Ministry of Finance

Report on government debt

December 31st, 2023

Directorate-General for Treasury and Public Debt

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1. Developments in the Romanian economy in 2023

In 2023, Romania recorded an economic growth of 2.1%, in a difficult geopolitical context and unprecedented challenges in the European economy regarding supply chains and energy markets, which mainly affected the industry, whose gross added value decreased by 2.3%, with the other sectors having positive dynamics.

After the significant **price** increases in 2022, which had strong negative effects on the economy both among companies and households, there is the beginning of a trend to mitigate inflationary pressures, so that the **annual inflation rate** was 6.6% in December 2023 (from 16.4% in December 2022). The internal factors of inflation were in 2023 located at the level of the group of services whose tariffs increased by 11.2% (mainly due to the inclusion in the costs of wage increases), increasing twice as fast as the prices of food (5.8%) and non-food goods (5.5%). On an annual average, inflation stood at 10.4%.

In 2023, **the labour market** proved resilient, despite the economic downturn. The ILO unemployment rate was 5.6%, similar to the previous year, and the average gross wage increased by 13.8%. Given that the average net wage increased by 14.5%, the purchasing power of employees increased by 3.7%.

In 2023, the **current account deficit** narrowed significantly to 7.0% of GDP, from 9.2% of GDP in 2022, a phenomenon driven almost entirely by the adjustment of the trade deficit.

Macroeconomic indicators

Indicators	2022	2023
GDP		
- billions Lei	1,401.3	1,605.6
- actual growth, %	4.1	2.1
Current account balance (% in GDP)	- 9.2	- 7.0
Consumer Price Index (CPI)		
- end of the year	16.4	6.6
- annual average	13,8	10,4
Average exchange rate		
- RON / EUR	4.9315	4.9465
- RON / USD	4.6885	4.5743

Source:NCSP- spring forecast of the main macroeconomic indicators – April 2024

The general consolidated budget deficit in cash terms in 2023 was 5.68% of GDP, while the budget deficit calculated according to the EU methodology (ESA 2010) represented 6.6% of GDP.

Under these circumstances, the gross financing needs determined by the level of the budget deficit and the volume of government debt refinancing, is presented as follows in the table below:

Billion Lei

	2022	2023
A. Funding needs, of which:	152.6	185.7
1. General consolidated budget deficit	81.0	89.9
2. Capital repayment	71.6	95.8
B. Pre-financing of financing needs for 2024, consolidation of foreign currency reserve and other operations	-	18.1

Source: MoF

The debt contracted in 2023 of 203.8 billion Lei includes both the funds necessary to cover the financing needs and the amounts used to consolidate the foreign currency reserve, amounts to cover the financing needs of the following year (pre-financing) in accordance with the Government Debt Management Strategy 2023-2025 as well as amounts for other operations (such as the payment of the share capital instalment to the Investment and Development Bank in December 2023 and loans to ATUs).

Sovereign Rating

During 2023, Standard & Poor's and Moody's maintained Romania's rating in the investment category (Standard & Poor's – BBB-/A-3 and Moody's – Baa3/P-3). The decisions took into account the positive outlook for economic growth supported by Next Generation EU funds and the Romanian authorities' commitment to fiscal consolidation under the excessive deficit procedure, but signalled a number of risks that could affect the sovereign rating in the coming period, such as the failure to achieve a sustained reduction in fiscal imbalances or the structural deterioration of public finances, as well as the widening of the current account deficit or an increase in geopolitical risk as a result of the Russian invasion of Ukraine.

2. Implementation of the policy for financing the budget deficit and refinancing government debt in 2023

2.1. Financing the budget deficit

The financing of the budget deficit in 2023 was carried out from domestic and foreign sources. The sources necessary to refinance the government debt were ensured from the markets where this debt was issued, as well as from the foreign currency reserve available to the State Treasury.

During 2023, the MoF maintained a predictable and flexible issuance policy adapted to the requirements of the investment environment, especially against the background of maintaining high financing needs and the evolution of domestic market conditions that fluctuated considerably during the year, the financing plan being successively increased from an initial volume of 160 billion Lei to the level of 203.8 billion Lei materialized at the end of the year.

The debt instruments used to finance the budget deficit and refinance the government debt were:

a) issues of government securities in Lei, i.e. discounted treasury certificates and benchmark bonds on the domestic market, with maturities on medium and long-term, up to 15 years,

b) issues of government securities in EUR on the domestic market,

c) government securities intended for the population launched under the TEZAUR Programme through the operative units of the State Treasury, as well as through the post subunits of the National Company Poșta Română, as well as under the FIDELIS programme carried out through the selected syndicate of banks consisting of Banca Transilvania/BT Capital Partners, BCR, BRD and Alpha Bank,

d) Eurobond issues in EUR and USD on international financial markets,

e) drawdowns from domestic and foreign loans,

f) loans from the available funds of the General Current Account of the State Treasury,

In order to improve government debt management and avoid seasonal pressures in ensuring the sources of financing the budget deficit and the refinancing of the government debt, in order to reduce the refinancing and liquidity risk, it was considered to maintain the financial reserve (buffer) in foreign currency at the disposal of the State Treasury, in order to cover the needs of financing the budget deficit and refinancing the government debt.

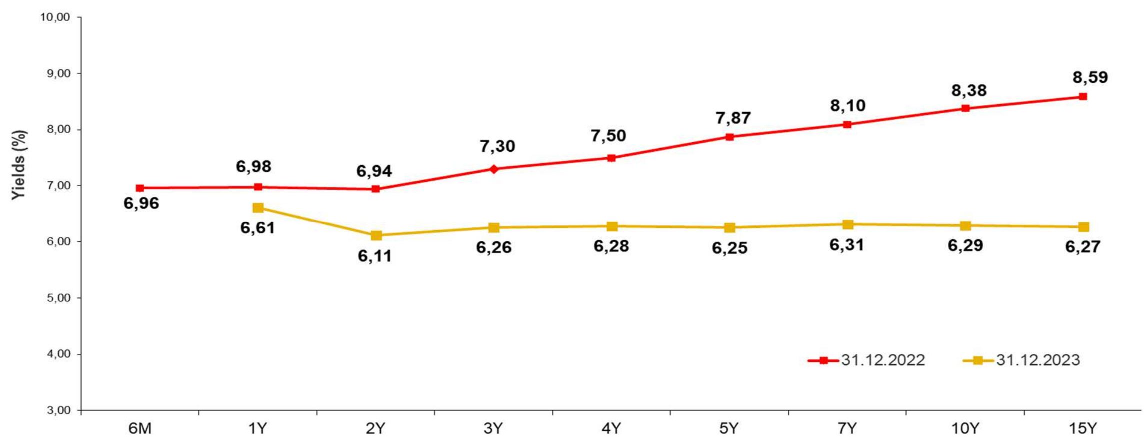
2.2. Domestic government securities market

Primary market

Developments on the domestic market of government securities have been influenced by the sharp increase in inflation at European and global level, and the outbreak of the war in Ukraine and the increase in prices of fuels and raw materials have led to episodes of increased volatility in the international financial market and deterioration in investor sense, amid the accentuation of the external imbalance and the uncertainties associated with budgetary consolidation.

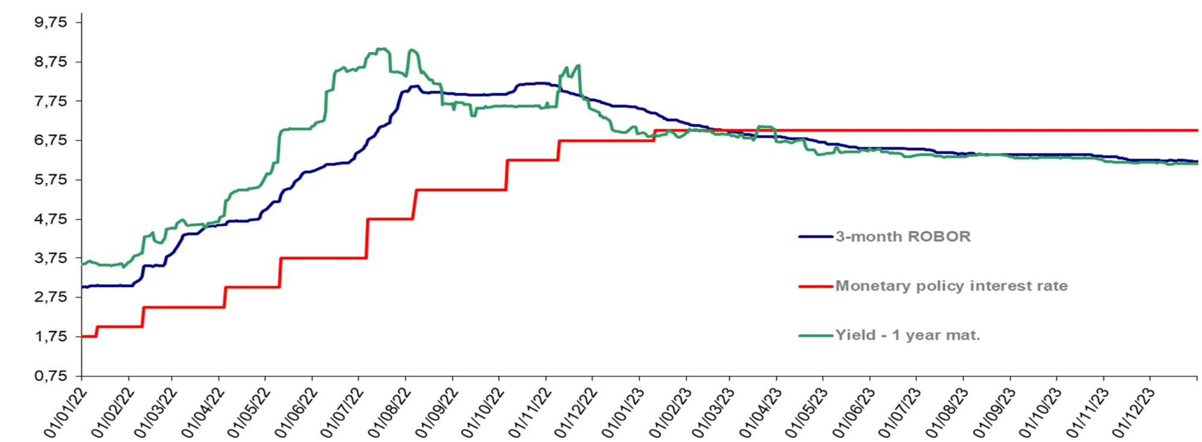
During 2023, the yield curve related to the sovereign bonds issued by the Romanian state on the domestic market had a downward trend, and the end of 2023 reveals a significant annual decrease of about 50 – 220 basis points manifested on all maturity levels, especially for the segment over 5 years.

Evolution of domestic secondary market yields at the end of 2023 vs. end of 2022



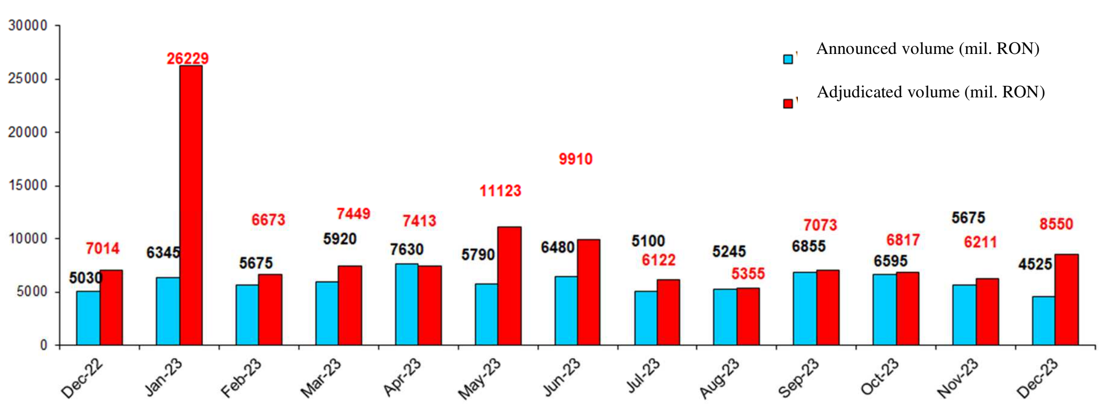
Source: MoF

Monetary policy interest rate vs. ROBOR at 3 months and yields at 1 year



Source: MoF, NBR

Announced volume vs. adjudicated volume in the period december 2022 - December 2023



Source:MoF

Investor demand was generally good in both domestic and foreign markets, amid a year marked by high uncertainties induced by both the geopolitical context and the war in Ukraine, as well as the energy crisis and restrictive monetary policies adopted by central banks.

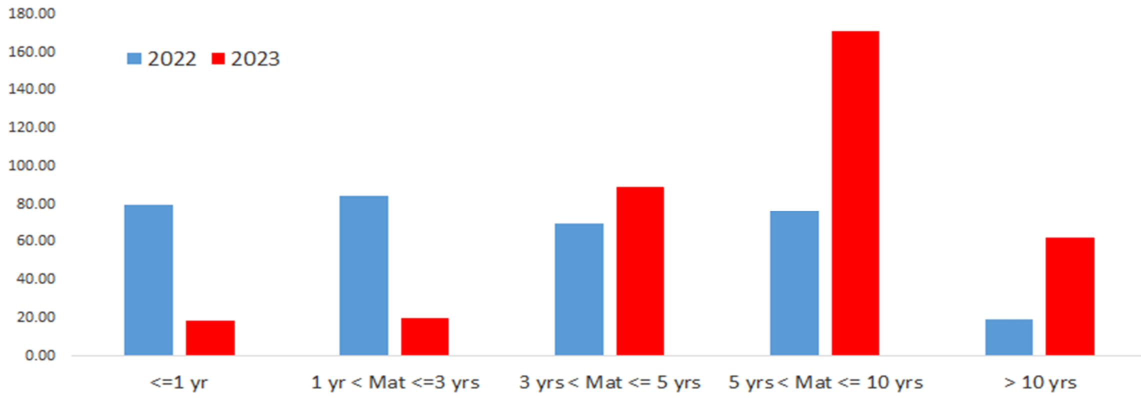
In 2023, government securities and loans were issued on the domestic market in a total amount of about 140.7 billion Lei equivalent, of which 3.57 billion EUR and 123.1 billion Lei, through:

- Government securities tenders on the interbank market and loans:105.1 billion Lei and 1 billion EUR, with the following maturity structure (residual maturity):
    - 6.3% are discounted Treasury certificate issues with a maturity of up to 12 months and benchmark bond issues with a residual maturity of up to 1 year;
    - 28.4% are benchmark bond issues with residual maturities between 1 and 5 years;
    - 65.3% are benchmark bond issues with residual maturities between 5 and 15 years.
- Exchange operations: Government securities issued on the domestic market due in 2023 and 2024 with government securities with longer maturities in the amount of 4 billion Lei
- Government securities for the population: 21.5 billion Lei equivalent (respectively 15.1 billion Lei and 1.3 billion EUR), via TEZAUR and FIDELIS programmes.

Benchmark government bonds denominated in Lei with original maturities ranging from 3 to 15 years have been issued and reopened almost every month. The MoF policy aimed at extending the average time to maturity of government securities, with most of the issuance being issued in the medium and long maturities segment.

In 2023, the programmes for the population continued via the two TEZAUR and FIDELIS programmes. Within the TEZAUR programme carried out through the operative units of the State Treasury, as well as through the postal subunits of the National Company Poșta Română S.A., 12 issues with maturities between 1 and 3 years were launched, in which over 286,000 individuals invested approx. 12.1 billion Lei. Within the FIDELIS Programme carried out through the selected bank syndicate consisting of Banca Transilvania/BT Capital Partners, BCR, BRD and AlphaBank, 4 issues were launched, both in Lei (maturities between 1 and 3 years) and in EUR (maturities between 1 and 5 years), with a value attracted of approx. 9.4 billion Lei equivalent. In addition, during 2023, the Fidelis Programme included instalments dedicated to blood donors, amounting to 641 million Lei. Thus, 2023 brought a record level of over 21.5 billion Lei equivalent of the volume of government securities for the population issued through the 2 programmes.

Structure of the government securities stock by maturities (initial maturity, billion Lei)



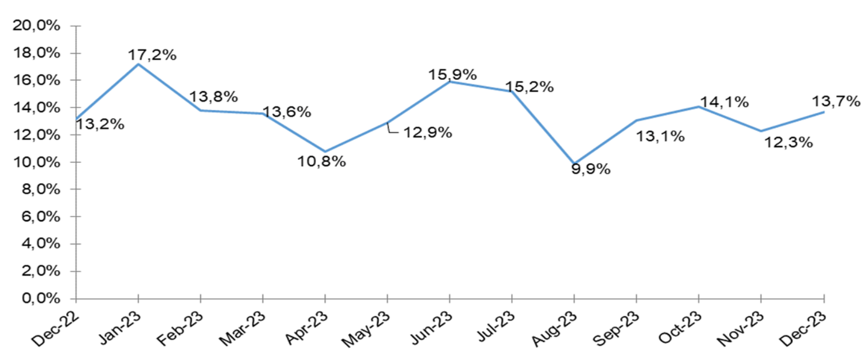
Source : MoF

The group of primary dealers on the domestic market consists of 8 banks - Banca Comercială Română S.A., Banca Romana pentru Dezvoltare – Groupe Société Générale S.A., Banca Transilvania S.A., Citibank Europe Plc. Dublin – Romania Branch, CEC Bank, ING Bank N.V. Amsterdam - Bucharest Branch, Raiffeisen Bank S.A., UniCredit Bank S.A.

Secondary market

The liquidity of government securities on the secondary market is an important indicator in terms of the level of development of the government securities market. During 2023, the degree of liquidity, calculated as the ratio between the total volume of monthly transactions on the secondary market and the total volume of government securities, had an oscillating evolution, reaching higher values in January (17.2%), June (15.9%), July (15.2%) and October (14.1%) and minimum levels in April (10.8%) and August (9.9%) and November (12.3%), being correlated with the volumes issued on the primary market.

The evolution of the liquidity ratio of government securities in Lei active in the period December 2022 - December 2023

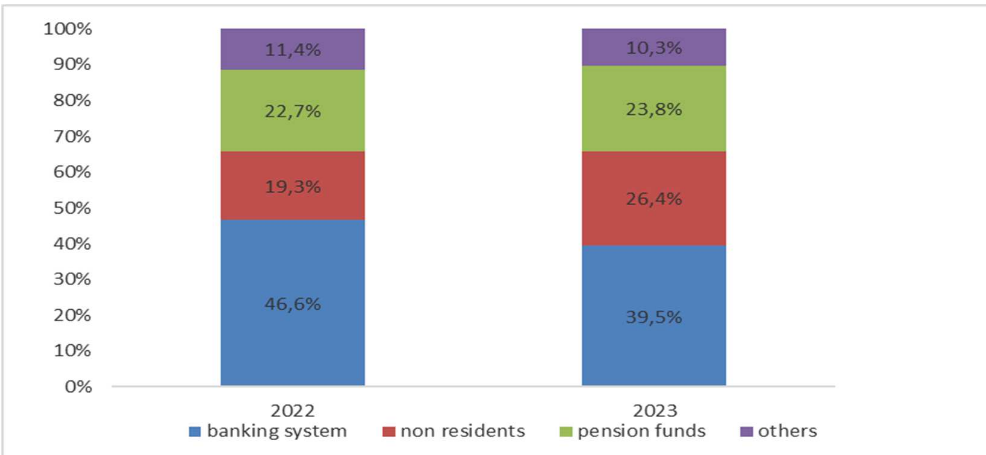


Source: MoF

Commercial banks continued to be the main investors on the domestic market of government securities, holding in their portfolio at the end of 2023, approx. 39.5% of the total volume of government securities issued on the domestic market, down from the end of 2022 (46%), followed by pension funds that recorded a slight increase in holdings to 23.8% at the end of 2023, compared to approx. 22.7% at the end of 2022.

Within the institutional investor segment, local asset management funds and private pension funds, although still holding a relatively small share in the government securities market, have been a stable participant in the government funding process. The investment structure of private pension funds shows that maintaining a significant proportion in government securities of the total assets.

Evolution of government securities by type of holders



Source: NBR

Non-resident investors continue to represent an important segment of the government securities market, ensuring a complementary demand for local investors through the interest shown especially on long maturities, leading to the diversification of the investor base. At the end of 2023, holdings were approx. 26.4%, up from 19.3% at the end of 2022, amid a very high appetite for government securities, mainly on long maturities in the first months of the year. The effects of non-residents' increasing holdings should be closely monitored during periods of volatility, when investors tend to liquidate or reduce their exposures to emerging countries.

The increase in the presence of non-resident investors was influenced by the context of expectations to end the NBR monetary policy strengthening cycle, by the trajectory of the yield curve in Lei compared to those of the states in the region (the curves of Hungary and Poland were either reversed or flattened), as well as by the low volatility of the exchange rate, but also by internal factors, such as the increase in the liquidity of government securities on all segments, the introduction of liability management operations, the increase in the share of Romanian government securities in international indices (EMBIG - JP Morgan/Barclays), given that many institutional investors have an investment policy related to the structure of these indices.

The presence of Romanian government securities in the regional indices JPMorgan and Barclays continues to have a positive influence on the evolution of the acquisition of local government securities. At the end of May 2023, 20 series of Romanian government bonds were included in the GBI-EM Global Diversified Investment Grade index, with an approx. 3.66% share, and 23 series in the Barclays EM Local Currency Government Index, with a 0.99% share.

2.3. Eurobond issues and external borrowings in 2023

The yields of Euro-denominated Eurobonds recorded significant decreases during 2023 of about 70-160 basis points as a result of the improvement in investors' perception of the evolution of the inflation rate and the policies to be addressed by central banks, with a flattening trend of the yield curve during 2023.

In 2023, it was envisaged to ensure a constant presence on foreign financial markets at cost-effective conditions for Romania, as well as to diversify the investor base and strengthen the financial reserve in foreign currency at the disposal of the State Treasury at a level to cover up to approximately 4 months of the gross financing needs. The amount of 10.6 billion EUR equivalent was drawn, through 3 Eurobond issues and 13 private placements.

The terms and conditions of government securities launched on foreign markets are as follows:

Month	**Total Value**	**Maturity**	**Value**	**Coupon**	**Maturity**	**Value**	**Coupon**	**Maturity**	**Value**	**Coupon**
January 2023	**3.99 billion USD**	5 years	1.24 billion USD	6.625%	10 years	1.5 billion USD	7.125%	30 years	1.25 billion USD	7.625%
February 2023	**2.2 billion EUR**	3 years (residual)	0.6 billion EUR	5.000%	6 years (residual)	1.4 billion EUR	6.625%	-	-	-
September 2023	**3.25 billion EUR**	5 years	1,5 billion EUR	5.500%	10 years	1.75 billion EUR	6.375%	-	-	-

By using loans in the form of private placements, it was envisaged to supplement the financing in the international financial markets and to optimize the costs related to the financing through these instruments.

Foreign market operations in 2023 also included drawdowns totalling approx. 1.27 billion EUR, related to loans contracted from international financial institutions (EIB, IBRD, CEB etc.) and the amounts made available in 2023 under the loan component for the implementation of the Recovery and Resilience Plan (RRP) were 893 million EUR.

The amounts drawn were intended to finance the budget deficit, refinance the government debt and consolidate the financial reserve (buffer) in foreign currency at the disposal of the State Treasury.

2.4. Liquidity management in 2023

Cash management operations are carried out by the State Treasury to cover temporary cash gaps during the year arising as a result of the gap between receipts and payments to/from the general current account of the treasury.

In accordance with the legislation in force[1], the permanent ensuring of the balance between the resources of the general current account of the state treasury and the financing needs can be achieved by:

1. attracting short-term deposits from credit institutions or other financial institutions;

2. the use of the Lei equivalent of amounts sold to the foreign currency reserve of the State, from foreign currency cash accounts resulting from state loans intended to finance and refinance government debt, as well as from other sources established by law.

In 2023, amid the temporary gap between budget payments and receipts for the financing of temporary cash gaps, the State Treasury carried out deposit collection operations in the total amount of **212,350 million Lei,** with an average interest rate of 6.05% and an average maturity of 15.92 days, as follows:

- January 2023 = 17,970 million Lei,
- February 2023 = 6,700 million Lei,
- March 2023 = 9,230 million Lei,
- April 2023 = 19,450 million Lei,
- May 2023 = 20,900 million Lei,
- June 2023 = 14,000 million Lei,
- July 2023 = 10,650 million Lei,
- August 2023 = 7,600 million Lei,
- September 2023 = 20,800 million Lei,
- October 2023 = 25,100 million Lei,
- November 2023 = 30,950 million Lei,
- December 2023 = 29,000 million Lei.

Regarding the use of foreign currency amounts to finance temporary cash gaps, the State Treasury carried out 23 currency exchange operations in the total amount of

[1] Under the provisions of Article 8 of GEO 146/2002 on the creation and use of resources carried out through the State Treasury, as well as Order of the Minister of Public Finance no.1235/2003 for the approval of the Implementing Rules for the application of the provisions of the Government Emergency Ordinance no.146/2002 on the creation and use of resources carried out through the State Treasury, approved with amendments by Law 201/2003

4,259.5 million EUR (14 foreign exchange operations) and 1,277.5 million USD (9 foreign exchange operations)

The state budget deficit from previous years recorded in the accounting, not financed by state loans, together with the loans granted for the redemption at maturity, of the state loans issued for the financing or refinancing of the government debt and with the temporary cash gap, resulting from the daily gap between the cumulated revenues and expenditure of the state budget reported electronically by the regional treasuries, is temporarily financed by loans from the general current account of the State Treasury.

As per GEO no. 64/2007 on government debt, the temporary loan from the general current account of the State Treasury is a public debt instrument that can be repaid through state loans to refinance the government debt. In 2023, the net increase in the balance of loans from the general current account of the State Treasury amounted to 12.9 billion Lei .

For the loans from the general current account of the State Treasury, interest was paid in the total amount of 522.1 million Lei, capital repayments were in the amount of 314.3 billion Lei, and the service related to repayments was in the total amount of 314.8 billion Lei.

The service related to the repayments of cash management instruments by attracting deposits was 208.8 billion Lei, of which the capital repayments represented 208.3 billion Lei and the interest payments related thereto were 542.9 million Lei.

3. Analysis of the government debt portfolio and the risks associated with this debt

In the context of macroeconomic developments and domestic and foreign financial markets, the government debt contracted on December 31st, 2023 was at the level of 957.0 billion Lei, of which the government debt in the amount of 933.5 billion Lei (representing 97.5% of the total government debt), and the local government debt at the level of 23.5 billion Lei (representing 2.5% of the total government debt), amid an economic growth of 2.1% of GDP[2] and in the context of a deficit of the general consolidated budget of 5.7% of GDP[3].

The increase of the government debt in 2023 compared to 2022, by 133.3 billion Lei, was mainly determined by the debt committed to cover the financing needs of the budget deficit, the refinancing of the government debt that became due during the year, as well as by the taking over to the government debt of the guarantees granted by Eximbank S.A. in the name and account of the State according to the Decision of the Court of Accounts no. 3/11.01.2023[4].

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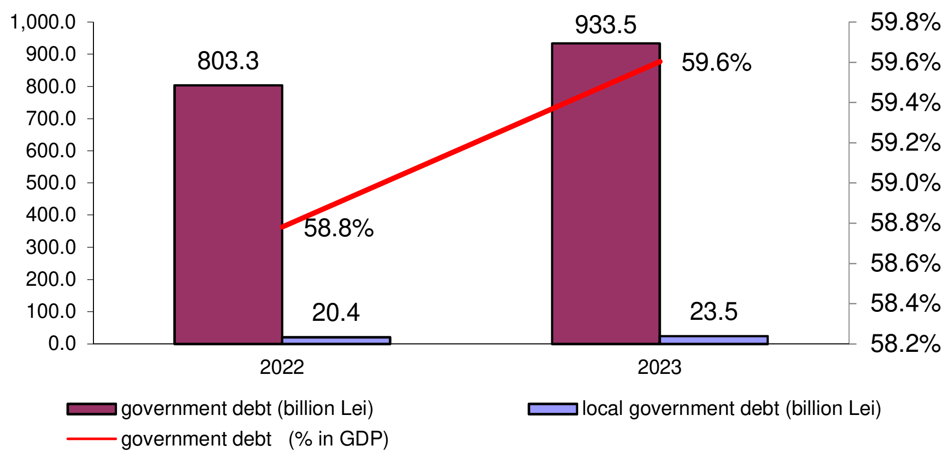
[2]NCSP - spring forecast of the main macroeconomic indicators – April 2024

[3]General consolidated budget deficit as implemented at the end of 2023

[4]According to the Decision of the Court of Accounts no. 3/11.01.2023, the Ministry of Finance issued Order no. 1473/08.05.2023 amending and supplementing the Implementing Rules for the registration and reporting of government debt, approved by the Order of the Minister of Economy and Finance no.1059/2008, which includes, *inter alia*, the inclusion in the government debt of the guarantees granted by Eximbank S.A. in the name and

Government debt evolution



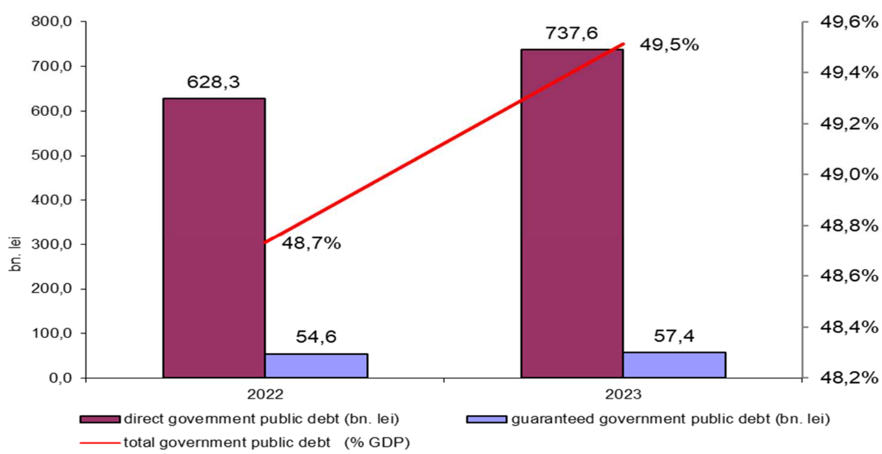
Source : MoF

3.1. Government debt portfolio and its associated risks [5]

Government debt on December 31st, 2023 was worth 795.0 billion Lei, representing 49.5% of GDP.

Direct government debt maintains its highest share of total government debt (92.8%). The guaranteed government debt represented 7.2% of the total government debt, as a result of guarantees granted under government programmes, mainly through the First House/New House Government Programme and the Support Programme for Small and Medium-sized Enterprises and Small Enterprises with Medium Market Capitalization IMM INVEST ROMANIA.

Government debt by debt type



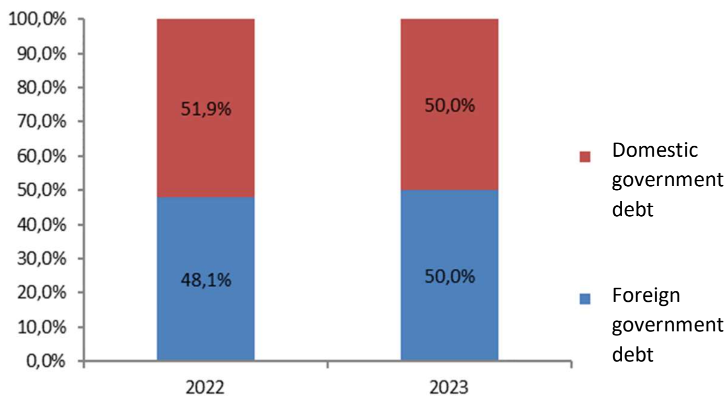
Source :MoF

account of the State, granted according to the Law96/2000 on the organization and functioning of the Export-Import Bank of Romania Eximbank - S.A. republished, as subsequently amended and supplemented, from the funds placed by the Ministry of Finance at Eximbank.

[5]It does not include temporary financing and cash management instruments, nor the guarantees granted in the name and account of the State by Eximbank taken over in the records starting with 2022 according to the Decision of the Court of Accounts no. 3/11.01. 2023

The majority of the domestic government public debt was represented by government securities, while the foreign debt was represented by Eurobonds issued on international capital markets and foreign loans contracted from international financial institutions. In terms of residency, the structure of government debt shows that the share of domestic government debt in total government debt slightly decreased to about 50% at the end of 2023 compared to the previous year.

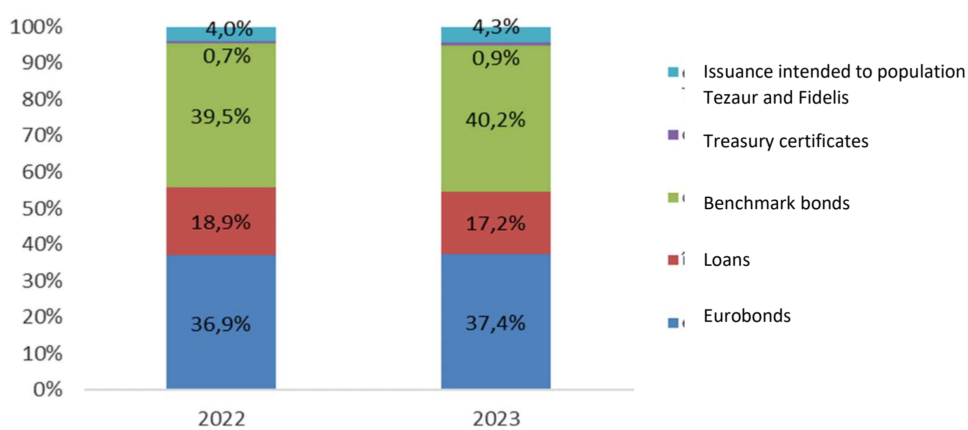
Government public debt according to the creditor's residency criterion (% of total debt)



Source : MoF

At the end of 2023, the share of government securities (including those intended for the population) represented 82.8% of the total government debt, compared to 81.1% at the end of 2022.

Structure of government debt by types of instruments (% of total public government debt)



Source:MoF

The state guarantees granted in 2023 amounted to 20,478.8 million Lei, of which:

1. **293.8 million Lei** within the government program "First House/New House" (GEO no. 60/2009 as subsequently amended and supplemented).
2. **17.9 million Lei** within the support program for small and medium-sized enterprises and small enterprises with medium market capitalization – IMM INVEST ROMANIA (GEO no. 110/2017 as subsequently amended and supplemented);
3. **0.03 million Lei** within GEO no. 24/2022 on the approval and financing of guarantee programs in priority areas for the Romanian economy;
4. **13,745.1 million Lei** within GEO no. 99/2022 approving the state aid scheme IMM INVEST PLUS and its components - IMM INVEST ROMANIA, AGRO IMM INVEST, IMM PROD, GARANT CONSTRUCT, INNOVATION and RURAL INVEST;
5. **320.8 million Lei** within GEO no. 95/2022 on the approval of the government credit programs "StudentInvest" and "FamilyStart", as well as for the amendment of Article 128 (1) of Law 272/2004 on the protection and promotion of chlidren's rights;
6. **0.3 million Lei** within the Programme regarding the granting of facilities for loans granted by credit institutions and non-banking financial institutions to certain categories of creditors (GEO no. 90/2022 as subsequently amended and supplemented).
7. **1,970.1 million Lei,** guarantees under market conditions, issued by Exim Banca Românească S.A. in the name and on behalf of the State (Law 96/2000 as subsequently amended and supplemented);
8. **1,810.4 million Lei**, guarantees under support schemes granted under the temporary European State aid framework (Covid-19 Scheme), issued by Exim Banca Românească S.A. in the name and on behalf of the State (Law 96/2000 as subsequently amended and supplemented);
9. **2,019.7 million Lei,** the equivalent in Lei of the amount of 406.0 million EUR, guarantee issued by the Bank Deposit Guarantee Fund/International Bank for Reconstruction and Development (Law 135/2023);
10. **300.7 million Lei,** the equivalent in Lei of the amount of 60.5 million EUR, guarantee agreement in accordance with Article 10 of Decision (EU) 2022/1628 European Union.

Government debt service

Government debt service for 2023 increased by about 36 billion Lei compared to 2022, as shown in the table below:

billions lei

	2022	2023
Government debt service	106.7	142.5
of which: - direct[6] - guaranteed	 99.6 7.1	 129.4 13.1
of which: - capital instalment[10] - interest and commissions	 78.9 27.8	 114.3 28.2

Other indicators[7] of government debt service are as follows:

Indicators	2022	2023
External government debt service/export of goods and services[8]	4.0%	3.7%
Interest on external government debt/Export of goods and services[9]	1.4%	1.7%
Interest and commissions/Income general consolidated budget[10]	7.4%	6.7%
Interest and commissions /Expenditure general consolidated budget[11]	6.1%	5.5%

[6] It does not include repayments from loans in the general current account of the State Treasury and those in the account of cash management instruments.
[7] The expenditure and revenues of the general consolidated budget for 2023 are operative data, and for the indicators in points 1 and 2, the export of goods and services published by the National Commission for Strategy and Prognosis was taken into account April 2024
[8] The indicator shows the extent to which payments on account of the external government debt service are covered from proceeds from the export of goods and services.
[9] The indicator shows the extent to which the interest cost of the foreign government debt service are covered by receipts from the export of goods and services.
[10] The indicator shows the extent to which the interest and fees related to the government debt are covered by the revenues from the general consolidated budget.
[11] The indicator represents the share of interest and commission payments related to the government debt in the total expenditure of the general consolidated budget.

3.2 Implementation of the Government Debt Management Strategy in 2023 - 2025

The main objectives set by the **Government Debt Management Strategy for the period 2023-2025** remained unchanged compared to previous years, namely:

1. Ensuring the financing needs of the central public administration while minimizing the medium- and long-term costs,
2. Limiting the risks associated with the government debt portfolio, and
3. Developing the domestic securities market.

The evolution of risk indicators shows that during 2023, the risk indicators were within the indicative targets set according to the Strategy for 2023-2025.

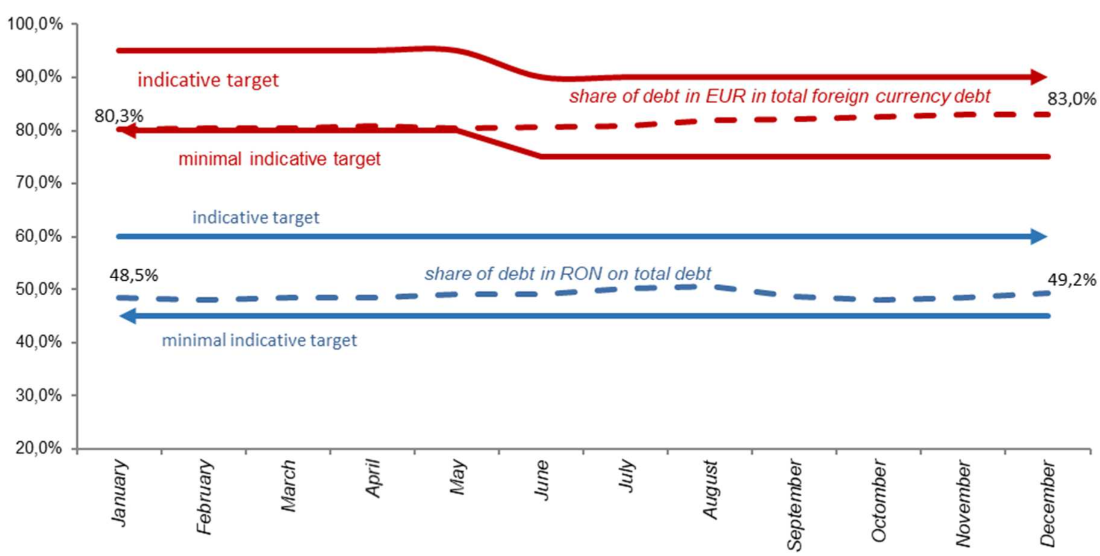
Performance of risk indicators in 2023

a. Evolution of currency risk indicators

Currency risk indicators were within the target ranges set by the Strategy throughout the year.

- The indicator " *share of government debt in EUR in total government debt in foreign currency* " was at a level (83.0%) increasing compared to the one recorded at the beginning of the year (80.3%),
- The indicator *" share of government debt denominated in Lei in total government debt "* slightly increased from 48.5% to 49.2% at the end of 2023.

Performance of currency risk indicators



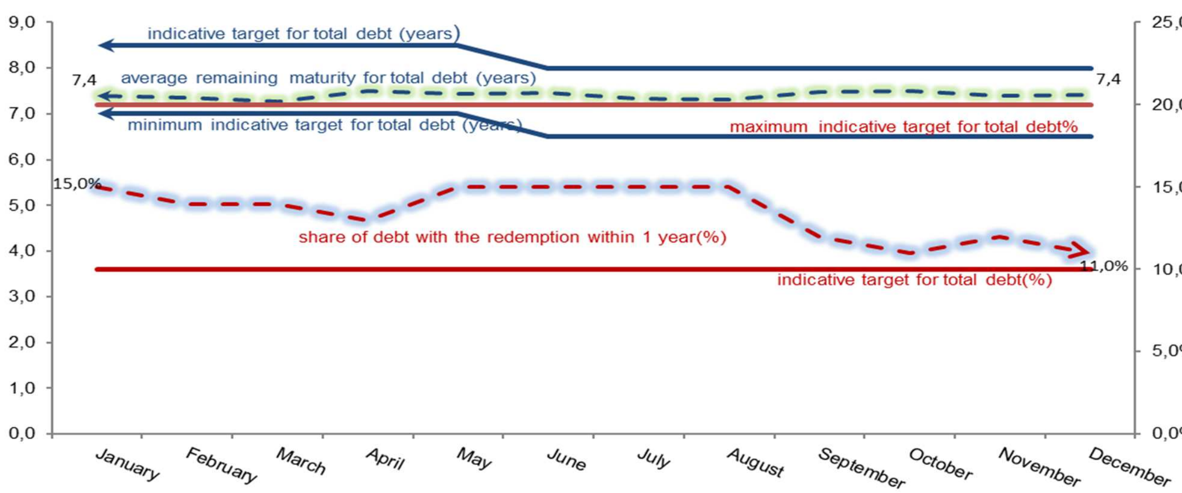
Source : MoF

b. Evolution of refinancing risk indicators

The refinancing risk indicators for the total government debt portfolio were within the target ranges set by the Strategy throughout 2023.

- The indicator "*Average time to maturity of the government debt portfolio*" remained constant throughout 2023 at the level of 7.4 years mainly as a result of long-term and very long-term (up to 30 years) issuance of government securities on the foreign market, but also on maturities shorter than 3-6 years in order to adapt to the demand of investors on these markets;
- The indicator "*Share of debt due within 1 year in total government debt"* decreased from 15% to 11% at the end of 2023.

Performance of refinancing risk indicators for total government debt



Source: MoF

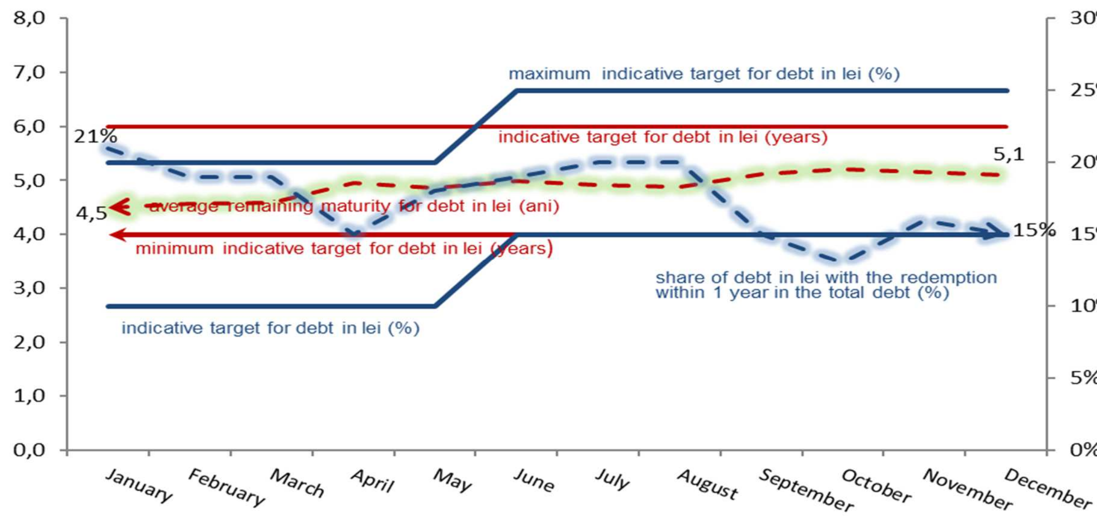
Indicators regarding the refinancing risk for the public debt in Lei:

- The indicator "The *average time to maturity of the government debt in Lei*" was within the indicative targets, the maturity increasing to 5.1 years compared to 4.5 years in January 2023.
- The indicator "*The share of the government debt in Lei due within one year"* in January 2023 remained at the level of 21%, a level still recorded at the end of 2022, exceeding the indicative target of 20% set by the previous Strategy[12] in the context of increasing the volume of resources drawnin the short term, especially

[12]The revised government debt management strategy for the period 2023-2025 was approved in August 2023

the government securities for the population for the implementation of the financing plan, but following the issuance mainly on maturities over 5 years in the first quarter of 2023, its evolution normalized, in the direction of meeting the targets set according to the Strategy 2023 – 2025.

Performance of refinancing risk indicators for the debt denominated in Lei



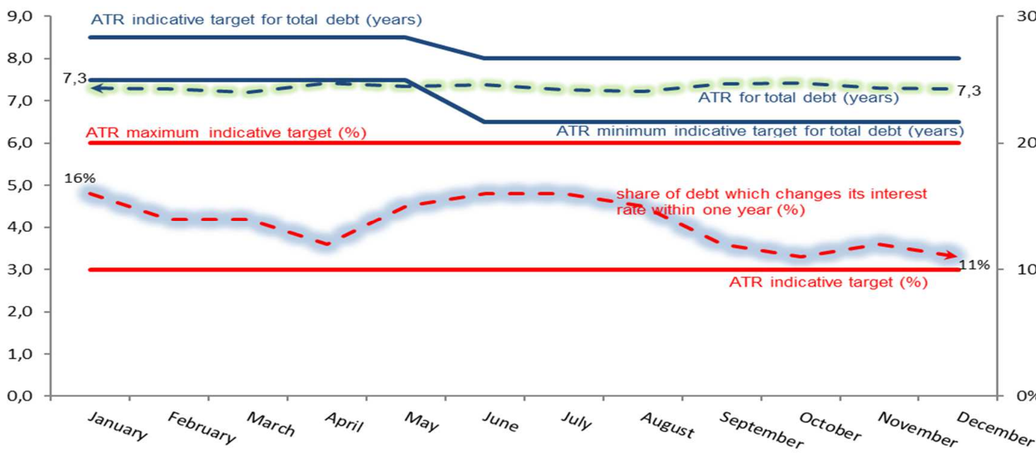
Source: MoF

c. Evolution of interest rate risk indicators

- The indicator " *Average time to re-fixing for the total debt (years)*" exceeded as early as the second part of 2022 the indicative target set in the previous Strategy[13] (7.5 years), recording 7.3 years at the beginning of 2023, maintaining its trend until June 2023 due to the increase in the volume of resources drawn on the short term, in particular government securities for the population, for the implementation of the financing plan for 2023. Starting with the second part of 2023, the evolution of this indicator has normalized, in the direction of meeting the indicative targets provided in the Strategy 2023-2025.
- The indicator " *Share of debt that changes its interest rate within one year"* remained within the indicative target.

[13] Idem 17

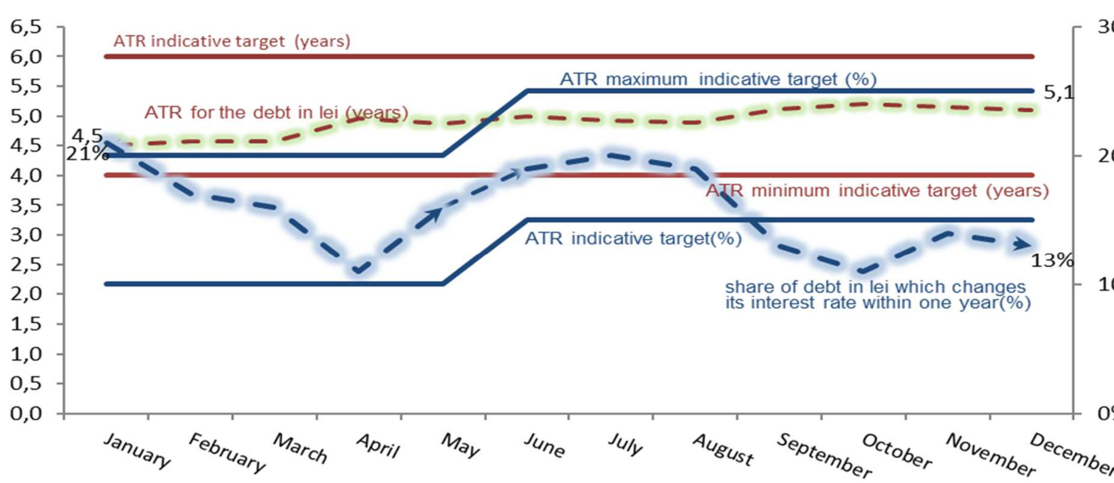
Performance of interest rate risk indicators for total government debt



Source: MoF

The evolution of the interest rate risk indicators for the debt in Lei correlated with that of the indicators for the refinancing risk for the debt in Lei, the indicator " *Share of debt in Lei that changes its interest rate within one year*" temporarily exceeding in January 2023 (21%) exceeding the indicative target of 20% set by the previous Strategy in the context of the increase in the volume of resources drawn on the short term, especially of the government securities for the population for the implementation of the financing plan. The indicator " *Average time to re-fixing for the debt in Lei"* remained within the indicative target set according to the Strategy 2023 – 2025, increasing to 5.1 years compared to 4.5 in January 2023.

Performance of interest rate risk indicators for government debt in Lei



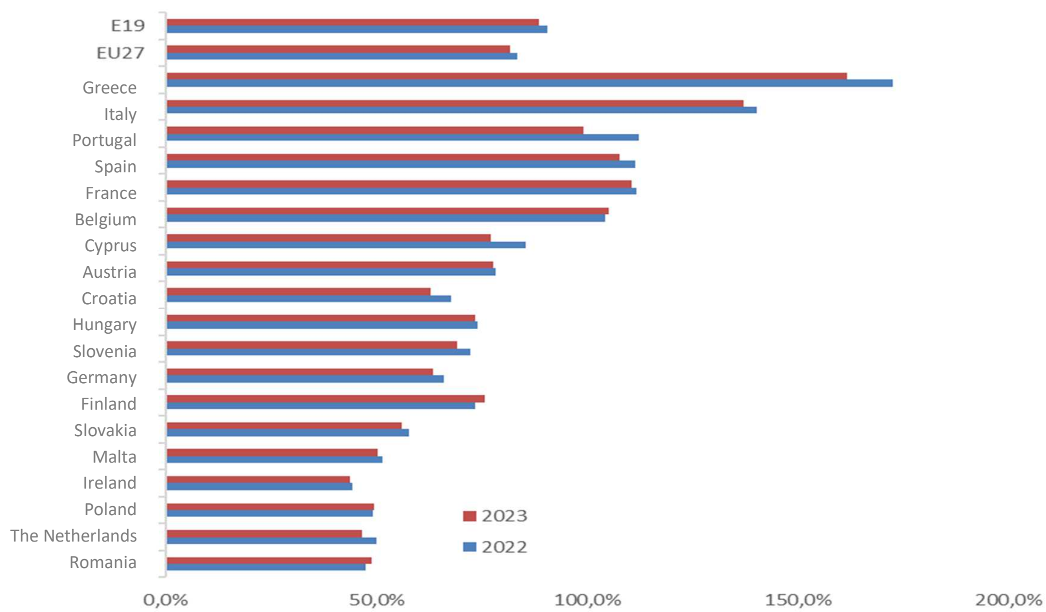
Source:MoF

4. ***Government debt according to EU methodology***

At the end of 2023, gross government debt[14] according to the EU methodology was still at a sustainable level of 48.8% of GDP, below the 60% ceiling set by the Maastricht Treaty, and if liquid financial assets are considered[15], the level of net government debt was 36.9% of GDP.

According to data published by EUROSTAT[16], at the end of 2023 Romania ranked 17th among EU Member States in terms of indebtedness, 48.8% of GDP, the average government debt for the Euro area (EA 20) being 88.6% of GDP, and that for the EU27 being 81.7% of GDP.

Comparison with EU Member States (% government debt in GDP)



Source: Eurostat

At the end of 2023, the Member States with the highest level of government debt in GDP (over 60% of GDP) are Greece (161.9%), Italy (137.3%), France (110.6%), Spain (107.7%) and Belgium (105.2%), 13 Member States recorded an indebtedness level of over 60%.

Minister of Finance

Marcel-Ioan Boloș

[14] It represents the debt of the central government at nominal value, consolidated within the subsectors of the central government and does not include the guarantees granted by the state and by the territorial administrative units, except for those paid from the budget, or for which 3 successive payments have been made by the guarantor.
[15] AF1(gold and SDRs), AF2(deposits and cash), AF3(securities other than shares),AF5 (shares and other equity interests, if publicly traded, including mutual fund units).
[16] Eurostat press release from April 2024