Romania

Investor Presentation

November 2016

Disclaimer

This presentation has been prepared by and is the sole responsibility of the Republic of Romania (the **"Issuer"**). It has not been reviewed, approved or endorsed by any manager retained by the Issuer. This presentation is provided for information purposes only. The contents of this presentation do not constitute or form part of an offer to sell or issue or any solicitation of any offer to purchase or subscribe for any securities for sale in any jurisdiction.

The information and opinions herein are believed to be reliable and have been obtained from sources believed to be reliable, but no representation or warranty, express or implied, is made with respect to the fairness, correctness, accuracy, reasonableness or completeness of the information and opinions. There is no obligation to update, modify or amend this presentation or to otherwise notify the recipient if any information, opinion, projection, forecast or estimate set forth herein changes or subsequently becomes inaccurate.

The information herein includes statements that constitute forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ as a result of risks and uncertainties. Each recipient is strongly advised to seek its own independent advice in relation to any investment, financial, legal, tax, accounting or regulatory issues discussed herein. Analyses and opinions contained herein may be based on assumptions that, if altered, can change the analyses or opinions expressed. Nothing contained herein shall constitute any representation or warranty as to future performance of any security, credit, currency, rate or other market or economic measure. Furthermore, past performance is not necessarily indicative of future results. Romania disclaims liability for any loss arising out of or in connection with a recipient's use of, or reliance on, this presentation.

This presentation and the information contained herein is confidential and may not be reproduced, distributed or otherwise transmitted, in whole or in part, without the prior written consent of the Issuer. This document and/or the information contained herein, are not for publication or distribution, directly or indirectly, to persons in the United States (within the meaning of Regulation S under the Securities Act) or to entities in Canada, Australia or Japan or any other jurisdiction which prohibits the same except in compliance with applicable securities laws. Any failure to comply with this restriction may constitute a violation of United States securities laws and/or the securities laws of other countries.

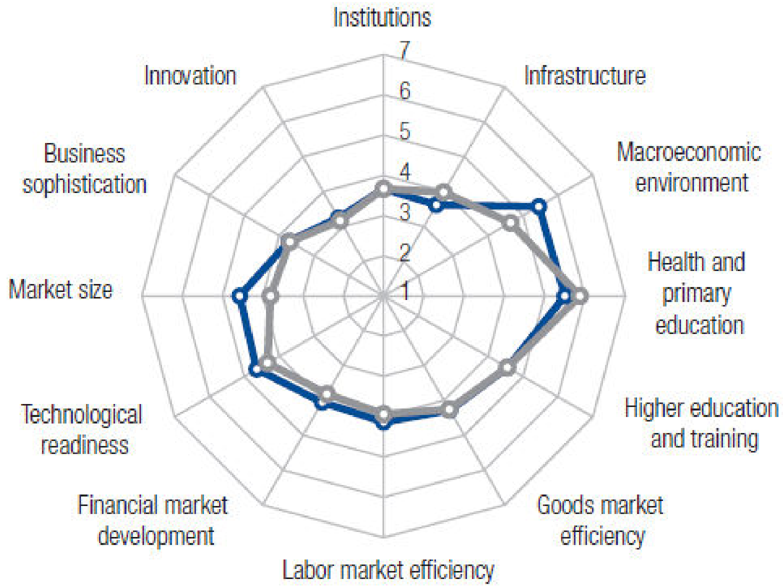
By accepting this document you will be taken to have represented, warranted and undertaken that (i) you are a person to whom this presentation may be given (as described above); (ii) you have read and agree to comply with the contents of this notice; and (iii) you will treat and safeguard as strictly private and confidential all such information and take all reasonable steps to preserve such confidentiality.

Agenda

Romania’s Profile

Romania: from an efficiency driven economy to a innovation driven one

Romania – Global Competitiveness Index 2015-2016



Stage of development

	Rank (out of 140)	Score (1–7)
GCI 2015–2016	**53**	**4.3**
GCI 2014–2015 (out of 144)	59	4.3
GCI 2013–2014 (out of 148)	76	4.1
GCI 2012–2013 (out of 144)	78	4.1
Basic requirements (37.4%)	**70**	**4.6**
1st pillar: Institutions	86	3.7
2nd pillar: Infrastructure	86	3.6
3rd pillar: Macroeconomic environment	34	5.4
4th pillar: Health and primary education	83	5.5
Efficiency enhancers (50.0%)	**44**	**4.4**
5th pillar: Higher education and training	59	4.5
6th pillar: Goods market efficiency	73	4.3
7th pillar: Labor market efficiency	78	4.1
8th pillar: Financial market development	55	4.0
9th pillar: Technological readiness	46	4.6
10th pillar: Market size	43	4.6
Innovation and sophistication factors (12.6%)	**84**	**3.5**
11th pillar: Business sophistication	88	3.7
12th pillar: Innovation	75	3.2

Source: World Economic Forum - The Global Competitiveness Report 2015-2016

Key Features of Romania's Credit Profile

Strong Macroeconomic Framework

- In Q2 2016 real GDP growth was 6.0%, totaling in H1 2016 at 5.2% YoY, the largest increase in the EU, with main drivers for H1:
  - On the demand side: private consumption of households (+ 10.4% YoY) and gross fixed capital formation (+ 7.3% YoY)
  - On the supply side: all sectors had a positive contribution, led by trade[(1)] (+12.6% YoY) and agriculture[(1)] (+10.1% YoY)
- In 2015, real GDP growth in Romania was 3.8% while the average GDP growth between 2004 and 2015 was 3.4%
- Reforms continue, with visible progress made in absorption of EU funds

Well capitalized and liquid banking sector

- Comfortably high levels of provisioning for NPLs
- NPL ratio[(2)] showed a sustained downward trend (21.5% in Sept. 2014 to 11.0% in July 2016)
- No public funds used to bail out local banks
- Very well capitalized banking sector, with an average total capital (solvency) ratio of 19.1% as of June 2016
- Stable exchange rate

Strong financial sector

- The capital market of Romania has been put by FTSE Russell on the list of countries that have a substantial potential to be upgraded to the status of the Emerging Market in short or medium term perspective.

Low Public Debt

- Public Debt to GDP ratio of 36.8% at end of September 2016, and 37.9% as of year-end 2015 (Eurostat, ESA methodology)
- 2010 – 2015 CAGR[(2)] for public debt of 5.1%
- Prudent debt management policy, aimed at continued stability
- Investment grade ratings from all major credit rating agencies - BBB- from S&P, Fitch, Moody's (positive outlook) and BBB from JCRA

Notes: (1) Full category names as per the Romanian National Institute of Statistics are "Trade, hotel and restaurants, transport and communications" and "Agriculture, forestry and fisheries" respectively.
(2) Under the EBA Methodology. The same observation applies to data under the national methodology.
(3) CAGR – compound annual growth rate.

Stable and Resilient to External Risks

Greece	▪ Practically no negative spillover effects so far from the crisis in Greece ▪ Limited external trade exposure – Greece ranks below top 15 export destinations ▪ Moderate share of banks with Greek capital: Market share (by assets) of Greek banks' subsidiaries reduced from 12.2% at the end of 2014 to 10.5% in July 2016 ▪ Four Greek owned subsidiaries (not branches) operate in Romania. These are fully incorporated under Romanian law and subject to National Bank supervision. All four are adequately capitalized
Migrant Crisis	▪ Similarly to other Eastern European nations, Romania has not been disrupted by Middle Eastern / African migrants ▪ Limited indirect effects from immigration flows
Oil Prices	▪ The low levels of oil price – supporting export competitivity and increase purchasing power, as Romania is a net importer of oil(1)
Pro EU and NATO	▪ All major political parties in Romania are officially committed to EU and NATO membership ▪ No extremist parties are popular in Romania ▪ Romania houses a permanent NATO base and is part of the US Missile Defence Shield in Eastern Europe
Russia and Ukraine	▪ Trade relationships with Ukraine – small share in total foreign trade (less than 1%) ▪ Very limited gas imports from Russia (2015 – 1.85% of total gas needs) since Romania is able to cover a large share of its gas consumption from domestic sources ▪ Very limited Russian ownership present in metallurgy, iron and steel and oil refining. No credit institutions with Russian or Ukrainian shareholding
Correlation with the EU and Brexit	▪ Though Romania has strong trade and financial ties with other EU countries, its trade openness is lower than other countries in the region, which suggests a degree of insulation from EU shocks ▪ The Brexit referendum has had limited negativity impact so far on Romania, the initial volatility subsiding over time

Note: (1) As confirmed by the BP Statistical Report of World Energy 2015

Romania’s Solid Economic Growth

Romania's Economy: Macroeconomic Indicators

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Macroeconomic Indicators						***Forecast***	***Forecast***	***Forecast***	***Forecast***
Real GDP (% y-o-y)	1.1	0.6	3.5	3.1	3.8	4.8	4.3	4.5	4.7
Inflation rate (%, e.o.p.)	3.1	4.95	1.55	0.83	-0.93	-0.5	2.5	2.3	2.2
Inflation rate (%, annual average)	5.8	3.33	3.98	1.07	-0.59	-1.6	2.3	2.5	2.3
Budget balance (% GDP, cash)	-4.3	-2.5	-2.5	-1.7	-1.35	-2.8	-2.8	-2.3	-1.6
Budget balance (% GDP, ESA2010)	-5.3	-3.7	-2.1	-0.9	-0.7	-2.9	-2.9	-2.3	-1.6
Government debt (% GDP, EU methodology[(2)])	34.2	37.3	37.8	39.4	37.9	38.6	39.6	40.2	40.1
Exports of goods (%, y-o-y)	21.2	-0.5	10.0	5.8	4.1	5.5	7.3	7.6	7.7
Current account balance (% GDP)	-4.6	-4.5	-1.1	-0.7	-1.2	-2.2	-2.2	-2.3	-2.2
Interest And Exchange Rates									
NBR policy rate (%, e.o.p)	6.00	5.25	4.0	2.75	1.75	1.75 [(3)]			
Average exchange rate (RON/EUR)	4.24	4.46	4.42	4.4446	4.445	4.48	4.46	4.44	4.42
Labor Market Indicators									
ILO unemployment rate (%)	7.2	6.8	7.1	6.8	6.8	6.5	6.4	6.3	6.2

Note: Source: National Institute of Statistics, National Commission of Prognosis –Autumn preliminary forecast 2016; (2) EU methodology; (3) As of May 7th 2015.

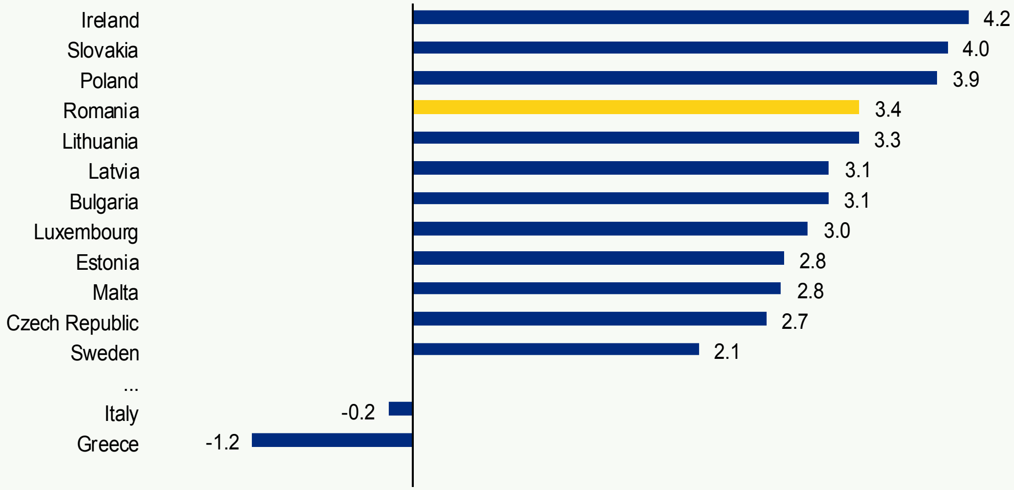
Macroeconomic outlook

- The economic growth estimated for this year is 4.8%; the 9 months GDP growth was 4.9% vs 2015 9 months, the biggest in the EU countries;
- For the period 2017 – 2019, we estimate a gradual improvement of the economic outlook, with an average annual increase of GDP of 4.5%;
- Current account deficit estimates: 1.2% of GDP in 2015 and around 2.2% of GDP for the period 2016-2019. Over 50% of additional imports are capital goods;
- Unemployment rate (BIM) is forecasted to decrease from 6.8% in 2015 to 6.2% in 2019;
- New jobs created in the H1 2016 were 167.1 thousand; the employment rate of the working age population (15-64 years) in H1 2016 was 60.8% vs 60.6% in H1 2015.

Source: National Commission of Prognosis

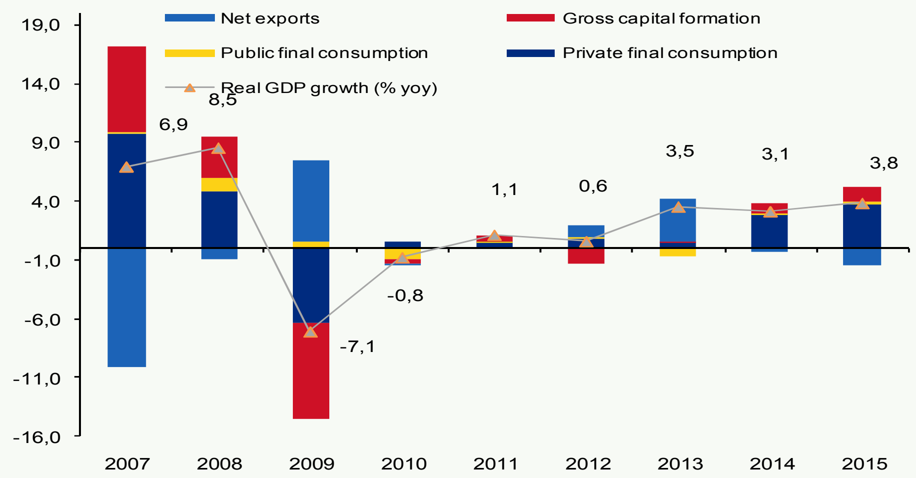
Economic Growth Supported by Domestic Demand

Romania is one of the fastest growing economies in the EU…
% GDP growth, average 2004 – 2015



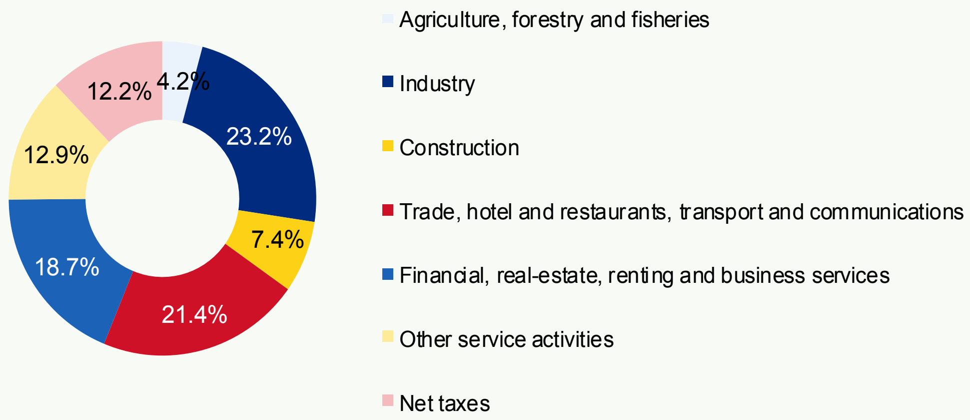
Source: Eurostat.

… with GDP growth underpinned by domestic demand
Aggregate demand, percentage points



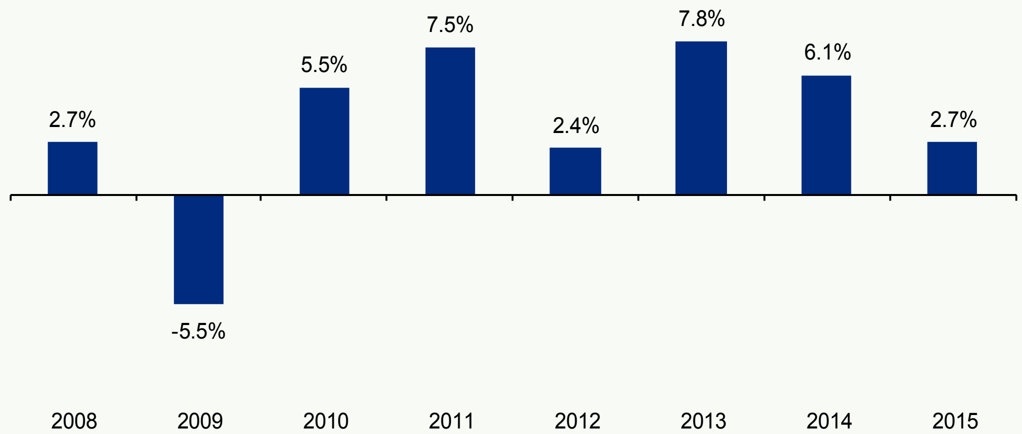
Source: National Institute of Statistics.

The Romanian economy is diversified
Structure of gross domestic product by sectors in 2015, %



Source: National Institute of Statistics.

Industrial production underpins economic growth
% change in industrial production, YoY



Source: National Institute of Statistics.

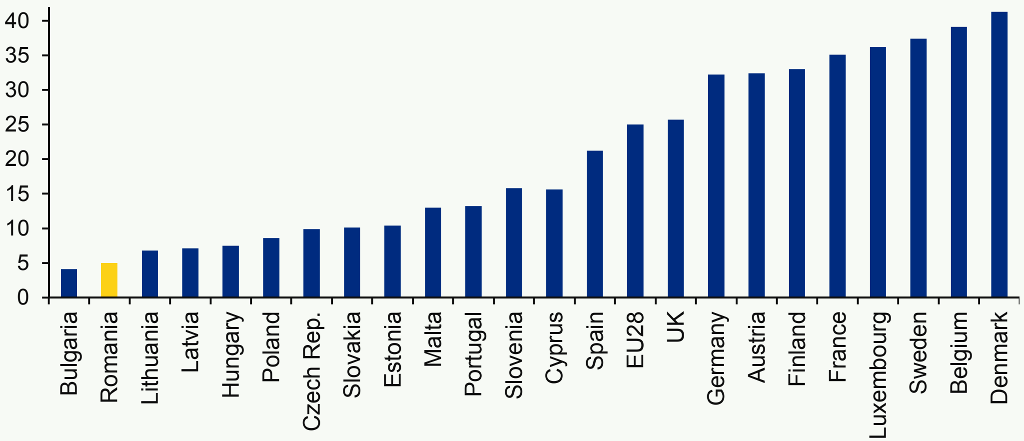
Labour Market Conditions Supportive of Long-Term Growth

- Romanian labor costs are among the most competitive in the EU
- Highly educated workforce: #54 / #187 in 2013 according to the United Nations Education Index[1]
- Romania's unemployment rate remains substantially lower than the EU28 average
  - The unemployment rate in 2015 was 6.8%[2], which was lower than in 18 of the 28 EU countries

Notes: (1) Based on 2013 data, the most recently available.
(2) Based on Eurostat data.

Low labour costs…

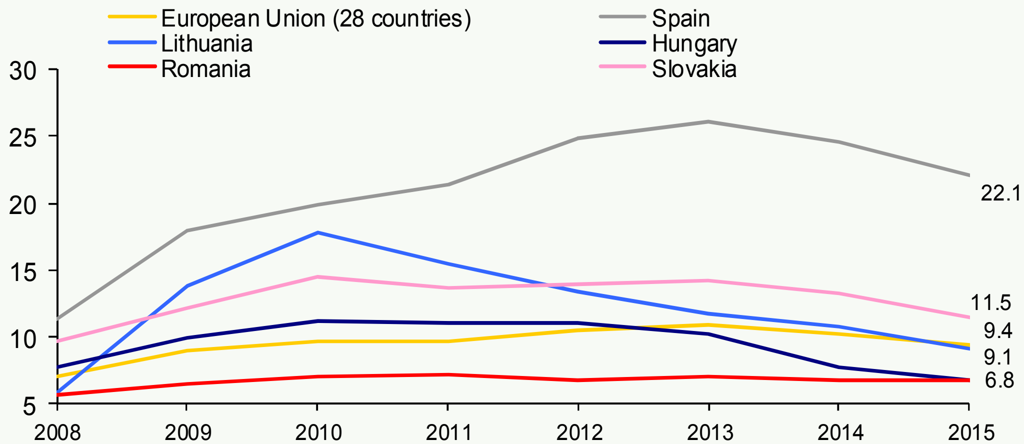
Labour costs per hour, EUR as of 2015



Source: Eurostat. Data according to ESA 2010 methodology.

Low unemployment

Unemployment % according to the ILO methodology

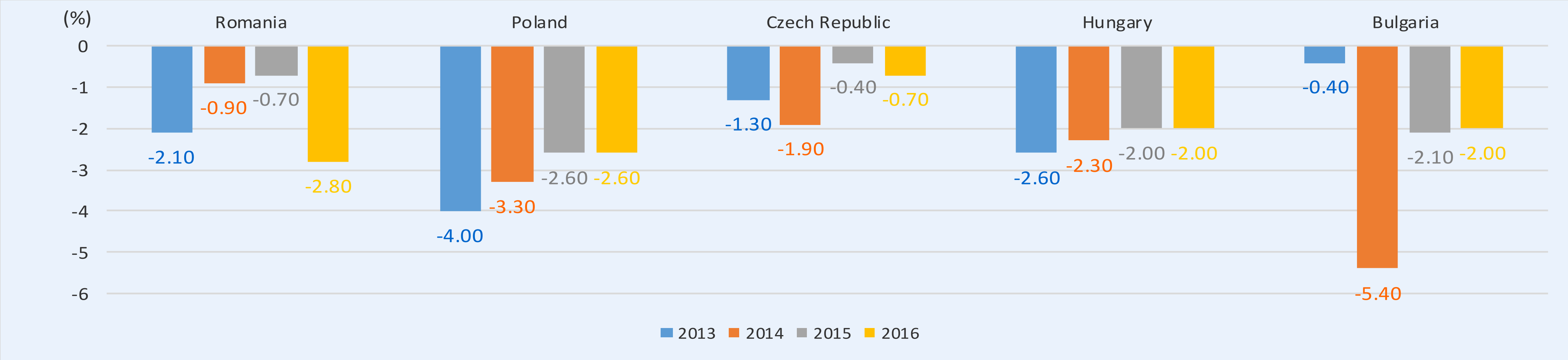


Source: Eurostat.

Sustainable Fiscal Policy and Budget Performance

General Government Deficit

Peer Comparison (% GDP)



Source: CE Spring Prognosis 2016; RO: Convergence Programme

ESA and cash terms (% GDP)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
ESA Deficit	-5.4	-3.7	-2.1	-0.9	-0.7	-2.9	-2.9	-2.3	-1.6
Structural Deficit	-3.1	-2.6	-1.1	-0.2	-0.3	-2.7	-2.9	-2.4	-1.9
Cash Deficit	-4.2	-2.5	-2.5	-1.7	-1.35	-2.8	-2.8	-2.3	-1.6

Source: Ministry of Public Finance, according to the Convergence Programme

2016 Budget Framework: Focus on Growth

- The main goals of the Fiscal Code – stimulating the economy while improving real convergence to EU levels, as well as improving the tax regime and reducing tax evasion
- Additional measures in the FC were taken for simplifying and support business environment and reducing bureaucracy
- Investment expenditures of RON 38 bn budgeted for 2016
- In order to improve spending efficiency for investment projects, 20 priority projects were selected, amounting to RON 4.8bn
    - Priority areas for projects: transport, research, IT and sport
- The 2016 national budget was built assuming a cash deficit of 2.8% of GDP (ESA deficit of 2.95% of GDP)
    - Revenues initially estimated at 31.0% of GDP while expenditures were estimated at 33.8% of GDP

Macroeconomic assumptions for the 2016 Budget

Indicator	Value for Initial Budget	Value for First Budget Revision	Value for Second Budget Revision
GDP (RON billion)	746.6	757.0	758.5
Real growth rate (%)	**4.1**	**4.2**	**4.8**
Average exchange rate RON/EUR	4.44	4.50	4.48
Inflation / annual average (%)	0.5	-1.2	-1.6
Average number of employees (‘000s)	4,780	4,775	4,750
No. of unemployed persons registered as at the end of year (‘000s)	450	429	429
- Rate of registered unemployment (%)	4.8	4.8	4.8
Gross average salary (RON/month)	2,681	2,764	2,815
Goods exports – growth (%)	5.8	5.5	5.5
Goods imports – growth rate (%)	7.0	7.8	7.8
Current account balance (% of GDP)	-1.2	-2.0	-2.2

Source: Ministry of Public Finance.

2016 Budget: Measures

Revenues

2016	2017
VAT	
20%	19%
Health and Social Insurance Contributions	
	– Tax base – max 5 gross average monthly salaries per economy – In principle mandatory payment by all categories of taxpayers
Tax on SMEs	
• Setting up a differentiated 1% tax rate on income for the first two years of activity of new micro-businesses, existing more than 48 months and having at least one employee. • Increasing the revenue threshold for this system of taxation from EUR 65.000 to EUR 100.000. • Introducing a differentiated system of taxes: 1-3% (minimum of two employees - 1%, one employee - 2%, 3% for none)	
Corporate and Personal Income Taxes	
Flat rates of 16%	
Tax on Dividends	
Reduced tax on dividends for legal, domestic and non-resident persons from 16% to 5%, as of January 1st, 2016.	
Excises	
• Reduced rates for energy products (diesel, leaded / unleaded petrol), as of January 1st, 2017. • Elimination from the tax base of crude oil from domestic production, luxury goods. • Introduction of electronic cigarettes and heating tobacco products in the field of excises duty.	
Construction Tax	
• Elimination of special tax on constructions, as of January 1st, 2017.	

Expenditures

- Doubling of child benefits;
- Salary increase of 25% for personnel in the public health and public social assistance systems;
- Salary increase of 15% for personnel in the educational system;
- Salary increase of 12% for personnel in public institutions of local subordination;
- Salary increase of 10% for other categories of personnel paid from public funds;
- Other measures addressing specific categories of employees.

Tax Collection

- Modernized tax administration under World Bank financed project;
- Establishment of Tax Anti-fraud Department within The National Agency for Fiscal Administration ("NAFA") – single body with full powers to carry out control activities on compliance with fiscal legislation;
- Measures to improve tax collection and make fiscal administration more taxpayer-friendly;
- The Anti-Fraud Department of NAFA focuses on monitoring, supervising and auditing the economic sectors for which tax evasion, financial indiscipline and poor tax compliance are more frequent, as part of its efforts to prevent non-compliance by making taxpayers aware of the activities undertaken by anti-fraud inspectors.

October 2016 Budget Execution

Revenues

- Revenues to the general consolidated budget, in the amount of RON 187.6 billion (24.7% of GDP), **decreased by 2.1%** in nominal terms compared to the same period of the previous year
- As compared to the same period of 2015, revenues registered increases in the collection of: profit tax (+ 11.2%), social security contributions (+ 7.3%), excise tax (+ 5.6%) and income and salary tax (+ 4.3%)
- Revenues from the collection of VAT decreased by 8.8%, as compared to the same period of the previous year, due to both the reduction of the VAT standard rate from 24% to 20% from 1 January 2016 (which influenced the revenues recorded in February 2016) and the adoption of a reduced VAT rate of 9% applicable for food items, from 1 June 2015

Expenditures

- The expenditure of the general consolidated budget, in an amount of RON 188.8 billion, increased in nominal terms by 3.4% YoY, but **decreased by 0.7 percentage points** (as a percentage of GDP)
- Personnel expenditure increased by 10.7%, as compared to the same period of the previous year, mainly influenced by salary increases in the second part of 2015 and by the increase of the minimum gross salary
- Goods and services expenditures decreased by 1.4% YoY, while the expenditure for social assistance increased by 7% YoY
- Investment expenditure, including capital expenditure and the expenditure related to development programs amounted to RON 19.3 billion, representing 2.5% of GDP

First budget revision focused on investments, health and education

Second budget revision focused on redistribution of funds towards health, investments, agriculture, and for supporting education and social assistance projects.

The general consolidated budget showed a deficit of 0.17% of GDP in January – October 2016

Source: Ministry of Public Finance.

Investments & reforms

- The growth model for medium term is based on increasing role of investments, both public and private, while implementing decisive structural reforms:
  - We are simplifying the administrative procedures with a direct impact on business environment: red tape reduction - different certificates, elimination of some reports, communication with NAFA online;
  - We are pursuing important transparency measures, the budget execution for all public authorities institutions can be accessed online http://www.transparenta-bugetara.gov.ro/;
  - For stimulating public investments, including EU funds, an improved legislative package on public procurement has been approved by the Government;
  - For supporting business environment

  - fiscal facilities (for reinvested profits, training and dual education, wine producers, salaries on R&D&I area);

  - reduced VAT rate for agricultural sector (seeds and specific works in agriculture)

Government’s role in supporting real economy via state-aid and guarantee schemes

- Supporting investment projects with important impact on the economy by creating new jobs and increasing contributions of the funded enterprises to the state budget;
- Ensuring the private sector development and the creation of an attractive investment environment for foreign and local investors;
- Reducing financial and economic disparities between regions comparing to the EU standards;
- Obtaining a multiplication effect in the economy by developing also other related investments as local products and services suppliers;
- Using guarantee schemes to ease and improve the access to funding for SME’s and other legal entities focused on improving the EU funds absorption;
- A new state aid support for SME’s (starting with 1st of Jan 2017)
- Use of privatization receipts to speed up payments to beneficiaries of EU funds via a cash management mechanism.

State aid for large enterprises granted by Ministry of Public Finance (2007 – 2016)

Projects	Approved Completed*	93 35
Total investment		EUR 3.2 bn
Total state aid	Approved Paid	EUR 819 mn EUR 532 mn
Number of new jobs	Assumed Created	26,922 20,028
Total value of contribution to the regional development**		EUR 1.6 bn

(*) in monitoring period (min. 5 years) regarding preservation of the investment and the newly created jobs
(**) including OUG 109/2008 regarding Ford
Data as of end September 2016

Structural reforms

- Launching the largest budget transparency platform in Europe (http://www.transparenta-bugetara.gov.ro/transparenta-bugetara/index.htm)
- Setting up a Unit that will review the public spending
- Prioritizing in an enforceable manner significant public investments
- A new department coordinating the public authorities involvement on PPP contracts
- Improving performance in state-owned companies
  - The Emergency Ordinance no. 109/2011 improved by Law 111/2016 regarding the corporate governance of the public institutions has been approved and has entered into force as of the 4th of June 2016.
  - The changes approved by the law increase the transparency of state enterprises' activity and provide a clear framework to hire professional managers in SOEs, by means such as:
    - Eliminating any waivers and enlarging the scope and applicability of the legal framework to financial institutions, investment companies, asset management companies, insurance companies;
    - Introducing informal working tools in the selection process of managers and directors, such as the letter of expectations, whereby the public coordinating authority establishes expected performance indicators on the supervisory board and management of the public company, and the declaration of intent, by which the shortlisted candidates for the position of director present their vision / program on public company development;
    - harmonizing the objectives and action plan of the supervisory board and the executives;
    - restructuring the sanctions regime by introducing penalties for non-compliance with the terms of the selection procedure and for the preparation of the management plan, and the introduction of penalties for the public coordinating authority which delays the start of the selection procedure.
  - Government approved recently of the Norms for the application of OUG no. 109/2011 improved by Law 111/2016

Structural reforms – SOEs – Privatization Program is Continuing

- The Romanian Government approved recently a Memorandum regarding the privatization program for the following public companies:
  - S.C. Complexul Energetic Oltenia S.A. (privatization of 15.29% shares) - public offer for capital increase, according to HG nr. 87/2013.
  - S.C. Hidroelectrica S.A. (privatization of 15% shares) public offer for capital increase, according to HG nr. 1066/2013.
  - C.N. Aeroporturi București S.A, capital increase of 20-25% and privatization of the resulted shares;
  - C.N. Administrația Porturilor Maritime Constanța S.A., capital increase of 20-25% and privatization of resulted shares.
  - S.N. CFR Marfă S.A. and Societatea Națională a Sării S.A., the strategy for privatization is still in progress.

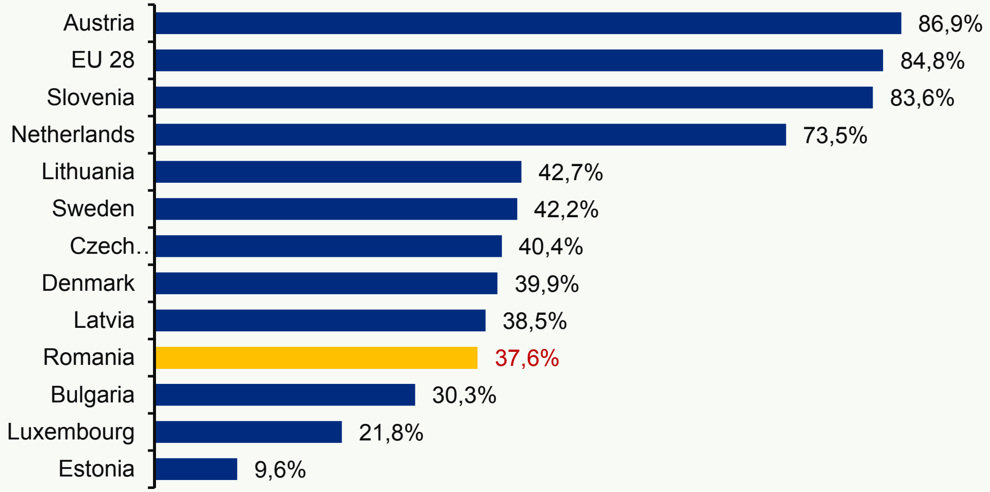
- For all the above mentioned companies the State will maintain the majority of the shares. All these companies have to present a calendar for the implementation the privatization strategies by end November, 2016.
- For all these companies, the privatizations will take place on the capital market.
- For S.C Rompetrol S.A (26.69 % shares) and S.C Sanevit 2003 S.A (100%) the privatization will be carried out through other methods than the capital market (public tender).

Public Debt at Sustainable Levels

Public Debt is Sustainable

Romania has the #4 lowest Debt / GDP ratio in the EU

General Government Debt / GDP Q1 2016, %



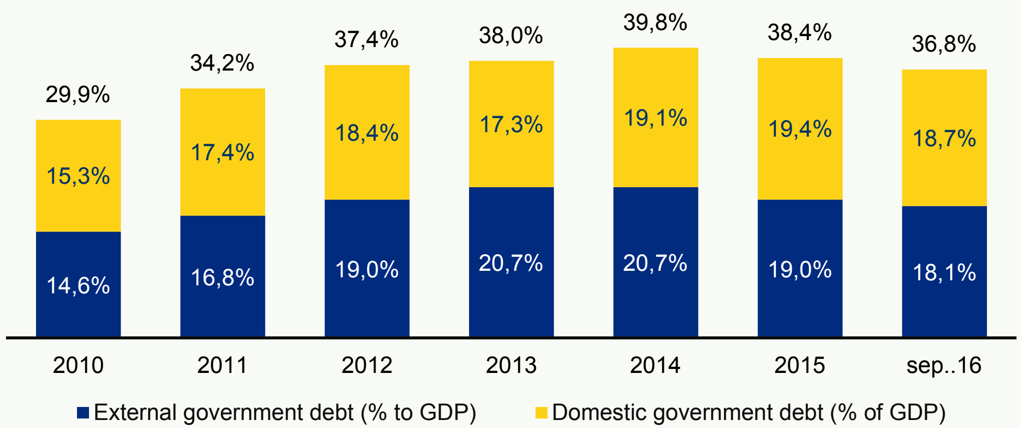
Source: Eurostat – release July 2016 Government Debt.

(% of GDP)	2012	2013	2014	2015e	2016f	2017f
Gross financing need, out of which:	11.6%	11.3%	9.0%	8.8%	9.3%	8.3%
- Budgetary Deficit	2.5%	2.5%	1.7%	1.4%	2.8%	2.9%
- Refinancing of Public Debt	9.1%	8.8%	7.3%	7.4%	6.5%	5.4%
Foreign Currency Buffer	2.6%	3.9%	4.6%	3.7%	4.0%	4.0%
Net Government Debt[(1)]	34.7%	33.9%	34.8%	34.2%	34.6%	35.6%

Notes: (1) Calculated as Gross government debt (EU Methodology) - Foreign currency buffer.
Source: Ministry of Public Finance.

Debt / GDP is stable…

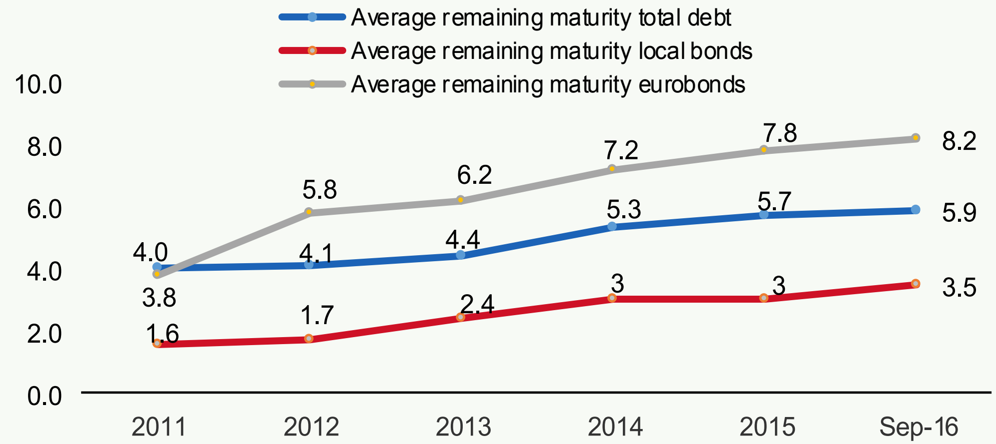
General Government Debt / GDP ESA 2010 – September 2016



Source: Ministry of Public Finance - (EU Methodology).

…and based on a prudent maturity[(1)] profile

Average Remaining Maturity (August 2016) in years

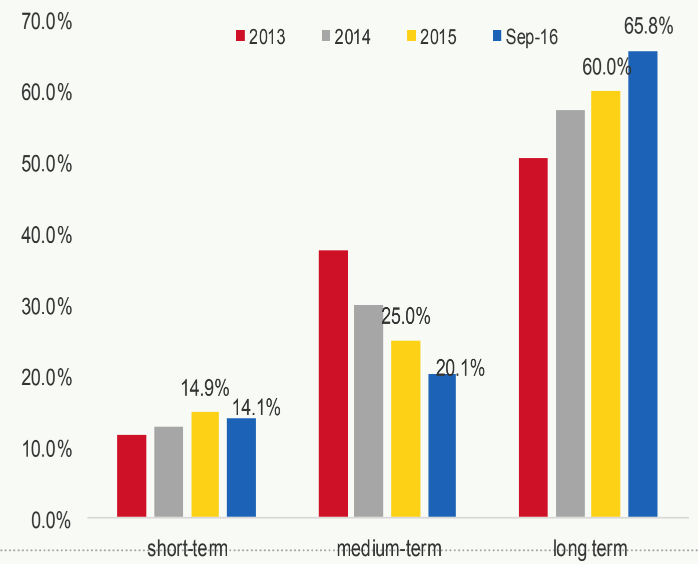


(1) Of public government debt according to the national legislation

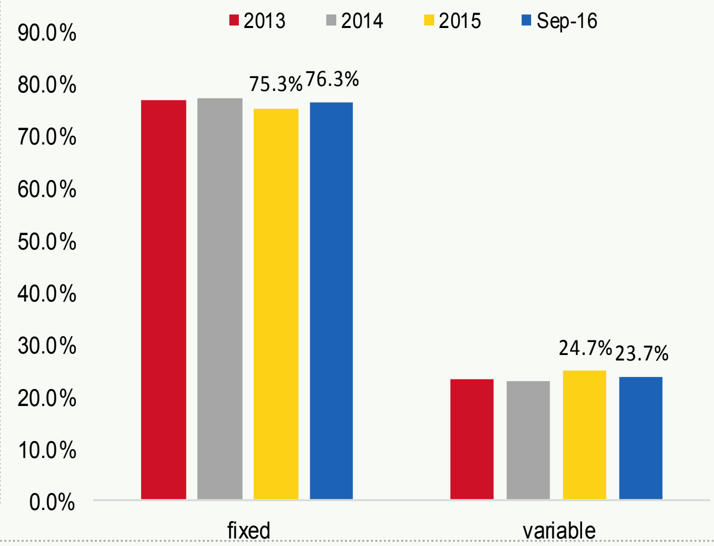
Source: Ministry of Public Finance.

Stable Government Borrowing Profile

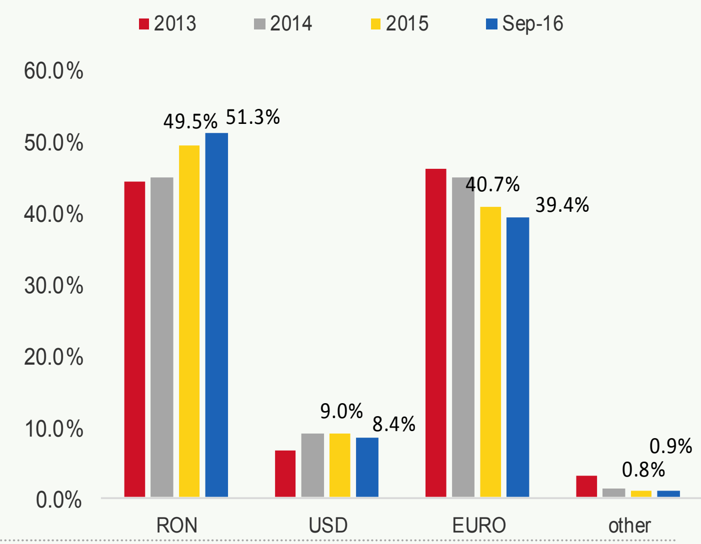
Increasingly long tenor borrowings…



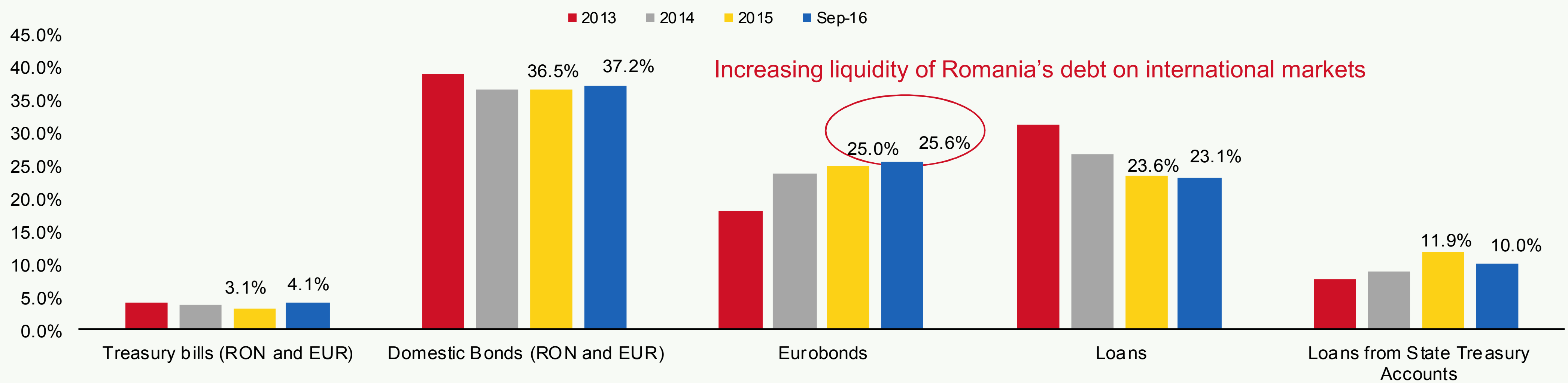
…mostly paying fixed interest…



…primarily in RON and EUR…



… are reinforced by a stable mix of funding instruments



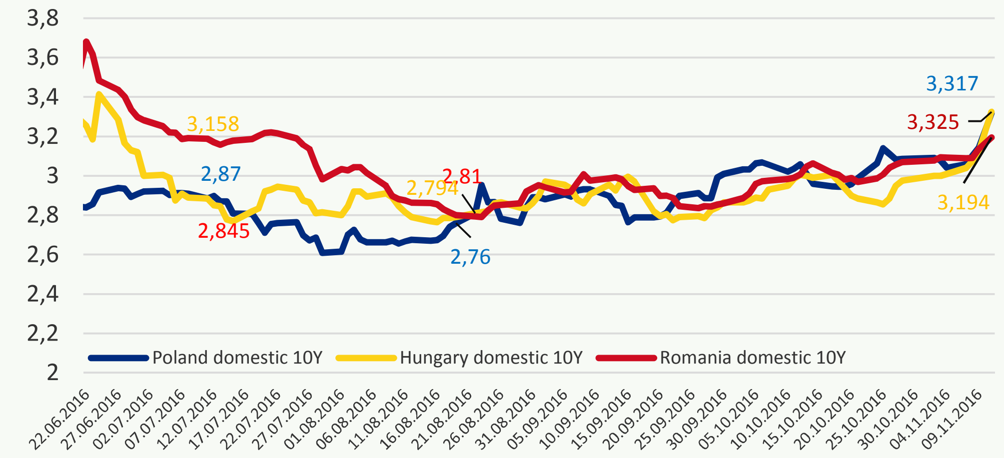
Source: Ministry of Public Finance; Note: Based on national legislation.

Romanian Credit has shown Strong Market Performance

- Romanian yields have shown resilience during volatile periods and are still at relatively low levels while strong spread compression happened across the curve since January 2016 and after Brexit referendum
- Investment grade status by S&P, Moody's, Fitch, with positive outlook from Moody's since December 2015
- The historically low yield environment has allowed Romania to extend its average debt duration (outstanding yield curves: up to 20 years in EUR and 30 years in USD) at favorable prices

Strong resilience to Brexit effects compared to our peers…

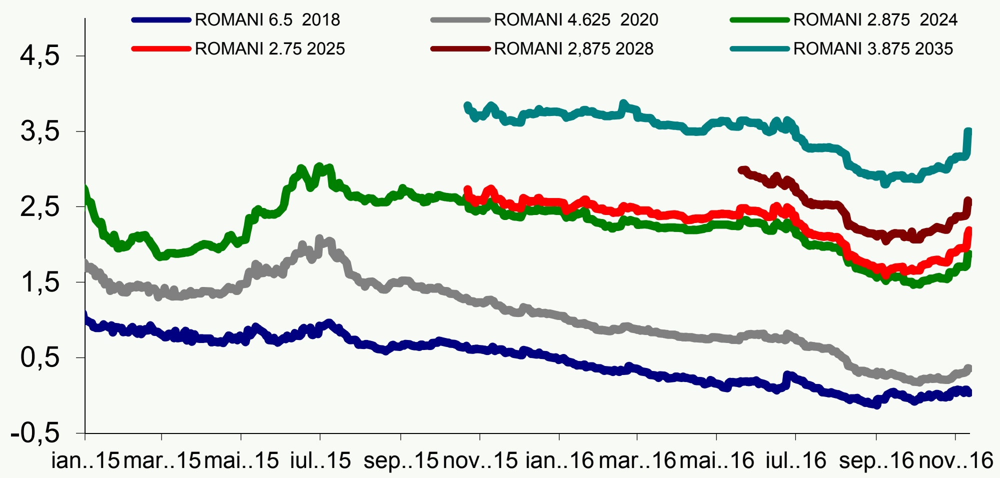
Domestic 10Y yields PL, HU, RO (%)



Source: Market data

…stable yields…

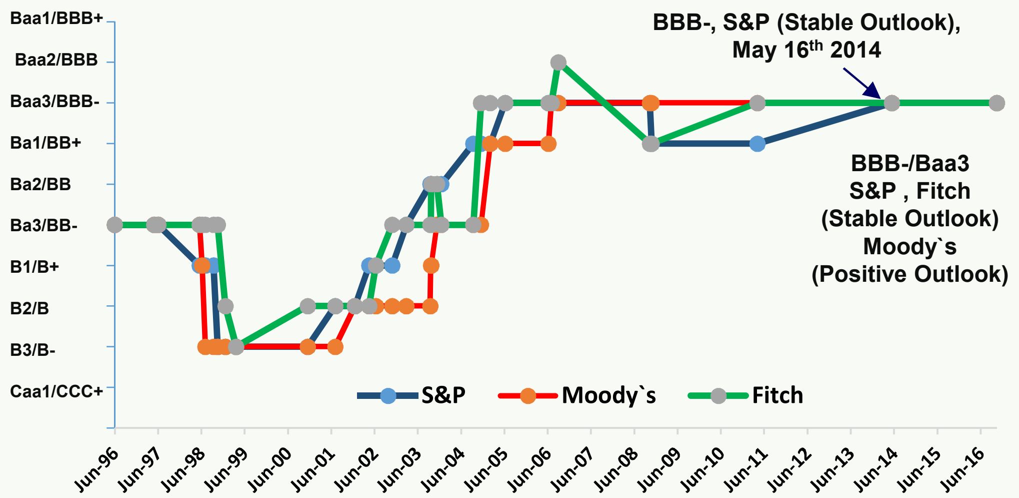
Bid Yields of Romanian EUR Eurobonds, %



Source: Market data

… and investment grade rating

Romania's credit rating history

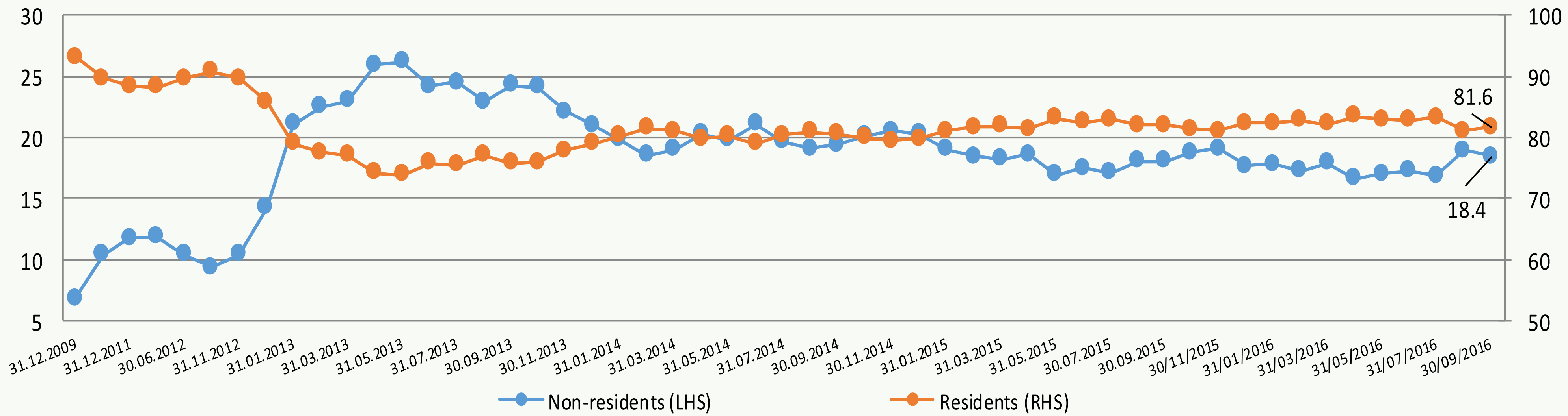


Source: Market data

Non-resident Holdings

Non-residents holdings stabilizing

Domestic government securities held by non-residents, %



- The non-residents held 18.4% of government securities issued on domestic market at end September 2016 and remain the main holders for the long maturities on domestic market; the local commercial banks' holdings (of the total outstanding T-bills and bonds) represented 47.3%, the pension funds' holdings were 14.9%;
- The weight in the international indexes of Romania's domestic issued bonds has increased over time, leading to the diversification of the investor base. At the end of October 2016 the weight in the international indexes are 6.07% in GBI EM Global Diversified Investment Grade and 1.26% Barclays EM Local Currency Government Index;
- Eurobonds issues - Fund managers have the most significant participation (60-70%), followed by institutional investors (10-20%), commercial and private banks (15-25%) and central banks (3-5%);
- Eurobond issuances in EUR - we have had significant participation from Western European Countries (Germany and Austria around 8% for issues of 10Y and 20% for longer, UK around 25% on average, France and Benelux around 10% etc) as well as Central and Eastern European states (usually around 10%), and investors from the Middle East and Asia had an average participation of around 2-3%.

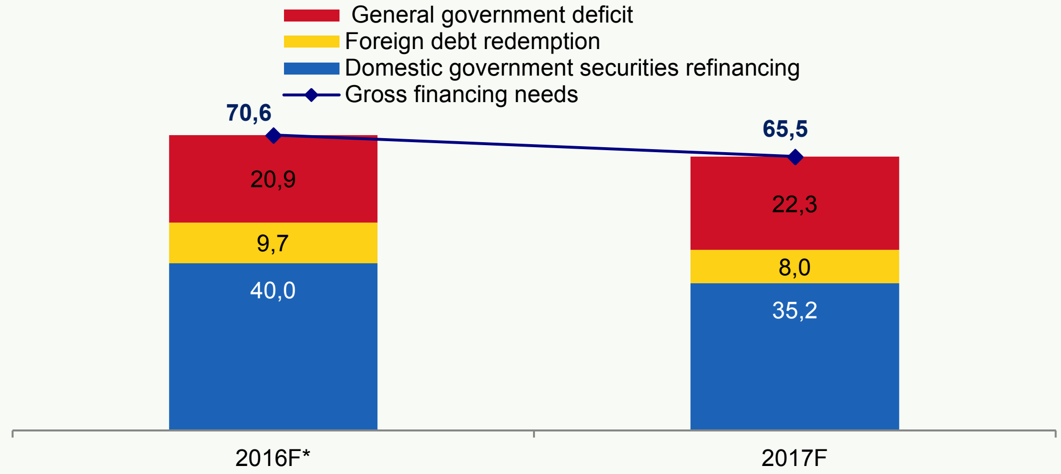
Prudent Debt Management Policy

…robust market access…

- Romania's funding sources are well diversified:
  - **Domestic market via** government securities issues in RON and in EUR
  - **External market** (Eurobonds, Institutional Loans from IFIs and government agencies)
- A hard currency buffer has been built up to cover around four months of gross funding needs

…with low financing needs…

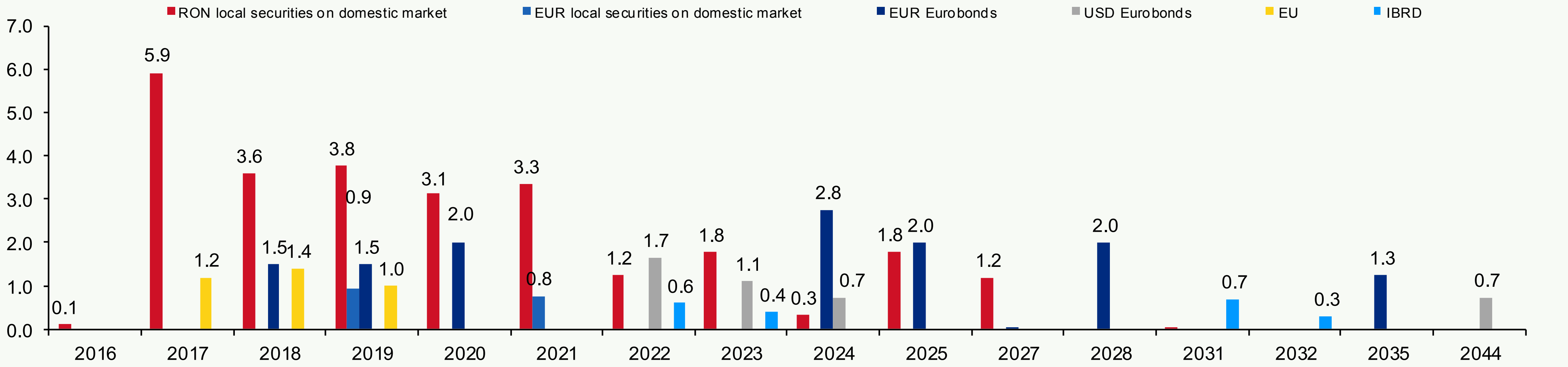
Government Financing Needs, RON bn



* Based on estimated Budget (cash) deficit of 2.8% of GDP.
Source: Ministry of Public Finance

… and confirmed by a balanced redemption profile

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



Source: Ministry of Public Finance. Data as of November 18th, 2016.

Prudent Debt Management Policy (cont'd)

…underpinned by conservative targets

	Parameters[1]	Levels as of September 2016[2]	Levels as of Dec 31, 2015	Indicative targeted min / max ranges (2016- 2018)
Currency Risk	Share of domestic currency debt, % of total	45.3	42.7	40 – 55
	Share of EUR debt out of total foreign-currency denominated debt, %	80.8	80.6	80 – 95
Refinancing Risk	Debt maturing in one year, % of total	14.0	18.0	15 – 25
	Local currency debt maturing in one year, % of total	24.0	28.0	20 – 30
	ATM[3] for total debt, years	5.9	5.7	5 – 7
	ATM[3] for local currency debt, years	4.0	3.4	3 – 5
Interest Rate Risk	Debt re-fixing in one year, % of total	18.0	23.0	15 – 25
	Local currency debt re-fixing in one year, % of total	24.0	28.0	20 – 30
	ATR[4] for total debt, years	6.0	5.7	4.5 – 6.5
	ATR[4] for local currency debt, years	4.0	3.4	3 – 5

Objectives of the Debt Management Strategy

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

Strategic Guidelines During 2016-2018

- Pursue policy of favoring local currency net financing to develop the domestic debt market and mitigate foreign currency exposure
- Smoothening redemption profile
- Foreign currency buffer to mitigate refinancing and liquidity risks
- Keep presence on the euro market, mainly in EUR and access to US dollar market or other foreign currency markets on an opportunistic basis
- External financing will be contracted mainly in EUR
- The issuance of domestic government securities in EUR can be considered only under the circumstances of reimbursement/refinancing of similar instruments
- Monitor exposure to interest rate risk by maintaining under control the share of domestic debt refixing within the next year and ATR for the total portfolio
- Continue the use of financing instruments offered by international financial institutions to benefit from favorable terms and conditions

Source: Ministry of Public Finance: Public Debt Bulletin September 2016.

Notes: (1) Relates to government public debt according to national legislation excluding the General Current Account.
(2) Risk indicators 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 2016-2018
(3) ATM – average time to maturity. (4) ATR – average time to re-fixing.

Improved EU Funds Absorption

EU Funds Absorption has Accelerated in the Past Years

Operational Program	Development Objective	Allocation 2007 - 2013	Absorption Rate December 2014	Absorption Rate December 2015	Absorption Rate October 31th 2016
		EUR bn	%	%	%
RO Program(1)	Economic, social, balanced and sustainable regional development	3.97	57	64	85
SOP(2) Environment	Protect and improve the environment and living standards	4.41	42	62	79
SOP Transport	Modernization and development of European priority transport axes within Romania and the national transport infrastructure as a whole	4.29	57	62	77
SOP Increase of Economic Competitiveness	Fostering growth towards a knowledge-based economy	2.54	57	76	94
SOP Human Resources Development	Open, knowledge-based society through provision of conditions facilitating human resources development	3.48	47	55	68
OP Administrative Capacity Development	Help increase the responsiveness of Romania's public administration and judicial system	0.21	72	89	99
OP Technical Assistance	Strengthening the capacity of beneficiaries to prepare and implement EU financed projects	0.17	55	81	113*
TOTAL		**19.06**	**52**	**63**	**80**

- To assure the highest level of absorbtion, Romania implemented (and intends to further implement) 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

Source: Ministry of European Funds. Abbreviations: (1) Regional Operational; (2) Sectoral Operational Program.

* Includes amount requested through top-up mechanism

EU Funds Under the 2014 – 2020 Programming Period

Cohesion Policy: EUR 22.99 bn

Operational Programme	Funds Allocated, EUR bn	Status
OP Technical Assistance	0.21	Approved in 2014
OP Competitiveness	1.33	Approved in 2014
OP Human Capital (including Youth Employment Initiative: EUR 0.11 bn)	4.33	Approved in 2015
OP Administrative Capacity	0.55	Approved in 2015
OP Large Infrastructure	9.41	Approved in 2015
OP Regional	6.60	Approved in 2015
OP for SME's Initiative	0.10	Approved in 2016
OP's for European Territorial Cooperation	0.45	Approved in 2015

- Cohesion funds are aimed at reducing disparities between the various regions and the backwardness of the least-favoured regions
- Aside from cohesion funds, during the 2014 – 2020 period, Romania has additional available financings of c. EUR 20bn, under the European Multiannual Financial Framework. Approximately EUR 19bn of this is under the Common Agricultural Policy

Increased Focus on Controls

- **Performance Oriented:** There is a monitoring framework, including milestones and specific targets corresponding to each operational programme
  - Their completion will be verified in 2018 and 2022
- **Improving efficiency of EU funds spending:** the EC is putting in place performance reserves in amounts ranging between 5 and 7 per cent 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

Thank you for your attention!