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IMPORTANT

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

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.

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INFORMATION MEMORANDUM

ROMANIA
ACTING THROUGH THE MINISTRY OF PUBLIC FINANCE

EUR 27,000,000,000
Global Medium Term Note Programme

Under this EUR 27,000,000,000 global medium term note programme ("**Programme**") described in this information memorandum ("**Information Memorandum**"), Romania acting through the Ministry of Public 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 27,000,000,000 (or the equivalent in other currencies).

This Information Memorandum does not comprise a prospectus for the purpose of the Prospectus Directive (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 Directive and in particular the *Luxembourg Commission de Surveillance du Secteur Financier* ("**CSSF**"), in its capacity as competent authority for the purposes of the Prospectus Directive.

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

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

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

Arrangers

ERSTE GROUP BANK AG | **SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING**

Dealers

BANCA IMI	**BARCLAYS**	**BNP PARIBAS**
CITIGROUP	**DAIWA CAPITAL MARKETS EUROPE**	**DEUTSCHE BANK**
ERSTE GROUP BANK AG	**GOLDMAN SACHS INTERNATIONAL**	**HSBC**
ING	**J.P. MORGAN**	**MIZUHO SECURITIES**
NATIXIS	**NOMURA**	**RAIFFEISEN BANK INTERNATIONAL AG**

SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING | **UNICREDIT BANK**

26 March 2019

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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 pursuant to Part II of the Luxembourg law on prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) dated 10 July 2005 ("**Luxembourg Prospectus Law**") nor a simplified prospectus pursuant to Chapter 2 of Part III of the Luxembourg Prospectus Law. Accordingly, this Information Memorandum does not purport to meet the format and the disclosure requirements of the Prospectus Directive and Commission Regulation (EC) No 809/2004 (as amended) implementing the Prospectus Directive and it has not been and will not be, submitted for approval to any competent authority within the meaning of the Prospectus Directive and in particular the CSSF, in its capacity as competent authority under the Luxembourg Prospectus Law.

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

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

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

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

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

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

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

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

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

MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes will 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.

Neither this Information Memorandum nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any

of them that any recipient of this Information Memorandum or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Information Memorandum or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer, including consultation with its such tax, legal and financial advisors as it deems necessary.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR 27,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In this Information Memorandum, unless otherwise specified, references to the "**Government**" are to the government of the Republic of Romania, references to the "**EEA**" are to the European Economic Area, references to a "**Member State**" are references to a Member State of the EEA, references to "**$**", "**U.S.$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**RON**" and "**Leu**" are to Romanian New Leu, references to "**EUR**" or "**euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended, references to the "**Prospectus Directive**" mean Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the relevant Member State, references to "**TWh**" are to terawatt hours and references to "**KWh**" are to kilowatt hours.

As of the date of this Information Memorandum, the Programme has been rated "Baa3" by Moody's Investors Service Ltd. ("**Moody's**"), "BBB-" for unsecured Notes with a maturity of one year or more and "A-3" for unsecured Notes with a maturity of less than one year by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and "BBB-" by Fitch Ratings Limited ("**Fitch**"). Moody's, S&P and Fitch are in each case established in the EEA and are registered under Regulation (EU) No 1060/2009, as amended ("**CRA Regulation**"). 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. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit ratings agency (a "**CRA**") which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

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

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

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

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

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

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

Non-European Judgments stipulating for protective measures and those for which only a temporary enforcement is available ("*hotarari date cu executare proviziorie*") 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 Public 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 Public Finance.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.
Arrangers:	Erste Group Bank AG and Société Générale.
Dealers:	Banca IMI S.p.A., Barclays Bank Ireland PLC, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, Daiwa Capital Markets Europe Limited, Deutsche Bank AG, London Branch, Erste Group Bank AG, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Mizuho International plc, Natixis, Nomura International plc, 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 Bank & Trust.
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 27,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Forms of Notes:	Notes may be issued in bearer form or in registered form. Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes. ***Bearer Notes*** Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If TEFRA D is specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-

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

Registered Notes

Each Tranche of Registered Notes will be represented by either:

(i) Individual Note Certificates; or

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

in each case as specified in the relevant Final Terms.

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

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

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

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

in the name of Cede & Co. as nominee for DTC and/or any other relevant clearing system and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the common depositary or such other nominee or custodian.

Currencies: Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes: The Notes and Coupons relating to them constitute direct, unconditional and unsecured obligations of the Issuer which rank and will at all times rank *pari passu*, without preference among themselves, with all other unsecured Public External Indebtedness (as defined in Condition 5 (*Negative Pledge*)) of the Issuer, from time to time outstanding, *provided, however*, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public External Indebtedness and, in particular, the Issuer shall have no obligation to pay other Public External Indebtedness at the same time or as a condition of paying sums due on the Notes and/or Coupons and vice versa. See "*Terms and Conditions of the Notes – Status*" and "*Risk Factors - Risks Related to Notes Generally – The Issuer is not required to effect payment under the Notes equally or rateably with payment(s) under its other debt obligations and, in particular, is not required to make payment under the Notes at the same time as or as a condition of paying sums due under its other debt obligations and vice versa*".

Issue Price: Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities: Any maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments

	(as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.
Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
Cross Default:	The Notes will have the benefit of a cross default as described in Condition 13 (*Events of Default*).
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of Romania, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Governing Law:	English law.
Enforcement of Notes in Global Form:	In the case of Global Notes and Global Note Certificates, individual investors' rights against the Issuer will be governed by a deed of covenant dated 5 October 2017 ("**Deed of Covenant**"), a copy of which will be available for inspection during normal business hours at the specified office of the Fiscal Agent.
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.

Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the

EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Moody's, S&P and Fitch are in each case established in the EEA and are registered under the CRA Regulation.

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, the Republic of Italy and Romania, see "*Subscription and Sale*".
Transfer Restrictions:	There are restrictions on transfers of Notes. See "*Transfer Restrictions*".

RISK FACTORS

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

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

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

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

Risks Relating to Romania

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

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

Political uncertainty (including that Romania has, at the date of this Information Memorandum, appointed its fourth prime minister since 2015), economic uncertainty and increasing direct pressure, including in the form of large street protests, as have been witnessed in Romania in recent years, could delay or stop economic and regulatory reforms in Romania and challenge political stability which could have an adverse effect on Romania's economy. See "*Description of Romania –Political System*" for further information in relation to political uncertainty and "*Description of Romania – International Relations*" for further information in relation to geopolitical and security challenges.

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

An investment in a country such as Romania, which joined the EU in 2007, but which is still an emerging market, is subject to greater risks than an investment in a country with a more developed economy and more developed political and legal systems. Although progress has been made in reforming Romania's economy and political and legal systems, the development of Romania's legal infrastructure and regulatory framework is still ongoing. As a consequence, an investment in Romania carries risks that are not typically associated with investing in more mature markets. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, an investment in Romania is appropriate. Generally, investments in emerging markets, such as Romania, are only suitable for sophisticated investors who can fully appreciate the significance and consequences of the risks involved. Romania is currently rated as an investment grade country by S&P, Moody's, Fitch and Japan Credit Rating Agency Ltd ("**JCRA**") with a "*Stable*" outlook from all four rating agencies.

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

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

Romania experienced some contraction in its economy and other adverse economic and financial effects as a result of the global financial crisis, including a correction in the real estate sector and limited access to international capital markets, followed by a moderate resumption of growth starting in 2011-2012 which has accelerated over the past several years.

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

Economic and financial difficulties affecting other EU member countries may negatively affect Romania's economy due to the high percentage of Romania's trade that is realised with other EU countries. Following the global financial crisis of 2008-2009, the EU experienced a moderate recovery, but also recent periods of very slow growth. If the EU or other countries with which Romania has a trading or investment relationship experience an extended period of very slow economic growth, or if they fail to maintain growth, Romania's economy would be adversely affected and such events could also affect Romania's ability to raise capital in the future. Any economic crisis in the Eurozone could significantly affect Romania's economy, which is heavily reliant upon intra-EU trade. See "*Description of Romania*" and "*Foreign Trade and Balance of Payments*".

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

On 23 June 2016, citizens of the United Kingdom ("**UK**") voted in favour of leaving the EU ("**Brexit**"). The procedure for withdrawing from the EU was triggered by the UK on 29 March 2017. The uncertainty created by the Brexit process may lead to heightened levels of market volatility both in the EU and globally which could indirectly affect Romania. Following the United Kingdom's withdrawal from the EU, and depending on the agreements (if any) that the United Kingdom reaches regarding tariffs and other trade regulations with either the EU or individual member states, Romania's products and services could be subject to increased import duties, levies and regulatory requirements in the United Kingdom, which could negatively affect trade between Romania and the United Kingdom and could, as a result, negatively impact the Romanian economy. In addition,

as the United Kingdom is also one of the biggest net contributors to the EU budget, there is a risk that following Brexit, the EU budget and, consequently funds available to Romania, could be reduced.

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

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

In the course of 2016, two pieces of legislation impacting the Romanian banking and financial sector, Law 77/2016 relating to the discharge of mortgage debt ("**Debt Discharge Law**") and the law on converting CHF-denominated loans into lei denominated loans at the exchange rate applicable as at the execution date of the loan agreement ("**CHF Conversion Law**"), were passed by the Romanian Parliament and subsequently declared unconstitutional by the Constitutional Court. The potential impact of these laws on Romanian financial institutions, as well as the uncertainty surrounding their implementation while they were under review by the Constitutional Court had an adverse effect on the stability of the Romanian banking and financial sector. See "*Monetary and Financial System – Banking Sector – Structure of the Banking Sector*". While the decisions of the Constitutional Court ultimately allayed concerns about the impact of these laws, future legislative uncertainty of this type could have an adverse impact on the stability of the Romanian banking and financial sector and on Romania's economy as a whole.

On December 29, 2018, the Romanian Government introduced Government Emergency Ordinance No. 114/2018 ("**GEO 114/2018**") (see "*Monetary and Financial System—Banking System—Current Condition of the Banking Sector*"). GEO 114/2018 became effective on 1 January 2019 and brings an additional element of complexity and impacts the overall capital generation of the banking system. One of the new taxation elements brought by the ordinance is the tax on assets, a bank levy applied on the total assets of a bank if the quarterly average ROBOR rate exceeds 2 per cent. As at the date of this Information Memorandum the tax is estimated at approximately 1.2 per cent. per annum and is expected to severely impact the overall profitability of the sector. The systemic impact of the levy was recognised by Fitch, who recently downgraded the outlook for two of the large multinational banks active in Romania, from stable to negative.

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

The high level of foreign ownership and growing levels of private debt in the Romanian banking system make it vulnerable to disruption as a result of internal or 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 (24.8 per cent. of the total net assets of credit institutions in Romania), French (13.3 per cent.), Dutch (12.5 per cent.), Italian (10.5 per cent.) and Greek (5.3 per cent.) banks as at the end of December 2018 (see "*Description of Romania*" and "*Monetary and Financial System—Banking System—General*"). As at the end of December 2018, foreign banks also owned 75.0 per cent. of banks' net assets in Romania.

Foreign banks may rebalance their global loan portfolio in a manner that might adversely affect Romania as a result of events related or unrelated to Romania, including the potential economic turbulence in the Eurozone and sovereign debt markets. In addition, foreign banks may dispose of, decrease new funding to or refinance the funding to their subsidiaries operating in Romania in the event of weaker than expected economic performance. This may lead to, among other things, depleted capital in the event of increased economic stress

and RON depreciation. Resulting balance sheet mismatches may negatively affect the Romanian economy and, as a result, have an adverse effect on Romania's capacity to meet its obligations under the Notes.

In addition, although the non-performing loans ("**NPLs**") ratio has been decreasing in recent years for loans to households due to the strong increase in the volume of new loans, the volume of NPLs in domestic currency expanded by 7.8 percent as of September 2018 compared to September 2017 and is expected to continue to increase. The one-year probability of default for households is estimated to rise in the next 12 months for both housing loans (by 0.35 percentage points) and consumer credit (by 0.85 percentage points). NPL growth could have an adverse impact on the stability of the Romanian banking and financial sector and on Romania's economy as a whole.

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.

There can be no assurance that Romania's credit rating will not change

The long-term foreign and domestic currency debt of Romania is currently rated BBB- by S&P, Baa3 by Moody's, BBB- by Fitch and BBB/BBB+ by JCRA (see "*Description of Romania—Public Finance—Public Debt—Credit Ratings*"). The rating outlook is considered "*Stable*" by S&P, Fitch, JCRA 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 SOEs in the transportation and energy sectors where quality of public investment is low. Romania currently has plans to undertake various development projects to improve infrastructure in the country (see "*Description of Romania—Transportation—Infrastructure Development*"). Various financing plans have been proposed and attempted to further infrastructure development, including the use of public private partnerships ("**PPP**"). Romania also funds infrastructure development using budgetary sources and EU non-reimbursable funds and thus the development of infrastructure projects is connected to Romania's capacity to absorb such EU funds.

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

To address its infrastructure gap and improve its growth prospects, Romania will need to advance reforms in administration and the state-owned enterprises ("**SOEs**") sector and there can be no assurance that these reforms will be implemented successfully.

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

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

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

Whilst the 2018 IMF Article IV Consultation highlights Romania's strong economic growth in 2017, with record low unemployment and an improving financial sector, private consumption boosted by fiscal stimulus and wage increases, it notes that the investment has lagged and structural reforms slowed. Public investment fell to a multiyear low as a percentage of GDP (to 3.1 per cent. of GDP in 2017), with low absorption of EU funds, before increasing to 3.6 per cent. in 2018. Both the government deficit and current account deficit widened to 2.8 per cent. and 3.2 per cent. of GDP in 2017, respectively. Growth reached 4.1 per cent. in 2018, led by continuing stimulus to private consumption from fiscal relaxation and accompanied by a current account deficit and elevated inflation, even as monetary policy was tightened. The main medium-term challenges will be to reinvigorate public investment and structural reforms aimed at fostering sustainable and more inclusive growth, bringing inflation back within the target band after recent adverse supply shocks, and addressing the remaining vulnerabilities in the financial sector.

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

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

Romania's current account deficit has been increasing. See "*Foreign Trade and Balance of Payments*". In addition, as the large majority of Romania's exports are to the EU, a slow economic recovery or a return to recession in the EU member states to whom Romania primarily exports its goods and services, could negatively impact Romania's exports, and thus the trade deficit. A widening of the current account deficit could negatively impact Romania's economy.

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 and, after reaching 5.41 per cent. in May 2018 and then remaining around 5 per cent. in the third quarter of 2018, as at December 2018, inflation was 3.3 per cent (within the target band) (see "*Monetary and Financial System—Recent Monetary Policy*" and — "*Inflation Rates, Target Inflation Rates and Monetary Policy Rates*" and — "*Current Condition of the Banking Sector*". The managed-floating exchange rate regime is in line with using inflation targets as a nominal anchor for monetary policy and allowing for a flexible policy

[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).

response to unpredicted shocks likely to affect the economy, and the NBR does not target any level or range for the exchange rate. The ability of the NBR to limit volatility of the RON is contingent on a number of economic and political factors, including the availability of foreign currency reserves and foreign direct investment inflows, as well as developments in market sentiment and investors' risk aversion. See "*Monetary and Financial System—Monetary Policy—Exchange Rate Policy*". While the volatility of the exchange rate against EUR compares more favourably than peer countries, a significant depreciation of the RON could adversely affect the country's economic and financial condition.

Romania's public debt is also subject to foreign currency risk, as approximately 50 per cent. of the country's public debt was denominated in foreign currencies (principally in euro) (calculated as per EU methodology) as at the end of December 2018. While this risk is partially mitigated by the existence of the hard currency buffer maintained at around four months of gross funding needs to provide protection against any vulnerabilities arising from external factors, there can be no assurance that the buffer will be adequate to eliminate this risk.

As current levels of foreign currency denominated loans still remain significant (35 per cent. of the private sector loans at September 2018) although showing a decreasing trend, the vulnerabilities stemming from the large stock of foreign currency loans remains a source of concern, and the risks associated with this type of financing continue to outpace those related to RON denominated lending (see "*Monetary and Financial System—Banking System—Current Condition of the Banking Sector*" for further information).

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. Any limitations on the effectiveness of NBR's monetary policy, whether due to the influence of the euro or otherwise, may have an adverse effect on the Romanian economy.

At present, risks to the NBR's inflation projection stem from both the domestic and external environment. Domestically, inflation risks are primarily associated with developments in the exogenous components of the consumer basket (namely, administered prices, fuel prices, volatile food prices and tobacco product and alcohol prices), on which monetary policy via aggregate demand management has limited or no influence. There are significant uncertainties in relation to the developments in electricity and natural gas prices, arising mainly from the regulations of the competent authorities. Additional risks stem from certain labour market challenges such as pronounced skill mismatch, high inactivity rate, low internal mobility, and intense emigration along with the uncertainties in relation to the implementation of pay rises (scheduling and magnitude) for public sector employees stipulated by law. On the external side, the risks stem from a faster deceleration in global economic activity both for some emerging markets (Turkey in particular), as well as for some advanced economies, including large Eurozone economies. Lower external demand from Romania's main trading partners would exert disinflationary pressures both through lower import prices and through lower domestic excess demand. At the same time, the adverse consequences on investor confidence could entail portfolio reallocations in the region and/or worldwide, in the context of stronger global risk aversion, with implications on the future path of the leu exchange rate, import prices and, implicitly, on the projected inflation rate. In relation to developments in international commodity prices, increased uncertainties particularly surround the future dynamics of oil prices (which are conditional upon both supply-side factors (such as reduced production from Organization of the Petroleum Exporting Countries ("**OPEC**") and its allies and the geopolitical developments in Venezuela, partially offset by the outlook for the U.S. crude oil supply produced by unconventional methods) and demand-side factors (given the global economic prospects)) and volatility in international oil prices would impact Romania's CPI inflation rate both directly (e.g. through fuel prices) and indirectly (e.g. through the impact on producers' costs and on the final price of the remaining consumption basket goods).

Romania is subject to risks of fiscal slippage and economic overheating

Although the budget deficit was below 3 per cent. in 2018, is projected to be below 3 per cent. in 2019 and is expected to gradually decrease toward the medium-term objective target according to the Convergence Program approved by the Government, the risk of fiscal slippage is still present due to, among other factors, increase in public wages, benefits and pensions, as well as the implementation of the new Fiscal Code, which reduced the dividend tax and VAT-levels. The Government's estimate of a cash target deficit of 2.76 per cent. for 2019 with a forecast to gradually decrease to around 2 per cent. in 2021 depends on strong economic growth, with an assumption of 5.5 per cent. real GDP growth in 2019 and a nominal GDP growth of 7.7 per cent. On the other hand, high economic growth, coupled with a low interest environment and a pro-cyclical fiscal policy stance, as well as renewed credit growth, could increase the risk of overheating in the economy, and potentially lead to an increase in credit or asset prices in the absence of appropriate policy reactions, which could have a detrimental impact on systemic financial stability of Romania. Nevertheless, overheating refers to the positive output gap being the difference between real GDP and potential GDP. The latter is a non-observable measure, which has been subject to frequent revisions, as growth consolidation after a crisis implies changes in the time series for both real and potential GDP. Growth rates of potential GDP are still below those from the pre-crisis period, which means that the output gap could be revised downwards in the future if potential GDP would be revised upwards – which also has implications on the structural deficit.

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

Historically, Romania has had a low absorption rate on programmes potentially financeable from EU accession funds, in particular from EU Structural and Cohesion Funds (European Regional Development Fund, Cohesion Fund, European Social Fund), though the absorption rate has been significantly increasing since 2012 when the Ministry of European Funds was established. As at 31 December 2018, Romania's current absorption rate (the level of amounts sent for reimbursements to the EC as a percentage of the total amount of Structural and Cohesion Funds available to it) was 95.23 per cent. of the total EU budget allocation for the 2007–2013 programming period.

Additionally, funding under the Structural and Cohesion Funds for a number of operational programmes ("**OP**") has been previously pre-suspended, and financial corrections were applied in respect of the expenditures under certain OP.

In 2015, in order to avoid similar situations occurring in the future, Romania took various measures with a view to removing or significantly reducing the obstacles to absorption. These actions were transposed in a priority action plan ("**PAP**") agreed between the Romanian Minister of the European Funds and the EU Commissioner for Regional Policy. The goal of the PAP was to avoid a substantial decommitment of funds, create the pre-requisites for increasing the absorption rate, and ensure the proper start of the 2014-2020 programming exercise. The PAP's measures are permanently monitored and the PAP is regularly updated based on the new measures that are needed in order to accelerate the implementation of OP.

The implementation of the PAP envisaged the adoption of certain major legislative, regulatory and institutional measures that led to a considerable increase of the absorption rate in 2015, with a positive net effect of spending EU funds on economic growth. A study prepared by the National Commission of Prognosis, has shown that at the end of the 2008-2016 period, the accumulated value of real GDP was 13.6 per cent. higher than in the scenario that excludes the utilisation of EU funds.

With respect to the 2014-2020 programming period, the availability of funds depends on Romania meeting 36 ex-ante conditionalities. 34 ex-ante conditionalities have been fulfilled as required by EC regulation. At present, 2 conditionalities, one relating to public administration sector and one relating to the waste sector are not fulfilled. In relation to the ex-ante conditionality on public administration, a national self-assessment was sent to the European Commission and Romania is awaiting the official letter on fulfilment. In relation to the ex-ante

conditionality on waste, Romania reported to the European Commission that the ex-ante conditionality has not been fulfilled. Accordingly, the European Commission sent a warning letter and announced the possibility of suspending payments for new investments (with the exception of phased projects) in respect of the unfulfilled conditionality. Romania adopted a strict action plan in order to fulfil this conditionality by the end of 2019, which is being implemented. The loss of potential EU funding would have a negative impact on Romania's budget. Failure to utilise available funding could also slow the pace at which Romania is able to develop its infrastructure and economy, which could have an adverse effect on the Romanian economy and its capacity to meet its obligations under the Notes.

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

Although progress was made in the field of money laundering by the passing of important laws needed to implement 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 Commission Directive 2006/70/EC regarding politically exposed persons, independent analysts and media reports have identified corruption and money laundering as problems in Romania. The draft law transposing Directive 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (the "**Fourth Anti-Money Laundering Directive**"), whose transposition deadline expired in June 2017, is still pending in Romania.

The delay in the implementation has triggered the commencement of infringement procedure by the European Commission. Thus, a first notice in this respect was sent to Romania in July 2017. In August 2018, when the Romanian authorities received an application initiating the litigation phase (see "*Description of Romania – Membership in the European Union – Cases–Case C-549/18, the European Commission vs. Romania*" for further details of the penalties) the European Commission has requested the Court to award penalties for Romania's failure to implement the Fourth Anti-Money Laundering Directive. If the case is decided against Romania, the application of any penalties and their amount are in the sole discretion of the Court.

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

In 2018, the Transparency International Corruption Perceptions Index, which evaluates data on corruption in countries throughout the world and ranked countries from 1 (least corrupt) to 180 (most corrupt), ranked Romania as being 61st with a score of 47/100.

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

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

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

This Information Memorandum includes information and statistics from a range of government ministries and other state entities, including the Ministry of Public Finance, the NBR, the National Commission for Prognosis

and the Ministry of Economy, Commerce and Business Environment. The various sources of this information may compile the information and statistics which they provide using differing methodologies and practices. These differences can produce variations in results. This Information Memorandum presents data as provided by the ministry or other source to which the data is attributed. No attempt has been made to reconcile such data to the data compiled by other ministries or state entities or by third party organisations.

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

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

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

The Romanian judicial system has been and is currently undergoing reform aimed at: (i) improving transparency and efficiency in the judicial process; (ii) improving efficiency of the investigation and prosecution of high level corruption; and (iii) implementing a broad anti-corruption framework within the Romanian justice system.

To effect these reforms, Romania implemented new Criminal Code and Criminal Procedure Code in February 2014 which were applied to several major judicial institutions, including the Ministry of Justice, the High Court of Cassation and Justice ("**HCCJ**"), the Superior Council of Magistracy and the National Institute for the Magistracy ("**NIM**"). In addition, the Strategy for the Development of the Judiciary for the years 2015-2020 put forward by the Ministry of Justice was approved by the government on 23 December 2014 and the action plan for implementing the Strategy was approved on 13 April 2016. These documents draw heavily on recommendations made under the Co-operation and Verification Mechanism ("**CVM**"), as well as on studies developed with the World Bank, in particular the Functional Analysis of the Romanian judiciary.

As Romania is a civil law jurisdiction, judicial decisions under Romanian law have no precedential effect. For the same reason, courts are not bound by earlier court decisions taken under the same or similar circumstances. The Romanian judicial system has gone through several reforms to modernise and strengthen the system. While the 2017 CVM report from the European Commission to the European Parliament and the Council dated 25 January 2017 ("**January 2017 CVM Report**") highlights a number of areas of progress including a steadily growing track record in terms of investigating, prosecuting and deciding upon high-level corruption cases over the years (with regular indictments and conclusion of cases concerning politicians of all ranks and parties, as well as civil servants, magistrates and businessmen), it also points to several outstanding issues including the repetition of similar offences which suggests that corruption prevention efforts have not been wholly effective.

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

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

On 9 July 2018 the President of Romania dismissed the chief anti-corruption prosecutor, Ms. Laura Codruta Kovesi. Several interim chief anti-corruption prosecutors were appointed since the dismissal of Ms. Kovesi. Since 8 January 2019 the new interim chief anti-corruption prosecutor is Mr. Calin Nistor.

While the Minister of Justice has been able to secure increases in government funding to implement reform efforts, there can be no guarantee that future funding would be commensurate with needs, including in light of any potential budgetary setbacks or austerity measures. Without proper funding, it is unlikely that the reforms contemplated would be effectively implemented.

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

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

Romania's level of aggregate public indebtedness according to national legislation (including guarantees) decreased to 42.6 per cent. of GDP as at the end of December 2018 (preliminary data), compared to 43.0 per cent. of GDP as at the end of December 2017, while according to EU methodology general government debt decreased to 35.2 per cent. of GDP as at the end of December 2018, compared to end of December 2017. According to Eurostat news release dated January 2019, Romania's public debt is one of the lowest among EU member states at the end of the third quarter of 2018 (33.9 per cent., corresponding to the fourth lowest debt ratio level)[2]. However, any 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 though Romania maintains a policy of retaining a hard currency buffer amounting to around four months of gross funding needs which diminishes significantly the refinancing risk. There is a relatively high level of non-resident ownership of public debt, 46.8 per cent. (calculated as per EU methodology) as at 31 December 2018, denominated in foreign currency, which entails currency risk. 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;

[2] According to Eurostat news release 15/21 January 2019.

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

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

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

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

Risks Related to the Structure of a Particular Issue of Notes

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

Notes subject to optional redemption by the Issuer

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

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

Index Linked Notes and Dual Currency Notes

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

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

(ii) they may receive no interest;

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

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

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

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

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

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

Partly Paid Notes

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

Variable rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the prevailing rates on its Notes.

Floating Rate Notes

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

In a speech on 27 July 2017, Andrew Bailey, the Chief Executive of the Financial Conduct Authority (the "**FCA**"), questioned the sustainability of LIBOR in its current form, given that the underlying transactions forming the basis of the benchmark are insufficient to support the volumes of transactions that rely upon it, and made clear the need to transition away from LIBOR to alternative reference rates. He noted that there was

support among the LIBOR panel banks for voluntarily sustaining LIBOR until the end of 2021, facilitating this transition. At the end of this period, it is the FCA's intention not to sustain LIBOR through its influence or legal powers by persuading or obliging banks to submit to LIBOR. Therefore, the continuation of LIBOR in its current form (or at all) after 2021 cannot be guaranteed. In a further speech on 12 July 2018, Andrew Bailey emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. Other interbank offered rates such as EURIBOR (the European Interbank Offered Rate) (together with LIBOR, the "**IBORs**") suffer from similar weaknesses to LIBOR and as a result (although no deadline has been set for their discontinuation), they may be discontinued or be subject to changes in their administration.

Changes to the administration of an IBOR or the emergence of alternatives to an IBOR, may cause such IBOR to perform differently than in the past, or there could be other consequences which cannot be predicted. The discontinuation of an IBOR or changes to its administration could require changes to the way in which the Rate of Interest is calculated in respect of any Notes referencing or linked to such IBOR. The development of alternatives to an IBOR may result in Notes linked to or referencing such IBOR performing differently than would otherwise have been the case if the alternatives to such IBOR had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Notes linked to or referencing such IBOR.

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

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

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

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

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

Notes issued at a substantial discount or premium

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

Risks Related to Notes Generally

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax consequences of holding the Notes

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

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

Further Notes may be issued without the consent of Noteholders

The Issuers 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 to the Law No. 213/1998 regarding public property assets (*e.g.* electrical energy transportation networks, railway infrastructure and their tunnels, oil and gas pipes, navigable channels, reservoirs and dams, etc.), 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.

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

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

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

Change of law

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

Notes where denominations involve integral multiples

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

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

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

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

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

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

Transferability of the Notes may be limited under applicable securities laws

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

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

Risks related to the market generally

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

The secondary market generally

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

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

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

Exchange rate risks and exchange controls

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

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

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

Interest rate risks

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

Legal investment considerations may restrict certain investments

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

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 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. 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. 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 inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes will be included in the Securities Note.

FORMS OF THE NOTES

Bearer Notes

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

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

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

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

Temporary Global Note exchangeable for Permanent Global Note

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

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

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

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

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

2. If:

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

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

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

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

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

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

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

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

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

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

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

4. If:

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

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

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

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

Temporary Global Note exchangeable for Definitive Notes

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

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

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

5. If:

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

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

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

Permanent Global Note exchangeable for Definitive Notes

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

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

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

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

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

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

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

7. If:

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

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

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

Legend concerning United States persons

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

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

Registered Notes

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

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

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

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

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

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

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

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

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

Global Note Certificate exchangeable for Individual Note Certificates

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

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

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

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

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

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

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

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

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

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

Terms and Conditions applicable to the Notes

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

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

Rights under Deed of Covenant

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

TERMS AND CONDITIONS OF THE NOTES

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

1 Introduction

(a) ***Programme***: Romania ("**Issuer**") has established a Global Medium Term Note Programme ("**Programme**") for the issuance of up to EUR 27,000,000,000 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, the initial Specified Offices of which are set out below.

2 Interpretation

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

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

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

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

"**Business Day**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Payment Business Day**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Regular Period**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) *Interpretation*: In these Conditions:

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

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

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

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

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

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

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

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

3 Form, Denomination, Title and Transfer

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

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

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

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

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

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

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

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

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

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

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

4 Status

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

5 Negative Pledge

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

"**Permitted Security Interest**" means:

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

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

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

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

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

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

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

6 Fixed Rate Note Provisions

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

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

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

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

7 Floating Rate Note and Index-Linked Interest Note Provisions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 Zero Coupon Note Provisions

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

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

(i) the Reference Price; and

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

9 Dual Currency Note Provisions

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

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

10 Redemption and Purchase

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

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

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

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

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

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

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

(i) the Reference Price; and

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

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

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

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

11 Payments

(A) Bearer Notes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) Registered Notes

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

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

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

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

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

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

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

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

12 Taxation

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

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

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

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

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

13 Events of Default

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

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

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

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

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

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

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

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

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

14 Prescription

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

15 Replacement of Notes and Coupons

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

16 Agents

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

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

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

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

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

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

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

17 Meetings of Noteholders; Written Resolutions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17.2 Modification of this Series of Notes only:

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

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

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

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

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

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

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

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

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

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

17.3 Multiple Series Aggregation – Single limb voting:

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

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

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

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

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

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

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

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

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

17.4 Multiple Series Aggregation – Two limb voting:

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

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

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

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

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

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

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

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

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

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

17.5 Reserved Matters:

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

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

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

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

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

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

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

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

(h) change the legal ranking of the Notes;

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

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

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

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

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

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

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

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

17.6 Information:

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

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

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

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

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

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

17.7 Claims Valuation:

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

17.8 Manifest error, etc.:

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

17.9 Notes controlled by the Issuer:

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

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

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

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

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

17.10 Publication:

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

17.11 Exchange and Conversion:

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

18 Aggregation Agent; Aggregation Procedures

18.1 Appointment:

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

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

18.2 Extraordinary Resolutions:

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

18.3 Written Resolutions:

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

18.4 Certificate:

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

The certificate shall:

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

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

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

18.5 Notification:

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

18.6 Binding nature of determinations; no liability:

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

18.7 Manner of publication:

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

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

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

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

19 Noteholders' Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19.1 Engagement with the committee and provision of information

(a) The Issuer shall:

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

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

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

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

19.2 Certification

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

The certificate shall certify:

(a) that the committee has been appointed;

(b) the identity of the initial Members; and

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

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

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

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

20 Further Issues

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

21 Notices

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

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

(c) *Notices to Issuer*: All notices to the Issuer will be valid if sent to the Issuer at the Ministry of Public Finances, 17, Apolodor Street, RO 70663 Bucharest, Romania for the attention of the External Public Finance 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 percentage point (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 settle 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 that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Condition 25(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 25 (*Governing law and*

jurisdiction) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Process agent*: The Issuer agrees that the documents which start any 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.

(f) *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.

(g) *Waiver of immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction and to the extent it is permitted to do so under applicable law provided, however, that immunity is not waived in respect of public property as such is regulated by the applicable Romanian legislation (including, without limitation, Article 136 of the Romanian Constitution and the Romanian Law No. 213/1998 regarding public property assets), present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961 (including the furnishings and other property therein and the means of transport of such mission), "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963 (including the furnishings and other property therein and the means of transport of such mission) or military property or military assets or property or assets of the Issuer related thereto.

26 Standard Clauses

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

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

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

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

27 Hardship

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

FORM OF FINAL TERMS

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

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

[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].]

Final Terms dated [●]

ROMANIA
acting through the Ministry of Public Finance

Legal entity identifier (LEI): 315700IASY927EDWBK92

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

under the EUR 27,000,000,000

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 Public Finance
2	(i)	[Series Number:]	[●]
	(ii)	[Tranche Number:	[●] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).]
3		Specified Currency or Currencies:	[●] (*If Notes are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency*.)
4		Aggregate Principal Amount:	[●]
	[(i)]	[Series]:	[●]
	[(ii)	Tranche:	[●]]
5		Issue Price:	[●] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
6	(i)	Specified Denominations:	[●]
	(ii)	Calculation Amount:	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]

8	Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*] [*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to* "*professional investors*" *or (ii) another applicable exemption from section 19 of the FSMA must be available*.]
9	Interest Basis:	[[●] per cent. Fixed Rate] [[*Specify* reference rate] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*Specify*)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*Specify*)]
11	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13	Date [Min Fin] approval for issuance of Notes obtained:	[●] [and [●], respectively (*N.B. Only relevant where authorisation is required for the particular tranche of Notes*)
14	Method of distribution:	[Syndicated/Non–syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub–paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/ semi–annually/quarterly/monthly/other (*specify*)] in arrear]

	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of* "*Business Day*"]/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]
	(vi) [Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[●]
	(ii) Specified Period:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert* "*Not Applicable*")
	(iii) Specified Interest Payment Dates:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert* "*Not Applicable*")
	(iv) [First Interest Payment Date]:	[●]
	(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vi) Additional Business Centre(s):	[Not Applicable/*give details*]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent])	[[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
	(ix) Screen Rate Determination:	

	• Reference Rate:	[*For example, LIBOR or EURIBOR*]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIBOR 01*]
	• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
	• Relevant Financial Centre:	[*For example, London/Euro–zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*]
	(x) ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• ISDA Definitions:	2006
	(xi) Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
	(xii) Margin(s):	[+/-] [●] per cent. per annum
	(xiii) Minimum Rate of Interest:	[●] per cent. per annum
	(xiv) Maximum Rate of Interest:	[●] per cent. per annum
	(xv) Day Count Fraction:	[●]
	(xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
17	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	[Amortisation/Accrual] Yield:	[●] per cent. per annum
	Reference Price:	[●]
	Any other formula/basis of determining amount payable:	[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition [10(f)]]
18	**Index-Linked Interest Note/other variable-linked interest Note Provisions**	[Applicable/Not Applicable] (If not applicable, delete the remaining sub- paragraphs of this paragraph)

(i)	Index/Formula/other variable:	[*give or annex details*]
(ii)	Calculation Agent responsible for calculating the interest due:	[●]
(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other	[●]
(iv)	Interest Determination Date(s):	[●]
(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
(vi)	Interest or calculation period(s):	[●]
(vii)	Specified Period:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention.*

Otherwise, insert "*Not Applicable*")

(viii)	Specified Interest Payment Dates:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert* "*Not Applicable*")
(ix)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
(x)	Additional Business Centre(s):	[●]
(xi)	Minimum Rate/Amount of Interest:	[●] per cent. per annum
(xii)	Maximum Rate/Amount of Interest:	[●] per cent. per annum
(xiii)	Day Count Fraction:	[●]

19 **Dual Currency Note Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]

	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]
	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20	Call Option	[*Applicable/Not Applicable*] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(a) Maximum Redemption Amount	[●] per Calculation Amount
	(iv) Notice period:	[●]
21	Put Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	Optional Redemption Date(s):	[●]
	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	Notice period:	[●]
22	Final Redemption Amount of each Note	[●] per Calculation Amount
	In cases where the Final Redemption Amount is Index-Linked or other variable- linked:	
	(i) Index/Formula/variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index	[●]

	and/or Formula and/or other variable:	
(iv)	Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[●]
(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
(vi)	[Payment Date]:	[●]
(vii)	Minimum Final Redemption Amount:	[●] per Calculation Amount
(viii)	Maximum Final Redemption Amount:	[●] per Calculation Amount

23 Early Redemption Amount

Early Redemption Amount(s) on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[Not Applicable (*If the Early Termination Amount are the principal amount of the Notes/ or the Early Termination Amount if different from the principal amount of the Notes*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	**Bearer Notes**: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] *(Note: The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is*

		to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.) **Registered Notes**: [Unrestricted Global Note Certificate exchangeable for unrestricted Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Unrestricted Global Note Certificate] [Restricted Global Note Certificate exchangeable for Restricted Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Restricted Global Note Certificate] [Restricted Global Note Certificate [(U.S.$ [●]/Euro [●] principal amount)] registered in the name of a nominee for [DTC]] [Unrestricted Global Note Certificate [(U.S.$/Euro [●] principal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))] [Restricted Global Note Certificate [(U.S.$/Euro [●] principal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]
25	New Global Note:	[Yes] [No] [Not Applicable]
26	New Safekeeping Structure:	[Yes] [No] [Not Applicable]
27	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii), 16(vi) and 18(x) relate*]
28	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
29	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]

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

DISTRIBUTION

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

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] public offer [admission to trading on the [regulated market of the Luxembourg Stock Exchange] [*other market*] of the Notes described herein] pursuant to the EUR 27,000,000,000 Global Medium Term Note Programme of Romania acting through the Ministry of Public 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 PUBLIC 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 Credit Market Services 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 Investors Service Ltd.: "[●]" 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*.) ***Option 1 — CRA established in the EEA and registered under the CRA Regulation*** [Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended ("**CRA Regulation**"). ***Option 2 — CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation*** [Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended ("**CRA Regulation**"). ***Option 3 — CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation*** [Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended ("**CRA Regulation**").

Option 4 — CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended ("**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

[***End of options***]

[In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.]

[*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider*.]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*.)

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

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

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

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

[(i)	Reasons for the offer:	[●] (*See [*"*Use of Proceeds*"*] wording in Information Memorandum — if reasons for offer different, will need to include those reasons here*.)]
[(ii)]	Estimated net proceeds:	[●] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*
[(iii)]	Estimated total expenses:	[●] [*Include breakdown of expenses*]

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

5 [**Fixed Rate Notes only — YIELD**

Indication of yield:	[●]
	Calculated as [*include details of method of calculation in summary form*] on the Issue Date.
	As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

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

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

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

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

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

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

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

9 **OPERATIONAL INFORMATION**

(i)	CUSIP:	[●] [Not applicable]
(ii)	ISIN Code:	[●]
(iii)	Common Code:	[●]
(iv)	Issuer LEI:	315700IASY927EDWBK92
(v)	FISN:	[●]
(vi)	CFI Code:	[●]
(vii)	Any clearing system(s) other than DTC, Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]

(viii)	Delivery:	Delivery [against/free of] payment
(ix)	Names and addresses of initial Paying Agent(s):	[●]
(x)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(xi)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No][Not Applicable]

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [*include this text for Registered Notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if* "*yes*" *selected in which case the Bearer Notes must be issued in NGN form*]/

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

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

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

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

Transfers of Interests in Global Notes and Global Note Certificates

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

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

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

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

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

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

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

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

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

Conditions applicable to Global Notes

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

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

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

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

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

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

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

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

DESCRIPTION OF ROMANIA

Overview

Territory and Population

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

According to the final data of the 2011 population and households' census, Romania has 20.12 million inhabitants and 7.1 million households.

Political System

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

The latest parliamentary elections took place on 11 December 2016 and resulted in a political alliance between the Social Democratic Party (*Partidul Social Democrat* – "**PSD**") and the Alliance of Liberals and Democrats (*Alianta Liberalilor si Democratilor* – "**ALDE**"), winning the majority (over 53 per cent.) of the parliamentary seats (250 seats out of 466). The remaining seats ("**opposition**") were distributed between the National Liberal Party (*Partidul National Liberal* – "PNL"), the "Save Romania Union" (*Uniunea Salvaţi România* – "**USR**"), the Popular Movement Party (*Partidul Mişcarea* Populară – "PMP") and the Hungarian Democratic Union of Romania (*Uniunea Democrat Maghiara din Romania* – "UDMR").

On 4 January 2017, the newly elected Parliament gave the confidence vote to the government, supported by the PSD – ALDE coalition, with Mr. Sorin Grindeanu (PSD) being appointed as the prime minister. However, protests against OUG (Government Emergency Ordinance) No. 13 from 31 January 2017, referring to some aspects of the Criminal Code (and resulting in the decriminalisation of certain offences), were organised in several cities of Romania in January and February 2017. As a result, the OUG No. 13 was repealed by the Government on 5 February 2017, and the issue of reforming the Criminal Code was sent to the Parliament. The Grindeanu cabinet was dismissed by a motion of no confidence in Parliament, on 21 June 2017.

In the new cabinet, led by Mr. Mihai Tudose, that took office on 29 June 2017, a number of ministers carried on from the previous executive. New portfolios were created for a minister (formerly minister-delegate) for European affairs and a minister-delegate for European funds (formerly part of a deputy prime minister's remit). The new cabinet states in its Programme that 2017-2020 is expected to raise challenges for Romania, in terms of both opportunities and risks. It sets out accordingly a vision of public policies centred on the objective of building a balanced, inclusive society.

Following a vote of no-confidence from the executive committee of the PSD, the former prime minister, Mr. Mihai Tudose, announced his resignation on 15 January 2018, which triggered the termination of the mandate for the entire Government.

On 29 January 2018, a new cabinet of the same political party and supported by the same coalition, led by Mrs. Vasilica Viorica Dancila as prime minister, received the vote of confidence from the Parliament of Romania and was sworn into office. On the same day, the newly invested Government formally took office after being sworn-in.

History and Constitution

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

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

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

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

Government

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

Parliament

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

Since December 2016, the following main political parties have had parliamentary representation:

- the Social Democratic Party (*Partidul Social Democrat*): Social democratic, centre-left party led by Liviu Dragnea, following the resignation of Victor Ponta on 12 July 2015;
- the Alliance of Liberals and Democrats (*Alianta Liberalilor si Democratilor*), a liberal centre-right party led by Calin Popescu Tariceanu formed as a result of a merger between the Conservative Party (P*artidul Conservator*) and the Reformist Liberal Party (*Partidul Liberal Reformator*);
- the National Liberal Party (*Partidul National Liberal*): Liberal, centre-right party led by Ludovic Orban;
- the "Save Romania Union" (*Uniunea Salvați România*), a centrist and reformist alliance, newly constituted;
- the Hungarian Democratic Union of Romania (*Uniunea Democrat Maghiara din Romania*): Centrist, Hungarian minority party, led by Kelemen Hunor; and
- the Popular Movement Party (*Partidul Mişcarea Populară*).

Parliamentary elections were held in Romania on 11 December 2016, in accordance to the changes introduced to Romania's electoral legislation in 2015. These changes reintroduced a proportional list-based election system, which was last used in the 2004 elections, 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 (308 deputies, 18 minority deputies and 134 senators) are elected, in

comparison with the 588 parliamentary seats previously occupied by members of the Parliament elected in 2012. Romanian citizens living abroad are represented by four deputies and two senators.

President

The President of Romania is the head of the Romanian state and is elected by popular vote for a five year term. Upon election, the President cannot be a member of a political party. The President nominates the Prime Minister and formally appoints the Government. The President is also the president of the Romanian Supreme Council of Defence and the commander-in-chief of the Romanian armed forces.

The most recent presidential election was held in November 2014. In the runoff, Klaus Werner Iohannis (former leader of PNL since June 2014 and mayor of the city of Sibiu since 2000) was elected as the President of Romania with 54.43 per cent. of the votes, defeating the then Prime Minister Victor Ponta.

Local Government

Local government is conducted at the level of the 42 counties (*judete*), including Bucharest, and at the municipal level. County and municipal authorities are generally responsible for providing education, social services and basic utilities within their area. Proposals for establishing administrative regions to replace the 42 counties are currently being discussed, but such a change can be adopted only through an amendment to the Romanian constitution, and no such amendment has been formally proposed.

General local elections were last held on 5 June 2016. According to an amendment to the electoral law, mayors were elected in a single round of elections, the candidate having the highest number of votes winning the election.

Judiciary and Constitutional Court

General Structure of the Judiciary and Constitutional Court

Judicial authority is vested with the High Court of Cassation and Justice ("**HCCJ**") and a series of other courts established by law. The lower courts are comprised of regional courts of appeal (*curti de apel*), tribunals (*tribunale*), specialised tribunals (*tribunale specializate*), military courts (*instante militare*) and courts of first instance (*judecatorii*).

According to the constitution, the Constitutional Court is not deemed to be part of the judiciary. The Constitutional Court determines matters of constitutional significance.

The constitution grants courts of law jurisdiction only to the extent established by law. Courts with specialised subject matter jurisdiction may also be established, although these must also be established by law.

Ensuring the Independence of the Judiciary and of the Constitutional Court

Judges must be independent and obey only the law. They are appointed by the President, at the proposal of the Superior Council of Magistracy ("**Superior Council**"), which acts as guarantor of the independence of the judiciary. The Superior Council has 19 members: nine judges, five prosecutors and two representatives of the civil society. The other three members of the Superior Council are the Minister of Justice, the president of the HCCJ and the general public prosecutor of the Public Prosecutor's Office attached to the HCCJ.

The nine judges of the Constitutional Court are appointed (for a nine-year term that cannot be extended or renewed) by the President, the Chamber of Deputies and the Senate, each of which is entitled to make three appointments.

Reform of the Judiciary

The Romanian judicial system has gone through several reforms aimed at modernising and strengthening the independence of the judiciary and further reforms are currently being planned. These reforms have been largely based on the Strategies, which have been implemented so far. The Strategy for the Development of the Judiciary for 2015 to 2020 was put forward by the Ministry of Justice and approved by the Government on 23 December 2014 through Government Decision No. 1155/2014, published in the Romanian Official Gazette No. 19 on 12 January 2015. This document draws heavily on CVM recommendations, as well as on studies developed with the World Bank, in particular the Functional Analysis of the Romanian judiciary. Drawing on a series of underlying principles based on the rule of law, the strategy defines objectives for further reform in the period 2015 to 2020 to make the justice more efficient and accountable and to increase its quality. The action plan for implementation of the strategy was approved through Government Decision No. 282/2016, published in the Romanian Official Gazette No. 311 on 22 April 2016.

The HCCJ has further developed its use of preliminary rulings and appeals to unify jurisprudence. It has also pursued measures to improve the dissemination of court judgments. Similar practical steps have been seen in the prosecution and in the judicial leadership more widely. Thematic inspections conducted by the Judicial Inspection also contribute to establishing consistent practice among judges. There has been progress on the publication of court decisions. The Ministry of Justice completed a project (financed through EU funds) setting up a comprehensive legislative website which ensures free access to updated and consolidated legislation. This is interconnected with the European N-LEX Portal and is currently in operation.

The implementation of a new Criminal Code and Criminal Procedure Code in February 2014 was a major undertaking and a test of the ability of the judicial system to adapt. The Ministry of Justice, the HCCJ, the Superior Council of Magistracy, the prosecution and the National Institute for Magistracy worked together to implement the change. The Romanian magistracy has been adapting to the new codes without derogating from its ongoing work and had to adapt to several innovatory measures, such as a possibility for plea bargains, which since have been widely utilised. Romania established the National Integrity Agency ("**ANI**"), an independent and operational institution to control and verify the wealth, conflicts of interest and incompatibilities within the judiciary. The ANI has been operational since the end of 2007 and Romania was the first EU country to create such a specialised institution. In 2002 Romania also established the National Anticorruption Directorate (the former National Anticorruption Prosecutor's Office), which is a specialised, independent structure, functioning within the General Prosecutors' Office that investigates high-level corruption cases.

Following an extensive public consultation process with the participation of approximately 90 entities from the civil society, public institutions, private companies and business associations, the Government approved, on 10 August 2016, the National Anticorruption Strategy ("**NAS**") for 2016-2020. The document, having a multidisciplinary character, continues a number of good practices identified in the implementation of the previous strategy and focuses on prevention and education measures to prevent acts of corruption. This change involves responsibility at a managerial level, in all institutions and public enterprises, including public institutions that represent the executive, legislative and judicial authorities, local administrations, the business sector and civil society. On 23 August 2016, the Government published the new NAS 2016-2020, adopted by Government Decision No. 583/2016, together with the performance indicators, risks associated with objectives and measures of the strategy and verification sources, list of the measures of institutional transparency and corruption prevention, as well as evaluation indicators and standards of publication of information of public interest. It was published in the Romanian Official Gazette No. 644 on 23 August 2016.

The main purpose of NAS 2016-2020 is to promote integrity, by strictly applying the legal and institutional framework for preventing and combating corruption in Romania, as well as transparency in decision making and open governance.

The strategy is complemented by an extensive monitoring mechanism that consists, *inter alia*, of: five working groups (called cooperation platforms) comprised of (i) independent and anti-corruption institutions; (ii) central administration; (iii) local administration; (iv) the business sector; and (v) civil society; a peer review mechanism, aimed at assessing the way integrity instruments are working throughout the administration; and reporting carried out by Romanian public institutions (including annual progress reports, statistical indicators and analysis of integrity incidents). The results of all monitoring instruments are publicly available on the NAS website. The monitoring process aims to: identify the progress made in the implementation of the NAS; correct the practical problems encountered in the application of the anticorruption policies and norms; and increase the level of knowledge, understanding and implementation of the measures for corruption prevention in the public and private sector.

In order to help public institutions better address the integrity challenges, the Ministry of Justice has developed methodologies for evaluating corruption risks and for ex-post assessing of integrity incidents.

The European Commission periodically evaluates the Romanian judicial system against four benchmarks ("**Benchmarks**") under the Cooperation and Verification Mechanism ("**CVM**"). These Benchmarks consist of: (i) ensuring a more transparent and efficient judicial process, notably by enhancing the capacity and accountability of the Superior Council and monitoring and reporting the impact of the new civil and criminal procedure codes; (ii) establishing an integrity agency with responsibilities for verifying assets, incompatibilities and potential conflicts of interest, and for issuing mandatory decisions on the basis of which deterrent sanctions can be taken; (iii) building on progress already made, continuing to conduct professional, non-partisan investigations into allegations of high-level corruption; and (iv) taking further measures to prevent and fight corruption, in particular within local government.

The January 2017 CVM report points out that following the entry into force of the new Codes, CVM reports have noted the increasing use and the effectiveness of the legal consistency mechanisms implemented by the HCCJ (such as appeals, preliminary questions/rulings on the clarification of certain laws), complemented by managerial efforts to promote consistency and the online availability of all court decisions. The 2016 CVM Report also noted signs of a cultural shift in favour of consistency within the judiciary.

As far as the consistency of court decisions is concerned, the January 2017 CVM Report specifies, in 2016, the HCCJ, having the main role in the unification of Romanian case law, continued to provide solutions to inconsistencies of court decisions through the legal mechanisms of appeal in the interest of the law under Art. 514 – 518 of the Civil Procedure Code and preliminary questions on the clarification of certain laws under Art. 519 - 521 of the Civil Procedure Code. The attitude of rank and file judges has changed as well, with a better consideration for the need to take into account decisions of other courts in similar cases. The judicial management and the National Institute of Magistracy will need to continue to promote consistency in law and practice and to develop the tools to facilitate the consistent application of the law as the follow-up of jurisprudence by public administration and excessive workload of courts continue to impact on the consistency of court decisions. Further obstacles to the consistency of court decisions relate rather to broader issues concerning the legislative process.

The January 2017 CVM Report shows that Romania has made major progress towards the CVM benchmarks. A number of key institutions and many important pieces of legislation are in place and an established track record can be seen in many areas. The Commission also stated in the January 2017 CVM Report that Romania has demonstrated that a number of internal safeguards exist against abrupt reversals of progress.

There are, however, important remaining shortcomings which need to be addressed. Reform needs to continue on the same path and internal safeguards need to be further strengthened in order to ensure the irreversibility required to satisfactorily fulfil the benchmarks.

At the same time, a number of key issues identified in earlier reports have remained outstanding, and therefore the January 2017 CVM Report cannot conclude that the benchmarks have been fulfilled. However, the January 2017 CVM Report is able to identify a very limited number of key recommendations for the provisional closing of individual benchmarks and then the conclusion of the CVM process. Most of them focus on the responsibility and accountability required by the Romanian authorities and the internal safeguards needed to ensure the irreversibility of the results. It will also be supported by the development of reporting and accountability mechanisms to continue once the CVM has ended. The Commission believes that the CVM objectives can be achieved by following the recommendations set out in the January 2017 CVM Report. The speed of the progress will depend on how quickly Romania will be able to fulfil them in an irreversible way, and avoid negative steps which call into question the progress made so far.

The report from the Commission to the European Parliament and the Council on progress in Romania under the CVM dated 15 November 2017 (the "**November 2017 CVM Report**") report reiterates that a number of key institutions and many important pieces of legislation are in place, that the Romanian judicial system has undergone a profound reformation process and repeatedly demonstrated its professionalism, independence and accountability. The report also observed the existence of a series of internal safeguards against possible inadvertent deterioration of the progress achieved.

The November 2018 CVM Report reports that Romania has taken steps to implement the recommendations presented in the January 2017 CVM Report. Thus, a number of these recommendations are considered to be fulfilled, while further progress has been made as regards other recommendations.

For further details on recent developments relating to reform of the judiciary, see "*Risk Factors – The inconsistent application of law in the Romanian courts could have an adverse effect on the economy and therefore on the Notes*".

Recent legislative and constitutional developments

On 23 August 2017, legislative proposals were presented to the public by the minister of justice relating to a draft law amending and supplementing Law No. 303/2004 on the statute of magistrates, of Law No. 304/2004 on the judicial organization and of Law No. 317/2004 on the Superior Council (together, the "**Justice Laws**"). On 30 August 2017, the Ministry of Justice transmitted the finalised draft comprising such legislative proposals to the Superior Council for a consultative opinion, as provided by law and also published the draft legislative proposals on the webpage of the Ministry of Justice, in order to ensure complete transparency, so that any interested person would have the possibility to consult it and send observations and proposals.

The Superior Council issued a negative opinion during the last week of September 2017, saying that Superior Council does not agree to the changes proposed under the legislative proposals.

During 2018, the constitutionality of the legislative proposals amending the Justice Laws was challenged several times before the Constitutional Court of Romania by some political groups in the Romanian Parliament and by the President of Romania. The legislative proposals were criticised by parts of civil society and several protests were organised against their adoption. After the constitutional reviews, in October 2018 the Parliament aligned the provisions of the legislative proposals amending the Justice Laws to the decisions of the Constitutional Court of Romania and all the legislative proposals amending the Justice Laws entered into force as mentioned above.

On 23 March 2018, the Group of States Against Corruption ("**GRECO**") adopted an Ad hoc Report on Romania (the "**Ad hoc Report**"), published on 11 April 2018, in which it analyses the legislative proposals to amend the Justice Laws and expresses its concerns in relation to the intended amendments of the Criminal Code and the Criminal Procedure Code, the latter not being within the remit of the Ad-hoc evaluation. As a result of its analysis, GRECO made two sets of recommendations to Romania as follows:

(i) GRECO reiterated, in the Ad-hoc Report, two of the recommendations addressed to Romania in the Fourth Evaluation Round Compliance Report (published on 18 January 2018) which were not implemented up to the date of the Ad hoc Report, regarding the improvement of the transparency of the legislative process and of the procedure for the appointment and revocation for the most senior prosecutorial functions; and

(ii) With regard to the recent reforms to the judiciary, GRECO addressed recommendations to Romania in relation to (a) the staffing of the judiciary and prosecution service and the organisation of the latter; (b) ensuring that the independence of the prosecution service is - to the largest extent possible – guaranteed by law and the impact assessment of the intended changes on the future operational independence of prosecutors so that additional safeguards be taken, as necessary, to guard against interference; (c) avoiding the creation of new avenues for conflicts of interest and incompatibilities, particularly in connection with political activities and government functions; and (d) ensuring the independence of the judicial system by ensuring the predictability of rules concerning the rights and obligations and the liability of judges and prosecutors for judicial errors; and (e) the abandonment of the creation of the new special prosecutor's section for the investigation of offences in the judiciary.

All three previous GRECO evaluation rounds were successfully closed. The current fourth round evaluation procedure, as well as the above-mentioned Ad-hoc Report, are subject to periodic reviews by GRECO on the progresses reported by the Romanian authorities.

In October 2018, the Romanian Government responded to these recommendations by adopting Government Emergency Ordinance No. 92/2018 in order to ensure that the proper functioning of the judiciary is not affected by certain of the reforms in respect of provisions of Law No. 303/2004 on the status of judges and prosecutors concerning the early retirement of judges and prosecutors. In adopting such legislation, the Romanian Government took into consideration the recommendations of the Venice Commission, the recommendations made under the CVM, the jurisprudence of the Constitutional Court and also the need to protect the general interests of Romania in the exercise of the rotating Presidency at the Council of the European Union.

The Venice Commission also addressed recommendations to Romania in relation to (a) the reconsideration of the system for the appointment and dismissal of high-ranking prosecutors; (b) removing the provisions enabling the superior prosecutors to invalidate prosecutors' solutions due to such solutions being groundless or re-drafting those provisions so as to give an explanation over the meaning of the term "groundless"; (c) revising the provisions on magistrates' material liability by supplementing the definition of the "judicial error" and by providing that the action of recovery should take place once the disciplinary procedure was concluded; (d) re-examination of the grounds for the revocation of Superior Council of Magistrates members; (e) abandoning the proposed early retirement scheme for judges and prosecutors; (f) the creation of a new section within courts for investigating criminal offences committed by judges and prosecutors; and (g) the removal of the restraints in relation to the freedom of expression of judges and prosecutors.

At the June 2018 plenary meeting, GRECO noted that certain limited progress had been made by the Romanian authorities in meeting the recommendations. Further review is expected for the June 2019 Plenary Meeting on the basis of the Situation Report, which was submitted by the Romanian authorities in December 2018.

Separate from these recommendations, GRECO has also expressed its concerns in relation to the compliance of certain draft amendments to the criminal laws with some of Romania's international commitments including the Council of Europe's Criminal Law Convention on Corruption.

On 18 April 2018, the legislative proposals for amending Law No. 135/2010 on the Criminal Procedure Code and for amending Law No. 286/2009 on the Criminal Code were registered on the website of the Senate. This was to harmonise some provisions of the Criminal Procedure Code and Criminal Code with the practice enshrined in the decisions of the Constitutional Court and the courts, and to transpose Directive 2016/343 of

the European Parliament and of the Council of 9 March 2016 on the strengthening of certain aspects of the presumption of innocence and of the right to be present at the trial in criminal proceedings and Directive 2014/42/EU of the European Parliament and of the Council of 3 April 2014 on the freezing and confiscation of instrumentalities and proceeds of crime in the European Union.

Debates on the amendments proposed to the Criminal Code and to the Criminal Procedure Code started on 2 May 2018 and were debated in the Special Parliamentary Committee on Systematisation Unification and Ensuring Legislative Stability in the Judiciary.

(A) In relation to the legislative proposal for amending the Criminal Procedure Code:

- The legislative proposal amending Law No. 135/2010 on the Criminal Procedure Code as well as Law No. 304/2004 on Judicial Organization was adopted by the Senate on 13 June 2018, being also adopted by the Chamber of Deputies on 18 June 2018 and became law for amending and completing Law No. 135/2010 on the Criminal Procedure Code and for amending and completing Law No. 304/2004 on the Judicial Organization. On 22 June 2018 this law was sent to the Romanian President to be promulgated, but has been sent to the Parliament for re-examination. The draft law aims at amending and completing Law No. 135/2010 on the Criminal Procedure Code, the legislative approach being necessary in order to (i) align the provisions of the Criminal Procedure Code to several decisions of the Constitutional Court of Romania and (ii) harmonise the provisions of the Criminal Procedure Code with the practice set out in the decisions of the Constitutional Court and the judicial courts as well as amending the Criminal Procedure Code, taking also into account the European directives applicable in this field.

- Between 20 June 2018 and 12 July 2018 a number of objections on the grounds of unconstitutionality were filed by the HCCJ, 94 deputies and the Romanian President. Since the Romanian President also requested the opinion of the Venice Commission, the petitioners requested the Constitutional Court of Romania to prolong the debating period in order to be able to take into consideration the preliminary opinion of the Venice Commission in its final ruling.

- On 12 October 2018[3] the Constitutional Court of Romania ruled in favour of the objections mentioned above (Decision No. 633 of 12 October 2018) and on 29 November 2018, the legislative proposal for amending Law No. 135/2010 on the Criminal Procedure Code was registered for re-examination in the Senate in order to bring the legislative proposal in line with the decision of the Constitutional Court of Romania.

- On 6 December 2018, the Special Parliamentary Committee on Systematisation Unification and Ensuring Legislative Stability in the Judiciary gave a positive endorsement to the amended legislative proposal. After being adopted by the Senate on 10 December 2018, the legislative proposal in its amended form was sent to the Chamber of Deputies, to be sent for endorsement to the Special Parliamentary Committee on Systematisation Unification and Ensuring Legislative Stability in the Judiciary. This law, as adopted by the Senate was not submitted for promulgation to the President of Romania. No further information is available in respect of the promulgation of this law.

(B) In relation to the draft law amending and supplementing Law No. 286/2009 on the Criminal Code, as well as Law No.78/2000 on the prevention, discovery and sanctioning of corruption ("**Anti-Corruption Law**"), the Senate and the Chamber of Deputies adopted the legislative proposal for amending and completing the Criminal Code and the Anti-Corruption Law on 3 July 2018 and 4 July 2018,

[3] The date established by the Constitutional Court of Romania for giving a settlement in this case was 25 September 2018 but it was prolonged to 11 October 2018.

respectively. Between 6 July and 26 July 2018, several challenges on the grounds of unconstitutionality in respect of the legislative proposal were filed by the HCCJ, 110 deputies and the President of Romania, which were analysed by the Constitutional Court of Romania on 25 October 2018 (the initial deadline for delivering a decision was 16 October 2018, but it was extended to 25 October 2018). The Court partially admitted the objections of unconstitutionality. After the publication of the Constitutional Court's decision in the Romanian Official Gazette, the legislative proposal will be registered for re-examination in the Romanian Parliament in order to bring its provisions in line with the decision of the Constitutional Court of Romania.

For additional details on recent legislative and constitutional developments, see also "*Risk Factors – The inconsistent application of law in the Romanian courts could have an adverse effect on the economy and therefore on the Notes*".

Disputes in front of ICSID

Currently, Romania is party to the following pending cases at the International Centre for Settlement of Investment Disputes ("**ICSID**"): (i) Case No. ARB/14/28 (ALPIQ AG v. Romania) (ii) Ioan Micula, Viorel Micula and others v. Romania (ICSID Case No. ARB/14/29); (iii) Gabriel Resources Ltd. and Gabriel Resources (Jersey) v. Romania (ICSID Case No. ARB/15/31); and (iv) The Nova Group Investments BV v. Romania (ICSID Case No. ARB/16/19).

Case No. ARB/14/28 (*ALPIQ AG v. Romania*)

On 10 November 2014, ALPIQ AG, a Swiss company, filed an application for arbitration, claiming that Hidroelectrica's insolvency and subsequent scrutiny and termination of the agreements that Hidroelectrica had for the delivery of electricity affected the financial interests of two of ALPIQ AG's subsidiaries operating in Romania. According to the arbitration claim, ALPIQ AG seeks that the arbitral tribunal: (i) finds that Romania has breached the Romanian-Swiss Agreement, ratified by Law No. 40/1994 as well as the Energy Charter Treaty, ratified by Law No. 14/1997; and (ii) obliges Romania to pay the applicant compensation for all damages suffered together with interest and arbitration costs. The claim, as of 30 June 2017, amounted to USD 485 million.

Following the issuance of a favourable decision to Romania on 9 November 2018, the applicant filed a request for rectification of certain material errors in the body of the decision.

Following document submission by the parties, a rectification decision is awaited. The rectification decision is not expected to affect the merits of the arbitration.

Case No. ARB/14/29 (*Ioan Micula, Viorel Micula and others v. Romania*)

The claimants allege a failure of Romania to rein in the country's black market in alcohol sales and a unilateral change in the contracts for exploiting mineral water which led to an increase in the cost of extraction. Based on media press reports, the claim, if upheld, would be for a material amount, however, the Government strongly believes that the case lacks merit and intends to defend it vigorously. The oral hearings took place between 21 January 2019 and 2 February 2019. During the oral hearings, the arbitral tribunal was informed about the declarations of the European Union member states of 15 and 16 January 2019 on the legal consequences of the judgement of the European Court of Justice in case No. C-284/16 (the "**Achmea case**") and on investment protection in the European Union. The case is ongoing.

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 Center for Environmental Resources Development. Romania has until 10 May 2019 to file its last written defence. The oral hearings are scheduled for December 2019.

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.

International Relations

Romania maintains diplomatic relations with 184 United Nations (the "**UN**") member states, as well as the Holy See, the Sovereign Military Order of Malta and Palestine. It has a broad foreign representation network, consisting of 147 diplomatic missions, including: 92 embassies, 7 permanent missions/delegations/representations to international organisations, 37 general consulates, 6 consulates, 1 vice-consulate and 4 consular offices, as well as 18 Romanian Cultural Institutes and a network of 189 honorary consulates.

Romania has been a member of the North Atlantic Treaty Organisation ("**NATO**") since 2004 and of the EU since 2007. Another key component of Romania's foreign policy is its active contribution to the activities of the international fora, especially the UN, the Council of Europe, the Organisation for Security and Co-operation in Europe ("**OSCE**") and the World Trade Organisation. In recent years, Romania has also developed its relations with the Organisation for Economic Cooperation and Development ("**OECD**") with becoming a member being a top priority of Romania's foreign policy.

According to the National Defence Strategy for 2015-2019, predictability and continuity are core principles in Romania's foreign policy. The strategy includes, *inter alia*, the following national security objectives: further consolidation of the Strategic Partnership with the U.S., strengthening the profile of Romania in NATO and the EU, strengthening co-operation with neighbouring countries and states at NATO's Eastern flank and increasing regional co-operation. Special focus is also placed upon strengthening the economic dimension of Romania's foreign policy. Romania expects NATO and EU membership to continue being highly beneficial for Romania's economic growth by facilitating higher levels of security and stability.

Romania has sought to promote the stability and development of the Black Sea region, mainly by increasing and diversifying its connections with the EU and the Euro-Atlantic world. Since its accession to NATO and the EU, Romania has consistently tried to raise awareness in both organisations about the opportunities, as well as the challenges, in the Black Sea region. Accordingly, during the 2019 Romanian Presidency of the Council of the EU, a special emphasis is expected to be placed on enhancing NATO-EU cooperation.

In addition, special attention is being given to delivering a successful mandate at the Presidency of the Council of the EU in the first half of 2019 and to Romania's candidacy for a non-permanent seat in the UN Security Council for the period 2020-2021, as well as to its ongoing bid for OECD membership, all confirming Romania's specific international status and capacity for contribution.

At the EU level, Romania focuses on strengthening its status as an active and responsible Member State, as demonstrated in the European debates on anti-crisis measures (by promoting a balanced approach between economic governance consolidation and economic growth support, technological development and job creation) and on the 2014-2020 Multiannual Financial Framework, promoting safe nuclear energy, completing the EU's internal energy market and developing the external dimension of energy security policy.

Romania is interested in NATO remaining a strong and relevant alliance and is determined to fulfil its commitments in this regard. Romania will continue to provide relevant contributions to NATO's policies, operations and missions and will continue to develop its national defence capabilities. The presence in Romania of a notable number of allied military personnel and assets contributes to increasing the deterrence and collective defence capability of NATO. Romania has strengthened its national defence by allotting 2 per cent. of GDP for defence in 2017. According to the 2018-2020 governance programme, the Government of Romania will continue to support the allocation of 2 per cent. of the GDP for defence.

In terms of regional policies and cooperation, of particular interest is the forum of the Three Seas Initiative ("**3SI**"). Romania hosted the Summit and the Business Forum of the 3SI in September 2018. The Initiative is an informal and flexible political platform for high level cooperation between 12 EU Member States, focused on boosting the region's economic development through enhanced connectivity in major infrastructure sectors, increasing European convergence and cohesion and strengthening transatlantic relations by encouraging U.S. economic presence in the region. The summit results include: the development of political support for a list of major interconnectivity projects in the transport, energy and digital fields; the initiation of a regular 3SI Business Forum and a network of Chambers of Commerce from the participating member states; and the signing of a letter of intent related to the establishment of a 3SI Investment Fund. Romania will continue to work with the other participating states, partner states and institutions (such as the EU and European Bank for Reconstruction and Development ("**EBRD**")) to fully capitalise upon the 3SI's potential.

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 plans to support efforts aimed at enhancing regional security and co-operation projects. Strengthening the security in the wider Black Sea area requires regional approaches and multilateral solutions based upon democratic participation of countries in the region, as well as engagement with the EU, NATO and OSCE. Romania also encourages a structured dialogue with countries in the Mediterranean region both within NATO and the EU.

The Joint Declaration on Strategic Partnership for the 21st Century between the United States of America and Romania (2011) together with the Agreement between Romania and the United States of America on the Deployment of the U.S. Ballistic Missile Defense (BMD) System in Romania (2011) marked key steps in the development of the bilateral partnership with the U.S. In 2016 NATO Summit (Warsaw), the command and control of the Aegis Ashore site in Deveselu was transferred to NATO. In this vein, Romania's participation in the BMD represents an achievement in the bilateral relationship with the US, and an endorsement of Romania as a reliable ally within NATO. The strategic partnership between Romania and the United States, in its bilateral and regional dimensions, was reaffirmed by the Presidents of the two states during their meeting in June 2017.

In addition to its strategic partnership with the U.S., Romania co-operates similarly with France, Italy, the United Kingdom, Poland, Hungary, Turkey, Bulgaria, Spain, the Republic of Korea and Azerbaijan; it has strong relations with Germany and Austria (especially in the economic and financial fields) and has also established special co-operation frameworks with countries such as China, Japan, and Israel. Romania's goal is to continuously substantiate and ensure the development of all these relationships. Moreover, Romania maintains and develops pragmatic co-operative relationships with all its, and the EU's, neighbouring states.

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.

In addition to its Strategic Partnership with the Republic of Moldova, Romania maintains good neighbourly relationships with Ukraine and develops its co-operation both on a bilateral dimension and as an EU member state. Romania supports strongly their political association and economic integration with the EU, with a view to creating a secure, stable and prosperous area at the EU's Eastern borders. In this sense, the full entrance into force of the EU – Ukraine Association Agreement on 1 September 2017 is a reference moment. Romania offers financial and technical assistance to the Republic of Moldova and Ukraine to support the reform process and institution building and co-operating in a wide range of fields. Romania also supports the Republic of Moldova by way of a reimbursable loan in the amount of EUR 150 million. This loan was advanced in three instalments and is currently being reimbursed.

While the Russian Federation represents an important trade partner, mainly as an energy resources supplier, Romania fully complies with its international obligations to implement the restrictive measures imposed in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

Romania is currently a candidate for OECD membership, and believes it has favourable chances to be nominated to open accession negotiations once an OECD Council decision on enlargement is issued. While the merits of Romania's candidacy have been widely recognised by the OECD and its members, its outcome depends on various factors including the ability of the OECD Council to find the right compromise on the extent and sequence of the new OECD enlargement process.

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

As at 31 December 2018, the aggregate outstanding value of the public portfolios of the World Bank, EIB, EBRD, CEB and the Japan Bank for International Cooperation ("**JBIC**") in Romania was EUR 7,406 million, consisting of sovereign loans and guarantees mainly for the financing of public projects in the infrastructure and social sectors. As at 20 December 2018, the Ministry of Public Finance has issued "no-objection" letters to the EIB, the IFC and EBRD for 22 projects financing the private sector and local authorities totalling approximately EUR 1.37 billion.

In December 2014, the European Commission launched the Investment Plan for Europe ("**IPE**"), and in July 2015, Regulation 2015/1017 of 25 June 2015 on the European Fund for Strategic Investments ("**EFSI**"), the European Investment Advisory Hub ("**EIAH**") and the European Investment Project Portal ("**EIPP**") was approved. EIAH was launched on 1 September 2015 and EIPP was launched on 1 June 2016, while EFSI 2.0 was approved by Regulation 2017/2396. Several EIB Group operations with financial institutions and different beneficiaries were signed under EFSI, aimed, *inter alia*, at enhancing access to finance for SMEs and delivering on EFSI objectives. Furthermore, Romania is participating in dialogue at the EU level regarding the InvestEU Programme.

The EBRD is expected to continue its policy dialogue with the Romanian authorities and in co-operation with relevant institutions to further develop the Romanian capital markets under the Local Currency and Capital Market Development Initiative, a programme developed by the EBRD. Its main initiatives are: (i) creating a more local currency-friendly regulatory and monetary policy environment; (ii) improving the related implementing legislation; and (iii) streamlining, but not diminishing, the private pension pillar.

The EBRD also supports investments in private sector renewable generation to promote competition and to help Romania meet its EU 2020 targets. Under these targets, Romania is required to increase its share of renewable energy to 38 per cent. of total electrical energy production, including from large hydro-electric plants. In 2018, renewable energy provided 40.6 per cent. of Romania's national electricity production.

The Romanian Government signed two sovereign loans in an aggregate amount of EUR 660 million with the EIB in June and July 2016, a further loan in an amount of EUR 1 billion in July 2017 and a further loan in an amount of EUR 450 million in September 2018 in order to cover the state budget contribution to several OPs under the 2014 – 2020 programming period.

Romania is a founding member of the BSTDB, the financing arm of the Black Sea Economic Cooperation. Since it started operations in 1999, the BSTDB has financed over 36 projects in Romania (of which only one had a state guarantee), amounting to approximately EUR 415 million as of 31 October 2018.

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 Regional Policy portfolio (for the period from 2014 to 2019). 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 Committee of the Regions. Romania is also represented in the European External Action Service.

Following the European Parliament elections of 2014, Romania holds 32 out of the total of 751 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.

There is no comprehensive EU assessment of the impact of the exit of the United Kingdom of Great Britain and Northern Ireland from the EU. An exit of the United Kingdom of Great Britain and Northern Ireland from the EU would entail a very complex and multi-layered process and the extent of its effects are difficult to estimate. However, it may be expected that such an exit would affect all member states, the EU as a whole, as well as its future economic prospects. From an institutional perspective, if such an exit were to happen, it may be expected that a complicated process of negotiations (similar to that of EU integration) will take longer than foreseen in the Treaty for the European Union. There is additional uncertainty, including in respect of the social, economic,

financial or security areas. While negotiations on the terms of the UK's exit are underway, the ultimate outcome remains uncertain.

Romania, as part of the EU27, aims for an orderly and predictable withdrawal process, setting the conditions for a future agreement between the EU and the UK. Romania fully supported the mandate given to the Chief-negotiator, Michel Barnier, as well as the principles agreed at the European Council level. In the negotiations, Romania's main objective is to minimise the potential negative effects caused by the UK's decision to leave the EU on Romanian citizens living, working and studying in the UK as well as on the overall EU budget.

Romania supports a close partnership between the EU and the UK following the Brexit vote that will provide the opportunity to continue and extend co-operation in areas of common interest, such as defence, security and external policy. In addition, Romania and the UK have a strategic partnership setting the frame for our future co-operation.

Romania has a dynamic regional agenda. It plays a key role in advancing the EU strategy for the Danube Region ("**EUSDR**") The EUSDR, launched by Romania jointly with Austria, supports several EU policies (in particular the Europe 2020 Strategy), contributes to economic, social and territorial cohesion and assists EU candidate and potential candidate countries on their path towards the EU.

Romania also promotes enhanced regional cooperation in the Black Sea region for the development of a sustainable blue economy. The region's littoral states and the Republic of Moldova initiated a consultation process supported by the European Commission in November 2018 to identify the potential for practical cooperation and launch joint projects in areas such as maritime affairs, fishing and aquaculture, research and innovation, connectivity, environment protection, tourism and education and training.

The EUSDR, launched by Romania jointly with Austria, supports several EU policies, in particular the Europe 2020 Strategy, contributes to economic, social and territorial cohesion and assists EU candidate and potential candidate countries on their path towards the EU.

Romania has completed the evaluation process of the Schengen *acquis communautaire*, as confirmed in the conclusions of the 2011 June Justice and Home Affairs Council and by the positive vote of the European Parliament and reconfirmed by subsequent European Council conclusions.

At its meeting of 26-27 June 2014, the European Council reconfirmed, in its minutes, the support for Romania's accession to the Schengen area and invited the Council to address the accession of Romania and Bulgaria to Schengen at its earliest convenience, with a view to considering the way forward on the basis of a two-step approach. The subject is constantly included as a priority on the agenda of the political diplomatic dialogue with the EU partners. Romania will continue to work with its European partners in order to identify solutions to facilitate progress on this issue as soon as possible. Romania considers that it has successfully fulfilled all technical requirements provided by the Schengen *acquis communautaire* in view of its accession.

Romania has fulfilled the necessary criteria to become a full member of the Schengen area since 2012 and continues to actively participate in the implementation of the new security measures at EU level. Romania has welcomed the renewed appeal of President Juncker in his speech on the State of the Union concerning the need for Romania and Bulgaria to immediately become full members of the Schengen area, as a necessary measure for strengthening the EU's external borders. Joining the Schengen area remains a major political objective for Romania and Romania will continue to work closely with all EU Member States to achieve the common goal of strengthening EU internal security.

Romania participated in an active manner in the negotiation process for the establishment of the necessary instruments designed to ensure the European banking system supervision resolution mechanisms. It also takes part in the discussions aiming at completing the EU banking union. In May 2014, Romania signed the

intergovernmental agreement on the transfer and mutualisation of contributions to the Single Resolution Fund and in November 2016 adopted the law for the ratification of this agreement.

Romania supports the ongoing processes of further consolidating the Economic and Monetary Union ("**EMU**"), within the boundaries of the European Treaties, as part of a policy aimed at stimulating economic growth through stronger governance of the Eurozone, as well as maintaining transparency and openness towards non-euro states. Romania actively participated in the efforts to consolidate the Economic and Monetary Union and to create mechanisms for early warning and addressing future economic or financial crisis phenomena at the Eurozone and EU levels. Romania supported the setting-up of a reformed economic governance framework that takes into account and adequately involves the non-euro Member States. Romania also participated in the intergovernmental initiatives aiming at further strengthening the economic co-operation/co-ordination. Taking into account the country's goal of adopting the single currency, Romania supports an inclusive approach within the EMU consolidation process, which will not create new barriers to joining the euro area. This process should be designed within the existing framework of the EU institutions' competencies without creating new bodies or institutional structures which could render the European decision-making process more difficult. Romania supports an inclusive and transparent approach with regard to the non-Euro Member States in further advancing the consolidation of the EMU, without creating new barriers to joining the euro area.

Moreover, Romania supported the adoption of the EU's Strategic Agenda, endorsed by the European Council in June 2014 and is actively participating in the ongoing discussions at EU level for the implementation of the objectives set forth in the European strategic document, which it fully shares: a union of jobs, growth and competitiveness, a union that empowers and protects all citizens, an Energy Union with a forward-looking climate policy, a union of freedom, security and justice, as well as the EU as a strong participant in the global community.

Energy and climate change are two of the main priority areas for Romania. In this respect, in 2014, Romania supported the adoption of the 2030 Climate and Energy Framework, in view of ensuring instruments and mechanisms aimed at making the EU's economy and energy system more competitive, secure and sustainable, while maintaining the right balance between the new ambitious commitments in the field and the need to preserve the competitiveness of the European industry. The EU's 2030 Climate and Energy Framework and its future legislation for implementation is essential in demonstrating the EU`s commitment for achieving the goal of the Paris Agreement.

The Paris Agreement entered into force on 4 November 2016. Romania completed the national process of ratification of the Paris Agreement and deposited the instrument of ratification to the UN secretariat in June 2017.

On 28 November 2018, the Commission published a set of papers entitled "*A Clean Planet for all - A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy*" which represent a long-term strategy for EU greenhouse gas emissions reduction. The purpose of the long-term strategy is not to set targets, but to create a vision and sense of direction of EU climate and energy policy towards achieving net-zero greenhouse gas emissions by 2050 through a socially fair transition in a cost-efficient manner.

With regard to the energy field, on 25 February 2015, the European Commission released the communication "A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy" which provides guidelines necessary for the long-term transformation of the European energy system and revision of EU energy policy. The third report on the State of the Energy Union Report of November 2017 highlighted the issues where further attention is needed in order to continue building the Energy Union and brought together a series of Commission reports and initiatives in an integrated way.

On 16 February 2016, the European Commission presented the energy security package, which aims to strengthen energy security in EU, including through measures addressing possible energy supply interruptions.

The package sets out a wide range of measures to strengthen the EU's resilience to gas supply disruptions. These measures include moderating energy demand, increasing energy production in Europe (including from renewables), further developing a well-functioning and fully integrated internal energy market, as well as diversification of energy sources, suppliers and routes. Further, the proposals aim to bring more transparency to the European energy market and create more solidarity between the Member States.

On 30 November 2016, the European Commission launched the Clean Energy package ("**The Clean Energy for All Europeans**"), which aims to reform the energy market while supporting the transition to clean energy. It also provides measures to encourage public and private investment, promote EU industrial competitiveness and mitigate the societal impact of the clean energy transition. Three out of eight pieces of legislation, the regulation on governance of the Energy Union, the directive on energy efficiency and the directive on renewable energy were formally adopted by the EU Council in December 2018. At the same time, a political agreement with the European Parliament was reached on four other pieces of legislation in November and December 2018, the regulation on the risk-preparedness in the electricity sector, the regulation on the ACER, the regulation on electricity and the directive on electricity.

In addition to offshore explorations for natural gas in the Black Sea, Romania is actively promoting the project known as "BRUA", which aims to interconnect Bulgarian, Romanian, Hungarian and Austrian electricity supplies. BRUA is an essential element of the Vertical Corridor, integrating the Greek and Bulgarian energy markets with the Hungarian and Austrian ones. This project aims to ensure diversification of gas supply sources and to enhance security of energy supply for Romania, Southeastern Europe and Central Europe. Following discussions with the European Commission, the staging of the project and its achievement was designed in two phases. After the implementation of Phase I, 1.75 bcm/year transmission capacity will be ensured at the interconnection between Romania and Hungary, and 1.5 bcm/year on the interconnection between Romania and Bulgaria. Phase II involves the increasing of the transmission capacity in the Romania – Hungary direction up to 4.4 bcm/year. BRUA is progressing according to its timetable (with construction having started in June 2018). Phase I is planned to be finalised in December 2019 and Phase II in 2020. BRUA Phase I has been confirmed as eligible for accessing EU financing through the Connecting Europe Facility ("**CEF**") instrument as a European project of common interest. On 9 September 2016, Transgaz signed the agreement on accessing the grant worth EUR 179 million, part of the Connecting Europe Facility, funding BRUA's works on Romanian territory.

At the end of July 2017, Romanian stakeholder in BRUA (Transgaz) received the Hungarian counterpart (FGSZ)'s letter announcing their decision to cancel the Romania-Hungary-Austria open season procedure and the proposal to launch a similar process only for the Romanian-Hungarian interconnection point, at this time, considering the economic stability and feasibility of the project. Due to the very limited timeframe for the approval and in order not to jeopardise the start of commercial operations on 1 October 2022, the Romanian relevant authorities approved, under an urgency procedure, the standalone Romania-Hungary project.

This decision was taken in consultation and with the full support of the EU Commission and trying to preserve the interests of the Black Sea developers. Romania has also been informed by the EU Commission that the dialogue between Hungary and Austria continues, at technical level, in order to resolve the current issues.

As at the date of this Information Memorandum, negotiations are taking place regarding a possible re-routing of the project through Slovakia, in order to take advantage of the existing Hungary-Slovakia interconnection point while maintaining the BRUA's final point (the Baumgarten terminal in Austria). Transgaz is in ongoing dialogue with all the other stakeholders in the project and is fully committed to taking all required actions to successfully perform this project of particular relevance to the European and regional gas market. On a wider perspective, Romania maintains a strong commitment for gas market integration. Once completed, BRUA will significantly add to the energy security of the entire region.

On 26 February 2018, the EBRD granted Transgaz SA a EUR 60 million loan for the construction of a new gas pipeline between Romania, Bulgaria, Hungary and Austria.

A new legal framework, adopted by the Romanian Parliament in 2018 related to the offshore sector (Law No. 256/2018 regarding some measures necessary for offshore titleholders implementing petroleum operations), aims to ensure the sustainability of Black Sea gas explorations by creating a balance between the strategic interests of Romania and the legitimate interests of companies, in accordance with European standards. The creation of the legal framework is an important step and is part of the national efforts to help ensure Romania's and the regional energy security.

Cases before the Court of Justice of the European Union

There are currently 58 infringement procedures against Romania before the Court of Justice of the European Union ("**CJEU**" and "**the Court**"), out of which 56 are in the pre-litigation phase and 2 are in the litigation phase (cases C-549/18 and C-638/18).

Case C-549/18, the European Commission vs. Romania

On 29 August 2018, the Romanian authorities received an application initiating the litigation phase in this case, which concerns Romania's alleged failure to transpose the Fourth Anti-Money Laundering Directive. The Commission requested the Court to award:

- a lump sum calculated by multiplying the daily flat rate of EUR 6,016.80 by the number of days of non-fulfilment of the obligation to implement the Fourth Anti-Money Laundering Directive; and
- a penalty payment of EUR 21,974.40 for each day that Romania does not ensure the implementation of the Fourth Anti-Money Laundering Directive after the Court's decision in the case.

The case is in the written phase of the litigation phase.

If the case is decided against Romania, the application of any penalties and their amount are in the sole discretion of the Court.

The average duration of a direct action before the Court was 20.3 months in 2017, according to the 2017 CJEU Annual Report-Judicial Activity. Cases regarding failure to implement EU directives (such as case C-549/18) are handled expeditiously by the CJEU. The EC may refer the case to the Court for the second time if Romania fails to comply with the measures stated in the first judgment of the Court. When an EU member state is referred to the court for the second time, it might be also obliged to pay certain fines and delayed penalties for not complying in due time.

Case C-638/18, the European Commission vs. Romania

On 16 October 2018, the Romanian authorities received an application initiating the litigation phase in this case, which relates to Romania's alleged non-compliance with Directive 2008/50/EC on ambient air quality. The case is in the written phase of the litigation phase.

Even if the Court finds that Romania has failed to fulfil its obligations deriving from EU law, it will not impose financial penalties, noting that in cases concerning an alleged breach of a Member State's obligations under EU law financial penalties are not proposed by the Commission and, therefore, not applied by the Court (unlike cases regarding failure to transpose EU directives or regarding non-compliance with a decision of the Court in an infringement procedure). However, the EC may refer the case to the Court for the second time if Romania fails to comply with the measures stated in the first judgment of the Court and Romania may be obliged to pay certain fines and delayed penalties for not complying with the measures in due time.

Case C-104/15, the European Commission vs. Romania

On 21 July 2016, the CJEU rendered its judgment in Case C-104/15, stating that Romania had breached its obligations under Directive 2006/21/EC on the management of waste from extractive industries. No financial penalties were imposed.

On 14 July 2017, the Romanian authorities received a letter of formal notice from the Commission in case 2012/2182, which relates to Romania's alleged failure to comply with Court's judgment in case C-104/15. Case 2012/2182 is one of the 56 cases which are in the pre-litigation phase.

Through its reply to the letter of formal notice (14 November 2017), Romania informed the Commission of the planned compliance measures, as well as the timeframe for those actions.

No decision of the Commission to initiate proceedings before the Court has been communicated to the Romanian authorities in case 2012/2182 as at the date of this Information Memorandum. If the European Commission decides to initiate proceedings before the Court and request that penalties (lump sum and/or penalty payments) be applied to Romania for its misconduct, the application of such penalties and their amount are in the sole competence of the Court. The average duration of a direct action before the Court was 20.3 months in 2017, according to the 2017 CJEU Annual Report-Judicial Activity. As a breach of EU Law by Romania has been established, proceedings in this case could have a shorter duration.

European Commission Investigations

Investigation into Wholesale Gas Prices

The European Commission has started the first stage of an infringement procedure against Romania after analysing the legislative measures adopted by the government in December 2018 (GEO 114/2018) and concluding that it establishes a system of regulated wholesale gas prices that is against the EU rules. The European Commission decided on 7 March 2019 to send a letter of formal notice to Romania for failing to correctly implement certain requirements of the Gas Directive (2009/73/EC) and the Security of Gas Supply Regulation (Regulation (EU) 2017/1938).

Hunedoara Energy Company (Complex)

The European Commission has found that energy producer Hunedoara Energy Company ("**HEC**") received approximately EUR 60 million of incompatible state aid from Romania through four publicly financed loans. On 8 November 2018, the European Commission adopted Decision No. C (2018) 7308 on the unlawful state aid granted by Romania for the restructuring of the HEC. Furthermore, the European Commission (through COMP / H4 / KE / as-D * 2019/035292 of 12 March 2019) provided Romania with clarifications regarding the calculation of the total amount of aid to be recovered. The whole of the HEC heritage is under National Agency for Fiscal Administration ("**NAFA**") seizure in the account of the loans granted. At this moment, NAFA cannot pass the forced execution of the HEC goods on which it has instituted the seizure because the forced execution is suspended by a judiciary decision.

National Uranium Company

By Decision No. C (2018) 2668 of 5 May 2018, the European Commission opened a formal investigation related to the individual rescue aid granted in 2016, authorised by European Commission Decision of 30 September 2016, SA 46312 (2016 / N) – Rescue aid granted to the National Uranium Company ("**NCU**"). According to the provisions of GEO 65/2016 on the establishment of the legal framework for the granting of individual rescue state aid for NCU, at NCU request the Ministry of Energy was authorised to grant a rescue aid over a period of 6 months in two instalments amounting up to RON 62 million to NCU, which faced major economic and financial difficulties. In March 2019, the NCU completed the Revised Restructuring Plan which provides for the measures the company is going to implement in order to ensure long-term viability. The restructuring plan will be submitted to the Competition Council for transmission to the European Commission for analysis.

EU Funding

Pre-accession Funds

After its accession to the EU, Romania continued to benefit from funding made available as part of the EU pre-accession funding programmes, including PHARE (Poland and Hungary: Assistance for Restructuring their Economies), ISPA (Instrument for Structural Policies for Pre-Accession) and SAPARD (Special Accession Programme for Agriculture and Rural Development). Closing procedures are ongoing in respect of most projects funded using pre-accession funds.

Post-accession Funds

Since 2007, the year of Romania's EU accession, the EU has provided and will continue to provide financial assistance to Romania through various instruments, among the most important of which are the EU Structural and Cohesion Funds and the European Agricultural Fund for Rural Development.

Structural and Cohesion Funds

Overview

The EU Structural and Cohesion Funds are financial tools set up to implement the cohesion policy of the EU, with the aim of reducing economic disparity among regions and Member States of the EU. The EU Structural and Cohesion Funds include the European Regional Development Fund ("**ERDF**"), the European Social Fund ("**ESF**") and the Cohesion Fund ("**CF**"), each of which has different objectives and priorities. These three funds are intended to remain in place for the 2014 to 2020 programming period. Generally, support from the EU Structural and Cohesion Funds is granted to Romania for the purpose of accelerating its economic development. To this end, the EC approved seven sectorial OP under the Structural and Cohesion Funds under which Romania was entitled to funding during the 2007-2013 programming period (i.e. increasing economic competitiveness, transport, environment, regional OP, technical assistance, human resources development and administrative capacity development). Smaller financial support was also granted for cross-border and transnational activities.

For the 2014-2020 programming period, EUR 43 billion has been allocated to Romania, according to the Multiannual Financial Framework. Out of this amount, the allocation for European Structural and Investment Funds (ESIF) is EUR 31 billion. The allocation for the Cohesion Policy, which is financed under ESIF, is EUR 23 billion, out of which approximately EUR 4.3 billion (19 per cent.) was received from the European Commission (pre-financing and reimbursements) by the end of December 2018.

The Ministry of European Funds ("**MEF**") assumes the coordination of the 2007-2013 structural instruments and 2014-2020 European structural and investment funds ("**ESIF**") and the managing authorities ("**MAs**") for five operational programmes (Competitiveness, Large Infrastructure, Technical Assistance, Human Capital and Aid for the Most Deprived). The MAs for the Regional Operational Programme and Administrative Capacity Operational Programme are within the authority of the Ministry for Regional Development and Public Administration.

Allocations and Absorption of the EU Structural and Cohesion Funds 2007-2013 as of 31 December 2018

The European Commission allocates specific amounts of funds to each of the seven OPs. The overall allocation for Romania under the EU Structural and Cohesion Funds in the 2007–2013 programming period was EUR 19.51 billion, of which EUR 12.53 billion represented structural funds (i.e. ERDF and ESF), EUR 6.52 billion was allocated under the Cohesion Fund and the balance of EUR 0.46 billion was allocated under the European Territorial Cooperation Objective (financed by the ERDF, this objective supports cross-border, transnational and interregional co-operation programmes). National co-financing for the period 2007-2013, as required by the grants, was approximately EUR 5.6 billion. Due to the automatic decomittment of funds (See "*Description*

of Romania—EU Funding—Decommitment rule"), the EU allocation for the 2007-2013 OPs became EUR 17.57 billion. For the 2007-2013 programming period, the eligibility period ended on 31 December 2015, with the programmes closing in 2017. According to EU regulations, by 31 March 2017, the Member States submitted to the European Commission the final declaration of payments and other relevant documents for closure of the programming period. Romanian authorities submitted the final declarations of payments to the European Commission for all the operational programmes in a timely manner. Based on the final balances, the absorption rate reached approximately 94 per cent. of the EU allocation amounts requested from the European Commission.

Decommitment rule

The use of Structural and Cohesion Funds and of the European Structural and Investment Funds is subject to a decommitment rule, which provides that the EU shall automatically decommit any part of a budget commitment in an operational programme that has not been used for payment of pre-financing or interim payments or for which an application for payment has not been sent by the end of a certain period (which is two or three years after the year when the financial allocation is granted ("**n+2/n+3 rule**")). Allocations that are decommitted are permanently lost. This rule has been in force throughout the 2007-2013 programming period and applies to the 2014-2020 programming period as well.

2007 – 2013

Following the application of the n+2/n+3 rule for the automatic decommitment of funds, a total amount of EUR 1.64 billion was decommitted, out of which EUR 431.5 million was decommitted during the 2007-2013 programming period and EUR 1.21 billion was decommitted in September 2017, on the basis of payment requests submitted to the Commission by 31 March 2017 and taking into account the allocation of funds to OPs, the amounts of the applications for payment of the final balance and the amounts still unallocated based on the available information.

For the 2007-2013 programming period, 31 December 2015 was the end of the eligibility period and according to the EU regulations, by 31 March 2017 the Member States had to submit to the Commission the final declaration of payments and other relevant documents for closure. Consequently, the final outcome of the absorption for the 2007-2013 can be set only after the acceptance of the closure documents by the European Commission. Allocations that are decommitted will be permanently lost.

2014 – 2020

The "n+3 rule" is applied in the 2014-2020 programming period, which, in contrast to the previous programming period, applies to the entire period, with the aim of significantly reducing the automatic decommitment thresholds. All the operational programmes were adopted by mid-2015, except for the OP "SMEs Initiative" for which the decision on the elaboration of this distinct programme was adopted later in 2016.

The decommitment rule was applied for the first time, at the end of 2017, but only for the OPs adopted by the EC at the end of 2014 (OP Competitiveness, OP Technical Assistance, OP "European Aid for Most Deprived"), but no amounts were decommitted.

The OPs adopted in 2015 (OP Large Infrastructure, OP Human Capital, OP Administrative Capacity and OP Regional) will benefit from the "carry-over" procedure by which the 2014 commitments are carried over to 2015, with decommitment rule applying at the end of 2018. Based on the payment applications submitted to the European Commission by the end of 2018, there are no decommitments of ESI Funds. At the end of 2018, the absorption rate was 26 per cent. (for all ESI Funds), while the EU average was 27 per cent. Romania ranked fifth among the 28 Member States in absolute values of EU funds received, with approx. EUR 8 billion received

from the European Commission. In addition, the contracting rate of 70 per cent. creates a prerequisite for increase of the absorption rate in the upcoming period.

Low absorption rates and ameliorative measures

When Romania first began accessing the Structural and Cohesion Funds, it struggled to fully absorb the amounts available and even the amounts allocated to it. The low level of payments made to beneficiaries by the national management authorities and the even lower level of the reimbursements made by the EC revealed problems and difficulties at both the beneficiary and the managing authority levels. Such difficulties affected the project preparation and submission stage, the appraisal, selection and contracting of projects and actual project implementation.

At the initiative of Commissioner for Regional Policy, Corina Cretu, a task force was created with the main objective of accelerating the absorption of 2007-2013 funds. This mechanism was proposed by the European Commission to eight member states, Romania included, which had an absorption rate of less than 60 per cent. at the end of 2014.

The main actions to be implemented in order to accelerate the implementation of 2007-2013 programmes and to pave the ground for the implementation of the 2014-2020 programming exercise were agreed in 2015.

These actions were transposed in a priority action plan ("**PAP**") that has been officially agreed between the Romanian Minister of the European Funds and the EU Commissioner for Regional Policy. The objectives of the PAP comprised avoiding a substantial de-commitment of funds, creating the pre-requisites for maximisation of the absorption rate at the closure of the 2007-2013 programming period, and ensuring the proper start of the 2014-2020 programming exercise.

In October 2015, Romania approved the National Strategy for Public Procurement, which aimed to improve and reform the national system for public procurement, with direct consequences on the implementation of the European Structural and Investment Fund ("**ESI Fund**").

The implementation of the National Strategy for Public Procurement is closely monitored by both the Romanian Government and the European Commission, considering that the fulfilment of the strategy measures is an ex-ante conditionality included in the Partnership Agreement for the 2014-2020 programming period ("**Partnership Agreement**").

Funds under the 2014-2020 programming period

The Partnership Agreement was adopted with EC Decision 5515/6.08.2014 (Romania being the 11th Member State for which this strategic document was adopted by the EC). The Partnership Agreement is the strategic document that defines Romania's development vision, including its use of European Union support, and it indicates how investments will be concentrated in order to promote competitiveness, convergence and co-operation and to encourage local development, based on economic growth and social inclusion.

Investments from the European Structural and Investment Funds 2014-2020 ("**ESIF**") are one of the most important tools to reduce development disparities between different regions of Romania, but also between Romania and other Member States.

The ESIF regulatory framework for the programming period 2014-2020 reflects the European Commission's orientation towards performance. The European Commission put in place a performance monitoring framework, including milestones and specific targets corresponding to each operational programme, the completion of which will be verified in 2018 and 2022. The European Commission put in place, in order to improve the efficiency of spending of EU funds, performance reserves in amounts ranging between 5 and 7 per cent. of the allocations under each priority within the OP, with the exception of priorities dedicated to technical

assistance and programmes dedicated to financial instruments. The performance reserve amounts will be released subject to the achievement of the milestones set for 2018.

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, at the same time, the predictability of national sectorial policies. The availability of funds depends on Romania meeting 36 ex-ante conditionalities. In March 2018, the Commission officially accepted that Romania had fulfilled 34 ex-ante conditionalities. In October 2017, the ex-ante conditionality related to the administrative capacity was reported as fulfilled by the Romanian authorities which are expected to receive a positive agreement from the Commission.

Romania reported to the Commission that one ex-ante conditionality has not been fulfilled (related to the waste sector). Accordingly, in April 2018, the Commission sent a warning letter and announced the possibility of suspending payments for new investments (with the exception of phased projects) in respect of the unfulfilled conditionality. Romania has adopted a strict action plan in order to fulfil this conditionality by the end of 2019.

At the end of 2014, all OPs had been officially submitted to the European Commission. Moreover, three OPs were adopted by the European Commission in 2014, namely "Competitiveness", with a EUR 1.3 billion allocation from the ERDF; "Technical Assistance" with a EUR 253 million allocation from the ERDF and "Aid for the Most Deprived" with a EUR 442 million allocation from the Fund for European Aid to the Most Deprived. Another two OP were adopted in February 2015: "Human Capital" with a financial allocation of EUR 4.3 billion from the ESF and "Administrative Capacity" with a financial allocation of EUR 0.553 billion from the ESF. The OP were approved by the European Commission in 2014, 2015 and 2016.

The Regional OP (the "**ROP**"), with an allocation of EUR 6.8 billion from ERDF, was adopted by the European Commission in June 2015 and revised in 2018 for the introduction of the SME's Initiative Operational Programme in the ROP. The Large Infrastructure Operational Programme with an allocation of EUR 2.48 billion from the ERDF and EUR 6.93 billion from the Cohesion Fund was adopted in July 2015.

In April 2018, the Commission approved the modification of three OPs, following the Romanian authorities' decision to reallocate funds between the Large Infrastructure OP, the Technical Assistance OP and the ROP, based on the analysis of implementation and the new identified regional needs and in this context, the Partnership Agreement was also modified. In October 2018, the ROP was modified by including the SME's Initiative OP as a new priority in the ROP, thus supplementing the allocation of funds to the ROP. In December 2018, the European Commission approved the modifications of the Large Infrastructure OP, the Competitiveness OP and of the Human Capital OP, respectively – the modification of the Large Infrastructure OP referred to the increase of EU cofinancing ratio for the transport sector, the modification of certain categories of actions, types of beneficiaries, as well as the revision of some indicators; the amendment of the Competitiveness OP comprised the modification of the project type for a certain action, the reallocation of funds between actions and the modification of the target value for an indicator; and the Human Capital OP's amendment referred to the modification of the operational programme's financial plan in order to comply with the modification of Regulation 1303/2013 regarding the allocation for the Youth Employment Initiative (YEI).

In accordance with the revised Partnership Agreement, Romania's development in the 2014-2020 programming period will be sustained through ESIF support in intervention areas that have a major impact, such as: sustainable transport and removing bottlenecks in key network infrastructures (EUR 6 billion); competitiveness of SMEs (EUR 3.6 billion), access to, use and quality of, information and communication technology (EUR 0.5 billion) and technological development and innovation (EUR 1.1 billion). In addition, EUR 0.8 billion will be spent on improving governance at the level of central and local public authorities.

The eligibility period for the 2014-2020 programmes is between 1 January 2014 and 31 December 2023. Expenditure is eligible for a contribution from the ESI Funds only if it has been incurred by a beneficiary and paid within this period.

Designation/implementation process

The designation of the structures involved in management and control systems of the 2014-2020 OP was fully acknowledged and assumed by Romanian authorities and the necessary documents were submitted to the Audit Authority in April 2017.

The Romanian managing and certifying authorities for the OP financed through the 2014-2020 period were officially designated based on the necessary measures implementation and IT dedicated system development, European Commission being informed accordingly.

In accordance with the Commission's regulations, after the official designation of authorities involved in the management and control systems, Romanian authorities started to submit payment applications to reimburse the eligible expenditures declared by the beneficiaries.

Even where Romania could not submit applications for payment to the Commission, the implementation process at national level had started. All the Management Authorities started the implementation of OP by launching, in public consultation, guidelines for applicants on different investment priorities, and subsequently calls for proposals.

As of 31 December 2018, for the programmes financed under ESIF and the Fund for the European Aid for the Most Deprived, (Large Infrastructure OP, Competitiveness OP, Technical Assistance OP, Regional OP, Human Capital OP, Administrative Capacity OP and Aid for the Most Deprived OP), excluding the agriculture sector, approximately 90 per cent. of the corresponding allocation had been launched.

As at 31 December 2018, Applicants have submitted projects that are under different stages of evaluation/contracting/implementation. MAs have signed 5,640 financing contracts, in total amount of approximately EUR 20 billion, representing approximately 70 per cent. of the total EU allocation.

As at 31 December 2018, for the signed contracts, the payments made to the beneficiaries amount to EUR 4.5 billion (the EU contribution is EUR 3.8 billion), representing 17 per cent. of OPs EU allocation. The amount requested to the Commission is approximately EUR 3.6 billion, representing a current absorption of approximately 15.7 per cent. Out of the amounts requested, the Commission made reimbursements of EUR 2.9 billion which is equivalent to a 12.7 per cent. absorption rate. The total amount received from the Commission is approximately EUR 4.4 billion (pre-financing and reimbursements) which represents 19 per cent. of the total EU allocation.

Agriculture related Financial Assistance

The European Agricultural Fund for Rural Development ("**EAFRD**") was created to support the implementation of the EU's Common Agricultural Policy by funding investments to increase the competitiveness of the agricultural sector, the improvement of environment and the improvement of rural areas, including improving the quality of life in these areas.

The European Agricultural Guarantee Fund ("**EAGF**") finances direct payments to farmers and implements measures to regulate the agricultural markets, for example through intervention and export refunds. The purpose of the European Maritime and Fisheries Fund ("**EMFF**") is to grant financial support to ensure the conservation and sustainable use of fisheries and aquaculture marine resources. For financial details regarding the use of these funds by Romania, please see the table titled "*Evolution of financial flows between Romania and the European Union as of 31 December 2018*" under "*—Membership in the European Union*".

For the National Rural Development Programme, the total amount requested in the period 2014-2018 from the Commission is EUR 3.60 billion, of which EUR 3.56 billion was reimbursed by the Commission as of 31 December 2018. For the Fisheries and Maritime Affairs Operational Programme, the total amount requested in the period 2014 -2018 from the Commission is EUR 29.83 million, of which EUR 26.85 million was reimbursed by the Commission as of 31 December 2018.

As regards the European Agricultural Guarantee Fund 2014-2020 the total amount requested in the period from 2015 to 15 January 2019 from the Commission is EUR 6.31 billion, of which EUR 5.85 billion was reimbursed by the Commission as of 15 January 2019.

Funds under the 2007-2013 programming period

The 2007-2013 EU fund allocation for Romania for agriculture amounted to a total of EUR 14.91 billion, of which EUR 8.10 billion funds were allocated to Romania under the EAFRD, EUR 6.58 billion were allocated under the EAGF and EUR 230 million were allocated under the European Fisheries Fund (the "**EFF**").

As of 31 December 2015, EUR 8.46 billion was paid to the National Rural Development Programme beneficiaries (financed under the EAFRD funds allocated to Romania). EUR 1.09 billion represented pre-financing amounts paid by the payment authority to the beneficiaries, EUR 6.34 billion corresponded to actual reimbursements made to the beneficiaries from EAFRD and the balance of EUR 1.03 billion represented payments out of the national budget. As of 31 December 2015, the absorption rate, when taking into account pre-financing amounts granted to Romania, was 95 per cent. As of 31 December 2015, the absorption rate based on the actual amounts reimbursed by the payment authority to the beneficiaries amounted to 78 per cent. The absorption rate based on all the amounts paid by the payment authority (including pre-financing amounts granted to beneficiaries and amounts reimbursed to beneficiaries) is 89 per cent. As at 31 December 2015, 98,444 projects had been approved, of which 82,561 financing contracts were concluded for a total eligible value of EUR 7.38 billion of which EUR 4.62 billion were financed by the EAFRD contribution. In accordance with EU regulations, the final eligibility date of expenditure under the 2007-2013 programming period was 31 December 2015.

By the end of April 2016, a total amount of EUR 199.49 million had been paid to beneficiaries from the EFF and the national budget, representing approximately 83.93 per cent. of the total allocation (237.70 million representing EFF and national budget financing). The value of financing contracts concluded is EUR 237.05 million, representing 99.73 per cent. of the total allocation.

Funds under the 2014-2020 programming period

The 2014-2020 EU fund allocation for the Romanian agricultural sector amounted to a total of EUR 20.66 billion (of which EUR 12.39 billion were allocated under EAGF for direct payments), EUR 238.5 million were allocated for the national support programme in the wine sector and EUR 10 million (2017-2019) were allocated for the apiculture programme. For the fishery and aquaculture sector, EUR 168.4 million was allocated under the European Maritime and Fisheries Fund.

As of 31 December 2018, 324 projects had been submitted to the Managing Authority, of which 177 projects had been approved. 87 contracts were concluded for a total public value of EUR 32.05 million. In addition, through the transition procedure, from EFF 2007-2013, 5 contracts with a public value of EUR 2.45 million were transferred in the European Maritime and Fishery Fund 2014-2020 (the "**EMFF**"), for completion. A total amount of EUR 47.07 million had been paid to beneficiaries of the EMFF.

In 2014, Romania decided to transfer EUR 112.3 million from EAGF direct payments to rural development, resulting in a total amount of EUR 8.13 billion allocated to the National Rural Development Programme in the 2014-2020 period.

As of 31 December 2018, 30,144 projects had been approved, of which 29,485 contracts were concluded for a total public value of EUR 3.92 billion. In addition, through the transition procedure, from the National Rural Development Programme 2007-2013, 21,309 contracts with a public value of EUR 431.23 million were transferred in the National Rural Development Programme 2014-2020, for completion. A total amount of EUR 4.12 billion had been paid to beneficiaries of the National Rural Development Programme 2014-2020 by the Paying Agency.

The following table shows the evolution of financial flows between Romania and the European Union as of 31 December 2018 under the Multiannual Financial Framework ("**MFF**"), *i.e.* the amounts received from MFF 2007-2013 and MFF 2014-2020, the amounts paid to the EU during 2007-2017 and the balance of the MFF 2007-2013 and MFF 2014-2020. The MFF establishes the maximum annual amounts which the EU may spend in different policy fields and it provides a budgetary discipline by ensuring that EU spending is predictable and stays within the agreed limits.

Evolution of financial flows between Romania and the European Union as of 31 January 2019

Net Financial Balance

Amounts received from MFF 2007-2013

Name	Realised 2007	Realised 2008	Realised 2009	Realised 2010	Realised 2011	Realised 2012	Realised 2013	Realised 2014	Realised 2015	Realised 2016	Realised 2017	Realised 2018	Realised 2019 (execution as of 31 January 2019)	Realised 2007-2019 (execution as of 31 January 2019
							(mil euro)							
I. AMOUNTS RECEIVED FROM THE EU BUDGET (A+B)	1,599.71	2,642.34	2,930.24	2,293.63	2,621.59	3,442.13	5,557.21	5,932.51	5,493.30	4,540.14	13.30	6.55	0.00	37,072.66
A. Pre-accession funds	812.26	747.68	618.74	273.17	132.61	43.90	31.02	19.25	29.33	1.51	2.18	6.54	0.00	2,718.20
B. Post-accession funds, of which:	787.45	1,894.67	2,311.50	2,020.46	2,488.98	3,398.24	5,526.19	5,913.26	5,463.98	4,538.63	11.11	0.01	0.00	34,354.46
i) Prepayments	773.82	1,408.37	1,009.06	344.51	105.83	107.01	135.92	130.33	146.82	46.39	9.01	0.01	0.00	4,217.07
ii) Reimbursements (including EAGF)	13.63	486.30	1,302.44	1,675.94	2,383.15	3,291.23	5,390.27	5,782.93	5,317.16	4,492.24	2.10	0.00	0.00	30,137.39
B1. Structural and Cohesion Funds, of which:	421.38	648.45	917.84	505.54	708.36	1,170.92	2,963.12	3,587.61	2,635.56	3,693.39	2.10	0.00	0.00	17,254.26
a) Prepayments from Structural and Cohesion Funds	421.38	648.45	777.23	278.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,125.81
b) Reimbursements from Structural and Cohesion Funds	0.00	0.00	140.61	226.80	708.36	1,170.92	2,963.12	3,587.61	2,635.56	3,693.39	2.10	0.00	0.00	15,128.45
B2. Agricultural, Rural Development and Fishering Funds, of which:	15.13	578.75	565.93	760.48	883.05	1,090.05	1,229.99	841.02	1,247.35	522.29	0.00	0.00	0.00	7,734.02
a) Prepayments/ prefinancing from Agricultural, Rural Development and Fishering Funds	15.13	578.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	593.88
b) Reimbursements from Agricultural, Rural	0.00	0.00	565.93	760.48	883.05	1,090.05	1,229.99	841.02	1,247.35	522.29	0.00	0.00	0.00	7,140.15

Name	Realised 2007	Realised 2008	Realised 2009	Realised 2010	Realised 2011	Realised 2012	Realised 2013	Realised 2014	Realised 2015	Realised 2016	Realised 2017	Realised 2018	Realised 2019 (execution as of 31 January 2019)	Realised 2007-2019 (execution as of 31 January 2019
							(mil euro)							
Development and Fishering Funds														
B3. The European Agricultural Guarantee Fund (EAGF)	6.89	461.87	575.93	663.78	768.95	991.27	1,174.70	1,325.84	1,420.24	269.34	0.00	0.00	0.00	7,658.82
B4. Others (post-accession), from which:	344.05	205.60	251.80	90.65	128.62	146.00	158.38	158.79	160.83	53.62	9.01	0.01	0.00	1,707.36
a) Prepayments	337.31	181.17	231.82	65.77	105.83	107.01	135.92	130.33	146.82	46.39	9.01	0.01	0.00	1,497.39
b) Reimbursements	6.74	24.42	19.97	24.88	22.79	38.99	22.46	28.47	14.01	7.23	0.00	0.00	0.00	209.97

Source: Ministry of Public Finance

Amounts received from MFF 2014-2020

Name	**Realised 2014**	**Realised 2015**	**Realised 2016**	**Realised 2017**	**Realised 2018**	**Realised 2019 (execution as of 31 January 2019)**	**Realised 2014-2019 (execution as of 31 January 2019)**
				(mil euro)			
I. AMOUNTS RECEIVED FROM THE EU BUDGET (A+B+C+D)....................	48.51	945.11	2,820.74	4,805.44	4,437.87	1,272.52	14,330.20
i) Prepayments.................	48.51	914.84	761.42	142.57	69.81	0.00	1,937.16
ii) Reimbursements (including EAGF)............	0.00	30.27	2,059.32	4,662.87	4,368.06	1,272.52	12,393.05
A. Structural and Cohesion Funds, of which:	48.51	666.25	660.15	1,280.44	1,469.11	462.25	4,586.71
a) Prepayments from Structural and Cohesion Funds..............................	48.51	666.25	660.15	136.09	31.08	0.00	1,542.07
b) Reimbursements from Structural and Cohesion Funds..............................	0.00	0.00	0.00	1,144.36	1,438.03	462.25	3,044.64
B. Agricultural, Rural Development and Fishering Funds, of which:	0.00	248.59	610.05	1,520.90	1,026.06	0.00	3,405.59
a) Prepayments/ prefinancing from Agricultural, Rural Development and Fishering Funds...............	0.00	248.59	86.03	0.99	0.20	0.00	335.81
b) Reimbursements from Agricultural, Rural Development and Fishering Funds...............	0.00	0.00	524.02	1,519.91	1,025.86	0.00	3,069.79

C. The European Agricultural Guarantee Fund (EAGF)	0.00	0.00	1,240.59	1,772.51	1,768.96	807.51	5,589.57
D. Others, from which:	0.00	30.27	309.96	231.59	173.75	2.76	748.33
a) Prepayments	0.00	0.00	15.25	5.50	38.53	0.00	59.28
b) Reimbursements..........	0.00	30.27	294.71	226.10	135.21	2.76	689.05

Source: Ministry of Public Finance

Amounts paid to the EU During 2007-2018

Name	Realised 2007	Realised 2008	Realised 2009	Realised 2010	Realised 2011	Realised 2012	Realised 2013	Realised 2014	Realised 2015	Realised 2016	Realised 2017	Realised 2018 (execution as of 31 December 2018)	Realised 2019 (execution as of 31 January 2019)	Realised 2007-2018 (execution as of 31 December 2018)
II. AMOUNTS PAID TO THE EU	1,150.89	1,268.93	1,364.43	1,158.91	1,296.24	1,427.77	1,534.77	1,619.89	1,456.25	1,504.70	1,499.53	1,677.48	279.82	17,239.62
C. Romanian Contribution to the EU Budget	1,129.13	1,246.78	1,315.49	1,109.25	1,234.26	1,405.57	1,469.80	1,604.92	1,441.69	1,479.98	1,468.50	1,640.15	265.06	16,810.56
D. Other contributions	21.77	22.15	48.94	49.66	61.98	22.20	64.96	14.97	14.57	24.72	31.04	37.33	14.76	429.05

Source: Ministry of Public Finance

Balance of MFF 2007-2013 and MFF 2014-2020

(mil euro)

Name	Realised 2007	Realised 2008	Realised 2009	Realised 2010	Realised 2011	Realised 2012	Realised 2013	Realised 2014	Realised 2015	Realised 2016	Realised 2017	Realised 2018	Realised 2019 (execution as of 31 January 2019)	Realised 2007-2019 (execution as of 31 January 2019)
I. AMOUNTS RECEIVED FROM THE EU BUDGET (A+B).............	1,599.71	2,642.34	2,930.24	2,293.63	2,621.59	3,442.13	5,557.21	5,981.02	6,438.42	7,360.88	4,818.74	4,444.42	1,272.52	51,402.86
A. AMOUNTS RECEIVED FROM THE EU BUDGET from MFF 2007-2013	1,599.71	2,642.34	2,930.24	2,293.63	2,621.59	3,442.13	5,557.21	5,932.51	5,493.30	4,540.14	13.30	6.55	0.00	37,072.66
B. AMOUNTS RECEIVED FROM THE EU BUDGET from MFF 2014-2020.......	—	—	—	—	—	—	—	48.51	945.11	2,820.74	4,805.44	4,437.87	1,272.52	14,330.20
II. AMOUNTS PAID TO THE EU	1,150.89	1,268.93	1,364.43	1,158.91	1,296.24	1,427.77	1,534.77	1,619.89	1,456.25	1,504.70	1,499.53	1,677.48	279.82	17,239.82
III. Balance of financial flows = I – II	448.82	1,373.41	1,565.81	1,134.72	1,325.35	2,014.36	4,022.45	4,361.13	4,982.17	5,856.18	3,319.21	2,766.94	992.70	34,163.25

Source: Ministry of Public Finance

THE ROMANIAN ECONOMY

Overview

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

Romania recovered after global financial crisis, recording real GDP annual average growth of approximately 4.4 per cent. between 2013 and 2018. Annual increases were among the largest in the EU28, which led to the improvement of the real convergence of the Romanian economy with the European average.

The National Institute for Statistics ("**NIS**") publishes quarterly and annual data regarding GDP, according to the European System of Accounts ("**ESA**") 2010 methodology, which is aligned with the amendments brought to the System of National Accounts 2008.

The GDP/capita increased from EUR 8,087 in 2015, to EUR 8,646 in 2016, to EUR 9,573 in 2017, and to EUR 10,376 in 2018.

The GDP/capita in purchasing power standards improved significantly its convergence towards the EU average, increasing from 56.0 per cent. in 2015 to 63.0 per cent. of the EU average in 2017.

The following table shows the main macroeconomic indicators for the years 2015, 2016, 2017 and 2018 (where available, and except where specified otherwise):

Main Macroeconomic Indicators	**2015**	**2016**	**2017**	**2018**
Gross domestic product –current prices (EUR billion)[(1)]	**160.3**	**170.4**	**187.5**	**202.1**
Real growth (percentage change)[(1)]	3.9	4.8	7.0	4.1
GDP/per capita (RON)	35,949	38,826	43,729	48,284
Average exchange rate (EUR/RON)	4.4450	4.4908	4.5681	4.6535[(2)]
Industrial production (percentage change)	2.7	1.7	8.2	3.5
Agricultural production (percentage change)	(6.8)	2.5[(3)]	12.5[(4)]	—
Retail[(5)] (percentage change)	8.9[(3)]	12.4	10.8	5.4
Current account balance (EUR million)	(1,972)	(3,549)	(5,970)	(9,416)
Real wage (percentage change)	10.1	11.8	12.8	8.1[(6)]
Average inflation (percentage change)	(0.59)	(1.55)	1.34	4.63[(2)]
Employment (percentage change) (according to LFS – Labour Force Survey)	(0.9)	(1.0)	2.6	0.1[(7)]

Notes:

(1) Final data for 2015 (according to National Institute for Statistics data from July 2018); final data for 2016 (data according to Press Release No. 269 from 12 October 2018, National Institute for Statistics); and semi-final data for 2017 (data according to Press Release No. 329 from 20 December 2018, National Institute for Statistics) and provisional data for 2018 (data according to Press Release No. 54 from 7 March 2019, National Institute for Statistics).

(2) Average of January-December 2018.

(3) Final data according to 2017 Romanian Statistical Yearbook, National Institute of Statistics.

(4) Final data according to 2018 Romanian Statistical Yearbook, National Institute of Statistics.

(5) Excluding sale, maintenance and repair of motors, vehicles and motorcycles.

(6) Final data for 2015, 2016 and 2017. Provisional data for 2018 based on monthly data.

(7) Data for January-September 2018.

Source: National Commission for Strategy and Prognosis, except where specified otherwise

In 2015, Romania's GDP increased by 3.9 per cent. compared to 2014. The major drivers of growth were gross fixed capital formation, which grew by 7.5 per cent. and private consumption, which grew by 6.0 per cent., each compared to the previous year, due to the improvement of the purchasing power following the cut in VAT rate applicable to food, non-alcoholic beverages and restaurants and catering services, as well as wage increases and the negative inflation rate. Net exports had a negative contribution to real GDP growth rate (1.4 percentage points).

In 2016, growth in GDP was 4.8 per cent. compared to 2015 which was the highest year-on-year growth recorded since 2010. This growth was largely based on the contribution of domestic demand for consumption as a result of the fiscal relaxation measures (reduced VAT) and wage increases that have improved the purchasing power of the population. Private consumption grew by 7.9 per cent. compared to 2015. Gross fixed capital formation recorded a decrease in real terms by 0.2 per cent. Net external demand made a negative contribution (0.3 per cent.), mainly because the domestic demand increase could not be entirely covered from domestic production.

In 2017, economic growth reached 7.0 per cent. compared to 2016, being the second highest rate of economic growth within the European Union, after Ireland.

This growth was based on domestic demand, whose contribution to GDP growth was 7.6 per cent. Unlike 2016, when household consumption was the sole contributor to the economic growth, in 2017, its contribution was complemented by the positive contribution of investments (gross fixed capital formation) which grew by 3.5 per cent. compared to 2016.

This high domestic demand required more imports, so the net exports had a marginal negative contribution to real GDP growth of 0.7 per cent.

In 2018, gross domestic product continued its robust growth albeit at a slower pace, increasing by 4.1 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 5.9 percentage points while net exports had a negative contribution of -1.8 percentage points.

The following table shows percentage changes to GDP components for the years 2015, 2016, 2017 and 2018:

Gross Domestic Product Components

	2015	2016	2017	2018
	(percentage change against the same period of the previous year)			
Domestic demand	5.3	5.1	7.6	5.8
Final consumption	4.8	6.8	8.6	4.9
Private consumption expenditures	6.0	7.9	10.1	5.2
Government consumption expenditures.......	(0.3)	2.2	1.0	3.8
Gross fixed capital formation	7.5	(0.2)	3.5	(3.2)
Changes in inventories.................................				

Gross Domestic Product Components

	2015	2016	2017	2018
	(percentage change against the same period of the previous year)			
(Contribution to real GDP growth, percentage points)	(0.1)	0.0	0.2	2.7
Net exports (Contribution to real GDP growth, percentage points)	(1.4)	(0.3)	(0.7)	(1.8)
Gross domestic product	3.9	4.8	7.0	4.1

Source: National Institute of Statistics

Structure of the Economy

Since 1990, the structure of Romania's economy has changed significantly, with a shift from industry and agriculture to the service sector. The service sector increased its contribution to GDP from 53.7 per cent. in 2015 to 55.6 per cent. in 2016 and further to 56.8 per cent. in 2017. In 2018, the service sector's contribution to GDP was 57.0 per cent. This is approaching the EU average, where the contribution of services to GDP currently exceeds 60 per cent.

The following table shows the structure of GDP by sector for the years 2015, 2016, 2017 and the first nine months of 2018:

Structure of Gross Domestic Product by Sectors

	2015	2016	2017	2018
	(structure, per cent.)			
Industry	24.1	24.0	23.8	23.7
Agriculture, forestry and fisheries	4.2	4.1	4.3	4.4
Construction	5.9	6.0	5.6	5.4
Services – Total	53.7	55.6	56.8	57.0
Trade, hotel and restaurants, transport and communications	22.0	22.9	23.6	23.5
Financial, real-estate, renting and business services	18.7	18.5	17.9	17.5
Other service activities	13.0	14.2	15.3	16.0
Net taxes	12.1	10.3	9.5	9.5
Gross domestic product	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 2015, 2016, 2017 and 2018:

Changes in Gross Domestic Product by Sectors

	2015	2016	2017	2018
	(percentage change against the same period of the previous year)			
Industry	5.4	5.1	8.3	4.1
Agriculture, forestry and fisheries	(11.1)	4.2	14.6	9.9
Construction	6.5	12.3	(0.9)	(5.6)
Services	3.5	4.1	6.9	3.6
Trade, hotel and restaurants, transport and communications	11.2	8.6	9.3	4.6
Financial, real-estate, renting and business services	3.4	3.5	4.6	3.7
Other service activities	(7.2)	(2.6)	5.9	1.8
Gross value added	3.5	4.9	7.1	3.5
Net taxes on goods	7.1	3.8	6.3	10.1
Gross domestic product	3.9	4.8	7.0	4.1

Source: National Institute of Statistics

Gross Value Added

In 2015, gross value added ("**GVA**") in industry increased by 5.4 per cent. compared to 2014, by 5.1 per cent. in 2016 compared to 2015 and by 8.3 per cent. in 2017 compared to the previous year. In 2018, GVA in industry increased by 4.1 per cent. as compared to the previous year.

The agricultural sector in Romania is strongly influenced by climatic conditions. GVA in agriculture increased by 4.2 per cent. in 2016, as compared to 2015 and in 2017, GVA in agriculture increased by 14.6 per cent. as compared to the previous year, fuelled by good results in crop production. In 2018, GVA in agriculture increased by 9.9 per cent. compared to the previous year.

GVA in construction increased by 6.5 per cent. in 2015 compared to 2014, 12.3 per cent. in 2016 compared to 2015, but decreased in 2017 by 0.9 per cent. compared to 2016. In 2018, GVA in construction decreased by 5.6 per cent. as compared to the previous year.

GVA in the services sector increased by 4.1 per cent. in 2016, compared to 2015. In 2017, GVA in the services sector increased by 6.9 per cent., compared to 2016. In 2018, GVA in the services sector increased by 3.6 per cent. as compared to the previous year.

Industrial Production

In 2015, industrial production increased by 2.7 per cent. compared to 2014, while manufacturing increased by 3.5 per cent. In 2016, industrial production increased by 1.7 per cent. compared to 2015 and manufacturing increased by 2.6 per cent. The 15.8 per cent. decrease in industrial production in the mining sector in 2016 was caused by the decrease in mining-related services of 42.7 per cent. in 2016 compared to 2015. In 2017, industrial production increased by 8.2 per cent. and manufacturing increased by 8.9 per cent., as compared to 2016. In 2018, as compared to 2017, industrial production increased by 3.5 per cent. and manufacturing increased by 4.3 per cent.

In 2015, the turnover value of total industry increased by 2.4 per cent. as compared to 2014, and the turnover of the manufacturing sector increased by 2.7 per cent. In 2016, the turnover value of total industry increased by 4.7 per cent. compared to 2015 and the turnover value of the manufacturing sector increased by 5.8 per cent. In 2017, the turnover value of total industry increased by 11.7 per cent. as compared to 2016 and manufacturing increased by 11.5 per cent. The turnover value of total industry increased by 11.8 per cent. in 2018 as compared to 2017 and the turnover value of the manufacturing sector increased by 12.0 per cent.

The following table shows percentage changes in industrial production by sector for the years 2015, 2016, 2017 and 2018:

Industrial Production by Sectors

	2015	2016	2017	2018
	(percentage change against the same period of the previous year)			
Mining and quarrying	(12.5)	(15.8)	5.9	(0.2)
Manufacturing	3.5	2.6	8.9	4.3
Energy	1.3	(1.1)	1.0	0.0
Total industry	2.7	1.7	8.2	3.5

Source: National Institute of Statistics

In 2015, labour productivity in industry increased by 0.2 per cent., compared to 2014, mainly due to the 6.1 per cent. increase of the "electricity, gas, steam and air conditioning production and supply sector". Labour productivity increased in the following branches: manufacture of other non-metallic mineral products (22.3 per cent.), manufacture of tobacco products (19.4 per cent.), mining of coal and lignite (18.3 per cent.) and mining of metal ores (15.3 per cent.).

In 2016, labour productivity decreased by 0.4 per cent., as compared to 2015, due to wage increases. However, during this period, the following sectors have registered increases in labour productivity: manufacture of coke and refined petroleum products (14.0 per cent.), mining of metal ores (8.4 per cent.), manufacture of other non-metallic mineral products (5.3 per cent.) and manufacture of electrical equipment (5.2 per cent.).

In 2017, labour productivity increased by 6.6 per cent., as compared to 2016. Labour productivity registered the highest increases in the following areas: mining of metal ores (29.8 per cent.), manufacture of machinery and equipment (28.4 per cent.) and mining support service activities (24.7 per cent.).

In 2018 as compared to 2017, labour productivity increased by 3.1 per cent. During this period, the following sectors registered the highest increases in labour productivity: mining support service activities (25.0 per cent.), manufacture of motor vehicles, trailers and semi-trailers (14.1 per cent.) and manufacture of machinery and equipment (12.0 per cent.) *(Source: Monthly Statistical Bulletin No. 11/2018 – National Institute of Statistics)*.

Natural Gas

In 2016, the total amount of natural gas available in Romania was 13.194 billion cubic metres, of which 9.811 billion cubic metres were generated by domestic production (74.4 per cent.) while 1.476 billion cubic metres (11.2 per cent.) were imported, mainly from Russia and the remainder represented existing stock. (*Source: Energy balance and the energy equipment structure, 2017 – National Institute of Statistics*).

In 2017, the total amount of natural gas available in Romania was 13.600 billion cubic metres, of which 10.582 billion cubic metres was generated by domestic production (77.8 per cent.) while 1.196 billion cubic metres (8.8 per cent.) was imported, mainly from Russia, and the remainder represented existing stock. (*Source: Energy balance and the energy equipment structure, 2018 – National Institute of Statistics*).

In 2018, the total amount of natural gas available in Romania was 11.750 billion cubic metres, of which 10.262 billion cubic metres was generated by domestic production (87.3 per cent.) while 1.488 billion cubic metres (12.7 per cent.) was imported, mainly from Russia. *(Source: Monthly Statistical Bulletin No. 12/2018 – National Institute of Statistics).*

In order to reduce dependency on any single source of natural gas, Romania is actively promoting projects to diversify both the delivery routes and sources of its natural gas, as evidenced by its interest in promoting the Azerbaijan-Georgia-Romania Interconnector project. On 12 November 2018, the Romanian Parliament passed Law No. 256/2018, which contained measures concerning the implementation of petroleum operations by the parties carrying out the exploratory work. Those parties subsequently announced that they would make their final Black Sea offshore gas investment decisions in 2019.

Pursuant to GEO 114/2018, during the period 1 April 2019 to 28 February 2022, the producers, including their subsidiaries and/or affiliates belonging to the same economic interest group carrying out both extraction activities and sales activities of natural gas extracted in Romania, have an obligation to sell at the price of RON 68/MWh the quantities of natural gas resulting from the current domestic production activity to suppliers and eligible customers. During this period, producers will have an obligation to sell with priority to the suppliers under the conditions regulated by National Authority for Regulation in the Energy Field ("**ANRE**"), to ensure the consumption of the household customers is covered from current production and/or underground storage.

For the same time period, ANRE will establish a specific import/internal blending structure for the quantity of natural gas in order to ensure consumption of non-household final consumers, which remain eligible customers on the free market.

See also "*Description of Romania – Membership of the European Union – European Commission Investigations*" for further details on the EC infringement proceedings against Romania relating to legislative measures adopted by the government in December (GEO 114/2018).

Agriculture, Forestry and Fisheries

Agriculture is an essential part of the national economy with significant economic and social importance. According to the 2018 Romanian Statistical Yearbook, Romania's aggregate agricultural area in 2014, the latest year for which statistical data are available, represented approximately 14.6 million hectares or 61.4 per cent. of its total territory, of which arable land represented 64.2 per cent. of the total agricultural area. At the end of 2014, the total area covered by forests and other forest-like vegetation was 28.2 per cent. of the total land in Romania.

The varying performance of Romanian agriculture over the previous years is a direct result of the influence of weather conditions, in the context of the general absence of adequate technical facilities such as irrigation systems. Another factor contributing to poor results in agriculture is the fragmentation of agricultural lands, which makes irrigation, the use of large-scale mechanised equipment and the application of remedies more difficult.

According to data released by the National Institute of Statistics regarding the 2016 Structural Survey in Agriculture (Press Release No. 324 of 15 December 2017), in 2016 the total number of agricultural holdings decreased to 3.4 million holdings from 3.6 million holdings in 2013. The number of very small agricultural holdings (less than 1 hectare of utilised agriculture land) diminished in 2016 as compared with 2013, with 173,000 agricultural holdings representing 53.0 per cent. of the total number of agricultural holdings. These small holdings represented only 5.1 per cent. of total utilised agricultural land. In 2016, compared to 2013, large agricultural holdings (being those over 50 hectares of agricultural land) represented 0.5 per cent. of the total number of agricultural holdings, but represented 51.1 per cent. of the total utilised agricultural land.

The following table shows percentage changes in the agricultural production by type (excluding forestry) for the years 2015, 2016 and 2017:

		Agricultural Production[1]		
		2015	2016	2017[2]
		(percentage change against the previous year)		
Crop production		(10.7)	5.3	19.5
Livestock		1.5	(2.4)	(0.4)
Agricultural services		(13.5)	3.5	(1.0)
Total		(6.8)	2.5	12.5

Notes:

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

(2) Final data according to 2018 Romanian Statistical Yearbook

Source: National Institute of Statistics

According to data released by the National Institute of Statistics in the 2017 Romanian Statistical Yearbook, in 2015 the crop production decreased, as compared to the previous year, for most crops, mainly due to unfavourable weather conditions. In 2015, as compared with 2014, sugar beet production decreased by 25.6 per cent., maize production decreased by 24.8 per cent., potatoes production decreased by 23.3 per cent., sunflower production decreased by 18.4 per cent., rape production decreased by 13.2 per cent., barley and two-row barley production decreased by 5.0 per cent., oats production decreased by 8.8 per cent. and vegetables production decreased by 3.4 per cent. Some crops have recorded increases in production. Wheat production increased by 5.0 per cent., dried pulses production increased by 6.2 per cent. and soya bean production increased by 29.2 per cent., each as against 2014.

According to data released by the National Institute of Statistics in the 2017 Romanian Statistical Yearbook, in 2016, wheat production increased by 5.9 per cent., rye production increased by 6.6 per cent., oats production increased by 9.6 per cent., harvested production of barley and two-row barley increased by 11.7 per cent., sunflower production increased by 13.8 per cent., maize grains production increased by 19.1 per cent., dried pulses production increased by 31.0 per cent. and rape production increased by 40.6 per cent., as compared to 2015. Production decreases of 8.6 per cent. were recorded for vegetables, 7.8 per cent. for grapes and 2.7 per cent. for sugar beet according to the National Institute of Statistics.

According to data released by the National Institute of Statistics in the 2018 Romanian Statistical Yearbook, in 2017 crop output increased, as compared to the previous year, for most crops: cereals for grains production increased by 24.7 per cent., wheat production increased by 19.0 per cent., barley and two-row barley production increased by 4.9 per cent., oats production increased by 6.9 per cent., maize grains production increased by 33.3 per cent., dried pulses production increased by 203.8 per cent., sunflower production increased by 43.3 per cent., soya beans production increased by 49.4 per cent., rape production increased by 29.4 per cent., sugar beet production increased by 16.0 per cent., potatoes production increased by 15.9 per cent., grapes production increased by 44.8 per cent. and vegetables production increased by 8.3 per cent.

In the first 11 months of 2018 as compared to the same period in 2017, the maize and sorghum production increased by 30.8 per cent., the sunflower production increased by 5.5 per cent., the soya beans production increased by 20.9 per cent., the production of grapes for table increased by 34.4 per cent. and the production of grapes for wine increased by 3.7 per cent., the autumn potatoes production decreased by 14.2 per cent. and the sugar beet production decreased by 22.9 per cent.

Romania has enacted various laws supporting the concentration of agricultural enterprises, the establishment of commercial undertakings, and the promotion of access to financing secured by agricultural property. The law regarding registration of land was also amended to centralise land title registration. These actions were accompanied by measures to assist the goal of restoring properties appropriated by the State during the communist era. Such measures primarily involve accelerating property litigation through expedited procedures and allowing the voluntary merger of land holdings.

In recent years, the Romanian Government has supported the agricultural sector through various state aid schemes such as: aid granted to farmers for diesel excise duty; aid granted to compensate the damages incurred as a result of the unfavourable weather conditions and aid for the livestock and vegetable sector.

Construction

In 2015, the volume of construction works increased by 10.4 per cent. as compared to 2014. Capital repair works increased by 31.8 per cent., maintenance and current repairs works increased by 13.3 per cent. and new construction works increased by 5.2 per cent. By type of construction, the volume of construction work increased for civil engineering works by 20 per cent. and for non-residential buildings by 1.1 per cent., while residential buildings registered a decrease in volume of 5.8 per cent.

In 2016, the volume of construction works decreased by 4.8 per cent. as compared to 2015. Maintenance and current repairs works increased by 1.5 per cent., new construction works decreased by 2.7 per cent. and capital repair works decreased by 23.5 per cent. By type of construction, the volume of residential and non-residential buildings grew by 12.1 per cent. and 1.1 per cent., respectively, while the volume of civil engineering decreased by 11.2 per cent.

In 2017, the volume of construction works decreased by 5.4 per cent. as compared to 2016. The volume of new construction works increased by 4.9 per cent., while capital repair works and maintenance and current repairs works decreased by 17.7 per cent. and 24.6 per cent., respectively. By type of construction works categories, the volume of residential buildings increased by 69.7 per cent., while the volume of non-residential buildings and civil engineering decreased by 12.6 per cent. and 21.3 per cent., respectively.

In 2018, the volume of construction works decreased by 4.1 per cent. compared to 2017. Maintenance and current repair works and capital repair works increased by 7.9 per cent. and 1.5 per cent., respectively. New construction works decreased by 8.4 per cent. By type of construction works categories, the volume of civil-engineering increased by 8.0 per cent. The volume of non-residential buildings and residential buildings decreased by 5.5 per cent. and 23.6 per cent., respectively.

The following table shows the percentage change in the construction sector for the years 2015, 2016, 2017 and 2018:

	Construction Sector			
	2015	2016	2017	2018
	(percentage change against the same period of the previous year)			
Construction works	10.4	(4.8)	(5.4)	(4.1)
of total by structural elements:				
New construction works	5.2	(2.7)	4.9	(8.4)
Capital repair works	31.8	(23.5)	(17.7)	1.5
Maintenance and current repairs works	13.3	1.5	(24.6)	7.9
of total by type of construction:				

Construction Sector

	2015	2016	2017	2018
	(percentage change against the same period of the previous year)			
a) Buildings	(1.1)	4.4	14.1	(14.3)
Residential buildings	(5.8)	12.1	69.7	(23.6)
Non-residential buildings	1.1	1.1	(12.6)	(5.5)
b) Civil engineering	20.0	(11.2)	(21.3)	8

Source: *National Institute of Statistics*

In 2015, 46,984 dwellings were finalised, an increase of 2,000 units as compared to 2014. In 2016, 52,206 dwellings were finalised, an increase of 5,222 units as compared to 2015. In 2017, 53,301 dwellings were finalised, an increase of 1,095 units as compared to 2016. In 2018, 59,725 dwellings were finalised, 6,424 dwellings more as compared to 2017.

In 2015, the number of building permits increased by 3.8 per cent., as compared to 2014 amounting to 39,112 units. In 2016, 38,653 buildings permits for residential buildings were granted, decreasing by 1.2 per cent. compared to 2015. In 2017, 41,603 buildings permits for residential buildings were granted, increasing by 7.6 per cent. compared to 2016.

In 2018, 42,694 building permits for residential buildings were granted, increasing by 2.6 per cent. compared to 2017.

Services

In 2015, GVA in the service sector increased by 3.5 per cent. compared to 2014. By sub-sectors, the developments were: increases in "Trade, hotels and restaurants, transport and communications" and "Financial, real-estate, renting and business services" of 11.2 per cent. and 3.4 per cent., respectively, and a decrease in "Other service activities" of 7.2 per cent.

In 2016, GVA in the services sector increased by 4.1 per cent. compared to 2015. Increases were recorded in "Trade, hotels and restaurants, transport and communications", and in "Financial, real-estate, renting and business services" of 8.6 per cent. and 3.5 per cent., respectively. GVA in "Other service activities" decreased by 2.6 per cent.

In 2017, GVA in the services sector increased by 6.9 per cent. compared to the previous year. Increases were recorded in all sub-sectors, including 9.3 per cent. in "Trade, hotels and restaurants, transport and communications", 4.6 per cent. in "Financial, real-estate, renting and business services" and 5.9 per cent. in "Other service activities".

In 2018, GVA in the services sector increased by 3.6 per cent. compared to the previous year. Increases were recorded in all sub-sectors, including 4.6 per cent. in "Trade, hotels and restaurants, transport and communications", 3.7 per cent. in "Financial, real-estate, renting and business services" and 1.8 per cent. in "Other service activities".

Energy

For the four years ended 31 December 2015, 2016, 2017 and 2018, the structure of primary energy resources that together comprise Romania's domestic production was:

	2015	2016	2017	2018
		(share of total, per cent.)		
Net coal	17.9	17.1	17.6	20.3
Crude oil	14.8	15.0	14.0	16.1
Usable natural gas	33.6	31.7	33.9	39.6
Hydroelectric, wind and photovoltaic energy and nuclear electric energy	19.3	20.5	19.3	24.0
Others	14.4	15.7	15.2	—
Total	100.0	100.0	100.0	100.0

Notes:

Data for 2015, 2016 and 2017 – Energy balance and the energy equipment structure, 2017 and 2018 – National Institute of Statistics.

Data for 2018 is based on the share of main primary energy resources included in the Monthly Statistical Bulletin No. 12/2018 National Institute of Statistics

In 2015, the main primary energy resources amounted to 40.8 million tons of oil equivalent, representing a 1.3 per cent. increase compared to 2014. During this period, 64.7 per cent. of the total amount was generated by domestic production, while 27.8 per cent. was generated from imports and the remainder represented stock. The domestic production of primary energy resources increased in 2015 by 0.3 per cent. compared to the previous year. During this period, the domestic production of net coal and natural gas increased by 5.9 per cent. and 0.2 per cent., respectively, while hydroelectric, wind, photovoltaic and nuclear energy and crude oil production decreased by 1.9 and 1.2 per cent., respectively. In 2015, total imports of primary energy resources increased by 5.4 per cent. compared to 2014. Increases were recorded in imports of electricity (249.5 per cent.), petroleum products (31.4 per cent.) and coal (9.6 per cent.), while natural gas and crude oil imports decreased by 65.3 and 1.9 per cent., respectively.

In 2016, the primary energy resources amounted to 40.9 million tons of oil equivalent, representing a 0.3 per cent. increase compared with 2015. Over this period, 60.6 per cent. of the total amount was generated by domestic production, while 32.1 per cent. was generated from imports, and the remainder represented existing stock. In 2016, the domestic production of the primary energy resources decreased by 6.0 per cent. compared to the previous year. Domestic production of natural gas, net coal, crude oil and hydroelectric, wind, photovoltaic and nuclear energy decreased in this period by 11.4, 10.1, 4.9 and 0.2 per cent., respectively. The imports of the energy resources increased in 2016 by 15.7 per cent. Imports of natural gas and crude oil increased by 628.8 per cent. and 13.2 per cent., respectively. The import of electricity, coal and petroleum products decreased by 5.4, 4.6 and 3.5 per cent., respectively. (*Source: Energy Balance and the Energy Equipment Structure 2017 – National Institute of Statistics*).

In 2017, primary energy resources amounted to 41.8 million tons of oil equivalent, representing a 2.2 per cent. increase compared to 2016. Over this period, 60.8 per cent. of the total amount was generated by domestic production, while 32.5 per cent. was generated from imports, and the remainder represented existing stock. In 2017, domestic production of primary energy resources increased by 2.5 per cent. compared to 2016. Domestic production of natural gas and net coal increased by 9.5 per cent. and 5.5 per cent., respectively. The production of crude oil and hydroelectric, wind, photovoltaic and nuclear electric energy decreased by 4.5 per cent. and 3.7 per cent., respectively. Imports of energy resources increased in 2017 by 3.7 per cent. compared to 2016. Imports of petroleum products, crude oil and electricity increased by 13.5 per cent., 3.8 per cent. and 2.4 per cent., respectively. The import of natural gas and net coal decreased by 19.0 per cent. and 1.7 per cent.,

respectively (*Source: Energy Balance and the Energy Equipment Structure 2018 - National Institute of Statistics*).

In 2018, main primary energy resources amounted to 34.6 million tons of oil equivalent, representing a 0.9 per cent. increase compared to 2017. Over this period, 60.6 per cent. of the total amount was generated by domestic production, while 39.4 per cent. was generated from imports. In 2018, domestic production of main primary energy resources decreased by 1.6 per cent. compared to 2017. Domestic production of hydroelectric wind, photovoltaic and nuclear energy increased by 3.1 per cent. Domestic production of net coal, crude oil and natural gas decreased by 8.6 per cent., 1.4 per cent. and 0.5 per cent. respectively. Imports of main primary energy resources increased by 4.9 per cent. in 2018 compared to 2017. Imports of natural gas, net coal and crude oil increased by 26.8 per cent., 7.9 per cent. and 6.6 per cent., respectively. The import of electricity and petroleum products decreased by 19.7 per cent. and 2.4 per cent., respectively. (*Source: Monthly Statistical Bulletin No. 12/2018 – National Institute of Statistics*).

Electricity

The structure of the sources of electricity production for the years 2015, 2016, 2017 and 2018 is as follows:

	2015	2016	2017	2018
		(share of total, per cent.)		
Electricity produced in thermo-power stations	43.1	41.3	44.6	41.6
Electricity produced in hydro-power station	25.7	28.5	23.1	28.0
Electricity produced in wind-power station	10.6	10.1	11.5	10.1
Electricity produced in nuclear-electric stations	17.6	17.3	17.9	17.7
Electricity produced in photovoltaic sun stations	3.0	2.8	2.9	2.6
Total	100.0	100.0	100.0	100.0

Notes:

Data for 2015, 2016 and 2017 – Energy balance and the energy equipment structure 2017 and 2018 – National Institute of Statistics.

Data for 2018 is based on the share of electricity sources, issued by the Industry Statistical Bulletin No. 12/2018 - National Institute of Statistics.

Source: National Institute of Statistics

In 2015, electricity production was 66.3 TWh, representing an increase of 0.9 per cent. compared to 2014. The electricity produced in wind-power stations, photovoltaic sun stations and thermo-power stations increased by 13.9 per cent., 22.6 per cent. and 6.3 per cent., respectively. The production achieved by nuclear power plants decreased by 0.3 per cent. The production of electricity from hydro-power stations decreased in this period by 11.8 per cent. Classic thermo-power stations had the largest share of total electricity production (43.1 per cent.), followed by hydro-power, wind-power and photovoltaic sun stations (39.3 per cent.) and nuclear-electric stations (17.6 per cent.). In 2015, final electricity consumption increased by 2.7 per cent. Electricity exports increased by 28.3 per cent., from 8189.6 million KWh in 2014 to 10503.7 million KWh in 2015.

In 2016, electricity production was 65.1 TWh, representing a decrease of 1.8 per cent. as compared to 2015. The electricity generated in hydro-power stations increased by 9.0 per cent. The electricity generated in photovoltaic sun stations, wind-power stations, thermo-power stations, and nuclear-electric stations decreased

by 8.2 per cent., 6.7 per cent., 6.1 per cent. and 3.0 per cent., respectively. Hydro-power, wind-power and photovoltaic sun stations had the largest share of total electricity production (41.4 per cent.), followed by classic thermo-power stations (41.3 per cent.) and nuclear-electric stations (17.3 per cent.). Final electricity consumption increased by 0.5 per cent. The export of electricity decreased by 18.2 per cent., from 10504 million KWh in 2015 to 8587 million KWh in 2016. (*Source: Energy Balance and Energy Equipment Structure 2017 – National Institute of Statistics*).

In 2017, electricity production was 64.3 TWh, representing a decrease of 1.2 per cent. compared to the same period in 2016. Electricity generated in wind-power stations, thermo-power stations, photovoltaic sun stations and nuclear power plants increased by 12.4 per cent., 6.7 per cent., 2.0 per cent. and 2.0 per cent., respectively. The production achieved by hydro-power stations decreased by 19.9 per cent. and final electricity consumption increased by 3.3 per cent. The export of electricity decreased by 23.7 per cent., from 8,587 million KWh in 2016 to 6,548 million KWh in 2017. (*Source: Energy Balance and Energy Equipment Structure 2018 - National Institute of Statistics*)

In 2018, electricity production was 64.4 TWh, representing an increase of 1.2 per cent. compared to 2017. Electricity generated in hydro-power stations increased by 22.2 per cent. The production achieved by wind power stations, photovoltaic sun stations, thermo-power stations and nuclear power plants decreased by 12.3 per cent., 11.1 per cent., 4.6 per cent. and 1.1 per cent., respectively. Final electricity consumption increased by 2.3 per cent. The export of electricity decreased by 16.3 per cent. in 2018 compared to 2017. (*Source: Monthly Statistical Bulletin No. 12/2018 - National Institute of Statistics*)

Electricity Market

Romania has a balanced portfolio of electricity generation capacities comprising hydro, nuclear, coal and natural gas-fired power plants, wind, solar and biomass, being a net exporter of electricity.

In 2015, the process of liberalisation of the electricity market for non-household consumers and the implementation of the timetable for eliminating regulated prices for non-household consumers of electricity was completed. Pursuant to the Energy and Natural Gas Law No. 123/2012 ("**Energy and Natural Gas Law**"), the liberalisation process for household consumers will be completed by 31 December 2017. The calendar established for 2017 envisages that, by July 2017, 90 per cent. of the total price for energy used by household consumers would be established on the free-market, while 10 per cent. would be price regulated by ANRE. According to the provisions of Art. 61 of the GEO 114/2018, only household consumers of electricity will benefit from regulated prices for the period from 1 March 2019 to 28 February 2022 under conditions regulated by ANRE. See also "*Public Finance – Taxation System – Certain measures relating to energy and telecommunications companies*".

Starting with the date of entry into force of the Energy and Natural Gas Law, the structure of the wholesale market has substantially changed due to the introduction of the obligation to sell electricity through public, centralised, non-discriminatory and transparent transactions. Thus, transactions between participants in the wholesale electricity market are concluded exclusively through participation on one of OPCOM's platforms, including the centralised bilateral contracts market (comprising two trading platforms – the centralised bilateral contracts market with continuous negotiation (PCCB-NC), and the centralised bilateral contracts market with extended auctions mechanism (PCCB-LE)), the Day-Ahead Market (PZU), the Intraday Market (PI), the Centralized Market for Universal Services and the centralised market with double continuous negotiation for electricity bilateral contracts ("**PC-OTC**").

The participants to the PC-OTC trade based on bilateral power contracts agreed before participating and based on the European Federation of Energy Traders' standard contract.

The Romanian electricity market is currently integrated in the European Market, thus increasing the expectations of improved liquidity in the wholesale electricity market in the near future. The "4M Market Coupling" (respectively the price coupling of the day–ahead markets from Romania, Hungary, Slovakia and Czech Republic) was launched in November 2014 as an intermediate step towards the Single European Market.

As one of the goal-achieving steps, OPCOM is currently operating IT systems jointly developed within a European initiative called Price Coupling of Regions ("**PCR**") (launched, developed and operated by several European Power Exchanges) and aimed at the implementation of the Single Day-Ahead Coupling at a European level as provided by the Capacity Allocation and Congestion Management Guideline, with particular reference to the use of the Euphemia algorithm of matching and the PCR Matcher and Broker communication system, as well as the use of the joint procedures for managing the day-ahead markets shared with other exchanges in the PCR field.

In August 2017, OPCOM signed a Memorandum of Understanding on establishing a Local Implementation Project of the Cross-Border Intraday solution to integrate intraday electricity markets from Romania, Bulgaria, Hungary, Croatia, Slovenia, Austria, Germany, Poland and the Czech Republic. Preparation is under way for the for the project to go live in 2019, with the countries which will take part to be confirmed in the spring 2019.

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, Romania fulfilling the European commitment for 2020, namely to increase the share of energy from renewable sources to over 24 per cent. of gross energy consumption. The promotion scheme established by Law No. 220/2008 closed on 31 December 2016. Producers who have accessed the promotion scheme by this date will benefit from state aid until 2031.

According to Transelectrica data, electricity generation capacities from renewable sources with a total installed capacity of 4,772 megawatts), of which 2964 MW are produced in wind turbines, 1358 MW in photovoltaic panels, 343 MW in hydroelectric plants below 10 MW and 106 MW in biomass, biogas and waste gas fermentation are currently supported by Law No. 220/2008.

Restructuring and Investment

The Government intends to restructure the energy sector with the aim of increasing production efficiency, in line with the common energy policy at EU level.

The main objectives of Government policy in respect of the energy sector are ensuring security of supply, the increase of energy efficiency and the use of renewable energy sources. Romania enjoys a greater degree of security of energy supply than other countries in the region as it is less reliant upon imports for its energy needs (due to its reserves of hard coal and lignite, oil and natural gas) and its integrated power infrastructure which allows domestic electricity production to be flexibly switched between sources. Romania is diversifying the routes and sources of natural gas supply and is looking to exploit domestic renewable energy sources and domestic coal in order to reduce its energy dependency on imports.

Romania has made progress with its reform agenda for state-owned energy companies, in line with the restructuring plans discussed with the IMF, the European Commission and the World Bank.

The most important investment projects being promoted by the Government in the energy sector include:

- the construction of two additional nuclear units (3 and 4) at the Cernavoda power plant, in a consortium with private investors (Romania already has two nuclear facilities with an aggregate capacity of 1,400 MW);
- the development of *greenfield* and *brownfield* projects by Romanian producers using fossil fuels (including a new core unit of minimum 500 MWh at Electrocentrale Rovinari – Complexul Energetic Oltenia);
- 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 currently analysing the opportunity and need to adopt the decision to suspend the activity of AGRI LNG company for a period of up to three years according to the Romanian legislation, due to a lack of assurance (i) the guaranteed gas supply from the main supplier of the project (Azerbaijan) and (ii) any other progress in the development of the project, especially in terms of securing funding. AGRI did not succeed in obtaining European funding. Although the feasibility study performed in 2014 in relation to the AGRI project confirmed the competitiveness of the project and its attractiveness for implementation, the study needs to be updated to take into account the latest developments in the gas markets. The Ministry of Energy believes that the AGRI project is in line with the intentions of the European Commission, as highlighted in the strategy for liquified natural gas and gas storage.

The Romanian natural gas transportation network was connected to Hungary's transportation network and indirectly with the EU natural gas transportation network in 2010. The physical reverse flow capacity at Csanadpalota interconnection point, from 1 November 2014, is 50,000 c.m./h (10,000 c.m./h firm capacity and 40,000 c.m./h interruptible capacity).

For Romania, an important target is the interconnection of its natural gas transportation transmission network with the transmission systems of Bulgaria, Serbia and the Republic of Moldova.

A first step towards interconnecting with Moldova was made in August 2014, through the inauguration of the Iasi-Ungheni 42-km-long pipeline. Phase II of the interconnection of the gas transmission systems between Romania and Moldova is correlated with another important investment of Transgaz, the implementation in Romania of the project 'NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to/from the Republic of Moldova'. After a feasibility study, a tender book for the design brief was prepared and the design contract for the preparation of the project was signed between the Ministry of Economy of Moldova and Vestmoldtransgaz and SNTGN Transgaz SA.

The Romania-Bulgaria (Giurgiu-Ruse) interconnection was completed at the end of November 2016. The technical conditions for ensuring gas export from Romania to Bulgaria have been created. The metering-regulating stations, both in Romania and in Bulgaria, were built and accepted, enabling import and export activities after the signature of an interconnection agreement and the approval of the capacity-booking methodology. There are ongoing interconnection projects which will allow bi-directional flows at the following interconnections with Hungary and Bulgaria: (i) the interconnection between Romania and Hungary (Arad-Szeged), where additional technical developments of both the Romanian and Hungarian gas transport systems are necessary to reach the maximum bi-directional capacity of 4.4 b.c.m./year; and (ii) the interconnection between Romania and Bulgaria (Giurgiu-Ruse), which is designed to have reverse flow. The implementation of the Bulgaria-Romania-Hungary-Austria corridor will contribute to achieving the maximum technological parameters for the following interconnections: (i) the Romania-Hungary (Arad-Szeged) interconnection, where

additional technical progress of the Romanian and Hungarian gas transmission systems is necessary for reaching a maximum bidirectional capacity of 4.4 bcm/y (after the implementation of BRUA Phase 2); (ii) the Romania-Bulgaria (Giurgiu-Ruse) interconnection, which is designed for a reverse flow of 1.5 bcm/y. The deadline for implementing the maximum bidirectional flow for both interconnections has been set for 2020 for the Romania-Hungary (Arad-Szeged) interconnection and the end of 2019 for the Romania-Bulgaria (Giurgiu-Ruse) interconnection, both on economic feasibility grounds.

Projects for the construction of natural gas storage facilities are, at the date of this Information Memorandum, under development, aiming at storing natural gas in areas with large consumers or with large variations of natural gas consumption.

In November 2017 the European Commission adopted the third list of key energy infrastructure projects that are to contribute to the achievement of Europe's energy and climate goals and which are essential elements of the EU's energy union. The projects, known as projects of common interest ("**PCIs**"), will allow a gradual development of the energy union by integrating Europe's energy markets and diversifying energy sources and transport routes. PCIs benefit from accelerated clearance procedures, better regulatory conditions and may be eligible for financial support.

Among the PCIs promoted by Romania, included in the list, in the natural gas sector, there are also investment projects for the purpose of increasing the natural gas storage capacities, namely the projects promoted by Romgaz and Depomureş:

- increasing the underground storage capacity of natural gas in the Sărmăşel storage; and
- underground gas storage Depomureş

On 20 November 2018, the European Commission launched a call for gas projects to be submitted as candidates for the fourth European Union 'Projects of Common Interest' (PCIs) list. The list is expected to be adopted by the European Commission by the end of 2019.

Transportation

The following table shows the percentage change in the transport of passengers as compared to the previous year for 2015, 2016, 2017 and first six months of 2018:

Change in Passengers Transported According to Modes of Transport

	2015	2016	2017	Jan-September 2018
	(percentage change against the same period of the previous year)			
1. Interurban and international transport[1]...	(0.9)	8.0	8.1	—
Railway	2.7	(3.0)	7.1	(2.1)
Road	(2.3)	9.9	7.5	12.0
Inland waterways	—	—	0.0	(20.3)
Air	14.5	23.5	23.3	7.8
Maritime	(48.4)	(78.3)	(71.4)	—
2. Urban transport total	—	—	0.4	(1.2)

Note:

(1) Cruise passengers excursions – inwards included.

Source: National Institute of Statistics – publication "Passengers and goods transport, by mode of transport" – period 2016 – first nine months of 2018.

In 2015, inter-city and international transport of passengers decreased by 0.9 per cent. as compared to the previous year, mainly due to the decreases of maritime transport (48.4 per cent.) and road transport (2.3 per cent.). Air transport increased by 14.5 per cent. and railway transport increased by 2.7 per cent.

In 2016, inter-city and international transport of passengers increased by 8.0 per cent. as compared to the previous year, mainly due to the increases of air transport (23.5 per cent.) and road transport (9.9 per cent.). Railway transport decreased by 3.0 per cent. and maritime transport by 78.3 per cent.

In 2017, interurban and international transport of passengers increased by 8.1 per cent. as compared to the previous year, mainly due to the increases of air transport (23.3 per cent.), road transport (7.5 per cent.) and railway transport (7.1 per cent.). Urban transport registered an increase of 0.4 per cent. as compared to the previous year. Maritime transport decreased by 71.4 per cent.

In the first nine months of 2018, the biggest increases were registered in road transport of passengers (12.0 per cent.) and air transport (7.8 per cent.). Inland waterways transport decreased by 20.3 per cent., railway transport decreased by 2.1 per cent. and urban transport by 1.2 per cent.

The following table shows the percentage change in goods transported as compared to the previous year for the years 2015, 2016, 2017 and first nine months of 2018:

Change in Goods Transported According to Modes of Transport

	2015	**2016**	**2017**	**January-September 2018**
	(percentage change against the same period of the previous year)			
Goods transported – total	4.9	5.1	3.3	5.0
Railway	9.0	(4.9)	6.6	(2.6)
Road	4.0	8.8	4.7	5.9
Inland waterways	7.9	1.5	(4.7)	6.4
Air	6.5	16.9	12.2	11.5
Maritime	1.8	4.1	(0.3)	9.5
Transport via petroleum pipelines	4.7	2.4	(4.0)	(1.4)

Source: National Institute of Statistics – publication "Passengers and goods transport, by mode of transport" – period 2016 – first nine months of 2018

In 2015, goods transport increased by 4.9 per cent. All means of goods transport registered growth as compared to the previous year, at the following rates: railway transport (9.0 per cent.); inland waterways transport (7.9 per cent.); air transport (6.5 per cent.); transport via petroleum lines (4.7 per cent.); road transport (4.0 per cent.); and maritime transport (1.8 per cent.).

In 2016, goods transport increased by 5.1 per cent. as compared to the previous year, mainly due to increases of air transport (16.9 per cent.), road transport (8.8 per cent.), maritime transport (4.1 per cent.), transport via petroleum pipelines (2.4 per cent.) and inland waterways transport (1.5 per cent.). The only means of goods transport to register a decrease as compared to the previous year was railway transport (4.9 per cent.).

In 2017, goods transport increased by 3.3 per cent. compared to the previous year due to increases of air transport (12.2 per cent.), railway transport (6.6 per cent.) and road transport (4.7 per cent.).

In the first nine months of 2018 goods transport increased by 5.0 per cent. compared to the same period in the previous year due to strong increases in the fields of air transport (11.5 per cent.), maritime transport (9.5 per cent.), inland waterways transport (6.4 per cent.) and road transport (5.9 per cent.).

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.

Romania's main objectives in the transport infrastructure sector are to implement the Trans-European Transport Network ("**TEN-T**") policies with the support of EU financial instruments, further to investments made within the SOP Transport 2007-2013 (under the Convergence objective) by ESIF allocated within the Large Infrastructure Operational Programme 2014-2020, the TEN-T programme (continued through the Connecting Europe Facility, the granting of Community financial aid in the field of the trans-European transport, energy networks and digital services) and EIB loans and credit guarantees. Another of Romania's main objectives is to develop a sustainable transport system by means of modernising and developing the road, rail, naval, air infrastructures as well as the customs infrastructure and facilitating intermodal connections, while emphasising environmental protection, public health and passenger safety.

As established within the Partnership Agreement, the main development needs for the 2014-2020 period in the transport sector are aimed at improving the accessibility in Romania and in its regions and their connectivity, as well as improving the governance of the sector and the sustainability of Romania's transport mix, together with increasing the attractiveness of alternatives to road-based transport.

The General Transport Master Plan was approved by Government Decision No. 666 on 14 September 2016. The General Transport Master Plan refers to the major objectives of the national transport system. Therefore it is a high-level planning instrument relevant for major interventions (projects and other actions) with significance for the objectives of the national transport system – which are suitable for modelling. The available budget taken into account in defining the implementation strategy in the Romanian General Transport Master Plan (GTMP) for all the transport sectors is EUR 30.7 billion of which EUR 19.1 billion is from European Funds (Cohesion Funds, European Regional Development Fund and Connecting Europe Facility) and EUR 11.6 billion is from the State Budget.

Railways

With respect to the programming period 2014-2020, Caile Ferate Romane ("**CFR**") has an objective of upgrading under the Operational Programme for Large Infrastructure ("**POIM**") 2014-2020 works for the rehabilitation of 314.5 km of railway lines, 62 structures (29 bridges, 31 culverts and 2 tunnels) and one station modernised with safety systems for railway. Of the 62 proposed structures, rehabilitation works have been completed for one railway station, 27 structures (10 bridges, 15 culverts and two tunnels). CFR is working on 314.5 km of railway lines, 23 bridges and 14 culverts and is in the contracting phase for 16 bridges and 3 culverts. Procurement for contracts of six bridges were cancelled. As regards modernisation projects at the stage of feasibility studies, CFR is in the process of procuring three service contracts for the feasibility studies. CFR is developing the procurement documentation for services contracts for the feasibility studies for five new projects. The projects refer to the modernisation of the 430 km railway line, 47 railway stations, 150 crossing

levels to the railway line and 173 bridges and culverts. Under the CEF program, CFR is procuring contracts for 112 km of railway lines and two service contracts for the feasibility studies. Another two feasibility studies are in the implementation phase financed by Cohesion Funds under the CEF program.

Air

Investments are also dedicated to continuing the expansion of the Otopeni (near Bucharest) and Timisoara international airports. The modernisation processes were finalised between 2015 and 2018 for the airports situated in Suceava, Constanta, Iasi, Oradea, Craiova, Satu-Mare, Baia-Mare, Tulcea, Targu-Mures and Bacau (with a new phase currently under implementation), with the goal of increasing the operational capacity and improving connectivity.

Waterways

During 2015 and 2016, in order to improve the navigation on the Danube River, three projects were submitted and approved under the CEF programme: "FAST Danube – Improvement of the navigation conditions on the Romanian – Bulgarian common sector"; "FAIRWAY – Implementation of the Master Plan for Rehabilitation and Maintenance on the Danube River and its tributaries"; and "SWIM – SMART Waterway Integrated Management", an initiative developed under the European Union Strategy for the Danube Region. For the ports on the Danube, infrastructure projects are being developed with the goal of enhancing access to such ports and improving related infrastructure. In the port of Constanta, two projects started in 2018 and some others are under preparation, with financing assured from POIM 2014 – 2020. The ongoing projects are: the modernisation of port infrastructure, by providing deeper approach channels and basins and by increasing the navigation safety in the port of Constanta and the modernisation of berth no. 80.

Roads

In September 2016, Romania's National Company for Motorways and National Roads was reorganised and changed its name to National Company for Administration of Road Infrastructure SA ("**NCARI**"). The NCARI functions under the authority of Ministry of Transport.

At the end of 2018, Romania had 807 km of motorways in operation.

In 2018, several sections of motorways totalling 178.1 km were in different stages of construction, and 60 km were finalised by the end of 2018. Another 1,918.4 km of motorways and express roads were in different stages of preparation: for 85.5 km the contract for technical project and contraction were signed in 2018, for 246.3 km the feasibility study and technical project for express road construction were signed in 2018, and 1,586.6 km are in different stages of preparation.

A program of rehabilitation, construction and modernisation of national roads was also being carried out in 2018. In 2018, 522.3 km of national roads were under construction, with financing from the EIB and ERDF and 373.5 km under preparation. 126.7 km of by-passes were under construction with financing from the ERDF and the state budget, and 291.8 km under preparation.

Inflation

The annual consumer price index ("**CPI**") inflation became and remained negative in the second half of 2015 and throughout 2016, owing mostly to the adoption of some stimulating fiscal measures (the broadening of the scope of the 9 per cent. reduced VAT rate to all food items, non-alcoholic beverages and public food services in June 2015 and the reduction in the standard VAT rate from 24 per cent. to 20 per cent. at the beginning of 2016), undeterred by the inflationary pressures stemming from rapidly increasing unit labour costs and the output gap becoming positive. Thus, inflation stood at -0.9 per cent. by year-end 2015 and -0.5 per cent. in 2016 respectively.

Despite the additional fiscal measures (a further reduction in the standard VAT rate from 20 per cent. to 19 per cent. and the elimination of some non-tax fees and charges at the beginning of 2017), inflation increased to 3.3 per cent. year on year in December 2017, within the target band of the National Bank of 2.5 per cent. +/-1 per cent. The upward trend in annual inflation was mainly driven by supply-side exogenous shocks in the second half of 2017, to which was added the growing excess demand and higher production costs (related to both raw materials and wages). These shocks include: (i) the significant rise in electricity trading prices on the competitive market (which are fully included in the electricity price following the market liberalisation as of the end of 2017); (ii) the last liberalisation stage of the domestic producer price for natural gas in April 2017; (iii) higher fuel prices, mirroring the steep upward trend of the international oil price in the second half of 2017 and the increase in the excise duty levied on motor fuels in the autumn of 2017, and (iv) the steep increase in egg prices in the last quarter of 2017 following the supply shortage at European level.

CPI inflation continued to increase in 2018, with the annual rate peaking at 5.4 per cent. in May and June 2018. The increase was mainly due to the base effect associated with the fiscal measures implemented in the first two months of 2017 (the reduction in standard VAT rate from 20 per cent. to 19 per cent., the removal of the special excise duty on motor fuels and the scrapping of some non-tax fees and charges), and further rises in energy prices (electricity and gas). Apart from the supply-side factors mentioned above, the across-the-board increase in consumer prices in the first half of 2018 reflected the inflationary pressures of a wide positive output gap, rapidly growing labour costs and upward adjustments of inflation expectations. However, annual inflation declined markedly during the second half of 2018, entering the central bank's variation band target in November, where it remained until year-end (reaching 3.3 per cent. in December 2018). The swift downturn was caused primarily by the absence of 2017's supply-side shocks, in addition to a steep decline in international oil prices and decreases in the prices of most agri-food commodities.

In the first two months of 2019, headline inflation again embarked on a sharp upward trajectory (3.8 per cent. in February), as a result of an abrupt increase in vegetable prices at local, as well as EU-level, amplified by the depreciation of the local currency, which was reflected to a certain degree in most components of the consumer basket.

The following table shows percentage changes in consumer prices for the years 2015, 2016, 2017, 2018 and the first two months of 2019:

Increases in Consumer prices

	2015	2016	2017	2018	Jan-Feb 2019
		(percentage change against the previous year)			
Food goods	(3.80)	(2.57)	2.48	3.75	4.12
Non-food goods	0.93	(1.04)	1.41	6.20	3.52
Services	2.04	(0.79)	(0.77)	2.5	2.9
Total	(0.60)	(1.55)	1.34	4.63	3.58
End of Period Increase					
Food goods	(6.20)	0.68	4.07	3.10	4.46
Non-food goods	1.95	(0.87)	4.11	3.75	3.75
Services	2.41	(1.83)	0.22	2.44	3.08
Total	(0.93)	(0.54)	3.32	3.27	3.83

Source: National Institute of Statistics and National Bank of Romania

According to the latest NBR projection, published in February 2019, the annual CPI inflation rate is forecasted to reach 3.0 per cent. at the end of 2019, and 3.1 per cent. in December 2020, values which are both inside the ±1 percentage point variation band of the 2.5 per cent. target. The downturn in the annual inflation rate, which started in the second half of 2018, is expected to continue until the third quarter of 2019. Afterwards, inflation is anticipated to re-embark on an uptrend, posting levels marginally higher than 3 per cent. The relatively stable trajectory of CPI inflation compared to previous years benefits from lower anticipated contributions of the exogenous components of the consumer basket.

The annual adjusted CORE2 inflation rate (excludes regulated prices, volatile food prices and fuels, tobacco product and alcohol prices) is forecasted to reach 3.3 per cent. at the end of 2019 and 3.4 per cent. in December 2020. The downward trend posted beginning in the second half of 2018 is expected to reverse starting with the second quarter of 2019, with the upward pace slowing in 2020. Domestic inflationary pressures, resulting from the persistence of excess demand and the flattening of inflation expectations at relatively high levels, are the main drivers of core inflation. Additionally, pressures from the imported consumer goods prices are expected, under the impact of gradual convergence of external inflation towards the 2 per cent. benchmark and due to the nominal depreciation registered at the beginning of 2019.

Wages

The following table shows gross earnings for the years 2015, 2016, 2017 and 2018:

	2015	2016	2017	2018
Average gross nominal monthly earnings (value in RON)	2,555	2,809	3,223	4,502
(percentage change against the previous year)...	9.8	9.9	14.7	—*
Average net nominal monthly earnings (value in RON)	1,859	2,046	2,338	2,685
(percentage change against the previous year)...	9.5	10.1	14.3	14.8
Real earnings (percentage change against the previous year)	10.1	11.8	12.8	9.7

Note:

* Data series for monthly average gross salary earnings up to 2017 are not comparable to the data for January 2018 to December 2018; data for 2018 includes the transfer of social security contributions from the employer to the employee.

Note: The figures for 2015, 2016 and 2017 are final data and data for 2018 are NCSP estimates

Source: National Institute of Statistics

In 2016, the average gross monthly earnings increased to RON 2,809, 9.9 per cent. higher than during 2015. Net average earnings grew by 10.1 per cent. and real wages increased by 11.8 per cent., compared to 2015. In the public and private sectors, average gross earnings reached RON 3,156 and RON 2,729, respectively.

The gross monthly minimum wage was increased from 1 January 2015 to RON 975, from 1 July 2015 to RON 1,050, from 1 May 2016 to RON 1,250, and from 1 February 2017 to RON 1,450. The gross minimum wage was increased to RON 1,900 per month as of 1 January 2018. From 1 January 2019, the gross minimum wage increased to RON 2,080 per month and for all staff holding higher education positions with at least one year of experience in the field, the gross minimum wage increased from RON 2,080 to RON 2,350 per month.

The following salary increases for personnel paid from public funds were approved for 2018: (i) salaries paid to personnel in the public sector increased by 25 per cent. in January 2018 compared to December 2017, along with the transfer of social contributions from the employer to the employee; (ii) salaries paid to personnel in the health system (physicians and nurses) were increased by an average of 77 per cent. as of 1 March 2018, to the maximum level provided by law to be granted by 2022, without increasing in stages as in other categories; (iii) salaries paid to personnel in the education system (teaching staff, auxiliary teaching staff and non-teaching staff) were increased by 20 per cent. starting in 1 March 2018 compared to the previous month.

For 2019, the Law No. 153/2017 regarding wages in the public sector stipulates an increase in the basic salaries by one quarter of the difference between the base salary for December 2018 and the base salary set by law for 2022.

In 2017, the average gross monthly earnings increased to RON 3,223, 14.7 per cent. higher than during 2016. Net average earnings grew by 14.3 per cent. and real wages increased by 12.8 per cent., compared to 2016. In the public and private sectors, average gross earnings reached RON 3,926 and RON 3,062, respectively.

In 2018, based on statistical monthly data, average gross monthly earnings increased to RON 4,502. Net average earnings grew by 14.8 per cent. and the real wage increased by 9.7 per cent. compared to the same period of 2017. In the public and private sectors, average gross earnings reached RON 5,620 and RON 4,198, 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 following table shows changes in the labour force for the years 2015, 2016, 2017 and the first nine months of 2018:

Labour Force[(1)]

	2015	2016	2017	Jan-Sept 2018
	(percentage change against the previous year)			
Active population[(2)(3)]	(0.3)	(1.8)	1.3	(0.7)
Employment[(2)]	(0.2)	(0.8)	2.4	0.1
Employees	3.6	2.3	3.1	2.1
	(per cent.)			
Activity rate[(2)(3)]	66.1	65.6	67.3	67.9
Employment rate[(2)]	61.4	61.6	63.9	64.9
International Labour Organisation (ILO) unemployment rate	6.8	5.9	4.9	4.2

Notes:

(1) Data according to the 2011 Population Census and The Households Labour Force Survey (AMIGO)

(2) Working age population (15 to 64 years old)

(3) Total number of individuals who are either employed or are actively seeking employment

Source: National Institute of Statistics

The employment rate for the working-age population increased from 61.6 per cent. in 2016 to 63.9 per cent. in 2017. In the first nine months of 2018 the employment rate for the working-age population was 64.9 per cent.

The positive economic evolution over the last four years was also translated in the labour market and the unemployment rate followed a decreasing trend reaching 6.8 per cent. by the end of 2015. In 2016, the unemployment rate was 5.9 per cent., it decreased to 4.9 per cent. in 2017 and went further down to 4.2 per cent. in the first nine months of 2018. In terms of monthly evolution, according to the data issued by NIS, the ILO unemployment rate was 4.0 per cent. in December 2018 (seasonally adjusted data).

The unemployment rate has reached a record low level, both for the period before the economic crisis (when the lowest rate was 5.5 per cent.) and the post-crisis period.

The registered unemployment rate (calculated by ANOFM using national methodology) has followed a downward trend reaching, 4.77 per cent. at 31 December 2016 from 5.0 per cent. at 31 December 2015. The registered unemployment rate was at a low level throughout 2017, with a downward trend in all months of the year, reaching 4.02 per cent. in December 2017, as a result of job creation due to economic growth and active government policies and measures, including measures to incentivise employers to hire employees from certain categories of disadvantaged persons (by increasing the subsidies offered to employers) and also measures aimed at incentivising the labour mobility of unemployed persons. The latest available data indicates a registered unemployment rate of 3.33 per cent. in November 2018.

The following table shows the rate of unemployment registered at the national level as at 31 December 2015, 2016, 2017 and as at 31 November 2018:

	As at 31 December			**End of November 2018**
	2015	**2016**	**2017**	**2018**
Registered Unemployment Rate	5.0	4.8	4.0	3.3

Source: ANOFM

The number of active registered individual employment contracts concluded for an unlimited duration registered was 5,591,864 as at 31 December 2015, 5,761,188 as at 31 December 2016, 5,808,766 as at 31 December 2017 and 5,843,202 as at 31 December 2018.

The number of registered active individual employment contracts for a limited duration was 501,782 as at 31 December 2015, 477,979 as at 31 December 2016, 470,137 as at 31 December 2017 and 534,762 as at 31 December 2018.

The number of daily labourers was 778,722 as at 31 December 2015, 807,934 as at 31 December 2016, 913,199 as at 31 December 2017 and 1,029,781 as at 31 December 2018.

The authorities took measures to fight against undeclared work and between January and December 2016, the authorities carried out 76,690 labour inspections, which resulted in 9,024 fines being applied and 263 criminal

prosecution procedures being initiated. Between January and December 2017, the authorities carried out 73,002 inspections, which resulted in 6,679 fines being applied and 114 criminal prosecution procedures being initiated. From August 2017, having more than five people without labour contracts is no longer a criminal offence. However, the situations which can be classified as undeclared work have been extended and the sanctions regime has been tightened. Between January and December 2018, the authorities carried out 71,666 inspections, which resulted in 7,743 fines being applied.

In order to enhance the positive outcomes of economic growth into the labour market, amendments to the legislation on the unemployment insurance system were adopted in 2016 and 2017. The changes aim at increasing activation of long-term unemployed persons and at facilitating internal mobility in order to solve regional deficits, but also at supporting the growth of the employment rate until 2020. The amendments included measures, such as the revision of internal mobility bonuses provided to unemployed persons that manage to find a job with more than a 15 km commute to work, but also to assist those that find a job with more than a 50 km commute to change their domicile or residence closer to their new job. The new legislative provisions also increased the financial support provided to employers that hire various vulnerable groups, such as: young graduates, young NEETs (people between 15 and 24 years not in employment, education or training), long-term unemployed persons, unemployed persons over 45 years, unemployed single parents and people with disabilities or unemployed persons who, within five years of their date of employment, would meet the conditions for early retirement pension or for age limit retirement.

The amendments to the legal framework also aimed at tackling the problem of youth unemployment and at enhancing integration into the labour market of young people (i.e. between 15 and 24 years). The unemployment rate of youth was 24.0 per cent. in 2014 and decreased in 2015 to 21.7 per cent., in 2016 to 20.6 per cent. and in 2017 it reached 18.3 per cent.

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.

The following table shows the evolution of realised unemployment insurance budget as at 31 December 2015, 2016 and 2017 and 2018:

Unemployment Insurance Budget

	As at 31 December			
	2015	**2016**	**2017**	**2018**
		(RON)		
Revenues	1,790,077,695	1,984,131,562	2,211,012,895	1,675,941,685
Expenditure	1,318,146,184	1,008,049,127	950,647,703	707,782,309
Surplus/Deficit	471,931,511	976,082,435	1,260,365,192	968,159,376

Source: National Employment Agency

The expenditures in 2015, 2016 and 2017 and the nine months ended 30 September 2018 are presented in the following table:

Unemployment Benefits Expenditure

	Year ended 31 December			Nine months ended 30 September 2018
	2015	**2016**	**2017**	
		(RON)		
Guarantee fund expenses	26,607,505	30,407,329	19,442,823	8,047,457
Education	35,335,777	29,014,965	27,987,821	25,459,603
Insurance and social assistance	918,375,170	791,775,929	700,626,066	473,438,792
General economic, commercial and employment activities	337,827,732	156,850,904	202,590,993	200,836,457
Total expenditure	1,318,146,184	1,008,049,127	950,647,703	707,782,309
Per cent. of GDP	0.18	0.14	0.12	0.09

Source: National Employment Agency

The annual evolution on registered unemployed persons as at 31 December 2015, 2016, 2017 and 30 September 2018 is presented in the following table:

Annual Evolution on Registered Unemployed Persons

	As at 31 December			As at 30 September 2018
	2015	**2016**	**2017**	
Receiving Benefits	108,533	90,111	72,917	53,686
Not Receiving Benefits	327,709	328,126	278,188	243,065
Total	436,242	418,237	351,105	296,751

Source: National Employment Agency

The expenditures during 2015, 2016, 2017 and the nine months ended 30 September 2018 on active employment measures designed to reduce the level of unemployment and to foster employment are presented in the following table:

Expenditure on Active Employment Measures

	Year ended 31 December			Nine months ended 30 September 2018
	2015	**2016**	**2017**	
		(RON)		
Active employment measure				
Vocational training	29,449,679	27,178,705	26,371,267	24,403,631
Stimulating employment of graduates	39,699,637	36,111,833	31,963,469	26,101,106
Stimulating employment of unemployed persons before the expiration of unemployment period	14,499,715	13,029,852	13,780,365	10,778,689
Stimulation of labour mobility	3,359,971	2,911,112	5,064,296	9,208,631
Stimulating the employment of unemployed from disadvantaged groups	89,118,312	90,127,129	134,613,986	134,496,447
Payments to foster graduates employment	2,589,265	2,032,973	1,996,889	530,855
Payments under Law 72/2007	803,481	956,174	927,343	451,126
Payments for vocational training of graduates (Article 84 of Law 76/2002)	503,699	889,267	1,454,034	631,020
Payments under Law L76/2002 modified L250/2013 (solidarity contracts)	7,892,478	5,945,210	4,650,819	2,099,154
Programmes for temporary employment	0	0	0	0
Active measures to combat unemployment (Counselling and career assistance)	1,528,250	508,465	393,943	249,223
Pre-dismissal services	888,019	914,165	879,270	440,915
Low interest loans for SMEs	0	0	0	0
Law No. 335/2013 on internships	254,779	192,558	286,998	376,268
Prima de activare (art.73^2)OG 60/2017		0	12,039,872	3,999,595
Prima de relocare (art.76^2)OUG6/2017		0	316,899	3,717,807
Prima de insertie				72,755
Total	190,587,285	180,797,443	234,739,450	217,557,222
Expenditure on active measures as a share of GDP (per cent.)	0.03	0.02	0.02	0.03

Source: National Employment Agency

Health System in Romania

Romania relies on a social health insurance system to finance a large part of its health care. Introduced in 1998, this system has been beneficial as it has increased the amount of public spending available to the sector. The National Health Insurance House ("**NHIH**") is the institution that manages the Single National Health Insurance Fund ("**SNHIF**"). One of the principles on which the health insurance system in Romania is based is the mandatory participation in the payment of the social health insurance contribution for financing the SNHIF.

Contributions are due by natural and legal persons, respectively, employees, as well as by other natural persons who earn income on which the contribution is due. For certain categories of people contributions are provided by the state budget. The full contribution rate due to the employee is 10 per cent., and for the other categories of persons who generate income on which the contribution is due, the share is 10 per cent.

In 2010, the ownership of the majority of hospitals was passed to local administrations. Hospitals are reimbursed through the NHIH and the Ministry of Health for approximately 95 per cent. of their operating costs, while local administrations are required to contribute 3 to 5 per cent. of such costs for the hospitals in their jurisdictions. Some local councils are making contributions of up to 20 per cent. of operating costs. The decentralisation of authority over hospitals has put a financial burden on local authorities, which are now liable for the maintenance and repair of hospital buildings and for the provision of services.

The following table shows public health expenses for the 2015, 2016 and 2017 budget:

Public health expenses for 2015 – 2017

	2015	2016	2017
Per cent. of GDP	4.1	4.0	4.0
State budget *(RON million)*	3,758.5	4,086.6	4,537.2
Local administrations' budgets *(RON million)*	9,273.9	10,149.5	12,784.3
Sole National Health Insurance Fund budget (*RON million)*	22,013.3	24,458.5	27,346.5
Foreign credit inputs *(RON million)*	0.0	0.0	
Fully/partially own income financed institutions[(1)] *(RON million)*	6,998.1	7,116.6	8,556.4
EU funding *(RON million)*	22.4	22.2	22.2
Transfers between budgets[(2)] *(RON million)*	(13,119.0)	(15,539.5)	(18,986.0)
Financial operations *(RON million)*	(29.5)	(28.7)	(12.4)

Notes:

(1) Hospitals of the Ministry of Health.

(2) Subject to deduction from the total amount.

Source: Ministry of Public Finance

Romania has historically committed a lower share of its national wealth to healthcare than other EU Member States.

In recent years, there has been significant growth in the resources available to the health sector which exceeded the rate of growth in the general public sector. The most significant beneficiaries, in terms of share of total spending, have been the national health programmes which attempted to partially cover the financing deficits of the health insurance budget for certain types of services. National health programmes reached 16.13 per cent. in 2015 and 15.75 per cent. in 2016. These are shared between relatively cost-effective public health programmes and relatively expensive hospital-based activities.

The SNHIF budget for 2017 provided for an increase of 8.3 per cent. of funds allocated to primary health services (including permanent centres) from RON 1,550.9 million in 2016, to RON 1,680 million in 2017 and an increase of 13.2 per cent. of the funds allocated for specialised outpatient medical care for clinical specialties from RON 778 million in 2016 to RON 880.6 million in 2017.

In 2017, the budget for primary care (including permanent centres) was RON 1,680 million, representing 7.6 per cent. of SNHIF health budget expenditures, excluding the costs resulting from the volume cost contracts and volume cost result and the costs generated by the salary increases granted to staff paid from public funds.

The increase in the share of budgets allocated to the curative national programmes from the total SNHIF medical services (18.28 per cent. in 2017 compared to 13.88 per cent. in 2013) is due to the diversification and complexity of the medical pathology covered by the national curative health programmes, as well as the increase of the accessibility of the patients, influencing majorly the survival and quality of life (oncological diseases, neurological diseases, diabetes and rare diseases).

The separation of responsibilities between the Ministry of Health and the NHIH allowed better control over the expenditure of healthcare programmes.

The goals of the basic package are reducing hospital admissions, increasing the number of cases resolved in day care and establishing conditions for the development of primary and outpatient health care services. Within the framework of the basic medical package, the hospital medical services that do not require continuous admission, granted under the day hospital treatment under the conditions provided in the relevant legislation

At the level of primary care, preventive consultations for people over the age of 18 have been introduced to check for major diseases and conditions.

Romania has continued the reform of the national healthcare system, by initiating the implementation of the national health strategy, that improves access to medical services, efficiency and financial sustainability of the healthcare system and supports modernisation of healthcare provisions at the regional level.

In line with strategic directions of health strategy, an analysis of the resources needed to modernise the healthcare infrastructure was developed and will be implemented as a World Bank project. A loan in an amount of EUR 250 million was approved by the World Bank Board in March 2014 to implement this project. The project started in 2015 and is currently under implementation.

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 2015, 2016, 2017 and 2018:

	2015	**2016**	**2017**	**2018**
Average no. of employees *(thousands)*	4,611.4	4,759.4	4,945.9	5,109.0[(1)]
Average no. of pensioners receiving state social security *(thousands)*	4,682.6	4,677.7	4,678.1	4,684.5
Dependency ratio*	1.015	0.983	0.969	0.917

Notes:

(1) NCSP Estimated data.

* According to National Institute of Statistics methodology. Represents the ratio between average number of pensioners receiving state social security and average number of employees.

Public Pension System

The Romanian public pensions system, which has been traditionally financed by the Romanian Government by means of subsidies, has seen its deficit increase since 2008 as a result of a number of factors in Romania that combined to put pressure on the pension system, including demographic factors (the ageing of population); increases in state expenditures per person on pensions and other pressures on the state social insurance budget; the emergence of special public pensions (which introduced a number of privileges and favourable treatment of certain professional categories, leading to a large gap between the highest and lowest paid state pension); and the existence of laws governing the organisation and functioning of different pension schemes for certain professions which was hampering the functioning of the pension system.

In 2015, the deficit of the public pension system increased further to RON 18.4 billion (approximately EUR 4.0 billion at the 2015 December-average exchange rate). In 2016, the deficit decreased to RON 15.1 billion (approximately EUR 3.33 billion at the December 2016 average exchange rate), following the entry into force of Law No. 223/2015 on state military pensions, according to which the amounts for the financing of pensions in the defence sector, public order and national security were excluded from the pension budget (state social insurance budget). These are now funded from the state budget, through the budgets of the Ministry of National Defence, the Ministry of Internal Affairs and the Romanian Intelligence Service.

In 2017, the deficit of the public pension system increased to RON 13.6 billion (approximately EUR 2.92 billion at the December 2017 average exchange rate). In 2018, the deficit of the public pension system decreased to RON 4.7 billion (approximately EUR 1.14 billion at the December 2018 average exchange rate) due to an increase in the revenues of the public pension system (due to both the increase in gross average earnings and the number of employees as well as the fiscal measures applied in 2018) while expenditures increased by a smaller amount (due to the increase in the pension point by 10 per cent. from 1 July 2018 and the increase in the average number of pensioners).

The deficits of the public pension system budget were covered by amounts transferred from the state budget in the form of subsidies.

Aiming to tackle the growth of the deficit of the public pension system under the impact of the global economic crisis, and in order to meet a condition of the financial assistance programmes with the IMF and the EU, the Romanian Government has reformed the Romanian public pension system for the purpose of ensuring its financial stability, eliminating the inequities in the system and stimulating private savings through a voluntary private pension system.

The reforming measures under Law No. 263/2010 on the unitary system of public pensions ("**UPPL**") include: annual indexation of the state pension to the forecast consumer price index instead of gross average wage, prohibiting discretionary pension increases, gradually increasing the retirement age, by January 2015, to 60 years for women and 65 years for men, introducing measures to reduce fraudulent claims for disability pensions, gradually increasing the retirement age for women from 60 years to 63 years by 2030, increasing by 2030 the contribution periods for old age pension, gradually equalising the contributions for women and men by 2030, introducing disincentives for early retirement and integrating the special pension systems (such as those for military and certain professions) into a unified public pension system.

The public pension system under the UPPL is contribution-based. Social insurance funds are derived from the contributions paid by individual and legal persons that are part of the public pension system and social insurance rights are granted on the basis of the contributions paid. Contribution rates have changed since 2018 in accordance with Law No. 227/2015 on the Fiscal Code, as amended and supplemented. The social security contribution rate currently paid by employees and workers of equivalent status is 25 per cent. of gross salary, with employers paying 4 per cent. or 8 per cent. depending on the working conditions in which the employee carries out the activity. The contribution to Pension Pillar II is a part of the total contribution due by the

employees and the current level is 3.75 per cent. According to GEO 114/2018, as of 1 January 2019, the share of total social security contributions due by construction workers was reduced by 3.75 per cent. to 21.25 per cent., as construction workers are now exempt from the Pension Pillar II contribution.

The adoption of UPPL improved the viability of the pension system and contributed to the sustainability of public finances. Partly as a result of the implementation of the UPPL, the real average retirement age increased in the whole system, from 57.8 years in 2010 to 60.2 years in 2018 for men and from 56.1 years in 2010 to 58.2 years in 2018 for women. Also, given the tighter requirements for anticipated pensions, the number of persons who registered for pension decreased from 307,282 in 2010 to 272,985 in 2018, and the number of people who registered for partial early retirement decreased from 42,340 in 2010 to 32,270 in 2018. The implementation of stringent eligibility requirements for disability pension retirement, designed to discourage abuse, led to a decrease of the number of persons who have signed up for disability pension, from 61,905 pensioners in 2010 to 43,009 pensioners in 2018.

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 Regional Development and Tourism, the Ministry of Economy, the Ministry of Agriculture and Rural Development and the Ministry of National Defence.

Subsidies from the general consolidated budget accounted for 0.9 per cent. of GDP in 2015 and 2016, decreased to 0.7 per cent. of GDP in 2017 and were budgeted at the same level for 2018.

Privatisation

The Authority for State Assets Administration ("**AAAS**"), placed under the co-ordination of the Minister of Economy and subordinated to the Government, administers privatisation policies in line with the national industrial strategy and the policies for the recovery of State claims over privatised companies. (ICSID litigation No. ARB/12/25, Marco Gavazzi and Stefano Gavazzi v. Romania and AAAS was finalised and the arbitral award was rendered on 18 April 2017 and rectified on 13 July 2017. The Romanian State (the AAAS) was ordered to pay U.S.$3,792,147.88 and EUR1,947,320.43 to the Gavazzi brothers.)

Following several departmental restructurings, the Ministry of Energy is developing the privatisation, administration and restructuring of the companies in the energy sector.

Authority for State Assets Administration

As at 1 November 2018, AAAS's portfolio comprised stakes in 490 companies, amounting to a total nominal value of AAAS's participation of RON 890.80 million. Out of the total 490 companies, only 264 are currently operational and the nominal value of AAAS's participation in these companies amounts to RON 245.12 million. AAAS holds majority stakes in 11 operational companies and the total share capital held by the state in these companies does not exceed RON 153 million.

Department for Privatisation and State Ownership Administration

Department for Privatisation and State Ownership Administration ("**DPAPS**") is responsible for the privatisation of and raising capital for the projects of such companies and exercises, on behalf of the Ministry of Economy, its authority on privatisation and, within the limits approved by the Minister, exercises all the rights and obligations of the State as a shareholder.

Currently, the portfolio managed by the Ministry of Economy includes companies in the mineral resources sector (such as Societatea Naţională a Sarii S.A., Societatea Naţională a Apelor Minerale S.A., Cupru Min S.A.,

Compania Naţională Minvest S.A.), the defence sector (Compania Naţională ROMARM S.A., Romaero S.A., IAR S.A., Avioane Craiova S.A., Santierul Naval Mangalia S.A., etc.), electricity and natural gas transportation companies (Compania Naţională de Transport a Energiei Electrice "Transelectrica" S.A. and Societatea Naţională de Transport Gaze Naturale "Transgaz" S.A.) and other sectors of activity as well.

In January 2017, tourism companies were transferred to the Ministry of Tourism.

Starting with the commencement of the insolvency proceedings (30 January 2013), the activities of Oltchim S.A. have been carried out in accordance with the procedures regulated by Law No. 85/2006 regarding the insolvency procedure. Thus, on 9 March 2015, the reorganisation plan was approved by the Creditors' Assembly and subsequently modified by decision No. 1502 from 28 June 2017 of the Ramnicu Valcea Tribunal. The reorganisation plan was modified in order to ensure economic discontinuity. This was done by changing the method of sale from selling shares of Oltchim SPV to selling functional asset packages.

Following the first sale process, two sale-purchase agreements were concluded, namely:

- with Dynamic Selling Group on 1 February 2018, as purchaser of a single asset, a contract concluded on 13 June 2018, with the full payment of EUR 1.9 million plus VAT; and

- with Chimcomplex Borzesti on 17 October 2017, as purchaser of five assets, a contract concluded on 7 December 2018, with the full payment of EUR 127 million plus VAT.

Following these transactions, Oltchim remains with conservation assets, for which the consortium of judicial administrators will continue the sales procedures provided in the reorganisation plan.

In April 2016, the European Commission initiated an investigation to determine whether certain measures taken by Romania to support Oltchim were compliant with EU State aid rules, in particular:

- the non-enforcement and further accumulation of debts owed by Oltchim to AAAS in Romania after the failed privatisation of Oltchim in September 2012;

- cancellation of over EUR 300 million of debt by AAAS owed by Oltchim to various state owned enterprises; and

- continued supply by the Romanian state and by state-owned enterprises (CET Govora and Salrom) to Oltchim without payment despite the company's deteriorating financial situation.

The Commission found that no private market creditor would have agreed to write-off Oltchim's existing debts or provide further supplies to Oltchim under the same terms as AAAS and other state-owned creditors did in 2015. Therefore, public support measures were considered to constitute state aid within the meaning of EU rules.

Subsequently, the Commission assessed these measures in accordance with applicable EU State aid rules, namely the 2014 Guidelines on State aid for rescue and restructuring. The Guidelines allow the state to intervene in support of a company in financial difficulty only under specific conditions, requiring in particular that the company is subject of a sound restructuring plan, contributes to the cost of its restructuring and that any competition distortions are limited.

In this case, no such restructuring plan was notified to the Commission. In addition, the Commission found that there was no discernible contribution from investors to the restructuring costs of the company.

The Commission therefore concluded that the public funding granted by Romania to Oltchim, collectively totalling approximately EUR 335 million plus interest, was incompatible with the EU State aid rules and needs to be recovered by Romania. Interested parties had a period of 2 months and 10 days from date of

communication of the decision of the Commission (17 December 2018) to submit appeal against the decision of the Commission. Any measures that will apply depend on the outcome of any appeals.

On 28 February 2019, the General Creditors Meeting of Oltchim S.A. voted to approve the proposal of the consortium of judicial administrators to contest the state aid decision issued by the European Commission to the CJEU according to the report published in the insolvency procedure Bulletin no. 4388/01.03.2019.

Ministry of Energy

Currently, the portfolio managed by the Ministry of Energy includes companies in the energy sector and energetic mineral resources companies, such as Societatea Nationala de Gaze Naturale "Romgaz" S.A. Medias, Societatea Nationala "Nuclearelectrica" S.A., Societatea de Producere a Energiei Electrice in Hidrocentrale "Hidroelectrica" S.A., Electrocentrale Bucuresti S.A. (in insolvency procedure), Electrocentrale Grup S.A., Electrocentrale Constanta S.A., Complexul Energetic Oltenia S.A., Complexul Energetic Hunedoara S.A., Compania Nationala a Uraniului, Oil Terminal S.A., Conpet S.A., Societatea de Administrare a Participatiilor in Energie S.A. (SAPE S.A.), Societatea Nationala Inchideri de Mine Valea Jiului (SNIM S.A.).

In 2017, Hidroelectrica S.A. registered a net profit of RON 1,360 million and a turnover of RON 3,254 million.

The Ministry of Energy continues the projects involving independent power producer joint ventures between the Romanian government and private investors for setting up new power generation units. These projects, which are currently in various stages of implementation, involve companies such as UT Midia S.A., Complexul Energetic Oltenia S.A. (Electrocentrala Rovinari), Hidro-Tarnita Lapustesti, Nuclearelectrica S.A. (completing the nuclear units 3 and 4 of 720 MW each, from the Cernavodă Nuclear Power Plant).

Shadow Economy

Romania has a significant shadow economy, around half of which is believed to be based on unregistered labour. Its size, although difficult to verify, is estimated by the authorities based on national statistics on tax evasion and the number of employees reported in the business and household surveys prepared by the National Institute of Statistics.

FOREIGN TRADE[4] AND BALANCE OF PAYMENTS

The current account deficit was 1.2 per cent. of GDP in 2015 (final data) increasing to 2.1 per cent. in 2016 (final data) and to 3.2 per cent. in 2017 (semi-final data). In 2015 and 2016, despite the increase in the current account deficit (to EUR 1,972 million and EUR 3,549 million, respectively) the non-residents' direct investment kept pace at EUR 3,461 million and EUR 4,517 million, respectively. In 2017 the increasing current account deficit (EUR 5,970 million) was financed through capital transfers and non-residents' direct investment, while in 2018 besides capital transfers and non-residents' direct investment, the portfolio investment also contributed to the financing of the growing deficit (EUR 9,416 million). In 2015, capital transfers were 2.0 times higher than the current account deficit while in 2016 this ratio was 1.2, in 2017 it was 0.3 and in 2018 it was 0.2.

Trade in goods

Due to a greater increase in imports than in exports, the share of the goods' balance deficit in GDP increased to 4.9 per cent. of GDP in 2015, followed by further increases to 5.5 per cent. of GDP in 2016, 6.5 per cent. of GDP in 2017 and 7.3 per cent. of GDP in 2018.

The following table shows changes in foreign trade for the years 2015, 2016, 2017 and 2018:

	2015	2016	2017(S)	2018(P)
Current account balance *(EUR million)*.......	(1,972)	(3,549)	(5,970)	(9,416)
per cent. of GDP	(1.2)	(2.1)	(3.2)	(4.7)
Trade balance FOB(1) *(EUR million)*	(7,788)	(9,305)	(12,183)	(14,811)
per cent. of GDP	(4.9)	(5.5)	(6.5)	(7.3)
Exports of goods *(EUR million)*	49,113	52,173	57,187	61,881
annual percentage change	4.9	6.2	9.6	8.2
Imports of goods FOB(1) *(EUR million)*.......	56,901	61,478	69,370	76,692
annual percentage change	6.7	8.0	12.8	10.6

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).

(P) Provisional data.

(S) Semi-final data.

Source: NBR

Main trends in 2015 to 2018

In 2015 (final data), the goods deficit increased by 19.2 per cent. to EUR 7,788 million, with import growth (6.7 per cent.) outpacing export growth (4.9 per cent.). The intra-EU trade deficit outpaced the total deficit,

[4] 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).

while extra-EU trade ended up in surplus of EUR 559 million. The coverage of imports through exports went down by 1.4 percentage points to 86.3 per cent.

In 2016 (final data), the goods deficit totalled EUR 9,305 million, 19.5 per cent. up from 2015, with exports increasing by 6.2 per cent. and imports by 8 per cent. The intra-EU trade deficit accounted for 96.7 per cent. of the total goods deficit, and extra-EU deficit the remaining 3.3 per cent. The coverage of imports through exports declined by 1.4 percentage points to 84.9 per cent.

In 2017 (semi-final data), the goods deficit increased by 28 per cent. to EUR 12,183 million as compared with 2016, with imports growth (12.8 per cent.) continuing to outpace exports growth (9.6 per cent.) as compared to 2016. 82.6 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 17.4 per cent. The imports through exports coverage was 82.4 per cent., down 2.4 percentage points year on year.

In 2018 (provisional data), the goods deficit increased by 21.6 per cent. as compared to 2017, to EUR 14,811 million, with imports growth (10.6 per cent.) continuing to outpace the exports growth (8.2 per cent.) as compared to 2017. 69.4 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 30.6 per cent. The imports through exports coverage was 80.7 per cent., down 1.7 percentage points year on year.

Exports and imports of goods included in the balance of payments

In 2015 (final data), exports of goods totalled EUR 49,113 million, 4.9 per cent. above the prior year's level, due to positive performances of most commodity groups (Combined Nomenclature) except for mineral products, wood and paper products. The Combined Nomenclature (CN) is a tool for classifying goods, set up to meet the requirements both of the Common Customs Tariff and of the EU's external trade statistics. It is a further development (with special EU-specific subdivisions) of the World Customs Organization's Harmonized System nomenclature. This is a systematic list of commodities applied by most trading nations (and also used for international trade negotiations). Exports to other EU countries increased by 9.8 per cent., with a corresponding increase in the share of total exports (by 3.2 percentage points to 72.3 per cent.), while exports to countries outside the EU decreased by 5.9 per cent. Over the same period, imports of goods amounted to EUR 56,901 million, 6.7 per cent. up from 2014. Imports of goods purchased from EU countries increased by 9 per cent. (from 75.5 to 77.1 per cent. as a share in total imports), while imports from countries outside the EU decreased by 0.5 per cent.

In 2016 (final data), exports of goods totalled EUR 52,173 million, 6.2 per cent. above the previous year's level, mainly due to positive performances of commodity group (Combined Nomenclature) "Machinery, apparatus, electric equipment, transport equipment". Exports to other EU countries increased by 8.2 per cent., with a corresponding increase in the share of total exports (by 1.4 percentage points to 73.7 per cent.), while exports to countries outside the EU rose by only 1.2 per cent. Over the same period, imports of goods amounted to EUR 61,478 million, 8 per cent. up from 2015. Imports of goods purchased from EU countries increased by 8.1 per cent. (remaining flat at 77.1 per cent. as a share in total imports), while imports from countries outside the EU increased by 7.9 per cent.

In 2017 (semi-final data), exports of goods totalled EUR 57,187 million, a 9.6 per cent. increase year on year, due to positive performances of all commodity groups (Combined Nomenclature)[2]. Exports to other EU countries increased by 10.9 per cent. with a corresponding increase in the share of total exports (by 0.9 percentage points to 74.5 per cent.), while exports to countries outside the EU rose by 5.9 per cent. Over the same period, imports of goods amounted to EUR 69,370 million, 12.8 per cent. up from 2016. Imports of goods purchased from EU countries increased by 11.1 per cent. (but decreased from 77.1 per cent. to 76.0 per cent. as a share of total imports), while imports from countries outside the EU increased by 18.7 per cent.

In 2018 (provisional data), exports of goods totalled EUR 61,881 million, a 8.2 per cent. increase compared to the same period in 2017 due to positive performances of all commodity groups (Combined Nomenclature)[2]. Exports to other EU countries increased by 10.5 per cent. with a corresponding increase in the share of total exports (by 1.6 percentage points to 76.1 per cent.), while exports to countries outside the EU rose by 1.6 per cent. Over the same period, imports of goods amounted to EUR 76,692 million, 10.6 per cent. up from 2017. Imports of goods purchased from EU countries increased by 8.9 per cent. (but decreased from 76.0 to 74.8 per cent. as a share of total imports), while imports from countries outside the EU increased by 15.9 per cent.

The shares of groups of goods (according to the Combined Nomenclature)[2] in total exports and in total imports in 2015, 2016, 2017 and 2018 are shown in the table below:

Trade Balance – Groups of Goods and Sections

	Export FOB				Import FOB			
	2015	**2016**	**2017(s)**	**2018(p)**	**2015**	**2016**	**2017(s)**	**2018(p)**
				(per cent.)				
Total	100.0	100.0	100.0		100.0	100.0	100.0	
1 Agri-food items	12.0	11.7	11.1	10.5	10.5	11.0	10.6	9.9
I Live animals and animal products	1.6	1.5	1.6	1.4	2.1	2.2	2.3	2.2
II Vegetable origin products	6.3	6.6	6.1	5.8	3.5	3.6	3.3	2.9
III Animal or vegetable oils and fats	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.2
IV Foodstuff, beverages, tobacco	3.7	3.2	3.0	2.8	4.6	4.9	4.78	4.6
2 Mineral products (V)	5.2	4.2	4.3	4.7	7.3	6.2	7.2	8
3 Chemical and plastic products	10.3	9.6	9.7	9.6	18.2	17.8	17.5	16.6
VI Chemical products	4.1	3.5	3.6	3.5	10.7	10.4	10.2	9.5
VII Plastics, rubber	6.2	6.1	6.1	6.0	7.5	7.3	7.3	7.1
4 Wood products, paper	4.4	3.9	3.7	3.4	2.6	2.6	2.5	2.4
IX Wooden products	3.7	3.1	2.9	2.6	0.9	0.9	0.9	0.9
X Wood pulp, paper	0.7	0.8	0.8	0.8	1.7	1.7	1.5	1.5
5 Textiles, clothing, footwear	5.3	5.5	5.1	4.8	5.9	6.4	6.1	5.9
XI Textiles and articles thereof	4.0	4.1	3.8	3.6	5.0	5.4	5.1	4.9
XII Footwear	1.4	1.4	1.3	1.2	0.8	0.9	1.0	1.0
6 Common metals (XV)	9.2	8.3	9.1	9.3	10.9	10.2	10.6	10.7
7 Machinery, apparatus, electric equipment, transport means	45.3	48.1	47.2	48	37.8	38.7	37.6	38.2

Trade Balance – Groups of Goods and Sections

	Export FOB				Import FOB			
	2015	2016	2017(s)	2018(p)	2015	2016	2017(s)	2018(p)
	(per cent.)							
XVI Machinery, appliances and electric equipment.....................	27.7	29.4	28.4	28.4	28.2	28.1	27.5	27.5
XVII Transport means .	17.5	18.7	19.5	19.3	9.6	10.6	10.1	10.7
8. Others......................	8.2	8.7	9.7	9.6	6.9	7.1	7.9`	8.4
VIII Undressed leather and dressed leather, furs and fur products...........	0.3	0.7	0.3	0.3	1.0	1.0	1.0	1.0
XIII Stone products, cement, ceramics, glass.	0.6	0.6	0.6	0.7	1.3	1.3	1.3	1.4
Miscellaneous goods and products.................	7.3	7.4	8.8	8.6	4.5	4.8	5.6	6.1

Notes:

(p) = provisional data

(s) = semi-final data

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 2015, 2016, 2017 and 2018 are presented in the table below:

Trade Balance – Geographical Distribution

	Export FOB				Import FOB			
	2015	2016	2017(S)	2018(P)	2015	2016	2017(S)	2018(P)
	(per cent.)							
Country Group								
Total	100.0	100.0	100.0		100.0	100.0	100.0	
- Intra EU Trade (EU-28), of which................	72.3	73.6	74.5	76	77.1	77.1	76.0	75.2
Germany......................	19.2	21.1	22.7	22.9	19.7	20.4	19.7	20.2
Italy..............................	9.9	9.2	8.8	9.3	9.3	8.8	8.7	8.2
France..........................	6.9	7.3	6.8	7.2	5.5	5.5	5.3	5.1
Hungary.......................	5.7	5.5	4.9	5.0	8.4	8.0	7.8	7.2
Bulgaria.......................	3.6	3.5	3.6	3.5	3.2	3.3	3.0	2.9
United Kingdom of Great Britain and Northern Ireland	4.0	4.1	3.8	4.1	2.3	2.1	2.3	2.3
Spain............................	3.1	3.2	3.2	3.3	2.7	2.8	2.8	2.8
Netherlands..................	2.6	2.5	2.5	2.7	4.1	4.3	4.2	4.1

Trade Balance – Geographical Distribution

	Export FOB				Import FOB			
	2015	2016	2017(S)	2018(P)	2015	2016	2017(S)	2018(P)
	(per cent.)							
Poland	3.0	3.2	3.4	3.4	5.2	5.4	5.7	5.8
Austria	2.5	2.4	2.4	2.3	4.0	3.6	3.4	3.3
- Extra EU Trade (extra- EU-28), of which	27.7	26.4	25.5	24.0	22.9	22.9	24.0	24.8
Turkey	4.4	3.5	3.6	3.3	3.7	3.9	4.1	4.4
Russian Federation	2.0	1.9	1.9	1.7	3.2	3.0	3.3	3.8
U.S.	2.0	1.7	1.8	2.0	1.1	0.9	1.5	1.0
Ukraine	0.5	0.5	0.6	0.6	0.8	0.9	0.8	0.8
Republic of Moldova	1.3	1.2	1.5	1.6	0.5	0.5	0.6	0.6
People's Republic of China	1.1	1.2	1.3	1.2	4.7	5.3	5.2	5.4
Japan	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.4
Kazakhstan	0.1	0.1	0.1	0.1	1.7	1.2	1.5	1.6

Notes:

(p) = provisional data

(s) = semi-final data

Some totals may differ from the sum of components due to rounding.

Source: National Institute of Statistics, National Bank of Romania calculations

Balance of Payments

Current Account

According to the International Monetary Fund's BPM6 Methodology, the "Current Account" consists of goods (calculated based on the international trade in goods data, from which the value of goods processed in Romania and abroad is eliminated and to which the net exports of goods by merchants is added; in order to comply with the BPM6 principle of change in ownership), services (which also include the value of the processing of goods owned by others and is not simply translated from goods, but compiled based on alternate data sources, i.e. quarterly surveys of international trade in services), primary income (including compensation of employees, investment income and other primary income) and secondary income (purely current transfers). The methodological change has been coherently applied across EU countries starting with the reference month of July 2014.

In 2015 (final data), the current account deficit increased to EUR 1,972 million (from EUR 1,012 million in 2014). The main drivers for this increase were the widening of the primary income and goods deficits (by EUR 1,743 million and EUR 1,252 million, respectively). The primary income deficit from direct and portfolio investment doubled to EUR 3,772 million. The goods deficit widened by 19.1 per cent. to EUR 7,788 million, while chemical and plastics products, base metals, textiles and clothing deficits continued to increase. At the same time, the secondary income and services had a favourable impact on the current account. The secondary income surplus increased to EUR 2,794, mainly due to higher inflows of EU funds of current transfers nature

(especially from European Social Fund and European Agricultural Fund for Rural Development). The services surplus increased by 15.8 per cent. in 2015 to EUR 6,794 million, mainly due to higher receipts from road transportation and computer and information services.

In 2016 (final data), the current account balance displayed a deficit of EUR 3,549 million (2.1 per cent. of GDP), as compared with EUR 1,972 million (1.2 per cent. of GDP) in the previous year, amid the widening trade in goods deficit (by EUR 1,517 million) and primary income deficit (by EUR 695 million), which were partly offset by the increase of trade in services surplus (by EUR 929 million). The goods deficit increased in 2016 by 19.5 per cent. to EUR 9,305 million, as compared with the corresponding value for 2015 of EUR 7,788 million, the trend being driven by all the main product groups, except Machinery, apparatus, electric equipment, transport equipment (for which the surplus increased by 77 per cent. to EUR 1.3 billion).

In 2017 (semi-final data), the current account deficit increased to EUR 5,970 million (3.2 per cent. of GDP), from EUR 3,549 million (2.1 per cent. of GDP) in 2016. The goods deficit increased to EUR 12,183 million, from EUR 9,305 million in 2016, with most of the merchandise groups witnessing either higher deficits or smaller surpluses. The primary income deficit increased by 3.8 per cent. to EUR 4,638 million compared to 2016, mainly from larger direct investment income earned by non-residents (dividends and reinvested earnings). The secondary income surplus increased by 5.6 per cent. to EUR 2,641 million compared to 2016, from higher inflows of workers' remittances. The services surplus accounted for EUR 8,210 million compared to EUR 7,723 million in 2016.

In 2018 (provisional data), the current account deficit increased to EUR 9,416 million, from EUR 5,970 million in the corresponding period of 2017, mainly on the back of a higher trade in goods deficit. The goods deficit increased to EUR 14,811 million (from EUR 12,183 million in 2017), most of the merchandise groups witnessing either higher deficits or smaller surpluses. Exports of goods in 2018 totalled EUR 61,881 million, a 8.2 per cent. increase as compared to 2017, due to positive performances of all commodity groups. Imports of goods in 2018 amounted to EUR 76,692 million, an increase of 10.6 per cent. as compared to 2017. The services surplus decreased by 1.2 per cent. to EUR 8,109 million compared to the same period of 2017. The primary income deficit increased by 7.0 per cent. to EUR 4,961 million compared to the corresponding period of 2017, mainly from larger estimated reinvestment of earnings related to non-residents' direct investment. The secondary income surplus decreased by 14.9 per cent. to EUR 2.247 million as compared to the corresponding period in 2017, as a result of lower inflows of EU funds and to a lesser extent to miscellaneous current transfers (such as current transfers to non-profit organisations, gifts and donations).

In 2015, the combined current and capital account surplus was EUR 1,928 million. However, the level of non-residents' direct investment in Romania reached a substantially higher level (EUR 3.5 billion) than that of the current account deficit (EUR 2.0 billion). In 2016, the combined current and capital account surplus was EUR 711 million while the non-residents' direct investment in Romania stayed at a comfortable level of EUR 4,517 million. In 2017, the combined current and capital account ended with a deficit of EUR 3,754 million, entirely covered by non-residents' direct investment of EUR 4,797 million. In 2018, the combined current and capital account ended with a deficit of EUR 6,943 million, while non-residents' direct investment stood at EUR 4,937 million.

Besides the EU funds of capital transfers nature, other types of EU funds (such as subsidies for agriculture and current transfers) helped reduce the current account deficit. The results are summarised in the table below:

	2015	**2016**	**2017**	**2018**
		(EUR million)		
Current account balance	(1,972)	(3,549)	(5,970)	(9,416)
Foreign Direct investments flows	3,461	4,517	4,797	4,936

EU funds inflows	6,438	7,360	4,819	4,444
subsidies	1,420	1,510	1,773	1,769
current transfers	1,720	1,626	1,094	922
capital transfers	3,298	4,224	1,935	1,753

Capital Account

In 2015, the capital account recorded a surplus of EUR 3,901 million, broadly comparable to 2014 levels and fully covering, for the third consecutive year, the current account deficit.

In 2016, the capital account recorded a surplus of EUR 4,260 million, 9.2 per cent. above the previous year and fully covering, for the fourth consecutive year, the current account deficit. This was mainly due to an inflow of non-refundable EU funds, primarily from the European Regional Development Fund.

In 2017, the capital account ended with a surplus of EUR 2,216 million, down from EUR 4,260 million, following the drop in EU funds in the form of capital transfers.

In 2018, the capital account ended with a surplus of EUR 2,473 million (as compared with EUR 2,216 million in the same period in 2017), mainly consisting of inflows of EU funds in the form of capital transfers, but also from the sale of CO2 certificates.

Financial Account

In 2015 (final data), the financial account recorded net outflows, totalling EUR 2,280 million, which was below the previous year's level (EUR 3,068 million). The downward trend was driven, on the one hand, by the decline in net outflows reported under "other investment" item. Direct investment recorded net inflows of EUR 2,955 million, 9.3 per cent. above the previous year's level. Non-residents' investment in Romania (final data) totalled 3,461 million, out of which equity capital and net reinvested earnings accounted for EUR 3,595 million and intra-group loans recorded the net negative value of EUR 134 million. Portfolio investment recorded net inflows of EUR 5 million, versus net inflows amounting to EUR 2,859 million in 2014, due to the lower volume of government bonds issued in 2015. Other investment ended the year 2015 with net outflows lower than in the previous period (EUR 5,864 million in the period under review, as compared with EUR 9,890 million in 2014), mainly due to a higher volume of non-residents' deposits with resident banks, a lower volume of residents' deposits abroad and a lower level of repayments related to external borrowings.

In 2016 (final data), the financial account net outflows totalled EUR 1,550 million, as compared with EUR 2,280 million in 2015. In 2016, direct investment in Romania accounted for EUR 4,517 million, with reinvested earnings increasing to EUR 1,138 million (from EUR 510 million in 2015) and equity flows rising to EUR 3,203 million (from EUR 3,085 million in 2015). Net portfolio investment inflows rose to EUR 975 million in 2016, as compared with EUR 5 million in 2015, the main factor being the higher level of government bond issuance on external markets. Other investment ended the year 2016 with a net outflow worth EUR 4,743 million, 19.1 per cent. less than in 2015, mainly due to fewer reimbursements made by the public administration and central bank on long-term loans.

In 2017 (final data), the financial account ended with net inflows totalling EUR 3,188 million, compared to net outflows of EUR 1,550 million in 2016. This was the result of simultaneous higher inflows of portfolio investment (new issuance of government bonds) and a lower level of non-residents' withdrawals from deposits with resident banks. Direct investment recorded net inflows of EUR 4,883 million, as compared with EUR 4,513 million in 2016. Non-residents' investment in Romania in 2017 totalled EUR 4,797 million, out of which equity capital and net reinvested earnings accounted for EUR 3,968 million and intra-group loans recorded the net value of EUR 829 million. Portfolio investment recorded net inflows of EUR 2,987 million,

compared to EUR 975 million in 2016, boosted by the issuance of government bonds. Other investment ended 2017 with net outflows of EUR 4,329 million, a decrease of 8.7 per cent. from 2016, mainly due to a lower level of non-residents' withdrawals from deposits with resident banks, but also from a higher level of net liabilities under trade credits and advances. In 2017, the current account deficit was almost entirely covered by stable and non-debt-creating flows (accounting for around 3.7 per cent. of GDP) – namely, foreign direct investment and capital transfers associated with EU structural and investment funds.

In 2018 (provisional data), the financial account ended with net inflows totalling EUR 4,971 million, compared with net inflows of EUR 3,188 million in 2017, mainly due to the decrease in NBR's reserve assets and currency and deposits placements abroad. Direct investment recorded net inflows of EUR 4,937 million, compared to EUR 4,883 million in 2017. Estimates indicate that non-residents' investment in Romania totalled EUR 4,936 million, out of which equity capital and net reinvested earnings accounted for EUR 4,042 million and intra-group loans recorded a net value of EUR 894 million. Portfolio investment recorded net inflows of EUR 2,107 million, compared with EUR 2,987 million in the same period in 2017. Other investment ended 2018 with net outflows of EUR 2,783 million, as compared with EUR 4,329 million in the corresponding period in 2017, mainly from the repayment of the principal related to the government loan granted by the EU and the reduction of currency and deposits placed abroad. In 2018, three quarters of the current account deficit were covered by the net inflows of direct investment and capital inflows.

Balance of Payments for the Years 2015, 2016, 2017 and 2018

	2015			**2016**			**2017***			**2018***		
	credit	**debit**	**balance**	**credit**	**debit**	**balance**	**credit**	**debit**	**balance**	**credit**	**debit**	**balance**
						(EUR million)						
Item												
1. Current account	73,774	75,747	(1,972)	78,038	81,588	(3,549)	85,627	91,597	(5,970)	91,536	100,952	(9,416)
A. Goods and services	65,755	66,749	(995)	70,180	71,762	(1,583)	77,880	81,853	(3,973)	83,897	90,600	(6,702)
a. Goods[2]	49,113	56,901	(7,788)	52,173	61,478	(9,305)	57,187	69,370	(12,183)	61,881	76,692	(14,811)
- General merchandise on a balance of payments basis..............	49,103	56,901	(7,799)	52,195	61,478	(9,283)	57,184	69,370	(12,186)	61,841	76,692	(14,851)
- Merchanting – export net	10		10	(22)		(22)	2		2	40		40
Merchanting – goods acquired....	(232)		(232)	(287)		(287)	(259)		(259)	(329)		(329)
Merchanting – goods sold...........	242		242	265		265	261		261	369		369
- Nonmonetary gold[1]	0	0	0	0	0	0	0	0	0	0		0
b. Services	16,642	9,848	6,794	18,007	10,284	7,722	20,693	12,483	8,210	22,016	13,908	8,109
- Manufacturing services on physical inputs owned by others............	2,567	172	2,394	2,631	202	2,429	2,886	183	2,703	2,794	177	2,617
- Transportation........	5,204	1,796	3,408	5,537	1,915	3,622	6,186	2,358	3,828	6,509	2,793	3,716
- Travel	1,542	1,855	(312)	1,568	1,930	(363)	2,237	3,074	(837)	2,453	3,656	(1,202)
- Other services	7,329	6,025	1,305	8,270	6,237	2,033	9,384	6,868	2,517	10,260	7,282	2,978
B. Primary income	2,319	6,091	(3,772)	2,820	7,286	(4,467)	3,248	7,886	(4,638)	3,429	8,389	(4,961)
- Compensation of employee	606	45	561	702	66	636	972	70	902	1,139	101	1,038
- Investment income	277	5,902	(5,625)	598	7,003	(6,406)	465	7,587	(7,122)	502	8,051	(7,549)
Direct investment	(69)	3,781	(3,849)	119	5,160	(5,041)	62	5,916	(5,854)	54	6,277	(6,224)
Portfolio investment inc...........................	107	1,017	(910)	150	1,112	(962)	114	1,020	(906)	133	1,150	(1,018)
Other investment income	50	1,105	(1,055)	46	732	(686)	35	651	(616)	57	623	(565)

	2015			2016			2017*			2018*		
	credit	debit	balance	credit	debit	balance	credit	debit	balance	credit	debit	balance
	(EUR million)											
Reserve assets income	188		188	283		283	254		254	258		258
- Other primary income .	1,436	144	1,292	1,520	216	1,303	1,811	229	1,582	1,788	237	1,551
C. Secondary income..........	5,701	2,907	2,794	5,039	2,539	2,500	4,499	1,859	2,640	4,210	1,963	2,247
- General government	1,866	1,717	149	1,670	1,524	146	1,098	1,447	(350)	926	1,498	(572)
- Other sectors..........	3,835	1,190	2,645	3,369	1,015	2,354	3,401	411	2,990	3,284	465	2,819
A. Capital account.............	4,012	112	3,901	4,412	152	4,260	2,246	30	2,216	2,507	34	2,473
a. Capital transfers	3,781	62	3,718	4,230	108	4,122	1,970	0	1,970	1,753	0	1,753
- General government	3,298	1	3,297	4,225	0	4,225	1,953	0	1,953	1,753	0	1,753
- Other sectors	483	62	421	5	108	(102)	18	0	17	0	0	0
b. Gross acquisitions / disposals of nonproduced nonfinancial........................	232	49	182	182	44	138	275	30	245	754	34	720

Notes:

(*) Provisional data

(1) BPM6 methodology

(2) FOB imports are BNRs' figures calculated using NIS CIF/FOB co-efficient.

(3) "( )" = Decreases

Differences between total and the sum of components are due to roundings.

	2015			2016			2017			2018*		
	Net acquisition of assets(3)	Net incurrence of liabilities(3)	Net	Net acquisition of assets(3)	Net incurrence of liabilities(3)	Net	Net acquisition of assets(3)	Net incurrence of liabilities(3)	Net	Net acquisition of assets(3)	Net incurrence of liabilities(3)	Net
	(EUR million)											
B. Financial account..........	1,539	(741)	2,280	5,044	3,494	1,550	4,335	7,523	(3,188)	2,349	7,320	(4,971)
a. Direct Investment	930	3,884	(2,955)	1,143	5,656	(4,513)	350	5,233	(4,883)	824	5,762	(4,937)
- Equity..........................	(140)	3,591	(3,731)	8	4,341	(4,333)	387	3,965	(3,578)	42	4,017	(3,975)
Equity other than reinvestment of earnings....................	9	3,080	(3,072)	46	3,203	(3,157)	428	2,232	(1,804)	42	1,834	(1,792)
Reinvestment of earnings....................	(149)	510	(659)	(37)	1,138	(1,176)	(41)	1,733	(1,774)	0	2,183	(2,183)
- Debt instruments	1,070	293	776	1,135	1,316	(181)	(37)	1,268	(1,305)	783	1,745	(962)
b. Portfolio investment	300	305	(5)	352	1,327	(975)	510	3,497	(2,987)	499	2,606	(2,107)
- Equity and investment fund shares/units............	184	329	(145)	128	(412)	540	117	(62)	179	(62)	(362)	300
- Debt securities.............	117	(23)	140	223	1,738	(1,515)	393	3,558	(3,165)	560	2,968	(2,408)
c. Financial derivatives	(24)		(24)	38		38	(71)		(71)	65		65
d. Other investment	934	(4,930)	5,864	1,253	(3,490)	4,743	3,123	(1,206)	4,329	1,736	(1,048)	2,783
1. Other equity other direct investment and portfolio investment.......	11	0	11	1	0	1	5	0	5	8	0	8
2. Currency and depos ...	602	(1,743)	2,345	567	(3,095)	3,662	1,874	(1,140)	3,014	406	(902)	1,308
3. Loans........................	264	(3,180)	3,444	86	(1,161)	1,247	56	(1,490)	1,546	(58)	(1,619)	1,561
4.Insurance, pension and standardized guarantee schemes	1	0	1	0	0	0	0	0	0	(14)	6	(20)
5. Trade credits and advances.......................	(271)	17	(288)	576	763	(187)	1,186	1,368	(182)	1,406	1,517	(111)

	2015			2016			2017			2018*		
	Net acquisition of assets(3)	Net incurrence of liabilities(3)	Net	Net acquisition of assets(3)	Net incurrence of liabilities(3)	Net	Net acquisition of assets(3)	Net incurrence of liabilities(3)	Net	Net acquisition of assets(3)	Net incurrence of liabilities(3)	Net
						(EUR million)						
6. Other accounts receivable/payable	327	(24)	351	23	3	20	1	56	(55)	(11)	(49)	38
7. SDRs	0	0	0	0	0	0	0	0	0	0	0	0
e. Reserve Assets	(600)		(600)	2,258		2,258	424		424	(775)		(775)
3. Net errors and omissions...........................			352			787			566			1,971

Foreign Direct Investment

According to the results of the annual statistical survey regarding foreign direct investment ("**FDI**"), in 2015, FDI flows increased by 43.0 per cent. to EUR 3.5 billion, compared to EUR 2.4 billion in 2014. FDI was channelled primarily to manufacturing (32 per cent. of the total), out of which the main recipients were: oil processing and chemicals (6.0 per cent. of the total FDI), transport means (5.9 per cent.), metallurgy (4.1 per cent.) and food, beverages and tobacco (3.4 per cent.). Apart from manufacturing, other activities that also attracted significant FDI were financial intermediation and insurance (13.1 per cent. of total FDI), wholesale/retail trade (12.2 per cent.), electricity, construction and real estate transactions (12.2 per cent.), natural gas and water (9.8 per cent.) and IT&C (5.7 per cent.). Out of the total FDI stock of EUR 64.4 billion, more than two thirds consisted of equity, including reinvested earnings (EUR 45.1 billion), while the net credit from foreign investors amounted to EUR 19.3 billion. The four largest countries from which FDI originated as at 31 December 2015 were The Netherlands (25.0 per cent. of FDI at end-2015), Austria (14.2 per cent.), Germany (12.4 per cent.) and Cyprus (6.9 per cent.).

In 2015 (final data), non residents' direct investment in Romania amounted to EUR 3.5 billion (about 1.8 times larger than the current account deficit) as compared to EUR 2.4 billion in 2014, attributable to an increase in equity by EUR 0.8 billion and to an increase in the net credit by EUR 0.3 billion. Residents' investment abroad increased by EUR 507 million in 2015 after decreasing by EUR 282 million in 2014.

According to the results of the annual statistical survey regarding FDI, in 2016, FDI flows increased by 30.5 per cent. to EUR 4.5 billion, compared to EUR 3.5 billion in 2015. FDI was channelled primarily to manufacturing (32.0 per cent. of the total), out of which the main recipients were: oil processing and chemicals (6.4 per cent. of the total FDI), transport means (6.7 per cent.), metallurgy (4.1 per cent.) and food, beverages and tobacco (3.4 per cent.). Apart from manufacturing, other activities that also attracted significant FDI were financial intermediation and insurance (12.6 per cent. of total FDI), wholesale/retail trade (12.8 per cent.), electricity, gas and water supply (9.6 per cent.), construction and real estate transactions (14.0 per cent.) and IT&C (5.2 per cent.). Out of the total FDI stock of EUR 70.1 billion, more than two thirds consisted of equity, including reinvested earnings (EUR 48.9 billion), while the net credit from foreign investors amounted to EUR 21.2 billion. The four largest countries from which FDI originated as at 31 December 2016 were The Netherlands (24.3 per cent. of FDI at end-2016), Germany (13.2 per cent.), Austria (11.9 per cent.), and Cyprus (6.5 per cent.).

In 2016 (final data), non residents' direct investment in Romania amounted to EUR 4.5 billion (approximately 1.3 times larger than the current account deficit) as compared to EUR 3.5 billion in 2015, attributable to an increase in equity by EUR 0.7 billion and in the net credit by EUR 0.3 billion. Residents' investment abroad increased by only EUR 4 million in 2016 after increasing by EUR 507 million in 2015.

According to the results of the annual statistical survey regarding FDI, in 2017, FDI flows increased to EUR 4.8 billion, compared to EUR 4.5 billion in 2016. FDI was channelled primarily to manufacturing (32.0 per cent. of the total stock of EUR 75.8 billion as of end 2017), out of which the main recipients were: oil processing and chemicals (6.4 per cent. of the total FDI), transport means (7.4 per cent.), metallurgy (4.2 per cent.) and food, beverages and tobacco (3.3 per cent.). Apart from manufacturing, other activities that also attracted significant FDI were construction and real estate transactions (15.3 per cent.), wholesale/retail trade (13.8 per cent.), financial intermediation and insurance (12.4 per cent. of total FDI), electricity, gas and water supply (8.5 per cent.), and IT&C (4.1 per cent.). Out of the total FDI stock of EUR 75.8 billion, around 70 per cent. consisted of equity, including reinvested earnings (EUR 52.7 billion), while the net credit from foreign investors amounted to EUR 23.1 billion. The four largest countries from which FDI originated as at 31 December 2017 were The Netherlands (22.4 per cent. of FDI at end-2017), Germany (17.1 per cent.), Austria (14.8 per cent.), and Italy (6.5 per cent.).

In 2017 (final data), non residents' direct investment in Romania amounted to EUR 4.8 billion (80 per cent. of the current account deficit) as compared to EUR 4.5 billion in 2016, attributable to an increase in the net credit by EUR 0.6 billion. Residents' investment abroad decreased by EUR 86 million in 2017 after increasing by EUR 4 million in 2016.

The estimates for 2018 indicate that non-residents' direct investment in Romania amounted to EUR 4,936 million, increasing by 2.9 per cent. compared to 2017. Residents' investment abroad decreased by EUR 1 million in the same period.

The following table shows non-residents' net foreign direct investment in Romania for 2015, 2016, 2017 and 2018:

Net Foreign Direct Investment[(1)]

	2015	2016	2017	2018[(2)]
		(EUR Million)		
Net FDI	3,461	4,517	4,797	4,936
Equity, including reinvested earnings[(1)]	3,595	4,341	3,968	4,042
Other capital (intra-group loans)	(134)	176	829	(894)

Notes:

(1) Non residents' investment in Romania

(2) Preliminary data

Source: National Bank of Romania

The structure of the FDI inflows improved in 2013 to 2016 relative to both the pre-crisis period (2007-2008) and the post-crisis period (2009-2012). Furthermore, the share of more stable and long-term flows, represented by equity, reinvested earning included, in total net FDI, increased significantly. In 2017 and beyond, the share of equity in FDI decreased but still accounts for around 80 per cent.

Various incentives are offered to investors (irrespective of local or foreign status), including governmental non-reimbursable grants for the acquisition of assets, governmental contributions when new workplaces are created, incentives in the form of interest reductions to investors when contracting loans for investments or state guarantees to investors. Investors are also entitled to apply for European Union funds for the reimbursement of eligible expenses incurred in connection with certain types of investments.

Governmental incentives are available for investments made in, among other sectors, agricultural and industrial processing activities, electric and thermal energy production and supply, environment protection, IT and communications and research and development. Upon completion of various conditions related to the investments and provided that the relevant State aid schemes are created by the competent authorities, investors are entitled to request and benefit from the incentives established under the relevant legislation.

From November 2007 to February 2019, the Ministry of Public Finance, through the state aid schemes that it administered, granted aid amounting to EUR 1,113.11 million to support 136 large investment projects with a total value of EUR 4,153.52 million and creating at least 34,845 new jobs. Additionally, various state aid schemes are available for SME's and large enterprises at the level of other several public authorities, both from budgetary and EU funds.

The Foreign Investment Directorate within the Ministry for Business Environment, Commerce and Entrepreneurship, operating under the name InvestRomania since 2014, is the governmental body dedicated to providing professional support and advice to foreign investors in Romania. Its purpose is to attract and facilitate foreign direct investment in the country and support new international companies and existing companies on the domestic market developing their business in Romania. Its mission is to increase inward FDI by internationally promoting Romania's business offer and assisting worldwide entrepreneurs in project implementation. Its activities include: providing general information on legal framework, the investment climate, key business sectors and locations, acting as main interface with public authorities (central/local) in relevant project areas, supporting companies that consider engaging with the Romanian market or developing their current units, match-making company's needs with the local resources and opportunities, including identifying local suppliers. One of InvestRomania's set goals is also to achieve a more balanced country development for reducing economic discrepancies between regions, guiding foreign investors towards particular areas that have not managed to attract significant FDI but own a large talent pool at competitive prices. Continuously contributing to inward FDI attraction to domestic economy since 2002, under various forms, InvestRomania enhanced the country's image and visibility as a profitable investment location with the international business community. Value of its portfolio of investment projects amounted to EUR 2 billion in 2017, generating almost 25,000 new jobs and EUR 2.5 billion in 2018 generating over 21,500 new jobs. Companies assisted by InvestRomania over the last two years that are public, include, amongst others, Sonaca, Rockwool, CRF Health, Hexaware, Voxpro, Clariant, Visteon, Viavi Solutions, London Stock Exchange Group, Getec, Peikko, Sogefi and Daimler.

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 Public 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

2015

During the first five months of 2015, the NBR continued to reduce the policy rate in prudent steps and changing the parameters of some of its instruments, before halting their adjustment at mid-year. The main reasons behind the NBR's approach in the first part of 2015 were the annual inflation rate falling steadily below the lower bound of the variation band target in the fourth quarter 2014 and the early months of 2015 and especially the further downward revision of its projected path, which implied its remaining below the mid-point of the target even on the medium term. In the short term, the change in the inflation outlook was driven primarily by the relative decline in current and projected levels of fuel prices and volatile food price dynamics, combined with the strong expected transitory impact from broadening, as of 1 June 2015, of the scope of the reduced VAT rate to all food items, non-alcoholic beverages and food service activities. Over the longer term, the decline in projected inflation stemmed from the downward adjustment of the euro area/EU inflation forecast. Against this backdrop, the NBR extended the prudent rate-cutting cycle to the period from January through May 2015 – lowering the policy rate in four successive steps of 25 basis points each, down to 1.75 per cent. In addition, the NBR continued to progressively narrow the symmetrical corridor of interest rates on the standing facilities around the policy rate to ±1.5 percentage points, with a view to reduce interbank money market rate volatility and consolidate the transmission of the policy rate signal. Also, in May 2015 the NBR lowered the minimum reserve requirement ratio on leu-denominated liabilities of credit institutions by another 2 percentage points to 8 per cent., so as to support the sustainable recovery of lending and to continue the harmonization of the reserve requirement mechanism with the standards and practices of the European Central Bank.

The rise in volatility on international financial markets and in the uncertainty surrounding Romania's agreements with international institutions, posing risks to the leu exchange rate, in conjunction with the relatively faster narrowing of the negative output gap and an increase in unit wage costs in the first half of 2015, prompted the NBR to reconsider the monetary policy cycle at mid-2015. This was later on further substantiated by the nature and size of the fiscal easing measures set to be implemented starting in 2016 and by the wage hikes for certain budgetary employees in the second half of 2015, likely to widen considerably the divergence between the short-term and the longer-term inflation outlook. Specifically, the annual inflation rate was seen moving deeper into negative territory in the first months of 2016 and remaining below the lower bound of the ±1 percentage point variation band of the 2.5 per cent. target until year-end – given the expected ample transitory disinflationary effects from the new indirect tax reductions, especially the standard VAT rate cut –, but moving into the upper half of the variation band of the target in early 2017, amid the fading out of the one-off impact of the main fiscal measures and stronger underlying inflationary pressures.

In response to the above, in July 2015, the NBR put an end to the policy rate-cutting cycle, and in the following months of 2015 kept the policy rate unchanged at 1.75 per cent. At the same time, the central bank maintained the existing level of the minimum reserve requirement ratio on leu-denominated liabilities.

2016

The NBR kept the monetary policy interest rate unchanged throughout 2016. The decisions were justified by the significant divergence between short-term developments in inflation and its longer-term outlook together with the current uncertainties and risks to inflation prospects. Specifically, in line with NBR forecasts, the annual inflation rate moved deeper into negative territory in the first half of 2016. This was partly as a result of a cut in the standard VAT rate from 24 to 20 per cent. and in other indirect taxes effective as of 1 January 2016, coupled with the still manifest effects arising from broadening the scope of the reduced VAT rate to all food items, and also from the decline in international oil prices. At the same time, however, the revised medium-term forecast reconfirmed the outlook for the annual inflation rate to post a large upward correction at the beginning of 2017, reflecting the base effects associated with the first standard VAT rate cut, before picking up in 2018 to values in the upper half of the variation band of the flat target. Rising inflationary pressures anticipated to emerge from the reversal of the cyclical position of the economy in the second half of 2016 and from the subsequent increase of the excess aggregate demand, as well as from sustained increase in unit wage costs, were underlying these prospects.

The subsequent statistical data and assessments pointed to a deeper fall of the annual inflation rate, and into negative territory in the second quarter of 2016, on the back of stronger effects of the drop in international commodity prices. Data also showed a stronger-than-expected acceleration of economic growth in the first two quarters of 2016, implying an earlier reversal of the cyclical position of the economy. Against this backdrop, according to the medium-term projection of macroeconomic developments updated in August and November 2016, the trajectory of the forecasted inflation was lower than previously anticipated over the short term, while retaining its upward profile. In particular, the annual inflation rate was expected to remain in negative territory until end-2016 and below the lower bound of the variation band of the flat target in the first half of 2017, before climbing to the upper half of the band during 2018.

The assessments conducted during the latter part of 2016 also revealed a considerable heightening of uncertainties and mixed risks associated with the medium-term inflation forecast. The most significant uncertainties stemmed from the fiscal and income policy prospects amid the still pending 2017 budget construction. The uncertainties surrounding global economic growth and euro area recovery also remained relevant.

During 2016, given the dynamics of foreign-currency lending (see "*Monetary and Financial System—Recent Developments in the Lending Process—2016*"), the NBR lowered the minimum reserve requirement ratio on foreign-currency denominated liabilities of credit institutions in two steps of 2 percentage points each, in January and September, to 10 per cent. The measures were meant to continue the harmonisation of the reserve requirements mechanism with the standards and practices of the ECB and the major central banks across the European Union.

2017

In the first three quarters of 2017, the NBR kept both the monetary policy interest rate (at 1.75 per cent.) and the characteristics of the corridor of interest rates on the standing facilities unchanged, before initiating the adjustment in the monetary policy stance by narrowing, in two consecutive steps, the corridor of interest rates on standing facilities around the policy rate and pursuing firm management of liquidity in the banking system.

The NBR's approach in the first three quarters of the year was warranted by the strong transitory disinflationary force impact of supply-side shocks manifested in the first half of the year and anticipated in the near term, as well as by the evidence over the short term of inflationary pressures, presumably stemming from the stronger-than-expected cyclical position of the economy and from the sustained rise in wage costs. The two types of divergent influences originated primarily in the set of fiscal and wage measures launched in 2015-2016, and especially the additional measures adopted in 2017, leading to extensions of the pro-cyclical nature of the fiscal

and income policies. Under these circumstances, in line with expectations, the annual inflation rate returned only marginally into positive territory in January 2017. This was due to the fading out of the one-off impact of reducing the standard VAT rate a year earlier. Despite the inflation rate slowly increasing, it remained far below the lower bound of the variation band of the target and trailed behind the prevalent values across the EU until mid-2017. At the same time, its projected upward path witnessed two successive downward revisions in the February and May forecasting exercises. The former was called for by the unexpected new disinflationary supply-side shocks manifested in January through February, while the May revision was warranted by evidence of a weakening relationship between core inflation and output gap. The opening of the positive output gap was, however, anticipated to be wider, given the faster-than-expected pick-up in economic growth in the fourth quarter of 2016 and the upward revision of the projected GDP dynamics for 2017 and 2018.

Against this background, the NBR kept the monetary policy rate unchanged at the historical low of 1.75 per cent. in the first half of 2016. Moreover, the central bank further pursued adequate liquidity management on the money market and maintained the existing level of the minimum reserve requirement ratio on leu-denominated liabilities of credit institutions. At the same time, given the persistent contraction in foreign currency lending and the consolidation of international reserves above the adequacy level, the NBR lowered the minimum reserve requirement ratio on foreign currency-denominated liabilities of credit institutions by another 2 percentage points to 8 per cent. This was in order to continue the harmonisation of the reserve requirement mechanism with the standards and practices in the field pursued by the ECB and the major central banks of the EU Member States. The NBR extended the status-quo of monetary policy instruments into the third quarter as well, given that the uptrend in the annual inflation rate remained outside the variation band of the target at the end of the first half of the year and the prospects of its considerable steepening in the quarters ahead were surrounded by heightened uncertainties and risks. The most significant risks related to the future fiscal and income policy stance, given the possible adoption of corrective fiscal measures in the context of the budget revision envisaged for September.

The NBR initiated in October and continued in November the adjustment of the monetary policy stance by narrowing the symmetrical corridor of interest rates on the NBR's standing facilities around the policy rate to ±1.25 percentage points, and ±1.0 percentage points, respectively, (from ±1.50 percentage points) and deciding, in the latter meeting, to ensure firm liquidity management in the banking system. Also, in the two meetings, the NBR Board kept unchanged the monetary policy interest rate, at 1.75 per cent., and the existing levels of minimum reserve requirement ratios on both lei- and foreign currency-denominated liabilities of credit institutions (each 8 per cent.).

The decisions were adopted as the annual inflation rate increased significantly in September and October and, according to the updated medium-term forecast (November Inflation Report), was seen accelerating further in the first quarters of 2018, exceeding temporarily the upper bound of the variation band of the flat target (2.5 per cent. ±1 percentage point), driven by (i) the sizable base effects associated with previous changes to indirect taxes and non-tax fees, (ii) the expected developments of its exogenous components (higher international oil price, larger increases in some regulated prices and in tobacco product prices), and the (iii) build-up of underlying inflationary pressures stemming from the widening of the output gap, amid the easing of fiscal and income policies, accommodative monetary conditions and consolidation of external demand, the increase in unit wage costs, and the uptrend in inflation expectations. The annual inflation rate was expected to re-enter the variation band of the target (2.5 per cent. ±1 percentage point) in the fourth quarter of 2018 (reaching 3.2 per cent. in December 2018), on the back of the impact of supply-side factors fading out, and to remain in the upper half of the band until the third quarter of 2019 (the end of the projection horizon), driven solely by the underlying inflationary pressures, expected to lessen to a certain extent only towards the end of the projection horizon, with the positive output gap resuming at mid-2019 a slightly downward slope.

2018

The NBR strengthened the adjustment of the monetary policy stance during the first months of 2018, raising the monetary policy rate by 0.25 percentage points in January, February and May to 2.50 per cent. Correspondingly, the interest rates on the deposit facility and the lending facility were increased to 1.50 per cent. and 3.50 per cent. respectively. In addition, the central bank firmed the control of liquidity in banking system by organising, beginning with the second part of April, one-week deposit-taking operations, carried out in the form of fixed rate full allotment tenders. These operations were conducted until July. In August, amid the re-emergence of a net liquidity deficit in the banking system, the NBR resumed its liquidity-providing 1-week repo operations.

The decisions were adopted as the annual inflation rate accelerated its increase during the fourth quarter of 2017 and the first half of 2018, reaching 3.32 per cent. in December 2017 – i.e. in the upper half of the variation band of the target – and then 5.41 per cent. in May 2018, significantly above the upper bound of the target. According to the updated medium-term projections, the annual inflation rate was seen remaining around 5 per cent. in the third quarter 2018, before declining to the 3.5 per cent. level in December 2018, re-entering at the beginning of 2019, and remaining afterwards, in the upper half of the variation band of the target. This sizeable inflationary upsurge was attributable to the numerous adverse supply-side shocks, originating from both domestic and external environment, occurring in the second part of 2017 and the first half of 2018. These supply-side shocks consisted mainly of repeated increases in electricity, natural gas and heating prices, as well as a faster pick-up in fuel prices (amid rising oil prices and the reintroduction of the special excise duty on motor fuels). Similar effects also stemmed from the higher prices for vegetables, fruit and eggs and the rise in tobacco product prices towards the end of 2017. The fading-out of transitory disinflationary effects associated with measures implemented in January – February 2017 (reduction of VAT standard rate to 19 per cent., the scrapping of fuel excise and a number of non-tax fees and charges) in the first months of 2018 also added to the effects.

The broad-based monthly increases in prices, leading to a higher pace of growth of the annual inflation rate, to a large extent also reflected the gradual build-up of inflationary pressures stemming from developments in aggregated demand, wage costs and short-term inflation expectations. Thus, the annual adjusted CORE 2 inflation rate rose to 2.4 per cent. in December 2017 and to 3.05 per cent. in March 2018 – significantly above the midpoint of the target. Moreover, according to May 2018 medium term forecast, the annual rate of core inflation was expected to further increase to 3.1 per cent. in December 2018 and to 3.4 per cent. at the end of 2019, thus being the sole component of the CPI responsible for the headline inflation to remain in the upper part of the variation band of the target throughout the next year.

In the second half of 2018 the policy rate was kept unchanged at 2.5 per cent. The interest rates on the deposit facility and the lending facility were maintained at 1.50 per cent. and 3.50 per cent. respectively. This contributed to the decline of the annual inflation rate to levels compatible with the inflation target, while protecting financial stability. The decisions were adopted as, in line with expectations, the annual inflation rate stopped its uptrend in June, remaining at 5.4 per cent. and resumed its decline in the third quarter of 2018, reaching 5.03 per cent. in September. Meanwhile, since mid-2018, monetary conditions had become noticeably less accommodative, as relevant money market rates rose to levels significantly above the key policy rate, and the exchange rate remained relatively stable. The medium term projections updated in the second half of the year showed a slightly improved inflation outlook, mainly as pressures from excess demand were expected to be less intense amid the likely stronger-than-previously-anticipated moderation of economic growth in 2018. In addition, the outlook for economic growth – and implicitly for underlying inflationary pressures – were marked by uncertainties associated with the future evolution of consumer confidence and the pace of EU funds absorption, but also with risks posed to the EU economy by protectionist trade policies, the UK's exit from the EU, the political tensions in some European countries and the international financial market volatility.

2019

The NBR kept the monetary policy rate unchanged in January and February 2019; the interest rates on the deposit facility and the lending facility were also maintained at 1.50 per cent. and 3.50 per cent. respectively. The decisions were adopted as the annual inflation rate saw a larger-than-expected downward adjustment during the last quarter of 2018, and thus re-entered and consolidated within the variation band of the target, reaching 3.27 per cent. in December. According to the medium term projection updated in February 2019, the annual inflation rate is expected to further decline over the first three quarters, even more noticeably than previously envisaged, before climbing and remaining on a higher path, yet below the upper bound of the target band, to reach 3.0 per cent. in December 2019 and 3.1 per cent. at the end of the forecast horizon (i.e. almost identical to the previously forecasted levels).

The anticipated continued decline of the annual inflation rate in the short term was seen as being driven by supply-side factors (particularly decelerating growth of prices for fuel and vegetables, fruit and eggs, and slower increase in administered prices). The annual dynamics of adjusted CORE2 inflation was seen regaining momentum in the second quarter of 2019 and climbing thereafter to 3.3 per cent. in December 2019 and to 3.4 per cent. at the end of the forecast horizon – marginally above the previously anticipated values – amid simultaneous, gradually rising inflationary pressures expected to stem from the cyclical position of the economy, short-term inflation expectations and import prices.

The economic growth is nonetheless expected to decelerate in 2019, as opposed to the previous forecast which envisaged a reacceleration, and further in 2020, while remaining above the potential rate (being the growth of the potential GDP, i.e. the level of real GDP that can be produced in the economy without generating inflationary pressures) in 2019 and then in line with the potential rate in 2020. The change in the outlook was mainly driven by the new package of fiscal and budgetary measures implemented at the beginning of 2019, anticipated to be felt as a supply-side shock as well, but also by the economic slowdown in Europe. Against this background, the outlook for economic growth – and implicitly for inflation – was surrounded by elevated uncertainties, also given the risks to euro area and global economy stemming from trade disputes, Brexit, and geopolitical tensions.

Expected future developments in monetary policy

The NBR will further configure parameters of the monetary policy towards ensuring price stability over the medium-term, in line with the 2.5 per cent. ± 1 percentage point target, including by firmly anchoring medium- to long-term inflation expectations. The inflation developments and outlook and the assessment of the balance of risks to the inflation forecast are the key factors behind future monetary policy decisions.

Recent Developments in the Lending Process

2015

The annual growth rate of lending to the private sector was positive in 2015 (3.0 per cent. in December, expressed in nominal terms, compared to -3.3 per cent. at end of 2014) for the first time in almost three years, driven by the strong rebound in RON-denominated loans (the annual growth rate of which increased over the same period to 19.7 per cent., from 7.9 per cent.) as a result of the general increase in the volume of new loans. The latter was supported by the decline of interest rates in response to the gradual easing of the monetary policy stance over the past year via a range of tools (policy rate cuts, narrowing of the symmetrical corridor of interest rates on the NBR's standing facilities around the policy rate, reduction in minimum reserve requirements ratios and adequate liquidity management). Foreign currency-denominated loans continued to decrease, such that their share of total credit to private sector declined further, reaching a level below 50 per cent. (49.8 per cent) in September, for the first time in 8 years. Aside from the increase in domestic currency lending, the movements in credit to the private sector reflected the effect of the removal of non-performing loans ("**NPL**") from banks' balance sheets, the purchase of loans previously sold by some banks, as well as the conversion into RON of certain Swiss Franc-denominated loans. The breakdown by client revealed that the growth rate of loans to

households continued to outperform that of companies, recording the highest values in the last three and a half years, after entering positive territory in April 2015. The growth rate of loans to companies recovered gradually, and in December 2015 entered positive territory for the first time in more than two and a half years.

2016

The annual growth rate of credit to the private sector stood at a relatively high level as compared to the preceding three years, supported by both loans to households and to companies, although it has weakened since May 2016, mainly on account of the increase in the volume of non-performing loans removed from credit institutions' balance sheets. In the case of both households and companies, the driver of credit growth was the RON-denominated component, whose growth rate remained high from the perspective of the post-2008 period, despite the slowdown recorded at the end of H1 2016 due to the above-mentioned factor, in addition to the temporary adverse effects exerted by the adoption of the Debt Discharge Law. The dynamics of foreign currency-denominated loans remained in negative territory around the lowest levels in 16 years. The annual dynamics of loans for house purchases moderated during the second half of the year, while consumer and other purposes loans recovered, but still remaining in negative territory.

2017

The annual growth rate of credit to the private sector followed an ascending trend in 2017, mainly on account of RON-denominated lending dynamics, which increased in the second half of the year (standing at 16 per cent. in December) after having been broadly stable during the first six months. With regards to foreign currency-denominated loans, the growth rates remained in the negative territory (-8 per cent. in December 2017, annual terms). On the account of these developments, the share of RON-denominated credit to total credit for the private sector increased to 63 per cent. in December 2017, the highest level registered since the end of 1996. Lending to non-financial companies returned in the positive territory in 2017 (3 per cent. annual growth at the end of 2017), but was surpassed by lending to households (+8 per cent. at the end of 2017 compared to 2016). In terms of the type of credit granted to households, the growth in lending for house purchases was robust (13 per cent. increase in 2017), and the growth in consumer and other purposes loans, while comparatively lower, became one of the highest since 2009, at 2 per cent. in 2017).

2018

During January to December 2018, the annual growth rate of credit to the private sector stood around the highest levels in more than five years. It was mainly sustained by robust growth in domestic currency-denominated loans, but also to some extent by the easing of the contraction in the foreign currency-denominated component beginning with the second quarter. The share of the lei–denominated component in total credit to the private sector kept rising, reaching the maximum since September 1996 (66.0 per cent. in December 2018). The growth rate of loans to non-financial companies stood relatively stable at high levels for the post-2012 period, increasing more vigorously in December 2018, whilst the growth rate of loans to households embarked on an upward path during the first half of 2018 (reaching the highest level in the last eight and a half years during April-June period), driven by loans for house purchase and in particular loans for consumption and other purposes, and moderated only slightly afterwards.

2019

The annual growth rate of credit to the private sector continued to increase in January 2019, on the back of the increase in local currency-denominated loans and further easing in the decline of foreign currency-denominated loans (expressed in euros), but also of the statistical effect of the EUR/RON exchange rate. The loan growth accelerated both in the case of households and, especially, non-financial corporations.

Inflation Rates, Target Inflation Rates and Monetary Policy Rates

The following table sets out actual quarterly inflation rates, annual target inflation rates and monetary policy rates as at the end of each quarter from 2015 to December 2018:

End of Period	Inflation Rate	Target Inflation Rate	Monetary Policy Rate
		(per cent.)	
March 2015	0.79	2.5	2.25
June 2015	(1.55)	2.5	1.75
September 2015	(1.73)	2.5	1.75
December 2015	(0.93)	2.5	1.75
March 2016	(2.98)	2.5	1.75
June 2016	(0.70)	2.5	1.75
September 2016	(0.57)	2.5	1.75
December 2016	(0.54)	2.5	1.75
March 2017	0.18	2.5	1.75
June 2017	0.85	2.5	1.75
September 2017	1.77	2.5	1.75
December 2017	3.32	2.5	1.75
March 2018	4.95	2.5	2.25
June 2018	5.40	2.5	2.50
September 2018	5.03	2.5	2.50
December 2018	3.27	2.5	2.50

Sources: National Institute of Statistics, National Bank of Romania

Monetary Aggregates

The following table shows selected monetary aggregates as at 31 December 2015, 2016, 2017 and 2018:

	As at 31 December			
	2015	2016	2017	2018
		(RON million)		
M1 (narrow money) – Total	149,550.4	179,980.2	210,636.4	235,233.4
Currency in circulation	46,481.7	54,672.2	63,272.6	67,804.6
Overnight deposits	103,068.7	125,308.1	147,363.8	167,428.8
M2 (intermediate money) – Total	286,126.3	314,025.9	350,004.8	381,161.0
M1	149,550.4	179,980.2	210,636.4	235,233.4
Deposits with agreed maturity of up to two years	136,575.9	134,045.7	139,368.5	145,927.7
M3 broad money	286,255.7	314,134.6	350,111.8	381,161.0
M2	286,126.3	314,026.0	350,004.8	386,161.0

	As at 31 December			
	2015	2016	2017	2018
	(RON million)			
Other financial instruments (repurchase agreements, MMFs shares/units, debt securities with maturity of up to two years).	129.5	108.6	107.0	0

Note:

This table illustrates the monetary aggregates as (re)calculated according to the new methodology on statistical reporting by monetary financial institutions implemented by the NBR as from 1 January 2007, in order to harmonise its regulations with those of the ECB. Some totals may differ from the sum of components due to rounding.

Source: National Bank of Romania

Interest Rates

2015

After the considerable widening seen towards the end of 2014 and in January 2015, the net liquidity surplus in the banking system was virtually fully absorbed February through May, amid the reversal of the impact (from expansionary to contractionary) exerted by Treasury operations in the leu- and foreign currency-denominated accounts with the NBR. Afterwards, excess liquidity witnessed only a temporary spike in mid-year, also as a result of the cut in the minimum reserve requirement ratio on credit institutions' leu-denominated liabilities, before widening visibly in November and December, on account of the significant rise in Treasury injections. The NBR continued to absorb the excessive liquidity through its deposit facility. The overall developments of the net liquidity position did not preclude the emergence of temporary reserve shortfalls across the banking system; against this backdrop, in the period from March to August, the NBR resorted to several liquidity injections by conducting one-week repos via fixed-rate tenders with full allotment.

In line with these developments, overnight interbank rates remained in the proximity of the deposit facility rate for most of 2015, nearing temporarily the monetary policy rate in April-May and September-October. The three-month to 12-month ROBOR rates remained on a downward trend during 2015 (even though they witnessed temporary fluctuations), reflecting the NBR's successive interest rate cuts in January, February, March and May 2015, as well as the loose liquidity conditions prevailing over most of the period under review. Against this background, the ROBOR rates reached historical lows in December 2015.

In 2015, interest rates on new time deposits and new loans of non-bank customers prolonged their decreasing trend. The average interest rate on new time deposits declined by 0.78 percentage points, reaching in December a new record-low (0.93 per cent.) on behalf of non-financial corporations (-0.49 percentage points, to 0.62 per cent.), as well as households (-1.31 percentage points, to 1.48 per cent.). The average interest rate on new loans fell by 1.11 percentage points, to a new historical low of 5.35 per cent. (in December) reflecting the decrease in the average interest rates applied to household loans (-0.66 percentage points, to 6.61 per cent.) and to non-financial corporations (-1.51 percentage points, to 4.36 per cent.).

2016

The liquidity surplus expanded substantially in January 2016 due to large reserve injections arising from Treasury's operations and narrowed gradually in subsequent months, while registering high values throughout the year. During 2016, the NBR carried on absorbing the liquidity surplus exclusively via its deposit facility. Against this background, overnight interbank rates declined and stood in the proximity of the deposit facility rate (0.25 per cent.), rising only briefly to levels around 0.50 per cent. at the end of July, October and December,

amid temporary reductions of excess reserves. In turn, the three-month to 12-month ROBOR rates remained on a downward trend in the first two months of the year, and stabilised towards the end of the third quarter, when they decreased slightly, hitting new historical lows. The ROBOR rates tended to increase somewhat towards the end of 2016, most likely due to the revision of credit institutions' expectations on the future developments in very short-term interest rates on the interbank money market.

In 2016, the average interest rates applied by credit institutions to new time deposits and new loans of non-bank customers stood below the levels of the previous year, although their downward trend moderated. The average interest rate on new time deposits reached 0.61 per cent. reflecting the overall decrease in the case of households (-0.58 percentage points, to 0.90 per cent.) and in that of non-financial corporations (-0.18 percentage points, to 0.44 per cent.). The average interest rate on new loans dropped to new historical lows (-0.43 percentage points, to 4.92 per cent. in December 2016), mainly due to the decline in the average interest rate charged for non-financial corporations (-0.64 percentage points, to 3.72 per cent.), as that applied to households decreased only marginally (-0.04 percentage points, to 6.57 per cent.).

2017

Amid a structural surplus narrowing progressively after the significant re-widening seen at the beginning of the year, the NBR continued to absorb the liquidity surplus in the banking system exclusively via the deposit facility during the first three quarters. Nevertheless, given the simultaneous contractionary impact of key autonomous liquidity factors, credit institutions' net liquidity position reversed in October, turning negative. This prompted the NBR to resume in October, and continue thereafter, the supply of liquidity via one-week repos conducted in the form of fixed-rate tenders with full allotment. However, these operations were stopped towards the end of the quarter due to the re-emergence of a sizeable net reserve surplus, following the liquidity injections caused by the substantial increase in budget spending in December. In the new environment, excess liquidity was absorbed via the deposit facility, bearing an interest 0.5 percentage points higher than in the first three quarters of the year. Against this background, overnight rates on the interbank money market stayed in the vicinity of the deposit facility rate in January through September. Afterwards, they witnessed a significant upward adjustment, climbing at the end of the third quarter and then remaining during the first two months of the fourth quarter close to the monetary policy rate, before returning to the vicinity of the increased level of the deposit facility rate in December. In turn, the three-month to 12-month ROBOR rates further stood markedly below the monetary policy rate during the first three quarters. However, they embarked on a steep uptrend at end of the third quarter, before consolidating above the policy rate in the fourth quarter, under the impact of: (i) the upward revision of inflation expectations, (ii) the radical change in money market liquidity conditions and credit institutions' expectations of tight liquidity conditions on the money market persisting for some time, (iii) the NBR's decisions on narrowing the width of the corridor of interest rates on the standing facilities around the policy rate, as well as (iv) the expectations of an on-going adjustment of the monetary policy stance in the near term.

The average interest rates on new term deposits and new loans applied by credit institutions to non-bank customers saw mixed developments during the first eight months of 2017, followed by a generalised increase since September 2017, broadly tracking the upward adjustment of money market interest rates. Specifically, the average interest rate on new term deposits reached a record low in the first part of the year (around 0.50 per cent.) and stood broadly unchanged until August 2017, before rising to 1.09 per cent. by December 2017. Compared to the end of 2016, they were up 0.48 percentage points, solely on the back of the increase in interest rates on term deposits of non-financial corporations (+0.77 percentage points, to 1.21 per cent.), while those on household deposits were still slightly below the values seen in December 2016 (-0.10 percentage points, to 0.80 per cent.). In the case of the interest rates on new loans, the increase since September 2017 brought them back near the level reached in May 2017 following an upward adjustment from the historical low seen in December 2016. Over the entire period from January 2017 to December 2017, they went up by 0.95 percentage points (to

5.87 per cent.), due to the rise of the average interest rates on new loans to non-financial corporations (+1.21 percentage points, to 4.93 per cent.) and to households (+0.29 percentage points, to 6.86 per cent.).

2018

Overnight interbank rates remained until mid-April in the vicinity of the deposit facility rate whose level, alongside that of the lending facility rate, was raised by the central bank in tandem with the monetary policy rate (thus reaching 1.25 per cent). The overnight interbank rates saw a steep upward adjustment during the second quarter, in response to the tightening of the NBR control over banking system liquidity – by launching in mid-April and conducting afterwards on a weekly basis one-week deposit-taking operations via fixed-rate tenders with full allotment – climbing in the proximity of the monetary policy rate and increasing afterwards with the latter. The upward trend continued into the first part of the third quarter with overnight interbank rates nearing the lending facility rate amid a tightening of liquidity conditions under the influence of autonomous liquidity factors. However, as the NBR resumed the supply of liquidity in early-August via one-week repos conducted in the form of fixed-rate tenders with full allotment, overnight interbank rates returned to, and remained afterwards, in the vicinity of the monetary policy rate.

The 3-month to 12-month ROBOR rates were broadly stable until mid-April, 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, widening their positive spreads to the policy rate (to around 1 percentage point in the case of 3-month maturity). With the resumption of repos by the NBR, as well as by the NBR re-initiating deposit-taking operations in the first quarter of 2019 amid the re-emergence of a liquidity surplus, as well as in the context of the monetary policy rate status quo, these rates saw a downward adjustment, and have since remained, amid some fluctuations, significantly above the policy rate.

The average interest rates on new term deposits and new loans applied by credit institutions to non-bank customers extended their general uptrend during 2018, amid slight downward adjustments towards the end of the year, broadly tracking the developments of money market interest rates. Specifically, the average interest rate on new term deposits of non-bank customers increased to 1.96 per cent. in December 2018 (up 0.87 percentage points from December 2017), with the upward adjustment somewhat larger in the case of households (+0.96 percentage points, to 1.76 per cent.) compared to that observed in the case of non-financial corporations (+0.84 percentage points, to 2.05 per cent.). The average interest rates on new loans increased to 6.98 per cent. (+1.06 percentage points compared to December 2017), reflecting the increases of the average interest rates on new loans to non-financial corporations (+0.90 percentage points, to 5.84 per cent.) and to households (+1.19 percentage points, to 8.09 per cent.).

In January 2019 compared to December 2018, the average interest rate on new term deposits of non-bank customers remained essentially unchanged (1.97 per cent. as compared to 1.96 per cent. in December 2018), as it increased marginally in the case of non-financial corporations (from 2.05 per cent. to 2.08 per cent.), but decreased slightly in the case of households (from 1.76 per cent. to 1.66 per cent.). The average interest rate on new loans increased by 0.21 percentage points over the same period, to 7.19 per cent., on the back of the upward adjustment of the interest rate on new loans to households (to 8.20 per cent., +0.11 percentage points compared to December 2018), while the average interest rate on new loans to non-financial corporations stood unchanged at 5.84 per cent.

The following table shows key financing interest rates as at 31 December 2015, 2016, 2017 and 2018:

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

	As at 31 December			
	2015	**2016**	**2017**	**2018**
Policy rate	1.75	1.75	1.75	2.50
Lending facility	3.25	3.25	2.75	3.50
Deposit facility	0.25	0.25	0.75	1.50

Source: National Bank of Romania

The following table shows annual average interest rates for loans and term deposits as at 31 December 2015, 2016, 2017 and as at 30 November 2018:

Annual Average Interest Rates for Loans and Term Deposits (for Domestic Currency Operations)

	As at 31 December			
	2015	**2016**	**2017**	**2018**
	(per cent.)			
Individuals				
Loans	7.56	6.57	6.80	7.95
Term deposits	1.62	1.11	0.90	1.38
Non-financial corporation				
Loans	4.71	4.04	4.85	5.94
Term deposits	0.85	0.52	1.05	2.14
Total				
Loans	6.22	5.47	5.98	7.16
Term deposits	1.41	0.95	0.94	1.62

Note:

The table is compiled according to the new methodology implemented by the NBR as from 1 January 2007, in order to harmonise its regulations with applicable ECB Regulations EU/1072/2013 and ECB/2013/34 starting with 1 December 2014.

Source: National Bank of Romania

Foreign Exchange and Convertibility of the RON

The NBR issues and implements regulations governing foreign currency transactions in Romania and supervises their implementation under NBR Regulation No. 4/2005, as amended and republished ("**FX Regulation**").

The FX Regulation sets out safeguard measures for foreign exchange transactions which the NBR may apply in the event of substantial changes in domestic liquidity or severe imbalances of payments.

In contemplation of the accession of Romania to the EU, all capital transactions had been liberalised by 1 September 2006 under the FX Regulation. As such, residents and non-residents currently engage freely in both current and capital transactions, in foreign and domestic currency.

The imported and exported cash amounts are regulated by Regulation (EC) No. 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community, directly applicable in Romania and which is within the competence of the National Customs Authority of Romania.

Exchange Rate Policy

The exchange rate of the RON is determined in the interbank foreign exchange market.

2015

The EUR/RON exchange rate was broadly stable in 2015. Its fluctuations throughout the period were relatively limited and reflected mainly the influence of external factors, with the international financial markets returning to a state of relative calm at the beginning of the year mainly on the back of the approval and announcement by the ECB of the expanded asset purchase programme, whose features exceeded expectations. This was followed by short-lived volatility spikes during the following months, generated mainly by economic developments in China, uncertainty surrounding the monetary policy stances of the world's major central banks, as well as the situation in Greece. At the same time, the aforementioned events impacted the local financial market only to a small extent, given the improvement in investor sentiment towards the economies and markets in the region. In the case of Romania, an additional driver was the attractiveness of the investments in the domestic currency-denominated financial assets. In addition, a significant factor was the increase in the EUR/RON exchange rate towards the end of the year, in the context of rising expectations of a U.S. Federal Reserve rate increase in the last month of 2015 and the ECB's decision to keep bond purchases at a lower level than expected by some market participants, which caused a shift in investor sentiment towards markets in the region.

In comparison to December 2014, in December 2015, the RON depreciated against the EUR by 1.0 per cent. in nominal terms (1.9 per cent. in real terms), while compared to the U.S. dollar it depreciated by 12.6 per cent. in nominal terms (13.4 per cent. in real terms), as the U.S. dollar appreciated significantly against the euro.

2016

The EUR/RON exchange rate increased slightly on average compared to the previous year, in the context of successive swings throughout the period. These were associated, on the one hand, with volatility spikes in international financial markets – the slowdown of the Chinese economy and of other emerging economies, the Brexit vote, and, towards the end of the year, the U.S. elections and their unexpected outcome – which however had limited effects on the local market. Conversely, stronger influences were exerted by the domestic legislative initiatives regarding the banking sector, as well as by the fiscal and wage measures put forward in the pre-election context, perceived by investors as generating risks to domestic fundamentals.

Over the course of 2016, the RON depreciated by 0.3 per cent. compared to EUR in nominal terms (0.8 per cent. in real terms) and by 3.3 per cent. compared to USD (3.9 per cent. in real terms).

2017

The EUR/RON exchange rate followed a generally upward trend during the year, reflecting mainly the change in financial investors' risk perception towards domestic economy and financial market, as both the trade balance and current account balance deteriorated progressively in conjunction with the pro-cyclical stance of the fiscal and income policies. In that context, the persistent abatement of global financial market volatility – with the ECB and other central banks in the region preserving or even easing further the strongly accommodative monetary policy stance, and the Federal Reserve proceeding in a gradual manner with monetary policy normalisation – was reflected to a much lower extent by developments in the local market.

Over the course of 2017 (December 2016 to December 2017), the RON depreciated by 2.6 per cent. against the EUR in nominal terms (while appreciating by 0.7 per cent. in real terms) and appreciated by 9.3 per cent. compared to the USD (12.9 per cent. in real terms).

2018

The EUR/RON exchange rate extended its slow uptrend into the first month of 2018, but stabilised afterwards, only displaying some fluctuations around the values reached following a period of over 1 year of quasi-continuous growth. Its behaviour reflected, on the one hand, the significant increase of local financial market interest rate differential, and, during the second quarter, a relative improvement in the dynamics of foreign trade. On the other hand, its movements were driven by changes in global risk appetite/investor sentiment towards emerging markets related, initially, to higher U.S. Treasury yields and a stronger U.S. dollar versus major currencies, and, subsequently, to turbulences in financial markets in Turkey, Argentina and Russia, trade tensions between the U.S. and China/EU, Brexit and disputes between Italy and the European Commission over the country's budget plan.

Compared to December 2017, the RON depreciated in December 2018 by 0.4 per cent. against the EUR in nominal terms (while appreciating by 2.9 per cent. in real terms) and depreciated by 4.1 per cent. compared to the USD (1.0 per cent. in real terms).

2019

In January 2019, the EUR/RON exchange rate saw a more pronounced increase, in the context of the deterioration of the external position of the economy, and remained around the new historical high levels afterwards.

Compared to March 2018, the RON depreciated in March 2019 (1 March 2019 to 19 March 2019) by 1.9 per cent. in nominal terms against the EUR and by 10.1 per cent. against the US Dollar.

EUR/RON and USD/RON Exchange Rates

The following table sets out the EUR/RON and USD/RON exchange rates as at 31 December 2015, 2016, 2017 and the average EUR/RON and USD/RON exchange rates for the years ended 31 December 2015 through 2018:

EUR/RON and USD/RON Exchange Rate

	2015		2016		2017		2018	
	31 December	Average	31 December	Average	31 December	Average	31 December	Average
EUR	4.5245	4.4450	4.5411	4.4908	4.6597	4.5681	4.6639	4.6535
USD	4.1477	4.0057	4.3033	4.0592	3.8915	4.0525	4.0736	3.9416

Source: National Bank of Romania

Real Effective Exchange Rate

Over the course of 2015, the CPI based real effective exchange rate ("**REER**") calculated by the Bank of International Settlements posted negative year-to-year dynamics, amid a weaker domestic currency (although the exchange rate against the euro did not change significantly), and lower prices. However, the latter development should be interpreted with caution from the perspective of price competitiveness, as it results from lower consumer taxation. In fact, the sequence of indirect tax changes, implemented starting mid-2015 hindered the ability of the CPI-based REER to signal price competitiveness developments. REER indicators based on other deflators (calculated by the European Central Bank) also demonstrated price competitiveness gains throughout 2015, against the background of the leu nominal effective depreciation.

In 2016, however, with the nominal effective exchange rate broadly stable, pressures on the price competitiveness position became more manifest, the most visible developments being those of the manufacturing Unit Labour Cost ("**ULC**") and total economy ULC-based indicators (annual dynamics hovered around 8 per cent., starting in the second quarter of the year). In this regard, an important role is ascribable to labour market tightening and repeated economy-wide minimum wage hikes, as well as repeated public-sector wage hikes (which also have an effect on private sector wages). Labour-intensive sectors such as food processing, the light industry or furniture production were the most affected, while in other industries, like automotive or electrical equipment production, ULC rises were more subdued.

During 2017, even with a slightly weaker leu in nominal terms, REER dynamics against 2016 remained in positive territory for the manufacturing ULC-based and total economy ULC-based indicators (+5 and +3.7 per cent., respectively), continuing to signal price/cost competitiveness erosion. These pressures seem to have abated more recently in manufacturing – according to the latest available data (the first three quarters of 2018), the manufacturing ULC-REER rose by only 0.5 per cent. against the same period in 2017, but the pressures continue to be manifest for the economy as a whole – the economy-wide ULC-REER advanced by 6 per cent. in the same period.

Although labour costs have increased steadily during the last years, their effect on the Producer Price Index-based ("**PPI**") REER was fairly limited, this indicator signalling even a slight real depreciation in 2017 (-0.3 per cent., compared with a flat figure in 2016). The data for 2018 points to an uptick in the PPI-based REER of 0.8 per cent. against 2017, while the first two months of 2019 signalled a real depreciation of 1.5 per cent., to which a weaker leu also contributed.

Mention should be made that, as Romania continued to be targeted in recent years by foreign direct investment in a number of tradeables producing sectors (including automotive production and related industries, but also the Information and Communication Technology sector), contributing to the robust production and export performance, the overall competitiveness position of the economy is broadly favourable, which seems to hold in spite of the recent price/cost competitiveness erosion. This owes mainly to the relatively cheap and adequately qualified labour force, which is, however, becoming increasingly scarce, as often signalled by companies, while major infrastructure improvements, which constitute an important development bottleneck, have yet to take place.

International Reserves

As of 31 December 2015, Romania's foreign exchange reserves amounted to EUR 32,238 million, an increase of EUR 22 million compared to 31 December 2014. The main inflows, totalling EUR 13,129 million, were due to inflows into the Ministry of Public Finance's accounts (including flows from the Ministry of Public Finance's local and external bond issuances amounting to EUR 2,000 million, as well as from the 750 million drawdown under the first fiscal effectiveness and growth development policy loan provided by the World Bank), increases in credit institutions' foreign currency required reserves with the NBR and inflows into the European Commission account. Main outflows for the period, totalling EUR 13,107 million, were due to repayment of principal and interest payments on public and publicly guaranteed foreign currency debt (including the interest as well as the principal instalments of the loan from the European Commission of approximately EUR 1,547 million and the repayment of the principal and interest of the euro denominated bonds totalling EUR 1,975.7 million) and decreases in credit institutions' required reserves.

As of 31 December 2016, Romania's foreign exchange reserves amounted to EUR 34,242 million, an increase of EUR 2,004 million compared to 31 December 2015. The main inflows, totalling EUR 14,225 million, were due to inflows into the Ministry of Public Finances' accounts, increases in credit institutions' foreign currency required reserves with the NBR and inflows into the European Commission account. Main outflows for the period, totalling EUR 12,221 million, were due to repayment of principal and interest payments on public and

publicly guaranteed foreign currency debt and decreases in credit institutions' required reserves due to NBR board's decisions to lower the minimum reserve ratio on foreign currency denominated liabilities of credit institutions with a residual maturity of up to two years twice during the year from 14 per cent. at the end of 2015 to 12 per cent. in January 2016 and to 10 per cent. in May 2016.

As of 31 December 2017, Romania's foreign exchange reserves amounted to EUR 33,494 million, a decrease of EUR 748 million compared to 31 December 2016. The main inflows, totalling EUR 13,313 million, were mainly represented by credit institutions' foreign currency required reserves with the NBR, inflows into the Ministry of Public Finance's accounts and inflows into the European Commission account. Main outflows for the period, totalling EUR 14,035 million were due to decreases in credit institutions' required reserves as a consequence of entering into force of the decision to cut the minimum reserve requirement ratio on foreign currency-denominated liabilities of credit institutions to 8 per cent. from 10 per cent. starting with the 24 May 2017 to 23 June 2017 maintenance period and also due to interest and principal payments on foreign currency public debt.

As of 31 December 2018, Romania's foreign exchange reserves amounted to EUR 33,065 million, a decrease of EUR 429 million compared to 31 December 2017. The main inflows, totalling EUR 17,674 million were represented by credit institutions' foreign currency required reserves held with the NBR, inflows into the Ministry of Public 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 28 February 2019, Romania's foreign exchange reserves amounted to EUR 32,491 million, a decrease of EUR 574 million compared to 31 December 2018. The main inflows, totalling EUR 2,767 million were represented by credit institutions' foreign currency required reserves held with the NBR, inflows into the Ministry of Public Finances' accounts and inflows into the European Commission account (amounting to EUR 1,763 million). The main outflows for the reported period totalling EUR 3,340 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 1,269 million) and payments from the European Commission account.

The amount of total reserves was EUR 35,485 million as of the end of 2015, EUR 37,905 million as of the end of 2016, EUR 37,106 million as of the end of 2017, EUR 36,800 million as of the end of 2018, and EUR 36,364 million as of 28 February 2019.

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 2015, 2016, 2017, 2018 and as of 28 February 2019:

Romania's international reserves

	As at 31 December				As of 28 February
	2015	**2016**	**2017**	**2018**	**2019**
			(EUR million)		
Foreign exchange reserves	32,238	34,242	33,494	33,065	32,491
Gold reserves	3,247	3,663	3,612	3,735	3,873
Total reserves	35,485	37,905	37,106	36,800	36,364

Source: National Bank of Romania

Some totals may differ from the sum of components due to rounding.

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 2018, the share of assets held by banks with total or majority private capital in total assets of the Romanian banking system was 91.9 per cent., while the share of assets held by banks with total or majority foreign capital, including foreign bank branches, was 75.0 per cent. Banks with total or majority state-owned capital held 8.1 per cent., while the private domestic capital held 17.1 per cent. As at 31 December 2018, the total net balance sheet assets of the Romanian banking system amounted to EUR 96.7 billion and the share capital was EUR 5.8 billion.

Market share of credit institutions in terms of assets

	As at 31 December			
	2015	**2016**	**2017**	**2018**
	(per cent. market share)			
Banks with majority state capital	8.3	8.2	8.7	8.1
Banks with majority domestic private capital	1.4	0.5	14.3	16.9
Banks with majority foreign capital	90.3	91.3	77.0	75

Market share of credit institutions in terms of assets

	As at 31 December			
		2015	2016	2017	2018
		(per cent. market share)			
Total banking system		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 90.3 per cent. in December 2015, 91.3 per cent. in December 2016, 77.0 per cent. in December 2017 and 75.0 per cent. in December 2018. The largest share of this majority foreign ownership was Austrian (24.8 per cent. in December 2018). The market share of banks with a majority of Greek capital has been relatively steady over 2013-2014 (12.2 per cent. in December 2014), decreasing in 2015 and decreasing further as of December 2018 to 5.3 per cent.

Banking System Ownership (per cent. of total net assets)

		2015	2016	2017	2018
Romania		9.64	8.73	23.02	25.03
Austria		33.30	25.90	25.23	24.82
Cyprus		1.65	1.80	1.54	1.65
France		13.54	13.60	13.24	13.30
Greece		10.64	10.00	9.18	5.26
Hungary		2.28	2.10	2.14	2.46
Italy		2.41	10.40	10.77	10.47
Netherlands		10.26	11.40	12.15	12.49
Portugal		—	—	—	—
Other		16.28	16.07	2.73	4.52

Source: National Bank of Romania

The share in total equity capital held by banks with majority foreign capital was 86.7 per cent. in December 2016,70.6 per cent. in December 2017 and 68.6 per cent. in December 2018. Banks with majority Austrian capital hold the largest share (17.01 per cent. in December 2018).

Banking System Ownership (per cent. of total equity capital)

		2015	2016	2017	2018
Romania		14.08	13.25	29.43	31.42
Austria		22.25	17.44	17.00	17.01
Cyprus		2.38	2.50	2.68	3.57
France		11.16	11.00	10.76	11.05
Greece		17.23	16.82	16.31	6.75
Hungary		4.99	4.87	5.19	5.76
Italy		3.69	7.88	7.64	8.81
Netherlands		8.89	8.80	7.80	7.87
Portugal		—	—	—	—
Other		15.33	17.43	3.19	7.76

Source: National Bank of Romania

Structure of the Banking Sector

At the end of December 2018, the Romanian banking system had 34 credit institutions, which consisted of one majority state owned institution (Eximbank), one fully state owned institution (CEC Bank), seven branches of foreign banks and 25 credit institutions with private capital (including Banca Centrală Cooperatistă CREDITCOOP – the network of credit cooperatives), of which 21 had majority foreign ownership.

EU accession has also opened up the Romanian banking market to other EU banking institutions. As at 13 March 2019, 297 banks from EU Member States had filed a notice of their intention to provide services within Romania on a cross border-basis without establishing Romanian branches.

The following table shows the composition of the Romanian banking sector as at 31 December 2018:

Type of Capital	Number of banks	Total loans	Total deposits	Total balance sheet
(% market share)		*(per cent. market share)*		
State-owned	1	6.8	6.8	6.5
Majority state-owned	1	1.4	1.1	1.6
Majority privately owned banks, of which	25	79.4	80.3	80.6
- majority domestic capital	4	14.9	17.0	16.9
- majority foreign capital	21	64.5	63.3	63.7
Branches of foreign banks	7	12.4	11.8	11.3

Source: National Bank of Romania

Current Condition of the Banking Sector

Romania has continued to enjoy financial stability, with main vulnerabilities stemming from external sources. The NBR has further pursued a counter-cyclical policy conduct within its scope of activity, yet a balanced economic policy mix is called for in order to adequately manage the vulnerabilities with systemic potential and achieve sustainable economic growth. The domestic macroeconomic and financial environment has remained favourable which has helped provide security to Romania at times when global investor sentiment towards the emerging markets worsened.

The Romanian banking sector is now more able to tackle adverse developments. The outcome of the latest stress test exercise for the banking sector reveals resilience on aggregate in the event of adverse macroeconomic scenarios becoming manifest. The impact of the interest rate risk is sizeable, amid a substantial share of holdings of fixed-income instruments, which, however, do not pose particular management problems. The large holdings of fixed income assets, while beneficial for the liquidity position of the banks, lead to an increase in the duration of the assets. The consequent widening of the duration gap between assets and liabilities exposes banks to losses in the event of significant increases in interest rates. Prudential indicators have stood at adequate levels in 2018 and capital reserves have strengthened. Bank asset quality has improved, as well as the non-performing loan coverage by provisions, which remains adequate. Banks' business model continues to focus on retail lending, given the more favourable track record of risk-adjusted returns. Bank lending to the real economy has witnessed a rebound, also as regards non-financial corporations. The consolidation of the Romanian banking sector has continued, without deterring competition.

The recently adopted GEO 114/2018 instituting certain measures in the public investment field and certain fiscal and budgetary measures, amending and supplementing some normative acts and extending some deadlines, has introduced a tax on financial assets. Thus, credit institutions (Romanian legal persons and branches in Romania of credit institutions of foreign legal persons) are required to pay the financial asset tax since 1 January 2019, in the case where the ROBOR quarterly average exceeds the 2 per cent. threshold. The

ROBOR quarterly average is based on ROBOR rates at 3 months and 6 months calculated and published by the NBR for the last quarter and six months prior to the quarter of calculation. The asset tax rates are differentiated according to the extent of the exceedance over the reference threshold, as follows:

(a) if the ROBOR quarterly average is up to 0.5 percentage points above the 2 per cent. reference threshold, the asset tax rate is 0.1 per cent.;

(b) if the ROBOR quarterly average is between 0.51 and 1 percentage points above the 2 per cent. reference threshold, the asset tax rate is 0.2 per cent.;

(c) if the ROBOR quarterly average is between 1.01 and 1.5 percentage points above the 2 per cent. reference threshold, the asset tax rate is 0.3 per cent.;

(d) if the ROBOR quarterly average is between 1.51 and 2.0 percentage points above the 2 per cent. reference threshold, the asset tax rate is 0.4 per cent.; and

(e) if the ROBOR quarterly average is more than 2 percentage points above the 2 per cent. reference threshold, the asset tax rate is 0.5 per cent.

The 3-month ROBOR rate was 3.23 per cent. and the 6-month ROBOR rate was 3.32 per cent. as at the date of this Information Memorandum.

During the monetary policy meeting of the NBR Board on 8 January 2019, attention was given to the tax on credit institutions' financial assets, with discussions on the characteristics and possible implications for monetary policy and lending, as well as for financial stability and macro-stability in general. Board members were of the opinion that setting the tax depending on ROBOR rates impaired the effectiveness and flexibility of monetary policy, and implicitly the central bank's capacity to keep inflation under control, all of which had proven essential in bringing the annual inflation rate back inside the variation band of the target in 2018. Moreover, it was shown that the adverse effects of the tax might be compounded by those of the recently approved legislative initiatives on the banking sector, whose provisions were likely to affect lending and monetary transmission, but also banks' stability, as well as the economy's external financing costs. Some board members suggested that the National Committee for Macroprudential Oversight be convened in order to examine the effects of the new measures regarding the banking system and to make recommendations to public authorities.

The General Board of The National Committee for Macroprudential Oversight ("**NCMO**") convened for a meeting on 18 February 2019. The conclusions of the interinstitutional group comprising representatives of the Ministry of Public Finance and National Bank of Romania with regard to GEO 114/2018 were presented during the meeting. Based on the presented material, 196 the NCMO identified solutions for possible scenarios for adjusting the tax mechanism provided by GEO 114/2018, in compliance with the current legislation.

As of 30 November 2018, exposure to Romania by the foreign banks participating in the "Vienna Initiative 1.0" has decreased by 64.74 per cent. since the end of March 2009. Around 67 per cent. of credit lines from parent banks have maturities of over one year and do not have any early repayment clauses; part of the credit lines were converted into subordinated lending (Tier 2 capital items).

In 2018, the aggregate gross assets increased by 5.7 per cent. annual change, to RON 486.1 billion in December, and banks' business model continued to focus on retail lending, given the more favourable track record of risk-adjusted returns. Bank lending to the real economy has witnessed a rebound, also in respect of non-financial corporations. The concentration of exposure to general government is still significant (21.7 per cent. in December 2018, as compared to 21.3 per cent. in December 2017). Bank funding is based on attracting domestic deposits (almost 68 per cent. of total liabilities, December 2018), in particular from households (41 per cent. of total liabilities). Reliance on sources of funding from parent banks is currently low, as they are being replaced

by domestic saving sources. The loan-to-deposit ratio was 76.2 per cent. at 31 December 2018 (76.9 per cent. at 31 December 2017).

Cross-border activity remained insignificant in the balance sheet total, yet foreign assets posted an upward trend (7.5 per cent. as at December 2018). Investments in foreign markets are mainly in the form of short-term loans to credit institutions in the euro area and are concentrated in the balance sheets of a few large banks. Exposures to the external public sector are minor (less than half a percentage point of total assets). The adjustment pace of foreign liabilities was visibly slower toward end-2017 and during 2018 (-8.4 per cent. in December 2018 compared to December 2017).

In nominal terms, financial intermediation calculated as the share-to-GDP of gross loans to private sector declined from 30.6 per cent. in December 2015 to 29 per cent. in December 2016 and 27.8 per cent. in December 2017. The share of banking sector gross assets to GDP was 58.0 per cent. in December 2015, 56.3 per cent. in December 2016 and 55.8 per cent. in December 2017.

Throughout 2017 and 2018, most asset quality indicators (including NPL rate, forbearance ratio and the Texas ratio, which is calculated as a ratio of non-performing loans to the sum of Tier 1 capital and loan loss provisions) witnessed a positive trend, reflecting the banks' efforts to strengthen the balance sheets while also preserving sound prudential indicators. Carrying on with the resolution of non-performing loans is high on the agenda of both credit institutions and the NBR, similarly to Europe-wide concerns.

The microprudential policies that stimulated the NPL decrease were enhanced by the implementation of macroprudential measures. In December 2017, NCMO recommended the implementation of a systemic risk buffer of 0 per cent., 1 per cent. or 2 per cent. of total risk-weighted assets using two criteria/indicators: the NPL rate and NPL coverage (applied starting 30 June 2018) with the aim of supporting the adequate management of credit risk and enhancing banking sector resilience to unanticipated shocks, amid unfavourable structural circumstances. The NCMO recommended that NBR reassess the indicators and thresholds in the calibration of the systemic risk buffer with a half-yearly frequency, so as to closely monitor the progress of resolving non-performing loans. In this sense, in 2018, the NCMO issued a new recommendation on the systemic risk buffer in order to update the reference period for calculating the asset quality indicators. However, the recent legislative initiatives related to the market of NPLs, together with the provisions on the limited deductibility of NPL sales related expenses, limit the process of improving the banks' balance sheets impinging on the positive downward trend of the NPL rate. The legislative initiatives in this area include: (i) regulating the maximum limits of interest rates on credits (amendments to the Government Ordinance No. 13/2011 on the payable and penalizing legal interest for money obligations), (ii) imposing obligations for the credit agreement assignees' and for limiting the recoverable value of the assigned receivables (amendments to the Government Emergency Ordinance No. 50/2010 on credit contracts for consumers), (iii) the elimination of the enforceable title of credit agreements (amendments to the Government Ordinance No. 51/1997 on leasing operations and leasing companies as well as Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy), (iv) the extension of the coverage of Debt Discharge Law and (v) the tax deductibility regime in case of debt cession starting January 2018 (Ordinance No. 25/2017 for amending and completing Law No. 227/2015). 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.

The NPL rate decreased to 4.95 per cent. in December 2018 (preliminary data) (from 6.4 per cent. in December 2017), highlighting the reduction of the amount of NPLs and the effectiveness of the NBR' measures. At end December 2018, the NPL stock decreased by 20.6 per cent. (preliminary data) against the end of December 2017 to RON 14.5 billion, with a significant reduction seen for most banks.

The NPLs coverage by provisions is adequate (58.5 per cent., December 2018 (preliminary data)), with a residual impact on the own funds of credit institutions expected to be marginal. The indicator is placed in the EBA-defined low risk bucket, amid the NBR's prudential measures, along with credit institutions resolution measures. Moreover, this level is above the EU-wide average (45.7 per cent., September 2018), Romania reporting one of the highest readings among EU Member States. In addition, the indicator measuring the adequacy of NPL coverage by provisions and Tier 1 capital, i.e. the Texas ratio (31.3 per cent., December 2018 (preliminary data)), has improved at both individual level and consolidated level.

Both the level and the quality of own funds have remained satisfactory: (i) the total capital ratio (former solvency ratio) stood at 19.7 per cent. at December 2018 (preliminary data), considerably above the minimum regulated level of 8 per cent., which does not include the additional capital requirements imposed following the application of macro prudential policy, nor the additional bank by bank requirements following micro prudential supervision, (ii) own funds consist overwhelmingly of high loss-absorbency capacity components (with a Tier 1 capital ratio of 17.6 per cent. at December 2018 (preliminary data)). This was mainly due to significant capital increases made by shareholders in terms of cash contribution (i.e. EUR 446 million in 2015, EUR 94 million in 2016, EUR 72 million in 2017 and an additional EUR 139 million at 30 September 2018), as well as new provisioning rules under IFRS from January 2012. The capital base of Romanian banks proved its resilience, as Tier 1 capital accounts for almost 90 per cent. of total own funds.

The growth rate of the foreign currency-denominated loans remained in negative territory (-1.3 per cent. in December 2018 (preliminary data)) and the share of this component in private sector loans decreased to 34.0 per cent. (December 2018 (preliminary data)). After the Constitutional Court declared unconstitutional some provisions of the Debt Discharge Law (in October 2016) and the CHF Conversion Law (7 February 2017), their scope and effects on the banking sector declined sizeably and the associated systemic risks abated. However, provisions of the Debt Discharge Law are discussed in a new legislative proposal, which extends the coverage of the law by defining the "unpredictability" terms (as discussed in more detail below).

- The Debt Discharge Law gives natural persons that have taken a mortgage loan the right to obtain a complete discharge of all indebtedness secured by the mortgages by transferring to the bank the ownership over the mortgaged property, regardless of the value of such property. The law applied to loan agreements concluded both before and after its entry into force and created significant uncertainty in the Romanian banking sector.

  After having been challenged by several credit institutions in the Constitutional Court, certain provisions of the Debt Discharge Law were declared unconstitutional by the court in October 2016. The decision of the Constitutional Court diminished the risks related to legislative uncertainty. It states that the law should respect the Civil Code, in the sense that the debtor must prove that it entered into default because of unpredictable circumstances, its request being assessed by reference to hardship conditions. In this respect, a court of law must evaluate the facts of each application.

- The Constitutional Court declared the CHF Conversion Law unconstitutional in February 2017, before its entry into force, thereby, *inter alia*, upholding that the conversion of CHF-denominated loans into RON loans should observe the exchange rate applicable as at the conversion date.

- In December 2018 new amendments were proposed to the scope of the Debt Discharge Law. Some of the provisions are similar to the ones that were already declared unconstitutional by the Constitutional Court. Unpredictability is defined as one of the following: (i) when there is a devaluation of the residential real estate asset covering the loan of more than 50 per cent. compared to the origination value, (ii) when the exchange rate specific to the foreign currency denominated loan depreciates by at least 20 per cent. compared to the rate prevailing at the time of the loans' origination, (iii) when there is an enforcement for the debtors and (iv) when there are other contractual disequilibria, part of the proposals

for amending the Debt Discharge Law (Article 4, paragraph 3) states that the unpredictability is presumed in favour of the consumer, who makes a notification according to the Debt Discharge Law; therefore, this provision introduces the presumption of a contractual disequilibria.

In 2018, the NPL ratio for non-financial companies continued to decrease significantly, due to the reduction of overdue loans over 90 days and to a lesser extent to sales and write-offs, reaching 8.47 per cent. in December 2018. The decrease of the estimated NPL ratio was generalised in the whole economy, being observed for all categories of companies by size and sector of activity, the most important ones being recorded for micro-enterprises and construction and real estate firms. The NPL ratio increased slightly to 8.57 per cent. at the beginning of 2019.

The default rate on loans to non-financial corporations was 3.1 per cent. in December 2017 down from 3.6 per cent. in December 2016. As of December 2018, the default rate further decreased to 2.9 per cent., and is projected to increase to 4.7 per cent. in December 2019 due to existing structural vulnerabilities in the corporate sector and the forecasted economic and financial developments.

In 2018, the NPL ratio (according to the new definition for the non-performing loan ratio, in line with the methodology developed by the European Banking Authority) decreased further, reaching 4.63 per cent. for households in December 2018. In December 2018, the volume of non-performing loans decreased by 8 per cent compared to the same period in the previous year. The recovery rate for overdue loans (between 1 to 90 days past due) reached 7.5 per cent. in December 2018. Households' debt servicing capacity has remained moderately risky, the most vulnerable debtors being those with very low wages (below minimum income). In January 2019, the NPL ratio for the household sector stood at 4.61 per cent.

In October 2018, the NBR Board adopted the regulation 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 percentage points on first-time home buyer loans for borrower-occupied dwellings. The Regulation amendments has become effective on 1 January 2019.

Credit institutions marginally tightened the lending standards on housing loans in the first quarter of 2018 and then kept them unchanged for the rest of the year, while lending conditions for consumer credit to households tightened moderately, starting in the second quarter of 2018. For the first quarter of 2019, banks envisage credit standards to tighten significantly for both housing loans and consumer credit to households. In relation to non-financial corporations, credit standards held steady in the first half of 2018 and then tightened marginally in the third and fourth quarters of 2018. Similarly, a significant tightening of credit conditions is expected in the first quarter of 2019 for all types of non-financial companies.

From a credit risk perspective, the Romanian banking sector is not directly exposed to developments in Ireland, Italy or Greece, given that for the banking system as a whole the share of external assets is low (7.5 per cent. of gross assets at December 2018).

The direct transmission of risks from European public sectors to the local banking sector appears to be remote given that sovereign risk exposure related to bonds issued by euro area governments is immaterial.

The liquidity ratio (effective liquidity/required liquidity) was 2.35 at 31 December 2018, 1.99 at 31 December 2017, 1.99 at 31 December 2016 and 1.94 at 31 December 2015.

The table below sets out the average across the Romanian banking sector of certain prudential indicators for the years ended 31 December 2015, 2016, 2017 and 2018:

	31 December 2015	31 December 2016	31 December 2017	31 December 2018
	(per cent.)			
Total capital ratio (former Solvency ratio)	19.16	19.68	19.97	19.66
Tier 1 capital ratio	16.72	17.55	17.95	17.59
NPL ratio	13.51	9.62	6.41	4.95
NPL coverage with IFRS provisions	57.72	56.34	57.68	58.46
Liquidity ratio	1.94	1.99	1.99	2.35

Source: National Bank of Romania (average figures of the banking sector)

The Romanian banking sector recorded a RON 6.9 billion net profit in 2018 on account of the favourable local macroeconomic environment, the significant reduction in net impairment loss on financial assets, the protracted low level of funding costs and the recovery in RON-denominated lending.

Aggregate return on equity over the past three years has been above the green (10 per cent.) threshold (the best bucket) of the European Banking Authority (The European Banking Authority's return on equity thresholds are <6 per cent. (red bucket), 6-10 per cent. (yellow bucket) and >10 per cent. (green bucket)). As at the end of December 2018, return on equity stood at 14.8 per cent. whereas return on assets was 1.6 per cent. as compared to 12.5 per cent. and 1.3 per cent. respectively (as at December 2017).

The Commission Implementing Regulation (EU) 2016/322 of 10 February 2016 amending Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions concerning the liquidity coverage requirement has been in force since 10 September 2016. As such, since September 2016, the data referring to Liquidity Coverage Ratio ("**LCR**") figures is reported according to the new (amended) templates.

The average LCR calculated according to Regulation (EU) 322/2016 for the banking sector as a whole was 241.5 per cent. at the end of December 2018, significantly exceeding the EU average of 148.5 per cent. (September 2018). The current level of the LCR illustrates that the Romanian banking sector has an adequate stock of high-quality liquid assets to meet liquidity needs under a 30-day stress scenario.

The NBR performs regularly stress tests of credit institutions' capital adequacy based on macroeconomic scenarios envisaging the potential developments of the main risk factors: economic growth, exchange rate, interbank interest rates, risk premium, real estate market prices. The stress tests imply (i) estimating credit institutions' operating results according to the analysed scenarios (including the effects of unrealised losses on capital), (ii) capturing the impact of scenarios on adjustments for impairment of financial assets and (iii) the effect on the prudential ratios and the assessment of the degree to which the financial institutions are able to cover the potential losses while respecting the regulatory framework. The stress tests are primarily conducted with the purpose of identifying the main systemic risk factors and the results are used to support the microprudential supervision activities. The latest solvency stress test of credit institutions covered a 12-quarter horizon (2018 – 2020). The results indicate the existence of a series of vulnerabilities on the banking sector level (mainly concentrated at smaller-sized banks), in the event of materialisation of adverse macroeconomic evolutions, but the potential capital deficit levels are manageable.

The NBR also periodically conducts macro-prudential liquidity stress tests in order to assess the ability of the banking sector to withstand major withdrawals of foreign funding and/or deposits. The latest results of the liquidity stress test indicate an adequate resilience of the domestic banking sector. However, issues still exist from currency mismatches, certain asset sales and the need to safeguard lending to the real sector. The NBR will continue to monitor domestic and international developments while managing and maintaining system-wide liquidity and pursuing comfortable levels of prudential indicators.

NBR considers that the current prudential requirements cover risks to an adequate extent. Implementation of Basel III has not led to requirements of additional, large capital increases by credit institutions in Romania. The high share of Tier 1 capital in total capital and the lack of hybrid capital instruments cushioned the impact of Basel III on capital requirements for local entities.

To date, the Romanian Government has not used public funds to support the stability of the financial system. The recapitalisation of the banking sector was entirely supported by bank shareholders. The backstop measures available in Romania mainly consist of private sector solutions and only a few public sector solutions. The authorities adopted further amendments to the legal framework in order to improve the bank recovery and resolution mechanisms so as to preserve stability and to avoid systemic contamination. The private sector solutions of the backstop toolkit consist of supervisory and resolution measures, available to the NBR in accordance with its statutory powers.

In its capacity as resolution authority for the subsidiaries of transnational banking groups, where most of the banking groups present in Romania encompass the features listed below:

- structure and operations highly integrated. As an example, shared services are provided by a common and unique company located below the top-tier holding company for the whole group, centralised liquidity, trading, hedging and risk management;
- significant financial interconnections between the local subsidiary and the group as the deposit arrangements and loan commitments, financial guarantees and other commitments received from the parent entity represent a significant part of the total liabilities;
- a narrow market for issuing eligible liabilities for Minimum Requirements for Eligible Liabilities ("**MREL**") at the subsidiary level; there is sufficient MREL eligible instruments available at the top parent entity capable to absorb potential losses;
- mostly the same legal structure applicable for the host entity and the EU parent entity; and
- the business model of the banking groups has mostly followed an integrative approach for services and financing arrangements in order to develop synergies,

the analysis performed by NBR in this respect considers that for the groups that meet the above conditions the most effective resolution strategy is Single Point of Entry.

The existing legal framework provides the NBR with the tools to manage financial stability threats posed by the deterioration of the financial situation of the banking system. There was no situation that required using these tools to date. The set of stabilisation measures for the credit institutions in distress is additional to the special administration procedure, and consist of: (i) the total or partial transfer of assets and liabilities of a credit institution to one or more eligible institutions; (ii) the appointment of the Bank Deposit Guarantee Fund as a delegated administrator and as a shareholder of the credit institution; and (iii) the transfer of assets and liabilities of a credit institution to a bridge bank, established for this purpose. The stabilisation measures are based on the financial resources accumulated in the Bank Deposit Guarantee Fund, without considering the principle of minimum cost. Where the resources of the Bank Deposit Guarantee Fund are insufficient, they may be

supplemented by loans granted to it by the Ministry of Public Finance, in which case the general lending conditions are to be set by Government decision.

Romania is fully aligned with the EU regulations in terms of bank supervision and resolution.

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 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 and amending Regulation (EU) No 648/2012 ("**CRR**") and, among others, by the Law No. 85/2014 regarding the procedures for the prevention of insolvency and the insolvency procedures. In 2015, the Romanian Parliament adopted the Law No. 304/2015 on the issuances of covered bonds, followed by secondary legislation issued by the NBR in the beginning of 2016. The new legislation was developed according to the best practices set out in the EBA Report on EU Covered Bonds Frameworks and Capital Treatment (2013). The capacity of credit institutions to use covered bonds as a stable financing tool could be seriously affected by the Debt Discharge Law, since this piece of legislation could create difficulties in respect of the cover pool's dynamic optimisation process.

At the beginning of 2016, the NBR issued secondary legislation on the issuances of covered bonds, in order to implement the new law on covered bonds. The main areas addressed by the secondary legislation are NBR approval of the issuance of covered bonds and the prudential requirements and supervisory reporting for the risk management of covered bonds.

Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council ("**BRRD**") 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 (Regulation No. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012),

    in the above-mentioned context, the following were issued:

    - NBR Regulation No. 5/2013 on prudential requirements for credit institutions, as amended and supplemented, which ensures the transposition of the provisions of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and specifies the manner in which the national options included in the CRD IV package have been exercised.

      This regulation was amended by NBR Regulation No. 9/2016 in order to clarify the application of the capital buffer requirements in relation to any requirements imposed by the competent

authority in the context of Pillar II measures with the aim of ensuring legal certainty as regards the calculation of the Maximum Distributable Amount (as defined in Article 141 of CRD IV);

- NBR-FSA Regulation No. 7/8/2013 repealing certain regulatory acts. The said Regulation concerns acts that were jointly issued by the NBR and the National Securities Commission to implement Directives 2006/48/EC and 2006/49/EC, whose application ceases with the entry into force of the CRD IV package;

(ii) harmonisation with guidelines/recommendations issued by European Banking Authority, areas in which the EBA guidelines/recommendations were transposed into Romanian regulations refer to governance arrangements, remuneration policies, internal capital adequacy assessment process and management of significant risks, liquidity cost benefit allocation, conditions for outsourcing of activities, assessment and validation of using advanced approaches for calculating capital requirements for credit and operational risks, retention requirements in securitisation transactions, clarifications regarding the revised large exposures regime and clarifications regarding the exemption of some short-term exposures from the application of the large exposures regime, the eligibility criteria for capital instruments to be recognised as original own funds, recovery and resolution of credit institutions, liquidity coverage ratio ("**LCR**") disclosure, disclosure requirements under Part eight of the CRR, disclosure regarding transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds, implicit support for securitisation transactions, modified duration for debt instruments, acquisitions and qualifying holdings, connected clients, definition of default.

Moreover, starting with the CRD IV/CRR and BRRD implementation, credit institutions are required to observe the EC's implementing regulations laying down technical standards, directly applicable in all Member States, including also those related to the reporting field.

One of the key objectives of the regulations is to continue the harmonisation process of national regulations with the guidelines and standards issued by EBA.

In January 2018, the NBR issued Regulation No. 1/2018 which (i) amended the Regulation No. 5/2013 on prudential requirements for credit institutions, by requiring banks to take the necessary steps in order to avoid keeping the beneficial terms granted under remuneration packages for clients who are no longer employees and (ii) repealed the NBR Regulation No. 16/2012 on classification of loans and investments and the establishment and use of prudential value adjustments.

In October 2018, the NBR issued Regulation No. 5/2018 amending and supplementing NBR Regulation No. 5/2013 on prudential requirements for credit institutions, which establishes the level of materiality thresholds used by credit institutions in the context of the definition of default, and the deadline for compliance with those thresholds, and the obligation for credit institutions to draw and communicate to the NBR a list of their bank agents. Based on the information transmitted by the credit institutions, the NBR keeps and updates a bank agents' register.

In November 2011, the NBR issued Regulation No. 25/2011 on credit institutions' liquidity, which was subsequently amended and supplemented by Order No. 26/2011, aimed at improving the methodology of computing the liquidity ratio and being in line with the developments in the accounting field related to IFRS introduction. Accordingly, credit institutions are required to permanently maintain the liquidity ratio for all the operations in RON equivalent at least at the level of one for the maturity bands of up to one year. At the same time, credit institutions shall distinctly calculate the liquidity ratios for operations in euro and for operations in RON for all the maturity bands, as well as for all the operations in RON equivalent for the maturity band of over one year. In March 2018, the NBR issued the Regulation No. 2/2018 amending and supplementing NBR Regulation No. 25/2011 on credit institutions' liquidity, which envisages the modification of the treatment of

loan commitments given to non-financial clients for which estimated drawing schedules are not provided. The regulation also removes the obligation of observing the limit of the liquidity ratio for the first maturity band (up to one month), aligning national requirements with those at the EU level, where the required minimum standards of LCR ratio for short-term (of up to 30 days) liquidity requirements have been fully introduced starting with 1 January 2018.

On 23 November 2016, in the context of risk reduction measures in the banking sector, the European Commission published a package of reforms ("**RRM package**"), including changes to *Directive 2013/36/EU (CRD IV)* as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, changes of *Regulation (EU) No 575/2013 (CRR)* as regards 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 amending Regulation (EU) No 648/2012 and changes to the BRRD on loss-absorbing and recapitalisation capacity of credit institutions and investment firms and amending Directive 98/26/EC, Directive 2002/47/EC, Directive 2012/30/EU, Directive 2011/35/EU, Directive 2005/56/EC, Directive 2004/25/EC and Directive 2007/36/EC. The NBR has actively participated in the negotiation process of the RRM package, in which context it has developed several positions.

At the beginning of 2012, the Romanian banking system implemented IFRS as its accounting basis and for preparing financial statements. The accounting regulation framework applicable to credit institutions is reflected in NBR Order No. 27/2010 which includes the accounting rules for banks' operations (chart of accounts and its content) in accordance with the treatments set out by IFRS and provisions regarding the preparation of financial statements (approval, auditing and publication) along with the shift to the effective enforcement of IFRS.

The financial reporting framework for prudential supervision purposes ("**FINREP**"), as well as the reporting framework applicable to Romanian branches of credit institutions having their head offices in other Member States, were updated considering the effective implementation of IFRS starting with financial year 2012.

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 new FINREP consolidated reporting framework, this framework was adapted in 2014 for solo reporting purposes and NBR Order No. 6/2014 was issued. 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. 5/2014.

Following the changes in the International Financial Reporting Standards, effective from 1 January 2018 (the adoption at EU level of the new standard IFRS 9 – Financial Instruments which fundamentally changes the way financial instruments are accounted for, introducing the new concept of expected credit losses), the accounting framework was amended by issuing the NBR Order No. 8/2017 and the financial reporting framework was updated accordingly, by issuing the NBR Order No. 9/2017 (repealing NBR Order No. 6/2014) and the NBR Order No. 10/2017 (repealing NBR Order No. 5/2014). The accounting and financial reporting frameworks were updated in January 2019 due to IFRS 16 which became effective from 1 January 2019.

As of 28 February 2017, the Parliament adopted Law No. 12/2017 for the macro-prudential supervision of the national financial system. The law establishes the National Committee for Macro-prudential Supervision ("**NCMS**"), as an inter-institutional structure of co-operation between the NBR, the Financial Supervisory

Authority and the Government. The fundamental objective of the NCMS is to contribute to financial stability safeguarding by strengthening the capacity of the financial system to resist shocks and by reducing the accumulation of systemic risk. The law implements at national level the relevant recommendations of the European Systemic Risk Board by establishing NCMS as a macro-prudential authority, and also entitles the NCMS to issue recommendations addressed to NBR and FSA in order to impose the capital buffers regulated by CRD IV. Finally, the NCMS shall act as the designated authority for the activation of macro-prudential measures which can be taken under CRR.

The prudential supervision system of the NBR consists of both off-site and on-site inspections.

Off-site supervision consists mainly of regularly monitoring the activities of individual credit institutions, groups of credit institutions and the banking sector as a whole, reviewing compliance with the prudential rules (relating to matters such as solvency, large exposures, related party lending, credit classification and provisioning, foreign exchange positions, own funds and liquidity) and limits, and taking remedial measures when problems are identified. It is based on the continuous appraisal of all available information on credit institutions' activities taken from various sources, in particular the statements and reports regularly submitted by credit institutions on an individual and consolidated basis, credit institutions' financial statements and annual reports, auditors' reports, credit institutions' presentations, the results of on-site inspections and information-gathering visits and other sources, including publicly available reports. Meetings with credit institutions' representatives also help supervisors obtain additional information on credit institutions' activities and performance. Conclusions and findings arising from off-site supervision assist in the selection of credit institutions to be supervised through on-site inspections and the related activities.

In addition to regular assessment of credit institutions' financial condition, off-site supervision also focuses on some other aspects of credit institutions' activities relating to the assessment of the suitability of persons intending to acquire qualifying share holdings and the approval of persons nominated for members of the board and executive managerial positions based on factors such as their reputation, moral integrity and experience and the approval of external auditors.

Regulatory framework developments have changed the supervisory methodology substantially, from a compliance-based approach to a risk-based assessment. The NBR focuses on enhancing the quality of supervision through a greater involvement of credit institutions' management in risk management, credit institutions' assessment focusing on their risk profile and consolidated supervision based on close cross- border co-operation, both between consolidating credit institutions and their corresponding supervisory authorities.

On-site inspections are carried out according to the annual programme of inspections approved by the NBR's Supervisory Committee, focusing on areas such as credit, market, operational and reputational risk management, management of IT systems, money laundering prevention and overall assessment of internal control systems. During on-site inspections, assessments are made of the methods used by credit institutions to identify, measure, evaluate, monitor and limit the risks that they face. Attention is given to the methods applied by credit institutions to measure, evaluate and monitor risks, to whether the information used in risk management is complete, reliable and up to date, and also as to whether there is a clear definition and assignment of responsibilities to competent departments and staff members. On this basis, relevant conclusions are drawn regarding the overall performance of credit institutions and their risk profiles.

Minimum Capital Requirements

The minimum capital requirements of credit institutions are regulated by the CRR and the NBR Regulation No. 5/2013 on the prudential requirements for credit institutions, in accordance with which:

- the minimum initial capital of a bank is RON 37 million;
- the minimum initial capital of a mortgage bank or a building society is RON 25 million;

- the minimum amount of the initial capital and of the own funds of a central body of credit co-operatives is the equivalent in RON of EUR 5 million;
- the minimum amount for the own funds of a credit co-operative is RON 300,000; and
- the minimum amount of the total capital and of the own funds of a co-operative network is set at the equivalent in RON of EUR 10 million.

The subscribed minimum capital of a credit institution has to be paid up, in full and in cash, on incorporation. Similarly, in capital increase operations, the subscribed capital has to be paid-up, in full and in cash, at subscription.

Minimum Reserve Requirements

The main function of RON-denominated reserve requirements is the monetary control 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., and on their foreign currency-denominated liabilities to 8 per cent. from 20 per cent. 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.

	Category of minimum mandatory reserves ("MMR")	
	RON	Foreign Currency
	(per cent.)	
MMR for liabilities with a residual maturity of less than two years .	8	8
MMR for liabilities with a residual maturity of more than two years with prepayment clause..	8	8
without prepayment clause..	0	0

Source: National Bank of Romania

Provisioning and Loans/Investments Classification

Credit Institutions

Since 2012, all provisions are determined according to IFRS as adjustments for impairment losses.

From a prudential perspective, with a view to avoid any disruptions in terms of prudential ratios, the adopted approach for switching to IFRS was to preserve and adapt the requirements of the former prudential framework.

As a consequence, for the period from 2012 to 2017, the classification of loans and investments based on the NBR methodology has continued to be undertaken monthly, but only for the purpose of establishing if there is a need for additional prudential value adjustments beyond those required by IFRS adjustments. At the beginning of 2018, the NBR Regulation No. 16/2012 on classification of loans and investments and the establishment and use of prudential value adjustments was repealed due to phasing out of the requirements imposed by Art. 481 of the CRR.

Starting with 2018, all banks apply IFRS 9, which requires allowances for expected credit losses (based on internal calculations) for all loans, including for those classified as performing (i.e. stage 1 and stage 2) to be set aside.

For non-performing exposures, a new regulation (amending Regulation (EU) No. 575/2013 relating to minimum loss coverage for non-performing exposures) will be adopted at EU level setting out a minimum loss coverage ratio for NPLs also imposing prudential backstop (deduction from own funds) where the imposed minimum loss coverage is not met.

Loan Classification for Creditors other than Credit Institutions

Pursuant to the NBR Regulation 5/2012, loans granted by creditors other than credit institutions to their non-bank debtors are classified from an exposure perspective into five categories: standard, watch, sub-standard, doubtful and loss. For each of these categories the provisioning coefficients are stipulated as follows: zero for "standard", 0.05 for "watch", 0.2 for "sub-standard", 0.5 for "doubtful" and 1 for "loss", in the case of loans other than those booked in foreign currency or indexed to a foreign currency, granted to individual borrowers exposed to foreign exchange risk; and 0.07 for "standard", 0.08 for "watch", 0.23 for "sub-standard", 0.53 for "doubtful" and 1 for "loss" in case of loans booked in foreign currency or indexed to a foreign currency, granted to individual borrowers exposed to foreign exchange risk.

Credit exposures are classified by the reporting institutions according to debt service history (the number of past-due days from the maturity date) and the commencement of legal proceedings against the debtor.

Credit exposures against which specific provisions are to be set up are those remaining after deducting any security interests securing the loan that are eligible for risk mitigation. The institution can decide whether to deduct such security interests or not. Security interests eligible for deduction range from any type of collateral (provided that the collateral is specified in the internal norms of the institution and provided that the institution has in place a methodology for determining the fair value of the collateral, which should be in line with applicable IFRS) to a set of personal guarantees stipulated in the legal framework along with their coefficients used to adjust the value of the guarantee to be deducted. Security interests securing the principal of credits classified as "loss" and in respect of which legal proceedings have been started and/or in respect of which at least 90 days elapsed since the credit became overdue are eligible to be taken into account (up to 25 per cent. as a general rule, and in case of certain types of collateral of a better quality, up to 50 per cent.) as credit risk mitigation factors, while the security interests securing the payment of interest on these credits are not eligible to be taken into account.

Institutions must send a report on the classification of credits and investments to the NBR, along with the specific provisions for credit risk, no later than 25 days after the end of the quarter for which the report is made.

Capital Adequacy

The own funds requirements for credit institutions are regulated by the CRR. Hence, credit institutions shall maintain own funds which are at all times at least equal to the sum of the following capital requirements:

- for credit risk and dilution risk in respect of all of their business activities (other than trading – book business), 8 per cent. of the total of their risk weighted exposure amounts calculated, in accordance with the relevant provisions of the CRR;
- for credit valuation adjustment risk, in accordance with the relevant provisions of the CRR;
- in respect of their trading-book business, for position risk, settlement and counterparty risk, the capital requirements determined in accordance with the relevant provisions of the CRR;

- in respect of all of their business activities, for foreign exchange risk, settlement and commodities risk, the capital requirements determined in accordance with the relevant provisions of the CRR; and
- in respect of all of their business activities, for operational risk, the capital requirements determined in accordance with the relevant provisions of the CRR.

Capital Buffers

The CRD IV/CRR regulatory package makes available a set of macro-prudential instruments that national competent authorities can resort to with a view to preventing the emergence of cyclical systemic risks or mitigating structural systemic risks, as follows: (i) the capital conservation buffer; (ii) the countercyclical capital buffer; (iii) the buffer relating to other systemically important institutions (O-SII buffer); and (iv) 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.

The capital conservation buffer is aimed at increasing credit institutions' resilience, namely their capacity to absorb potential losses arising from the banking activity. The buffer is comprised of Common Equity Tier 1 capital which, according to the NBR Order No. 12/2015 regarding the capital conservation buffer and the countercyclical capital buffer, issued on the basis of Recommendation of the National Committee for Financial Stability No. 1/2015 regarding the implementation of capital buffers in Romania, as of 1 January 2019 is set at 2.5 per cent of their total risk exposure amount. In Romania, the capital conservation buffer has been phased in starting 1 January 2016, in equal increments of 0.625 per cent. per annum.

The countercyclical capital buffer (the "**CCB**") is designed to reduce and prevent excessive credit growth and leverage. The aim of the CCB is to improve the banking sector's resilience to possible shocks. The decision to activate the countercyclical capital buffer is based on the deviation of the credit-to-GDP ratio from its long-term trend (the main indicator, as recommended by the ESRB), as well as the analysis of additional indicators capturing potential domestic vulnerabilities in the development of credit and leverage. In Romania, the countercyclical capital buffer has been set at 0 per cent. starting 1 January 2016, as the total indebtedness continues to remain below the alert threshold. In order to identify systemic risks, the NBR will continue to monitor signals pointing to the build-up of vulnerabilities as regards loans granted to certain sectors. The countercyclical capital buffer is still 0 per cent, according to the most recent NCMO Recommendation R/8/2018 from December 2018.

The NBR has implemented at national level the methodology for identifying systemically important credit institutions in line with the EBA *Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs)*, which strike a balance between convergence, comparability and flexibility in identifying systemic institutions.

Starting from January 2019, according to the NBR Order No. 9/2018, issued on the basis of Recommendation of the National Committee for Financial Stability No. 6/2018, credit institutions authorised in Romania and identified as other systemically important institutions by the NBR have to maintain an O-SII buffer rate of 1 per cent., 1.5 per cent. or 2 per cent. as follows: 2 per cent.: Banca Transilvania S.A, Banca Comercială Română S.A., Raiffeisen Bank S.A. and CEC Bank S.A.; 1.5 per cent.: OTP Bank S.A.; 1 per cent.: UniCredit Bank S.A., BRD – Groupe Societe Generale S.A., Alpha Bank România S.A. and Garanti Bank S.A.

The systemic risk buffer must be comprised of Common Equity Tier 1 and aims to prevent and mitigate long-term structural systemic risk or macro-prudential risk with potential negative consequences for the financial system and real economy. 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 during 2019.

The implementation of the SRB is subject to the prior notification process provided by the CRD IV regulatory framework.

Participation in Other Enterprises

According to the NBR Regulation No. 5/2013 and the CRR, for qualifying holdings (direct or indirect holdings in an undertaking which represents 10 per cent. or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking) in an undertaking (other than a credit institution, financial institution, insurance/reinsurance undertaking or an undertaking carrying on activities which are a direct extension of banking services or concern services ancillary to banking, such as leasing, factoring, management of investment funds, data processing services or any other similar activity) for the purpose of calculating the capital requirement, Romanian credit institutions shall apply a risk weight of 1.250 per cent. to the greater of the following:

- the amount of qualifying holdings in excess of 15 per cent. of the eligible capital; and
- the total amount of qualifying holdings that exceed 60 per cent. of the eligible capital of the institution.

According to the Banking Law, Romanian credit institutions may not acquire qualifying holdings in an undertaking if in this manner they may exercise control over the undertaking in question.

In order to establish a prudential treatment for temporary holdings of capital during a financial reconstruction or rescue operation of an undertaking operating outside the financial sector (debt-to-equity-swap operations), in accordance with the agreement concluded by Romania with the IMF and EU, the NBR published Regulation No. 26/2011, as further amended, which aims to ensure that a credit institution's involvement in such operations will be based on a prudent decision-making process.

Lending Limits

With respect to lending limits, credit institutions shall observe the rules established by EU Regulation No. 575/2013 regarding the large exposures of a credit institution to a connected client or a group of connected clients.

In order to prevent abuses arising from exposures to related parties, as provided by the Basel Core Principle No. 11, the NBR set out provisions to limit such exposures and to prevent banks from performing non-arm's length transactions with related parties. The limits on exposures to related parties are harmonised with those imposed for large exposures:

- an institution shall not incur an exposure to a related party or group of related parties, with a value in excess of 25 per cent. of its own funds;

where that client is an institution or where a group of related parties includes one or more institutions, the exposure shall not exceed 25 per cent. of the institution's own funds or EUR;

- 150 million (in the case of credit institutions), whichever the higher.

In line with the previous regulatory framework on responsible and sustainable lending and borrowing, in December 2012, the NBR implemented the recommendations of the European Systemic Risk Board on lending in foreign currency, aiming at strengthening the currency and interest rate risk awareness mechanism for unhedged borrowers and introducing the creditors' obligation to evaluate, apart from households, the companies' creditworthiness, in order to create prerequisites for forex loans to be granted only to debtors that are able to cope with the increase in loan instalments resulting from a severe depreciation of the RON and an increase in the loan's currency interest rate. The NBR has also adopted regulations requiring credit institutions to incorporate in their internal risk management systems the risks incurred by foreign currency lending and to account for these risks in their internal pricing and internal capital allocation.

In 2016, the provisions in the area of creditworthiness assessment and remuneration policies from the Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 and from the Guidelines EBA/GL/2015/11 on creditworthiness assessment were transposed into the national legislation by amending the NBR regulatory framework on responsible lending.

Deposit Guarantee Scheme

In 2015, following the approval of Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast), the national legal framework was updated in order to ensure the transposition of this directive into national legislation by the Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund. The Bank Deposit Guarantee Fund is regulated as a scheme administered by a public body and, according to the law, is also entrusted with the authority to administer the resolution fund. The current coverage level for the aggregate deposits of each depositor is EUR 100,000 and the repayment period is seven working days. Subsequently, considering the obligation of the central bank to establish, periodically reconsider and publish on its official website the coverage level for the aggregate deposits of each depositor above EUR 100,000, deriving from the provisions of the Directive 2014/49/EU, the NBR issued the Regulation No. 24/2016 on the coverage level provided in article 62 para.1 of the Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, establishing, for specific deposits and situations the additional coverage level to the RON equivalent of EUR 100,000.

Non-Bank Financial Institutions Sector

Non-bank financial institutions are entities performing lending activities as their core business; the main difference from credit institutions is that the former are not entitled to accept cash deposits or other repayable funds from the public. Non-bank financial institutions are supervised/monitored and regulated by the NBR in order to ensure financial stability based on a healthy and sustainable development of the market, as well as the removal of regulatory discrimination between these entities and credit institutions.

The legal framework for non-bank financial institutions applies to financial institutions which are not organised as credit institutions and which engage in lending activities in the broad sense, that is: (i) lending, including consumer credits, mortgage credits, real-estate credits, micro-credits, financing of commercial transactions, factoring, discounting and forfeiting operations; (ii) financial leasing; (iii) guarantees and commitments; (iv) granting of credits in exchange of goods for safekeeping (such as pledging via pawnshops); (v) granting of credits to members of mutual benefit organisations; and (vi) other credit-like financing methods. The non-bank financial institutions must maintain a share capital of at least EUR 200,000 or EUR 3 million in the case of non-bank financial institutions that include the granting of mortgage credits in the scope of their activity.

At 31 December 2015, there were 172 non-bank financial institutions registered in the General Register, under the NBR oversight, out of which 44 are listed in the Special Register and are under NBR prudential supervision. In 2015, there were 9 deletions from the General Register, following either of the non-bank institutions own requests (6 cases) or as a result of other causes provided by law.

At 31 December 2016, there were 177 non-bank financial institutions registered in the General Register, under the NBR oversight, out of which 39 are listed in the Special Register and are under NBR prudential supervision. In 2016, there were 10 deletions from the General Register, following requests from the non-bank institutions (8 cases), a sanction (one case) or as a result of other causes provided by law (one case).

As of 31 December 2017, there were 183 non-bank financial institutions registered in the General Register under the NBR oversight, out of which 42 are listed in the Special Register and are under NBR prudential supervision. During 2017, there were 6 deletions from the General Register, following requests from non-bank institutions.

As of 31 December 2018, there were 178 non-bank financial institutions registered in the General Register under the NBR oversight, out of which 71 are listed in the Special Register and are under NBR prudential supervision. During 2018, there were 14 deletions from the General Register, following requests from non-bank institutions (11 cases), sanctions (2 cases) or as a result of other causes provided by law (one case).

As of 28 February 2019, there were 180 non-bank financial institutions registered in the General Register under the NBR oversight, out of which 68 are listed in the Special Register and are under NBR prudential supervision. During 2019, there were 2 deletions from the General Register following requests from non-bank institutions.

As of 31 December 2017, the financial aggregate indicators of non-bank financial institutions were as follows: a total share capital of RON 2.90 billion; total assets of RON 32.46 billion; loans and commitments granted of RON 33.59 billion and non-performing loans (including commitments) of RON 2.88 billion.

As of 31 December 2018, the financial aggregate indicators of non-bank financial institutions were as follows: a total share capital of RON 3.07 billion; total assets of RON 35.36 billion; loans and commitments granted of RON 36.68 billion and non-performing loans (including commitments) of RON 2.95 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.

Payment Services Sector

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

As of 31 December 2017, there were nine payment institutions registered in Register of Payment Institutions and 85 agents through which they provide payment services in Romania and abroad. In April 2018, one payment institution was removed from the Register following a merger. As of 28 February 2019, there were eight payment institutions registered in Register of Payment Institutions and 47 agents through which they provide payment services in Romania and abroad. Among authorised payment institutions, four also hold the quality of non-banking financial institution and are registered in the General Register. The transposition into the national legislation of Directive (EU) 2015/2366 on payment services in the internal market is under development, with the Ministry of Economy and the Ministry of Public Finance coordinating implementation.

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 2017, there were three authorised electronic money institutions. In January 2018 one electronic money institution asked for its authorisation to be suspended.

As of 28 February 2019, there were two authorised electronic money institutions registered in the Register of Electronic Money Institutions and one agent through which payment services are provided abroad.

The legislative measures for the full transposition of the EU Directive 2015/2366 (that will cover both the payment services sector and electronic money institutions sector) are expected to be adopted soon.

Financial System Supervision

In December 2012, the Romanian Government approved, by way of emergency ordinance, the establishment of the Financial Supervisory Authority ("**FSA**"). From 30 April 2013, the FSA took over the responsibilities of the National Securities Commission ("**CNVM**"), the Insurance Supervisory Commission and the Private Pension System Supervisory Commission, thus overseeing the capital markets and the insurance and private pension markets.

The FSA is a specialised, autonomous administrative institution, independent and self-financed, led by a council of nine members, including a president, a first vice-president and three vice-presidents with executive functions, each with specific tasks corresponding to one of the three sectors of financial supervision.

Private Pension System

Pension reform in Romania has included the introduction and implementation, within the pension system, of two private pension pillars, one mandatory (second pillar) and the other voluntary (third pillar), both managed by private companies.

Second Pillar

Participation in the second pillar is mandatory for employees and certain other persons up to 35 years old and voluntary for those between 35 and 45 years old.

The contribution to a private pension fund represents a part of an individual's social insurance contribution payable to the public pension system. The contribution to a pension fund is deducted from the monthly gross salary of the participant, the level of which is determined by the amount of salary an employee receives. The contribution to a pension fund does not impose supplementary financial obligations on the state. In 2008, the privately administered pension funds received the first contributions, namely 2 per cent. of each participant's gross salary. In 2014, the contributions represented 4.5 per cent. of a participant's gross salary, which increased to 5 per cent. starting on 1 January 2015 and to 5.1 per cent. in 2016 and 2017.

Starting from 1 January 2018, the contributions to the mandatory private pillar have decreased to 3.75 per cent. from 5.1 per cent., but it is estimated that this measure would not significantly reduce the annual total transfers to the mandatory private pillar since the shift in social security contributions from employers to employees would be followed by a sizeable increase in the average gross wages.

The level of the average monthly transfer to Pillar II for 2018 are RON 643.15 million (two months at 5.1 per cent. and 10 months at 3.75 per cent). The transfer of contributions to Pillar II takes places two months after the end of the relevant month; accordingly, the transfers of contributions to Pillar in January and February 2018 were for November 2017 and December 2017, respectively, at the contribution rate of 5.1 per cent. that was the applicable contribution rate at that time, while the monthly average of 2017 is RON 595.22 million. The transferred amounts for 2018 (RON 7,717.78 million) confirm the initial estimates of RON 7,315.1 million for the year 2018.

In the estimates approved for Pillar II, for the year 2018, the contribution rate of 3.75 per cent. was taken into account for 10 months of application and 5.1 per cent. for the first 2 months of application, provided that the forecasts of the main macroeconomic indicators (made by the NCP) show in 2018 an increase of 29 per cent. in average gross earnings and an increase of 4.2 per cent. in the number of employees in the economy compared to 2017.

The GEO 114/2018 introduced the optionality for people that have contributed to Pillar II for more than five years to move to the first pillar. The contribution rate for the Pillar II remains unchanged for 2019 at 3.75 per cent.

The draft law on the public pension system was adopted by the Parliament in December 2018 and was subsequently declared partially unconstitutional by the Constitutional Court on 13 March 2019 and will now be re-examined by the Parliament. The draft law proposes a new public pension system that removes inequalities between the beneficiaries by gender and within the same gender, as well as between categories of persons who worked under the same working conditions and with a relatively similar level of pay, irrespective of the year of retirement.

The draft law proposes to change the pension calculation formula from 2021. Under the draft law, the amount of the pension would be determined by multiplying the total number of points (the sum of the annual scores) by the value of the reference point. The benchmark reference point would be RON 75 as of 1 September 2021. According to the draft law, this would be phased in between 1 September 2019 and 1 September 2021, with annual increases in the pension point.

The following table shows the number of pension funds (second pillar) and the total value of their net assets as at 31 December 2015, 2016, 2017 and 2018 and as at 30 June 2016, 2017 and 2018:

	Net assets	No. of pension funds
	(RON million)	
As at		
31 December 2015	24,673.59	7 pension funds
30 June 2016	27,578.54	7 pension funds
31 December 2016	31,465.94	7 pension funds
30 June 2017	36,061.81	7 pension funds
31 December 2017	39,741.22	7 pension funds
30 June 2018	43,711.01	7 pension funds
31 December 2018	47,576.61	7 pension funds

Source: Financial Supervision Authority

The table below shows the evolution of the number of participants to the second pillar pension system as at 31 December 2015, 2016, 2017 and 2018 and as at 30 June 2016, 2017 and 2018:

	No. of participants 2nd pillar
As at	
31 December 2015	6.56 million
30 June 2016	6.68 million
31 December 2016	6.80 million
30 June 2017	6.92 million
31 December 2017	7.04 million
30 June 2018	7.15 million
31 December 2018	7.25 million

Source: Financial Supervision Authority

Third Pillar

The voluntary pension scheme (third pillar) became operational in June 2007 and is based on individual accounts and voluntary participation. The activity of the funds pursuing business within this system is regulated by Law 204/2006 on voluntary pensions.

Contributions to a voluntary pension fund are established according to the rules of the various voluntary pension schemes, are charged and transferred by the employer together with the mandatory social security contributions or, as the case may be, paid by the participant, monthly, into a pension fund account.

The amount representing the contributions to voluntary pension fund is tax deductible for both participant and employer up to the RON equivalent of EUR 400 per fiscal year.

The table below shows the number of pension funds (third pillar) and the total value of their net assets at 31 December 2015, 2016, 2017 and 2018 and as at 30 June 2016, 2017 and 2018:

	Net assets	**No. of pension funds**
	(RON million)	
As at		
31 December 2015	1,252.22	10
30 June 2016	1,353.62	10
31 December 2016	1,501.66	10
30 June 2017	1,668.25	10
31 December 2017	1,780.58	10
30 June 2018	1,889.46	10
31 December 2018	1,997.47	10

Source: Financial Supervision Authority

The table below shows an increase in the number of participants to the third pillar pension system as at 31 December 2015, 2016, 2017 and 2018 and as at 30 June 2016, 2017 and 2018:

	No. of participants 3rd pillar
As at	
31 December 2015	382,318
30 June 2016	399,273
31 December 2016	410,241
30 June 2017	427,349
31 December 2017	446,131
30 June 2018	459,340
31 December 2018	472,160

Source: Financial Supervision Authority

Insurance Market

The FSA is a full member of the European Insurance and Occupational Pensions Authority (EIOPA), an institution which has replaced the Committee of European Insurance and Occupational Pensions Supervisors

(CEIOPS) since 1 January 2011. FSA is also a member of the European Insurance and Occupational Pensions Committee (EIOPC), as well as of the International Association of Insurance Supervisors (IAIS).

Insurance activity in Romania may be pursued only subject to an authorisation granted by the FSA or due to an authorisation in another European Union Member State.

Recent significant changes were introduced to the legislation on the insurance sector with the following laws having been published and entered into force:

- Law No. 237/2015 on the authorisation and supervision of the business of insurance and reinsurance, which transposes into the national legislation the provisions of the EU Directive 2009/138, Directive 2011/89 and Directive 2014/51, was published in the Official Gazette of Romania No. 800 of 28 October 2015 and entered into force on 1 January 2016;
- Law No. 246/2015 on the insurers' recovery and resolution was published in Official Gazette of Romania No. 813 of 2 November 2015;
- Emergency Ordinance No. 54/2016 on compulsory motor liability insurance for damages caused to third parties by motor vehicle accidents and trams – repealed by the Law No. 132/2017; and
- Law No. 132/2017 on the compulsory insurance against civil liability for the damage to third parties caused by vehicle and tram accidents.

During 2016 and mid-2017, FSA issued 29 rules regarding the insurance sector, as follows: four on Motor third party liability, 10 on Resolution, one regarding Street Victim Protection Fund, four on accounting regulation, one on Insurance intermediaries register, one on licensing and monitoring of the insurance undertakings, one on the reporting requests for insurance undertakings, one on the supervisory of insurance undertakings' branches from third countries, one on the transposing of EIOPA Guidelines, one on the paid share capital of insurance undertakings regarding the private pension funds, one on the compulsory house insurance, one on the special administration of the insurance undertakings, one on reducing the tax for brokers activity, one on complaints handling.

Between 1 July 2017 and 30 June 2018, FSA issued seven legal acts relating to accounting in the insurance sector and two legal acts on motor third party liability insurance.

Data regarding the insurance undertakings and intermediaries

Number of insurance undertakings

The following table sets out the number of insurers and insurance intermediaries in Romania as at 31 December 2015, 2016, 2017 and as at 30 June 2018.

	2015	2016	2017	30 June 2018
Insurers (total), of which	35	31	31	29
Non-life	20	17	17	16
Life	8	7	8	7
Composite...	7	7	6	6
Insurance intermediaries	603	327	314	**300**

Foreign ownership in the Romanian insurance sector accounted for 89.53 per cent. of the sector, or RON 3.15 billion in 2015, 90.88 per cent. or RON 3.27 billion in 2016, 86.67 per cent. or RON 2.86 billion in 2017 and 90.93 per cent. or RON 2.84 billion as of 30 June 2018. As of 30 June 2018, Austrian investors held 49.66 per

cent. of the foreign capital of Romanian insurers, while Bulgarian investors held 16.80 per cent. and Dutch investors held 9.38 per cent.

In April 2016, the FSA Board decided to initiate a financial recovery procedure based on a recovery plan for the company City Insurance S.A. Through this plan, the shareholders assumed obligations regarding the recapitalisation of the company and restoration of solvency indicators. On 19 July 2017, the FSA Board decided that City Insurance S.A. will no longer be subject to the financial recovery procedure as its financial situation improved.

Capital Markets

Law No. 297/2004, as amended and supplemented ("**Capital Market Law**"), Government Emergency Ordinance No. 32/2012, as amended and supplemented, ("**GO 32/2012**"), Law No. 24/2017 on issuers of financial instruments and market operations, Law No. 74/2015 on managers of alternative investments funds and Law No. 126/2018 regarding market in financial instruments, and the secondary legislation issued in their application, represent the main legal framework for capital markets in Romania. Initially, the Capital Market Law regulated the operation of regulated markets and alternative trading systems, the activity of investment firms, the market abuse regime, as well as the activity of issuers. Due to the enactment of Law No. 24/2017 on issuers of financial instruments and market operations, the provisions related to issuers and market abuse regime existing in Law No. 297/2004 have been repealed and replaced by a series of provisions designed to contribute to increasing the transparency, integrity and competitiveness of the capital market.

The GO 32/2012 regulates the activity of asset management companies and collective investment undertakings. Law No. 74/2015 lays down the rules for the authorisation, ongoing operation and transparency of the managers of alternative investment funds (AIFMs) which manage and/or market units of alternative investment funds (AIFs).

Law No. 10/2015 approving GO 32/2012 on undertakings for collective investment in transferable securities and investment management companies, and amending and supplementing Capital Market Law No. 297/2004, was published on 12 January 2015.

In October 2014, Law No. 151/2014 ("**Law 151/2014**"), regarding the legal status of shares traded on the RASDAQ market or the unlisted securities market, was adopted, providing a term and a procedure which had to be observed in order to clarify the legal status of the shares traded on the RASDAQ market or the unlisted securities market. To this end, within a period of 120 days of the entry into force of Law 151/2014, each extraordinary general meeting of the shareholders of the companies listed on the RASDAQ market or the unlisted securities market had to decide whether the company would transfer on a regulated market or an alternative trading system or it would withdraw from the market. Law 151/2014 also established that the activity of the RASDAQ market and of the unlisted securities market would terminate by operation of law at the expiry of a period of 12 months after the date of entry into force of the law, which occurred at the end of October 2015.

Law No. 126/2018 implements the provisions of MiFID II and applies to Romanian investment firms, market operators, data reporting services providers, central depositaries, central counterparties, investment firms from other Member States that operate in Romania and also to third country firms which are providing investment services or performing investment activities in Romania by establishing a subsidiary.

Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms was published in the Official Journal of Romania, on 11 December 2015. This law modifies certain provisions of the Capital Market Law regarding companies admitted to trading in order to align the current disposals to the legislation on recovery and resolution of investment firms, including:

- Art. 203 (on obligations of persons holding more than 33 per cent. of the voting rights in a company to launch a public offer to all holders of securities as soon as possible but no later than two months after

reaching this holding) does not apply in the case of use of tools, powers and mechanisms for resolution under the law on recovery and resolution of credit institutions and investment firms; and

- general meetings are allowed to decide that a meeting of the general assembly to decide on a capital increase can be done in a shorter period than the period provided for in article 243 (1) in order to avoid the conditions for the resolution procedure under Law No. 312/2015 on recovery and resolution of credit institutions and investment firms.

With a view to aligning the Romanian capital markets legislation and practice to European and international standards, while ensuring their adjustment to local particularities, the Romanian competent authority seeks to follow and capture recent developments in the international and European capital markets. The FSA is a full member of the European Securities and Markets Authority and of the International Organisation of Securities Commission.

In terms of supervisory activity, the FSA focuses on strengthening its monitoring capacity over regulated entities. One of the FSA's priorities is to ensure the implementation of the reporting requirements both for issuers and other entities and to ensure a fair treatment for investors. The FSA monitors the completeness of the periodic reports as well as the observance by issuers of the deadline for the submission of these reports. Significant achievements in this respect were made by the implementation by the Romanian competent authority of an application for the electronic supervision of issuers and other regulated entities through reports, easing the FSA's monitoring mission. Issuers failing to comply with the legal requirements are notified accordingly by the FSA.

The FSA also undertakes real-time monitoring of transactions performed on the Romanian regulated markets and analyses any abnormal movements of the prices and the quantity of the transactions carried out during trading sessions for the purposes of detecting possible cases of market abuse.

The FSA exercises its monitoring prerogatives by performing regular and transparent controls of the activity of regulated and supervised entities. The control activity performed by the Romanian competent authority in recent years was finalised with sanctions, notifications of the companies under investigation with regard to the obligation to remedy the deficiencies ascertained by the control teams and notification of other state institutions (e.g. the National Office for Prevention and Control of Money Laundering, the Ministry of Internal Affairs, the General Inspectorate of Romanian Police, the Prosecutor's Office attached to the High Court of Cassation and Justice and the NAFA).

Capital Market Intermediaries

Investment services and activities are performed by intermediaries such as investment firms authorised by the FSA, credit institutions authorised by the NBR, as well as by foreign regulated entities authorised in an EU Member State or in a non-EU State by the relevant home State authorities.

Intermediaries on the local capital market

The following table shows the number of intermediaries on the local market.

	31 Dec 2015	**31 Dec 2016**	**31 Dec 2017**	**30 June 2018**
Investment firms authorised by the FSA...	**30**	**27**	**24**	**21**
Credit institutions authorised by the NBR...	8	8	8	7

	31 Dec 2015	31 Dec 2016	31 Dec 2017	30 June 2018
Investments firms authorised by the home competent authority in a Member State	1,490	1,572	1,614	1,689
Credit institutions authorised by the relevant authority in a Member State	147	151	155	160
Branches of investment firms from other EU Member States	8	7	8	7
Branches of credit institutions from other EU Member States	4	3	3	3
Total	1,685	1,768	1,812	1,887

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. Most of the notified EU intermediaries, including credit institutions, are from the United Kingdom. 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, Belgium, 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 2015, 2016, 2017 and 30 June 2018.

	31 December			
	2015	2016	2017	30 June 2018
Undertakings for collective investment in transferable securities:				
Open-end investment funds (performing activities in practice)	74	75	78	78
Collective investment undertakings, other than UCITS (non-UCITS):				
Closed-end investment funds (active)	29	25	24	25
Investment companies	6	6	6	6
Total no. of CIUs	109	106	109	109

	31 December			
	2015	2016	2017	30 June 2018
Management companies	21	21	18	18
Depositories...	6	6	6	5
Entities from Member States				
UCITS authorised in a Member State and whose units have been distributed in Romania...	50	52	54	54

Source: Financial Supervision Authority

On a year-on-year basis since 2009, in the context of an increased aversion to risk caused by the global financial crisis, Romanian investment funds registered a growth in the ratio of bank deposits and bonds in the investment funds' overall level of assets.

The following table shows certain data in relation to the evolution of indicators describing the funds industry as at 31 December 2015, 2016, 2016 and 30 June 2018.

		As at 31 December			As at 30 June
		2015	2016	2017	2018
Development of mutual funds					
Number of management companies		**21**	**21**	**20**	**18**
Total assets under management (million EUR)..		**9,119**	**9,126**	**9,342**	**8,803**
Equity funds and investment companies (excluding ETFs)		4,488	4,312	4,397	4,262
Bond funds		4,239	4,434	3,788	3,359
Hybrid funds...		365	356	1,129	1,145
Money market funds.......................................		27	24	27	31
ETFs		0.48	1	1	5.2
Number of CIUs..		**109**	**106**	**105**	**109**
Equity funds and investment companies (excluding ETFs)		32	30	30	27
Bond funds		30	31	27	26
Hybrid funds...		45	43	46	52
Money market funds.......................................		1	1	1	1
ETFs		1	1	1	3

Source: Management companies reports submitted by FSA. Reports total assets can be found on the official websites of investment funds managed.

Regulated Markets and Multilateral Trading Facility

From 3 January 2018, BSE is the only market operator registered in Romania. In 2017, BSE and SIBEX – Sibiu Stock Exchange S.A. ("**Sibex**") merged by absorption.

The BSE is authorised by the FSA as a market operator and, as such, it manages a spot regulated market ("**Spot Regulated Market**"). Companies listed on the BSE Spot Regulated Market are classified in two tiers

(“**Premium**” and “**Standard**”), according to their compliance with several qualitative and quantitative criteria. The Spot Regulated Market also has an International Tier and Other International Financial Investments Sector. BSE also operates a Multilateral Trading Facility (“**MTF**”) with two main sections: one dedicated to the listing of small- and medium-size enterprises (AeRO) and 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.

As at 31 December 2018, there were 87 companies listed on BSE’s Spot Regulated Market, of which 84 are domestic companies and three are foreign companies. At the same date, there were 54 issues of bonds listed on BSE, of which 37 issues were municipal bonds, eight foreign corporate bonds and nine domestic corporate bonds. The first exchange-traded fund was admitted to trading on the BSE market in August 2012; as at 30 November 2018, two mutual funds and one exchange traded fund were listed on the BSE’s spot market.

As at 31 December 2018, there were 292 companies traded on the two markets sections of the MTF operated by the BSE, out of which 294 issues of shares were listed in the section dedicated to SMEs (AeRO) and 15 issues of shares were traded in the section dedicated to trading of foreign shares already listed on a regulated market in the EU or on another exchange in a non-EU country. At the same date, seven issues of bonds and one issue of mutual funds were listed on the MTF.

Capitalisation of the BSE Regulated Markets

The following table shows the market capitalisation of the BSE Regulated Markets as at 31 December 2015, 2016, 2017 and 2018.

	Market Capitalisation	**Year Change**
	(EUR billion)	*(per cent.)*
As at		
31 December 2015	32.24	11.21
31 December 2016	32.27	0.09
31 December 2017	35.28	8.53
31 December 2018	30.66	(13.09)

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 2015, 2016, 2017 and 2018.

Trading Volumes	As at the end of year			
	2015	2016	2017	2018
Total Trading Volumes				
Total trading volumes (EUR)	2,030,242,344	1,750,564,591	2,273,709,463	2,186,283,028.00
Stock (EUR)	1,836,996,472	1,585,504,951	2,150,997,885	2,077,628,634.00
Bonds (EUR)	100,840,387	68,865,818	62,061,477	34,522,762.00
Rights (EUR)	0	0	0	0
Fund Units (EUR)	1,737,589	906,976	2,772,341	2,046,205.00
Structured Products (EUR)	90,667,896	95,286,846	57,877,760	72,085,427.00
Futures (EUR)	0	0	0	0
Number of trading days	251	254	248	249

Source: BSE

Note:

The table does not include the values of the public offers conducted by BSE and of the transactions on the Unlisted Market.

Daily Average Turnover of the BSE Regulated Markets

The following table shows the daily average turnover of the BSE Regulated Markets as in 2015, 2016, 2017 and 2018.

	Daily Average Turnover	Year Change
	(EUR million)	*(per cent.)*
Year		
2015	8.09	(11.20)
2016	6.89	(14.83)
2017	9.17	33.09
2018	8.78	(4.25)

Source: BSE

BSE Indices

The following table shows the value of the BSE Indices as at 31 December 2018.

	Value as at 31 December 2018	Change in 2018 (compared to 31 December 2017)
	(points)	*(per cent.)*
BSE Indices		
BET	7,383.68	(4.772)
BET-XT	680.44	(8.000)
BET Plus	1,109.85	(5.013)
BET-TR	10,870.97	4.124

	Value as at 31 December 2018	Change in 2018 (compared to 31 December 2017)
	(points)	*(per cent.)*
BET-FI	34,636.37	(12.630)
BET-NG	603.34	(7.410)
BET-BK	1,459.26	(11.629)

Source: BSE

The BET index, reflecting the performance of the securities of the 15 most liquid companies admitted to trading on the BSE regulated market, has decreased in 2018, as at 31 December 2018, by 4.772 per cent. compared to end-year 2017. BET-FI, which represents the index of the investment companies admitted to trading on the BSE regulated market, has decreased in 2018, as at 31 December 2018, by 12.630 per cent. compared to end-year 2017. The BET-XT index, which reflects the performance of the securities of the 25 most liquid companies admitted to trading on the BSE regulated market, decreased in 2018 by 8.000 per cent. compared to end-year 2017 and the BET-NG, which represents the index of the energy and utilities companies admitted to trading on the BSE regulated market decreased in 2018 by 7.410 per cent. as at 31 December 2018, compared to end-year 2017.

Money Laundering

First legislation on anti-money laundering was enacted in Romania in 1999 (Law No. 21/1999), which was subsequently repealed by Law No. 656/2002 on the prevention and sanctioning of money laundering, as well as on establishing measures for preventing and combating terrorism financing. In 2008, significant progress was made in the field of money laundering by the adoption of important anti-money laundering and counter terrorism finance legal acts needed to fully transpose the provisions of Directive 2005/60/EC of the European Parliament and Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and of EC Directive 2006/70/EC as regards politically exposed persons, and to implement the recommendations in the Assessment Report on Romania adopted by the Moneyval Committee of the Council of Europe.

Since 2009, the anti-money laundering and counter terrorism finance (AML/CFT) supervision competence of the National Bank of Romania is carried out through a specialised division.

Over the time, the scope of AML/CFT supervision was extended to include, beside credit institutions, the payment institutions, electronic money institutions and non-bank financial institutions (lenders and leasing companies) registered in the central bank Special Register and the branches from Romania of similar foreign institutions.

In addition, a risk-based approach was implemented in the evaluation of supervised institutions, taking into account the nature of the activity and the size of the supervised institution, correlated with the level of money laundering or terrorism financing risks.

The below table provides further detail on the activities carried out by the specialised competent division.

Indicators	Credit institutions				Payment institutions, electronic money institutions and non-bank financial institutions			
	2015	2016	2017	2018	2015	2016	2017	2018
On-site examinations	31	40	34	40	22	6	14	17
Off-site examinations	0	0	1	4	0	0	0	2
Mandatory order of measures	0	3	12	8	3	0	3	3
Letter of recommendations	6	4	12	0	1	2	0	0
Notices	13	19	17	33	3	2	5	11
Contravention fines	14	19	31	40	1	1	3	6
Amount of contravention fines (RON)	90,000	325,000	510,000	805,000	1,769	10,000	70,000	80,000

In 2013, Romania was subject to the evaluation process conducted by Moneyval and the mutual evaluation report on the fourth assessment visit of Romania was adopted at its 44th Plenary (Strasbourg, 31 March to 4 April 2014).

In 2015, the National Office for Prevention and Control of Money Laundering ("**NOPCML**") submitted to the GPO 476 cases of money laundering; six notifications were sent to the GPO and Romanian Intelligence Service for suspicions of terrorism financing; and 369 notifications were sent to competent bodies for other offences. During 2015, the Board of the NOPCML decided to suspend financial operations with a total value of EUR 7.5 million.

In the performance of its activity, NOPCML co-operates closely with the Ministry of Justice, the GPO and the Court of Accounts. NOPCML is also part of the newly founded Inter-ministerial Committee against corruption, transnational organised criminality and of serious forms of financial and economic criminality.

Following the approval of the Fourth Anti-Money Laundering Directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, the national legal framework is in the process of being updated in order to ensure the transposition of this directive into the national legislation.

The delay in the implementation of the Fourth Anti-Money Laundering Directive, whose transposition deadline expired in June 2017, has triggered the commencement of an infringement procedure by the European Commission. Case C-549/18 is pending before the Court of Justice of the European Union. See "*Description of Romania – Membership of the European Union – Cases– Case 549/18, the European Commission v Romania"* above for more information.

The draft law transposing the Fourth Anti-Money Laundering Directive was approved by the Government of Romania on 31 May 2018 and adopted by the Romanian Parliament on 24 October 2018. On 11 November 2018, 90 deputies challenged the constitutionality of the law before the Constitutional Court of Romania. On 5 December 2018, the Constitutional Court of Romania ruled on the matter through a final and mandatory decision, partially dismissing the claim and pronouncing certain provisions of the draft law to be

unconstitutional. The draft law needs to be re-examined by the Romanian Parliament to align it with the decision of the Constitutional Court of Romania.

After the decision of the Constitutional Court of Romania, the draft law will be re-examined by the Romanian Parliament. On 18 March 2019, the draft Law for the transposition of the Fourth Anti-Money Laundering Directive was adopted by the Senate. The draft Law was sent to the Chamber of Deputies, as decision making chamber, and will be debated in the specialised commissions and submitted to the plenum for adoption.

The National Office for Prevention and Control of Money Laundering (Romanian Financial Intelligence Unit) has assumed the coordination of the transposition process for the fifth anti-money laundering directive, with the deadline of January 2020.

Public Finance

The Budgetary System

The Budgetary Process

The Romanian Ministry of Public 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 Public 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 Public 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 Public Finance and includes, amongst others: the central state budget plus the state social security budget; the special funds; the autonomous and self-financed institutions' budgets; and the local government budgets.

The state social security system and local governments are each responsible for the management of their own revenues and expenditure.

- State Social Security Budget

The state social security budget is independent of the central state budget, although it is subject to approval by Parliament each year. The public pension system is based on a "pay as you go" principle, with the contributions paid by employers representing the main source of income for the system. The majority of expenditure from the state social security budget is in the form of pension benefits, including old age pensions, early retirement pensions, partial early retirement pensions, disability pensions, survivor pensions and death benefits.

- Special Funds

Special Funds are the national health insurance funds, the budget of which is approved as an annex to the central state budget law, and the budget for unemployment insurances, which is approved along with the state social security budget law.

- Local Budgets

Local budgets are prepared, approved and executed according to the law on local public finances and the law on local public administration. These laws authorise local authorities to develop and approve their own budgets and assign to them certain sources of revenue, including a share of personal income tax and certain other taxes collected at the level of the central state budget. Additional local budget revenues come from property taxes. Local authorities are required to balance their current spending and they are able to contract loans for investment purposes and for refinancing local public debt.

Since 2011, when the Government Emergency Ordinance No. 63/2010 amending the Law on local public finances No. 273/2006 came into force, the budgets of administrative territorial units are prepared and approved in two sections, operational and development.

Each of the two sections has its own revenue and expenditure. Thus, operational expenditure includes current expenses and repayment of loans, while development expenditure includes capital expenditures and post-accession EU co-financed projects.

Amounts can be transferred from the operational section to the development section only after payments for operational costs have been completely secured.

Local budgets of communes, towns, cities, Bucharest districts, counties and the Bucharest municipality, as well as the budgets of public institutions financed from their own revenues and subsidies from local budgets and external grant budgets are approved, under the "balanced budget" condition, while the development section deficit can be covered by the previous year operational section's surplus.

The annual budget will include distinct appropriations for payment of the previous year's arrears. Since 2011, revenues and expenditures presented off budget have been included in the local budget.

Since 1 January 2011, the permitted level of indebtedness of each administrative territorial unit/subdivision (such as a city or a county) has been limited to 30 per cent. of their own revenues (consisting of taxes, fees, contributions, other income and allocated shares from income tax) as averaged across the last three years preceding the year in which approval is requested, less the income resulting from the sale of certain assets over the same period, belonging to the private domain of the respective administrative territorial subdivision. Loans contracted and/or guaranteed by the administrative territorial subdivision relating to financing of projects which benefit from pre and post-accession non-reimbursable external funds from the European Union are not included in the calculation.

The loans contracted and/or guaranteed by administrative territorial subdivisions in respect of the financing of projects which benefit from pre- and post-accession non-reimbursable external funds from the European Union are exempted from the 30 per cent. limit of the level of indebtedness.

Medium-Term Budgetary Planning Process

Although medium-term budgetary planning has been utilised in Romania since 2003, the Medium-Term Budgetary Framework became mandatory only when Law No. 69/2010 on fiscal responsibility ("**Fiscal Responsibility Law**") entered into force in 2010 resulting in medium-term budget ceilings requiring approval by Parliament.

The most important reforms regarding the fiscal framework (as provided under the Fiscal Responsibility Law) include the following:

- *Mandatory Medium-term Planning*: A new stage has been introduced in the budgetary calendar. By 15 July of each year the Ministry of Public 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 Public Finance will prepare a new draft FBS. This revision must be approved by Parliament and is subject to the review and opinion of the Fiscal Council.
- *New Fiscal Rules*: (i) The structural deficit cannot be higher than 0.5 per cent. of GDP (or 1.0 per cent. of GDP if the public debt is comfortably below 60 per cent. of GDP); (ii) public debt should not be higher than 60 per cent. of GDP; (iii) the intermediate prudential public debt thresholds have been set at 45 per cent., 50 per cent. and 55 per cent. of GDP; (iv) an automatic correction mechanism has been put in place if a deviation of the above rules occurs; (v) the annual increase of public sector expenditure has to be in line with the rules set by the EC Regulation No. 1466/1997; (vi) the macroeconomic forecast utilised for budget planning has to be compared with the EC official forecast and any difference clearly presented; (vii) during the budget year, funds approved for public investment cannot be transferred to current expenditure; (viii) there cannot be more than two budget rectifications during one year; and (ix) a budget rectification may take place only in the second half of the year.
- *The New Fiscal Institution*: The Fiscal Responsibility Law introduces the Fiscal Council, an independent body made up of five members, one from each of the Romanian Academy, Romanian National Bank, the Academy of Economic Studies, the Romanian Banking Institute and the Romanian Banking Association, who are appointed by the Parliament for a period of nine years. The Fiscal Council issues opinions and recommendations on official macroeconomic and budgetary forecasts, and on the FBS, Annual Budget Law, Budget execution and major legislative initiatives which can have an impact on budget expenditures. The Fiscal Council also monitors the observance of the fiscal rules.

Taxation system

The following table presents the share of the main sources of revenue in the general consolidated budget as at 31 December 2015, 2016, 2017 and 2018:

	As at 31 December			
	2015	**2016**	**2017**	**2018**
	(per cent.)			
Social security contributions........................	24.7	27.4	28.5	33.2
VAT..	24.5	23.1	21.3	20.2
Non-fiscal revenues	8.3	8.1	8.7	9.2

	As at 31 December			
	2015	2016	2017	2018
	(per cent.)			
Income tax	11.4	12.7	12.0	7.7
Excises	11.1	12	10.6	9.7
Corporate tax	5.9	7.3	5.9	5.3
Other	14.1	9.5	13.2	14.7
Total	100	100	100	100

Source: Ministry of Public Finance

Value Added Tax

According to the Fiscal Code, the standard VAT rate is 19 per cent. from 1 January 2017.

Romania applies a reduced VAT rate of 9 per cent. for the supply of: food products, drinking water and irrigation water in agriculture; orthopaedic products and prostheses (except for dental prostheses); human and veterinary medicines; fertilisers and pesticides used in agriculture, seeds and other agriculture products for sowing or planting and services of a kind of those specified used in agriculture.

Romania also applies a reduced VAT rate of 5 per cent. for the supply of: 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; social housing and the land on which they are built; the accommodation in the hotel sector or sectors with a similar function; restaurant and catering services; and the right to use the sport facilities.

The VAT registration threshold applied for small undertakings is RON 300,000 (approximately EUR 88,500 calculated using the exchange rate on the day of Romania's accession to EU. Entities that carry out activities which generate revenues below this threshold are not obliged to register for VAT purposes, but can opt to do so. Romania currently applies an optional VAT cash accounting system which is available to companies with a turnover of less than RON 2,250,000 (approximately EUR 500,000), adopted in order to assist SMEs.

Income Tax

As of 1 January 2016, the income tax rate for the income received by individuals as dividends, including the income derived in relation to holding participation titles (shares, fund units, etc.), as defined by the legislation related to collective investment funds, has decreased from 16 per cent. to 5 per cent.

Starting from 1 January 2018, the personal tax rate on salary income, income from independent activities, lease operations and interest was reduced from 16 per cent. to 10 per cent.

Social contributions

Starting with August 2017, the income taken into consideration for the payment of social contributions for full-time or part-time employees with earnings that are lower than the minimum wage shall be the minimum wage for the month for which they are owed, corresponding to the working days in which the employee was active (Government Ordinance 4/2017).

Starting from 1 January 2018, social security contributions and health insurance contributions are payable by the employee at a rate of 25 per cent. and 10 per cent., respectively. The employer is required to pay only the contribution for special conditions of work at a rate of 4 per cent. and 8 per cent., respectively, as prescribed by

law, under social security contributions. In addition, an "Insurance contribution for work" at a rate of 2.25 per cent. payable by the employer was also implemented.

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, which increased the excise duty in two phases, for petrol by 0.16 RON / litre starting from 15 September 2017 and for diesel by 0.16 RON / litre from 1 October 2017.

In July 2017, for cigarettes and others manufactured tobacco products a timetable for the gradual increase of excise duties until 2022 was established, which is also set out in Annex No. 1 to the Fiscal Code.

Also, both excise duties levels, harmonised and non-harmonised are mandatory updated on an annual basis, by reference to the growth in consumer prices, calculated over a period of 12 months ending in September of the year that precedes the period for which the new level of excise duties shall apply, by comparison to the level of the consumer prices for the period October 2014 to September 2015 which was officially announced by the National Institute for Statistics.

A differentiated level of excise duties has been established for gas oil used as motor fuel for the carriage of goods by road for one's own account and for other persons, as well as for the carriage of persons, whether by regular or occasional service, excluding local public transport, by decreasing the standard level by RON 217.31/ton (from RON 2,175.24/ton to RON 1,957.93/ton) and by RON 183.62/1,000 litres (from RON 1,838.04/1,000 litres to RON 1,654.42/1,000 litres), from 30 March 2018.

The reduction of the excise duties mentioned above will be achieved by reimbursement of the amounts representing the difference between the standard rate of excise duty and the level of the differentiated excise duty to economic operators licensed in the European Union. The conditions, the procedure and the terms of restitution are established by a Government decision.

From 1 January 2018, the level of excise duties was increased for fine-cut smoking tobacco intended for cigarettes rolls as well as for the other smoking tobacco from RON 383.78 per kilogram to RON 398.70 per kilogram.

From 1 April 2018, the level of total excise duty was increased for cigarettes from RON 439.94 per 1000 cigarettes to RON 448.74 per 1000 cigarettes.

Corporate Income Tax

According to the Fiscal Code, with subsequent amendments, the Romanian corporate tax system is represented by:

- a general system of taxation, corporate income tax, established by applying a tax rate of 16 per cent. on taxable profit, required to be calculated and paid quarterly or annually;
- a simplified system of taxation, tax on micro-enterprises income, established by applying a differentiated tax rate by number of employees (1 per cent. of turnover for micro-enterprises having one or more employees, 3 per cent. of turnover for micro-enterprises without employees) for micro-enterprises having revenues up to EUR 1,000,000;
- starting with 1 January 2016, the tax rate on dividends paid by a Romanian legal person to another Romanian legal person is 5 per cent.

Starting from 1 April 2018, micro-enterprises which have subscribed a share capital of at least RON 45,000 and have at least 2 employees may opt to apply the provisions of Title II – "Corporate Income Tax" of Fiscal Code only once from the quarter in which these conditions are cumulatively fulfilled, such election being final.

Certain fiscal measures have been implemented in order to: (i) stimulate the incorporation of holding companies; (ii) attract foreign capital; and (iii) create incentives for the repatriation/investment of domestic capital.

These fiscal measures consist mainly of:

(a) the exemption of income from dividends received from Romanian legal persons (without holding conditions);

(b) the exemption of income from dividends received from legal persons from EU Member States;

(c) the exemption of income from dividends received from foreign legal persons located in a third country which has concluded a double tax treaty with Romania;

(d) the exemption of capital gains realised by taxpayers from the assessment/reassessment/sales/assignments of the equity securities held in a Romanian legal person or a foreign legal person located in a country which has concluded a double tax treaty with Romania; and

(e) the exemption of income obtained by a Romanian legal entity from the liquidation of another Romanian legal person or a foreign legal person located in a third country which has concluded a double tax treaty with Romania.

The incentives provided under (b) to (e) above are granted only if the taxpayer has, for an uninterrupted period of one year, a minimum of 10 per cent. of the share capital of the legal entity.

Other tax incentives are:

A. Fiscal incentives for research and development (R&D) activities

A.1. Romanian taxpayers that perform R&D activities can benefit from various incentives for corporate income tax relief, including:

- an additional 50 per cent. deduction for the eligible research and development related expenses; and
- accelerated depreciation for equipment and devices used in R&D activities of up to 50 per cent. of the fiscal value of the asset which may be deducted during the first year in usage. The remaining fiscal value of the asset would be depreciated over the remaining useful life.

Among the eligible expenses for the R&D incentives are the following:

- depreciation and rental expenses assets that are used by taxpayers in R&D activities;
- salaries of personnel directly involved in R&D activities and related expenses;
- maintenance and repair costs for the assets used for the R&D activities;
- operating expenses, including expenses costs of consumables, materials, etc.; and
- overhead expenses.

A.2. Starting with January 2017, a new fiscal incentive was introduced, a corporate income tax exemption for taxpayers engaged exclusively in innovation, research and development activity, and its related activities, in the first 10 years of activity.

B. Corporate income tax exemption for reinvested profit

The tax exemption scheme applies to reinvested profit in the production and/or acquisitions of technological equipment and machinery, computers and peripheral equipment, tax cash registers, software and rights to use software.

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.

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 electricity-related activities; (iii) conditioned any extension of an existing mobile communication license on the payment of a fee equivalent to 4 per cent. of the total turnover of Romania's mobile telephony market for the year preceding the requested extension date, multiplied by the number of years for which the extension is requested; (iv) conditioned any issuance of new mobile communication licenses on the payment of fees equivalent to 2 per cent. or 4 per cent. (depending on the frequency band for which the license is requested) of the total turnover of Romania's mobile telephony market for the year preceding the issuance date, multiplied by the number of years for which the new license is requested; and (v) significantly increased penalties for breaches of applicable regulations. GEO 114/2018 provides for fines of up to 10 per cent. of a company's turnover in the year prior to the decision to impose such penalties.

Taxation of non-residents

The following types of income, when derived from Romanian sources by non-residents are not considered as subject to withholding tax:

- interest paid on public debt instruments;
- income obtained from transactions involving the use of derivative financial instruments for risk management purposes in relation to holding governmental public debt instruments;
- income from the trading of governmental bonds and bonds issued by administrative-territorial units domestically or on foreign markets;
- interest related to instruments issued by the NBR for the achievement of monetary policy targets and income from the trading of transferable securities issued by the NBR; and
- interest from debt instruments/debt securities issued by Romanian companies, set up according to Law No. 31/1990, republished, as subsequently amended and supplemented, if the debt instruments/debt securities are issued under a prospectus approved by the competent regulatory authority and the interest is paid to a person who is not affiliated to the issuer of the debt instruments/securities.

Local Taxes and Fees

The Fiscal Code regulates the local taxes and fees which generate revenues for local budgets. The local taxes and fees include property taxes (the tax on buildings, tax on land, tax on vehicles, taxes on advertising, fees for issuing of certificates and permits) as well as other taxes and fees which can be set by local municipalities.

The main criterion for determining the tax on buildings is the actual use of the property – residential, non-residential or mixed and not primarily the legal status of the owner (individual or legal entity).

The tax rates are similar for individuals and legal entities who own similar types of buildings. The tax base is the assessed value of the building, based on standards approved by the National Association of Authorized Valuators. An exception applies with respect to the value of residential buildings owned by individuals which is calculated taking into consideration an area-based value, adjusted by coefficients designed by the law, which take into consideration the quality of the building, location and rank of municipality.

Municipalities benefit from more local autonomy as they are allowed to increase any local tax or fee by up to 50 per cent., according to specific local conditions. Also, for poorly maintained buildings or land in the built-up area of the locality, municipalities may increase the taxes by up to 500 per cent.

From 1 January 2017, the values provided in the Fiscal Code in connection with local taxes and fees will be updated on an annual basis, rather than every three years, based on to the inflation index for the previous year.

Budgetary Income Collection

In order to enhance budgetary income collection, as to increase the efficiency of the fiscal administration authorities, as well combating tax evasion, certain measures have been implemented, such as:

- ANAF enrolment in the National Electronic Payment System for individuals;
- installation of point–of–sale devices in tax units, to facilitate the payment obligations of individual taxpayers;
- implementing a new registration procedure for VAT purposes to reduce cases of registration of taxpayers with high risk;
- developing programmes for notification to declare the tax liability;
- sending SMS notifications and announcements to taxpayers;
- development of the electronic application "Guidance form" in order to improve assistance to taxpayers by using information and communication technologies, which have unified all channels of communication with taxpayers, in terms of guidance and assistance in tax matters;
- further simplification of tax returns by reducing the number of forms for certain categories of taxpayers, by making statements; by analysing forms content, to streamline the required information; redesigning tax return forms to facilitate their completion by taxpayers;
- creating applications for mobile devices connected to the internet (smart phone) to expand access to taxpayer information;
- communicating tax administration documents using the e-mail service; developing "Virtual Private Area" and "Newsletter Tax" services;
- ensuring the possibility of filling by electronic transmission means of the high frequency and high content return forms; and

- by adopting law No. 70/2015 the extension of the limitation of cash payments and receipts between all economic operators, as well as limiting cash operations made between economic operators and individuals, as well as those between individuals, has been regulated. The purpose of such measures is to reduce the shadow economy by providing a future traceability of financial flows through banking transactions in the context of improving the compliance with legal provisions, as a need to reduce tax evasion by increasing the usability of the cards instead of cash.

The General Consolidated Budget

The following table shows income and revenues relating to the general consolidated budget for the years ended 31 December 2015, 2016, 2017 and 2018 (provisional data):

	2015	**2016**	**2017**	**2018***
		(RON million)		
A. Revenue	233,795.2	223,900.2	251,866.5	295,118.2
Current incomes	215,456.3	215,717.8	233,821.2	267,738.6
Taxes	138,301.6	136,406.0	140,241.8	142,515.6
Income fee, profit and capital gain from legal entities	14,814.5	16,408.0	16,757.5	18,185.2
Income fee, profit and capital gain from individuals	27,276.4	28,373.6	30,143.1	23,320.9
Property fees and taxes	5,738.0	5,898.1	5,361.8	5,469.4
Fees and taxes on goods and services	89,207.5	84,127.0	86,188.6	93,776.0
Fee on the external trade and international transactions	816.0	882.7	933.3	1,050.1
Other fiscal fees and taxes	449.2	716,6	857.4	713.9
Contributions to social securities	57,616.5	61,270.2	71,705.7	98,100.8
Non-fiscal incomes	19,538.2	18,041.7	21,873.7	27,122.3
Incomes from capital	918.3	768.3	830.4	849.4
Donations	2.3	1.7	8.9	10.2
Amounts in distribution	(28.8)	472.7	29.1	(578.7)
Amounts received from EU	17,447.1	6,939.7	17,177.0	27,098.8
Financial operations	—	—	—	—
B. Total Expenses	243,426.0	242,204.4	276,161.2	322,454.5
Current expenses	226,423.6	223,106.6	257,813.9	300,392.1
Personnel related expenses	52,070.0	57,068.4	69,611.4	86,141.9
Goods and services	40,457.9	40,910.5	40,684.9	44,674.4
Interest	9,573.2	10,013.8	10,124.6	12,941.2
Subsidies	6,275.1	6,605.1	6,201.1	6,669.5
Transfers between the units of the public administration	1,584.8	1,042.5	1,333.5	1,537.6

	2015	2016	2017	2018*
		(RON million)		
Other transfers	11,288.1	10,935.7	12,149.2	14,117.3
Projects financed from non-reimbursable EU Funds post-accession (including national co-financing)	24,263.3	3,997.1	868.8	577.1
Social assistance	75,962.0	81,818.2	92,570.9	101,364.1
Projects financed from non-reimbursable EU Funds post-accession financing programme 2014-2020	495.7	6,338.8	18.760.3	24,948.7
Other expenses	3,997.6	3,980.0	5,231.8	7,032.5
Programmes financed from reimbursable funds (including local funds)	455.9	396.5	277.4	387.8
Capital expenses	18,039.1	19,097.8	19,558.9	23,861.1
Loans granted	—	—	—	—
Payments for previous years	(1,036.8)	—	(1,211.6)	(1,798.8)
Eximbank(1)				
C. Surplus/Deficit	(9,630.7)	(18,304)	(24,294.7)	(27,336.3)
Deficit as % of GDP	(1.4)	(2.4)	(2.8)	(2.9)
Deficit as % of GDP (according to ESA 2010)	(0.7)	(2.9)	(2.9)	(2.96)
Gross domestic product	712,587.8	765.135.4	858,659.6	949,600.0

Note:

(*) Provisional data.

(1) Data regarding general consolidated budget were compiled by including budgets of local public institutions financed partially or totally from own revenues, internal and external local loans, revenue and expenditure outside the local budget, budget of public institutions subordinated to ministries, budget of property fund and issuance of compensation titles. Data has been prepared on a cash basis.

Source: Ministry of Public Finance

The following table shows revenues, expenditure and deficit as a percentage of GDP figures relating to the general consolidated budget for the years 2015 to 2017 according to EU methodology (European System of Accounts 2010):

	2015	2016	2017
		(EUR billion)(1)	
Revenues (*EUR billion*)	56.9	54.4	57.8
Public expenditure (*EUR billion*)	58.0	59.4	63.2
Deficit as % of GDP	(0.7)	(2.9)	(2.9)

Note:

(1) EUR/RON exchange rates used are based on the NBR average exchange rate for the year.

Source: Ministry of Public Finance

2015 Budget

The budget law for 2015 was adopted by the Parliament and published in the Official Journal on 30 December 2014. The cash budget deficit target has been set at 1.8 per cent. of GDP, which corresponds to an ESA deficit of 1.2 per cent. of GDP (to which 0.25 percentage points are added – representing an adjustor for EU funds co-financing) and a structural deficit of 1.0 per cent. of GDP.

The following table shows the macroeconomic indicators used for the 2015 budget:

	2015 Budget
GDP (*RON million*)	709,681
Real growth rate (%)	2.5
Average exchange rate EUR/RON	4.42
Inflation	
– annual average (%)	2.2
Average number of employees (*thousand persons*)	4,582
No. of unemployed persons registered as at the end of year (*thousands*)	465
– Rate of registered unemployment (%)	5.1
Gross average salary (*RON/month*)	1,758
Goods & Services exports – growth (%)	5.9
Goods & Services imports – growth rate (%)	6.9
Current account balance (*% of GDP*)	(1.5)

2015 Budget Execution

The general consolidated budget for the year 2015 ended with a deficit of 1.45 per cent. of GDP, within the target of 1.85 per cent. of GDP set forth in the fiscal-budgetary strategy for 2015.

Compared to the previous year, the deficit decreased from 1.72 per cent. of GDP to 1.45 per cent. of GDP, while in nominal terms it decreased by RON 1.1 billion.

In 2015, the revenues to the general consolidated budget, in the amount of RON 233.6 billion and representing 32.8 per cent. of GDP, increased by 9 per cent. in nominal terms year-on-year. Their proportion of GDP increased by 0.7 percentage points within the same period. On a year-on-year basis, collection of VAT increased by 12.3 per cent., collection of income tax increased by 12.4 per cent., collection of profit tax increased by 13 per cent., collection of non-fiscal revenues increased by 12 per cent. and collection of excise duties increased by 8 per cent. Collection of social contributions slightly increased as compared to 2014, despite the 5 percentage points reduction applied to employers' contributions and the growth by 0.5 percentage points of the contribution to the second pensions pillar. At the level of the local administration, collection of property taxes and income increased by 1.5 per cent., collection of taxes on the use of goods increased by 4.8 per cent. and collection of non-fiscal revenues increased by 4.1 per cent., year-on-year.

Amounts received from the EU payments were RON 17 billion, which was 49.3 per cent. higher compared to the previous year.

The expenditures of the general consolidated budget, in the amount of RON 243.9 billion, increased in nominal terms by 8 per cent. compared to 2014 and by 0.4 percentage points year-on-year as a percentage of GDP. Personnel expenditures increased by 3.2 per cent. compared to the previous year, due to salary increases for personnel in the local public administration, in the public healthcare system and in the education system. Compared to 2014, interest expenditures decreased by 6.2 per cent. in 2015, due to the drop in yields for benchmark bonds.

In parallel, expenditures related to projects financed by non-refundable external funds increased by 62.4 per cent. year-on-year.

Investment expenditures, including capital expenditures, as well as expenditures related to development projects financed through internal and external sources, reached RON 41.3 billion in 2015, representing 5.8 per cent. of GDP, as opposed to RON 32.7 billion in 2014.

2016 Budget

The budget for 2016 assumed a cash deficit of 2.8 per cent. of GDP (revenues of 31 per cent. of GDP and expenditures of 33.8 per cent. of GDP), which translates into an ESA computed deficit of 2.95 per cent. of GDP.

The following table shows the macroeconomic indicators used for the 2016 budget:

	2016 Budget
GDP (*RON billion*)	746.6
Real growth rate (%)	4.1
Average exchange rate EUR/RON	4.44
Inflation	
– annual average (%)	0.5
Average number of employees (*thousand persons*)	4,780
No. of unemployed persons registered as at the end of year (*thousands*)	450
– Rate of registered unemployment (%)	4.8
Gross average salary (*RON/month*)	2,681
Goods & Services exports – growth (%)	5.8
Goods & Services imports – growth rate (%)	7.2
Current account balance *(% of GDP*)	(1.2)

The estimated impact on public spending due to the changed legislation regarding the calculation of the indemnity granted to persons in parental leave is approximately RON 200 million in 2016 (five months of implementation) and approximately RON 600 million in 2017.

2016 Budget Execution

The execution of the general consolidated budget for 2016 ended with a deficit of RON 18.3 billion, representing 2.41 per cent. of GDP, compared to the estimated deficit of RON 20.9 billion.

The revenues of the general consolidated budget in 2016, amounting to RON 223.7 billion, represented 29.5 per cent. of GDP and an achievement degree of 95.1 per cent. of annual estimates.

Fiscal revenues decreased, compared to 2015, by 1.4 per cent. in nominal terms and by 1.5 percentage points as share of GDP.

The expenditures of the consolidated general budget in the year 2016 amounted to RON 242.2 billion, which represents 31.8 per cent. of GDP and a degree of achievement compared to the planned level of 94.5 per cent share of expenditures in the annual programme.

The personnel expenses increased by 9.6 per cent. compared to the same period in the previous year and as a percentage of the GDP by 0.2 percentage points, being influenced by the increase of the minimum gross national salary and the increase of the rights salaries for some categories of budget staff.

Social assistance expenditures increased in nominal terms by 7.7 per cent. compared to the previous year, but as a share of GDP were at the same level as 10.7 per cent. in 2015.

Expenditures on social assistance to the state budget registered an increase of 49.5 per cent. compared to the previous year, this increase being determined by the fact that, starting with 2016, according to the Law No. 223/2015, regarding the state military pensions, with the subsequent modifications and completions, the payment of military pensions and police officers shall be provided from the state budget, through the budgets of the Ministry of National Defence, the Ministry of Internal Affairs and the Romanian Intelligence Service. Accumulated payments in 2016 were made in the amount of RON 5.84 billion, compared to RON 156.7 million in 2015.

Expenditure on investment, including capital expenditures, as well as those related to development programs financed from domestic and external sources in 2016, decreased by 31.1 per cent. compared to 2015 and was made in the amount of RON 28,7 billion, or 3.8 per cent. of GDP.

2017 budget

The following table shows the macroeconomic indicators used for the 2017 budget:

Indicators	2017
GDP (*RON billion*)	815.2
Real growth rate (%)	5.2
Average exchange rate EUR/RON	4.46
Inflation	
– annual average (%)	1.4
Average number of employees (*thousand persons*)	4,954
No. of unemployed persons registered as at the end of year (*thousands*)	387
Monthly average net wage (RON)	2,274
Exports of goods – growth (%)	7.3
Exports of goods – growth rate (%)	8.1
Current account balance *(% of GDP*)	(2.3)

2017 Budget execution

The macroeconomic indicators for 2017 are presented in the table below:

Indicators	Monetary Units	2016	2017
		Budget Execution	Budget Execution
Gross domestic product	RON (billions)	767.4	856.7
Actual growth rate	%	4.8	7.0

Indicators	Monetary Units	2016	2017
		Budget Execution	Budget Execution
Average exchange rate..............	EUR/RON	4.4908	4.56817
Inflation - end of year	%	(0.54)	3.32
Year average.............................	%	(1.55)	1,34
Average number of employees ..	persons (thousand)	4,759.4	4,945.9
Number of unemployed registered at the end of the year .	persons (thousand)	418.2	351.1
- Unemployment rate recorded................................	%	4.8	4.0
Gross average earning...............	RON/month	2,809	3,223
Nominal growth....................	%	9.9	14.7
Exports of goods - growth rate...	%	5.1	10.0
Imports of goods - growth rate...	%	7.0	11.3
Current account balance............	% of GDP	(2.1)	(3.2)

The key aspects of 2017 budget execution are as follows:

- the general consolidated budget revenues amounted to RON 251.8 billion, representing 29.9 per cent. of GDP, 12.5 per cent. higher in nominal terms compared to 2016;
- the revenues collected in the main four budgets that make up the general consolidated budget (i.e. state budget, social security budget, unemployment insurance budget, the single national health insurance budget) represented 100.3 per cent. of the revised budget;
- there were increases for social security contributions (+RON 10.4 billion, which is a 17 per cent. increase), taxes on wages and income (+RON 2.4 billion, which is an 8.6 per cent. increase), and non-tax revenues, which were RON 3.8 billion higher compared to 2016 (a 21.1 per cent. increase);
- proceeds from taxes and property taxes declined by 9.1 per cent. compared to 2016, mainly due to the abolition of special construction tax on 1 January 2017;
- proceeds from other taxes and duties on goods and services increased by 38.1 per cent. compared to the previous year, mainly due to the evolution of the receipts related to the contribution due for medicines as well as medication reimbursement financed from the budget of the Single National Health Insurance Fund;
- VAT revenue receipts increased by 3.6 per cent. compared to the previous year due to an increase in voluntary compliance by companies, notwithstanding the reduction of the standard VAT rate from 20 per cent. to 19 per cent., a measure which is reflected in earnings starting with February 2017; and
- the amounts from the European Union for payments made amount to RON 17.1 billion compared to RON 6.9 billion in 2016.

The main areas targeted on the expenditure side were:

- the general consolidated budget amounted to RON 276.1 billion, which represents an increase in nominal terms of 14 per cent. compared to 2016;

- personnel costs increased by 22 per cent. over the previous year, driven by wage increases in the second half of 2016, as well as the wage increases in 2017;
- expenditure on goods and services and subsidies decreased by 0.7 per cent. and 6.1 per cent. respectively as compared to 2016;
- expenditure on social assistance increased by 13.1 per cent. compared to the previous year, mainly because of a 5.3 per cent. increase of the pension point from 1 January 2017 (to RON 917.5), and by 9 per cent. from 1 July 2017 (to RON 1,000), as well as the measures approved during 2016 (modifying and increasing the monthly childcare allowance and incentives for parents returning earlier to work from parental leave); and
- expenditure on investments, including capital expenditures, as well as those related to development programs financed from domestic and external sources, amounted to RON 26.7 billion, a decrease of 0.7 per cent. compared to 2016, which represents 3.2 per cent. of 2017 GDP.

2018 Budget

Initial Budget

The budget for 2018 assumes economic growth of 5.5 per cent., a medium annual inflation of 3.1 per cent., a medium exchange rate of RON 4.55/EUR and an average gross monthly wage of RON 4,162.

The following table shows the macroeconomic indicators for the 2018 budget.

Indicators	**Monetary Units**	**2018**
Gross domestic product, current prices	RON (billions)	907.9
Growth rate	%	5.5
Unemployment rate at the end of the year	%	3.9
Monthly average gross wage	RON/month	4,162
Export of goods – growth rate	%	7.6
Import of goods – growth rate	%	8.7
Current account balance	% of GDP	(2.6)

The main budgetary measures in relation to revenues were:

- the introduction of an improved VAT revenue collection mechanism (split VAT);
- the decrease of income tax from 16 per cent. to 10 per cent.;
- the decrease of the total percentage of mandatory social contributions from 39.25 per cent. to 37.25 per cent.;
- the decrease in the number of social contributions from nine to three, the remaining three social contributions being the social security contribution, health insurance contribution and insurance contribution for work;
- the requirement that employers pay an insurance contribution of 2.25 per cent. of income from wages and similar income;

- the transfer from the employer to the employee of the obligation to pay social contributions for income from wages and similar income; and
- the decrease from 5.1 per cent. to 3.75 per cent. of the transfer quota for the second pillar pension system.

The main measures in relation to expenses are:

- the implementation of the Framework Law No. 153/2017 on the remuneration of staff paid out of public funds pursuant to which it is expected that personnel expenditures (as a percentage of GDP) will increase by 0.6 per cent. compared to 2017;
- granting of holiday vouchers in the amount of RON 1,450 per employee;
- increasing the minimum wage to RON 1,900 from 1 January 2018 from RON 1,450;
- increasing retirement income to RON 640 for the period between 1 July and 31 December 2018 from RON 520;
- increasing the pension point at RON 1,100 from 1 July 2018 from RON 1,000.
- measures for reducing expenses, including:
    - requiring overtime to be compensated time off in lieu only;
    - not granting gift vouchers, rewards, food and holiday allowances provided by the Framework Law No.153/2017;
    - not granting retirement benefits and retirement compensation payments;
- maintaining benefits for military staff, police staff and civil servants with special privileges from the penitentiary management system at the level granted for December 2017;
- requiring the authorising officers of public institutions and authorities to reduce maintenance expenses by 10 per cent. compared to 2017 levels, with only a few exceptions;
- prohibiting the authorising officers of public institutions and authorities from purchasing automobiles and furniture in 2018, with only a few exceptions; and
- restrictions in relation to staff employment for filling temporary and permanent positions within the central government institutions and authorities.

The budgetary revenues for 2018 are estimated at RON 287.5 billion, representing 31.7 per cent. of GDP, and the expenses are estimated at RON 314.5 billion, representing 34.6 per cent. of GDP. The budgetary deficit (in cash) is estimated to be 2.97 per cent. of GDP, while the ESA deficit is 2.96 per cent. of GDP, which is below the deficit threshold of 3 per cent. of GDP in accordance with the Treaty for the Functioning of the European Union.

First budgetary review for 2018

The macroeconomic scenarios which were taken into consideration for the first 2018 budgetary review were:

Indicators	**Monetary Unit**	**2017**	**2018**	
			Initial budget	**Revised budget**
Gross Domestic Product	RON (Billions)	858.7	907.9	945.0

Indicators	Monetary Unit	2017	2018	
			Initial budget	Revised budget
Real growth rate	%	6.9	5.5	5.5
Average exchange rate	EUR/RON	4.5681	4.55	4.65
Inflation rate – end of year	%	3.32	2.6	3.5
Inflation rate – annual average	%	1.34	3.1	4.7

The first 2018 budgetary review was undertaken in September 2018 and was required by:

- the entry into force of certain legislative acts regulating measures which impact budgetary expenses, especially with respect to expenses resulting from medical staff remuneration;
- the entry into force of certain legislative acts which influence budgetary revenues;
- the necessity to correlate the budgetary planning with the estimated evolution of macroeconomic indicators and the budgetary execution for the first seven months of the year; and
- the necessity to redistribute budgetary credits for certain expenses in order to ensure the smooth running of the activity of the principal authorising officers.

Through the budgetary review, the revenues of the general consolidated budget were increased by RON 8,819 million and the expenses by of RON 9,926 million, resulting in the increase of the cash deficit in absolute value by RON 1.1 billion, but with the maintenance of its share in GDP at 2.97 per cent., as initially planned. The maintenance of the share of the deficit in GDP as initially planned comes as a consequence of increasing the estimated GDP value for 2018.

Second budgetary review for 2018

The macroeconomic scenarios which were taken into consideration at the second 2018 budgetary review were:

Indicators	Monetary Units	2017	2018		
			Initial Budget	Revised Budget September	Revised Budget November
Gross domestic product	RON (billions)	858.7	907.9	945.0	949.6
Actual growth rate	%	6.9	5.5	5.5	4.5
Average exchange rate	EUR/RON	4.5681	4.55	4.65	4.65
Inflation - end of year	%	3.32	2.6	3.5	3.5
Inflation – annual average	%	1.34	3.1	4.7	4.7
Average number of employees	persons (thousand)	4,945.9	5138	5138	5138
Number of unemployed registered at the end of the year	persons (thousand)	351.1	351	347	310
- Unemployment rate recorded	%	4,0	3,9	3,8	3,5
Gross average earning	RON/month	3,223	4,162	4,300	4,385

Indicators	Monetary Units	2017	2018		
			Initial Budget	Revised Budget September	Revised Budget November
Nominal growth	%	14.7	—	—	—
Exports of goods - growth rate	%	9.2	7.6	8.7	9.0
Imports of goods - growth rate	%	12.2	8.7	9.4	9.7

The second 2018 budgetary review was undertaken in November 2018 and was required by the need to:

- redistribute budgetary credits for certain expenses in order to ensure the smooth running of the activity of the principal authorising officers;
- allocate amounts for payment of benefits for disabled people, child allowances and child raising allowances;
- allocate funds for the payment of military retirement wages for police officers;
- ensure funds for health programmes and health actions; and
- ensure funds for offering alimentary support to preschool and primary school students from 50 state schools.

As a share of GDP, the deficit for the general consolidated budget is at the same level as at the initial plan and first review, namely 2.97 per cent.

2018 budget execution

According to the final data, the execution of the general consolidated budget, during the period of 1 January 2018 to 31 December 2018, ended with a cash deficit of RON 27.3 billion, or 2.88 per cent. of GDP, below the annual target of 2.97 per cent. of GDP.

- Consolidated general government revenues of RON 295.1 billion accounted for 31.1 per cent. of GDP, compared with 29.4 per cent. of GDP in 2017. Percentage of revenues was 17.2 per cent. higher in nominal terms, compared to last year.
- There were increases over the previous year in the case of insurance contributions (+ 36.8 per cent.). The receipts from the insurance contributions were influenced by the increase in the number of employees in the economy, the gross average earning, the minimum wage, as well as the new legal conditions regarding the transfer of contributions from the employer to the employee, regulated by Government Emergency Ordinance No. 79/2017.
- Since May, there has been an improvement in VAT revenue collection, contributing to a 11.3 per cent. increase over the 2017 figures, reaching RON 59.6 billion for the whole of 2018.
- The revenues from excises amounted to RON 28.5 billion (3.0 per cent. of GDP), 7.2 per cent. higher than in the previous year.
- Income tax and property taxes also rose by 2.0 per cent. compared to 2017, and non-tax revenue earnings increased by 24 per cent., due to positive influence of dividend payments.

- Wage and income tax revenues declined by 24.8 per cent. due to a reduction in the income tax rate from 16 per cent. to 10 per cent. as of 1 January 2018, which was reflected in receipts starting with the month February 2018.
- There was also a decrease of 42.0 per cent. compared to the previous year in tax revenues from the use of goods, the authorisation of the use of the goods or the carrying out of activities as a result of the application of Government Emergency Ordinance No. 52/2017 on the reimbursement of the amounts of special taxes on cars and motor vehicles, motor vehicle pollution taxes and the motor vehicle environment.

The total amounts of payments by the European Union were RON 27.1 billion, 57.8 per cent. higher than in 2017.

The expenditures of the general consolidated budget amounted to RON 322.4 billion, 16.8 per cent. higher than in the previous year.

- The personnel expenses were 23.7 per cent. higher than in 2017, the increase being determined by the salary increases granted under the Framework Law No. 153/2017 on the remuneration of staff paid out of public funds.
- Expenditure on goods and services increased by 9.8 per cent. over the previous year. Significant increases were recorded both in local budgets and in the budget of the single national health insurance fund and in the budgets of public institutions funded from own revenues and budget subsidies.
- Subsidies increased by 7.6 per cent. compared to 2017, remaining at the same level as the percentage of GDP at 0.7 per cent.
- Interest payments were 27.8 per cent. higher compared to 2017, accounting for 1.4 per cent. of GDP.
- Social assistance expenditures increased by 9.5 per cent. compared to the previous year, mainly due to a 9 per cent. increase in the pension point as of 1 July 2017, reaching RON 1,000, and a further 10 per cent. increase as of 1 July 2018, reaching RON 1,100, the increase of the social allowance for pensioners from RON 520 to RON 640, as well as the increase and modification of the way of setting the monthly child allowance and the incentive for parent's earlier return to work from parental leave.
- Expenditures for investments, including capital expenditures, as well as those related to development programs financed from domestic and foreign sources, amounted to RON 34.2 billion, 27.9 per cent. higher than in 2017.

2019 Budget

The draft budget for 2019 was approved by the Government at its meeting on 8 February 2019 and the Parliament adopted the draft budget on 15 February 2019, which was promulgated by the President of Romania on 14 March 2019.

The key aspects of the draft budget for 2019 are:

After in the period from 2016 to 2018 the budget deficit was sustained amid economic growth within the maximum range allowed by the Treaty on the Functioning of the European Union (ESA budget deficit marginally below 3 per cent. of GDP), the year 2019 marks the entry into a trajectory of gradually adjusting the deficit.

The headline budget deficit is expected to adjust only marginally in 2019 with the pace of the adjustment increasing over 2020-2022 in a no policy change scenario. After the significant deviation from Medium-Term Budget Objective (the "**MTO**") set for Romania under the EU's Stability and Growth Pact (a set of rules

designated to ensure that countries in the EU pursue sound public finances and coordinate their fiscal policies) in 2016-2017, the structural deficit is forecast to remain at 3 per cent. and GDP over 2019-2020 and adjust only gradually to 2.4 per cent. by 2022.

The following table shows the projection of budgetary indicators for the period from 2017 to 2022:

	2017	2018	2019	2020	2021	2022
			(% of GDP)			
Revenues – general consolidated budget (cash)	29.40	31.08	33.51	32.23	31.97	33.12
Expenditures – general consolidated budget (cash)	32.24	33.96	36.28	34.55	33.98	34.92
Balance – general consolidated budget (cash)	(2.84)	(2.88)	(2.76)	(2.33)	(2.01)	(1.80)
Balance – general consolidated budget (ESA)...	(2.92)	(2.96)	(2.78)	(2.68)	(2.45)	(2.01)
Structural Balance.............................	(3.4)	(3.03)	(2.97)	(3.03)	(2.77)	(2.38)

The following table shows the macroeconomic indicators that were taken into account when drafting the proposed 2019 budget:

Indicators	**Monetary Units**	**2018**	**2019**
Gross Domestic Product..	RON (billions)	949.6	1,022.5
Actual growth rate...	%	4.5	5.5
Inflation – end of year...	%	4.63	2.8
Inflation – annual average...	%	3.27	2.8
Average number of employees..	persons (thousand)	5,109	5,282
Number of unemployed registered at the end of the year.	persons (thousand)	288.9	287
Unemployment rate recorded..	%	3.3	3.2
Gross average earning...	RON/month	4,502	5,163
Exports of goods – growth rate	%	8.8	8,6
Imports of goods – growth rate	%	10,1	9.2
Current account balance..	% of GDP	(4.5)	(3.3)

Main measures on the revenue side include:

- the budget revenue from excises are impacted by the hike in tobacco and fuels excises (+ RON 0.6 billion) which is still observing the conditions regarding the minimum level of the total excise duty applicable to cigarettes that the EU member states have to respect, as well as the improvement in collection rate (RON 1 billion) supported by NAFA anti-tax evasion measures;

- the estimation of the VAT receipts took into account both the additional revenues assumed by NAFA to be collected from the improvement of the collection (RON 6 billion) and the legislative amendments approved in 2018 regarding the extension of the application of the reduced VAT rate of 9 per cent. for water supply and sewerage and extension of the application of the reduced VAT rate of 5 per cent. for sports and recreation, accommodation, restaurants and catering;
- increased gambling taxation (RON 0.5 billion);
- increased minimum wage to construction sectors workers and reduced labour taxation (RON -2,2 billion);
- transfer to the state budget of 35 per cent. of the amounts allocated to other reserves that have not been used for investment purposes according to Art. 43 of the GEO 114/2018 (RON 1.5 billion);
- the application in 2019 of the measures for the distribution of at least 90 per cent. of the net profit made in the form of payments to the state or local budget, in the case of state owned autonomous entities, or dividends, in the case of national companies and companies with full or majority capital of the state.

Consolidated general government revenues are projected to reach RON 342.7 billion for 2019, representing 33.5 per cent. of GDP, an increase of 2.4 percentage points over 2018, when the consolidated general government revenues accounted for 31.1 per cent. of GDP.

The largest shares in the budget revenues are projected to be social security contributions (34.2 per cent.), VAT (20.3 per cent.), amounts received by the EU (9.8 per cent. of the total), excises (9.1 per cent.), non-tax income (8.3 per cent.) and income tax and wages (6.9 per cent.).

Compared to 2018, the main estimated budget revenues in 2019 are as follows:

- income from social contributions will increase as a share of GDP by 1.2 per cent. compared to the previous year following increase of the salary fund, which will increase by 18.6 per cent. in 2019 compared to 2018;
- VAT revenues will increase as a share of GDP by 0.5 per cent. compared to the previous year;
- excise tax revenues will remain as 0.3 per cent. of GDP, the same share of GDP as in the previous year; and
- the amounts received from the EU are estimated to increase by 0.9 percentage points compared to 2018.

Main measures on the expenditure side include:

- continuing the phased implementation of the Framework Law No. 153/2017 on the remuneration of staff paid out of public funds, namely the increase from 1 January 2019 of basic wages by a one quarter of the difference between the statutory basic wage for the year 2022 and that of December 2018;
- from 1 January 2019, the minimum gross national wage guaranteed will be RON 2,080 per month;
- from 1 September 2019, the value of the pension point will increase by 15 per cent., from RON 1,100 to RON 1,265;
- from 1 September 2019, the social pension for pensioners guaranteed will increase by 10 per cent., from RON 640 to RON 704;
- the monthly gross wage of public service employees will remain at the level set for December 2018 at most for staff who occupy the same position and operate under the same conditions;

- granting, during the period 2019-2020, holiday vouchers within the limit of RON 1,450 per employee;
- granting, during the period 2019-2020, the food allowance provided in Art. 18 of the Framework Law No. 153/2017;
- additional work (after working hours) will only be compensated for with adequate spare time; and
- the non-receipt of valuables, prizes, aids or indemnities in case of retirement.

Estimated budget expenditures for the year 2019 are expected to amount to RON 370.9 billion, representing 36.3 per cent. of GDP, increasing by RON 48.4 billion, or 2.3 per cent. compared to 2018.

The highest increase is expected to be registered by the social assistance expenditures estimated at RON 109.6 billion as a nominal value, due to the retirement and social measures adopted, representing 10.7 per cent. of GDP in 2018, an increase of around 9.5 per cent. compared to 2017.

Staff expenditures are estimated to be RON 102.1 billion, or 10.0 per cent. of GDP in 2019, 0.9 per cent. higher than in 2018, when they represented 9.1 per cent. of GDP. Growth is expected to be driven by the implementation of wage policy measures.

Goods and services are projected to reach RON 48.6 billion in 2019, or 4.8 per cent. of the GDP in 2019, 0.1 per cent. higher than in 2018, when they represented 4.7 per cent. of GDP.

Expenditure on projects financed from post-accession non-reimbursable funds 2014-2022 are expected to increase by 1.1 per cent. compared to 2018.

Expenditures for investment in 2019 are expected to be RON 49.9 billion, representing approximately 4.9 per cent. of GDP, an increase of RON 15.7 billion, or 1.3 per cent. compared to 2018.

The budget planning for 2019 sets the budget deficit at 2.76 per cent. of GDP and the ESA budget deficit at 2.78 per cent. of GDP. 2021 is planned to be the first year when the budget deficit adjustment starts; there will be an adjustment of 0.5 per cent. per year compared to 2018, which will continue in 2022, reaching 2.01 per cent. of GDP, an adjustment of 0.95 per cent. compared to 2018.

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 2015, 2016, 2017 and 2018. The local authorities have the highest amount of arrears and those are the delayed payments for the investment projects.

	As at 31 December			
	2015	**2016**	**2017**	**2018**
	(RON million.)			
State Budget[1]	13.0	23.7	31.19	21.3
Local Budget	72.9	178.1	188.26	171.3
Social Security Budget	0.1	0.0	0.0	0.0
Total	86.0	201.8	222.45	192.6

Note:

(1) Includes State budget and self-financed.

Source: Ministry of Public 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 Public 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.

The level of the total public indebtedness calculated on the basis of the national legislation (including guarantees) decreased to 42.6 per cent. of GDP at the end of December 2018 (preliminary data) compared to 44.3 per cent. at the end of December 2015.

With respect to the debt structure, a decrease of the government public indebtedness has been registered from 42.0 per cent. of GDP at the end of December 2015 to 40.9 per cent. of GDP as at the end of December 2018, while the level of local public indebtedness recorded at the end of 2015 decreased from 2.3 per cent. to 1.7 per cent. at the end of December 2018.

The following table shows public indebtedness indicators according to national legislation for the years 2015, 2016, 2017 and 2018:

	31 December 2015		**31 December 2016**		**31 December 2017**		**31 December 2018 (preliminary data)**	
	(RON million)	*(EUR million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*
Public government debt of:	**299,142.6**	**66,116.2**	**323,039.3**	**71,136.8**	**353,015.9**	**75,759.4**	**384,944.4**	**82,714.4**
direct public debt	283,579.5	62,676.4	306,440.5	67,481.6	335,543.2	72,009.6	366,933.1	78,844.2
guaranteed debt	15,563.1	3,439.7	16,598.8	3,655.2	17,472.7	3,749.7	18,011.3	3,870.2
weight in GDP (%)	42.0%	42.0%	42.2%	42.2%	41.2%	41.2%	40.9%	40.9%
direct debt, weight in GDP (%)........................	39.8%	39.8%	40.1%	40.1%	39.2%	39.2%	39.0%	39.0%
guaranteed debt, weight in GDP (%)....................	2.2%	2.2%	2.1%	2.1%	2.0%	2.0%	1.9%	1.9%
Local debt of:	**16,791.1**	**3,715.2**	**16,040.9**	**3,539.4**	**15,433.0**	**3,323.7**	**15,833.9**	**3,402.3**
contracted directly	16,185.1	3,577.2	15,446.1	3,401.4	14,844.5	3,185.7	15,271.8	3,281.5
guaranteed by local public authorities	606.0	138.0	594.8	138.0	588.5	138.0	562.1	120.8
weight in GDP (%)	2.3%	2.3%	2.1%	2.1%	1.8%	1.8%	1.7%	1.7%
direct debt, weight in GDP (%)........................	2.2%	2.2%	2.0%	2.0%	1.7%	1.7%	1.6%	1.6%
guaranteed debt, weight in GDP (%)....................	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Public debt	**315,933.7**	**69,831.4**	**339,080.2**	**74,676.2**	**368,448.9**	**79,083.1**	**400,778.3**	**86,116.7**

	31 December 2015	31 December 2016	31 December 2017	31 December 2018 (preliminary data)
Total public debt, weight in GDP (%)	44.3	44.3	43.0	42.6
GDP (RON million)...........	712,588.0	765,135.0	856,700.0	940,477.5
Exchange rate at the end of reporting period (EUR/RON).......................	4.5245	4.5411	4.6597	4.6539

Source: Ministry of Public Finance

Governmental Public Indebtedness

The level of external governmental public indebtedness, which represented direct external liabilities of Romania or liabilities guaranteed by Romania, increased by RON 19.6 billion from December 2015 to December 2018. This was mainly due to the debt contracted for deficit financing and refinancing of the public debt.

According to national legislation, the level of external governmental public indebtedness decreased from 18.6 per cent. of GDP at the end of 2015 to 16.1 per cent. of GDP at the end of December 2018.

Domestic public government debt according to national legislation increased during the period from December 2015 to December 2018 by RON 66.3 billion, while as a percentage of GDP it increased by 1.4 per cent. of GDP. At the end of December 2018, outstanding government securities issued on the domestic market in RON and EUR amounted to RON 162.4 billion compared to RON 118.2 billion as at 31 December 2015, of which treasury bills represented RON 4.0 billion and bonds RON 158.4 billion.

The governmental public indebtedness of the State according to national legislation for the years 2015, 2016, 2017 and the end of December 2018 developed as follows:

	31 December 2015	31 December 2015	31 December 2016	31 December 2016	31 December 2017	31 December 2017	31 December 2018 (preliminary data)	31 December 2018 (preliminary data)
	(RON million)	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*
Public Government Debt	**299,142.6**	**100%**	**323,039.3**	**100%**	**353,015.9**	**100%**	**384,944.4**	**100%**
by type								
direct debt............................	283,579.5	94.8%	306,440.5	94.9%	335,543.2	95.1%	366,933.1	95.3%
guaranteed debt....................	15,563.1	5.2%	16,598.8	5.1%	17,472.7	4.9%	18,011.3	4.7%
by creditor type								
multilateral	55,094.5	18.4%	52,539.1	16.3%	47,801.5	13.5%	39,764.8	10.4%
bilateral................................	171.9	0.1%	166.7	0.1%	144.7	0.1%	79.1	0.0%
private banks and others.......	243,876.2	81.5%	270,333.5	83.6%	305,069.7	86.4%	345,100.5	89.6%
by instrument								
T-bills	9,176.1	3.1%	11,988.5	3.7%	8,428.6	2.4%	3,996.8	1.0%
cash management instruments	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Bonds (RON & Forex).........	109,073.3	36.5%	116,630.0	36.1%	131,343.1	37.2%	158,393.4	41.2%
Eurobonds............................	74,749.9	25.0%	83,778.3	25.9%	95,766.3	27.1%	111,320.5	28.9%
loans	70,624.1	23.6%	69,011.2	21.4%	65,043.5	18.4%	57,386.8	14.9%
loans from surplus of State Treasury account..................	35,519.2	11.8%	41,631.3	12.9%	52,434.4	14.9%	53,846.9	14.0%
by initial maturity								
short-term	44,695.3	14.9%	53,619.9	16.6%	60,863.0	17.2%	57,843.7	15.0%

	31 December 2015	31 December 2015	31 December 2016	31 December 2016	31 December 2017	31 December 2017	31 December 2018 (preliminary data)	31 December 2018 (preliminary data)
medium-term (1-5 years)	74,902.4	25.1%	62,990.4	19.5%	72,195.3	20.5%	86,825.7	22.6%
long-term	179,544.9	60.0%	206,429.0	63.9%	219,957.6	62.3%	240,275.0	62.4%
by interest type.........................								
fixed	229,871.0	76.8%	240,873.5	74.6%	261,529.5	74.1%	296,635.5	77.1%
variable	69,271.6	23.2%	82,165.8	25.4%	91,486.4	25.9%	88,308.9	22.9%
by currency								
RON	148,073.5	49.5%	170,139.4	52.7%	192,055.1	54.4%	214,650.7	55.7%
USD....................................	26,858.9	9.0%	26,930.6	8.3%	23,667.6	6.7%	28,225.4	7.3%
EURO.................................	121,707.9	40.7%	123,507.8	38.2%	135,165.7	38.3%	140,026.7	36.4%
SDR....................................	14.3	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
CHF....................................	51.9	0.0%	31.0	0.0%	17.7	0.0%	6.2	0.0%
CAD	424.1	0.1%	383.6	0.1%	305.3	0.1%	228.9	0.1%
JPY.....................................	2,012.0	0.7%	2,046.9	0.7%	1,804.5	0.5%	1,806.5	0.5%

Source: Ministry of Public Finance

At the end of December 2018, the debt contracted directly by the state represented 95.3 per cent. of total public government debt and 4.7 per cent. was guaranteed debt. At the same date, the share of government securities issued on domestic and external markets was 71.1 per cent. of total public government debt, as the difference was covered by loans, including loans from funds available in the State Treasury general current account.

Out of the government debt, as of 30 November 2018 15.0 per cent. was short-term debt, and 85.0 per cent. was medium and long-term debt. The breakdown by interest rate type indicates that 22.9 per cent. of total debt was floating interest rate debt. 55.7 per cent. of public government debt was denominated in RON and 82.2 per cent. of total non-RON hard currency debt was denominated in EUR (43.1 per cent. of total debt).

At the end of December 2018, the outstanding amount of state guarantees was RON 18.0 billion (1.9 per cent. of GDP), of which RON 1.4 billion was guarantees granted for companies and RON 16.6 billion was granted under the "First House" Programme and other governmental programmes.

According to the medium-term Fiscal Budgetary Strategy, the ceiling for government guarantees issuances for 2019-2021 was set at RON 8 billion. Government guarantees issued in 2018 amounted to RON 2.0 billion, comprising guarantees issued by the Ministry of Public Finance under governmental programmes (such as the "First House" Programme).

Total public government debt service according to national legislation for 2018 was RON 55.9 billion, of which RON 54.9 billion was for direct debt and RON 1.0 billion was for guaranteed debt.

The following table sets out the repayment schedule for Romania's public government debt service for the years 2015, 2016, 2017 and 2018:

	2015	2016	2017	2018
		(RON million)		
Direct debt service:				
Principal[(1)]...	47,192.5	49,206.8	38,948.6	42,453.1
Interest and commission..........................	9,140.6	9,569.0	9,683.1	12,426.5
Total government direct public debt service	56,333.1	58,775.8	48,631.7	54,879.6

	2015	2016	2017	2018
Guaranteed debt service:				
Principal	2,569.5	1,485.3	1,349.8	972.0
Interest and commission	53.3	27.3	19.3	18.5
Total government guaranteed public debt service	2,622.8	1,512.6	1,369.1	990.5
Public government debt service:				
Principal	49,762.0	50,692.1	40,298.4	43,425.1
Interest and commission	9,193.9	9,596.3	9,702.4	12,445.0
Total government public debt service	58,955.9	60,288.4	50,000.8	55,870.1

Source: Ministry of Public Finance.

Note:

(1) Includes refinancing of government securities issued on the domestic market.

Debt service in foreign currency was converted in RON using the annual average exchange rates.

As at 31 December 2018, the debt service of public government debt outstanding is scheduled to decrease between 2019 and 2022. The following table sets out the debt service schedule for Romania's public government indebtedness according to national legislation based on outstanding debt as at the end of December 2018.

	2019	2020	2021	2022	Thereafter
			(RON million)		
Direct debt service:					
Principal[(1)]	51,346.2	44,928.2	39,001.3	36,541.6	195,115.7
Interest and Commission	11,658.2	10,260.2	8,752.0	7,144.9	40,303.8
Total government direct public debt service	63,004.4	55,188.4	47,753.3	43,686.5	235,419.5
Guaranteed debt service:					
Principal	945.6	877.5	850.9	774.9	14,562.5
Interest and Commission	16.9	13.2	10.1	7.5	21.2
Total government guaranteed public debt service	962.5	890.7	861.0	782.3	14,583.7
Public government debt service:					
Principal	52,291.8	45,805.7	39,852.2	37,316.5	209,678.2
Interest and Commission	11,675.1	10,273.4	8,762.1	7,152.4	40,325.0

	2019	2020	2021	2022	Thereafter
			(RON million)		
Total government public debt service	63,966.9	56,079.1	48,614.3	44,468.9	250,003.2

Notes:

(1) Includes refinancing of government securities issued on domestic market.

The payments in foreign currency are converted in RON using the exchange rate at the end of December 2018.

Source: Ministry of Public 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 Public 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 Public Finance to monitor the primary dealers performance vs the minimum requirements for market-making; and on the regulated markets of the Bucharest Stock Exchange.

Romanian government securities issued on the domestic market consist of the following:

- short-term treasury bills or treasury certificates, which may be issued as interest-bearing or discounted instruments, and which mature no more than one year after the date of issue; and
- medium or long-term benchmark bonds with maturities of three, five, seven, 10 and 15 years (in RON) and of three, four and five years (in EUR) issued as interest-bearing.

Romania's local currency outstanding government bonds amounted to RON 129.3 billion at the end of December 2017 and RON 147.8 at the end of December 2018.

The average time to maturity ("**ATM**") of local currency debt increased from 3.4 years as at 31 December 2015 to 3.9 years as at 31 October 2018. ATM of total debt was 6.3 years as at 31 October 2018 compared with 5.7 years as at 31 December 2015.

In recent years, despite periods of market volatility, the general decrease of the yield on government securities enabled the Ministry of Public Finance to shift its domestic market financing strategy towards medium and long-term maturities, thus meeting the demand of investors for a broader range of maturities up to 13 years.

As of 31 December 2017, Romania's outstanding international bonds amounted to EUR 14.25 billion and USD 5.75 billion and at the end of October 2018 to EUR 18 billion and USD 6.72 billion.

External Financing Programmes

Under the current World Bank Country Partnership Strategy 2014-2018 (as extended), it was agreed that the Romanian authorities could contract from the International Bank for Reconstruction and Development over that period EUR 4 billion (at a rate of approximately EUR 1 billion per year) of which 70 per cent. is expected to finance two new development policy loans (each, a "**DPL**") series and 30 per cent. is expected to be for loan operations in order to sustain sectorial reforms (i.e. in the health, education, energy, environment and social inclusion areas). In June 2014, Romania concluded with the World Bank two loan agreements amounting to

EUR 1 billion (of which EUR 750 million represents the first development policy loan within the first DPL series, and EUR 250 million will assist in financing the Health Sector Reform – Improving Health System Quality and Efficiency Project. Both loans are effective and the first DPL was disbursed in 2015.

In April 2015, a loan in the amount of EUR 200 million for the secondary education sector was signed with the World Bank. In 2016, two other loans in an aggregate amount of EUR 548 million were concluded with the World Bank (out of which EUR 500 million representing the second DPL of the first DPL series, which was disbursed in August 2017, and EUR 48 million supports the reduction with nutrient pollution). A further new other loan in an amount of EUR 60 million was concluded with the World Bank in early 2017 for improving the judicial services.

In July 2018, a further new loan in the amount of EUR 400 million was concluded with the World Bank, which will allow the Ministry of Public Finance access to liquidity in case of a natural disaster. Romania and the World Bank have already agreed on the new Country Partnership Framework for 2019-2023. Under the new strategy, a loan in the amount of EUR 50 million was concluded with the World Bank in August 2018 for strengthening disaster risk management. Two similar loans, in the amount of EUR 90 million in aggregate are expected to be concluded by the end of 2019. The loans are currently under negotiation.

Other external financing programmes

In June 2016 and July 2016, the Romanian Government signed two sovereign loans with the EIB in the aggregate amount of approximately EUR 660 million, in July 2017 a loan in the amount of EUR 1 billion and in September 2018 a further new loan in the amount of EUR 450 million in order to partially cover state budget contribution to several OPs under the 2014-2020 programming period.

A loan in the amount of EUR 175 million aimed to continue the social housing programme was also concluded with the Council of Europe Development Bank in January 2016. A further loan in the amount of EUR 177 million for the modernisation of judiciary infrastructure is expected to be concluded by the end of 2019.

Since it started operations in 1999, the BSTDB has financed over 36 projects in Romania (of which only one had a state guarantee), amounting to approximately EUR 415 million as of 31 October 2018.

Several EIB Group operations with financial institutions were signed starting with 2016 under EFSI (both under the Infrastructure and Innovation Window, implemented by the EIB, and under the SME Window, implemented by the European Investment Fund), aiming at, inter alia, enhancing access to finance for SMEs.

As at 31 July 2018, the aggregate outstanding value of the public debt portfolios contracted from the World Bank, EIB, EBRD, CEB and JBIC in Romania was EUR 7,597 million, consisting of sovereign loans and guarantees mainly for the financing of public projects in the infrastructure and social sectors. At the end of October 2018, the undisbursed amount was approximately EUR 3.80 billion. This includes investments projects implemented by the Romanian ministries/agencies, in different economic areas such as healthcare, education, environment, social protection, including social housing, transport and water infrastructure.

As at 31 December 2018, the Ministry of Public Finance has issued "no-objection" letters to the EIB, the IFC and EBRD for twenty-two projects financing the private sector and local authorities totalling approximately EUR 1.37 billion.

Expected Strategies and Trends for Public Debt

At the end of December 2018 (preliminary data), public debt according to national legislation represented 42.6 per cent. of GDP, due to financing of the budget deficit, refinancing of the public debt, maintaining the foreign exchange buffer and the guarantees issued under governmental programmes. For the period 2019 to 2021, as a result of anticipated economic growth and the fact that the budget deficit is expected to be below 3 per cent. of the GDP, the public debt according to national legislation is estimated to be below 43.0 per cent. of GDP.

The budgetary deficit in 2019 (estimated at 2.76 per cent. of GDP) is expected to be financed mainly from domestic sources and in addition from external sources, using the following instruments:

- issuances of treasury bills, benchmark bonds and retail bonds on the domestic market;
- Eurobond issuances on the international capital markets;
- disbursements under loans contracted for project financing;
- new external loans;
- loans contracted by the local public administration authorities; and
- foreign exchange buffer at the State Treasury's disposal.

The gross financing needs for 2019 are estimated at 7.1 per cent. of GDP, based on a deficit estimated at 2.76 per cent. of GDP.

Debt management

In terms of government public debt management, the Government approved in August 2018 its medium-term strategy for the period 2018 to 2020. 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 Public 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 approximately four months. Furthermore, Romania benefited from the technical assistance of the World Bank treasury, which was financed through the Programme Administrative Capacity Development. In order to use financial derivatives (currency swaps and interest rate swaps), for the creation of the procedural and technical framework, Ministry of Public Finance, through the General Directorate of Treasury and Public Debt receives technical assistance from the World Bank Treasury, for 25 months, under the project "Development of the public debt management capacity, by the use of financial derivatives". The project funded from the European Social Fund in the Operational Programme Administrative Capacity 2014-2020 was finalised in July 2018. The Ministry of Public Finance modified the legal framework on public debt in order to allow it to use financial derivatives. It is currently in the process of developing norms and procedures relating to those modifications.

Public debt according to the EU methodology[5]

The general government debt according to EU methodology decreased to 35.1 per cent. of GDP as at 31 December 2018 from 37.8 per cent. of GDP as at 31 December 2015. With respect to the debt structure, the central government indebtedness has decreased to 33.6 per cent. of GDP as at 31 December 2018 from 35.6 per cent. of GDP as at 31 December 2015, and the level of local government indebtedness decreased to 1.5 per cent. as at 31 December 2018 from 2.2 per cent. of GDP as at 31 December 2015.

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[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).

The following table shows general government indebtedness indicators as at 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018 by sub-sectors of general government:

	31 December 2015		31 December 2016		31 December 2017		31 December 2018	
	(RON million)	*(EUR million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*	*(RON million)*	*(EUR million)*
1. Central government debt:	**253,353.1**	**55,995.8**	**270,013.6**	**59,460.0**	**286,399.6**	**61,463.1**	**315,722.6**	**67,695.0**
- weight in GDP (%).....	35.6%	35.6%	35.3%	35.3%	33.4%	33.4%	33.6%	33.6%
2. Local government debt:	**15,798.2**	**3,491.7**	**15,539.5**	**3,422.0**	**14,758.8**	**3,167.3**	**14,421.7**	**3,092.2**
- weight in GDP (%).....	2.2%	2.2%	2.0%	2.0%	1.7%	1.7%	1.5%	1.5%
3. Social security funds:	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- weight in GDP (%).....	0.0%	0.0%	0.0%	0.0%%	0.0%	0.0%	0.0%	0.0%
4. General government debt	**269,151.3**	**59,487.5**	**285,553.1**	**62,881.9**	**301,158.4**	**64,630.4**	**330,144.3**	**70,787.2**
Total public debt, weight in GDP (%).......	37.8%		37.3%		35.2%		35.1%	
GDP (million RON)*....	712,588.0		765,135.0		856,700.0		940,477.5	
Exchange rate at the end of reporting period (EUR/RON).................	4.5245		4.5411		4.6597		4.6639	

Source: Ministry of Public Finance

Note:

* According to EU methodology the debt to GDP is calculated taking into account the sum of GDP in the last four quarters

The general government debt presented a relatively high level of non-resident ownership of public debt (46.8 per cent. as at 31 December 2018, compared to 49.4 per cent. as at 31 December 2015). Romania's public debt is also subject to foreign currency risk, as approximately 50.0 per cent. of the country's public debt was denominated in foreign currencies (mainly in EUR) as at 31 December 2018.

The following table shows general government indebtedness indicators as at 31 December 2015, 2016, 2017 and 2018:

	31 December 2015	31 December 2015	31 December 2016	31 December 2016	31 December 2017	31 December 2017	31 December 2018 (preliminary data)	31 December 2018 (preliminary data)
	(RON million)	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*	*(RON million)*	*(%)*
General government debt[1]........	269,151.3	100.0%	285,553.1	100.0%	301,158.5	100.0%	330,144.3	100.0%
a. by creditor's residency								
domestic debt...............................	136,081.8	50.6%	148,285.0	51.9%	155,029.0	51.5%	175,639.9	53.2%
external debt	133,069.5	49.4%	137,268.1	48.1%	146,129.5	48.5%	154,504.4	46.8%
b. by maturity								
Short-term....................................	17,091.2	6.4%	19,589.6	6.9%	15,174.6	5.0%	10,865.4	3.3%
medium and long-term	252,060.1	93.6%	265,963.5	93.1%	285,983.9	95.0%	319,278.9	96.7%
c. by debt instruments								
currency and deposits....................	8,752.6	3.3%	8,408.5	2.9%	7,411.1	2.5%	6,953.2	2.1%

	31 December 2015	31 December 2015	31 December 2016	31 December 2016	31 December 2017	31 December 2017	31 December 2018 (preliminary data)	31 December 2018 (preliminary data)
securities	191,607.2	71.1%	211,568.5	74.1%	234,343.0	77.8%	272,267.5	82.5%
short-term	8,193.9	3.0%	10,977.1	3.9%	7,231.2	2.4%	3,482.9	1.1%
long-term	183,413.3	68.1%	200,591.4	70.2%	227,111.8	75.4%	268,784.6	81.4%
loans	68,791.5	25.6%	65,576.1	23.0%	59,404.4	19.7%	50,923.6	15.4%
short-term	144.7	0.1%	204.0	0.1%	532.3	0.2%	429.3	0.1%
long-term	68,646.8	25.5%	65,372.1	22.9%	58,872.1	19.5%	50,494.3	15.3%
d. by currency								
RON	124,234.2	46.2%	137,089.9	48.0%	144,947.0	48.1%	163,924.4	49.7%
Euro	117,459.6	43.6%	119,643.3	41.9%	130,653.5	43.4%	136,134.6	41.2%
USD	26,844.2	10.0%	26,854.6	9.4%	23,646.8	7.9%	28,272.6	8.6%
others	616.3	0.2%	1,965.3	0.7%	1,911.2	0.6%	1,812.7	0.5%

Note:

(1) Gross debt, consolidated intra and between sub-sectors of general government.

Source: Ministry of Public Finance

The general government debt according to the EU methodology is expected to be 35.1 per cent. of GDP at the end of December 2018. For the period 2019 to 2021, as a result of anticipated economic growth, the public debt according to the EU methodology is forecasted to be below 40.0 per cent. of GDP.

According to the Fiscal Budgetary Strategy estimation for 2019-2021, a fiscal slippage translated into a cash deficit to be financed of 3.8 per cent. of GDP and would lead to a higher level of public indebtedness, which could increase by up to 4.1 per cent. of GDP at the end of 2021 compared with the level of general government debt estimated for 2021 of 35.2 per cent. of GDP.

Credit Ratings

As at the end of 2018, the following credit ratings have been assigned to Romania:

S&P Global	BBB-/Stable since May 2014, confirmed in March 2019
Moody's	Baa3/Stable since December 2015, confirmed in August 2018
Fitch Rating	BBB-/Stable since July 2011, confirmed in November 2018.
JCRA	BBB/Stable since March 2016, confirmed in March 2018

Strategic projects for the Romanian economy

Setting up of the National Development Bank of Romania

Following the request of the Romanian Ministry of Public Finance, the European Commission, through the Structural Reform Support Program, in June 2017, approved the financing of a project to set up the Romanian National Development Bank ("**NDB**"). The project covers an independent ex-ante assessment on financial market failures to be addressed by the NDB, a pre-feasibility study of two scenarios on the legal and operational structure of NDB, an implementation study on the selected NDB scenario and a roadmap for the implementation of the NDB project.

The scope of the project is to support the Romanian authorities in elaborating the legal framework in accordance with the best practices in the field, leading to the best implementation of ex-ante and ex-post assessments of financial market failures, and reaching the objective of the establishment of the NDB in accordance with

European Commission Communication of 22 July 2015 "*Working together for jobs and growth: The role of National Promotional Banks (NPBs) in supporting the Investment Plan for Europe*".

Sovereign Development and Investment Funds ("FSDIs")

In November 2018, the Government approved Government Emergency Ordinance No. 100/2018 ("**GEO 100/2018**"), which contains a number of measures regarding the general framework applicable to FSDIs. It defines FSDIs as joint stock companies established under the Law No. 31/1990 which are fully owned by the state and whose main activity is financial operations, including the performance of financial investments on their own behalf and on account, with cash and in kind capital contribution, including in the form of shares owned by the state in those companies (including strategic ones) and which fulfil the economic criteria and the requirements for classification outside the government accounts according to the European Union methodology.

The objective of the FSDIs is to obtain profit through developing and financing, from own funds and from funds attracted, by profitable and sustainable investment projects in various economic sectors, by direct participation or by means of other investment funds or by means of certain investment companies, alone or together with other institutional or private investors, including through participation in PPP and the administration of own financial assets.

Following the approval of the GEO 100/2018, the Ministry of Public Finance is in the process of preparing a draft of government decision on organisation and operation of the sovereign development and investment fund.

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 in accordance with Romanian law;

(iv) a "**legal person established pursuant to European law**" is defined as any legal person established in accordance with and by the mechanics contemplated by European regulations;

(v) a "**non-resident natural person**" is defined as any natural person which is not a resident natural person, as well as any foreign citizen enjoying diplomatic or consular regime within Romania, any foreign citizen who is an employee or officer of an international or intergovernmental organisation registered in Romania, any foreign citizen who is an officer or an employee of a foreign state in Romania, or their family members; and

(vi) a "**resident natural person**" is defined as any natural person that meets at least one of the following conditions: (a) is domiciled in Romania, or (b) has the centre of his vital interests (Romanian language: "*centrul intereselor vitale*") located in Romania, or (c) is present in Romania for a period or several periods exceeding in aggregate 183 days during any twelve consecutive months, and that period(s) end(s) in the relevant calendar year, or (d) is a Romanian citizen that works abroad as an officer or an employee of the Romanian state.

Taxation of non-resident Noteholders

Under the Romanian Fiscal Code interest payable to Noteholders, which are non-residents (as defined above), on the Notes is exempted from taxation (the special exemption applies since the Notes are Romanian public debt instrument). Also, for capital gains (determined as the difference between the sale price and the acquisition price and in some cases, the transaction costs) derived by non-residents (as defined above) from the transfer of Notes, such non-resident Noteholders are not taxed (the special exemption applies since the Notes are Romanian public debt instrument). Therefore, no tax on interest or capital gains will be levied on such income. Additionally, the income obtained by non-residents (as defined above) from financial derivative transactions utilised for the hedging of Romanian governmental public debt is exempted from Romanian withholding tax.

Other information

Romania is a party to over 80 double tax treaties with other jurisdictions, most of which are based on the OECD Model Convention.

Luxembourg Taxation

The following is a general description of certain Luxembourg tax considerations relating to the Notes which are admitted to the Official List and to trading on the regulated market of the Luxembourg Stock Exchange. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere.

This summary is based upon the law as in effect on the date of this Information Memorandum. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Prospective holders of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes on the basis of this Information Memorandum, including the effect of any state or local taxes, under the tax laws of Luxembourg and each country of which they are residents.

All payments of interest and principal by the Paying Agent under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individual beneficial owners of the Luxembourg law of 23 December 2005, as amended, which has introduced a 20 per cent. withholding tax (which is final when Luxembourg resident individuals are acting in the context of the management of their private wealth) on interest paid by a Luxembourg paying agent. Responsibility for the withholding of such 20 per cent. tax is assumed by the paying agent within the meaning of this law and not by the Issuer.

In addition, pursuant to the law of 23 December 2005, as amended, Luxembourg resident individuals who are the beneficial owners of interest paid by a paying agent established outside Luxembourg, in a Member State of either the European Union or the European Economic Area, can opt to self-declare and pay a 20 per cent. tax on this interest. This 20 per cent. tax is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

The Proposed Financial Transaction Tax ("FTT")

On 14 February 2013, the European Commission published a proposal ("**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each other than Estonia, a "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Under the current form of the Commission's Proposal, the issuance and subscription of Notes should, however, be exempt

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary discusses certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Notes purchased on original issuance at their "**issue price**" (as defined below);
- Notes held as capital assets;
- U.S. Holders (as defined below); and
- Notes treated as debt for U.S. federal income tax purposes.

This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or Medicare tax on net investment income), and does not address state, local, non-U.S., or other tax laws. This discussion also does not describe all of the tax consequences that may be relevant in light of a Holder's particular circumstances or to Holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- individual retirement accounts and other tax deferred accounts;
- tax-exempt organisations;
- persons holding Notes as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- U.S. Holders whose functional currency is not the U.S. dollar;
- partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes and their partners;
- persons 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 Internal Revenue Code of 1986, as amended ("**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 OWNING THE NOTES, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS, AND POSSIBLE CHANGES IN TAX LAW.

Payments of Stated Interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the Holder's method of accounting for U.S. federal income tax purposes, provided that the interest is "**qualified stated interest**" (as defined below). Interest income earned by a U.S. Holder with respect to a Note and original issue discount ("**OID**"), if any, accrued with respect to the Notes generally will constitute foreign source income for U.S. federal income tax purposes. Special rules governing the treatment of interest paid with respect to OID Notes and Foreign Currency Notes (each as defined below) are described under "*— Original Issue Discount*" and "*— Foreign Currency Notes*."

Original Issue Discount

A Note, other than a Note with a term of one year or less (a "**short-term Note**"), that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued at original discount for U.S. federal income tax purposes (and will be referred to as an "**OID Note**") unless the Note satisfies a *de minimis* threshold (as described below). The "issue price" of a Note generally will be the first price at which a substantial amount of the Notes are sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Note generally will equal the sum of all payments required to be made under the Note other than payments of "qualified stated interest." "Qualified stated interest" is stated interest unconditionally payable (other than in Notes of the Issuer) at least annually during the entire term of the Note at a single fixed rate of interest, at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information (or certain

combinations thereof). A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option in a manner that minimises the yield on the Note, and the U.S. Holder will be deemed to exercise any put option in a manner that maximises the yield on the Note.

If the difference between a Note's issue price and its stated redemption price at maturity is less than a *de minimis* amount (generally 1⁄4 of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity, or, if the Notes provide for principal payments before maturity, the product of the same percentage and their weighted average maturity) the Note will not be considered to have OID. U.S. Holders of Notes with less than the specified *de minimis* amount of OID will include this OID in income, as capital gain, on a *pro rata* basis as principal payments are made on the Note.

A U.S. Holder of OID Notes will be required to include OID in income for U.S. federal income tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received. Under these rules, U.S. Holders generally will have to include in taxable income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any particular Note (including stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and generally may revoke such election (a "**constant yield election**") only with the permission of the U.S. Internal Revenue Service ("**IRS**"). If a U.S. Holder makes a constant yield election with respect to a Note with market discount (discussed below), the U.S. Holder will be treated as having made an election to include market discount in income currently over the life of all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies. U.S. Holders should consult their tax advisers about making this election in light of their particular circumstances.

Tax/Book Conformity for Certain U.S. Holders

As a result of the Tax Cuts and Jobs Act of 2017, U.S. Holders that use an accrual method of accounting for tax purposes ("**accrual method holders**") generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the "**book/tax conformity rule**"). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described in this Information Memorandum, although it is not clear to what types of income the book/tax conformity rule applies. For notes issued with OID, this rule generally is effective for tax years beginning after 31 December 2018. Accrual method holders should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

The book/tax conformity rule applies to OID in some cases, and therefore may require accrual method holders to include OID on OID Notes in a more accelerated manner than described in "—Original Issue Discount" if they do so for financial accounting purposes. It is uncertain what adjustments, if any, should be made in later accrual periods when taxable income exceeds income reflected on the U.S. Holder's financial statements to reflect the accelerated accrual of income in earlier periods. In addition, it is possible, although less likely, that accrual method holders may be required to include de minimis OID in gross income as the de minimis OID accrues on their financial statements.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under United States Treasury Regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer. Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument," then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) equal to or in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument, and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. See "—*Contingent Payment Debt Instruments*" for a discussion of the U.S. federal income tax treatment of such Notes.

Market Discount

If a U.S. Holder purchases after its original issuance a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an OID Note, its revised issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an OID Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of, a Note, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the U.S. Holder to include market discount in income as it accrues. An election to include market discount in income as it accrues applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies and may not be revoked without the consent of the IRS. In addition, a U.S. Holder that does not elect to include market discount in income currently may be required to defer, until the maturity of the Note or its earlier sale, exchange or other disposition (including in certain non-recognition transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

Market discount will accrue on a straight line basis unless a U.S. Holder makes an election on a Note to accrue on the basis of a constant interest rate. This election applies only to the market discount Note with respect to which it is made and is irrevocable.

Acquisition Premium and Amortisable Bond Premium

A U.S. Holder who purchases a Note for an amount that is greater than the Note's adjusted issue price but less than or equal to the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest will be considered to have purchased the Note at an acquisition premium. Under the acquisition premium rules, the amount of OID that the U.S. Holder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Note for an amount that is greater than the stated redemption price at maturity, the Holder will be considered to have purchased the Note with amortisable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The Holder may elect to amortise this premium, using a constant yield method, over the remaining term of the Note. A Holder who elects to amortise bond premium must reduce its tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the Holder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under "*—Original Issue Discount*") for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the Holder's debt instruments with amortisable bond premium.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a short-term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on short-term Notes on a straight-line

basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale, exchange or retirement of the short-term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale, exchange or retirement. U.S. Holders who are not required and do not elect to accrue OID on short-term Notes will be required to defer deductions for interest on borrowings allocable to short-term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a short-term Note are included in the short-term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a short-term Note as if the short-term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the short-term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of OID and market discount included in the Holder's gross income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and decreased by any bond premium or acquisition premium previously amortised and by the amount of any payment received from the Issuer other than a payment of qualified stated interest. Gain or loss, if any, will generally be U.S. source income. For these purposes, the amount realised does not include any amount attributable to accrued but unpaid qualified stated interest on the Note. Amounts attributable to accrued but unpaid qualified stated interest are treated as payments of interest as described under "— *Payments of Stated Interest*."

Except as described below, gain or loss realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the U.S. Holder has held the Note for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the Holder's taxable income. See "— *Original Issue Discount*" and "—*Market Discount*." In addition, other exceptions to this general rule apply in the case of Foreign Currency Notes (as defined below), and contingent payment debt instruments. See "—*Foreign Currency Notes*" and "— *Contingent Payment Debt Instruments*." The deductibility of capital losses is subject to limitations.

Contingent Payment Debt Instruments

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including Notes with a variable rate that do not qualify as "variable rate debt instruments" for purposes of the OID rules) that are neither remote nor incidental, they generally will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Holder must account for interest for U.S. federal income tax purposes based on a "comparable yield," and the differences between actual payments on the Note and the Note's "projected payment schedule," as described below. The comparable yield is determined by the Issuer at the time of issuance of the Notes. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Notes. Solely for the purpose of determining the amount

of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, the Issuer will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by the Issuer in determining interest accruals and adjustments, unless the U.S. Holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of its method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment debt instrument (as set forth below).

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a U.S. Holder would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of:
    - the amount of all previous interest inclusions under the contingent payment debt instrument; over
    - the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the two per cent. floor limitation imposed on miscellaneous deductions. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realised on a sale, exchange or retirement of the contingent payment debt instrument. Where a U.S. Holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange or retirement of a contingent payment debt instrument, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted basis in the contingent payment debt instrument. A U.S. Holder's adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Holder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Holder

generally will treat any gain as interest income, and any loss as ordinary loss to the extent that the U.S. Holder's total interest inclusions on the contingent payment debt instrument exceed the total net negative adjustments on the contingent payment debt instrument the U.S. Holder took into account as ordinary losses, and the balance as capital loss. Gain or loss recognised by a U.S. Holder on the sale, exchange or retirement of a contingent payment debt instrument will generally be foreign source. The deductibility of capital losses is subject to limitations. In addition, if a U.S. Holder recognises loss above certain thresholds, the U.S. Holder may be required to file a disclosure statement with the IRS (as described under "—*Tax Reporting*").

A U.S. Holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument equal to the fair market value of the property, determined at the time of retirement. The Holder's holding period for the property will commence on the day immediately following its receipt. Special rules apply to contingent payment debt instruments that are denominated, or provide for payments, in a currency other than the U.S. dollar ("**Foreign Currency Contingent Payment Debt Instruments**"). Very generally, these Notes are accounted for like a contingent payment debt instrument, as described above, but in the currency of the Foreign Currency Contingent Payment Debt Instruments. The relevant amount must then be translated into U.S. dollars. The rules applicable to Foreign Currency Contingent Payment Debt Instruments are complex and U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of such Notes.

Foreign Currency Notes

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of Notes that are denominated in a specified currency other than the U.S. dollar, or the payments of interest or principal on which are payable in a currency other than the U.S. dollar ("**Foreign Currency Notes**").

The rules applicable to Foreign Currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a Foreign Currency Note to be recharacterised as ordinary income or loss. The rules applicable to Foreign Currency Notes are complex and may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a Holder should make any of these elections may depend on the U.S. Holder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of Foreign Currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a Foreign Currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including OID or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Foreign Currency Note during an accrual period. The U.S. dollar value of the accrued income generally will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year.

An accrual method U.S. Holder may elect to translate interest income (including OID) into U.S. dollars at the spot rate on the last day in the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the partial accrual period in the relevant taxable year) or, if the date of receipt is within five

business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income on the date the payment of interest is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to the rules applicable to accrual method U.S. Holders apply in the case of a cash method taxpayer required or who elects to currently accrue OID or market discount.

OID, market discount, acquisition premium and amortisable bond premium on a Foreign Currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above. Accrued market discount (other than market discount currently included in income) taken into account upon the receipt of any partial principal payment or upon the sale, retirement or other disposition of a Note is translated into U.S. dollars at the spot rate on such payment or disposition date.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as on the sale, exchange or retirement of the Foreign Currency Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a Foreign Currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a market loss to the extent of the bond premium.

A U.S. Holder's tax basis in a Foreign Currency Note, and the amount of any subsequent adjustment to the Holder's tax basis, will be the U.S. dollar value amount of the foreign currency amount paid for such Foreign Currency Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment, or the settlement date for the purchase, in the case of Notes traded on an established securities market that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). A U.S. Holder who purchases a Foreign Currency Note with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the Foreign Currency Note on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a Foreign Currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of, and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued qualified stated interest will be treated in accordance with the rules applicable to payments of interest on Foreign Currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the Foreign Currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the U.S. Holder or the "qualified business unit" of the Holder on whose books the Note is properly reflected. Any gain or loss realised by these U.S. Holders in excess of the foreign currency gain or loss will be capital

gain or loss except to the extent of any accrued market discount or, in the case of short-term Note, to the extent of any discount not previously included in the U.S. Holder's income, provided that the Note is not a Foreign Currency Contingent Payment Debt Instrument. U.S. Holders should consult their own tax adviser with respect to the U.S. federal income tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue.

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange, retirement or other disposition of a Foreign Currency Note equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. A cash method taxpayer who buys or sells a Foreign Currency Note that is traded on an established securities market is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations provided that the Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. If either (i) the Note is not traded on an established securities market or (ii) it is, and the Holder is an accrual method taxpayer that does not make the election described above with respect to such Note, exchange gain or loss may result from currency fluctuations between the trade date and the settlement date of the purchase or sale. Any gain or loss realised by a U.S. Holder on a sale, exchange, retirement or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase Foreign Currency Notes) will be ordinary income or loss.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments of principal and interest, and accruals of OID, on the Notes and the proceeds from a sale, redemption or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Tax Reporting

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, ownership or disposition of Notes constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

U.S. Holders should consult their own tax advisers regarding any additional tax reporting or filing obligations they may have as a result of the acquisition, ownership or disposition of the Notes, including reporting

requirements related to the holding of certain specified foreign financial assets. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banca IMI S.p.A, Barclays Bank Ireland PLC, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, Daiwa Capital Markets Europe Limited, Deutsche Bank AG, London Branch, Erste Group Bank AG, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Mizuho International plc, Natixis, Nomura International plc, 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 26 March 2019 ("**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Selling Restrictions

United States of America

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

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder. The applicable Final Terms will identify whether TEFRA C or TEFRA D applies or whether TEFRA is not applicable.

The Notes will be offered and sold (A) outside the United States in reliance on Regulation S and (B) within the United States only to persons who are QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The Dealer Agreement provides that the Arranger, or any other Dealer with the prior written consent of the Arranger, may directly or through its respective agents or affiliates arrange for the resale of Restricted Registered Notes in the United States only to QIBs pursuant to Rule 144A.

Each issuance of index-linked Notes shall be subject to additional U.S. selling restrictions as the Relevant Dealer(s) shall agree as a term of the issuance and purchase of such Notes. Each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

1. *No deposit-taking*: in relation to any Notes having a maturity of less than one year:

   (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

   (b) it has not offered or sold and will not offer or sell any Notes other than to persons:

      (i) whose ordinary activities involved them in acquiring, holding, managing or disposing of investments (as principal or 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 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.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any jurisdiction by the Issuer or any Dealer that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Information Memorandum, any Final Terms or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Information Memorandum or any Final Terms come are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Information Memorandum or any other offering material relating to the Notes, in all cases at their own expense.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Information Memorandum.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge) comply with all applicable securities laws and regulations in force in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses or distributes this Information Memorandum, any Final Terms or any other offering materials. Other persons into whose hands this Information Memorandum or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Information Memorandum or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer described in the paragraph headed "*General*" above.

Certain of the Dealers and their affiliates have engaged, are currently engaged and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. Such persons may have received, or may continue to receive, customary compensation. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Information Memorandum, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

(i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;

(ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or any of their respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States; and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;

(iii) the purchaser understands that the Restricted Global Note Certificate and any restricted Individual Note Certificate (a "**Restricted Individual Note Certificate**") will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (4) TO THE ISSUER OR ITS AFFILIATES OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE INSTRUMENTS;

(iv) if it is acquiring any Notes for the account of one or more QIBs, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;

(v) the purchaser understands that Restricted Registered Notes offered in reliance on Rule 144A will be represented by a Restricted Global Note Certificate. Before any interest in a Restricted Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Unrestricted Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and

(vi) the purchaser understands that the Issuer, the Dealers, the Agents and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer and the Dealer(s).

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the Issuer will deliver only a Restricted Global Note Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar or the Transfer Agent such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate will, upon transfer, cease to be an interest in a Restricted Global Note Certificate and become an interest in an Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Note Certificate.

Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

CLEARING AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (together, the "Clearing Systems") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing Systems. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuers nor any Dealer takes any responsibility for the accuracy thereof. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

DTC Book-Entry System

Registered Notes whether as part of the initial distribution of the Notes or in the secondary market, are eligible to be held in book-entry form in DTC.

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "**banking organisation**" within the meaning of the New York Banking Law, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "**clearing agency**" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants ("**Direct Participants**") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations ("**DTC Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below, and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest with respect to the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners

are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Notes for Individual Note Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Note Certificate, will be legended as set forth under "*Transfer Restrictions*".

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have each Tranche of Notes represented by the Restricted Global Note Certificate, and if applicable, the Unrestricted Global Note Certificate, accepted in its book-entry settlement system. Upon the issue of any Global Registered Notes, DTC or its custodian will credit, on its internal book-entry system, the respective principal amounts of the individual beneficial interests represented by such Global Registered Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer.

Ownership of beneficial interests in a Global Registered Note will be limited to Direct Participants or Indirect Participants. Ownership of beneficial interests in a Global Registered Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Global Registered Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the relevant Paying Agent on behalf of DTC's nominee and the relevant Paying Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Registered Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Agents or the Issuer. Payments of principal, premium, if any, and interest, if any, on Notes to DTC are the responsibility of the Issuer.

Transfers of Notes Represented by Global Registered Notes

Transfers of any interests in Notes represented by a Global Registered Note will be effected in accordance with the customary rules and operating procedures of Euroclear, Clearstream, Luxembourg and/or DTC, as the case may be. The laws of some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Registered Note to such persons may depend upon the ability to exchange such Notes for Individual Note Certificates. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Global Registered Note held by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Global Registered Note held by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Transfers at any time by a holder of a book-entry interest in a Restricted Global Note Certificate to a transferee who takes delivery of such book-entry interest through an Unrestricted Global Note Certificate for the same Series of Notes will only be made upon delivery to the Registrar or the Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S. Transfers at any time by a holder of a book-entry interest in an Unrestricted Global Note Certificate to a transferee who takes delivery of such book-entry interest through a Restricted Global Note Certificate for the same Series of Notes will only be made upon receipt by the Registrar or the Transfer Agent of a written certificate from the transferor of such book-entry interest to the effect that such transfer is being made to a person whom such transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any state of the United States.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, and/or the Transfer Agents, as the case may be, and any custodian with whom the relevant Global Registered Notes have been deposited.

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

Cross-market transfers between accountholders in DTC and Euroclear or Clearstream, Luxembourg participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear or Clearstream, Luxembourg on the other, transfers of interests in the relevant Global Registered Notes will be effected through the Registrar and/or the relevant Transfer Agent, as the case may be, and the custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payments must be made separately.

Euroclear, Clearstream, Luxembourg and DTC have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Registered Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer(s) will be responsible for any performance by Euroclear, Clearstream, Luxembourg and DTC or its respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

GENERAL INFORMATION

Responsibility

The Issuer accepts sole responsibility for the information contained in this Information Memorandum and has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects.

Authorisation

The establishment of the Programme was authorised by Government Decision No. 1264/2010 on the approval of the sovereign notes framework programme "Medium Term Sovereign Notes", as rectified through the rectification published in the Official Gazette of Romania, Part I, No. 730 of 29 October 2012 and as amended by Government Decision No. 361/2013, by Government Decision No. 923/2013, by Government Decision No. 192/2015, by Government Decision No. 242/2016 and by Government Decision No. 929/2017. The increase in the size of the Programme from EUR 20,000,000,000 to EUR 27,000,000,000 was authorised by Government Decision No. 929 of 20 December 2017 which entered into force on 27 December 2017. 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.

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 and by Government Decision No. 929/2017 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 2018.

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 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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