



Romania

Investor Presentation

January 2021

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Overview

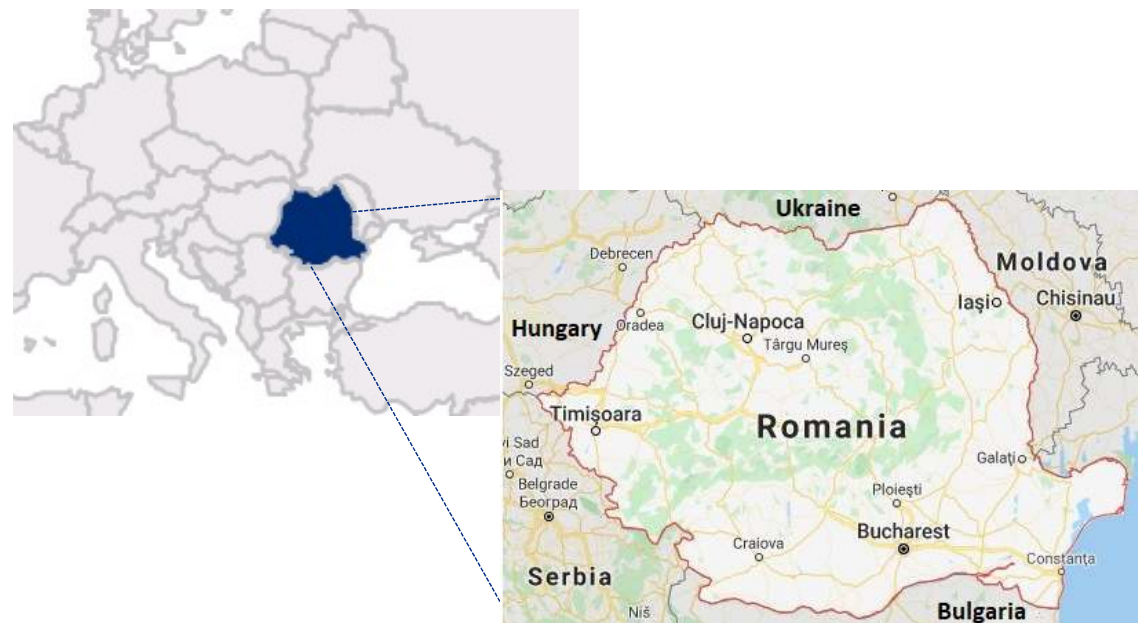


Snapshot of Romania's Economy



Overview | Response to Covid-19 | Long Years of Uninterrupted GDP Growth | Sustainable Fiscal Policy | Prudent Public Debt Management | EU Funds Absorption | EU Funding

Area	238,391 sq. km
Population (2019)	c. 19.4 mn
Average RON/EUR rate (Jan – Sept 2020)	4.8257
Average RON/EUR rate (2019)	4.7452
GDP (2019 current prices)	EUR 223.0 ¹
GDP per Capita (2019)	EUR 11,512.5 ¹
GDP Growth (2019)	4.1% ¹
GDP Growth (9 months 2020, y-o-y)	(5.0)%
Annual Inflation Rate (December 2020)	2.06%
Unemployment ² (November 2020)	3.32%
Public Debt / GDP (November 2020)	44.4%



Current Credit Ratings

S&P Global

BBB- / Negative

*since May 16, 2014;
outlook revised on
December 10, 2019*

FitchRatings

BBB- / Negative

*since July 4, 2011;
outlook revised on
April 17, 2020*

MOODY'S

Baa3 / Negative

*since October 6, 2006;
outlook revised on
April 24, 2020*

Source: National Institute of Statistics ("NIS"), Eurostat, Map data ©2020 Google, GeoBasis-DE/BKG (©2009).

(1) Semifinal data.

(2) Registered unemployment rate.

Key Features of Romania's Credit Profile



Overview	Response to Covid-19	Long Years of Uninterrupted GDP Growth	Sustainable Fiscal Policy	Prudent Public Debt Management	EU Funds Absorption	EU Funding
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Strong Macroeconomic Framework

- Romania had one of the highest growth rates in the EU during the last decade: the annual average GDP growth was 4.7%¹ during 2015–2019.
- After joining the EU, real convergence expressed in GDP per capita in PPS significantly improved from 39%¹ in 2006 to 70% in 2019 of EU average
- Romania recorded an annual economic growth of 4.1% in 2019, driven by construction sector, services and investment.
- In the first nine months of 2020, compared to the same period of 2019, the gross domestic product registered a contraction of 5% per gross series (provisional data) and 4.5% per seasonally adjusted series. After the increase registered in the first quarter of 2020 of 2.4%, the transition to the negative level was determined by the economic developments in the second and third quarters of 2020, respectively a decrease of 10.3% and 5.7% as compared to the corresponding periods of 2019. It is noteworthy that investments in infrastructure and those in the residential sector made in the first nine months of the year led to an increase in gross fixed capital formation by 4.4% compared to the same period of 2019.

Well Capitalized and Liquid Banking Sector

- NPL ratio² showed a sustained downward trend (from 9.6% at end 2016 to 4.09% at end of 2019 and 4.1% in September 2020).
- To date, the Romanian government has not used public money to support local banks and their recapitalization has been entirely a responsibility of the shareholders.
- Very well capitalized banking sector, with a total capital adequacy ratio of 22.8%³ as of June 2020.
- Stable exchange rate.

Improving Financial Sector

- Lasting FDI growth: 30.5% in 2016, 6.2% in 2017 and 9.8% in 2018. In 2019 FDI decreased by 1.8% y-o-y. In the first nine months of 2020, FDIs were EUR 1,940 mn (provisional data).
- Constant decrease of the share of foreign currency denominated deposits and loans.

Low Public Debt

- Public Debt to GDP ratio of 44.4% at end of November 2020, increased sharply compared to 35.3% at the end of 2019 (Eurostat News release no. 156/22.10.2020, EU methodology), mainly due to the COVID-19 crisis.
- Sustainable debt management policy continued.

(1) Source: Eurostat; (2) Under the EBA Methodology. The same observation applies to data under the national methodology; (3) National Bank of Romania, "Aggregate Indicators for Credit Institutions"

Nominal Convergence Criteria



Overview	Response to Covid-19	Long Years of Uninterrupted GDP Growth	Sustainable Fiscal Policy	Prudent Public Debt Management	EU Funds Absorption	EU Funding
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Convergence Criteria	Maastricht Requirements	Romania	Fulfilment of the criteria
Inflation rate (HICP) (% , annual average)	≤ 1.5 pp above -1.0% (the average of the three best-performing EU Member States) ⁽¹⁾	2.3% ⁽¹⁾ (Dec 2020)	No
Long-term interest rates (% p.a., annual average) ⁽²⁾	≤ 2 pp above 0.7% (average of the three best-performing EU Member States in terms of price stability)	3.9% (Dec 2020)	No
Exchange rate vs the euro ⁽³⁾ (2-year maximum percentage change)	$\pm 15\%$	$+0.6 / -4.3\%$ (Oct 2020)	Yes
General government deficit (% of GDP) ⁽⁴⁾	$\leq 3\%$	9.79%	No
Government debt (% of GDP) ⁽⁵⁾	$\leq 60\%$	44.4%	Yes

(1) The reference value for Dec 2020 was calculated by the National Commission of Strategy and Prognosis ("NCSP") taking into account Greece, Cyprus and Estonia, based on Eurostat data.

(2) Eurostat: the reference value for Dec 2020 was calculated by the NCSP based on Eurostat annual data, taking into account Greece, Cyprus and Estonia.

(3) The level for Romania was calculated by the National Bank of Romania, based on Eurostat data (https://ec.europa.eu/eurostat/databrowser/view/ert_bil_eur_m/default/table?lang=en). Maximum percentage deviations of the bilateral exchange rate against the euro from its October 2018 average level in November 2018 to October 2020 based on daily data at business frequency. An upward / downward deviation implies that the currency was stronger / weaker than the average exchange rate in October 2018.

(4) January – December 2020 budget execution, ESA methodology, Eurostat statistical data.

(5) As at the end of November 2020. Source: Monthly Report of the Ministry of Finance.

Source: Eurostat, NBR and NCSP calculations.



Response to COVID-19



Romania Reacted Early and Adequately to Covid-19



Overview

Response to Covid-19

Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

Prudent Public Debt Management

EU Funds Absorption

EU Funding

- Romania managed to contain the immediate spread of the virus due to a timely announcement of a state of emergency on March 16, 2020 and parallel implementation of a wide range of restrictive and pre-emptive measures.
- On May 15, 2020, Romania came out of the state of emergency and entered a state of alert on May 18, 2020.
- As of December 2020, Romania, being one of the more populous countries in the CEE region, has managed to contain the fast growth of the newly infected Covid-19 cases.
- On December 27, 2020, Romania officially started the vaccination campaign against the SARS-CoV-2 coronavirus.

Cumulative Confirmed Covid-19 Cases in Romania vs Other European Countries

Reported cases per 100 000 population (as of December 28, 2020)

Portugal 1429.43

Spain 1026.05

Czechia 981.71

Slovenia 885.48

Ireland 814.42

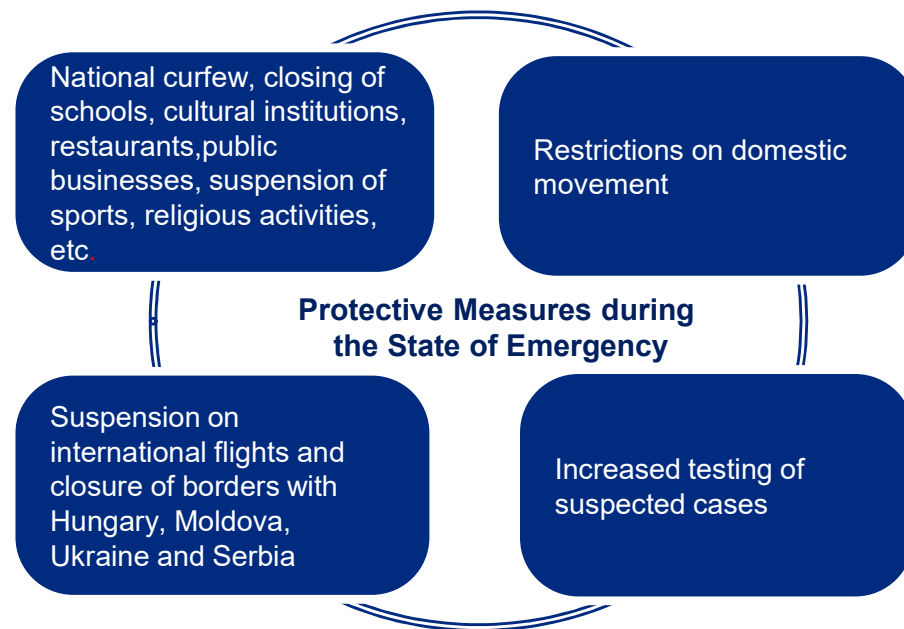
Lithuania 598.39

Latvia 595.84

Estonia 521.66

Romania 202.37

Sources: ECDC, National Institute of Public Health, Ministry of Internal Affairs – Strategic Communication Group



Status of Covid-19 Pandemic Spread in Romania as of January 29, 2021

		7-day Δ	14-day Δ
Total Confirmed Cases	724,250	2.1%	4.7%
Total Tested Persons	5,513,641	2.8%	6.2%
Total Tested per 100k	28,421		

Impact of Covid-19 on the Consolidated Budget 2020



Overview

Response
to Covid-19

Long Years of Uninterrupted
GDP Growth

Sustainable
Fiscal Policy

Prudent Public Debt
Management

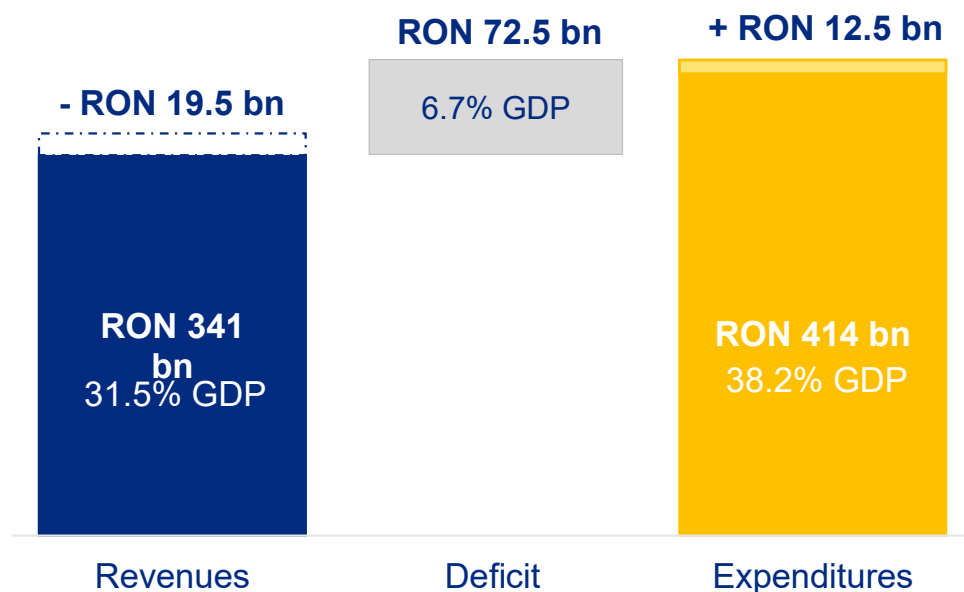
EU Funds
Absorption

EU Funding

- The first budget amendment in 2020 was based on a macroeconomic forecast of the National Commission of Strategy and Prognosis („NCSP“) from April 2020, taking into account the measures, stimulating the economic growth and restricting the spread of the pandemic:
 - **Revenues:** decreased to RON 341 bn (by RON 19.5 bn)
 - **Expenditures:** increased to RON 414 bn (by RON 12.5 bn)
 - **Deficit:** increased by RON 32 bn than the initially planned to RON 72.5 bn (6.7% of GDP)



Revised General Consolidated Budget 2020 due to Covid-19 Measures



- The overall fall of revenues by RON 23 bn is offset by funds from the EU (RON 3.9 bn).
- The largest revenue decrease is expected to result from:
 - Lower social insurance contributions: RON 8.36 bn
 - VAT revenue fall: RON 5.6 bn
 - Reducing excise duties: RON 2.7 bn
 - Lower profit tax: RON 2.3 bn
- Key components of the revised deficit estimate include expenditures related to labour and social protection, health programmes, SMEs support, local development, police force, agriculture and rural development, food safety, sanitizing measures, medical equipment, etc.
- Public debt is estimated to reach 47.7% of GDP at the end of 2020.



Restarting the Economy After Covid-19 is a Key Priority for the Romanian Government and specific measures have been introduced to address the challenges and mitigate the effects of the crisis



Decisive Fiscal and Economic Measures for about 3% of 2019 GDP

- Increased funds allocated to the healthcare system
- The State pays 75% of the individual gross wage (with a cap) for technical unemployment, in case of employees affected by Covid-19
- Employees with suspended contracts receive for three months 41.5% of their gross basic salary from the unemployment insurance budget
- The State pays 50% of salaries of employees 16-29 years and >50 years old
- Wage benefits for parents staying home with children
- Corporate tax discount of 10% in Q1-Q3 2020, if tax is paid by 25 April 2020
- Property tax dues postponed by three months
- 2020 tax exemption for hospitality sector taxpayers with restricted activities
- Cancellation of interest and penalties for late fiscal dues and installments
- Faster VAT reimbursement and settling of negative VAT amounts as well as VAT exemption for supplies, imports and purchases of masks and equipment
- Debt moratorium of up to nine months (but no later than December 31, 2020) on loans for certain debtor categories, with incomes directly or indirectly affected by Covid-19
- Social security contributions delayed for affected companies
- Suspension of foreclosures affecting debtors with overdues
- RON 20 bn guarantees for loans of SME's and micro-enterprises: up to 80-90% of loan, with a cap
- Subsidised interest for investments and deferred utility bills of SMEs



Response of the National Bank of Romania

I. Monetary Policy Measures

- Monetary policy rate was cut successively from 2.50% to 1.25% (Jan. 2021)
- The symmetrical corridor defined by interest rates on standing facilities around the monetary policy rate was narrowed to ± 0.5 percentage points from ± 1.0 percentage points. Thus:
 - the deposit facility rate was reduced successively to 0.75% from 1.50%
 - lending facility rate was lowered successively to 1.75% from 3.50%
- Leu-denominated government securities purchased on the secondary market
- Carried out repo operations, providing liquidity to credit institutions
- EUR 4.5 bn repo line with ECB for high-quality collateral activated

II. Operational Measures

- Measures supporting the smooth functioning of settlements and payments in RON
- Credit institutions provided with continuous cash flow and liquidity
- Flexibility in the use of macroprudential capital buffers (temporarily, in line with similar action in other EU countries; except for institutions paying dividends)
- Liquidity coverage ratio < 1.0 , if needed
- Recommendation to avoid dividend distribution or reduce capital
- Cap on pension funds' investments in government securities lifted till 2021
- IFRS reporting for non-financial institutions postponed from 2022 to 2023

Series of support measures have been introduced by the European Commission and are available to Romania and other Member States



Lines of EU Support and Implementation by the Ministry of European Funds

- EUR 3.1-3.9 bn in transfers from the EU budget to Romania (part of the EU Coronavirus Response Investment Initiative).
- Additional funds to be received from the SURE financial instrument (up to EUR 100 bn), the EU Solidarity Fund (in support of public expenditures on employment), the European Economic Recovery Fund and the EIB.
- Adoption of Government Emergency Ordinance (43/2020) treating EU financed support measures, i.e. expenses and costs covered via:

Most Deprived OP¹

- distribution of aid to affected individuals, elderly people, people with disabilities

Large Infrastructure OP

- reimbursements for medical equipment, devices and related expenses

Human Capital OP

- reimbursements of costs of staff in the social assistance sector
- reimbursements of monthly risk remunerations paid to doctors and medical staff
- reimbursements of compensations granted to Covid-19 hit businesses

Measures Aimed at Increasing Funds' Absorption Flexibility and Avoiding Decommitment of Funds

- Launch of calls for proposals within the Coronavirus Response Investment Initiative
- Continuation, postponement or suspension of projects' implementation
- Increase of pre-financing from 10% to 30% of contract values
- Extension of pre-financing deadlines
- Extension of works' execution and reimbursement deadlines
- Suspension of various activities during the state of emergency: submission deadlines, execution of debt securities, monitoring visits
- Electronic registration of documents

Administration of State Aid

- In line with the temporary state aid framework of the EU, the MEF² is carrying out analysis of financial statements of relevant entities and will relocate funds within OPs to enhance financing measures, where needed

(1) Operational Programme; (2) Ministry of European Funds



**Long Years of Uninterrupted
GDP Growth**



Romania's Economy: Macroeconomic Indicators



Overview	Response to Covid-19	Long Years of Uninterrupted GDP Growth	Sustainable Fiscal Policy	Prudent Public Debt Management	EU Funds Absorption	EU Funding
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	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>Macroeconomic Indicators</i>									<i>Estimate</i>
Real GDP (% y-o-y)	2.0	3.8	3.6	3.0	4.7	7.3	4.5	4.1	(4.4)
Inflation rate (% , e.o.p.)	5.0	1.6	0.8	(0.9)	(0.5)	3.3	3.3	4.0	2.1*
Inflation rate (% , annual average)	3.3	4.0	1.1	(0.6)	(1.5)	1.3	4.6	3.8	2.6*
Budget balance (% GDP, cash)	(2.5)	(2.5)	(1.7)	(1.4)	(2.4)	(2.8)	(2.8)	(4.6) ⁿ	(9.79)
Budget balance (% GDP, ESA 2010)	(3.7)	(2.1)	(1.2)	(0.6)	(2.6)	(2.6)	(2.9)	(4.3) ⁿ	n.a.
Government debt (% GDP, EU methodology)	37.0	37.6	39.2	37.8	37.4	35.1	34.7	35.3 ^o	47.7
Exports of goods (% , y-o-y)	(0.5)	10.0	6.7	4.9	6.2	9.6	8.1 ^s	2.0 ^p	(10.4)
Current account balance (% GDP) ³	(4.8)	(0.8)	(0.2)	(0.6)	(1.4)	(2.8)	(4.4) ^s	(4.7) ^p	(5.0)
<i>Interest And Exchange Rates</i>									
NBR policy rate (% , e.o.p)	5.25	4.0	2.75	1.75	1.75	1.75	2.50	2.50	1.50
Credit facility rate	9.25	7.00	5.25	3.25	3.25	2.75	3.50	3.50	2.00
Deposit facility rate	1.25	1.00	0.25	0.25	0.25	0.75	1.50	1.50	1.00
Average exchange rate (RON/EUR)	4.46	4.42	4.44	4.45	4.49	4.57	4.65	4.75	4.84
<i>Labor Market Indicators</i>									
ILO unemployment rate (%)	6.8	7.1	6.8	6.8	5.9	4.9	4.2	3.9	5.1

Source: NIS (For 2012-2018 data are according to Press Release No. 263 from 9 October 2020), for 2020 National Commission for Strategy and Prognosis (Preliminary autumn forecast for the budget amendment 2020), Budget Law no 50/2019, Fiscal Budgetary Strategy 2019-2020 (Ministry of Finance).

Notes: * Achievements; Budget balance (% of GDP cash and ESA2010) for the 2018-2019 period is estimated at the moment of the 2018 Budget adoption. 2020 estimates are part of budget planning for 2020 and the medium-term. Revised 2013 – 2019 data in the context of common European benchmark revision 2019; (n) April 2020 EDP Notification; (o) Eurostat Newsletter no. 156/22.10.2020; (s) Semi-final data; (p) Provisional data.

Growth Supported by Domestic Demand and Capital Formation



Overview

Response to
Covid-19

Long Years of Uninterrupted
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Sustainable
Fiscal Policy

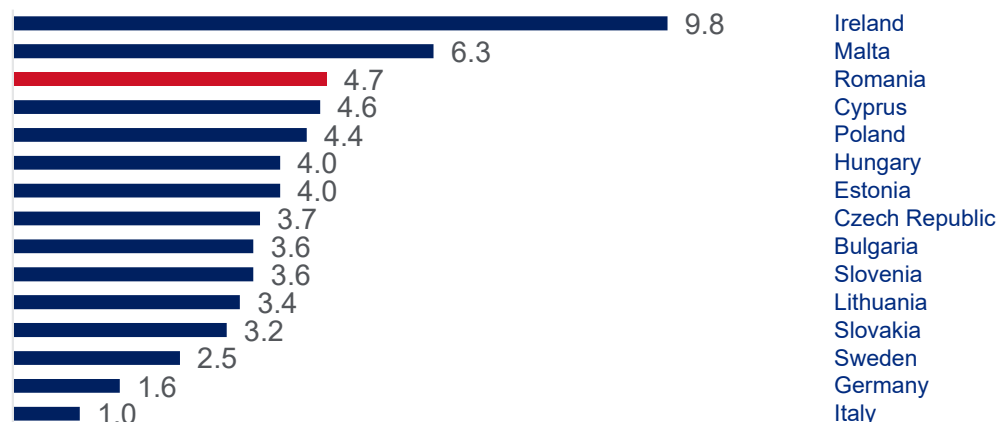
Prudent Public Debt
Management

EU Funds
Absorption

EU Funding

Romania is One of the Fastest Growing Economies in the EU

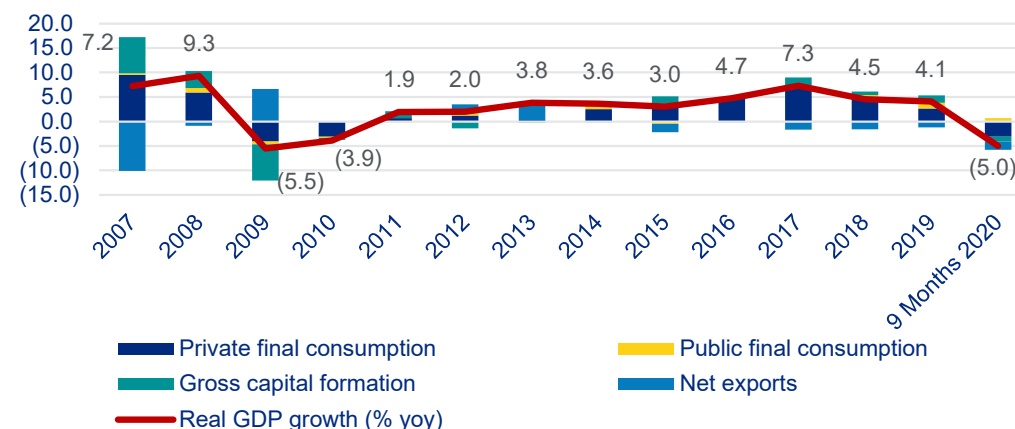
% GDP Growth, Average 2015–2019



Source: Eurostat

GDP Growth is Underpinned by Domestic Demand

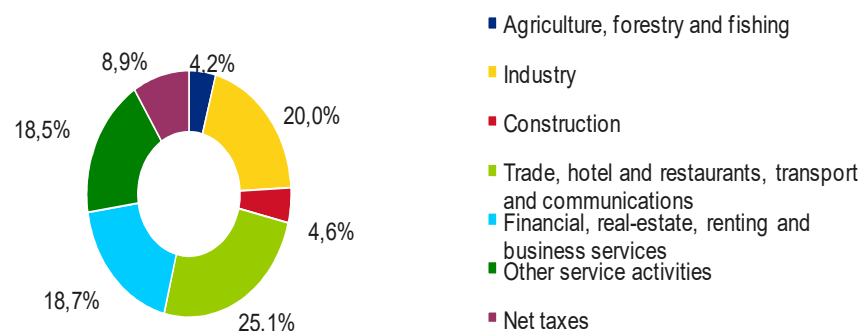
GDP Components, %



Source: NIS

The Romanian Economy is Diversified

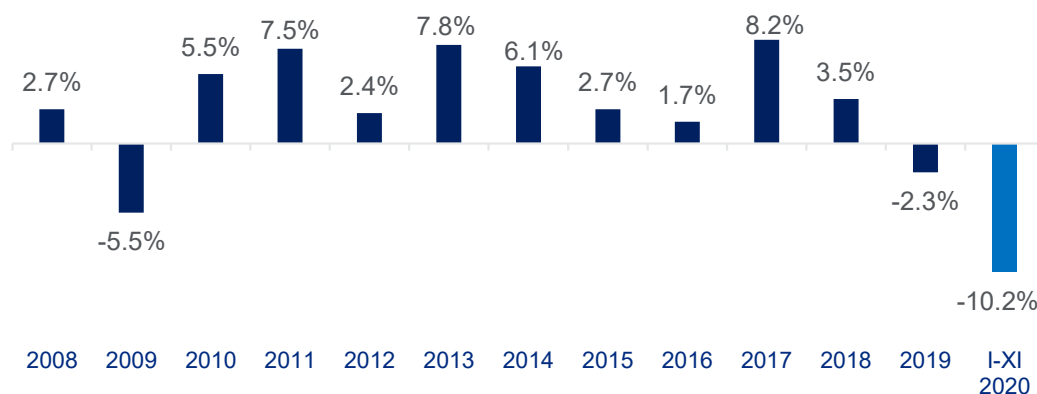
Structure of Gross Domestic Product by Sectors – first nine months of 2020, %



Source: NIS

Industry Slump Offset by Consumption and Capital Formation

Real Change in Industrial Production, y-o-y, (base year 2015)



Source: NIS

Labour Market Conditions Supportive of Long-Term Growth



Overview

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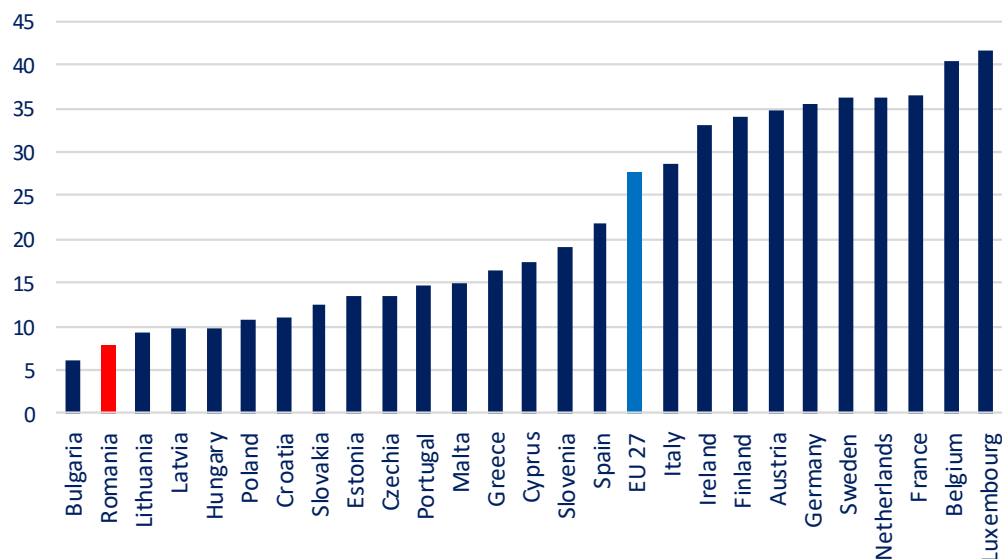
EU Funds
Absorption

EU Funding

- Highly educated workforce as evidenced by the United Nations' Human Development Indicators 2019: skilled employees constitute 81% of the Romanian labour force and 71% of the population are internet users. The country ranked #52 / #189, according to the 2019 Human Development Index.
- Romanian labour costs per hour remain among the most competitive in the EU.
- In October 2020, the EU implemented Covid-19 measures, influencing the unemployment in the Union. Romania's unemployment rate (ILO methodology) is nevertheless kept below the EU27 average and remains one of the lowest among the member states to date: 5.1% in October 2020.

Labour Costs in Romania are Sustained at one of the Lowest Levels in the EU

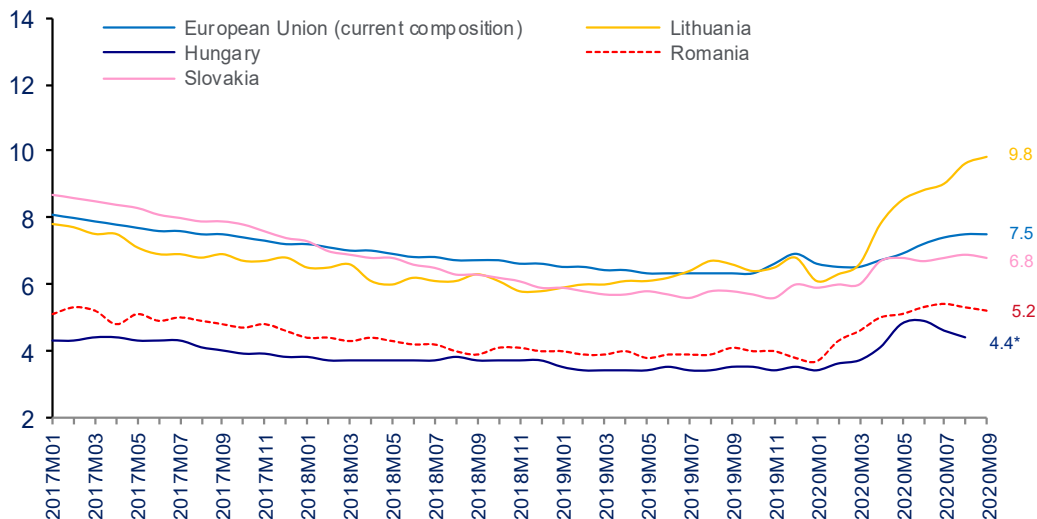
Annual data as of 2019, EUR



Source: Eurostat. Data according to ESA 2010 methodology

Unemployment Rate Below the EU Average

Unemployment rate (monthly, seasonally adjusted), %



Source: Eurostat, ILO Methodology

* Latest data as of September 2020



Sustainable Fiscal Policy

2019 Budget: Overview and Assumptions



Overview	Response to Covid-19	Long Years of Uninterrupted GDP Growth	Sustainable Fiscal Policy	Prudent Public Debt Management	EU Funds Absorption	EU Funding
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2019 Budget Execution

- Revenues to the general consolidated budget, in the amount of RON 321.13 bn (30.9% of GDP), increased by 8.8% in nominal terms compared to 2018.
 - Increases in the collection of: social contributions (+13.6%), corporate income tax (+13.2%), excises (+10.3%), personal income tax (+2.3%);
 - The collection of VAT increased by 9.7% as compared to 2018. Reimbursements from the EU amounted to RON 25.32 bn.
- The expenditures of the general consolidated budget, in the amount of RON 369.4 bn, increased in nominal terms by 14.7% YoY compared to 2018.
 - Personnel expenditures increased by 18.8%;
 - Expenditures on goods and services increased by 18.3%, while the expenditure for social assistance increased by 13.2%;
 - Investment expenditure amounted to RON 43.6 bn, 27.4% higher than in 2018.
 - Subsidies expenditure amounted to RON 7.11 bn (0.7% of GDP).

The execution of the general consolidated budget, during the period of 1 January 2019 to 31 December 2019, ended with a cash deficit of RON 48.3 bn, or 4.6% of GDP.

Macroeconomic Assumptions for the 2019 Budget	2019 August revision	2019 November revision
GDP (RON bn)	1,031.0	1,040.8
Real Growth Rate (%)	5.5	4.0
Inflation / end of year (%)	3.2	3.8
Inflation / annual average (%)	3.4	3.8
Average number of employees ('000s)	5,282	5,170
No. of unemployed persons registered as at the end of year ('000s)	287	287
- Rate of registered unemployment (%)	3.2	3.2
Gross average salary (RON / month)	5,163	4,945
Goods exports – growth rate (%)	8.9	2.7
Goods imports – growth rate (%)	9.4	4.0

Source: Ministry of Finance

2020 Budget: Overview and Key Assumptions



Overview	Response to Covid-19	Long Years of Uninterrupted GDP Growth	Sustainable Fiscal Policy	Prudent Public Debt Management	EU Funds Absorption	EU Funding
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2020 Budget Execution

- Revenues to the general consolidated budget, in the amount of RON 322.52 bn, increased by 0.4% in nominal terms compared to 2019.
 - Increases in the collection of: social contributions (+0.7%), personal income tax (+4.9%);
 - Decreases in the collection of: corporate income tax (-9.8%), excises (-2.4%), VAT (-7%), non-tax revenues (-9.8%);
 - Reimbursements from the EU amounted to RON 33.56 bn (+32.4% increase compared to the level registered in 2019).
- The expenditures of the general consolidated budget, in the amount of RON 424.43 bn, increased in nominal terms by 14.8% YoY compared to 2019.
 - Personnel expenditures increased by 7.5%;
 - Expenditures on goods and services increased by 6.9%, while the expenditure for social assistance increased by 20.8%;
 - Investment expenditure amounted to RON 53.2 bn, the largest amount invested in the economy in the last 10 years (RON 9.5 bn higher than in 2019). Subsidies expenditure amounted to RON 8.14 bn.

The execution of the general consolidated budget, during the period of 1 January 2020 to 31 December 2020, ended with a cash deficit of RON 101.92 bn, or 9.79% of GDP.

Macroeconomic Assumptions for the 2020 Budget

	2020 August ⁽²⁾ rectification	2020 November ⁽³⁾ rectification
GDP (RON bn)	1,058.0	1,050.5
Real Growth Rate (%)	-3.8	-4.2
Inflation / end of year (%)	2.8	2.2
Inflation / annual average (%)	2.8	2.7
Average number of employees ('000s)	5,070	5,090
No. of unemployed persons registered as at the end of year ('000s)	338	320
- Rate of registered unemployment (%)	3.9	3.7
Gross average salary (RON / month)	5,114	5,160
Goods exports – growth rate (%)	-10.5	-10.3
Goods imports – growth rate (%)	-7.2	-6.6

Source: (1) Ministry of Finance – Report on the execution of the General Consolidated Budget at the end of November 2020 (2) Summer Forecast of the National Commission of Strategy and Prognosis (NCSP); (3) Preliminary autumn Forecast of the NCSP.



Prudent Public Debt Management

Public Debt is on a Sustainable Path



Overview

Response to Covid-19

Long Years of Uninterrupted GDP Growth

Sustainable Fiscal Policy

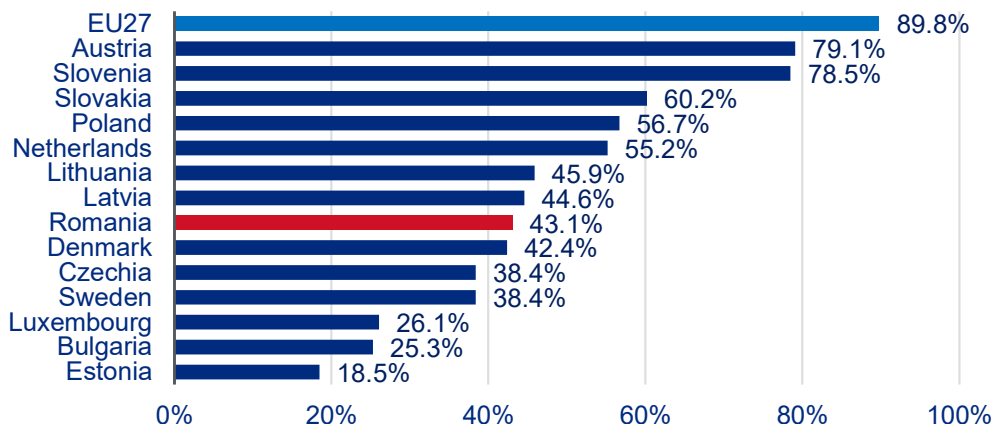
Prudent Public Debt Management

EU Funds Absorption

EU Funding

Romania has one of the lowest Debt / GDP Ratios in the EU

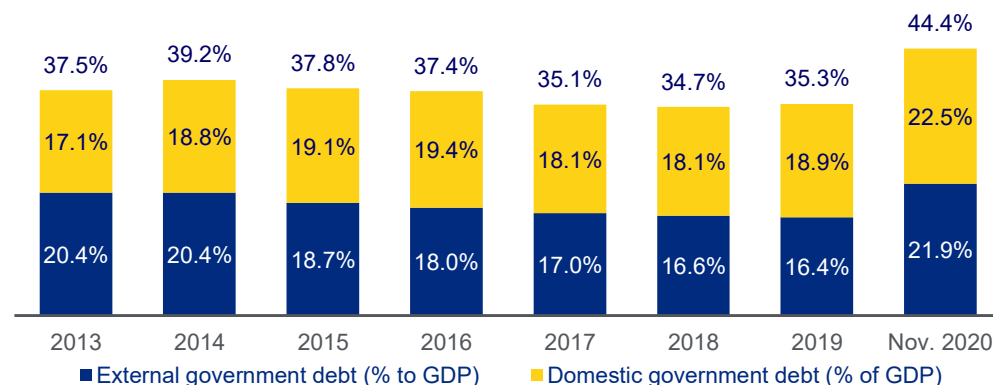
General Government Debt / GDP, 2020 Q3



Source: Eurostat News release no. 13/21.01.2021.

Debt / GDP Ratio is Stable...

General Government Debt / GDP ESA 2010³, November 2020



Source: Ministry of Finance – (EU Methodology).

(1) Ministry of Finance (own calculation)

(2) Ministry of Finance - historical compilation of the Public Debt Bulletin and projection of the Ministry of Finance for 2020; Calculated as Gross government debt (EU Methodology) – Foreign currency buffer

(3) Ministry of Finance - according to EU methodology, the debt to GDP ratio was calculated taking into consideration the sum of GDP for the last four quarters

(% of GDP)

2016

2017

2018

2019P

2020F

Gross Financing Need, Out of which¹:

9.0%

7.6%

7.4%

8.6%

14.3%

– Budgetary Deficit

2.4%

2.8%

2.8%

4.6%

9.8%

– Refinancing of Public Debt¹

6.6%

4.8%

4.6%

4.0%

4.5%

Foreign Currency Buffer²

3.6%

2.8%

2.6%

1.8%

3.1%

Net Government Debt²

33.8%

32.3%

32.1%

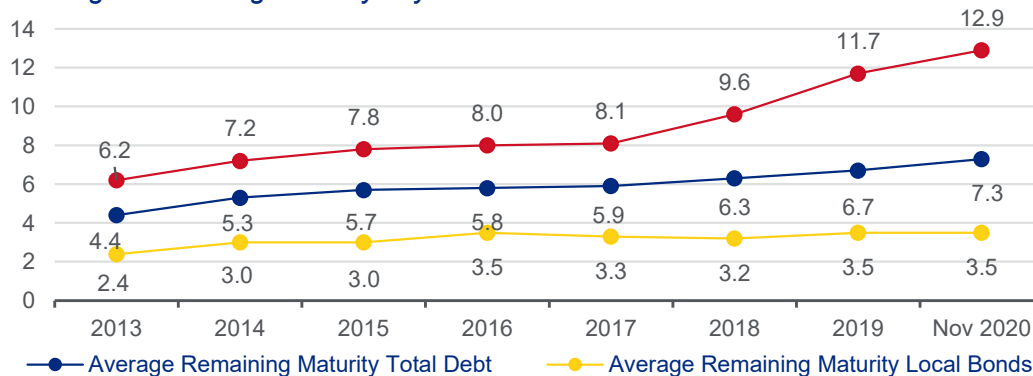
33.5%

44.6%

(P) Provisional. (F) Forecasted.

...with a Prudent Maturity Profile

Average Remaining Maturity in years



Source: Ministry of Finance (public government debt according to the national legislation, without temporary financing).

Stable Government Borrowing Profile



Overview

Response to Covid-19

Long Years of Uninterrupted GDP Growth

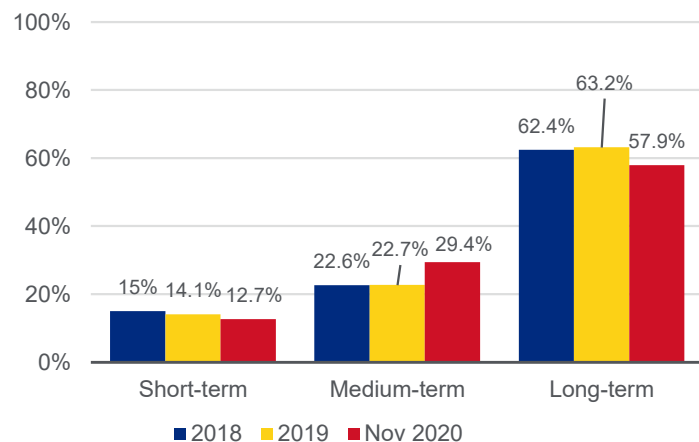
Sustainable Fiscal Policy

Prudent Public Debt Management

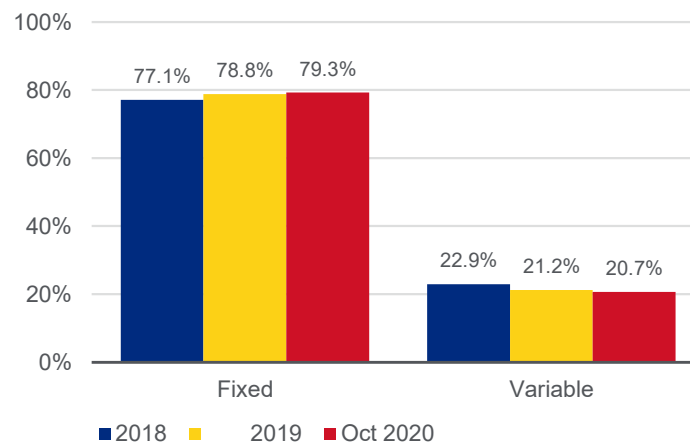
EU Funds Absorption

EU Funding

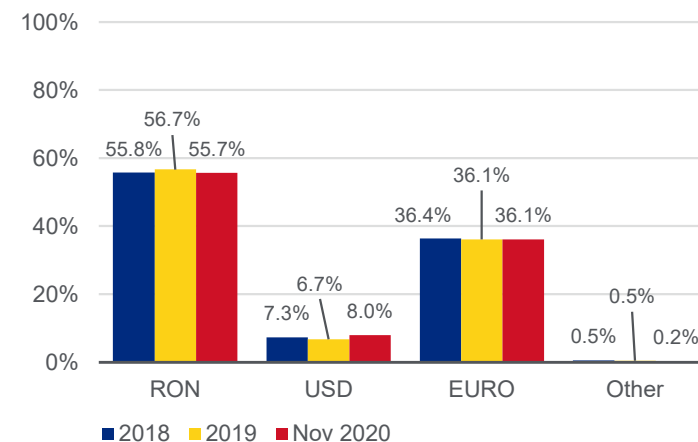
Increasingly Long Tenor Borrowings...



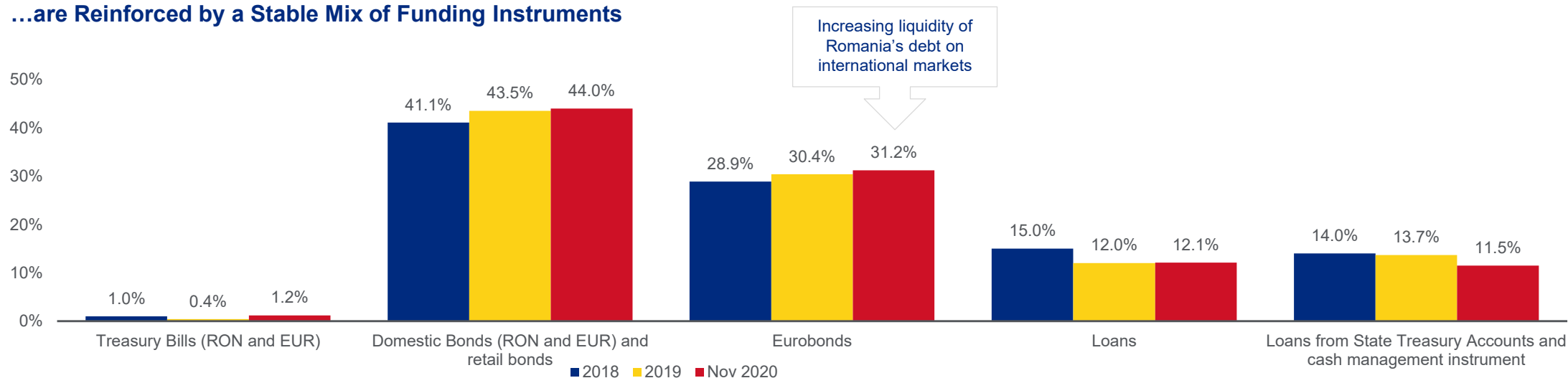
...Mostly Paying Fixed Interest...



...Primarily in RON and EUR...



...are Reinforced by a Stable Mix of Funding Instruments



Source: Ministry of Finance. Historical compilation of the Public Debt Bulletin.

Note: Based on national legislation.

Investment Grade Ratings Underpin Strong Market Performance

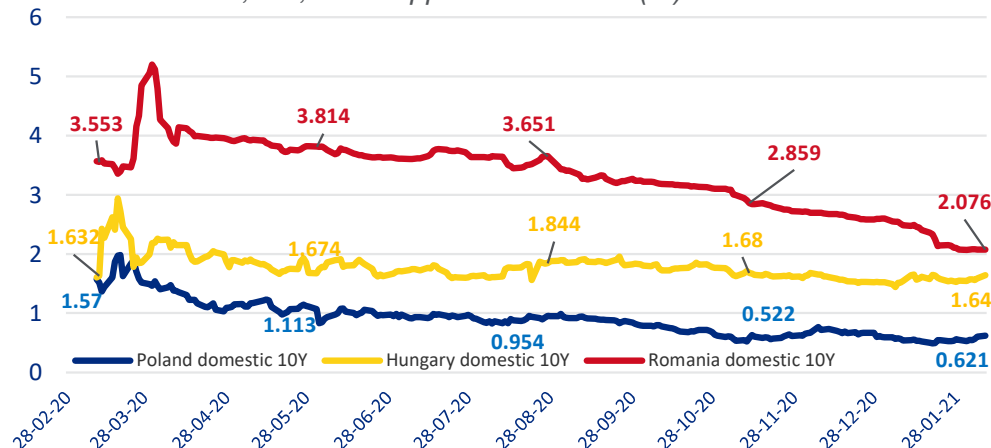


Overview | Response to Covid-19 | Long Years of Uninterrupted GDP Growth | Sustainable Fiscal Policy | **Prudent Public Debt Management** | EU Funds Absorption | EU Funding

- Since March 2020, Romanian domestic yields have experienced episodes of volatility, due to the COVID-19 pandemic, however, yields have been compressing since the end of March, given improved general market sentiment.

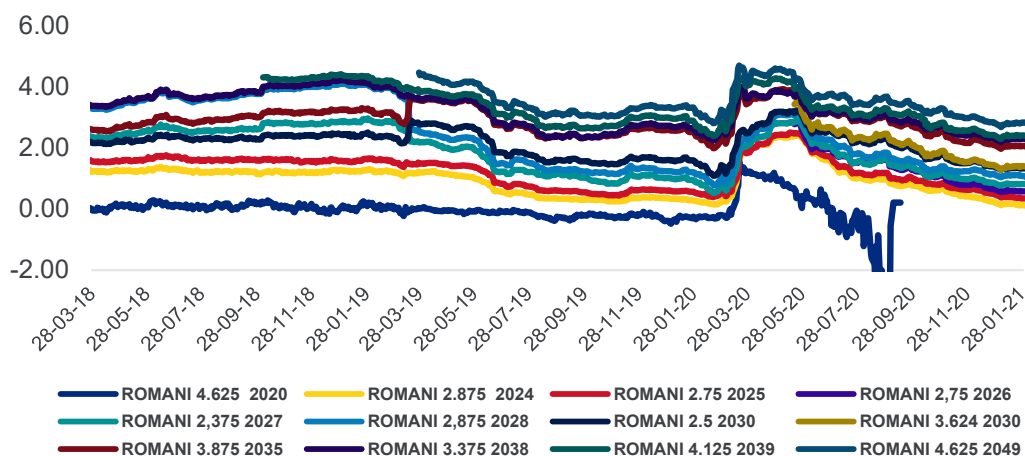
Yields have been relatively stable, on Romania's domestic debt...

Domestic Yields PL, HU, RO – Approx. 10Y Tenor (%)



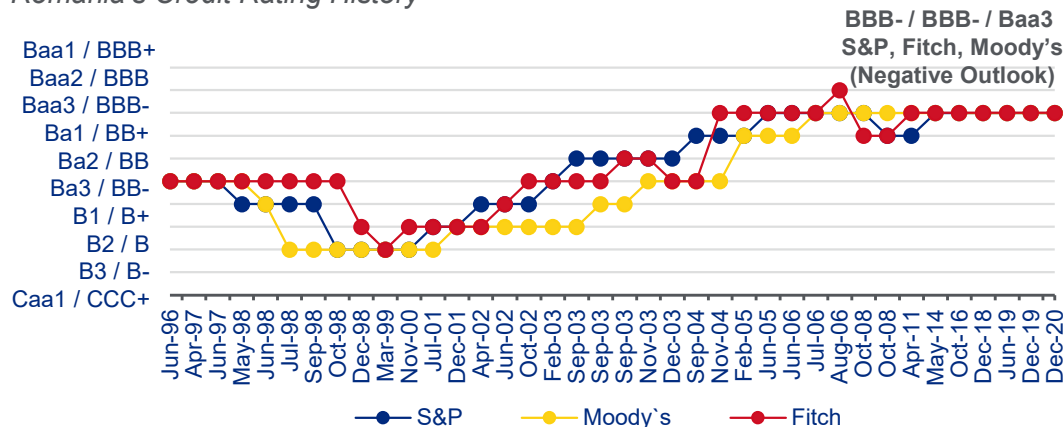
...and on its foreign debt

Bid Yields of Romanian EUR Eurobonds, %



Romania Regained Full Investment Grade Status in 2014

Romania's Credit Rating History



Source: Market data.

Instruments

- On the domestic government securities market, the Ministry of Finance intends to issue a wide range of maturities between 6 months and 15 years on the interbank market, building liquid benchmarks to an equivalent of about EUR 2.5 billion.
- In 2021 the Ministry of Finance will continue to issue retail bonds with 1 to 5 years maturity via treasury offices, postal units and banks. This year the Ministry of Finance also plans to issue retail bonds via the Bucharest Stock Exchange in EUR and local currency.

Well diversified Investor base

- Holders of domestic market government securities (end of November, 2020)⁽¹⁾
 - Local commercial banks 47.7%
 - Pension funds 18.6%
 - Non-residents 20.4%
- Average participation in Eurobonds issues⁽²⁾
 - Fund managers 60–70%
 - Institutional investors 10–20%
 - Commercial and private banks 15–25%
 - Central banks 3–5%
- Geographical distribution of Eurobond issuances in EUR⁽²⁾ – mostly Western European Countries (Germany and Austria around 8% for issues of 10Y and 20% for longer tenors, the UK around 27% on average, France and Benelux around 10% etc.); US (around 29-30%); Central and Eastern European states (usually around 10%) and investors from the Middle East and Asia (with an average participation of around 2–3%).

(1) Source: Ministry of Finance. Public Debt Bulletin.

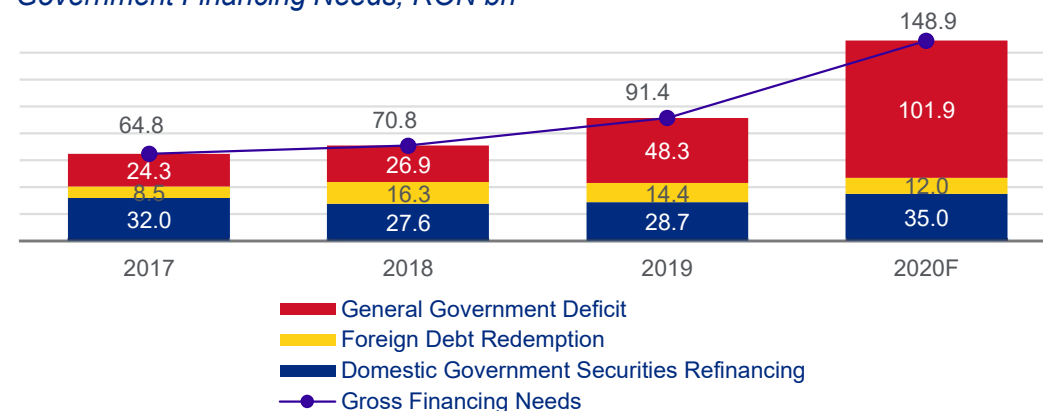
(2) Source: Ministry of Finance (own calculation).

Romania Enjoys Robust Market Access

- Romania's funding sources are well diversified:
 - Domestic market** via RON and EUR government securities issued on the interbank market and retail government securities;
 - External market** (Eurobonds, Institutional Loans from IFIs and government agencies).
- A hard currency buffer has been built up to cover up to four months of gross financing needs.
- As a result of the Covid-19 pandemic measures introduced in Romania, the total government financing needs for 2020 were revised from RON 86.9 bn to RON 148.9 bn*. The Government financed the gap via RON 91 bn domestic market issuance and EUR 15.1 billion from the foreign market, by issuing Eurobonds and loans, including EC loan (SURE).

Financing Needs

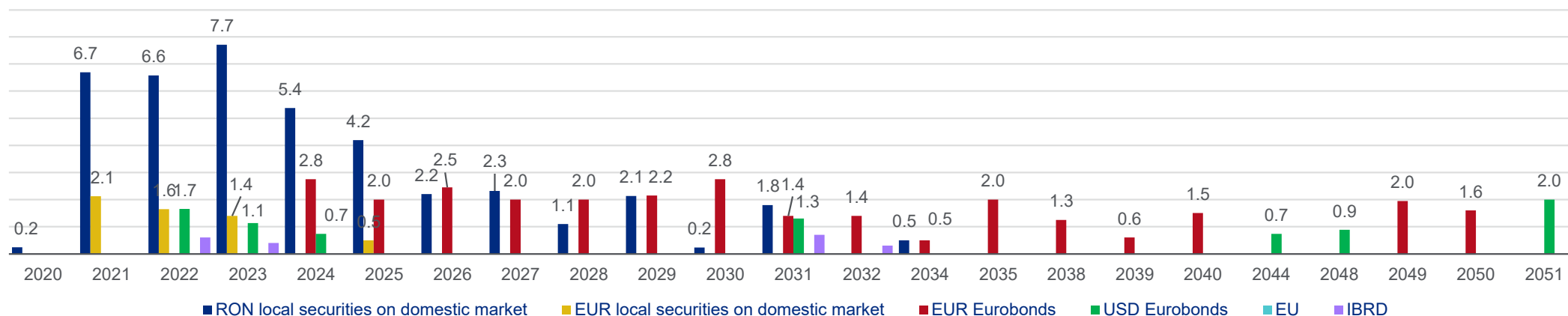
Government Financing Needs, RON bn



Source: Ministry of Finance (own calculation),

Government Debt Maturity Structure is Well Distributed across a Long Horizon

Redemption Profile of Government Securities and External Loan Facilities, EUR bn



Source: Ministry of Finance. Data as of December 31, 2020.

*Updated financing needs according to the data published by the Ministry of Finance on the preliminary execution of the general consolidated budget deficit on 31 December 2020.

Prudent Debt Management Policy (Cont'd)



Overview	Response to Covid-19	Long Years of Uninterrupted GDP Growth	Sustainable Fiscal Policy	Prudent Public Debt Management	EU Funds Absorption	EU Funding
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Sovereign Debt Risk Management Targets

	Parameters ¹	Levels as of November 2020	Levels as of December 31, 2019	Indicative Targeted Min / Max Ranges (2019–2021) ²
Currency Risk	■ Share of domestic currency debt, % of total	49.9	49.8	45 (Min) – 60
	■ Share of EUR debt out of total foreign-currency denominated debt, %	81.8	83.4	80 (Min) – 95
Refinancing Risk	■ Debt maturing in one year, % of total	11.0	12.0	10 – 20 (Max)
	■ Local currency debt maturing in one year, % of total	16.0	17.0	15 – 25 (Max)
	■ ATM ³ for total debt, years	7.3	6.7	6.0 (Min) – 7.0
	■ ATM ³ for local currency debt, years	4.2	4.1	3.5 (Min) – 5.0
Interest Rate Risk	■ Debt re-fixing in one year, % of total	13.0	14.0	10 – 20 (Max)
	■ Local currency debt re-fixing in one year, % of total	16.0	17.0	15 – 25 (Max)
	■ ATR ⁴ for total debt, years	7.3	6.8	6.0 (Min) – 7.0
	■ ATR ⁴ for local currency debt, years	4.2	4.1	3.5 (Min) – 5.0

Objectives of the Debt Management Strategy

- Cover funding needs of the central government, while minimizing medium- and long-term debt costs
- Limit risks for the government public debt portfolio
- Develop the domestic market for government securities

Strategic Guidelines During 2019–2021

- The net financing mainly in local currency is as a move to further facilitate the development of the domestic market of government securities and help mitigate foreign currency exposure, at the same time considering the domestic market absorption capacity and, in general, the demand for debt instruments denominated in lei, as well as the need for a further diversification of the investor base of government securities.
- Depending on the market circumstances, the Ministry of Finance takes into consideration to partially pre-secure the next year's estimated financing needs.
- Pursue a smooth redemption profile, avoiding to the extent possible the concentration of principal repayments/refinancing of government securities in the short-term.
- Mitigate the refinancing risk and the liquidity risk by maintaining a foreign currency buffer at a comfortable level and possibly by using other instruments depending on the terms and conditions thereof.
- Maintain a presence on the international capital markets, through issuances of Eurobonds mainly in Euro and access the USD market or other foreign currency markets on an opportunistic basis, giving consideration to the extension of the debt portfolio average maturity and taking into account the cost/risk ratio associated thereto and the diversification of the investment base.
- In the process of external financing, the debt will be contracted mainly in euros.
- The euro issuances on the domestic market will be considered only if there is a special demand from domestic investors in the absence of alternative lending instruments, provided that there is a beneficial maturity/cost ratio.
- Maintain the exposure to interest rate risk under control by monitoring the share of domestic debt re-fixing within the next year and the average time to re-fix for the total portfolio.
- Use financing instruments offered by the international financing institutions to benefit of the favorable terms and conditions attached to those instruments.

(1) Relates to government public debt according to national legislation excluding temporary financing; (2) Risk indicators presented are calculated for public government debt according to national legislation, excluding loans from availabilities of the State treasury account (temporary financing), in line with the limits established in the Debt Management Strategy 2019–2021; (3) ATM – average time to maturity; (4) ATR – average time to re-fixing.

Source: Ministry of Finance: Historic compilation of the Public Debt Bulletin and Government Public Debt Management Strategy.



Improved EU Funds Absorption



EU Funds Absorption has Accelerated in the Past Years



Overview	Response to Covid-19	Long Years of Uninterrupted GDP Growth	Sustainable Fiscal Policy	Prudent Public Debt Management	EU Funds Absorption	EU Funding
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Operational Program	Development Objective	Allocation 2007–2013	Absorption Rate (Amount Requested to EC) (%)						
			Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020
		EUR bn	%	%	%	%	%	%	%
RO Program⁽¹⁾	Economic, social, balanced and sustainable regional development	3.71	57	64	85	93	100	100	100
SOP⁽²⁾ Environment	Protect and improve the environment and living standards	3.98	42	62	79	84	94	94	94
SOP Transport	Modernization and development of European priority transport axes within Romania and the national transport infrastructure as a whole	3.76	57	62	77	81	92	92	92
SOP Increase of Economic Competitiveness	Fostering growth towards a knowledge-based economy	2.54	57	76	105 ³	100	100	100	100
SOP Human Resources Development	Open, knowledge-based society through provision of conditions facilitating human resources development	3.20	47	55	73	91	91	91	91
OP Administrative Capacity Development	Help increase the responsiveness of Romania's public administration and judicial system	0.21	72	89	99	100	100	100	100
OP Technical Assistance	Strengthening the capacity of beneficiaries to prepare and implement EU financed projects	0.17	55	81	113 ³	100	100	100	100
Total		17.57⁴	52	63	83	89	95	95	95

- To assure the highest level of absorption, Romania implemented the following structural measures:
 - Strengthening and improving of the monitoring at the level of large infrastructure projects in order to speed up implementation
 - Active promotion by the Government of the alternative use of EU funds, through similar projects
 - Further reallocation among priority goals of various programmes
 - Increase the administrative capacity of programming departments through the use of European Investment Bank expertise
 - Extending the categories of eligible expenditures, allowing the reimbursement for expenditure already realised under the approved projects
 - Phasing of projects between the 2007–2013 and the 2014–2020 programming periods

Note: The final absorption rate can be calculated after the acceptance by the EC of the final documents for closure, that were submitted by the Member States up to March 31, 2017.

(1) Abbreviations: Regional Operational; (2) Abbreviations: Sectoral Operational Program; (3) Includes amount requested through top-up mechanism; (4) The 2007–2013 allocation was modified due to the amounts decommitted.

Source: Ministry of Investments and European Projects

EU Funds Absorption under the 2014–2020 Programming Period



Overview	Response to Covid-19	Long Years of Uninterrupted GDP Growth	Sustainable Fiscal Policy	Prudent Public Debt Management	EU Funds Absorption	EU Funding
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Operational Program	Funds Allocated, EUR bn	Absorption Rate (Amount Requested to EC) (%)						
		Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Nov 2020	Dec 2020
OP Technical Assistance	0.33	0	0	23.28	37.29	56.90	56.17	59.92
OP Competitiveness	1.83	0	0	6.48	17.01	25.38	22.42	23.31
OP Human Capital (including Youth Employment Initiative: EUR 0.11bn)	4.36	0	0	0.09	14.87	25.28	40.61	43.00
OP Administrative Capacity	0.56	0	0	4.15	12.95	23.23	27.65	33.56
OP Large Infrastructure	8.64	0	0	10.13	17.77	25.24	35.27	38.85
OP Regional	6.86	0	0	0.41	12.78	22.86	28.34	34.86
OP for SME's Initiative*	0.10	0	0	93.09	-	-	-	-
OP's for European Territorial Cooperation	0.48	0	0.54	1.76	9.56	21.19	28.06	33.27
OP Aid for the Most Deprived	0.44	0	0.97	17.37	17.35	30.27	30.27	48.24
Total	23.50	0	0.02	5.62	15.65	24.87	33.11	37.48

- Cohesion funds are aimed at reducing disparities between the various regions and the lags of the least-favoured regions;
- Aside from cohesion funds, during the 2014–2020 period, Romania has additional available financings of approx. EUR 20bn, under the Common Agricultural Policy;
- At 31st of December 2020, the total amounts received from the European Commission, pre-financing and reimbursements related to the operational programs financed by the ESIF and Fund for European Aid to the Most Deprived (FEAD), are at approx. EUR 15.7 bn (15.54 bn ESIF and 0.17 bn FEAD), which means approx. 50% of the EU allocation for these programs (about EUR 31 bn).

Increased Focus on Controls

- **Performance Oriented:** There is a monitoring framework, including milestones and specific targets corresponding to each operational programme
 - Their completion is verified for 2018 and 2023
- **Improving efficiency of EU funds spending:** the EC is putting in place performance reserves in amounts ranging between 5 and 7% of (most of) the allocations under each priority within the operational programmes
 - The performance reserve amounts will be released subject to the achievement of the milestones set for 2018
- **Ex-ante conditionalities** to ensure the conditions for effective cohesion policy investments and predictability of national sectorial policies

The impact of EU Funds on the Romanian economy is set to increase given Romania's strides in improving EU fund absorption and the increased focus on European Commission Control

Note: The allocations for 2014-2020 OP's were modified according to the last versions of the approved operational programmes. Consequently, some percentages have been diminished.

* The OP for SME's Initiative was included in the OP Regional by EC approval from 16.10.2018.

Source: Ministry of Investments and European Projects



Multiannual financial framework 2021-2027

Next Generation EU



- Next generation EU (NGEU) is a new, temporary and exceptional instrument, intended exclusively to support Member States in recovering from the crisis.
- The total value of this instrument is 750 billion euro, of which 390 billion euro will be provided to Member States in the form of grants and 360 billion euro in the form of loans.
- Through the NGEU, a number of programs and instruments will be additionally funded to complement the allocations in the European budget, with a focus on financing investments and reforms that will increase the resilience of the Member States and the Union.
- All of the money raised through Next Generation EU and the new EU budget will be channeled through EU programs, across three pillars:
- **The first pillar is support to Member States** for investment and reforms to address the crisis, by:
 - Recovery and Resilience Facility/RRF, who will support Member States to implement investments and reforms that are essential for a sustainable recovery.
 - REACT-EU, who will provide a top-up for cohesion support to Member States. This will be available from 2020 and will support workers and SMEs, health systems and the green and digital transitions and will be available across various sectors – from tourism to culture.
- **The second pillar is about** kick-starting the EU economy by incentivizing **private investment**:
 - InvestEU
- **The third pillar** is about learning the lessons of the crisis.
- According to the Multiannual Financial Framework (MFF) agreement for 2021-2027, this is an ambitious and comprehensive package combining the classical MFF with an extraordinary Recovery effort destined to tackle the effects of an unprecedented crisis in the best interest of the EU. The MFF, reinforced by Next Generation EU, will be the main European tool for EU recovery.

Operational Program	Funds Allocated, EUR bn
Recovery and Resilience Facility	672.25
ReactEU	47.5
Horizon Europe	5
InvestEU	5.6
European Agricultural Fund for Rural Development	7.5
Just Transition Fund	10
RescEU	1.9
Total	750

- For the multiannual financial framework/MFF 2021-2027, Romania will have a total allocation of almost 80 billion euro, from EU funds, divided on:
 - ❖ MFF - 46.3 billion euro, non-reimbursable funds (26.8 billion euro for Cohesion Policy, 18.7 billion euro for Common Agricultural Policy and 760 million euro for Just Transition Fund, dedicated to the modernization of the polluting industries in order to implement the Green Deal);
 - ❖ Next Generation EU - 33.5 billion euro out of which RRF 30.5 billion euro (13,8 billion euro as grants and 16,7 billion euro as loans). The amount represents 4.4% of the total value of this fund, Romania receiving the fifth-highest allocation of all EU member states.
- Favorable implementation conditions for the new resources available from Next Generation EU, regarding the possibility to allocate, in 2021, a pre-financing amount of 10% for the funds from the Recovery and Resilience Facility/RRF (the most consistent instrument in terms of allocations).
- The loans under the RRF will benefit from the favorable borrowing conditions of the European Commission and redirected to member states, according to their needs.
- Through the Next Generation EU, Romania intends to address investment needs in the private sector by providing grants and support programs. The decision aims to ensure working capital measures, by financing investment needs, economic growth measures, companies digitalization schemes and also measures to support employment growth.



Thank you!

