021.

SME Support

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, Digitisation and Financial Instruments OP and OP for Technical Assistance.

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.

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 2018 and 2022 from the European Commission is EUR 5.21 billion, all of which was reimbursed by the European Commission as at December 2022.

As regards the European Agricultural Guarantee Fund 2014-2020 the total amount requested in the period from 2018 to 2022 from the European Commission is EUR 9.49 billion, of which EUR 9.26 billion was reimbursed by the European Commission as of 31 December 2022.

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 12.3 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.

For the agricultural sector, Regulation (EU) no. 2220/2020, which was approved on 23 December 2020, stipulates the extension of the applicability of the existing legal framework for 2021 and 2022 and the increase of the budget using resources related to the 2021-2027 MFF and EURI - the European Recovery Instrument (NextGenerationEU).

As of 31 December 2022, 74,094 projects had been approved, of which 70,293 contracts were concluded for a total public value of EUR 6.34 billion. In addition, through the transition procedure, from the National Rural Development Programme 2007-2013, 18,654 contracts with a public value of EUR 415.6 million were transferred in the National Rural Development Programme 2014-2020, for completion. A total amount of EUR 9.39 billion had been paid to beneficiaries of the National Rural Development Programme 2014-2020 by the Paying Agency.

As of 31 December 2022, 645 projects have been contracted from the Operational Program for Fisheries and Maritime Affairs 2014-2020, for a total public value of EUR 204.0 million. A total amount of EUR 147.7 million had been paid to beneficiaries of the Operational Program for Fisheries and Maritime Affairs 2014-2020.

THE ROMANIAN ECONOMY

Overview

In recent years, Romania has registered considerable progress in reducing macroeconomic imbalances through monetary policies and structural reforms maintaining macroeconomic and financial stability.

Romania had one of the highest growth rates in the EU prior to COVID-19. The annual average GDP growth was 4.7 per cent. in the 2015–2019 period. Annual increases were among the largest in the EU, which led to the improvement of the real convergence of the Romanian economy with the European average. After joining the EU, real convergence expressed in GDP per capita in percentage points significantly improved from 39 per cent. of the EU average in 2006 to 77.1 per cent. in 2022. In 2022, GDP growth was 4.7 per cent., representing a slowdown in growth by 1.1 percentage points compared to 2021.

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 2018, 2019, 2020, 2021 and 2022:

Main Macroeconomic Indicators

	2018	2019	2020	2021	2022
Gross domestic product – current prices (EUR billion)⁽¹⁾	206.1	224.2	220.5	241.3	285.9
Real growth (percentage change) ⁽¹⁾	6.0	3.9	(3.7)	5.8	4.7
GDP/per capita (EUR)	10,577.7	11,559.3	11,445.1	12,617.3	15,012.4
GDP/per capita (RON)	49,223.3	54,851.1	55,361.2	62,082.2	74,033.7 ⁽²⁾
Average exchange rate (EUR/RON)	4.6535	4.7452	4.8371	4.9204	4.9315
GDP/per capita purchasing power (percentage change)	66.2	69.6	72.7	74.1	77.1
Industrial production (percentage change)	3.5	(2.3)	(9.2)	7.1	-1.8
Agricultural production (percentage change)	7.2	(3.8)	(15.4)	14.3	-
Retail (percentage change) ⁽³⁾	5.4	7.2	2.2	10.1	4.4
Current account balance (EUR million)	(9,496)	(10,912)	(10,902)	(17,474)	(26,473)
Real wage (percentage change)	8.0	8.8	4.9	1.1	(1.4)
Average inflation (percentage change)	4.63	3.83	2.63	5.05	13.8
Employment (percentage change) (according to LFS – Labour Force Survey) ⁽⁴⁾	0.5	0.6	(1.3)	0.8	0.7

Notes:

- (1) Final data for 2018 to 2020 according to Press Release No. 258/12 October 2022, NIS; semi-final data for 2021 according to Press Release No. 324/21 December 2022, NIS; provisional estimates for 2022 according to Press Release No. 84/7 April 2023, NIS.
- (2) According to statistical data published on TEMPO-online.
- (3) Excluding sale, maintenance and repair of motors, vehicles and motorcycles.
- (4) Data according to the methodology of the Household Labour Force Survey (AMIGO).

In 2018, gross domestic product continued its robust growth albeit at a slower pace, increasing by 6.0 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 7.6 percentage points while net exports had a negative contribution of 1.6 percentage points.

In 2019, the real GDP growth was 3.9 per cent., one of the highest among EU Member States. Domestic demand increased by 5.3 per cent. and private consumption grew by 3.4 per cent. highlighting a moderation in consumer behaviour, while government consumption increased by 7.2 per cent. Gross investments (gross fixed capital formation) were the main driver of economic growth recording a significant increase of 12.6 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 (-1.6 percentage points).

In 2020, the Romanian economy registered a contraction in the volume of activity of 3.7 per cent. compared to the 2019 (according to unadjusted data). Within domestic demand, gross fixed capital formation registered an increase of 1.1 per cent. compared to 2019 (with a contribution to real GDP growth of 0.3 percentage points). The change in inventories decreased GDP by 0.2 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 1.1 per cent., while private consumption decreased by 3.9 per cent. compared to 2019 (representing a negative contribution of 3.2 per cent. to real GDP growth). Net external demand had a negative contribution of 2.4 percentage points to real GDP growth (as a consequence of the 9.5 per cent. reduction in exports of goods and services in correlation with a slight contraction in the level of imports of goods and services (5.2 per cent.)).

In 2021, GDP increased by 5.8 per cent. (semi-final data) compared to 2020. The increase was due to a 7.0 per cent. increase in domestic demand compared to 2020. In this context, private consumption increased by 8.1 per cent., while government consumption increased by 1.3 per cent. compared to 2020. A decrease in the volume of activity in the construction sector starting in the second half of 2021 as a result of both rising energy and raw material prices and disruptions in supply chains had a direct impact on gross investment. These factors led to a moderate increase by 1.9 per cent. of gross fixed capital formation in 2021 compared to 2020. Inventories changes contributed 1.7 percentage points to the economic growth in 2021. Net exports had a negative contribution of 1.5 percentage points to the economic growth rate, as a result of the increase in exports of goods and services, in real terms, by 12.6 per cent. in 2021 compared to 2020, which was offset by an increase of 14.9 per cent., in real terms, in imports of goods and services.

In 2022, GDP increased by 4.7 per cent. as compared to 2021. Economic growth in 2022 was primarily due to growth in the services sector and construction sector, while industry and agriculture decreased. GVA in the service sector increased by 7.7 per cent. in 2022 compared to 2021. GVA in the construction sector increased 11.2 per cent. in 2022 compared to 2021. GVA in the industry sector decreased by 2.3 per cent. in 2022 compared to 2021. On the demand side, economic growth was sustained both by the gross fixed capital formation, as well as private consumption. Gross fixed capital formation increased by 8.0 per cent., due to of the efficiency with which the European and governmental funds were used to the construction sector, priority for infrastructure. Private consumption increased by 5.5 per cent., Ukrainian refugees, who transited or settled in Romania, contributed to the robust growth of private consumption. As a result of the internal economic situation caused by an increase in the prices of energy products and consumer goods (which required measures to support vulnerable citizens) and of the external crisis caused by the conflict at the country's border (which required granting support to refugee citizens Ukrainians), government consumption increased by 4.3 per cent., contributing 0.8 percentage points to the economic growth. Exports of goods and services increased by 9.6 per cent. compared to 2021, while imports of goods and services increased by 9.9 per cent. and net exports had a negative contribution to the real GDP growth (-0.7 percentage points).

The following table shows percentage changes to GDP components for the years 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021	2022
	<i>(per cent. change against the same period of the previous year)</i>				
Domestic demand	7.5	5.3	(2.1)	7.0	5.2
Final consumption	8.3	4.2	(2.8)	6.5	5.2
Private consumption expenditures	9.4	3.4	(3.9)	8.1	5.5
Government consumption expenditures.....	3.6	7.2	1.1	1.3	4.3
Gross fixed capital formation.....	0.0	12.6	1.1	1.9	8.0
Change in inventories (Contribution to real GDP growth, per cent.)...	1.2	(0.6)	(0.2)	1.7	(0.6)
Net exports (Contribution to real GDP growth, per cent.).....	(1.6)	(1.6)	(1.5)	(1.5)	(0.7)
Gross domestic product.....	6.0	3.9	(3.7)	5.8	4.7

Source: National Institute of Statistics

Structure of the Economy

The following table shows the structure of GDP by sector for the years 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021	2022
	<i>(structure, per cent.)</i>				
Industry.....	23.0	21.3	20.0	20.5	22.5
Agriculture, forestry and fisheries	4.6	4.4	4.2	4.5	4.5
Construction	6.0	6.3	6.6	6.2	6.3
Services – Total	56.9	58.5	59.9	59.1	57.7
Trade, hotel and restaurants, transport and communications.....	22.9	23.3	24.7	24.9	25.3
Financial, real-estate, renting and business services	17.4	18.0	17.9	17.5	17.1
Other service activities	16.6	17.2	17.3	16.7	15.3
Net taxes	9.5	9.5	9.3	9.7	9.0
Gross domestic product.....	100.0	100.0	100.0	100.0	100.0

Source: National Institute of Statistics

The following table shows percentage changes in sectoral components of GDP for the years 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021	2022
	<i>(per cent. change against the same period of the previous year)</i>				
Industry.....	7.5	(1.9)	(6.5)	6.6	(2.3)
Agriculture, forestry and fisheries	13.8	(3.2)	(15.3)	5.9	(11.6)
Construction	(6.0)	5.4	4.3	(8.1)	11.2

	2018	2019	2020	2021	2022
	<i>(per cent. change against the same period of the previous year)</i>				
Services – Total	5.4	6.3	(2.2)	6.5	7.7
Trade, hotel and restaurants, transport and communications.....	7.7	6.1	(1.3)	8.7	10.0
Financial, real-estate, renting and business services	4.2	8.0	(1.3)	5.2	9.1
Other service activities	3.1	4.7	(4.3)	4.7	2.7
Gross value added.....	5.6	3.7	(3.4)	5.4	4.7
Net taxes	9.7	5.6	(6.4)	9.2	5.3
Gross domestic product.....	6.0	3.9	(3.7)	5.8	4.7

Source: National Institute of Statistics

Gross Value Added

In 2018, gross value added (“GVA”) in industry increased by 7.5 per cent. as compared to the previous year. In 2019, GVA in industry decreased by 1.9 per cent. compared to the previous year. In 2020, GVA in industry decreased by 6.5 per cent. compared to the previous year. In 2021, GVA in industry increased by 6.6 per cent. compared to 2020. In 2022, GVA in industry decreased by 2.3 per cent., compared to 2021.

In 2018, GVA in agriculture increased by 13.8 per cent. compared to the previous year. In 2019, GVA in agriculture decreased by 3.2 per cent. compared to the previous year. In 2020, the gross value added in the agricultural sector decreased by 15.3 per cent. compared to the previous year. In 2021, GVA in the agriculture sector increased by 5.9 per cent. compared to the previous year. In 2022, GVA in agriculture decreased by 11.6 per cent., compared to 2021.

In 2018, GVA in construction decreased by 6.0 per cent. as compared to the previous year. In 2019, GVA in construction increased by 5.4 per cent. compared to the previous year. In 2020, GVA in construction increased by 4.3 per cent. compared to the previous year. In 2021, GVA in construction decreased by 8.1 per cent. compared to the previous year. In 2022, GVA in construction increased by 11.2 per cent., compared to 2021.

In 2018, GVA in the services sector increased by 5.4 per cent. as compared to the previous year. In 2019, GVA in the services sector increased by 6.3 per cent. compared to the previous year. In 2020, GVA in the services sector decreased by 2.2 per cent. compared to the previous year. In 2021, GVA in services sector increased by 6.5 per cent. compared to the previous year. In 2022, GVA in the services sector increased by 7.7 per cent., compared to 2021.

Industrial Production

The following table shows percentage changes in industrial production by sector for the years 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021	2022
	<i>(per cent. change against the same period of the previous year)</i>				
Mining and quarrying	(0.2)	(2.7)	(9.9)	(2.3)	(2.8)
Manufacturing	4.3	(1.9)	(10.2)	7.0	(0.4)
Energy	0.0	(4.2)	(2.7)	11.3	(9.4)
Total industry.....	3.5	(2.3)	(9.2)	7.1	(1.8)

Source: National Institute of Statistics

In 2019, as compared to 2018, industrial production decreased by 2.3 per cent., primarily due to a decrease in energy production. 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 2021, as compared to 2020, industrial production increased by 7.1 per cent. During this period, manufacturing (the most significant component of industrial production) increased by 7.0 per cent. However, the largest increase was in the energy industry (an increase of 11.3 per cent.) due to increases in energy prices.

In 2022, industrial production decreased by 1.8 per cent. compared to 2021. During the same period, manufacturing decreased by 0.4 per cent., while mining and quarrying and the energy sector decreased by 2.8 per cent. and 9.4 per cent., respectively, compared to 2021.

Natural Gas

The following table shows the total amount of natural gas available in Romania for the period between 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021	2022
	(billion cubic metres)				
Total amount of natural gas available	13.368	13.991	13.820	14.439	11.633
Generated by domestic production	10.278	9.959	8.914	8.938	8.824
Imported	1.517	2.681	2.144	3.565	2.809

Sources: Data for 2018, 2019, 2020 and 2021: *Energy balance and the energy equipment structure*, National Institute of Statistics, Ed. 2018, 2019, 2020, 2021 and 2022. Data for 2022 – *Industry Statistical Bulletin No. 12/2022*.

On 1 September 2022 the Romanian Government approved the revision of the GEO no. 27/2022 energy aid scheme by passing GEO no. 119/2022. This extends the duration of the aid scheme until the end of August 2023. While the end consumer price levels for gas and electricity have been kept at previous levels, consumption ceilings were lowered to provide incentives for limiting consumption (85 per cent. of consumption benefits from fixed prices). In addition, windfall profits are extended to all market intermediaries (both producers and energy traders) and taxed up to 100 per cent. The Romanian Government also introduced a cap on electricity price levels at 1300 RON/MWh, which will be offset in the budget, and set up an energy fund with a view to both limit the amount of compensation to energy providers and speed-up the process by which the compensation is received. The state budget has so far collected RON 9.5 billion in windfall energy tax and RON 2.7 billion in oil and gas royalties.

On 13 December 2022 the Romanian Government approved another revision of the GEO no. 27/2022 energy aid scheme by passing Law no. 357/2022, This revision extended the duration of the aid scheme until the end of March 2025.

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.

In 2018, crop output increased, as compared to 2017 for most crops, including maize grains (30.3 per cent.) and soya beans (18.3 per cent.). In 2019 crop output decreased as compared to 2018 for most crops, including rapeseed (50.5 per cent.), soya beans (10.7 per cent.), grapes (14.6 per cent.) and potatoes (13.1 per cent.). In 2020 crop output decreased as compared to 2019 for most crops, including dried pulses (48.4 per cent.), grain maize (42.1 per cent.), barley and two row barley (39.3 per cent.), sunflower (40.5 per cent.) and wheat (37.9 per cent.). In 2021 crop output increased for most crops as compared to 2020, including rapeseed (76.2 per cent.), barley and two row barley (73.6 per cent.), wheat (63.2 per cent.), grain maize (46.8 per cent.), dried pulses (42.6 per cent.), sunflower (33.9 per cent.) and rye (23.2 per cent.). In 2022, crop output decreased for most crops as compared to 2021, including grain maize (44.7 per cent.), soya beans (30.5 per cent.), dried pulses (29.9 per cent.), sunflower (26.9 per cent.), wheat (18.0 per cent.), barley and two row barley (16.9 per cent.) and potatoes (15.1 per cent.).

Between January and March 2023, Romania's food balance deteriorated significantly, recording a deficit of EUR 1.1 billion, a decrease of over EUR 700.0 million compared to the same period in 2022. The first three months of 2023 indicated a significant contraction of the grain surplus, which was 50 per cent. less compared to the same period in 2022 (from EUR 999.9 million to EUR 527.2 million). This is a result of the war of aggression by Russia against Ukraine.

The following table shows percentage changes in the agricultural production by type (excluding forestry) for the years 2018, 2019, 2020, 2021 and 2022:

Agricultural Production⁽¹⁾					
	2018	2019	2020	2021⁽²⁾	2022
	<i>(per cent. change against the same period of the previous year)</i>				
Crop production.....	11.5	(5.6)	(21.5)	22.2	-
Livestock	(2.6)	(0.8)	(1.2)	(0.2)	-
Agricultural services.....	16.9	32.3	(1.2)	(0.7)	-
Total.....	7.2	(3.8)	(15.4)	14.3	-

Source: National Institute of Statistics

Notes:

(1) According to the Eurostat methodology on "Economic Accounts for Agriculture".

(2) Final data according to 2022 Romanian Statistical Yearbook, National Institute of Statistics.

Construction

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. In 2021, as compared to 2020, the volume of construction works decreased by 0.6 per cent. In 2022, the volume of construction works increased by 12.9 per cent. compared to 2021.

The following table shows the percentage change in the construction sector for the years 2018, 2019, 2020, 2021 and 2022:

Construction Sector

	2018	2019	2020	2021	2022
	<i>(per cent. change against the same period of the previous year)</i>				
Construction works of total by structural elements.....	(4.1)	27.6	15.9	(0.6)	12.9
New construction works	(8.4)	32.4	9.3	5.9	8.9
Capital repair works.....	1.5	0.9	46.0	(22.6)	25.7
Maintenance and current repair works of total by type of construction:	7.9	26.4	(24.4)	(7.9)	20.2
(a) Buildings.....	(14.3)	39.2	13.6	4.6	12.5
Residential buildings.....	(23.6)	26.2	17.8	28.0	3.1
Non-residential buildings.....	(5.5)	49.1	10.9	(11.4)	21.8
(b) Civil engineering	8.0	16.7	18.5	(6.2)	13.2

Source: National Institute of Statistics

Services

In 2018, GVA in the services sector increased by 5.4 per cent. compared to the previous year. Increases were recorded in all sub-sectors, including 7.7 per cent. in trade, hotels and restaurants, transport and communications, 4.2 per cent. in financial, real-estate, renting and business services and 3.1 per cent. in other service activities.

In 2019, GVA in the services sector increased by 6.3 per cent. compared to the previous year. Increases were recorded in all sub-sectors, including 6.1 per cent. in trade, hotels and restaurants, transport and communications, 8.0 per cent. in financial, real-estate, renting and business services and 4.7 per cent. in other service activities.

In 2020, GVA in the services sector decreased by 2.2 per cent. compared to the previous year. Decreases were recorded in all sub-sectors, including 1.3 per cent. in trade, hotels and restaurants, transport and communications, 1.3 per cent. in financial, real estate, renting and business services, and 4.3 per cent. in other service activities.

In 2021, GVA in the services sector increased by 6.5 per cent. compared to the previous year. Increases were recorded in all sub-sectors, including 8.7 per cent. in trade, hotels and restaurants, transport and communications, 5.2 per cent. in financial, real estate, renting and business services, and 4.7 per cent. in other service activities.

In 2022, GVA in the services sector increased by 7.7 per cent., compared to the previous year. Increases were recorded in all sub-sectors, including 10.0 per cent. in trade, hotels and restaurants, transport and communications, 9.1 per cent. in financial, real-estate, renting and business services and 2.7 per cent. in other service activities.

Energy

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 40.0 million tons of oil equivalent, representing a 6.3 per cent. decrease compared to 2019. In 2021 the primary energy resources amounted to 43.2 million tons of oil equivalent, representing an increase of 4.4

per cent. compared to 2020. In 2022, the primary energy resources amounted to 42.7 million tons of oil equivalent, representing a decrease of 1.2 per cent. compared to 2021.

For the years 2018, 2019, 2020, 2021 and 2022, the breakdown of primary energy resources by per cent. of total energy resources comprise Romania's domestic production is as follows:

	2018	2019	2020	2021	2022
	<i>(per cent. of total energy resources)</i>				
Net coal.....	16.1	16.0	11.6	13.1	13.8
Crude oil.....	14.0	14.2	15.1	14.1	14.0
Usable natural gas.....	34.3	33.7	33.1	32.3	31.8
Hydroelectric, wind, photovoltaic, energy and nuclear electric energy.....	20.2	20.2	22.3	22.2	22.4
Others	15.4	15.9	17.9	18.3	18.0
Total.....	100	100	100	100	100

Source: Data for 2018, 2019, 2020 and 2021 – Energy balance and the energy equipment structure, Ed. 2019, 2020, 2021 and 2022 – National Institute of Statistics; Data for 2022 – Industry Statistical Bulletin No. 12/2022.

Electricity

For the years 2018, 2019, 2020, 2021 and 2022, the breakdown of the sources of electricity production by per cent. of total electricity production is as follows:

	2018	2019	2020	2021	2022
	<i>(per cent. of total energy resources)</i>				
Electricity produced in thermo-power stations	42.1	39.9	35.9	37.3	38.8
Electricity produced in hydro-power station....	27.9	26.8	28.1	29.8	25.5
Electricity produced in wind-power station	9.7	11.4	12.4	11.1	12.6
Electricity produced in nuclear-electric stations.....	17.5	18.9	20.5	19.1	19.9
Electricity produced in photovoltaic sun stations.....	2.8	3.0	3.1	2.9	3.2
Total.....	100	100	100	100	100

Source: Data for 2018, 2019, 2020, and 2021– Energy balance and the energy equipment structure. Ed. 2019 2020 and 2021– National Institute of Statistics; Data for 2022 – Industry Statistical Bulletin No. 12/2022.

Electricity Market

Electricity can be traded on medium- or long-term markets on centralised platforms operated by licensed market operators, featuring exchange like contracts (futures), OTC-like contracts or on a freely bilateral negotiated basis, as well as short-term markets, on the day ahead or intraday markets. Beginning in 2023, a mandatory mechanism of centralised trading was established by primary legislation as an energy crisis measure, applied for some generation categories, such as electricity that has not yet been contracted and for suppliers to final customers operating at a regulated single price.

As at the date of this Information Memorandum, the Romanian electricity market is fully operationally and integrated into the Single Day-Ahead Coupling (“SDAC”) and the Single Intra-Day Coupling (“SIDC”). At the regional level, OPCOM and CNTEE TransAmerica SA were part of the successive projects that led to full integration into SDAC, namely 4M MC (2019) and later, Interim Coupling (2021). Currently, regional activities are carried out within the Core Flow-Based Market Coupling project, which successfully went live in June 2022

as well as in cooperation with Bulgarian stakeholders within the RO-BG Market Coupling project, which successfully went live in October 2022. For the next period (2023-2025), two projects initiated in 2021 are under the development and implementation phase, specifically, the introduction of intra-day auctions at the SIDC level (for capacity pricing in continuous trading) and the introduction of the 15-minute product in SDAC.

The intraday electricity market (ID) has been operative since November 2019 and is based on a European coupling mechanism by continuous trading, allowing trades with 24 Member States presently participating in the Single Intraday Coupling European project.

Energy Crisis measures taken by Romanian Government

As a consequence of the energy (gas and electricity) crisis attributable to Russian policy and their war of aggression in Ukraine, the Romanian Government has issued a series of Emergency Ordinances since November 2021 aimed at easing the burden of high energy prices on consumers.

With respect to electricity, these GEOs have mainly established caps on the final electricity prices for different categories of consumers, either entirely or for some quota, with the differences being supported by public finances through direct payments to electricity suppliers by the Government. They also have established mechanisms for taxation of windfall profits/revenues recorded by electricity generators and/or traders, being revised and then approved by the Romanian Parliament through law.

One of these GEOs, GEO no. 27/2022 was issued in April 2022 and is due to be applied until 31 March 2023. On 1 September 2022 the Romanian Government approved the revision of the GEO no. 27/2022 energy aid scheme by passing GEO no. 119/2022. This extends the duration of the aid scheme until the end of August 2023. While the end consumer price levels for gas (310 RON/MWh for households and 370 RON/MWh for companies) and electricity (680-800 RON/MWh for households and 1000 RON/MWh for small companies and public administration) have been kept at previous levels, consumption ceilings were lowered to provide incentives for limiting consumption (85 per cent. of consumption benefits from fixed prices). In addition, windfall profit taxation has been extended to all market intermediaries (both producers and energy traders) and taxed up to 100 per cent. The Romanian Government also introduced a cap on electricity price levels at 1300 RON/MWh, which will be offset in the budget, and set up an energy fund with a view to limit the amount of compensation to energy providers and speed-up the process by which the compensation is received. The state budget has so far collected RON 9.5 billion in windfall energy tax and RON 2.7 billion in oil and gas royalties.

On 13 December 2022 the Romanian Government approved another revision of the GEO no. 27/2022 energy aid scheme by passing Law no. 357/2022. This revision extended the duration of the aid scheme until the end of March 2025.

The energy legislation has played a key role in supporting renewables, as follows:

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 is expected to benefit from state aid until 2031.

A new mechanism for supporting low-carbon electricity generation projects in Romania is the Contracts for Difference (CfD) scheme, which is currently under development, and which aims to incentivise investment in

renewable energy by providing project developers who have high upfront costs and long project lifetimes with direct protection from volatile prices in the wholesale market.

Restructuring and Investment

The Government intends to restructure the energy sector to increase 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 energy supply 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 progressed 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 construction of a NuScale 6-module power plant by 2027/2028, due to generate 462 MW of clean energy a year;
- 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 liquefied natural gas and gas storage.

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. The Iasi-Ungheni-Chisinău pipeline was completed at the end of September 2021 when the Onesti-Gheraesti-Letcani pipeline and two gas compressor stations (Onesti and Gheraesti) were finalised. As a result, the Republic of Moldova can receive up to 6.5 million m³ of gas per day from Romania.

The Romania-Bulgaria (Giurgiu-Ruse) interconnection was completed at the end of November 2016. The technical conditions ensuring gas export from Romania to Bulgaria have been created. There are additional ongoing interconnection projects which will allow bi-directional flows at various interconnections with Hungary and Bulgaria. The implementation of the Bulgaria-Romania-Hungary-Austria corridor will contribute to achieving the maximum technological parameters for the related interconnections.

Transportation

In 2018, an increase in air transport and road transport led to an 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. In 2021, railway transport increased by 8.7 per cent. and air transport increased by 55.5 per cent., while road transport increased by 0.8 per cent. In 2022 railway transport increased by 8.1 per cent., air transportation increased by 87.6 per cent. and road transport increased by 0.9 per cent., as compared to 2021.

The following table shows the percentage change in the transport of passengers according to modes of transport as compared to the previous year for 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021	2022
	<i>(per cent. change against the same period of the previous year)</i>				
Interurban and international transport ⁽¹⁾	8.4	(0.3)	(26.1)	3.2	8.1
Railway.....	(3.7)	4.8	(27.5)	8.7	28.3
Road.....	11.0	(1.6)	(23.1)	0.8	0.9
Inland waterways ⁽²⁾	(21.6)	(17.5)	20.7	9.0	-
Air.....	7.9	6.3	(69.0)	55.5	87.6
Maritime.....	—	—	—	—	-
Urban transport total ⁽²⁾	(1.3)	(5.4)	(19.0)	(3.7)	-

Source: National Institute of Statistics – publication “Passengers and goods transport, by mode of transport” – 2018–2022

Note:

- (1) Cruise passengers' excursions – inwards included.
- (2) The data are not comparable with those from 2021, due to the change in the way of determining the number of transported passengers, by some transport companies.

The following table shows the percentage change in goods transported according to modes of transport as compared to the previous year for 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021	2022
	<i>(per cent. change against the same period of the previous year)</i>				
Goods transported – total.....	3.7	8.2	(2.0)	13.8	4.3
Railway.....	(1.2)	6.1	(15.5)	15.6	(3.9)
Road.....	4.8	8.2	3.9	15.1	5.8
Inland waterways.....	2.3	11.9	(8.2)	5.2	(10.9)
Air.....	7.9	(2.5)	(14.6)	1.9	22.7
Maritime.....	6.3	8.3	(11.1)	12.5	13.4
Transport via petroleum pipelines.....	(1.4)	6.1	(6.5)	(0.4)	8.1

Source: National Institute of Statistics – publication “Passengers and goods transport, by mode of transport” (2018 to 2022)

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 Investment Programme for infrastructure development 2021 – 2030 (**“IP”**) was adopted by Government Decision no. 1312/30.12.2021 as a strategic document. In the period 2021 to 2030, Romania is expected to benefit from several financing instruments, presented in the 2021-2030 Investment Programme. The IP aims to update the General Transport Master Plan Implementation Strategy, with the main targets of improving socio-economic efficiency, recalibrating investment objectives using a multi-criteria analysis starting from finished and ongoing projects, identifying future needs and financing sources, offering proposals regarding measures for improving the implementation process and implementing a series of horizontal measures on whole transport sector.

Railways

With respect to the programming period 2014-2020, *Caile Ferate Romane* (**“CFR”**) has an objective of upgrading under the Large Infrastructure Operational Programme (**“LIOP”**) 2014-2020 307.86 km of railway lines, 62 structures (32 bridges, 28 culverts and 2 tunnels) and 41 station points modernised with safety systems for railway. Of the 62 proposed structures for rehabilitation, 1 bridge was eliminated from the contract due to technical reasons. Up to 31 December 2022, rehabilitation works have been completed for 1 railway station, 41 stations points modernised with safety systems for railway, 57 structures (26 bridges, 29 culverts and 2 tunnels) and 167 km railway line from Simeria to Sighișoara, excepting works for implementing level two of the European Rail Traffic Management System. During 2021, Romania started works for the rehabilitation of 112 km from Brașov to Sighișoara. This project is financed from the EU’s Connecting Europe Facility (**“CEF”**) programme.

In addition, by the end of 2022 CFR had 38 on-going contracts for the elaboration of the feasibility studies financed from LIOP and CEF programmes. Their objectives are to modernise/rehabilitate railway lines, railway stations, bridges, culverts and tunnels. Between the 2016 and 2021 period, five feasibility studies were finished and approved.

Air

Aviation infrastructure development at Henri Coandă International Airport – Bucharest is ongoing, with state budget financing and independent sources of financing from CN Aeroporturi București. The process to renew TAROM’s fleet is also ongoing, introducing new low-consumption aircraft and removing old, inefficient aircraft. Some of these new low-consumption aircraft were delivered in 2021, and the company plans to continue to renew the fleet in the coming years.

Waterways

For the ports on the Danube, infrastructure projects are ongoing in Brăila, Galați, Tulcea, Isaccea and in preparation for Drobeta Turnu Severin, Calafat, Corabia, Giurgiu and for the ports situated on the Danube – Black Sea Canal (port of Medgidia) and Poarta Albă – Midia Năvodari Canal (Ovidiu and Luminița). The works aim to modernise port infrastructure (mainly the quays), the utilities networks, road connections to the berths and to ensure improved safety conditions for operations. In the port of Constanta, works to deepen the port basins and approach channels were carried out and finalised in 2021. In 2022, infrastructure development continued with the modernisation of the electricity networks, extension at four lanes of the road connecting Gates 10 and 10 bis (982 m), extension at 4 lanes of the road network, within and outside port, in the area of access gates no. 7, 8 and 9.

Roads

At the end of 2022, Romania had 995 km of motorways in operation. In 2022, several sections of motorways and express roads, totalling 300 km, were at different stages of construction. Another 500 km of motorways and express roads were at different stages of preparation.

Inflation

Overview

The following table shows percentage changes in consumer prices for the years 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021	2022
	<i>(per cent. change against the previous year)</i>				
Food goods	3.75	4.69	4.80	3.24	15.69
Non-food goods	6.20	3.24	1.00	7.08	14.74
Services	2.5	3.87	3.10	3.10	7.75
Total	4.63	3.83	2.63	5.05	13.80
End of Period Increase					
Food goods	3.10	5.08	3.24	6.69	22.05
Non-food goods	3.75	3.31	1.01	10.73	14.95
Services	2.44	4.16	2.69	4.49	9.78
Total.....	3.27	4.04	2.06	8.19	16.37

Source: National Institute of Statistics and National Bank of Romania

According to the May 2023 NBR Inflation Report, the annual CPI inflation rate is expected to continue its downward trend but to remain above the variation band of the target. The projected value for the end of the current year is 7.1 per cent., reaching 4.2 per cent. at the end of 2024 and 3.9 per cent. by March 2025. The decline will be underpinned by all the components of the CPI basket, with differences in terms of their respective magnitudes and persistence. Specifically, the annual dynamics of energy prices are anticipated to decelerate swiftly, falling into negative territory by the second quarter of 2023, amid the cap on electricity and natural gas prices, the substantial favourable base effects and the projection of a downtrend in oil prices. Nevertheless, core inflation will reflect the persistence of the impact of companies' higher production costs, being projected to fall gradually throughout the projection interval, but to remain high relative to the inflation target.

2018

The annual consumer price index inflation increased 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.

2019

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.

2020

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.

2021

The annual CPI inflation rate reversed its downward trajectory since the beginning of 2021, exceeding the upper bound of the variation band of the target in May 2021 and reaching 8.19 per cent. in December 2021 (+6.13 percentage points as compared to the end of 2020). The increase was primarily the result of an increase in energy prices, which mirrored the movements on the wholesale markets stemming from both external and internal factors. Fuel prices kept an upward trend through most of 2021, as the global recovery pushed Brent crude oil prices up, and the steep rise in firewood prices added further pressure on prices in the second half of the year. The purchase costs of CO₂ emission certificates spiked in Europe in 2021, while the production of renewable energy remained limited. The European gas market also experienced supply shortages and low

stocks, amid reduced deliveries from the main natural gas exporters and the backdrop of increasing demand due to the resurgent economic situation. The energy components of the consumer basket, which consists of fuel, electricity and natural gas, increased by approximately 22, 15 and 52 per cent., respectively, on an annual basis in 2021 compared to 2020, which contributed to over half of the headline inflation rate. The annual adjusted CORE2 inflation rate (a sub-index of the CPI inflation rate computed by excluding from the overall index goods and services with administered prices, such as electricity, natural gas, fuels, foods with volatile prices such as vegetables, fruits and eggs, as well as tobacco products and alcoholic beverages) fluctuated around 3 per cent. during the first part of 2021, only to re-embark on an upward trend in the third quarter of 2021. The CORE2 inflation rate reached 4.7 per cent. by the end of 2021, compared to 3.3 per cent. at the end of 2020. At the end of 2021, core consumer prices began to reflect the build-up of pressures related to increases in global commodity prices (in particular for energy goods), the stress on international supply chains and the losses suffered by businesses during the height of the COVID-19 pandemic. These upward pressures were reflected in consumer prices more swiftly than anticipated, as aggregate demand grew rapidly once COVID-19 restrictions were lifted and savings accumulated over the past year.

2022

The 2021 inflationary trend continued through the first half of 2022, as the general increase in commodity prices exerted further inflationary pressures on the global economy, primarily as a result of the ongoing conflict in Ukraine. Subsequently, CPI inflation increased more moderately from 15.05 per cent. in June 2022 to 16.37 per cent. at year-end, after reaching a cycle high of 16.76 per cent. in November. Electricity and gas prices rose by 40.8 per cent. in December 2022, yet the increase was partly mitigated by the energy support schemes, which have been extended until March 2025. In their absence, it is estimated that headline inflation would have reached almost 28 per cent. at the end of 2022. Fuel prices also increased in the first half of 2022, reflecting supply issues in the crude market, panic buying following the invasion of Ukraine, as well as a sharp appreciation of the USD. In the second part of 2022, the steadily descending path of crude oil, alongside Government measures reducing final fuel prices by 0.5 RON per litre and capping the price of firewood, helped bring inflation down significantly (12.4 per cent. in December 2022, from a peak of 41.3 per cent. in June). Core inflation reached 14.6 per cent. in December 2022, with the largest increase in the prices of processed food. As opposed to the headline indicator, core inflation grew continuously throughout 2022, as cost pressures were transmitted gradually into final prices, boosted by resilient consumer demand and elevated inflation expectations.

2023

CPI inflation maintained its downward trend during the first four months of 2023, decreasing to 11.23 per cent. in April, on the back of strong favourable base effects and the easing of tensions on global commodity markets. Fuel price dynamics declined into negative territory after the first two months of the year, while inflation on the electricity and gas segment returned to single digits, following the drop in price of electricity in January, when the scope of the price caps instated through the government support schemes was extended. Core inflation also began declining for the first time in almost two years in March and reached 13.9 per cent. in April, amid the decline of processed food inflation, although all three components are still recording relatively high monthly rates. At the same time, agents' inflation expectations dropped significantly during the first part of the year, somewhat mitigating the impact of accumulated cost pressures.

Wages

The following table shows gross earnings for the years 2018, 2019, 2020, 2021 and 2022 (based on monthly data):

	2018	2019	2020	2021	2022
	<i>(per cent. change against the same period of the previous year)</i>				
Average gross nominal monthly earnings (value in RON)	4,357	4,853	5,213	5,535	6,430
(per cent. change against the previous period)	—	11.4	7.4	6.2	11.3
Average net nominal monthly earnings (value in RON)	2,642	2,986	3,217	3,416	3,974
(per cent. change against the previous period)	13.0	13.0	7.7	6.2	12.2
Real earnings (per cent. change against the previous period)	8.0	8.8	4.9	1.1	(1.4)

Source: National Institute of Statistics

From 1 January 2022, the monthly gross wage of staff paid from public funds remains at the same level set for December 2021 (GEO no.130/2021). In addition, in 2022, the salaries of staff paid from public funds remained at December 2021 levels, except for health, social assistance and education staff who, from 1 January 2022, is expected to benefit from salaries increased by 25 per cent. of the difference between the salary provided by the Framework Law no. 153/2017 for the year 2022 and the salary from December 2021. From 1 January 2023, the gross minimum wage increased to RON 3,000 per month according to Government Decision no. 1447/2022. This is an increase of 17.6 per cent. compared to the previous year.

According to Government Emergency Ordinance no. 57/2023, from 1 June 2023 basic salaries in the education sector increased by RON 1,300 per month for teaching and auxiliary teaching staff and by RON 400 per month for non-teaching staff.

According to Emergency Ordinance no. 63/2023, starting from 1 August 2023 limited salary increases for employees in the health sector will be granted. The specialised medical and sanitary personnel, who perform guard shifts in medical units on the basis of an individual part-time employment contract, and the specialised medical-sanitary and auxiliary personnel, who ensure medical assistance, will also benefit from a monthly allowance. A monthly allowance between RON 100 and RON 300 will also be granted for each day worked that is a weekly rest day, public holiday or other non-working day, for all categories of personnel, with some exemptions.

In 2018, average gross earnings were RON 4,357. Net average earnings grew by 13.0 per cent. to RON 2,642 and real earnings increased by 8.0 per cent. compared to 2017. In the public and private sectors, in 2018 average gross earnings reached RON 5,665 and RON 4,061, respectively.

In 2019, average gross earnings increased to RON 4,853, 11.4 per cent. higher than 2018. Net average earning grew by 13.0 per cent. to RON 2,986 and real earnings increased by 8.8 per cent. compared to 2018. In the public and private sectors, in 2019 average gross earnings reached RON 6,474 and RON 4,487, respectively.

In 2020, average gross earnings increased to RON 5,213, 7.4 per cent. higher than 2019. Net average earning grew by 7.7 per cent. to RON 3,217 and real earnings increased by 4.9 per cent. compared to the same period in 2019. In the public and private sectors, in 2020 average gross earnings reached RON 6,869 and RON 4,824, respectively.

In 2021, according to annual data, average gross earnings increased to RON 5,535, 6.2 per cent. higher than in 2020. Net average earnings grew by 6.2 per cent. to RON 3,416 and real earnings increased by 1.1 per cent. compared to 2020. In the public and private sectors, average gross earnings reached RON 6,982 and RON 5,193, respectively.

In 2022, based on monthly data, average gross earnings increased to RON 6,430, 11.3 per cent. higher than 2021. Net average earning grew by 12.2 per cent. to RON 3,974 and real earnings decreased by 1.4 per cent. compared to 2021. In the public and private sectors, in 2022 average gross earnings reached RON 7,297 and RON 6,216, respectively.

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 following table shows changes in the labour force for the years 2018, 2019, 2020, 2021 and 2022:

	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽¹⁾
Active population ⁽²⁾⁽³⁾	(0.4)	0.3	0.0	0.5	0.8
Employment ⁽²⁾	0.5	0.7	(1.3)	1.0	0.8
Employees	1.7	1.2	(1.2)	1.4	1.1
Activity rate ⁽²⁾⁽³⁾	62.4%	63.3%	64.1%	65.6%	66.8%
Employment rate ⁽²⁾	59.0%	60.2%	60.2%	61.9%	63.1%
International Labour Organisation (ILO) unemployment rate	5.3%	4.9%	6.1%	5.6%	5.6%

Source: National Institute of Statistics

Notes:

- (1) Data according to the 2021 methodology of 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 59.0 per cent. in 2018 to 60.2 per cent. in 2019 and 2020, and 61.9 per cent. in 2021. In addition, starting with 2021, the methodology of the Household Labour Force Survey was revised to meet the requirements of new European regulations. In 2022, the employment rate of the working-age population increased by 63.1 per cent.

The positive economic evolution in the period 2018 and 2019 was also translated into the labour market with the ILO unemployment rate following a decreasing trend, from 5.3 per cent. in 2018 to 4.9 per cent. in 2019. As a result of the COVID-19 pandemic, in 2020, the ILO unemployment rate reached 6.1 per cent., which was a 1.2 percentage point increase compared to 2019. In 2021, the unemployment rate was 5.6 per cent. and included a decrease of 0.2 percentage points from 6.1 per cent. in the first quarter of 2021 to 5.9 per cent. in the fourth quarter of 2021. The 2022 ILO unemployment rate was 5.6 per cent.

At the end of December 2018, the number of employees had increased by 1.6 per cent. compared to December 2017, to 4,930.4 thousand people. At the end of December 2019, the number of employees had increased by 0.9 per cent. compared to 2018, to 4,973.0 thousand people. 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. At the end of December 2021, the number of employees had increased by 1.6 per cent. compared to 2020, to 4,987.4 thousand people. At the end of December 2022, the number of employees had increased by 1.6 per cent. compared to 2021, to 5,067.3 thousand people.

In 2018, the average number of employees (the monthly average number of employees, according to the National Institute of Statistics) was 4,929.5 thousand people, increasing by 86.8 thousand people, or 1.8 per cent., compared to 2017. In 2019, the average number of employees (the monthly average number of employees, according to the National Institute of Statistics) was 4,979.4 thousand people, increasing by 49.9 thousand people, or 1.0 per cent., compared to 2018. In 2020, the average number of employees (the monthly average number of employees, according to the National Institute of Statistics) was 4,929.4 thousand people, decreasing by 50.0 thousand people, or 1.0 per cent., compared to 2019. In 2021, the average number of employees (the monthly average number of employees, according to the National Institute of Statistics) was 4,970.1 thousand people, increasing by 40.8 thousand people, or 0.8 per cent., compared to 2020. In 2022, the average number of employees (the monthly average number of employees, according to the National Institute of Statistics) was 5,056.1 thousand people, increasing by 86.0 thousand people, or 1.7 per cent., compared to 2021.

The registered unemployment rate decreased from 3.3 per cent. in 2018, to 2.9 per cent. in 2019, to 3.4 per cent. in 2020, to 3.0 per cent. in 2021 and to 3.1 per cent. in 2022. 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 measures aimed at incentivising the labour mobility of unemployed persons.

The following table shows the rate of unemployment registered at the national level as at 31 December 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021	2022
Registered Unemployment Rate	3.3	2.9	3.4	3.0	3.1

Source: National Institute of Statistics and National Agency for Workforce Employment

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.

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 (“**NHIF**”) 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.

Romania has historically committed a lower share of its national wealth to healthcare than other EU Member States. About 5.5 per cent. of Romania’s GDP was spent on healthcare in 2021, compared to an average of 8.1 per cent. in the EU.

Romania has continued the reform of the national healthcare system, by initiating the implementation of the national health strategy, which 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 modernise 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.

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 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021 ⁽¹⁾	2022
Average no. of employees (<i>thousands</i>).....	5,068.1	5,164.5	5,031.8	5,094.3	5,175.0
Average no. of pensioners receiving state social security (<i>thousands</i>).....	4,684.5	4,672.0	4,674.9	4,654.1	4,607.5
Dependency ratio ⁽²⁾	0.9243	0.9046	0.9290	0.9135	0.8903

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 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 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). In 2021, the deficit of the public pension system decreased to RON 12 billion (approximately EUR 2.43 billion at the December 2021 average exchange rate). In 2022, the deficit of the public pension system decreased to RON 11.9 billion (approximately EUR 2.43 billion at the December 2022 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 projected 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. 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. Starting with revenues related to the month of June 2022, the facility granted for the construction sector is applied also to the agriculture and food industry sector.

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 60.2 years in 2022 for men and from 56.1 years in 2010 to 58.8 years in 2022 for women. Despite the stricter requirements for anticipated pensions, the total number of persons who registered for pensions decreased from 307,282 in 2010 to 271,216 in 2022, the number of people who registered for anticipated pensions increased from 2,896 in 2010 to 3,362 in 2022 but the number of people who registered for partial early retirement decreased from 42,340 in 2010 to 31,196 in 2022. 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 42,767 pensioners in 2022.

Current Pension System Reforms

In the context of the RRF, Romania is currently planning two major pension reforms: one for special pensions and one for the Pillar I general pension system. Both reforms aim to eliminate inequities in the system and decrease expenses, with the goal of promoting the sustainability of public finances in the long-term.

The special pensions reform was passed by Parliament on 29 June 2023, following adoption by the Senate in March 2023. The reform aims to get special pensions in line with the contributory principles of the rest of the pension system. The World Bank is providing technical assistance for these reforms and is currently updating its simulations to reflect the impact of these amendments on Romanian law.

The reform options regarding the Pillar I general pension system involve changing the formula for calculating pensions, introducing a new indexation rule for pensions (consistent with maintaining the share of pension expenses as a percentage of GDP and mechanisms against ad hoc indexation), the reduction of early retirement possibilities, along with the introduction of incentives for the extension of working life, the voluntary increase of the standard retirement age up to 70 years, in accordance with the increase in life expectancy, as well as equalizing the retirement age for men and women at 65 by 2035. These reforms aim to increase the minimum pension level and the increase of contributions to the Pillar II pensions. In relation to the Pillar II reforms, in March 2023 the Government approved the increase in the contribution to Pillar II by one percentage point, to 4.75 per cent., the measure to be applied starting 1 January 2024. The World Bank is currently preparing a report with additional reform options, including an impact assessment of the new pension system on fiscal sustainability.

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 0.7 per cent. of GDP in 2018, 2019, 2020 and 2021 and 1.3 per cent. in 2022, and were budgeted at 0.7 per cent. for 2023.

Privatisation

The Authority for State Assets Administration (“AAAS”), placed under the co-ordination of the Minister of Economy and subordinated to the Government, is mainly responsible of privatisation and administration of its portfolio companies, post-privatisation monitoring and claims recovery.

As at 31 December 2022, AAAS’s portfolio comprised stakes in 408 companies, amounting to a total nominal value of AAAS’s participation of RON 2,097.41 million. Out of the total 408 companies, only 243 are currently operational and the nominal value of AAAS’s participation in these companies amounts to RON 1,595.93 million. AAAS holds majority stakes in 13 operational companies and the total share capital held by the state in these companies does not exceed RON 1,502.8 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 legislation, the Department for Privatisation and Administration of State Ownership ceased to exist as a result of a merger with the Ministry of Economy.

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 TRADE³ AND BALANCE OF PAYMENTS

The current account deficit increased from 4.6 per cent. of GDP in 2018 to 9.3 per cent. of GDP in 2022. This was primarily the result of the increase in trade balance and primary income deficit. Financial account net inflows increased from 2.5 per cent. of GDP to 5.6 per cent. of GDP, primarily as a result of direct investment, supplemented by portfolio investment, when necessary, including through the issuance of government bonds and other investments. The financial inflows were supplemented in the same period by net capital transfers (2.4 per cent. of GDP), mainly from the EU.

Trade in goods

The following table shows changes in foreign trade for the years 2018 to 2022 and the first four months of 2023:

	2018	2019	2020	2021	2022	Jan-April 2023
Current account balance (<i>EUR million</i>).	(9,496)	(10,905)	(10,902)	(17,473)	(26,689)	(5,465)
Per cent. of GDP	(4.6)	(4.9)	(4.9)	(7.2)	(9.3)	—
Trade balance FOB ⁽¹⁾ (<i>EUR million</i>).....	(15,341)	(17,852)	(18,949)	(23,122)	(32,344)	(8,561)
Per cent. of GDP	(7.4)	(8.0)	(8.6)	(9.6)	(11.3)	—
Exports of goods (<i>EUR million</i>)	61,819	63,066	57,560	70,196	85,833	29,042
Annual percentage change.....	8.1	2.0	(8.7)	22.0	22.3	7.7
Imports of goods FOB ⁽¹⁾ (<i>EUR million</i>)	77,160	80,918	76,509	93,318	118,177	37,603
Annual percentage change.....	10.2	4.9	(5.4)	22.0	26.6	-3.7

Notes:

(1) 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 2018 to 2022 and the first four months of 2023

In 2018, 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. 77.3 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 22.7 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 17.852 million, with imports growth (4.9 per cent.) slowing compared to 2018 but continuing to outpace exports growth (2.0 per cent.). 75.2 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 24.8 per cent. The imports through exports coverage was 77.9 per cent., down 2.2 percentage points year on year.

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).

In 2020, the goods deficit increased to EUR 18,949 million (from EUR 17,852 million in 2019), with decreases in both imports (5.4 per cent.) and exports (8.7 per cent.) as compared to 2019. 76.7 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 23.3 per cent. The imports through exports coverage was 75.2 per cent., down 2.7 percentage points. year on year.

In 2021, both exports and imports recovered, increasing by 22 per cent. each year-on-year, which led to a similar growth rate of the goods deficit (+22.0 per cent) that arrived at EUR 23,122 million. 76.4 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 23.6 per cent. The imports through exports coverage remained flat at 75.2 per cent.

In 2022, the increase in imports (26.6 per cent.) exceeded the increase in exports (22.3 per cent.) resulting in an increase in the trade deficit by 39.9 per cent., to EUR 32,344 million compared to 2021. In 2022, 72.2 per cent. of the goods deficit came from the intra-EU trade in goods, while extra-EU trade in goods made up the remaining 27.8 per cent. The imports through exports coverage decreased by 2.6 percentage at 72.6 per cent., compared to 2021.

In the first four months of 2023, the goods deficit accounted for EUR 8.6 billion, down 8.0 per cent. year on year, out of which around 81 per cent. was generated by the trade within EU.

Exports and imports of goods included in the balance of payments

In 2018, exports of goods totalled EUR 61,819 million, 8.1 per cent. increase compared to 2017 due to positive performances of all commodity groups. Exports to other EU countries increased by 9.9 per cent. with a corresponding increase in the share of total exports (by 1.2 per cent. to 71.9 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 74.0 to 73.0 per cent. as a share of total imports).

In 2019, exports of goods increased by 2.0 per cent. to EUR 63,066 million, mainly from agri-food products and other products (mainly construction materials), chemical and plastics, machines and equipment. Exports to other EU countries increased by 2.3 per cent. year-on-year and by 0.3 per cent. as a share in total exports, to 72.2 per cent. Imports of goods amounted to EUR 80,918 million, representing a 4.9 per cent. increase from 2018, brought by chemical products, agri-food products and mineral products. Imports of goods purchased from EU countries increased by 4.6 per cent. year on year, but decreased by 0.2 as a share of total imports to 72.8 per cent.).

Exports of goods in 2020 amounted to EUR 57,560 million, an 8.7 per cent. decrease as compared to 2019, from all merchandise groups. Exports to EU countries accounted for 73.2 per cent. of total exports, down 7.4 per cent. year-on-year. In 2020, imports of goods amounted to EUR 76,509 million, a decrease of 5.4 per cent. as compared to 2019, from all merchandise groups, except for agri-food products and chemical and plastics products. Imports from EU countries went up 1.3 percentage points. as a share of total imports, to 74.1 per cent.

In 2021 exports of goods accounted for EUR 70,196 million, up 22.0 per cent. year-on-year, out of which 72.0 per cent. represented exports to other EU countries. Imports of goods totalled EUR 93,318 million, an increase of 22.0 per cent. year-on-year, with imports from EU countries decreasing by 1.0 percentage points as a share in total imports, to 73.1 per cent.

In 2022 exports of goods accounted for EUR 85,833 million, up 22.3 per cent. year-on-year, out of which 72.0 per cent. represented exports to other EU countries. Imports of goods totalled EUR 118,177 million, an increase of 26.6 per cent. year-on-year, with imports from EU countries decreasing by 1.0 percentage points as a share in total imports, to 72.1 per cent.

In the first four months of 2023, exports of goods reached 29.0 billion, up 7.7 y-o-y, out of which 72.3 per cent. represented intra-EU exports. Imports of goods increased slower than exports, by 3.7 per cent., to EUR 37.6 billion.

The shares of groups of goods in total exports and in total imports from 2018 to 2022 and the first three months of 2023 are shown in the table below:

Trade Balance – Groups of Goods and Sections

	Export FOB						Import FOB					
	2018	2019	2020	2021	2022	Jan-Apr 2023	2018	2019	2020	2021	2022	Jan-Apr 2023
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 Agri-food items	10.4	11.3	12.1	13.6	13.8	13.1	9.8	10.2	11.5	10.6	10.8	11.9
I Live animals and animal products.....	1.4	1.5	1.5	1.5	1.3	1.5	2.2	2.3	2.4	2.3	2.3	2.3
II Vegetable origin products	5.8	6.1	5.8	7.7	7.8	6.7	2.9	3.0	3.7	3.3	3.6	4.3
III Animal or vegetable oils and fats	0.4	0.4	0.3	0.5	0.7	0.7	0.2	0.2	0.2	0.3	0.4	0.3
IV Foodstuff, beverages, tobacco	2.8	3.4	4.5	3.9	3.9	4.2	4.5	4.7	5.1	4.8	4.6	5.0
2 Mineral products (V)	4.7	4.4	2.8	4.0	8.4	6.0	8.0	8.1	5.7	8.1	12.5	8.3
3 Chemical and plastic products	9.6	9.7	10.0	10.1	9.9	10.4	16.5	16.9	18.1	18.4	17.1	17.6
VI Chemical products .	3.6	3.7	3.9	3.7	3.6	3.8	9.5	10.1	11.3	11.2	10.5	10.8
VII Plastics, rubber	6.0	6.0	6.1	6.4	6.3	6.6	7.0	6.8	6.8	7.3	6.6	6.8
4 Wood products, paper	3.4	3.3	3.6	4.0	3.7	3.4	2.4	2.3	2.3	2.4	2.3	2.2
IX Wooden products	2.6	2.5	2.8	3.1	2.7	2.4	0.9	0.9	0.9	1.0	0.9	0.8
X Wood pulp, paper	0.8	0.8	0.8	0.9	1.0	0.9	1.4	1.4	1.4	1.4	1.4	1.4
5 Textiles, clothing, footwear	4.8	4.4	4.0	3.8	3.4	3.6	5.8	5.7	6.0	5.2	4.9	5.2
XI Textiles and articles thereof.....	3.6	3.3	3.1	3.0	2.6	2.8	4.8	4.7	5.0	4.3	4.0	4.1
XII Footwear.....	1.2	1.0	0.9	0.8	0.8	0.8	1.0	1.0	1.0	0.9	0.9	1.0
6 Common metals (XV)	9.3	8.9	8.7	10.8	10.1	10.0	10.6	10.0	9.7	10.8	10.3	10.9
7 Machinery, apparatus, electric equipment, transport means	47.9	47.9	49.1	45.0	41.6	44.6	38.6	37.4	37.1	35.3	32.9	34.7
XVI Machinery, appliances and electric equipment	28.4	28.9	30.0	28.5	26.0	27.7	27.4	26.3	27.0	25.4	23.8	24.7
XVII Transport means .	19.5	18.9	19.1	16.5	15.6	16.9	11.2	11.0	10.0	9.9	9.1	10.0
8. Others	9.7	10.1	9.5	8.6	8.8	8.9	8.4	9.4	9.8	9.2	9.1	9.2
VIII Undressed leather and dressed leather, furs and fur products	0.3	0.2	0.2	0.2	0.2	0.2	0.9	0.8	0.7	0.6	0.5	0.5
XIII Stone products, cement, ceramics, glass	0.6	0.7	0.7	0.7	0.7	0.7	1.4	1.4	1.4	1.4	1.4	1.3
Miscellaneous goods and products.....	8.8	9.2	8.6	7.7	7.9	7.7	6.1	7.2	7.6	7.1	7.2	7.3

Notes:

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 2018 to 2022 and the first four months of 2023 are shown in the table below:

Trade Balance – Geographical Distribution

Country Group	Export FOB						Import FOB					
	(per cent.)											
	2018	2019	2020	2021	2022	Jan-Apr 2023	2018	2019	2020	2021	2022	Jan-Apr 2023
Total.....	100.0	100.0	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.....	71.9	72.2	73.2	72.0	72.0	72.3	73.0	72.8	74.1	73.1	72.1	74.5
Germany	22.9	22.4	22.9	20.5	20.0	21.5	20.4	19.9	20.7	20.1	17.9	20.2
Italy.....	9.3	9.0	8.8	8.8	8.4	8.7	8.2	8.0	7.9	8.0	7.3	7.9
France.....	7.3	7.1	6.8	6.5	6.1	6.9	5.1	4.8	4.6	4.2	3.9	4.4
Hungary	5.0	5.0	5.2	5.9	7.7	6.0	7.2	7.4	7.6	7.1	6.8	6.7
Bulgaria	3.5	3.8	3.9	4.2	4.1	4.1	2.9	3.1	3.3	4.3	7.2	4.4
United Kingdom of Great Britain and Northern Ireland.....	4.1	3.6	3.3	3.0	2.8	2.9	2.4	2.6	2.0	1.1	0.9	1.0
Spain.....	3.3	3.2	3.1	3.1	3.3	3.0	2.8	2.9	2.5	2.6	2.6	2.8
Netherlands.....	2.7	3.1	3.4	3.5	3.6	3.0	4.1	4.2	4.1	4.2	4.3	4.5
Poland.....	3.4	3.8	3.9	4.2	4.0	4.0	5.7	6.1	6.3	4.2	6.0	6.2
Austria	2.3	2.2	2.3	2.5	2.4	2.2	3.3	3.1	3.4	3.2	3.1	3.4
- Extra EU Trade (extra-EU-28), of which.....	28.1	27.8	26.8	28.0	28.0	27.7	27.0	27.2	25.9	26.9	27.9	25.2
Turkey.....	3.2	3.5	3.6	3.7	3.2	3.8	4.4	4.4	4.3	4.5	4.6	4.6
Russia	1.7	1.6	1.4	1.4	0.5	0.5	3.7	3.5	2.2	3.1	3.0	1.1
U.S.....	2.1	2.0	1.8	2.2	2.5	2.5	1.0	0.9	1.1	0.9	1.1	1.2
Ukraine	0.6	0.6	0.7	0.7	1.6	1.5	0.8	0.8	0.9	1.1	1.6	1.3
Republic of Moldova....	1.6	1.6	1.5	1.6	2.4	2.3	0.6	0.5	0.5	0.5	0.6	0.5
People's Republic of China.....	1.2	1.2	1.4	1.6	1.2	1.2	5.4	5.3	6.3	6.3	5.9	5.0
Japan.....	0.4	0.4	0.8	0.6	0.8	1.0	0.4	0.4	0.4	0.4	0.3	0.4
Kazakhstan.....	0.1	0.1	0.1	0.0	0.0	0.0	1.6	1.9	1.4	1.5	2.5	2.3

Notes:

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).

In 2018, the balance-of-payments current account posted a deficit of EUR 9,496 million (4.6 per cent. of GDP), compared to a deficit of EUR 5,820 million (3.1 per cent. of GDP) in 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 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.

In 2019, the balance of payments current account incurred a deficit of EUR 10,905 million (4.9 per cent. of GDP), compared to 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 primary income deficit decreased by 15.3 per cent. compared to 2018 to EUR 3,189 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.

In 2020, the current account deficit was almost the same as in 2019 at EUR 10,902 million (4.9 per cent. of GDP) from EUR 10,905 million (4.9 per cent. of GDP) in 2019, mainly due to higher goods and primary income deficits and higher services and secondary income surplus compensating each other. The primary income recorded a deficit of EUR 3,326 million in 2020, as compared to EUR 3,189 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 1,935 million, amid increased inflows from the European Fund for Agriculture and Rural Development.

In 2021, the current account deficit increased to EUR 17,473 million, primarily due to increases in the trade balance deficit and the primary income deficit, as well as the decrease in secondary income surplus. Primary income deficit increased by 45.6 per cent., to EUR 4,842 million, due to higher reinvested earnings in direct investment companies in Romania, partially offset by increased employee compensation. The secondary income balance decreased to EUR 1,070 million, offset by the decrease in EU funds inflows of current transfers nature (such as EFARD and ESF) and by the increase in contributions to the EU budget.

In 2022, the current account deficit reached EUR 26,689 million, an increase of 52.7 per cent. as compared to 2021. This was mainly due to an increase in the trade balance and the primary income deficits. The primary income deficit increased by 81.9 per cent. from EUR 4,842 million in 2021 to EUR 8,806 million in 2022, and the secondary income surplus increased by 63.5 per cent. from EUR 1,070 million in 2021 to EUR 1,751 million in 2022.

In the first four months of 2023, the current account reached EUR 5.5 billion, down from EUR 7.7 billion year-on-year, primarily as a result of the services balance surplus (an increase of 51 per cent., to EUR 5.1 billion, resulting from higher receipts related to IT services, transport services, manufacturing services on physical inputs owned by others, other business services and construction services), but also from the decrease of the trade in goods deficit (which decreased 8.0 per cent., to EUR 8.6 billion). The primary income deficit increased by 9.9 per cent., to EUR 2.4 billion, primarily as a result of interest payments related to portfolio and other investments, while the secondary income surplus increased by EUR 6 million to EUR 422 million. In 2018, the combined current and capital account had a deficit of EUR 6,981 million, while non-residents' direct investment

was EUR 5,266 million. In 2019, the combined current and capital account had a deficit of EUR 8,055 million while non-residents' direct investment was EUR 5,173 million. In 2020, the combined current and capital account had a deficit of EUR 6,724 million while non-residents' direct investment stood at EUR 3,005 million, following the trend of both equity and intra-group loans. In 2021, the combined current and capital account deficit totalled EUR 12,230 million, whereas the net non-residents' direct investment accounted for EUR 8,940 million. In 2022, the combined current and capital account ended with a deficit of EUR 19,681 million, out of which non-residents' direct investment (EUR 10,705 million) covered 54 per cent. In the first four months of 2023 the combined current and capital account deficit attained EUR 4.5 billion, out of which approximately 65 per cent. was covered by non-residents' direct investment.

The financing of the current account through FDI and EU funds for 2018 to 2022 and the first four months of 2023 is summarised in the table below:

	2018	2019	2020	2021	2022	Jan-Apr 2023
	<i>(EUR millions)</i>					
Current account balance.....	(9,496)	(10,905)	(10,902)	(17,473)	(26,689)	(5,465)
Foreign direct investments flows.....	5,266	5,173	3,005	8,940	10,705	2,908
EU funds inflows	4,444	5,734	7,120	8,317	10,555	3,279
Subsidies.....	1,769	1,845	1,896	1,901	1,856	1,678
Current transfers.....	922	1,435	1,886	1,343	1,819	702
Capital transfers.....	1,753	2,455	3,338	5,074	6,879	899

Source: National Bank of Romania

Capital Account

In 2018, the capital account ended with a surplus of EUR 2,515 million, mainly consisting of inflows of EU funds in the form of capital transfers, but also from the sale of CO₂ certificates. In 2019, the capital account ended with a surplus of EUR 2,850 million (as compared to 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 CO₂ certificates. The capital account surplus further grew to EUR 5,243 million in 2021 (2.2 per cent. of GDP), following the inflows of EU grants in the framework of the RRF. The aim of the RRF is to mitigate the economic and social impact of the COVID-19 pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. In 2022 the capital account surplus increased by 33.7 per cent. to EUR 7,008 million compared to 2021, primarily as a result of upward trend of EU funds inflows (mainly European Regional Development Fund and Cohesion Fund). In the first four months of 2023 the capital account surplus decreased by 8.0 per cent to EUR 978 million as compared to the same period in 2022 as a result of a slightly lower level of EU capital transfers.

Financial Account

In 2018, net financial inflows were EUR 5,149 million, mainly due to the decrease in NBR's reserve assets and in currency and deposits placements abroad. Net financial inflows in 2018 consisted of direct investment of EUR 4,945 million in 2018, portfolio investment of EUR 2,880 million and other investment with net outflows of EUR 3,362 million. 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 net financial inflows were EUR 5,134 million, compared to 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. Net financial inflows for 2019 consisted of direct investment of EUR 4,849 million, portfolio investment of EUR 2,436 million and other investment with net outflows of EUR 2,456 million. In 2019, 70.6 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, net financial inflows were EUR 7,808 million, compared to EUR 5,134 million in 2019, mainly as a result of higher net inflows of portfolio investment and an increase in NBR reserve assets. Net financial inflows for 2020 consisted of direct investment of EUR 2,958 million, portfolio investment of EUR 13,423 million and other investment with net outflows of 2,988 million. In 2020, approximately 65 per cent. of the current account deficit was covered by net inflows of direct investment and capital inflows, while the difference was covered by the issuance of government bonds.

In 2021, net financial inflows were EUR 14.7 billion, compared to net financial inflows of EUR 7.8 billion in 2020. Net financial inflows for 2021 consisted of direct investment of EUR 8.8 billion, portfolio investment of EUR 3.5 billion and other investment of EUR 4.8 billion. The reserve assets increased by EUR 2,251 million in 2021.

In 2022, net financial inflows were EUR 16.0 billion, compared to EUR 14.7 billion in 2021. Net financial inflows for 2022 consisted of direct investment of EUR 9.6 billion, while non-residents' direct investment in Romania totalled EUR 10.7 billion, portfolio investment of EUR 5.0 billion and other investment of EUR 8.3 billion. The reserve assets increased by EUR 6,574 million in 2022.

In the first four months of 2023, net financial inflows decreased by around 46 per cent. as compared to the same period in 2022. The reduction was attributable to the increase in reserve assets (by EUR 7.5 billion), as well as by the net outflows recorded by other investment (EUR 1.0 billion). Net financial inflows primarily consisted of a portfolio investment of EUR 9.4 billion (government bonds) and direct investment of EUR 2.9 billion (mainly equity and reinvestment of earnings).

Balance of Payments for the Years 2018-2022 and the first four months of 2023

Item	2018			2019			2020			2021		
	credit	debit	balance	credit	debit	balance	credit	debit	balance	credit	debit	balance
1. Current account.....	95,282	104,778	(9,496)	101,966	112,878	(10,912)	93,135	104,036	(10,902)	110,299	127,772	(17,473)
<i>A. Goods and services</i>	85,612	92,593	(6,981)	90,120	99,324	(9,204)	81,327	90,837	(9,510)	98,079	111,780	(13,702)
<i>a. Goods⁽²⁾</i>	61,819	77,160	(15,341)	63,062	80,918	(17,856)	57,560	76,509	(18,949)	70,196	93,318	(23,122)
- General merchandise on a balance of payments basis.....	61,750	77,160	(15,411)	63,012	80,918	(17,905)	57,457	76,509	(19,051)	70,042	93,318	(23,276)
- Merchancing - export net	69	0	69	50	0	50	103	0	103	154	0	154
- Merchancing - goods acquired...	(331)	0	(331)	(395)	0	(395)	(549)	0	(549)	(654)	0	(654)
- Merchancing - goods sold	400	0	400	445	0	445	651	0	651	808	0	808
- Nonmonetary gold ⁽³⁾	0	0	0	0	0	0	0	0	0	0	0	0
<i>b. Services</i>	23,793	15,433	8,361	27,058	18,406	8,652	23,767	14,329	9,439	27,883	18,463	9,420
- Manufacturing services on physical inputs owned by others	2,936	182	2,754	2,969	164	2,805	2,455	136	2,320	2,484	152	2,333
- Transportation	6,912	2,932	3,980	7,966	3,629	4,337	6,750	2,668	4,082	7,601	3,367	4,234
- Travel.....	2,877	4,522	(1,646)	3,195	5,360	(2,165)	1,262	2,709	(1,446)	2,784	4,417	(1,633)
- Other services.....	11,069	7,796	3,273	12,928	9,253	3,675	13,299	8,816	4,483	15,013	10,527	4,486
<i>B. Primary income</i>	5,271	9,038	(3,767)	6,295	9,487	(3,192)	5,981	9,307	(3,326)	6,529	11,371	(4,842)
- Compensation of employees	2,946	104	2,842	3,597	103	3,493	3,234	129	3,105	3,825	175	3,650
- Investment income.....	539	8,689	(8,150)	822	9,119	(8,297)	818	8,952	(8,134)	752	10,932	(10,180)
Direct investment.....	89	6,832	(6,743)	200	7,090	(6,891)	93	6,898	(6,804)	207	8,971	(8,764)
Portfolio investment income	134	1,219	(1,086)	242	1,404	(1,162)	395	1,585	(1,109)	279	1,718	(1,440)
Other investment income	58	638	(579)	61	624	(563)	42	470	(428)	73	243	(169)
Reserve assets income	258	0	258	319	0	319	287	0	287	193	0	193
- Other primary income.....	1,786	245	1,541	1,877	265	1,612	1,929	226	1,703	1,952	264	1,687
<i>C. Secondary income</i>	4,399	3,148	1,252	5,551	4,067	1,484	5,826	3,892	1,934	5,691	4,620	1,070
- General government	972	1,500	(527)	1,484	2,131	(648)	1,985	2,069	(83)	1,426	2,537	(1,111)
- Other sectors.....	3,427	1,648	1,779	4,067	1,935	2,132	3,841	1,824	2,017	4,265	2,083	2,181
<i>A. Capital account</i>	2,580	65	2,515	3,255	405	2,850	4,376	198	4,178	5,657	414	5,243
<i>a. Capital transfers</i>	1,827	0	1,827	2,469	293	2,177	3,354	58	3,297	5,139	4	5,135
- General government	1,753	0	1,753	2,455	293	2,162	3,338	0	3,338	5,080	4	5,076
- Other sectors	74	0	74	14	0	14	17	58	(41)	59	0	59
<i>b. Gross acquisitions/ disposals of nonproduced nonfinancial assets</i>	753	65	688	786	112	674	1,021	140	882	517	410	108

Notes:

- (4) FOB imports are NBR's figures calculated using NIS CIF/FOB coefficient
- (5) BPM6 methodology

Foreign Direct Investment⁴

According to the results of the annual statistical surveys (final data for 2018 to 2021), foreign direct investment slightly decreased from EUR 5.3 billion in 2018 to EUR 5.2 billion in 2019 and further to 3 billion in 2020. As a share of GDP, non-residents' direct investment stayed flat at 2.6 per cent. of GDP in 2018, dropping at 2.3 per cent. of GDP in 2019 and 1.4 per cent. of GDP in 2020. In 2020, financial intermediation and insurance made up almost half of the net inflows of FDI and industry comprised around 30 per cent. In 2021, direct investment of non-residents in Romania increased to EUR 8.9 billion, primarily as a result of the rebound of intragroup loans, coupled with an increase in reinvestment of earnings by 34 per cent., following the recovery of economic activity in Romania. Financial intermediation and insurance accounted for approximately 35 per cent. of the total, followed by the industry sector which accounted for approximately 29 per cent. In 2022, net FDI was EUR 10.7 billion, an increase of 19.7 per cent. as compared to 2021. This was the result of an increase in equity (including the estimated net reinvestment of earnings) and intercompany lending.

According to the results of the 2021 annual statistical survey regarding FDI, out of the total FDI stock of EUR 100.3 billion, more than 70 per cent. consisted of equity, including reinvested earnings (EUR 70.3 billion), while the net credit from foreign investors amounted to EUR 30 billion. Industry was the largest with approximately 40.0 per cent. of the total (out of which manufacturing with 30.0 per cent. of the total, mainly oil processing and chemicals, transport equipment, food, beverages and tobacco), followed by construction and real estate, wholesale/retail trade, financial intermediation and insurance. The four largest economies from which FDI originated, based on immediate investor country, as of 31 December 2021 were The Netherlands (22.1 per cent.), Germany (12.5 per cent.), Austria (12.2 per cent.) and Italy (7.5 per cent.)

The following table shows non-residents' direct investment in Romania for 2018 to 2022 and the first four months of 2023:

Net Foreign Direct Investment ⁽¹⁾						Jan-Apr 2023
	2018	2019	2020	2021	2022	
	(EUR millions)					
Net FDI	5,266	5,173	3,005	8,940	10,705	2,908
Equity, including reinvested earnings ...	5,546	5,021	3,999	6,747	7,930	3,382
Other capital (intra-group loans)	(280)	152	(994)	2,194	2,775	(474)

Source: NBR

Notes:

(1) 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

⁴ Since the results for the 2022 FDI annual survey will be available at end-September 2023, currently the data for 2022 are provisional, with no details on activity and geographical breakdowns available.

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 December 2022 the Ministry of Finance, through the state aid schemes that it administered, granted aid amounting to EUR 2,210.1 million to support 279 large investment projects with a total value of EUR 7,066.8 million and creating at least 54,293 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

2018

In the first half of the year, the NBR continued the adjustment of its monetary policy stance, via raising the policy rate between January and May by a total of 0.75 percentage points, to 2.5 per cent., and tightening control over money market liquidity. In contrast, the NBR left the policy rate and parameters of the key monetary policy instruments unchanged. These measures were aimed at preventing the more sizeable increase in the annual inflation rate above the variation band of the target in the first half of 2018, as well as subsequently bringing it back and keeping it over the medium term in line with the 2.5 per cent. \pm 1 percentage point target, firmly anchoring long-term inflation expectations in a manner further supportive of economic growth.

The macroeconomic and financial context of 2018 was marked by inflationary developments, which abated only slightly towards year-end. Relevant in this respect was the significant strengthening, during the first part of the year, of the transitory inflationary effects of supply-side factors and the persistence of sizeable excess aggregate demand, alongside faster unit wage cost dynamics conducive to increasing inflationary pressures. Against this background, the annual inflation rate surged at the beginning of the year and then remained, for three quarters, significantly above the variation band of the target, while the new assessments carried out during that period indicated and reconfirmed the prospects for its staying in the upper half of the band or in the vicinity of the upper bound starting in the first quarter of 2019. At the same time, domestic demand consolidated its role as the sole driver of economic growth – which remained robust, albeit decelerating after the exceptional pace recorded in 2017 – whereas the contribution of net exports was considerably more negative, due to the marked deterioration of the trade balance. Hence, the current account deficit widened at a faster pace.

2019

The specific context of 2019 justified the extension of the status-quo monetary policy rate, which was kept at 2.50 per cent., with the central bank adopting and maintaining strict control over money market liquidity as of April 2019. The NBR's actions and approach were aimed at preventing the more sizeable increase in the annual inflation rate during 2019, as well as bringing it back and subsequently keeping it in line with the flat target, also via the anchoring of longer-term inflation expectations.

In particular, the macroeconomic and financial context of 2019 was characterised by the unexpected deterioration of inflation developments and outlook – under the transitory impact of new supply-side shocks, overlapping the uptrend in underlying inflationary pressures – concurrently with the heightened uncertainties and risks thereto stemming from the domestic and external environments. Thus, after having fallen to 3.3 per cent. in December 2018, the annual inflation rate resumed growth at the onset of the year, contrary to projections. It climbed again and thereafter remained – amid slight fluctuations – above the variation band of the target, while the assessments updated during the year reconfirmed the prospects for its return into the upper half of the variation band of the target in the first quarter of 2020, but also for its staying there afterwards, re-emarking on a slowly upward path in the second half of 2020. Furthermore, these assessments pointed to the persistence/rise of the significant inflationary pressures stemming from the cyclical position of the economy

and from wage costs, amid the notable stimulative effects assumed to be exerted further by the fiscal and income policies, alongside the gradually abating ones anticipated from monetary conditions.

The uncertainties and risks associated with the future fiscal and income policy stance rose progressively during 2019, however, given the increasingly steep loosening trend of budget execution. This eventually materialised in the widening of the budget deficit way above the 3 percent-of-GDP ceiling set under the Stability and Growth Pact, which implied a necessary but difficult start of a fiscal correction in the near future, especially amid the provisions of the new pension law. Also important were the high uncertainties temporarily generated by the fiscal and budgetary measures effective 1 January 2019, via the associated ambiguities and the multitude of transmission channels in the economy, but also via the possible implications for monetary policy and lending.

2020

The specific macroeconomic and financial context of 2020 called for an immediate and decisive response of the NBR to COVID-19, and warranted afterwards the further adjustment of the monetary policy stance in a prudent manner. Hence, in the first two months of the year, the NBR Board extended the status-quo of the monetary policy rate, while in an emergency meeting on 20 March 2020 it adopted a package of measures aimed at mitigating the economic impact of the pandemic and at consolidating liquidity in the banking system so as to ensure the good functioning of the money market and of other financial market segments, as well as the smooth financing of the real economy and the public sector. The package included a cut in the monetary policy rate by 0.50 percentage points, to 2.00 per cent., and the narrowing of the corridor defined by interest rates on standing facilities around the monetary policy rate to ± 0.5 percentage points from ± 1.0 percentage point, as well as decisions on conducting repo operations for providing liquidity to credit institutions and on purchasing leu-denominated government securities on the secondary market. Over the following quarters, the NBR carried out three other policy rate cuts, in prudent steps of 0.25 percentage points each, bringing the policy rate down to a historical low of 1.25 per cent. in January 2021, yet above the key interest rates of central banks in the region. The deposit facility rate and the lending facility rate were also lowered gradually, to 0.75 per cent. and 1.75 per cent. respectively. Given the liquidity shortfall on the money market, the new cuts in the NBR's key rates were accompanied by decisions to further conduct repo transactions and continue to purchase leu-denominated government securities on the secondary market, while keeping the minimum reserve requirement ratio on leu-denominated liabilities of credit institutions at 8 percent; however, the minimum reserve requirement ratio on foreign currency-denominated liabilities was reduced in November 2020 to 5 per cent. from 6 per cent. Through these decisions, the central bank aimed to support the recovery of economic activity after the pandemic-induced contraction, with a view to bringing and consolidating over the medium term the annual inflation rate in line with the 2.5 per cent. ± 1 percentage point inflation target, while safeguarding financial stability.

The course of the domestic economy was changed by the outbreak of the COVID-19 pandemic in the first quarter and by the drastic mobility restrictions implemented to contain its spread, with a renewed intensification in autumn, after a relative abatement during the summer of 2020. As a result, the economy witnessed a severe contraction in the second quarter, anticipated to be recovered largely over the next period, yet gradually afterwards, implying the abrupt opening of a significant negative output gap in the middle of the first half of the year, which would narrow markedly in the third quarter, but somewhat slowly thereafter. The current account deficit and its financing structure extended nonetheless their worsening trends. In turn, the labour market saw a sudden deterioration towards the end of the first quarter, cushioned initially and then partly reversed by the government's job retention measures, as well as by the gradual resumption of activity in numerous sectors, but also by firms and households progressively adapting to social distancing rules.

Against this background, the medium-term projections updated during the year highlighted and reconfirmed a significant downward adjustment of the anticipated inflation pattern over the long-term horizon. In the short-term, the pattern remained essentially unchanged, amid the persistent nature of core inflation and the associated

expectations, changes in the consumption structure and supply-side disruptions/constraints and costs associated with the pandemic. At the same time, the uncertainties surrounding the projections reached extreme levels, given the multiple unknowns concerning the evolution and the implications of the pandemic and of the related measures, alongside those regarding the development and large-scale use of effective vaccines, or the capacity of firms and households to adapt their economic behaviour to the epidemiological situation. A major source of heightened uncertainties and risks was the future stance of the fiscal and income policies, especially in view of the election calendar and the new pension law, given, on one hand, the considerable widening of the budget deficit in 2020, under the impact of COVID-19 and the support measures, but also as a result of further increase in certain permanent expenditures and, on the other hand, the potential start in the near future of the necessary budget consolidation, amid the excessive deficit procedure launched by the European Commission in spring. However, such a major shift in the fiscal policy stance became apparent only at year-end, after the December elections, once the budget deficit target for 2021 was announced and the new government adopted budget consolidation measures, including the temporary capping of public sector wages.

2021

The macroeconomic and financial context of 2021 called for prompt, but also prudent recalibrations of the monetary policy stance. Thus, after having cut the policy rate to 1.25 per cent. in January 2021, the NBR maintained the policy rate. Over the following three quarters, the central bank kept unchanged both the policy rate and the interest rates on standing facilities, amid the discontinuation in May of the purchases of leu-denominated government securities on the secondary market and the subsequent tightening of control over money market liquidity.

In October 2021, the NBR embarked on a policy rate hiking cycle, raising the monetary policy rate on three successive occasions in October, November 2021 and January 2022, by 0.25 percentage points each time, to 2.00 per cent. The increases were complemented by the two-step widening of the corridor of interest rates on standing facilities around the policy rate to the standard width of ± 1.00 percentage points in November 2021 and January 2022, as well as by maintaining firm control over money market liquidity. In addition, the NBR preserved the existing levels of minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions (8 per cent. and 5 per cent. respectively). These measures aimed to anchor inflation expectations over the medium term and hence prevent the second-round effects of the increase in inflation triggered by adverse supply-side shocks, so as to bring the annual inflation rate in line with the 2.5 per cent. ± 1 percentage point flat target in the medium-term, in a manner conducive to achieving sustainable economic growth.

Of particular relevance for the macroeconomic and financial context of 2021 were the sizeable adverse supply-side shocks worldwide, in the context of the robust, albeit asynchronous recovery of activity and reopening of economies amid the progress of vaccination against COVID-19, alongside unpredictable new pandemic waves. The divergent nature of the effects exerted on consumer price dynamics and on economic activity by these global shocks – especially by the surge in prices of energy, agri-food commodities and crude oil, as well as by bottlenecks in production and supply chains – was compounded on the domestic front by the liberalisation, starting 1 January 2021, of the electricity market for household consumers, but also by the influences of the budget consolidation initiated in 2021, in line with the commitments under the excessive deficit procedure.

Specifically, after having fallen at end-2020 slightly below the mid-point of the flat target, *i.e.*, to 2.06 per cent., the annual inflation rate re-embarked in January 2021 on an upward path, which exceeded the upper bound of the variation band of the target in the middle of the second quarter and then witnessed an unexpectedly marked steepening, climbing to 8.19 per cent. in December 2021. Some 80 per cent. of the advance came from the increases in natural gas, electricity and fuel prices – exogenous CPI components – while half of the contribution (only 15 per cent.) made by core inflation was attributable to processed food.

At the same time, after the downturn seen in 2020 under the impact of the pandemic shock, the economy recorded particularly robust growth in 2021 (5.8 per cent. in annual terms). The developments resulted in the re-opening of the positive output gap in the first quarter of 2021. Also, the trade deficit recorded a considerably faster increase during the year under review, and the current account deficit also widened markedly. Moreover, the inflation outlook kept worsening during the year. Thus, the anticipated path of the annual inflation rate witnessed a renewed substantial upward revision in the November 2021 projection exercise, even amid the capping and compensation of energy prices for households starting that month.

The increase in inflation triggered by supply-side shocks risked deteriorating medium-term inflation expectations and thus generating second-round effects, possibly via a wage-price spiral. In the near run, this risk was mitigated by the adverse implications for economic activity and the labour market stemming from the fourth pandemic wave, the energy crisis and global supply chain bottlenecks. Moreover, high uncertainties were further associated with the outlook on the absorption of EU funds, especially those under the Next Generation EU programme, as well as with the future fiscal policy stance, given the improvement in the budget execution for the first quarters of 2021, in line with commitments, but also the risks to budget consolidation progress induced by the successive pandemic waves and by the surge in energy prices, as well as by the change in the composition of the coalition government that took place in the autumn of 2021. At the same time, high uncertainties and risks also stemmed from the strong pick-up in inflation worldwide and in Europe entailed by global supply-side shocks, which prompted central banks in emerging economies, including those in the region, to start in mid-2021 and then continue to raise key interest rates at a swift pace.

2022

The NBR gradually accelerated the policy rate increases during the first half of 2022 against the background of a considerable worsening of inflation developments and its outlook under the impact of global supply-side shocks amplified and protracted by the war in Ukraine. The size of the monetary policy rate hike was therefore increased from 0.25 percentage points in January 2022 to 0.50 percentage points in February and April, then to 0.75 percentage points in May and to 1.00 percentage point in July, when the key rate was lifted up to 4.75 per cent. Afterwards the NBR continued the rate-hiking cycle during the second part of the year, while prudently reducing its pace. This was in response to both the actual and near-term expected inflation developments likely to induce further risks to longer term inflation expectations, but also to the outlook for the annual inflation rate to decline gradually from the beginning of 2023, on a trajectory which was however decisively contingent upon the setup of energy price capping schemes. The size of rate hikes was thus reduced to 0.75 percentage points in August and October, to 0.50 percentage points in November and to 0.25 percentage points in January 2023, when the monetary policy rate reached 7.00 per cent. The lending facility rate and the deposit facility rate were raised accordingly, up to 8.00 per cent. and 6.00 per cent. respectively. Moreover, the central bank maintained firm control over money market liquidity throughout most of the year and kept the existing levels of minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions at 8 per cent. and 5 per cent. respectively. The monetary policy measures aimed to anchor inflation expectations over the medium term and to foster saving, so as to bring the annual inflation rate back in line with the 2.5 per cent. ± 1 percentage point flat target on a lasting basis, in a manner conducive to achieving sustainable economic growth.

The annual inflation rate rose at a markedly faster pace and above expectations in the first half of 2022 – climbing up to 15.05 per cent. in June – and then remained on an upward path, reaching 16.37 per cent. in December, well above the variation band of the target. This owed primarily to the sharper increase in processed food prices under the impact of large hikes in agri-food commodity prices and energy and transport costs but also reflected the influence of the advance in fuel prices and in electricity and natural gas prices, mitigated significantly or even reversed in the second part of the year by capping/compensation measures, by base effects and by downward corrections of some commodity prices (crude oil price in particular).

The steady and above-expectations strengthening of the inflationary impact exerted by global supply-side shocks also entailed a progressive and sizeable worsening of the inflation outlook, especially in the first half of the year. All quarterly projections updated during the year pointed to the ongoing step-up in the annual inflation rate over the near-term horizon, to increasingly high two-digit peaks well above the upper bound of the variation band of the target. At the same time, the inflation dynamics were anticipated to decrease afterwards only gradually – particularly following increasingly strong base effects and downward adjustment of some commodity prices amid the easing of wholesale markets and implementation of energy price capping schemes – and on a path revised markedly and successively upwards even amid the extension of energy price capping schemes which were repeatedly extended/changed throughout the year. Also, in the May and November 2022 projection rounds, the trajectory was expected to stay significantly above the variation band of the target at the end of the projection horizon. Thus, the last medium term macroeconomic projection updated in 2022 (November Inflation Report) saw the annual inflation rate reaching 16.3 per cent. in December 2022, before declining to 11.2 per cent. in December 2023 and to 4.2 per cent. at the end of the projection horizon. Furthermore, the balance of supply-side risks to the inflation outlook remained tilted to the upside until near the end of 2022, owing to the protraction of the war in Ukraine and the extension of associated sanctions, but also amid the widespread drought in Europe.

At the same time, underlying inflationary pressures were expected to be stronger in the second part of the year, also in relation to previous projections, as the economy advanced markedly above expectations in the first quarters of 2022 so that the positive output gap widened steadily during this period (contrary to projections). Meanwhile, the current account deficit continued to widen swiftly throughout the year, also under the influence of the worsening terms of trade and the surge in the flows of reinvested earnings and distributed dividends.

According to the second half of 2022 assessments, economic growth was seen decelerating markedly in 2023 – amid the protraction of the war in Ukraine and the extension of associated sanctions, as well as in the context of the monetary policy stance and the fiscal consolidation, only partly counterbalanced in terms of impact by the absorption of European funds under the Next Generation EU instrument – and rebounding only mildly in 2024. This outlook rendered it likely that the output gap would close relatively quickly and enter negative territory as of the fourth quarter of 2023, implying the decrease of demand-side inflationary pressures over a short-time horizon. Moreover, labour market tightness receded slightly in the closing months of 2022 and was expected to abate further in the short-term, mainly amid very high energy costs, after having continued to rise in the first half of 2022, albeit staying considerably below pre-COVID-19 levels.

At the same time, the escalation of the war in Ukraine and the related sanctions generated considerable uncertainties and risks to the outlook for economic activity. A major source of uncertainties and risks was also the absorption of EU funds, especially those under the Next Generation EU programme, conditional on fulfilling strict milestones and targets for implementing the projects. Uncertainties and risks were also associated, nonetheless, with the fiscal policy stance, given the requirement for further budget consolidation amid the excessive deficit procedure and the overall tightening trend of financing conditions, but also the challenging economic and social environment domestically and globally, as well as the packages of additional measures implemented in 2022 to support households and firms with potential adverse implications for budget parameters.

2023

In February, April and May 2023, the NBR kept unchanged the monetary policy interest rate at 7.00 per cent. and the interest rates on standing facilities, at 8.00 and 6.00 per cent. respectively. Also, it maintained the existing levels of minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions (at 8 per cent. and 5 per cent. respectively). The decisions were adopted as the annual inflation rate reached a plateau towards the end of 2022 and then declined in the first quarter of 2023 as

expected, and its outlook improved following the extension of the energy price capping and compensation schemes until 31 March 2025.

Thus, the annual inflation rate saw a much slower increase over the fourth quarter of 2022, to 16.37 per cent. in December and in the first quarter of 2023 posted the first decline in nine quarters, in line with expectations, to 14.53 per cent. in March. The decline was driven by the exogenous CPI components, whose disinflationary impact stepped up as a result of the sizeable drop in the dynamics of fuel and electricity prices, under the influence of significant base effects and the change made to the energy price capping and compensation scheme starting 1 January 2023.

According to the May projections, the annual inflation rate was seen falling to a one-digit level in the third quarter of 2023 (three quarters earlier than in the prior projection in November 2022), and then to 7.1 per cent. in December 2023, 4.2 per cent. in December 2024 and 3.9 per cent. by March 2025.

Aside from the new setup of energy price capping schemes, the major drivers behind the prospective decrease in inflation were the increasingly strong disinflationary base effects and the downward corrections of some commodity prices, as well as the gradual decrease in short-term inflation expectations, as well as in the dynamics of import prices.

Significant uncertainties and risks to the outlook for economic activity, hence to medium-term inflation developments, were stemming further from the war in Ukraine and the related sanctions, but also from the turmoil in the banking systems in the US and Switzerland. Another important source of risks and uncertainties remained the absorption of EU funds, particularly of those under the Next Generation EU programme, given the milestones needed to be achieved for disbursement. Heightened uncertainties and risks were, nevertheless, associated with the fiscal policy stance, given the possible actions taken for furthering budget consolidation in line with the commitments under the excessive deficit procedure, but also the recent characteristics of budget execution, as well as potential additional increases in budget expenditures carried out in the current challenging economic and social environment both domestically and globally.

Against this background, the monetary policy decisions aimed to bring the annual inflation rate back in line with the 2.5 per cent. ± 1 percentage point flat target on a lasting basis, inter alia by anchoring inflation expectations over the medium term, in a manner conducive to achieving sustainable economic growth.

Expected future developments in monetary policy

The NBR will further configure parameters of the monetary policy with a view to ensure 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, and in a manner that is expected to contribute to sustainable economic growth. The inflation developments and outlook and the assessment of the balance of risks to the inflation projection are the key factors behind future monetary policy decisions.

Recent Developments in the Lending Process

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 lei-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 COVID-19 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). Since March 2021,

lending growth picked up considerably, reaching a double-digit level in May (10.1 per cent.) and increasing to 14.8 per cent. in December 2021 (the highest value since May 2009).

The dynamics of domestic currency-denominated loans rose further (to 19.6 per cent. in December 2021, from 8.5 per cent. in December 2020) amid the recovery of economic activity and as result of Government support programmes and the reduced levels of interest rates. The foreign currency-denominated component (expressed in euros) decreased in annual terms in the first quarter of 2021 (-5.0 per cent. in March 2021), while since July 2021 its annual dynamics became positive again, standing at 2.2 per cent. in December 2021. Against this background, the share of the leu-denominated component in total credit to the private sector continued to increase, reaching 72.4 per cent. in December 2021. At a sectoral level, the growth rate of loans to non-financial companies accelerated further (to 19.8 per cent. in December 2021 from 5.3 per cent. in December 2020) with the contribution of medium and long-term loans in RON. The annual dynamics of loans to households continued to decline gradually until February (to 4.3 per cent., from 4.8 per cent. in December 2020), while in March it changed course, rising gradually to 9.7 per cent. in December under the impact of the strong momentum gains in housing loans and as a result of the dynamics of consumer credit returning to a significant positive level.

2022

The annual growth rate of credit to the private sector increased further during the first half of 2022, reaching 17.5 per cent. in June 2022, the highest since April 2009 (from 14.8 per cent. in December 2021). It then began to decline gradually, however, while still posting two-digit dynamics (12.1 per cent. in December 2022). The deceleration reflected the marked decrease in the dynamics of the domestic currency-denominated loans, which, after hovering at the six-year high of 20 per cent. during the first half of the year, changed course and descended until to 6.6 per cent. in December 2022, against the background of increased interest rates and tighter lending standards. The dynamics of foreign currency loans strongly picked up (26.7 per cent. in December 2022, from 2.2 per cent. in December 2021), on account of the increase in loans to non-financial corporations. Consequently, the share of the leu-denominated component in total credit to the private sector stopped its 10-year ascent, declining to 68.8 per cent. in December 2022 from 72.4 per cent. in December 2021.

Overall, the annual growth rate of loans to non-financial companies continued its upward path throughout the first half of 2022 (up to 25.8 per cent. in June 2022, from 19.8 per cent. in December 2021), amid a significant acceleration in the growth of foreign currency-denominated loans and the persistent elevated dynamics of the leu-denominated component, but then plateaued and decreased to 18.8 per cent. in December 2022, due to the leu-denominated component. The dynamics of loans to households saw a turning point early in the year and then slowed down to 4.3 per cent. at end-2022, driven by the decrease in the annual dynamics of both housing loans and consumer credit, slightly more pronounced for the former.

2023

The annual growth rate of credit to the private sector decreased further during the first four months of 2023, albeit more slowly, reaching 8.8 per cent. in April, from 12.1 per cent. in December 2022, as the deceleration in the growth of the leu-denominated stabilised (to 1.6 per cent. in April from 6.6 per cent. in December 2022). The high dynamics of foreign-currency-denominated credit (expressed in euros) slowed slightly its ascent, reaching 27.9 per cent. in March, from 26.7 per cent. in December 2022.

The annual dynamics of loans to non-financial corporations slow down its decline, reaching 15.2 per cent. in March, from 18.8 per cent. in December 2022, while the deceleration in the growth rate of loans to households maintained its pace, reaching 1.1 per cent. in April (from 4.3 per cent. in December 2022), primarily on the back of loans for house purchase.

Inflation Rates, Target Inflation Rates and Monetary Policy Rates

The following table sets out quarterly inflation rates, annual target inflation rates and monetary policy rates as at the end of each quarter from 2018 to March 2023:

End of Period	Inflation Rate	Target Inflation Rate	Monetary Policy Rate
		<i>(per cent.)</i>	
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
March 2021.....	3.05	2.5	1.25
June 2021.....	3.94	2.5	1.25
September 2021.....	6.29	2.5	1.25
December 2021	8.19	2.5	1.75
March 2022	10.15	2.5	2.50
June 2022	15.05	2.5	3.75
September 2022.....	15.88	2.5	5.50
December 2022	16.37	2.5	6.75
March 2023	14.53	2.5	7.00

Source: National Institute of Statistics, National Bank of Romania

Monetary Aggregates

The following table shows selected monetary aggregates as at 31 December 2018, 2019, 2020, 2021, 2022 and as of 30 April 2023:

	2018	2019	2020	2021	2022	30 April 2023
	<i>(RON million)</i>					
M1 (narrow money) – Total	235,126.3	276,938.6	337,563.5	406,773.3	398,074.2	382,213.2
Currency in circulation.....	67,704.4	74,125.5	88,180.6	96,100.3	101,298.4	105,699.2
Overnight deposits.....	167,421.9	202,813.1	249,382.9	310,673.0	296,775.8	276,202.2
M2 (intermediate money) – Total.....	381,075.3	422,631.6	487,349.9	564,423.0	603,042.0	618,680.4

	2018	2019	2020	2021	2022	30 April 2023
	(RON million)					
M1	235,126.3	276,938.6	337,563.5	406,773.3	398,074.2	381,901.5
Deposits with agreed maturity of up to two years	145,949.1	145,693.1	149,786.4	157,649.7	204,967.9	236,779.0
M3 broad money	381,075.3	422,631.6	487,349.9	564,423.0	603,042.0	618,680.4
M2	381,075.3	422,631.6	487,349.9	564,423.0	603,042.0	618,680.4
M1 (narrow money) – Total	235,126.3	276,938.6	337,563.5	406,773.3	398,074.2	381,901.5

Source: National Bank of Romania

Interest Rates

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, 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, 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., 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

Beginning with its meeting of April 2019, the NBR Board decided to keep the policy rate unchanged while maintaining strict control over money market liquidity. 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 tightening in liquidity conditions. Since November 2020, liquidity conditions saw a relative normalisation, 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 COVID-19). 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 large injections from the Treasury's operations increased the liquidity surplus, absorbed by the NBR via its deposit facility. In the context of heightened global financial market volatility, the net liquidity position of the banking system shrank significantly in February 2021 and even turned negative in March 2021, such that the NBR provided liquidity to credit institutions in a prudent manner (through repo operations and, to a lower extent, purchases of Government bonds), which was associated with a temporary increase in banks' resorting to the NBR's lending facility. The excess liquidity returned to the money market at the beginning of the second quarter of 2021 due to the Treasury's ample reserve injections, being drained initially via NBR's deposit facility and, occasionally, through one-week deposit taking operations. In the third quarter of 2021, the NBR increased the role of one-week deposit-taking operations in draining excess liquidity in the money market and started in August to conduct these on a weekly basis in the form of fixed-rate full allotment tenders. Liquidity conditions have tightened since the end of the third quarter of 2021, amid the predominantly contractionary impact of autonomous factors. During the fourth quarter of 2021, temporary reserve deficits emerging in the first half of the period were covered via the NBR's lending facility, while liquidity surpluses were drained through one-week deposit-taking operations. Towards the end of the period, amid the shift of banks' net liquidity position to a deficit, the NBR provided liquidity via repossession operations.

Against this background, overnight interbank rates fell at the onset of the year and then tended to remain for three quarters below the monetary policy rate. Afterwards, they increased and stayed in the upper half of the interest rate corridor.

In turn, after a period of more pronounced fluctuations, the 3-month to 12-month ROBOR rates saw upward adjustments in August and notably at the end of September 2021, also amid banks' expectations of a policy rate hike in the upcoming period. They accelerated their uptrend during the fourth quarter of 2021, prompted by the policy rate hikes, as well as the tightening of liquidity conditions and the expectation of further increases in the policy rate.

During the period from January 2021 to September 2021, against the background of the general downward trend of interbank interest rates, average interest rates on new time deposits of non-bank customers decreased, reaching their lowest levels of the last four years in the second half of this period. Compared to December 2020, the average interest rate on new time deposits decreased by 0.34 percentage points, to 1.18 per cent., with the downward trend characterising both the households sector (where the interest rate fell by 0.41 percentage point to 1.14 per cent.) and the non-financial corporations sector (-0.32 percentage point to 1.19 per cent.). The interest rates on main loan categories also followed a downward trend over this period, while developments in aggregate measures of interest rates at the sectoral level were also influenced by changes in the structure of the loan flows. Thus, the average interest rate on new loans of non-bank customers declined in September by 0.17 percentage point compared to its level in December 2020, to 5.24 per cent. The average interest rate on new loans to households fell by 0.33 percentage point from December 2020, to 6.34 per cent. in September 2021. The average interest rate on new loans to non-financial corporations recorded a visibly downward movement in January-September 2021, decreasing by 0.69 percentage point to 3.95 per cent. (a minimum level of the last four years).

In the period from October 2021 through December 2021, as a result of the increase in the monetary policy interest rate and interbank interest rates, the average interest rate on new time deposits of non-bank customers increased by a cumulative 0.68 percentage points compared to September 2021, to 1.86 per cent. The upward move was stronger in the case of non-financial corporations (+0.82 percentage points, to 2.01 per cent. in December 2021) and more moderate in the case of households (+0.27 percentage points to 1.41 per cent. in December 2021). Over the same period, the average interest rate on new loans to non-bank customers remained almost unchanged (5.26 per cent. in December), with developments diverging across the two sectors. Thus, the average interest rate on new loans to non-financial corporations increased by 0.63 percentage points compared to September (to 4.58 per cent.), while the average interest rate on new loans to households extended its decline (-0.32 percentage points compared to September, reaching 6.02 per cent.).

2022

The NBR maintained firm control over money market liquidity throughout most of the year. Hence, against the background of increased liquidity injections arisen from Treasury's operations at the end of 2021, the NBR resumed in January its 1-week deposits-taking operations. Since March it used mainly its credit facility and, in addition, bilateral repo operations to cover the considerable liquidity deficit which re-emerged amid the abrupt deterioration of investor sentiment, especially towards CEE financial markets, and a surge in preference for liquidity with the outbreak of the war in Ukraine. During the last months of 2022, as the perception of the risk associated with financial markets in the region improved and the relative attractiveness of investments in lei increased, also amid the policy rate hikes, the liquidity position turned positive again, with the surplus drained by the central bank through its deposit facility.

Overnight interbank rates increased and stayed close to the lending facility rate until the middle of the fourth quarter of 2022, rising in step with it, before falling at the bottom of the interest rate corridor, which was raised further by the central bank until January 2023. In turn, the three-month to twelve-month ROBOR strongly increased their uptrend during the first three quarters of 2022, as a result of the NBR's interest rate hikes, the tightening of the liquidity conditions, but also banks' expectations of further key interest rate increases. The three-month to twelve-month ROBOR rates thus reached 13-year highs in October, and then remained above the policy rate, however on a downward trajectory. Overall, the average of the three-month ROBOR rate went up to 7.66 per cent. in December 2022, from 2.83 per cent. in December 2021.

During 2022, against the background of the increases of monetary policy interest rate and interbank rates, the average interest rate on new loans for non-bank customers increased by 4.40 percentage points to 9.66 per cent. The average interest rate on new time deposits increased by 4.86 percentage points (to 6.71 per cent. in December 2022). The average interest rate on new loans increased both on the households segment (by 3.39 percentage points, to 9.41 per cent.) and especially on the non-financial corporations segment (by 5.38 percentage points, to 9.96 per cent. over the same time period). The average interest rate on new time deposits increased by 5.73 percentage points in the case of the households (to 7.14 per cent.) and 4.49 percentage points in the case of the non-financial corporations (to 6.50 per cent.) in December 2022.

2023

The liquidity surplus in the money market increased during the first four months of 2023 and was further drained by the central bank via the deposit facility, amid the favourable risk perception towards financial markets in the region and the increase in the relative attractiveness of leu financial assets. Against this background, overnight interbank rates stood in the proximity of the lower bound of the interest rate corridor, which was raised by a further 0.25 percentage points in January. In their turn, the three-month to twelve-month ROBOR extended their gradual descending movement starting in the middle of the fourth quarter of 2022.

During January-April 2023, the average interest rate on new loans for non-bank customers decreased by 0.10 percentage points to 9.79 per cent.. Specifically, the average interest rate on new loans to households decreased

slowly by 0.01 percentage points to 10.17 per cent., while the average interest rate on new loans to non-financial corporations decreased by 0.46 percentage points from the January 2023 level to 9.14 per cent. In turn, the average interest rate on new time deposits saw a downward adjustment during the first four months of the year decreasing 0.39 percentage points to 6.04 per cent., amid the decreases seen both in the case of non-financial corporations by 0.44 percentage points to 5.79 per cent., and households by 0.24 percentage points to 6.72 per cent. The following table shows key financing interest rates as at 31 December 2018, 2019, 2020, 2021, 2022 and May 2023:

National Bank of Romania – Annual Interest Rate (Domestic Currency Operations)

	2018	2019	2020	2021	2022	May 2023
Policy rate.....	2.50	2.50	1.50	1.75	6.75	7.00
Lending facility.....	3.50	3.50	2.00	2.50	7.75	8.00
Deposit facility	1.50	1.50	1.00	1.00	5.75	6.00

Source: National Bank of Romania

The following table shows annual average interest rates for loans and term deposits as at 31 December 2018, 2019, 2020, 2021, 2022 and April 2023:

	2018	2019	2020	2021	2022	April 2023
(EUR millions)						
Individuals						
Loans	7.95	7.69	6.83	6.24	8.76	9.35
Term Deposits	1.38	1.87	1.82	1.70	6.18	6.85
Non-financial corporation						
Loans	5.94	5.81	4.80	4.81	10.20	9.43
Term Deposits	2.14	2.20	1.59	1.90	6.80	6.18
Total						
Loans	7.16	6.99	6.06	5.67	9.33	9.38

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. 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.

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. 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. 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. 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 the aforementioned developments 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 Barclays 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 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 31 December 2019, the RON depreciated in nominal terms by 1.9 per cent. against the EUR and appreciated by 7.5 per cent. against the US Dollar at 31 December 2019. In real terms it appreciated during the same period by 0.1 per cent. against the EUR and by 9.7 per cent. against the US Dollar.

2021

During the first nine months of 2021, the EUR/RON exchange rate was relatively stable but saw two periods of increases in March 2021 and August 2021 to September 2021. These developments were primarily due to the fluctuations of global risk aversion, which deteriorated in the first three months of the year and saw a general improvement afterwards, before being marked in the second half of the third quarter by the increased prospects of the US Federal Reserve starting to scale back its asset purchases, and initiating rate hikes earlier than previously expected, but also due to rising investor concerns on the outlook of global economic growth amid the spreading of the Delta variant of COVID-19 and the worsening of macroeconomic conditions in China. However, particularly important were the domestic economic fundamentals, mainly the trend of the external position of the economy and of inflation, which were compounded by political tensions in autumn seen as inducing risks to the fiscal consolidation process. During the fourth quarter of 2021, the EUR/RON rate stood relatively stable at the high readings reached in mid-September, amid the increases in the NBR's monetary policy interest rate, complemented by the tightening of liquidity conditions in the money market and, in November 2021, by the widening of the interest rate corridor. These factors were complemented by the easing of political tensions in the second half of the fourth quarter of 2021, while global risk appetite saw a deterioration in November 2021, before improving somewhat afterwards.

Compared to December 2020, the RON depreciated in December 2021 in nominal terms by 1.6 per cent. against the EUR and by 8.6 per cent. against the US Dollar. In real terms, it appreciated during the same period by 6.5 per cent. against the EUR and depreciated by 1.2 per cent. against the US Dollar.

The pace of 12-month nominal depreciation of the RON against the EUR stood unchanged from the previous month in December 2021, to 1.6 per cent., and increased markedly against the US Dollar, to 8.6 per cent.

2022

Against the background of an improvement in international financial market sentiment, the EUR/RON exchange rate saw a slight downward adjustment at the beginning of the year, albeit far more modest than those recorded in the region, amid larger hikes in key rates implemented by central banks. However, pressures on the EUR/RON exchange rate increased following the outbreak of the military conflict in Ukraine, which caused an abrupt deterioration of investor sentiment, especially towards CEE financial markets, and a temporary significant rise of residents' demand for foreign currency. The increase of the EUR/RON exchange rate was of a small amplitude, however, and was followed by a relative stabilisation at the new levels, also in the context of the tightening of money market liquidity conditions and central bank's liquidity management actions.

Subsequently, the EUR/RON exchange rate remained broadly stable, also against the background of NBR's monetary policy decisions, while in the second half of the year, the leu tended to appreciate against the euro, amid an improvement in international financial market sentiment and in the risk perception towards financial

market in the regions, as well as an increase in the relative attractiveness of leu-denominated financial assets. This also came against the background of the narrowing of the short-term interest rate differential, given the new significant rate hikes by the NBR and the slowdown/halt of policy rate increases by central banks in the region.

Compared to December 2021, the RON appreciated in December 2022 in nominal terms by 0.5 per cent. against the EUR and depreciated by 5.8 per cent. against the USD. In real terms, it appreciated in 2022 by 17 per cent. against the EUR and by 9.6 per cent. against the USD.

2023

The EUR/RON exchange rate remained broadly stable during the first five months of 2023, at slightly lower levels than those prevailing in the first half of 2022, against the background of favourable investor sentiment towards financial market in the CEE region and the improvement in the trade balance. It increased somewhat in the second half of May, in line with developments in the region.

Compared to December 2022, the RON depreciated in the first five months of 2023 by 0. per cent. in nominal terms against the EUR and appreciated by 2.0 per cent. against the USD. In real terms, the RON appreciated by 3.2 per cent. against the EUR and by 5.9 per cent. against the USD.

EUR/RON and USD/RON Exchange Rates

The following table sets out the EUR/RON and USD/RON exchange rates as at 31 December 2018, 2019, 2020, 2021 and 2022 and the average EUR/RON and USD/RON exchange rates for the years ended 31 December 2018, 2019, 2020, 2021 and 2022:

EUR/RON and USD/RON Exchange Rate										
	2018		2019		2020		2021		2022	
	31 December	Average	31 December	Average	31 December	Average	31 December	Average	31 December	Average
EUR.....	4.6639	4.6535	4.7793	4.7452	4.8694	4.8371	4.9481	4.9204	4.9474	4.9315
USD.....	4.0736	3.9416	4.2608	4.2379	3.9660	4.2440	4.3707	4.1604	4.6346	4.6885

Source: National Bank of Romania

Real Effective Exchange Rate

Labour cost pressures in recent years were significant, yet their effect on the Producer Price Index-based (“PPI”) Real Effective Exchange Rate (“REER”) was fairly limited. As at 31 December 2022, year-on-year dynamics of the Nominal Effective Exchange Rate stood at (1 per cent.). In the first four months of 2023, the nominal effective exchange rate witnessed a marginal appreciation of just above 1 per cent.

International Reserves

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 31 December 2021, Romania's foreign exchange reserves amounted to EUR 40,475 million, an increase of EUR 3,096 million compared to 31 December 2020. The principal inflows, totalling EUR 27,460 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 8,911 million), inflows into the European Commission account (amounting to EUR 5,270 million) and the crediting of Romania's SDR account following the IMF's new general allocation (with the quota of SDR 1,736 million, equivalent to approximately EUR 2,100 million). The principal outflows for the reported period totalling EUR 24,364 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 31 December 2022, Romania's foreign exchange reserves amounted to EUR 46,636 million, an increase of EUR 6,161 million compared to 31 December 2021. The principal inflows, totalling EUR 42,180 million, were represented by credit institutions' foreign currency required reserves held with the NBR, inflows into the Ministry of Finance's accounts (including flows from the Ministry of Finance's foreign currency bond issuances amounting to EUR equivalent 9,754 million) and inflows into the European Commission account (amounting to EUR 7,749 million). The principal outflows for the reported period totalling EUR 36,019 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 36,800 million as of the end of 2018, EUR 37,450 as of the end of 2019, EUR 42,517 million as of the end of 2020, EUR 45,831 million as of the end of 2021, and EUR 52,305 million as of 31 December 2022. Romania's gold reserve assets have remained at approximately 103.6 tonnes since the second half of 2007 and were valued at EUR 5,669 million on 31 December 2022.

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 2018, 2019, 2020, 2021 and 2022:

	2018	2019	2020	2021	2022
	<i>(EUR million)</i>				
Foreign exchange reserves.....	33,065	32,926	37,379	40,475	46,636
Gold reserves	3,735	4,524	5,138	5,356	5,669
Total reserves	36,800	37,450	42,517	45,831	52,305

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 2022, the share of assets held by banks with total or majority private capital in total assets of the Romanian banking system was 87.9 per cent., while the share of assets held by banks with total or majority foreign capital, including foreign bank branches, was 68.1 per cent. Banks with total or majority state-owned capital held 12.1 per cent., while the private domestic capital held 19.8 per cent. As at 31 December 2022, the total net balance sheet assets of the Romanian banking system amounted to EUR 141.7 billion and the share capital was EUR 6.1 billion.

Market share of credit institutions in terms of assets

	2018	2019	2020	2021	2022
	<i>(per cent. market share)</i>				
Banks with majority state capital.....	8.1	8.2	10.6	11.4	12.1
Banks with majority domestic private capital..	16.9	18.1	18.9	20.4	19.8
Banks with majority foreign capital.....	75	73.7	70.5	68.2	68.1
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 68.1 per cent. in 2022 compared to 75.0 per cent. in December 2018. The largest share of this majority foreign ownership in 2022 was Austrian (22.99 per cent.), followed by Dutch (12.07 per cent.) and French (11.01 per cent.). The market share

of banks with a majority of Greek capital declined significantly over the past eight years, from 12.2 per cent. in December 2014, to 3.01 per cent. at the end of 2022.

Banking System Ownership

	2018	2019	2020	2021	2022
	<i>(per cent. market share)</i>				
Romania.....	25.03	26.35	29.47	31.81	31.89
Austria	24.82	23.87	23.92	23.57	22.99
Cyprus	1.65	1.84	1.92	2.63	2.54
France	13.30	12.73	12.32	11.25	11.01
Greece.....	5.26	4.94	3.20	2.94	3.01
Hungary.....	2.46	2.68	2.65	2.89	2.85
Italy.....	10.47	10.32	9.27	8.94	9.72
Netherlands.....	12.49	12.66	12.81	12.33	12.07
Other.....	4.52	4.61	4.44	3.64	3.92

Source: National Bank of Romania

The share in total equity capital held by banks with majority foreign capital was 60.6 per cent. in 2022, lower than 68.7 per cent. in 2018. Banks with majority Austrian capital held the largest share in 2022 (15.2 per cent.).

Banking System Ownership

	2018	2019	2020	2021	2022
	<i>(per cent. of total equity capital)</i>				
Romania.....	31.42	33.17	38.14	39.58	39.40
Austria	17.01	17.83	15.16	14.86	15.25
Cyprus	3.57	3.43	3.47	4.15	3.35
France	11.05	10.10	10.46	9.26	9.27
Greece.....	6.75	3.33	3.38	3.24	3.26
Hungary.....	5.76	6.35	6.43	7.66	7.70
Italy.....	8.81	8.05	8.16	7.84	8.07
Netherlands.....	7.87	7.31	7.41	7.11	7.20
Other.....	7.76	7.60	7.39	6.30	6.50

Source: National Bank of Romania

Structure of the Banking Sector

At the end of 2022, the Romanian banking system had 32 credit institutions, which consisted of one majority state owned institutions, one fully state-owned institution (CEC Bank), 8 branches of foreign banks and 22 credit institutions with private capital (including Banca Centrală Cooperatistă CREDITCOOP – the network of credit cooperatives), of which 18 had majority foreign ownership.

The following table shows the composition of the Romanian banking sector as at 31 December 2022:

Type of capital	Number of banks	Total loans	Total deposits	Total balance sheet
		(per cent. market share)		
State-owned	1	8.4	9.5	8.8
Majority state-owned	1	3.5	2.6	3.3
Majority privately owned banks, of which ..	22	75.8	75.1	75.7
– majority domestic capital	4	17.7	21.1	19.8
– majority foreign capital	18	58.1	54.0	55.9
Branches of foreign banks	8	12.3	12.8	12.2

Source: National Bank of Romania

Current Condition of the Banking Sector

The total capital ratio (20.7 per cent., 22.0 per cent., 25.1 per cent., 23.3 per cent. and 23.4 per cent. in December 2018, 2019, 2020, 2021 and 2022, respectively), Tier 1 capital ratio (18.6 per cent., 20.0 per cent., 23.2 per cent., 20.9 per cent., and 20.5 per cent. in December 2018, 2019, 2020, 2021 and 2022, respectively) and the liquidity coverage ratio (237.8 per cent., 242.6 per cent., 265.9 per cent., 238.8 per cent. and 209.2 per cent. in December 2018, 2019, 2020, 2021 and 2022 respectively) continue to exceed the EU average, giving stability to credit institutions facing the effects of the current crises. The decline of the loan-to-deposit ratio since December 2018 (76.2 per cent., 72.8 per cent. and 67.1 per cent. in December 2018, 2019, 2020, respectively) ended in the last quarter of 2021 when it increased slightly, year on year, in December 2021 (67.7 per cent.) and December 2022 (70.8 per cent.) amid increased lending. The financing is dispersed and comes mainly from the domestic capital. The relatively high share of claims on the government sector in the balance sheet (22.4 per cent. in 2022) 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.

Asset quality has further improved. The NPL rate fell into the EBA-defined low-risk bucket for the first time (2.65 per cent. in December 2022, from 3.35 per cent. in December 2021; 3.83 per cent. in December 2020; 4.09 per cent. in December 2019; 4.96 per cent. in December 2018). At the end of 2022, the volume of NPLs outstanding decreased by 10.4 per cent. year-on-year to RON 11.9 billion. The NPL coverage ratio remains adequate (58.5 per cent. in December 2018, 60.7 per cent. in December 2019, 63.3 per cent. in December 2020, 66.1 per cent. in December 2021, and 65.5 per cent. in December 2022) and significantly higher than the European Union average (43.4 per cent. in December 2022). 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 (18.8 per cent. in December 2022). Lingering credit risk still exists as the share of stage 2 loans (14.9 per cent. in December 2022) but has remained above pre-pandemic levels (12.0 per cent. in December 2019).

The Romanian banking sector recorded a RON 10.1 billion net profit in 2022 (RON 8.2 billion in 2021) due to the further historical low level of the net expected credit losses and the growth of the operating profit. In 2020, the banking sector recorded a RON 5.0 billion net profit due to loan loss expenses. Return on assets amounted to 1.5 per cent. in 2022 (1.4 per cent. in 2021 and 1.0 per cent. in 2020) and the return on equity was 16.4 per cent. in 2022 (13.3 per cent. in 2021 and 8.7 per cent. in December 2020).

The banking sector's total assets continued to strengthen posting a 10.0 per cent. annual rise in 2022, up to RON 763.7 billion, given the robust savings, increasing exposure to the private and public sectors and the 2.0 per cent. year-on-year decrease in the number of write-offs in 2022. Liabilities primarily consist of deposits from resident non-government clients (67.2 per cent. in 2022). Households remain the main funding provider for the

banking sector accounting for 39.6 per cent. in total liabilities and 59.0 per cent. of all deposits from residents in 2022.

Cross-border activity remained small, with a share of foreign assets of 7.6 per cent. of the aggregate balance sheet, and of 6.9 per cent. in the case of foreign liabilities, respectively, in 2022. Investments in foreign markets are mainly in the form of short-term loans to credit institutions in the Eurozone and are concentrated in the balance sheets of a few large banks. Exposures to the external public sector are minor (0.8 per cent. of total assets as of December 2022). External financing has been fully replaced by local deposits. The share of such funding has gradually decreased to an annual average of 6.1 per cent. in the period 2020-2022 of total liabilities, from an annual average of 23 per cent. from 2010 to 2014. Financial intermediation remained low (the credit-to-GDP ratio was 25.8 per cent. and the gross assets-to-GDP was 54.2 per cent. in December 2022), against the background of persistent structural vulnerabilities in the domestic economy.

As at December 2022, in the case of non-financial companies, the NPL ratio decreased (according to the methodology developed by the European Banking Authority), by 1.4 percentage points year-on-year, to 4.3 per cent. compared to 5.7 per cent. in December 2021. For the household sector, the NPL ratio (according to the methodology developed by the European Banking Authority) decreased to 3 per cent. in 2022 as compared to 2021. By loan type, the NPL ratio for consumer loans was 5.8 per cent. in 2022, decreasing by 0.3 percentage points compared to 2021, while the NPL ratio for mortgage loans was 1.4 per cent., relatively constant compared to the previous year. The total volume of exposures rose by 3.7 per cent. in annual terms and the non-performing exposures decreased by 1.5 per cent. in 2022. In certain segments however, credit risk increased, with leu-denominated loans increasing in non-performing exposures both at an aggregate level (RON 3.7 billion and 8.4 per cent. in annual terms in 2022) and by main type of products targeting households. The non-performing loan ratio for foreign currency lending is higher than that for domestic currency loans (6.2 per cent. for foreign currency loans compared to 2.6 per cent. for domestic currency loans in 2022).

As of December 2022, the annual default rate for housing loans was 0.19 per cent. and consumer loans granted to households was 2.54 per cent. The probability of default is projected to slightly worsen over the next 12 months for both housing and consumer loans due to macroeconomic conditions.

According to the latest NBR Bank Lending Survey (February 2023), the current or expected capital position of banks, the uncertainty surrounding the overall economic framework and the monetary policy decisions and macroprudential measures were the key factors that led banks in Romania to tighten their credit standards in the fourth quarter of 2022. The breakdown by sector showed that banks considered the credit risk associated with lending to non-financial corporations to have increased in the fourth quarter of 2022 compared to the prior quarter. The energy sector is still cited by credit institutions as the riskiest sector. Households' demand for loans recorded a moderate decline in the fourth quarter of 2022, while the non-financial corporations' loan demand increased moderately. In the first quarter of 2023, credit institutions' expectations about credit demand indicated a slight decrease in real sector credit demand.

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 amendments became effective on 1 January 2019. These developments are expected to lower the credit risk for new loans and to improve debtors' capacity to make repayments even in adverse economic conditions.

The "Debt Discharge Law" (Law 77/2016, amended and supplemented by Law no 52/2020) applies if there is (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 of more than 50 per cent. due to the increase in the variable interest rate. Thus, it will apply to all the mortgages denominated in Swiss francs issued before the 2008 financial crisis and to a low proportion of euro denominated loans. 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. In June 2021, the Constitutional Court found that the provisions regarding the extension of the scope of Law 77/2016 to debtors for whom foreclosure proceedings were initiated are unconstitutional and admitted as constitutional all social provisions introduced by Law 52/2020 for the purpose of consumer protection.

In the case of real estate lending to households, a segment that can generate the accumulation of vulnerabilities is that of non-residential mortgages. Taking into account the high non-performance rate, but also the increased sensitivity to the depreciation of real estate prices, NBR acted countercyclically for this segment of real estate lending and implemented LTV limits (loan-to-value, respectively credit coverage by guarantees) by 10 percentage points lower than the current LTV (equivalent to an increase of the advance of 10 percentage points) for loans granted to individuals intended to purchase a property other than that intended to be used as a home for their own use. The measure was implemented on 1 April 2022.

On 18 February 2022, the NBR adopted Regulation no. 3/2022 amending and supplementing the NBR Regulation no. 17/2012 regarding certain conditions on granting loans was published in the Official Gazette no. 166/2022. The NBR Regulation no. 17/2012 was amended (1) as a result of the proposals received from the banking community or as a result of the analyses carried out by the NBR, both in terms of risk and in terms of the practical application of the regulation, and (2) to ensure compliance with relevant guidelines on over-indebtedness provided in Section 5 of the EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06).

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).

Bank Resolution Framework

To date, the 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 elaborates resolution plans for local credit institutions, while for Romanian subsidiaries of cross-border banking groups, 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 on the Minimum Requirement for Eligible Liabilities ("MREL").

The NBR, in its capacity as resolution authority, sets the MREL requirement for all banks (local or subsidiaries of cross-border banking groups) under its remit. The NBR expects banks to comply with end-state MREL by 1

January 2024. The NBR issued the first decisions with respect to MREL in 2019 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. For the 2021 – 2022 resolution planning cycle, the MREL requirement calculations for all credit institutions were performed in accordance with BRRD2. The set of national administrative decisions with respect to MREL, replacing the previous versions, has been issued on the basis of the provisions of BRRD2 - Directive (EU) 2019/879, following its transposition in Romania by *Law no. 320/2021*, in force since 3 January 2022. The MREL policy was also updated in accordance with the new BRRD provisions. With regard to the intermediary target level for MREL requirement and intermediate subordination requirement, according to *Law no. 320/2021*, the NBR required banks to comply with them starting 1 July 2022. Between 2020 and May 2023, the Romanian market for issuing eligible liabilities for MREL had several issuances with an aggregated value of approximately RON 17.4 billion. So far, the local credit institutions and subsidiaries having Multiple Point of Entry resolution strategies, which are strategies involving the application of resolution powers by two or more resolution authorities by regional or functional subgroups or entities of a group, raised eligible MREL resources mainly on the local markets, but there are also some credit institutions that issued bonds on international capital markets. The investors have been either financial institutions and institutional investors, such as pension funds, or insurance companies and investment funds. Starting from December 2021, the Romanian banks subject to internal MREL also began raising new subordinated funding from their parent entities, with an aggregated contracted value exceeding RON 6.6 billion for the period from 2021 to May 2023.

The existing legal framework (Law no. 312/2015 regarding the recovery and resolution of credit institutions and investment firms, as further amended and supplemented) provides the NBR with a set of resolution tools to manage financial stability threats posed by the deterioration of the financial situation of the banking system. The set of resolution tools applied by the National Bank of Romania as resolution authority, when the conditions for resolutions are cumulatively fulfilled, consists of: (i) the sale of business tool; (ii) the bridge institution tool; (iii) the asset separation tool and the (iv) bail-in tool. These can be used individually or in any combination, except for the asset separation tool which may be applied only together with another resolution tool. In case the Ministry of Finance, as the competent ministry, and the National Bank of Romania, as a resolution authority, determine that the application of the resolution tools would not suffice to avoid a significant adverse effect on the financial system, government financial stabilisation tools will be applied. Such an action shall be carried out under the leadership of the Ministry of Finance, as the competent ministry, in close cooperation with the National Bank of Romania, as a resolution authority. The government financial stabilisation tools, namely (i) public equity support tool and (ii) temporary public ownership tool, shall be used as a last resort after having assessed and exploited the other resolution tools to the maximum extent practicable while maintaining financial stability.

In addition, in line with the applicable legislation, a Bank Resolution Fund (“**BRF**”) has been established. This fund is managed by the Bank Deposit Guarantee Fund (“**FGDB**”), but the NBR as resolution authority is responsible for calculating the yearly contributions that are collected from banks under NBR’s remit, with the aim to reach a level of at least 1 per cent. of the aggregated covered deposits amount in Romania by the end of 2024. The resources of the BRF were approximately RON 2,500 million as of 31 December 2022. As no bank resolution action was required in Romania, the BRF has not been utilised.

The alignment with the EU legislative requirements relating to bank supervision codified at a national level in Romania as part of the “RRM package” was finalised in December 2021. Alignment with the EU legislative requirements relating to bank resolution is codified at the national level in Romania through Law no. 320/2021, amending and supplementing Law no. 312/2015, as concerns the loss-absorbing and the recapitalisation capacity of credit institutions and investment firms.

The resolution legal framework has been supplemented by a considerable number of level two EU legislative acts (such as delegated regulations or implementing regulations), directly applicable in Romania, mainly related to the minimum requirement for own funds and eligible liabilities.

Relevant in the area of resolvability of banks is also a piece of level three legislation – Guidelines on improving resolvability for institutions and resolution authorities under articles 15 and 16 of BRRD (EBA/GL/2022/01), with which the National Bank of Romania declared its compliance.

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.

Directive 2014/59/EU of the European Parliament and of the Council 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; and
- (ii) harmonisation with guidelines/recommendations issued by European Banking Authority; areas in which the EBA guidelines/recommendations were transposed into Romanian regulations refer to equivalents of the confidentiality regime; COVID-19 measures reporting and disclosure in compliance with CRR “quick fix”; 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; specifying the conditions for the application of the alternative treatment of institutions’ exposures related to ‘tri-party repurchase agreements’ for large exposures purposes; 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; implicit support for securitisation transactions; modified duration for debt instruments; acquisitions and qualifying holdings; connected clients; definition of default; funding plans; ICT risk; determining the weighted average maturity of a tranche in securitisation transactions; treatment of structural FX; criteria to assess the exceptional cases when institutions exceed the large exposure limits;

and specifying criteria for the use of data inputs in the risk-measurement model used for calculating the own funds requirements for market risk; monitoring of the threshold and other procedural aspects on the establishment of an intermediate EU parent; identification, evaluation and management of the interest rate risk arising from the non-trading book (banking book) activities (IRRBB), internal governance arrangements in relation to the management of IRRBB, criteria to assess the sudden and unexpected changes in the interest rate for the purposes of the review and evaluation performed by competent authorities; identification and management of credit spread risk in the non-trading book (CSRBB); loan origination and monitoring; improving resolvability for institutions and resolution authorities under articles 15 and 16 BRRD; common procedure and methodologies for the supervisory review and evaluation process (SREP); and supervisory stress testing.

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.

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**").

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).

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 laws ensuring the transposition of Directive (EU) 2019/878 and Directive (EU) 2019/879 in the national legislation were adopted by the Romanian Parliament in late 2021. Directive (EU) 2019/878 has been transposed by *Law no.319/2021* amending and supplementing GEO No.99/2006 on credit institutions and capital adequacy, published in the Official Gazette, Part I, no.1247 on 30 December 2021. The technical provisions were transposed by amending the regulations issued by the NBR in the field of authorisation of credit institutions (Regulation No.1/2022 amending Regulation No.12/2020 on authorisation of credit institutions and changes in the situation of credit institutions) as well as in the field of prudential requirements (Regulation No.2/2022 amending Regulation No.5/2013 on the prudential requirements for credit institutions).

The technical provisions of the Directive (EU) 2019/878, which regulate the attributions of the macro-prudential authority (the General Board of the National Committee for Macroprudential Oversight ("**NCMO**") in

Romania) have 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 was published in the Official Gazette of Romania, Part I no. 1277 on 22 December 2020.

In 2022, two laws which ensure the transposition and implementation of European legislative acts and which also apply to credit institutions, were adopted:

- a) in the area of the prudential supervision of investment firms - Law no.236/2022 (amending GEO No.99/2006) transposed the Directive (EU) 2019/2034, which was addressed to investment firms and made changes regarding credit institutions, such as the definition of a credit institution, in the sense that this notion means either a credit institution carrying out banking activities or a large investment firm converted in a credit institution. This new category of credit institutions (large investment firms) are to be subject to the authorisation, supervision and regulation of the Financial Supervisory Authority; and
- b) in the area of crowdfunding services - Law no. 244/2022 established measures to implement Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937(Crowdfunding Regulation), and regulated the situations in which credit institutions as well as other categories of entities from the financial sector within the competence of the NBR (payment institutions, providers specialised in information services regarding accounts of legal entities and institutions issuing electronic money, non-banking financial institutions) intend to provide crowdfunding services.

In 2022, following the process started by the Ministry of Finance for the establishment of a national development bank, were adopted the following acts:

- Law no. 207/2022 for the regulation of some measures regarding the general framework applicable to the establishment and operation of development banks in Romania, published in the Official Gazette, Part I no. 693 of 12 July 2022, with subsequent amendments and supplements, including those provided by Government Ordinance no. 17/2023, published in the Official Gazette, Part I no. 85 of 31 January 2023. Law no. 207/2022 establishes a special prudential regime applicable to development banks, under the conditions in which they will be set up as credit institutions, but exempted from the application of the CRD/CRR framework, without the need of the NBR authorisation, so as to ensure the adapting of the legislation in the banking field to the specifics of the development banks' activity, as well as the legal basis for the elaboration by the NBR of the prudential regulatory framework in the application of the law.
- Government Ordinance no. 17/2023 regarding the amendment and completion of Law no. 207/2022, published in the Official Gazette, Part I no.85 of 31 January 2023 was adopted in the context of the provisional inclusion of the Investment and Development Bank S.A. (IDB) in the list of entities exempted from the prudential framework applicable to credit institutions (CRD/CRR), on the negotiation process of Basel III package (CRD VI and CRR III), approved by ECOFIN on 8 November 2022.
- NBR Regulation no.4/2023 on prudential requirements for development banks regulates the requirements regarding the assessment of suitability of the management body and of the key function holders within a development bank. The regulation was published in the Official Gazette, Part I no.434 of 18 May 2023.

In 2023, Law no. 65/2023 for the implementation of Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP) was adopted, with

some provisions of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, as well as to amend and supplement some legislation in the field of private pensions. The law establishes, among other things, the regime of credit institutions as suppliers and/or distributors of personal pension products, including in terms of clarifying the powers of the Financial Supervisory Authority (FSA) and the NBR in relation to them.

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.

On 29 July 2022, the NBR adopted the NBR Order no. 2/2022 as regards the reporting of information on exposures subject to legislative moratoria according to Government Emergency Ordinance no. 90/2022 on granting certain facilities for loans granted by banks and non-bank financial institutions to certain categories of debtors that was published in the Official Gazette Part 1 no. 760 and 760 bis. from 29 July 2022. In April 2023, the NBR Order no. 2/2022 was repealed through NBR Order no. 2/2023 that was published in the Official Gazette Part 1 no. 335 from 21 April 2023.

In February 2023, NBR adopted the NBR Order no.1/2023 supplementing the NBR Order no.27/2010 approving the Accounting regulations according to the IFRS and the NBR Order no. 6/2015 approving the Accounting regulations according to the European directives, according to which the entities under the central bank’s regulation scope that meet certain criteria should publish and make accessible a report on income tax information. This was published in the Official Gazette Part 1 no. 167 from 27 February 2023.

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.

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.

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 to 5 per cent. from 20 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. 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

NBR Regulation No. 5/2012 regarding the classification of loans and the Constitution, regularisation and use of specific provisions for credit risk applicable to entities supervised by the National Bank of Romania, other than credit institutions the legislation that regulated the loan classification for creditors other than the credit institutions was repealed by NBR Regulation No. 2/2023 regarding the classification of loans and the

constitution, regularisation and use of specific provisions for credit risk applicable to payment institutions and electronic money institutions, other than non-bank financial institutions.

NBR Regulation No. 2/2023 applies to payment institutions, Romanian legal entities, which grant credits related to payment services, and electronic money institutions, Romanian legal entities, which grant credits related to payment services and which do not also hold the status of a non-bank financial institution registered in the General register kept by the National Bank of Romania according to Law no. 93/2009 regarding non-bank financial institutions, with subsequent amendments and additions.

Pursuant to the NBR Regulation 2/2023, loans granted by the above-mentioned creditors 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 above 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.

The above-mentioned institutions must send a report on the classification of credits 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. The form and content of the quarterly report are regulated by the NBR Order No. 3/2023 regarding the reporting of the situation concerning the classification of credit exposures and the need for specific provisions for credit risk related to them, applicable to payment institutions and electronic money institutions, other than non-bank financial institutions.

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 Regulation No.5/2013, as of 1 January 2019, the capital conservation buffer is set at 2.5 per cent. of the credit institutions' total risk exposure amount.

The beginning of 2022 marked the finalisation of the transposal of the CRD V framework into national law. The main difference regarding the capital buffers topic is that Romanian banks started to accumulate the O-SII and SyRB buffers as applicable. The former provisions of the CRD IV stated that banks apply only the highest of the two buffers.

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. In the meeting of the NCMO held on 20 October 2022, the General Board decided to approve the NCMO Recommendation No. R/4/2022 on the countercyclical capital buffer in Romania, whereby the National Bank of Romania is recommended to raise the countercyclical buffer rate to 1 per cent. from 0.5 per cent. as of 23 October 2023. Moreover, the National Bank of Romania is recommended to further monitor developments in the economy and lending, given the multiple sources of uncertainty internationally and in the region. Until 23 October 2023, depending on the macroeconomic conditions and the developments in lending, the measure may be subject to revision by the NCMO. In the meeting of the NCMO held on 23 March 2023, the General Board decided to approve the NCMO Recommendation No. R/1/2023 on the countercyclical capital buffer in Romania, whereby the National Bank of Romania is recommended to keep in place the measure to set the countercyclical buffer rate at 1 per cent., as of 23 October 2023. 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.

Starting from 1 January 2023, according to the NBR Order No. 8/2022 regarding the capital buffer for credit institutions authorised in Romania and identified as other systemically important institutions, issued on the basis of the NCMO Recommendation No. R/5/2022 on the capital buffer for other systemically important institutions in Romania, credit institutions authorised in Romania and identified as other systemically important institutions must maintain an O-SII buffer rate ranging from 0.5 per cent. to 2 per cent. as follows: (i) 2 per cent. for Banca Transilvania S.A. (consolidated level); (ii) 1.5 per cent. for Banca Comercială Română S.A. (consolidated level), UniCredit Bank S.A. (consolidated level) BRD – Groupe Société Générale S.A. (consolidated level); (iii) 1 per cent. for Raiffeisen Bank S.A. (consolidated level); and (iv) 0.5 per cent. for CEC Bank S.A. (individual level), Alpha Bank România S.A. (individual level), OTP Bank România S.A. (consolidated level) and Banca de Export-Import a României – EXIMBANK S.A. (individual level).

In the meeting of the NCMO held on 20 October 2022, the General Board decided to approve the NCMO Recommendation No. R/5/2022 on the capital buffer for other systemically important institutions in Romania to be effective from 1 January 2023.

Moreover, in the meeting of the NCMO held on 15 December 2022, the members of the NCMO General Board decided on the compliance with and the implementation at national level of the European Banking Authority Guidelines EBA/GL/2022/12 amending Guidelines EBA/GL/2020/14 on the specification and disclosure of systemic importance indicators by relevant national authorities. 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.

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. 20, 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.

Deposit Guarantee Scheme

On 8 March 2022, the Law no. 42/2022 amending and supplementing the Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund was published in the Official Gazette no. 226/2022. The amendments to the Law no. 311/2015 are aimed at establishing the possibility for the National Bank of Romania to provide liquidity to the Bank Deposit Guarantee Fund in the form of short-term loans (in exceptional situations, based on the NBR assessment; the loans shall cover exclusively liquidity needs for Fund in order to allow it to make the compensations' payment in case of emergency, and when the financial stability is at stake), through repo operations. Such funding shall not exceed 90 days and shall be secured by financial instruments eligible as collateral for monetary policy operations conducted by the National Bank of Romania. The provisions of the Law no. 311/2015 were also amended in order to ensure fine-tuning of the Directive 2014/49/EU transposition text as well as for strengthening the Bank Deposit Guarantee Fund's governance.

Non-Bank Financial Institutions Sector

As of 31 December 2022, there were 177 non-bank financial institutions registered in the General Register under the NBR oversight, out of which 78 are listed in the Special Register and are under NBR prudential supervision. During 2022, there were 16 deletions from the General Register, following requests from non-bank institutions (8 cases) or as a result of other causes provided by law (8 cases). As of 31 December 2022, the financial aggregate indicators of non-bank financial institutions were as follows: a total share capital of RON 3.5 billion; total assets of RON 50.3 billion; loans and commitments granted of RON 52.1 billion and non-performing loans (including commitments) of RON 2.8 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 from 1 January 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. 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 1 January 2022 to 1 January 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 were required to 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 also adopted the Regulation No.4/2020 amending NBR Regulation No.20/2009 on non-bank financial institutions, so as to ensure a 6-month 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, established as a mechanism similar to the one regulated for the situation where the limits of exposure are exceeded.

In September 2021, the NBR Board adopted the Regulation No.3/2021 amending and supplementing NBR Regulation No.20/2009 on non-bank financial institutions. The amendments made under the new regulation change existing criteria and establish new criteria used as a trigger for registration in the Special Register of NBFIs, as well as establishing certain elements on the basis of which the professional experience requirements for NFBI managers are assessed.

In addition, other changes have been made to facilitate the NBR's assessment of the information on NBFIs, as well as to clarify some issues arising during the application of NBR Regulation no.20/2009.

In August 2022, the NBR adopted the NBR Order no. 1/2022 amending and supplementing the National Bank of Romania Order no. 27/2010 for the approval of the accounting regulations according to International Financial Reporting Standards ("**IFRS**"), applicable to credit institutions, as published in the Official Gazette Part 1 no. 772 and 772 bis. from 3 August 2022. The main purpose of this order was to include non-bank financial institutions in the scope of the accounting regulations according to IFRS, taking into consideration the fact that, under NBR Order no. 8/2019 on the application of IFRS by non-bank financial institutions, non-bank financial institutions will be required to maintain accounting records according to IFRS treatments and will need to prepare and publish individual financial statements according to IFRS starting from 1 January 2023.

In September 2022, the NBR adopted the NBR Order no. 4/2022 approving the methodological rules regarding the preparation of periodical financial statements at individual level, according to IFRS, applicable to non-bank financial institutions, for monitoring/prudential supervision purposes, as published in the Official Gazette Part 1, no. 896 on 12 September 2022.

Payment Services Sector

The NBR is the sole authority entitled to authorise and perform prudential supervision of payment institutions and account information service providers according to the existing regulatory framework.

As of 31 December 2022, there were 10 payment institutions registered in the Register of Payment Institutions and 21 agents through which they provide payment services in Romania and Moldova. Among authorised payment institutions, 4 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 legislation and Law no. 210/2019 on the activity of issuing electronic money.

NBR Regulation no. 4/2019 on payment institutions and account information services providers, adopted in the application of Law no. 209/2019 on payment services and for the modification of some legislation, details the requirements and documentation to be submitted, as well as the conditions that an entity shall meet in order to gain access to the activity as a payment institution/account information services provider.

On 14 December 2021, the NBR Regulation no. 5/2021 amending and supplementing the NBR Regulation no. 4/2019 on payment institutions and account information services providers was published in the Official Gazette no. 1181/2021. The amendments made under the new regulation aim to ensure a greater degree of precision and flexibility in the process of instrumenting the authorisation/registration applications, by clarifying some aspects related to the documentation provided for authorisation/registration.

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 2022, there were two authorised electronic money institutions registered in the Register of Electronic Money Institutions. 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 legislation), respectively No. 914 of 13 November 2019 (Law no. 210/2019 on the activity of issuing electronic money).

Financial System Supervision

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. Starting from 1 January 2018, the contributions to the mandatory private pillar was set at 3.75 per cent. Starting January 2024, the contribution to the mandatory private pillar will increase to 4.75 per cent. of an individual's social insurance contribution payable to the public pension system.

In December 2022, through an emergency ordinance (Government Emergency Ordinance No. 174/2022 (“**GEO 174/2022**”)), in the context of multiple crisis on different levels (geopolitical, economic and financial), changes were made in the primary legislation with the aim of strengthening the supervisory capacity of the Financial Supervisory Authority and imposing a greater responsibility on the pension fund management companies regarding the thoroughness and performance of their operations / activities with the end purpose of ensuring additional protection of the assets of private pension funds.

As of 31 March 2023, in the private pensions market there were 10 pension fund management companies operating seven pension funds in the mandatory pillar (total assets under management of 103 billion RON and 8 million members) and 10 pension funds in the voluntary pillar (total assets under management of approximately 4 billion RON and 0.6 million members).

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, including Emergency Ordinance no. 102 of 22 September 2021 on reducing the term from which the Insured Guarantee Fund is entitled to make payments to insurance creditors.

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 2018, 2019, 2020, 2021 and 2022.

	2018	2019	2020	2021	2022
Insurers (total), of which	29	28	27	26	26
Non-life	16	15	14	13	13
Life	7	7	7	7	7
Composite.....	6	6	6	6	6
Insurance intermediaries.....	300	287	286	273	269

The insurance companies, authorised and regulated by the Financial Supervision Authority (“ASF”), subscribed, in 2022, gross premiums amounting to RON 16.5 billion, increasing by 16 per cent. compared to 2021.

The Romanian insurance market remains oriented towards the non-life insurance activity, which holds a share of 84 per cent. of the total gross premiums subscribed by the insurance companies authorised and regulated by ASF. During the last year, the increase in the share of gross written premiums (GWP) can be observed on the market, mainly as a result of the significant increase in the GWP value for compulsory motor liability insurance (RCA).

At the level of the entire market, the rates of Solvency Capital Requirements (the “SCR”) and the Minimum Capital Requirements (the “MCR”) were both greater than 100 per cent. during the years 2018 to 2022.

Calculated at the level of the entire market at the end of December 2022, the SCR rate was above 100 per cent. at the end of December 2022. When the data of Euroins (a large Romanian insurance company whose license was revoked in March 2023) is taken into account, according to the ASF adjustments on 30 September 2022, the SCR rate at the market level was only 108 per cent., and the MCR rate was at a level of 257 per cent. Without including Euroins data, the ratio of eligible own funds to cover the SCR rate of 165 per cent., and the amount to cover the MCR rate is 395 per cent.

The non-life insurance market remains dominated by motor insurance. Motor insurance represents approximately 77 per cent. of the total gross written premiums for non-life insurance activity and 64.5 per cent. of total gross written premiums by insurance companies in 2022. The value of gross written premiums subscribed for car insurance exceeded RON 11 billion in 2022, of which 28 per cent. of volume was subscribed for optional car insurance, and 72 per cent. represent subscriptions related to mandatory car insurance.

The insurance companies authorised in other EU member states subscribed in 2022 based on the right of establishment (FOE - freedom of establishment), on the territory of Romania, through 15 branches, a volume of gross written premiums of approximately RON 1.9 billion (10.4 per cent. of the total gross written premiums subscribed by local companies authorised by the FSA and branches), increasing by approximately 58 per cent. compared to the same period of 2021.

In 2022, the value of premiums distributed by brokerage companies was over RON 12 billion, up by approximately 26 per cent. compared to 2021. The positive dynamics is due to both the increase in volume of premiums distributed for non-life insurance activity (+26 per cent.), as well as for the life insurance segment (+17 per cent.). Thus, the brokerage companies distributed about 76 per cent. of the total volume of the gross written premiums subscribed by insurers for the two categories of insurance, the largest share being recorded by non-life insurance for which the degree of distribution was approximately 87 per cent. If only the premiums

distributed for the authorised companies in Romania are taken into account, the degree of distribution in 2022 was 68 per cent., respectively 78 per cent. for the non-life insurance activity and about 14 per cent. for life assurance. Share of income from insurance distribution activity in the total volume of premiums distributed at the level of the brokerage market it was 16.2 per cent. (average commission); 15.2 per cent. in the non-life insurance segment and 43.7 per cent. in the life assurance segment.

Capital Markets

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, republished, as amended and supplemented, Law no. 74/2015 on managers of alternative investments funds, Law no. 243/2019 on the regulation of alternative investment funds and for the amendment and completion of certain legislative acts, Law no. 244/2022 laying down measures for the implementation of Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937, Law no. 237/2022 for the amendment and completion of the Government Emergency Ordinance No. 32/2012, as well as for the amendment and completion of Law no. 297/2004, of Law no. 74/2015, as well as Law no. 24/2017, Law no. 239/2022 for the amendment and completion of the Government Emergency Ordinance No. 32/2012, as well as for the amendment and completion of Law no. 297/2004 and Law no. 126/2018 regarding market in financial instruments, as amended and supplemented, and the secondary legislation issued in their application, represent the main legal framework for capital markets in Romania.

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 legislation, the most important of which refer to the amendment and completion of Law no. 24/2017 on issuers of financial instruments and market operations.

Law no. 244/2022 contains provisions for the implementation of the Regulation (EU) 2020/1503 (ECSPR) at national level. This includes by noting the designation of FSA as competent authority in Romania responsible for carrying out the functions and duties provided for in the ECSPR, noting the designation of FSA as single contact point for cross-border cooperation between the competent authorities, as well as with ESMA and outlining the conditions and authorisation procedure by FSA of crowdfunding service providers.

Law no. 237/2022 mainly ensures the transposition at national level of the Directive (EU) 2019/1160 of the European Parliament and of the Council of 20 June 2019 amending Directives 2009/65/EC and 2011/61/EU with regard to cross-border distribution of collective investment undertakings (CBDF Directive) amending certain provisions regarding the process of cross-border distribution of UCIs (UCITS and AIFs), eliminating or relaxing certain requirements for fund managers, so as to facilitate the cross-border distribution of these financial products at EU level.

Law no. 239/2022 ensures the transposition at national level of the Commission Delegated Directive (EU) 2021/1270 of 21 April 2021 amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS).

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.

In 2022, Law no. 126/2018 was amended by Law no. 188/2022 and Law no. 236/2022, to ensure the national transposition of the following directives:

- art. 1 of Directive (EU) 2019/2177 amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money-laundering or terrorist financing;
- Directive (EU) 2020/1504 amending Directive 2014/65/EU on markets in financial instruments;
- art. 1 of Directive (EU) 2021/338 amending Directive 2014/65/EU as regards information requirements, product governance and position limits, and Directives 2013/36/EU and (EU) 2019/878 as regards their application to investment firms, to help the recovery from the COVID-19 crisis;
- art. 64 Directive (EU) 2019/2034 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

In 2023, Law no. 236/2022 was issued in order to ensure the transposition of the Directive (EU) 2019/2034. The new European legislative package addressed to investment firms includes large investment firm in the notion of credit institutions. According to the Law No 236/2022, this new category of credit institutions will be subject to the authorisation, supervision and regulation of the Financial Supervisory Authority.

In April 2022, the draft law laying down implementing measures for Regulation (EU) No 2021/23 on a framework for the recovery and resolution of central counterparties was published on the website of the Ministry of Finance for public consultation. At the end of the 2022, the draft law was in the inter-institutional approval procedure. 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 2018	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022
Investment firms authorised by the FSA.....	21	20	19	18	19
Credit institutions authorised by the NBR.....	7	25	24	24	24
Investments firms authorised by the home competent authority in a Member State.....	1,714	1,753	475	465	505
Credit institutions authorised by the relevant authority in a Member State.....	161	167	129	131	168
Branches of investment firms from other EU Member States	7	7	6	6	7
Branches of credit institutions from other EU Member States	3	3	3	3	3
Total	1,913	1,975	656	648	716

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 2018, 2019, 2020, 2021 and 2022.

	As at 31 December				
	2018	2019	2020	2021	2022
Undertakings for collective investment in transferable securities:					
Open-end investment funds (performing activities in practice).....	78	88	83	83	89
Collective investment undertakings, other than UCITS (non-UCITS):					
Closed-end investment funds (active).....	25	28	26	26	29
Investment companies	6	6	6	6	7
Total no. of CIUs.....	109	122	115	115	124
Management companies	18	18	17	17	20
Depositories.....	5	4	4	4	4
Entities from Member States:					
UCITS authorised in a Member State and whose units have been distributed in Romania.....	57	53	66	61	65

Source: Financial Supervision Authority

The following table shows certain data in relation to the evolution of indicators describing the funds industry as at 31 December 2018, 2019, 2020, 2021 and 2022.

	As at 31 December				
	2018	2019	2020	2021	2022
Development of mutual funds					
Number of management companies	18	18	18	17	20
Total assets under management (million EUR)	8,803	9,744	8,101	10,101	8,584
Equity funds and investment companies (excluding ETFs).....	4,262	4,994	4,286	5,864	5,791
Bond funds	3,359	3,764	3,016	3,193	1,675
Hybrid funds.....	1,145	984	797	1,034	1,103
Money market funds.....	31	0	0	0	0
ETFs	5.2	5.2	2	10	15
Number of CIUs.....	109	114	115	113	125
Equity funds and investment companies (excluding ETFs).....	27	38	39	42	43
Bond funds	26	32	33	31	24
Hybrid funds.....	52	43	43	39	57
Money market funds.....	1	0	0	0	0

	As at 31 December				
	2018	2019	2020	2021	2022
ETFs	3	1	1	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.

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 2022, there were shares issued by 83 companies listed on BSE’s Regulated Market, out of which 80 are domestic companies and 3 are foreign companies. At the same date, there were 75 issues of domestic bonds listed on BSE, out of which 1 is a covered bond listed on BSE, 34 issues are municipal bonds, 38 government bonds and 2 foreign corporate bonds. As of 31 December 2022, 2 mutual funds and 1 ETF were listed on the BSE’s Regulated Market.

As for MTF, as at 31 December 2022, there were 302 issues of shares tradable on the two trading platforms of the MTF operated by the BSE, out of which 288 issues of shares were listed in the section dedicated to SMEs (AeRO market) on the 2 tiers (50 Premium shares and 238 Standard shares), and 14 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, 43 issues of bonds and 1 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 2018, 2019, 2020, 2021 and 2022.

As at	Market Capitalisation	Year Change
	(EUR billion)	(per cent.)
31 December 2018	30.66	(13.09)
31 December 2019	37.85	18.99
31 December 2020	31.67	(19.51)
31 December 2021	46.29	31.58

	Market Capitalisation	Year Change
	<i>(EUR billion)</i>	<i>(per cent.)</i>
31 December 2022	39.86	(16.13)

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 2018, 2019, 2020, 2021 and 2022.

Trading Volumes					
As at 31 December					
	2018	2019	2020	2021	2022
Total trading volumes (EUR)					
Stock (EUR)	2,186,283,028	2,041,563,322	2,489,739,116	2,418,512,654	2,420,727,759
Bonds (EUR)	2,077,628,634	1,975,658,420	2,239,349,477	2,033,177,798	2,082,526,293
Rights (EUR)	34,522,762	25,253,877	76,323,700	198,561,666	159,413,540
Fund Units (EUR)	0	0	0	521,758	3,101
Structured Products (EUR)	2,046,205	1,473,124	2,981,568	9,372,670	12,448,787
Futures (EUR)	72,085,427	39,177,901	171,084,371	176,878,763	166,333,594
Number of trading days	0	0	0	0	0
Total trading volumes (EUR)	249	249	249	252	251

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 2018, 2019, 2020, 2021 and 2022.

Year	Daily Average Turnover	Year Change
	<i>(EUR million)</i>	<i>(per cent.)</i>
2018	8.78	(4.25)
2019	8.2	(6.6)
2020	10.0	21.95
2021	9.6	(4.16)
2022	9.64	0.41

Source: BSE

BSE Indices

The following table shows the value of the BSE Indices as at 31 December 2018, 2019, 2020, 2021 and 2022.

	2018	2019	2020	2021	2022	Change in 2022 (compared to 2021)
			(points)			(per cent.)
BSE Indices						
BET	7,383.68	9,977.30	9,805.60	13,061.32	11,663.53	(10.7)
BET-XT.....	680.44	914.83	871.60	1,142.52	1,018.60	(10.8)
BET Plus.....	1,109.85	1,490.07	1,464.75	1,947.85	1,748.14	(10.3)
BET-TR.....	10,870.97	15,969.07	16,509.64	23,113.93	22,685.99	(1.9)
BET-FI.....	34,636.37	47,546.89	43,077.92	52,157.90	50,284.36	(3.6)
BET-NG	603.34	785.89	693.14	896.97	852.34	(5.0)
BET-BK.....	1,459.26	1,892.43	1,867.14	2,514.55	2,202.71	(12.4)
BET-XTTR.....	1,012.68	1,474.16	1,474.50	2,021.26	1,969.01	(2.65)
RTL	15,336.78	20,876.89	20,559.86	27,997.57	25,947.89	(7.89)

Source: BSE

The BET index, reflecting the performance of the 19 most liquid companies admitted to trading on the BSE's RM, decreased in 2022 by 10.7 per cent. compared to 31 December 2021. BET-FI, which represents the index of the investment companies admitted to trading on the BSE's RM, decreased in 2022 by 3.6 per cent. compared to 31 December 2021. The BET-XT index, which reflects the performance of the 30 most liquid companies admitted to trading on the BSE RM, decreased in 2022 by 10.8 per cent. compared to 31 December 2021 and the BET-NG, which represents the index of the energy and utilities companies admitted to trading on the BSE's RM decreased in 2022 by 5.0 per cent. compared to 31 December 2021. In October 2021, a new index dedicated to the MTF market, shares segment, was launched. This new index, called BETAeRO, consists of the 28 most liquid companies and reached 818.49 points at the end of 2022.

Money Laundering

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.

With the entry into force of Law no. 129/2019, the status of the National Office for Prevention and Control of Money Laundering was established as Romania's financial intelligence unit of administrative type, a specialised body with legal personality, independent and autonomous from an operational and functional point of view, subordinated to the Ministry of Finance. The office's activity is to receive, analyse, process and disseminate financial information and to supervise and control, in accordance with the law, reporting entities for the purpose of prevention and control of money laundering and terrorist financing.

In the performance of its activities, the Office cooperates with all the authorities and institutions of the system for the prevention and control of money laundering and terrorist financing, including the Ministry of Justice, the Ministry of Finance, the Prosecutor's Office of the High Court of Cassation and Justice, the National Bank of Romania, the Financial Supervisory Authority, the Romanian Intelligence Service, the self-regulatory authorities of the liberal professions and professional associations.

The Office is the authority that coordinates the implementation of the national money laundering and terrorist financing risk assessment and the national response to identified risks. 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.

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 legislation, 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. GEO no. 111/2020 was approved, with modifications and completions, by the Law no. 101/2021.

Other legislation that amended or supplemented the Law 129/2019 on the prevention and countering of money laundering and terrorism financing, as well as for the modification and completion of some legislation were the following:

- Law no. 208/2020 regarding the modification and completion of some legislation;

- Law no. 102 of 26 April 2021 regarding the completion of art. 49 of 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 legislation; and
- Law no. 315 of 28 December 2021 on amending and supplementing 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 legislation.

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.

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.

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 projection utilised for budget planning has to be compared to the European Commission official projection 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 projections, 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 2018, 2019, 2020, 2021 and 2022:

	As at 31 December				
	2018	2019	2020	2021	2022
			(per cent.)		
Social security contributions.....	33.2	34.7	34.8	33.6	30.4
VAT.....	20.2	20.4	18.8	20.9	20.4
Non-fiscal revenues	9.2	8.4	7.6	6.9	8.6
Income tax	7.7	7.2	7.5	7.4	7.3
Excises.....	9.7	9.8	9.5	9.1	7.7
Corporate tax	5.3	5.5	5.0	5.3	5.8
Other.....	14.7	13.9	16.8	16.8	19.8
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.

Starting 1 January 2023, Romania increased the VAT rate from 5 per cent. to 9 per cent. for the following categories of goods and services: food products other than high quality foods, irrigation water in agriculture and for water supply and sewerage services; human and veterinary medicines; fertilisers and pesticides used in agriculture, seeds and other agriculture products for sowing or planting and agricultural services, restaurant/catering and hotel accommodation.

Similarly, for non-alcoholic beverages containing added sugar or other sweeteners or flavours, the VAT rate increased from 9 per cent. to 19 per cent. from 1 January 2023.

Also, starting 11 June 2023, supplies of services related to construction, rehabilitation and modernization of hospitals from the public state network or non-profit entities, and supplies of medical equipment, devices, accessories and materials for sanitary use carried out by hospitals from the public state network or non-profit entities are exempt from VAT with the right to deduct.

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 right to use the sport facilities; district heating in the cold season; firewood in certain forms; transport of people for tourism or leisure using historical trains or vehicles, cable transport installations, animal-drawn vehicles; and the delivery and installation of photovoltaic panels, solar thermal panels, high-efficiency low-emission heating systems used for homes and central and local administration buildings.

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 4,500,000 (approximately EUR 900,000), adopted in order to assist SMEs.

Income Tax

Starting from 1 January 2023, income in the form of dividends, including the gain obtained as a result of holding participation titles defined by the relevant legislation in collective investment bodies (investment funds) are considered dividends from a fiscal point of view and are taxed at a rate of 8 per cent. of their sum, the tax being final. At the same time, starting from 1 January 2023, the fiscal treatment of gains from the transfer of securities will be changed.

Intermediaries (investment management companies, self-managed investment companies, managers of alternative investment funds, Romanian tax residents or non-residents who have a permanent establishment in Romania that has the capacity of an intermediary) have the obligation to calculate the gain or loss for each transfer or operation performed or performed, for the taxpayer, and the calculation, withholding, declaration and payment of income tax.

Income in the form of earnings from the transfer of securities is imposed by withholding tax as follows: (i) by applying a rate of 1 per cent. on each gain from the transfer of securities that were acquired and disposed of in a period longer than 365 days, inclusive, from the date of acquisition; and (ii) by applying a rate of 3 per cent. on each gain from the transfer of securities that were acquired and disposed of within a period of less than 365 days from the date of acquisition.

For the calculation of the aforementioned gain, the fiscal value is determined by applying the weighted average price method, including the costs related to the transfer or operation, for each symbol, regardless of the holding

period. The obligation to calculate and withhold income tax at source rests with the intermediaries, for each transfer or operation. The losses obtained from the transfer of securities are not carried forward and are not compensated; they represent definitive losses of the taxpayer.

Where the trading operations of financial instruments are not carried out through intermediaries (as defined by specific legislation), the income beneficiary determines the annual gain or loss, as the case may be, for Romanian tax residents and non-residents who have a permanent establishment in Romania and imposes a tax on 10 per cent. of income.

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.

As provided in Fiscal Code, both excise duties levels, harmonised and non-harmonised are mandatorily 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. From 1 August 2022 to 31 December 2023, the level of excise duty for products in alcohol and alcoholic beverages are exempt from this calculation.

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. Between 1 January 2023 and 31 December 2023, the level of excise duty for leaded petrol, unleaded petrol and gasoil were excepted from updates pertaining to the increase in consumer prices from the last 12 months, calculated in September 2022 and compared to the period of October 2014 to September 2015. The level of excise duty applicable in 2023 is as follows:

- Leaded petrol RON 2,703.83 per tone, respective RON 2,083.07 per 1.000 litre;
- Unleaded petrol RON 2,305.64 per tone, respective RON 1,776.30 per 1.000 litre;
- Gasoil RON 1,931.61 per tone, respective RON 1,632.81 per 1.000 litre;

Starting 1 January 2023, for the products which are part of the category alcohol and alcoholic beverages, the level of excise duty for these products was increased, as follows:

- Beer: From RON 3.96 per hl/1 Plato degree to RON 4.20 per hl/1 Plato degree;
- Beer produced by an independent producer with an annual production not exceeding 200,000 hl: From RON 2.18 per hl/1 Plato degree to RON 2.31 per hl/1 Plato degree;
- Sparkling wines: From RON 56.86 per hl of product to RON 60.31 per hl of product;
- Still fermented beverages, other than beer and wine: From RON 476.21 per hl of product to RON 505.07 per hl of product;
- Sparkling fermented beverages, other than beer and wine: From RON 56.86 per hl of product to RON 60.31 per hl of product;
- Intermediate products: From RON 476.21 per hl of product to RON 505.07 per hl of product;

- Ethyl alcohol: From RON 3,968.38 per hl of pure alcohol to RON 4,208.86 per hl of pure alcohol;
- Ethyl alcohol produced by small distilleries: From RON 1,984.19 per hl of pure alcohol to RON 2,104.43 per hl of pure alcohol.

Starting 1 April 2023, the level of excise duty for cigarettes was increased from RON 594.97 per 1000 cigarettes to RON 625.97 per 1000 cigarettes, according to the timetable for the gradual increase of excise duty provided in the Fiscal Code.

Starting 1 April 2023, the level of excise duties for the following excisable products was increased according to the timetable for the gradual increase of excise duty provided in Fiscal Code for the following excisable products:

- Cigars and cigarillos from RON 346.5 per 1000 pieces to RON 550 per 1000 pieces;
- Fine cut tobacco intended for rolling of cigarettes and other smoking tobacco from RON 548.61 per kg to RON 550 per kg;
- Tobacco contained in heated tobacco products from RON 594.97 per kg to RON 834.63 per kg;
- Liquids containing nicotine from RON 0.64 per ml to RON 0.72 per ml.

Corporate Income Tax

According to the Fiscal Code, the Romanian corporate tax system is characterised by the following attributes:

- A general system of taxation, the corporate tax, established by applying a tax rate of 16 per cent. on taxable profit, required to be calculated and paid quarterly or annually;
- As of 1 January 2023, the tax system for micro-enterprises was amended as follows:
 - The turnover threshold is reduced from EUR 1,000,000 to EUR 500,000.
 - In order to apply the single rate of 1 per cent. of turnover micro-enterprises are required to have one or more employees.
 - The number of microenterprises in which a shareholder or associate can have more than 25 per cent. of the value or number of participation titles or voting rights is limited to no more than three.
 - Entities carrying out activities in banking, insurance and reinsurance, capital markets (including intermediation activities in these areas), gambling and exploration, development or exploitation of oil fields and natural gas are excluded from the micro-enterprise tax regime.
 - There is a limitation of revenues from consulting and management to 20 per cent. of total income.
 - Participation in the micro-enterprise tax regime is optional.
- As of 1 January 2023, the tax rate on dividends paid by a Romanian legal person to another Romanian legal person increased from 5 per cent. to 8 per cent.

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 of tangible and intangible 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 for services provided by third-parties, expenses of consumable materials, expenses of inventory items and raw materials, etc.; and
- overhead expenses, which can be allocated directly to the research results or proportionally by using an allocation key.

(B) Corporate income tax exemption for reinvested profit

- The tax exemption applies to profit reinvested in the production and/or purchase of technological equipment and machinery, computers and peripheral equipment, tax cash registers, software and rights to use software.
- As of 1 January 2023, the facilities for tax exemption on invested profits are extended to investments in assets used in production, processing and refurbishment assets.

(C) Reduction of corporate tax and micro-enterprise income tax for equity growth

- A temporary COVID-19 measure has also been introduced between 2021 and 2025 to encourage companies that have made losses during the pandemic to increase their equity. The CIT rate is lowered by two percentage points for companies whose equity is above 50 per cent. of the share capital. Additionally, further CIT rate reductions between 5-10 percentage points are available for companies that increase their equity in a year by between 5 per cent. and 25 per cent.
- As of 1 January 2023, Law No 170/2016 on the specific tax on certain activities is repealed.
- Taxpayers who have been subject to the provisions of Law No 170/2016, as amended, by 31 December 2022, may opt to pay income tax on micro-enterprises under Title III of the Tax Code, without verification of the conditions of eligibility for the system and without applying the rules for exiting the system during the year, or to pay profit tax under Title II of the Tax Code.

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.

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.

GEO no. 1/2020 repealed the provisions of GEO no. 114/2018 which established the financial contribution owed to ANRE by the license holders at the level of 2 per cent. of the turnover of an energy company for the preceding year generated by licensed activities.

Starting from January 2020, the level of tariffs and contributions charged by ANRE is established annually by order of the president of ANRE and published in the Official Gazette of Romania, Part I.

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 Authorised Valuers. 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.

The values provided in the Fiscal Code in connection with local taxes and fees will be updated on an annual basis, rather than every five years, based on to the inflation index for the previous year.

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:

- The Virtual Private Space was established as a single communication channel for legal entities, starting from 1 March 2022;
- Entry into force of the applicable legal framework defining the risk criteria for the classification of taxpayers;
- Cash registers are connected to the National Agency for Fiscal Administrations' IT system;
- Desk audits as the usual way of carrying out fiscal audits;
- Reform in the field of organisation and operation of fiscal control structures by introducing a series of amendments to the Fiscal Procedure Code;
- Implementation of a webinar service dedicated to taxpayer assistance;
- Electronic invoicing system, which has been operational since November 2021; and
- Development of an alternative model for calculating the VAT fiscal gap, broken down between relevant economic sectors.

The General Consolidated Budget

The following table shows income and revenues relating to the general consolidated budget for the years ended 31 December 2018, 2019, 2020, 2021, 2022 and planned data 2023:

	2018	2019	2020	2021	2022	2023 (plan)
			<i>(RON million)</i>			
A. Revenue.....	295,264.7	321,074.9	322,656.5	379,717.9	460,202.7	539,831.4
Current incomes.....	267,800.0	294,871.2	288,054.5	339,808.4	410,081.8	467,153.0
Taxes	142,510.0	156,361.7	151,276.6	186,103.0	230,461.7	258,996.3
Income fee, profit and capital gain from legal entities	18,827.2	21,449.7	19,142.3	24,102.2	31,426.0	36,045.3
Income fee, profit and capital gain from individuals.....	22,679.0	23,201.4	24,333.8	28,017.1	33,707.6	38,549.1 9,907.5
Property fees and taxes	5,469.4	6,191.9	5,935.9	6,547.4	6,821.6	
Fees and taxes on goods and services ...	93,770.4	103,546.9	99,821.9	124,797.2	155,286.2	170,711.6
Fee on the external trade and international transactions	1,050.1	1,159.9	1,119.6	1,526.8	1,938.7	2,362.4
Other fiscal fees and taxes	713.9	811.8	923.2	1112.3	1,281.6	1,420.3

	2018	2019	2020	2021	2022	2023 (plan)
			<i>(RON million)</i>			
Social security contributions.....	98,101.1	111,473.5	112,250.7	127,493.4	139,920.2	162,193.8
Non-fiscal incomes.....	27,189.0	27,036.1	24,527.3	26,212.0	39,699.9	45,962.9
Incomes from capital.....	849.4	867.3	776.0	1473.1	1,408.6	1,379.1
Donations.....	13.8	19.8	3.4	6.0	32.0	11.2
Amounts in distribution.....	(578.7)	(3.7)	266.6	(17.3)	274.6	—
Amounts received from EU.....	27,180.2	25,320.3	33,555.8	38,447.7	48,405.7	71,288.1
Financial operations.....	—	—	—	—	—	—
B. Total Expenses.....	322,115.0	369,629.2	424,455.2	459,627.1	540,968.5	608,123.8
Current expenses.....	300,329.0	343,058.7	393,091.0	427,640.3	502,909.8	553,624.8
Personnel related expenses.....	86,138.4	102,338.0	109,976.2	111,898.8	117,683.4	127,628.6
Goods and services.....	44,612.1	53,340.3	57,094.9	64,178.6	72,468.7	74,901.6
Interest.....	12,943.5	12,153.8	14,513.1	17,979.5	29,094.3	29,084.5
Subsidies.....	6,669.5	7,107.5	8,140.2	8,648.4	18,006.4	11,323.7
Transfers between the units of the public administration.....	1,537.6	891.8	1,529.1	1696.8	2,196.1	2,512.5
Other transfers.....	14,119.4	16,496.2	19,065.2	25,424.1	27,002.3	30,638.6
Projects financed from non- reimbursable EU Funds post-accession (including national co-financing).....	577.1	335.6	341.7	217.5	1,180.3	6,591.1
Social assistance.....	101,364.2	114,739.1	138,552.9	147,248	174,301.5	181,005.9
Projects financed from non- reimbursable EU Funds post-accession financing programme 2014-2020.....	24,946.9	27,572.8	34,764.7	41,340.7	49,461.4	58,927.1
NRRP Projects (grants and loans)	—	—	—	—	844.2	19,969.8
Reserve funds	—	—	—	—	—	685.7
Other expenses.....	7,032.3	7,582.6	8,356.9	8,323.6	10,074.3	9,419.7
Programmes financed from reimbursable funds (including local funds).....	387.8	500.9	756.0	684.2	597.0	936.0
Capital expenses.....	23,584.8	30,239.6	33,177.0	33,673.3	40,553.5	54,499.0
Loans granted.....	—	—	—	—	—	—
Payments for previous years.....	(1,798.8)	(3,669.1)	(1,812.8)	(1686.4)	(2,494.9)	—
C. Surplus/Deficit.....	(26,850.3)	(48,554.3)	(101,798.7)	(79,909.2)	(80,765.8)	(68,292.4)
Deficit as % of GDP.....	(2.8)	(4.6)	(9.6)	(6.7)	(5.7)	(4.4)
Deficit as % of GDP (according to ESA 2010).....	(2.8)	(4.3)	(9.2)	(7.1)	(6.2)	(4.4)
Gross domestic product (<i>RON billion</i>)..	959.1	1,063.8	1,066.8	1,187.4	1,409.8	1,552.1

Notes:

- (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

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 26.85 billion, or 2.82 per cent. of GDP, below the annual target of 2.97 per cent. of GDP.

Consolidated general government revenues of RON 295.26 billion accounted for 30.8 per cent. of GDP, compared to 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.). 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 total 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. Personnel expenses were 23.7 per cent. higher than in 2017, the increase being determined by the salary increases granted by the amended law 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 increases in the pension point, an increase of the social allowance for pensioners, and an 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 Execution

Based on operational data, the general government budget in 2019 registered a RON 48.5 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 321.07 billion, 8.7 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 (0.6 per cent.) from 30.8 per cent. of GDP in 2018 to 30.2 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 2.3 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.

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.).

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 27.0 billion in 2019 (a decrease of 0.6 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 369.6 billion (34.7 per cent. of GDP), up 14.8 per cent. compared to the previous year, but marginally lower compared to the initial target (99.6 per cent.). Total expenditure increased by 1.1 per cent., from 33.6 per cent. of GDP in 2018 to 34.7 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 0.6 per cent., from 9.0 per cent. in 2018 to 9.6 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 53.3 billion (an 19.6 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 6.6 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 7.6 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.

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).

2020 Budget Execution

Based on operational data, the general government budget in 2020 registered a RON 101.8 billion deficit (9.5 per cent. of GDP). The general government budget outcome for 2020 indicates an increase by 4.9 per cent. of GDP in budget deficit, from 4.6 per cent. of GDP in 2019.

General Government Revenue

The revenues of the general consolidated budget amounted to RON 322.6 billion in 2020, by 0.5 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.

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.

General Government Expenditure

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 and a food allowance.

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.

2021 Budget Execution

Based on operational data, the general government budget in 2021 registered a RON 79.9 billion deficit (6.7 per cent. of GDP). The general government budget outcome for 2021 indicates a decrease by 2.9 per cent. of GDP in budget deficit, from 9.6 per cent. of GDP in 2020.

General Government Revenue

The revenues of the general consolidated budget amounted to RON 379.71 billion in 2021, by 17.7 per cent. above the level collected in the previous year.

Wage and income tax revenues registered 28.02 RON billion in 2021, recording an increase of 15.1 per cent. as compared to 2020. A significant component of this increase was the positive dynamics of the pension income tax (increasing to 38.6 per cent.). Additionally, the single declaration for income tax and social contributions of individuals increased to 18.8 per cent. and the dividend tax increased to 32.0 per cent.

Insurance contributions amounted to RON 127.5 billion in 2021, registering an increase of 13.6 per cent. as compared to 2020.

Corporate income tax revenues amounted to RON 20.0 billion in 2021, increasing by 25.4 per cent., as compared to 2020. This advance was determined by the main component, tax revenues for profit from economic agents, with a positive dynamic of 28.4 per cent. as compared to 2020. Net VAT receipts registered RON 79.4 billion in 2021, increasing by 30.5 per cent., as compared to 2020. Excise revenues amounted to RON 34.5 billion in 2021, increasing by 12.3 per cent., as compared to 2020.

Non-tax revenues amounted to RON 26.2 billion in 2021, registering an increase of 6.9 per cent., as compared to 2020. The increase was supported by the dynamics of revenues from concessions and rents (up by 16.7 per cent.), respectively dividends distributed by state-owned companies (higher by 4.4 per cent.).

The amounts reimbursed by the European Union on account of payments made and donations totalled RON 38.4 billion in 2021, increasing by 14.5 per cent. compared to the level recorded in 2020.

General Government Expenditures

Expenditures of the general consolidated budget in the amount of RON 459.6 billion increased in nominal terms by 8.3 per cent. compared to 2020.

Personnel expenses amounted to RON 111.9 billion, up 1.7 per cent. compared to the previous year. Expressed as a share of GDP, personnel expenditure represents a level of 9.4 per cent. of GDP, 1.7 percentage points less than the previous year.

Expenditures on goods and services were RON 64.2 billion, up 12.4 per cent. from the previous year. An increase was reflected in the state budget, respectively 21.1 per cent. compared to the previous year, as well as in the budget of the Single National Health Insurance Fund which recorded an increase of 11.4 per cent. Mainly, according to the data communicated by the main authorising officers, RON 7.85 billion of total goods and services represent payments for medicines, sanitary materials, reagents and other products necessary for the diagnosis and treatment of patients infected with the SARS-CoV-2 coronavirus, as well as payment for vaccines against COVID -19.

Expenditures on subsidies amounted to RON 8.65 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 147.3 billion, an increase of 6.3 per cent. compared to the previous year. This was mainly due to 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, as well as with 1 January 2021 which represents an increase in the allowance by approximately 16 per cent. higher than that paid in December 2020.

Expenditure on projects financed by non-reimbursable external funds (including subsidies from the European Union related to agriculture) amounted to RON 41.34 billion, up 18.9 per cent. compared to the previous year.

Investment expenditures, which include capital expenditures, as well as the most important financial development programs from internal and external sources, amounted to RON 59.3 billion, increasing by 11.5 per cent. compared to the previous year. There was also a more pronounced increase in projects funded from post-accession non-reimbursable external funds, representing 48.1 per cent. of the total investment expenditures for 2021, by RON 6.9 billion compared to the previous year.

2022 Budget Execution

The execution of the consolidated general budget recorded a deficit of RON 80.8 billion in 2022 (5.7 per cent. of GDP) showing a decrease of approximately 1.0 percentage points compared to 2021, due to the increase in budget revenue by 0.7 percentage points and the decrease in total expenditure by 0.3 percentage points.

The revenues of the consolidated general budget totalled RON 460.2 billion in 2022, with 21.2 per cent. above the level for the same period 2021, mainly influenced by the advance of VAT revenues, insurance contributions, additional receipts from energy (other taxes on goods and services), non-tax revenues and European funds.

Salary and income tax receipts totalled RON 33.7 billion, recording an increase of 20.3 per cent. year-on-year, supported by the increase in dividend tax receipts (+79.9 per cent.), the single declaration (+32.3 per cent.), and the tax related to pensions (+25.1 per cent.).

Revenues from the payroll tax increased by 10.5 per cent., below the evolution of the wage fund in the economy (+12.7 per cent.); the dynamics of this category of receipts was influenced by the expansion in the agricultural sector and the food industry of the facility granted to construction workers (negative effect from the income tax exemption from wages, according to Law no. 135/2022).

Insurance contributions recorded RON 139.9 billion, increasing by 9.7 per cent. year-on-year. As in the case of the payroll tax, the evolution of contributions remained lower than the dynamics of the wage fund and as a result of the expansion in the agricultural sector and the food industry of the facility granted to construction workers (effect on receipts starting from July 2022, according to Law no. 135/2022). Starting from September, contributions were favourably influenced by the change in the ceiling up to which tax benefits are granted to employees in the construction, agricultural and food industry (from RON 30,000 per month to RON 10,000 per month) and by the measure to establish the base of monthly calculation at the level of the minimum gross salary per country for the income made on the basis of individual part-time employment contracts whose remuneration is below the level of the minimum gross salary.

Profit tax receipts totalled RON 26.7 billion, registering an increase of 33.0 per cent. year-on-year, supported both by the advance of profit tax receipts from economic agents (29.3 per cent. year-on-year, respectively RON 5.6 billion), as well as the profit tax transferred by commercial banks (RON 1.0 billion).

Net receipts from VAT registered RON 94.1 billion, up by 18.6 per cent. year-on-year, but below the dynamics of the relevant macroeconomic base, and against the background of a higher level of VAT refunds, compared to the previous year (+15.0 per cent., year-on-year).

Revenues from excise duties totalled RON 35.3 billion, recording an increase of 2.4 per cent. year-on-year. In terms of structure, revenue from excise duties for energy products recorded a 2.4 per cent. year-on-year dynamic, supported both by the 3.6 per cent. increase in excise duty starting from 1 January 2022, and by the advance of fuel consumption compared to the same period last year. Revenues from excise duties for tobacco products increased by 1.9 per cent., in the conditions of an increased level of excise duty on cigarettes by 5.5 per cent. starting from 1 August 2022 (RON 594.97/1000 cigarettes, compared to RON 563.97/1000 cigarettes

starting 1 April 2021). The monthly evolution of excise revenue generally shows a higher volatility, determined by the policy of economic operators of fiscal warehousing of excisable products.

Other taxes and duties on goods and services totalled RON 19.2 billion, registering an advance of RON 13.7 billion compared to the previous year, due to additional receipts from the energy sector.

Non-tax revenues totalled RON 39.7 billion, recording an increase of 51.5 per cent year-on-year, supported by the advance of property revenues, including payments from the BNR's net revenues, dividends, interest and oil royalties. The level of non-fiscal income is determined by the registration of the amounts from the sale of greenhouse gas emissions certificates.

The amounts reimbursed by the European Union on account of payments made and donations totalled RON 48.44 billion, increasing by 26.0 per cent. year-on-year.

The expenses of the general consolidated budget in the amount of RON 541.0 billion increased in nominal terms by 17.7 per cent. compared to the previous year. Expressed as a percentage of GDP, expenditures for the year 2022 registered a decrease of 0.8 percentage points from 38.7 per cent. of the GDP in the year 2021 to 38.4 per cent. of the GDP in the year 2022.

Personnel expenses totalled RON 117.68 billion, up 5.2 per cent. compared to the previous year. Expressed as a share of GDP, personnel expenses represent a level of 8.3 per cent. of GDP, 1.1 percentage points less than the previous year.

Expenditure on goods and services was RON 72.5 billion, up 13.4 per cent. compared to the previous year.

Interest expenses were RON 29.1 billion. Compared to the previous year, interest payments related to the public debt portfolio increased by RON 11.1 billion as a result of the increase in interest rates in the inflationary context manifested especially starting from the second part of 2021, both domestically and internationally, as well as a result of the uncertainties generated by the armed conflict in Ukraine.

Social assistance expenses were RON 174.3 billion, an increase of 18.4 per cent. compared to the previous year. The evolution of social assistance expenses was mainly influenced by the increase from 1 January 2022, of the pension point by 10 per cent., respectively from RON 1,442 to RON 1,586, of the level of social allowance for pensioners (minimum pension) from RON 800 to RON 1,000, for the granting of financial aid to retirees of the public pension system with pensions less than or equal to RON 1,600, so that all those who fall into this category have an income of RON 2,200, in January 2022, as well as the granting of the thirteenth allowance for people with disabilities.

The social assistance expenses were also influenced by the payments from July 2022 for the granting of financial aid in the amount of RON 700 for retirees from the public system, the state military pension system and for the beneficiaries of rights provided by special laws, whose income is less than or equal to RON 2,000.

At the same time, the increase in the state allowance for children reflects an increase starting from 1 January 2022, to RON 600 for children aged up to 2 years or up to 3 years, in the case of a disabled child. At the same time, disabled children benefit from this amount until they reach the age of 18. Also, the state allowance for children between the ages of 2 and 18, but also for young people over 18 who attend high school or professional courses, until they finish, has been increased to RON 243, including for those with disabilities who follows a form of pre-university education provided by law, but no later than the age of 26. The social assistance expenses were also influenced by the payments from the state budget for the compensation of bills related to the consumption of electricity and natural gas, respectively until the end of 2022, in the amount of RON 3.9 billion.

Subsidy expenses were RON 18.01 billion, mainly, representing subsidies for passenger transport, for supporting agricultural producers, as well as for the compensation scheme for the consumption of electricity and natural gas by non-household consumers for the 2021 cold season (RON 7.1 billion) which represents 39.1 per cent. of the total subsidies.

Other expenses were RON 10.1 billion, mainly representing sums related to the payment titles issued by the National Authority for the Restitution of Properties, according to the legislation in force, scholarships for pupils and students, supporting cultural groups and other civil compensations.

Expenditures on projects financed from non-reimbursable external funds (including subsidies from the European Union related to agriculture) were RON 50.92 billion, 22.5 per cent. higher compared to 2021.

Investment expenses, which include capital expenses, as well as those related to development programs financed from internal and external sources, amounted to RON 72.53 billion, up 22.4 per cent. compared to 2021 when they were in value of RON 59.26 billion. There is also an increase in the share of investments financed by external non-reimbursable funds after accession, representing 51.21 per cent. of the total expenditure on investments.

2023 Budget

The budget for 2023 was approved through Law no. 368/2022.

The budget for 2023 projects a cash budget deficit of 4.4 per cent. of GDP, reflecting an adjustment of 1.4 percentage points compared to 2022 (cash methodology).

Budgetary revenue is projected at 34.8 per cent. of GDP, an increase of 1.9 percentage points compared to 2022, while budgetary expenditure is projected at 39.2 per cent. of GDP, a decrease of 0.5 percentage points as compared to the same period in 2022.

General consolidated budget revenue is expected to increase as a result of additional receipts from EU funds, including NPRR (+1.2 percentage points), VAT revenue (+0.6 percentage points) and social contributions (+0. percentage points pp). Although increases in nominal terms have been ensured for most expenditure categories, most of them show a decrease in their share in GDP: the main decreases are projected for social assistance (-0.8 percentage points), subsidies (-0.6 percentage points), personnel expenditure (-0.2 percentage points), goods and services (-0.4 percentage points) and interest (-0.2 percentage points), while public investments are foreseen to increase by 1.0 pp.

GDP in 2023 is expected to be RON 1,552.1 billion, a real growth rate of 2.8 per cent. Inflation at the end of 2023 is expected to be 8.0 per cent., with the annual average expected to be 9.6 per cent. The average number of employees in 2023 is expected to be 5,252 thousand and the rate of registered unemployment is expected to be 2.7 per cent. The growth rate of exports is expected to be 10.6 per cent., while the growth rate of imports is expected to be 12.7 per cent.

Among the most important measures that have been taken into account in the 2023 budget planning are: (i) the amendment of the Tax Code in mid-2022, with an initially estimated impact on 2023 budget revenue of 0.4 per cent. of GDP; (ii) the maintenance of Government support for the economy and vulnerable categories of citizens in the current difficult circumstances due to the inflationary environment; and (iii) the increase in investment spending from RON 87 billion in 2022 to RON 112 billion in 2023, mainly based on EU funds.

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 2018, 2019,

2020, 2021 and 2022. The local authorities have the highest amount of arrears and those are the delayed payments for the investment projects.

	As at 31 December				
	2018	2019	2020	2021	2022
	<i>(RON million)</i>				
State Budget ⁽¹⁾	21.28	25.58	23.05	23.05	18.04
Local Budget	171.34	110.83	206.63	149.04	264.55
Social Security Budget	0.00	0.00	0.00	0.00	0.00
Total	192.62	136.41	229.68	172.09	282.59

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 funding plan for 2022, the gross financing needs at government level has been adjusted to RON 150.2 billion (10.7 per cent. of GDP), covering the budgetary deficit of 5.7 per cent. of GDP according to the data published by the Ministry of Finance on the execution of the consolidated general budget deficit on 31 December 2022, (approximately RON 81.0 billion) and the volume of debt refinanced in 2022 (approximately RON 69.2 billion).

According to the EU methodology, as at 31 December 2022, the government debt was 47.3 per cent. of GDP and 49.0 per cent of GDP as at 30 April 2023. According to the Convergence Programme 2023-2026 (which outlines Romania’s progression ahead of euro adoption), the gross government debt according to EU methodology is expected to be maintained at sustainable levels and is projected below 50.0 per cent. to GDP on medium-term.

In 2022, the Government borrowed RON about 90 billion from the domestic market by issuing government securities and EUR equivalent of 12.3 billion from the foreign market via Eurobonds and drawing from loans contracted from international financial institutions (IBRD, IEB, ECDB) and the loans from the European Union (EU) related to financing instruments established at EU level. The gross financing needs of government in 2022 represents 10.7 per cent. of GDP (5.7 per cent. of which corresponds to budgetary deficit, and 5.0 per cent. to the refinancing of public debt).

Government financing needs for 2023 are estimated to be RON 160.0 billion representing 10.1 per cent. of GDP, out of which RON 68.4 billion represents the financing of the general budget deficit (4.4 per cent. of the estimated GDP in 2023, as compared to 5.7 per cent. of GDP in 2022).

The level of the total public indebtedness calculated based on the national legislation (including guarantees) decreased to 54.3 per cent. of GDP at the end of April 2023 compared to 58.4 per cent. of GDP at the end of December 2022. The following table shows public indebtedness indicators according to national legislation for the years 2018, 2019, 2020, 2021 and December 2022.

	2018		2019		2020		2021		2022	
	(RON million)	(EUR million)	(RON million)	(EUR million)	(RON million)	(EUR million)	(RON million)	(EUR million)	(RON million)	(EUR million)
Public government										
debt of:	384,965.0	82,541.4	432,480.7	90,490.4	573,986.6	117,876.2	679,132.2	137,251.1	803,254.3	162,358.9
<i>direct public debt</i>	366,933.4	78,675.2	413,853.2	86,592.9	541,082.3	111,118.9	636,276.2	128,590.0	741,795.7	149,936.5
<i>guaranteed debt</i>	18,031.6	3,866.2	18,627.5	3,897.5	32,904.3	6,757.3	42,856.0	8,661.1	61,458.6	12,422.4
weight in GDP (%).....	40.1%	40.1%	40.7%	40.7%	53.8%	53.8%	57.2%	57.2%	57.0%	57.0%
direct debt, weight in GDP (%).....	38.3%	38.3%	38.9%	38.9%	50.7%	50.7%	53.6%	53.6%	52.6%	52.6%
guaranteed debt, weight in GDP (%).....	1.9%	1.9%	1.8%	1.8%	3.1%	3.1%	3.6%	3.6%	4.4%	4.4%
Local debt of:	15,958.6	3,421.7	16,534.3	3,459.6	17,483.3	3,590.4	18,914.7	3,822.6	20,403.9	4,124.2
<i>contracted directly</i>	15,407.2	3,303.5	15,967.9	3,341.1	16,888.8	3,468.3	18,420.4	3,722.7	19,969.2	4,036.3
<i>guaranteed by local public authorities</i>	551.4	118.2	566.4	118.5	594.5	122.1	494.3	99.9	434.7	87.9
weight in GDP (%).....	1.7 %	1.7 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.6 %	1.4 %	1.4%
direct debt, weight in GDP (%).....	1.6 %	1.6 %	1.5 %	1.5 %	1.6 %	1.6 %	1.6 %	1.6 %	1.4 %	1.4%
guaranteed debt, weight in GDP (%).....	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0%
Public debt:	400,923.6	85,963.2	449,015.0	93,950.0	591,469.9	121,466.7	698,046.9	141,073.7	823,658.2	166,483.0
Total public debt, weight in GDP (%).....		41.8 %		42.4 %		55.4 %		58.8 %		58.4%
GDP (mln RON)		959,059.0		1,063,795.0		1,066,781.0		1,187,400.0		1,409,784.0
Exchange rate at the end of reporting period (EUR/RON)		4.6639		4.7793		4.8694		4.9481		4.9474

Source: Ministry of Finance

Government financing needs for 2023 are estimated to be RON 160.0 billion, out of which RON 68.4 billion represent the financing of the general budget deficit (4.4 per cent. of the estimated GDP in 2023, as compared to 3.6 per cent. of GDP in 2022).

According to the EU methodology, as at 31 December 2022, the government debt was 58.4 per cent. of GDP. According to the Fiscal and Budgetary Strategy 2022-2024, the gross government debt according to EU methodology is expected to be maintained at sustainable levels and is projected around 49.8 per cent. to GDP on medium-term.

Governmental Public Indebtedness

The public government debt at the end of April 2023 (contracted directly and guaranteed by the Government through the Ministry of Finance) represented 53.0 per cent. and local public debt (debt contracted directly and guaranteed by local public authorities) was 1.3 per cent. Domestic public debt was 32.5 per cent. to GDP (59.9 per cent. in total public debt) and the external public debt was 21.8 per cent. to GDP (40.6 per cent. in total public debt). By the interest type, the major part of government public debt (78.2 per cent.) was fixed rate and increased by 74.9 per cent. in April 2023 compared to the end of 2022. The non-residents held 24.1 per cent. of

government securities issued on domestic market. According to national legislation, the level of external governmental public indebtedness, which represented direct external liabilities of Romania or liabilities guaranteed by Romania, increased by RON 23.1 billion from December 2022 to April 2023, mainly due to Eurobond issues for the financing and refinancing of the public debt. The level of external governmental public indebtedness decreased from 22.7 per cent. of GDP at the end of 2022 to 21.7 per cent. of GDP at the end of April 2023.

According to national legislation, domestic public government debt increased from December 2022 to April 2023 by RON 16.6 billion and the level of domestic governmental public indebtedness decreased from 34.3 per cent. of GDP at the end of 2022 to 32.5 per cent. of GDP at the end of April 2023. At the end of April 2023, outstanding government securities issued on the domestic market in RON and EUR amounted to RON 334.8 billion compared to RON 302.6 billion as at 31 December 2022, of which treasury bills represented RON 5.2 billion and bonds (including retail bonds of RON 30.5 billion) represented RON 329.6 billion.

The governmental public indebtedness of the State according to national legislation for the years 2018, 2019, 2020, 2021 and 2022 developed as follows:

	31 December 2018		31 December 2019		31 December 2020		31 December 2021		31 December 2022	
	(RON million)	(%)	(RON million)	(%)	(RON million)	(%)	(RON million)	(%)	(RON million)	(%)
Public Government Debt ..	384,965.0	100%	432,480.7	100%	573,432.5	100%	679,132.2	100%	803,254.3	100%
by type										
direct debt.....	366,933.4	95.3%	413,853.2	95.7%	541,082.3	94.3%	636,276.2	93.7%	741,795.7	92.3%
guaranteed debt.....	18,031.6	4.7%	18,627.5	4.3%	32,904.3	5.7%	42,856.0	6.3%	61,458.6	7.7%
by creditor type										
multilateral.....	39,764.8	10.3%	33,779.3	7.8%	51,279.1	8.9%	51,439.3	7.6%	65,586.7	8.2%
bilateral.....	79.1	0.0%	74.4	0.0%	78.2	0.0%	61.2	0.0%	53.7	0.0%
private banks and others.....	345,121.1	89.7%	398,627.0	92.2%	522,629.3	91.1%	627,631.7	92.4%	737,613.9	91.8%
by instrument										
T-bills.....	3,997.0	1.0%	1,660.5	0.4%	5,498.2	1.0%	6,557.7	1.0%	5,080.8	0.6%
cash management instruments	0.0	0.0%	0.0	0.0%	0.0	0.0%	6,000.0	0.9%	8,450.0	1.1%
Bonds (ROL & Forex)	158,393.7	41.1%	182,760.0	42.3%	232,138.4	40.4%	247,114.9	36.4%	270,064.5	33.6%
Tezaur program.....	0.0	0.0%	5,240.5	1.2%	10,258.8	1.8%	17,230.9	2.5%	27,484.1	3.4%
Eurobonds.....	111,320.4	28.9%	131,382.8	30.4%	177,538.9	30.9%	218,457.5	32.2%	251,695.8	31.3%
loans	57,407.0	15.0%	52,083.5	12.0%	83,978.4	14.6%	100,138.4	14.7%	135,460.0	16.9%
loans from surplus of State Treasury account.....	53,846.9	14.0%	59,353.4	13.7%	64,573.9	11.3%	83,635.8	12.3%	105,019.1	13.1%
by initial maturity										
short-term	57,843.9	15.0%	61,013.9	14.1%	70,072.2	12.2%	101,211.4	14.9%	131,913.2	16.4%
medium-term (1-5 years).....	86,846.3	22.6%	98,282.9	22.7%	165,093.3	28.8%	141,301.7	20.8%	140,235.4	17.5%
long-term	240,274.8	62.4%	273,183.9	63.2%	338,821.1	59.0%	436,619.1	64.3%	531,105.7	66.1%
by interest type										
fixed.....	296,635.7	77.1%	340,799.9	78.8%	458,528.9	79.9%	521,301.1	76.8%	601,807.7	74.9%
variable.....	88,329.3	22.9%	91,680.8	21.2%	115,457.7	20.1%	157,831.1	23.2%	201,446.6	25.1%
by currency										
RON	214,671.6	55.8%	245,191.2	56.7%	308,576.3	53.8%	367,685.2	54.1%	443,492.7	55.2%
USD.....	28,225.3	7.3%	29,134.0	6.7%	39,997.4	7.0%	43,938.4	6.5%	56,309.7	7.0%
EURO.....	140,026.4	36.4%	156,179.2	36.1%	223,652.7	39.0%	265,949.3	39.2%	302,149.3	37.6%
SDR.....	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
CHF.....	6.2	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
CAD	229.0	0.1%	178.7	0.0%	102.0	0.0%	37.6	0.0%	0.0	0.0%
JPY	1,806.5	0.4%	1,797.6	0.5%	1,658.2	0.3%	1,521.7	0.2%	1,302.6	0.2%

Source: Ministry of Finance

At the end of April 2023, the outstanding amount of state guarantees was RON 61.4 billion (3.6 per cent. of GDP), of which RON 0.5 billion was guarantees granted for companies, RON 52.3 billion was granted under governmental programmes, RON 6.7 billion was guarantees granted by EXIMBANK in the name and state account and RON 1.9 billion SURE guarantee.

The ceiling for government guarantees issuances for 2022 was set at RON 30 billion and increased to RON 40 billion according to the budget rectification. Also, according to Fiscal Budgetary Strategy 2023-2025, the ceiling for government guaranteed issuances for 2023 is set also at RON 40 billion.

Total public government debt service according to national legislation for 2023 based on the outstanding debt at the end of April 2023 is estimated at RON 149.83 billion, of which RON 144.3 billion is estimated for direct debt and RON 5.5 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 April 2023.

	2022	2023	2024	2025	2026	2027	Thereafter
				(RON million)			
Direct debt service:							
Principal	71,824.3	114,076.5	78,709.2	63,169.9	62,489.7	59,329.9	364,020.5
Interest and Commission .	28,213.4	23,476.2	19,357.1	17,020.6	15,136.4	13,007.1	75,085.8
Total government direct public debt service	100,037.7	137,552.7	98,066.3	80,190.5	77,626.1	72,337.0	439,106.3
Guaranteed debt service:							
Principal	7,115.9	5,458.2	5,335.4	5,256.9	5,059.6	4,985.6	35,362.9
Interest and Commission .	26.1	8.6	7.2	5.7	4.6	3.5	5.8
Total government guaranteed public debt service	7,142.0	5,466.8	5,342.6	5,262.6	5,064.2	4,989.1	35,368.7
Public government debt service							
Principal	78,940.2	119,534.7	84,044.5	68,426.8	67,549.3	64,315.5	399,383.4
Interest and Commission .	28,239.5	23,484.8	19,364.3	17,026.3	15,141.0	13,010.6	75,091.6
Total government public debt service	107,179.7	143,019.5	103,408.8	85,453.1	82,690.3	77,326.1	474,475.0

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 2022.

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.

In 2023, the Romanian domestic government securities consist of the following:

- short-term treasury bills or treasury certificates, which may be issued as interest-bearing or discounted instruments with maturity up to one year after the date of issue; and
- medium or long-term benchmark bonds with maturities between 2 to 15 years (in RON) and of up to three and four years (in EUR) issued as interest-bearing.

Romania's outstanding government bonds (including retail bonds) issued on domestic market amounted to RON 302.9 billion at the end of December 2022 and RON 334.8 billion at the end of April 2023.

The average time to maturity ("ATM") of local currency debt had increased to 5.0 years as at 30 April 2023 compared to 4.5 years as at 31 December 2022, while ATM of total debt was 7.5 years as at 30 April 2023 compared to 7.3 years as at 31 December 2022. The government securities issued on domestic market in amount of RON 334.8 billion have the following maturity structure (end of April 2023): 6.5 per cent. on short term and 93.5 per cent. on medium term and long term.

As of 31 April 2023, Romania's outstanding international bonds amounted to EUR 41.5 billion and USD 6.2 billion and as of 31 December 2022 to EUR 35.3 billion and USD 10.0 billion.

External Financing Programmes

Under the World Bank Country Partnership Strategy 2019-2023, it was agreed that the Romanian authorities could contract from the International Bank for Reconstruction and Development over that period a loan in the amount of EUR 50 million for strengthening disaster risk management. Two similar loans, in the aggregate amount of EUR 90 million, were also 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 (preparation is on-going until November 2025) 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 September 2018, the Romanian Government signed a sovereign loan with the EIB 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 (infrastructure for two new penitentiaries with approximately 900 detention places each).

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.

Trends for Public Debt

For 2022, as a result of the preliminary execution of the consolidated general budget deficit of 5.7 per cent. of GDP as at 31 December 2022, the public debt according to national legislation slightly decreased from 58.8 per cent. of GDP as at 31 December 2021 to 58.4 per cent. of GDP as at 31 December 2022 according to preliminary data.

Budgetary financing plan for 2022

In 2022 the budget deficit of about RON 81.0 billion (5.7 per cent. of GDP) was financed 46 per cent. from domestic and 54 per cent. from 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 (IBRD, EIB, ECDB) as well as loans from the European Union (EU) related to financing instruments established at EU level.

Debt management

In terms of government public debt management, the Government approved in July 2022 its medium-term strategy for the period 2022 to 2024. 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. ISDA Master Agreement framework was concluded in 2022, with several counterparties.

Public debt according to the EU methodology⁵

The level of general government debt according to EU methodology increased from 47.3 per cent. of GDP as at 31 December 2022 to 49.0 per cent. of GDP as at 30 April 2023, out of which the external general government

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).

debt represented 25.5 per cent. of GDP and domestic general government debt represented 23.5 per cent. of GDP.

In terms of debt structure, the central government indebtedness increased to 47.6 per cent. of GDP as at 30 April 2023 from 46.0 per cent. of GDP as at 31 December 2022, and the level of local government indebtedness has increased from 1.3 per cent. of GDP at 31 December 2022 to 1.4 per cent. of GDP at 30 April 2023. By initial maturity the government debt was 4.5 per cent. short-term debt, by currency 53.8 per cent. of the government debt was denominated in foreign currency, out of which 80.8 per cent. was denominated in Euro.

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 Convergence Programme for 2023-2026, shows that a fiscal slippage could translate into a cash deficit of 5.0 per cent. of GDP in 2023 and 4.8 per cent. of GDP starting with 2024 and according to the European Commission autumn projection 2022 would lead to a higher level of public indebtedness, which could increase by up to 5.1 per cent. of GDP at the end of 2026 as compared to the current level of general government debt estimated for 2026 at 45.4 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 87 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 advisers 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.

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*.”

Pre-Issuance Accrued Interest

If a portion of the price paid for a Note is attributable to an amount of interest accrued prior to the date the Note is issued (the “pre-issuance accrued interest”), a portion of the first interest payment on the Notes equal to the amount of the pre-issuance accrued interest may be treated as a nontaxable return of the pre-issuance accrued interest. The remainder of this discussion assumes that, if a Note is issued with pre-issuance accrued interest, the first interest payment on such Notes will be so treated, and references to interest in the remainder of this discussion exclude pre-issuance accrued interest. Further, in determining the “issue price” of a Note issued with pre-issuance accrued interest, an amount equal to the pre-issuance accrued interest will be excluded from the price of such Notes and pre-issuance accrued interest should not form part of any amortisable bond premium (as described below under “— *Acquisition Premium and Amortisable Bond Premium*”). A U.S. Holder’s tax basis in a Note will be reduced by any nontaxable return of pre-issuance accrued interest. This discussion does not

otherwise address the treatment of pre-issuance accrued interest, and U.S. Holders should consult their tax advisers concerning the U.S. federal income tax treatment of pre-issuance accrued interest.

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.

Under recently finalised U.S. Treasury regulations, Notes referencing an IBOR that are treated as having a qualified floating rate for purposes of the above will not fail to be so treated merely because the terms of the Notes provide for a replacement of the IBOR in the case of a Benchmark transition event. In particular, under the regulations, the IBOR referencing rate and the replacement rate are treated as a single qualified 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. Such interest is deductible when paid or incurred to the extent of income from the Note for the year. If the interest expense exceeds such income, such excess is currently deductible only to the extent that such excess exceeds the portion of the market discount allocable to the days during the taxable year on which such Note was held by the U.S. Holder.

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 (i) any bond premium or acquisition premium previously amortised and (ii) 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 re-characterised 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.

Reportable Transactions

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, BofA Securities Europe SA, Citigroup Global Markets Europe AG, Crédit Agricole Corporate and Investment Bank, 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 SE, Mizuho Securities Europe GmbH, Morgan Stanley Europe SE, 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 17 July 2023 (“**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 Dealers are entitled in certain circumstances to be released and discharged from their obligations under the Dealer Agreement prior to the closing of the issue of a Tranche of Notes, including in the event that certain conditions precedent are not delivered or met to their satisfaction on the issue date of such Tranche of Notes. In this situation, the issuance of the Notes may not be completed. None of the Dealers nor the Issuer accepts any liability in relation to expenses incurred or loss suffered by investors in these circumstances.

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 adviser.

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)(c)(ii) 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. Certain of the Dealers may also have positions, deal or make markets in Notes related

derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. They have received, or may in the future receive, customary fees and commissions for these transactions. 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. The Dealers and/or their affiliates may receive allocations of the Notes (subject to customary closing conditions), which could affect future trading of Notes. 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.

OFFICIAL STATEMENTS

Information contained herein that is identified as being derived from a publication of Romania or one of its agencies or instrumentalities is included herein on the authority of such publications as an official public document of Romania. All other information contained herein is included as an official public statement made on the authority of the public officials of Romania.

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, by Government Decision no.238/2020, by Government Decision No. 384/2021, and by Government Decision No. 1018/2021. The increase in the size of the Programme from EUR 56,000,000,000 to EUR 62,000,000,000 was authorised by Government Decision No. 354 of 20 April 2023 which entered into force on 21 April 2023.

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, by Government Decision No. 384 of 31 March 2021, by Government Decision No. 1018/2021 of 29 September 2021 and by Government Decision No. 354/2023 of 20 April 2023, 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 2022.

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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