



ROMANIA

CLOSER TO THE EURO

May 2002

NATIONAL BANK OF ROMANIA

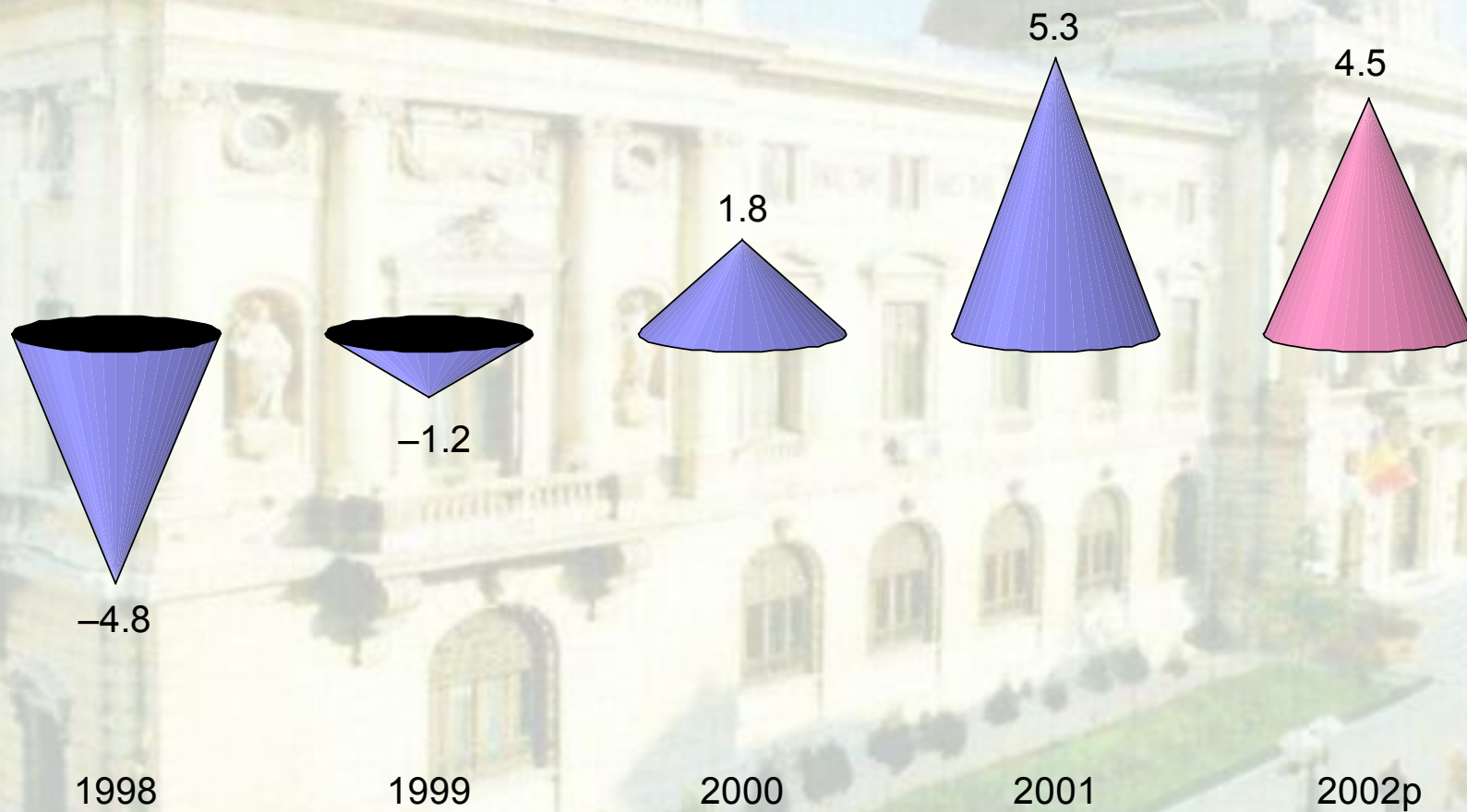


Summary

- ✓ **Moving closer to the Euro: real economy and external sector**
- ✓ **Closer to the Euro: forex transactions, reserves, debt and the exchange rate**
- ✓ **Closer to the Euro: banking sector ownership and resilience;**
- ✓ **Closer to the Euro: progress in EU accession negotiations and upcoming legislative and regulatory improvement**
- ✓ **Conclusion: progress in nominal and real convergence**

Real GDP

annual percentage change



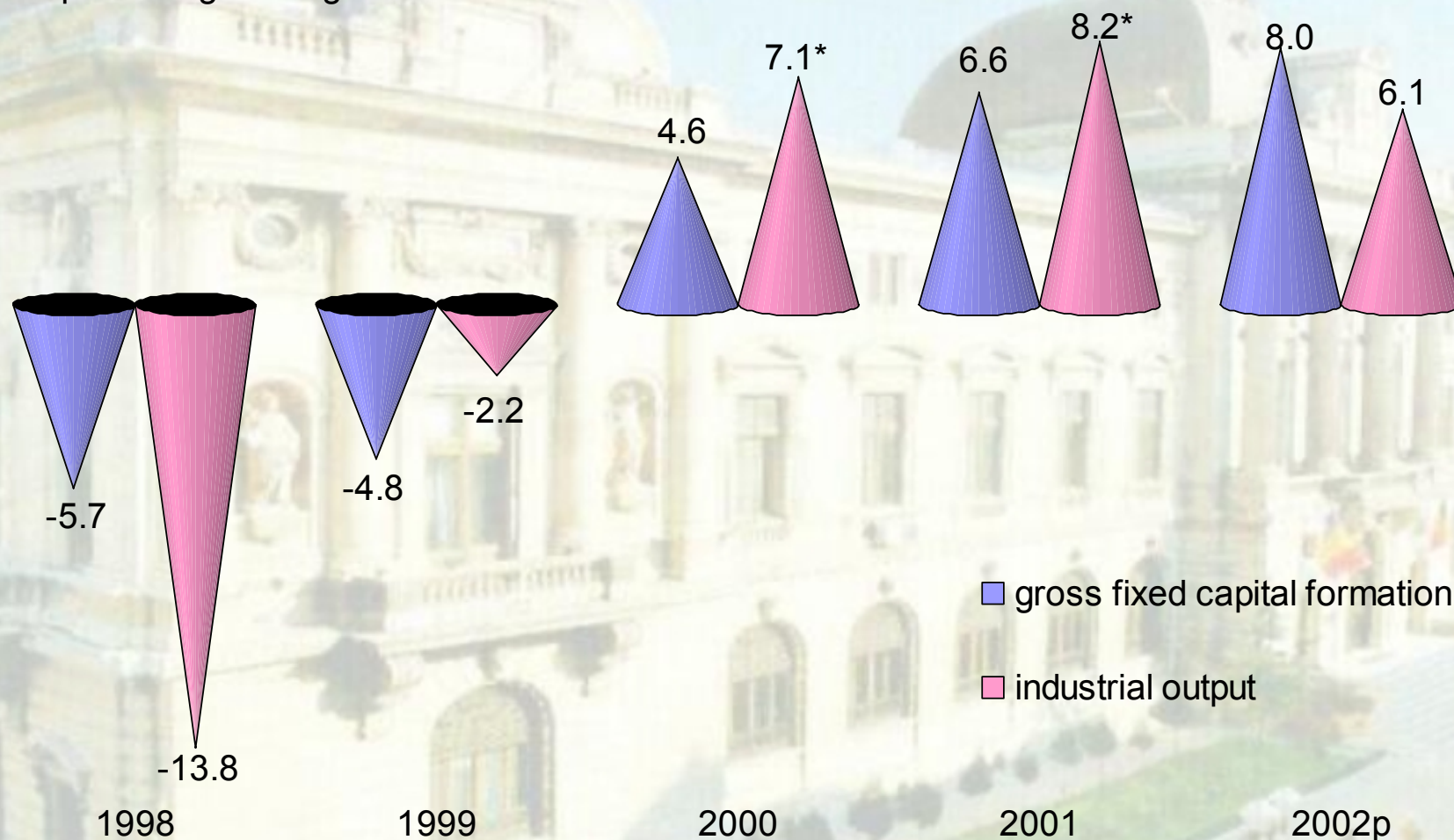
Source: National Institute of Statistics

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Gross Fixed Capital Formation and Industrial Output

annual percentage change



*) based on 1998 output composition; for the previous years, data refer to 1995 output composition.

Source: National Institute of Statistics

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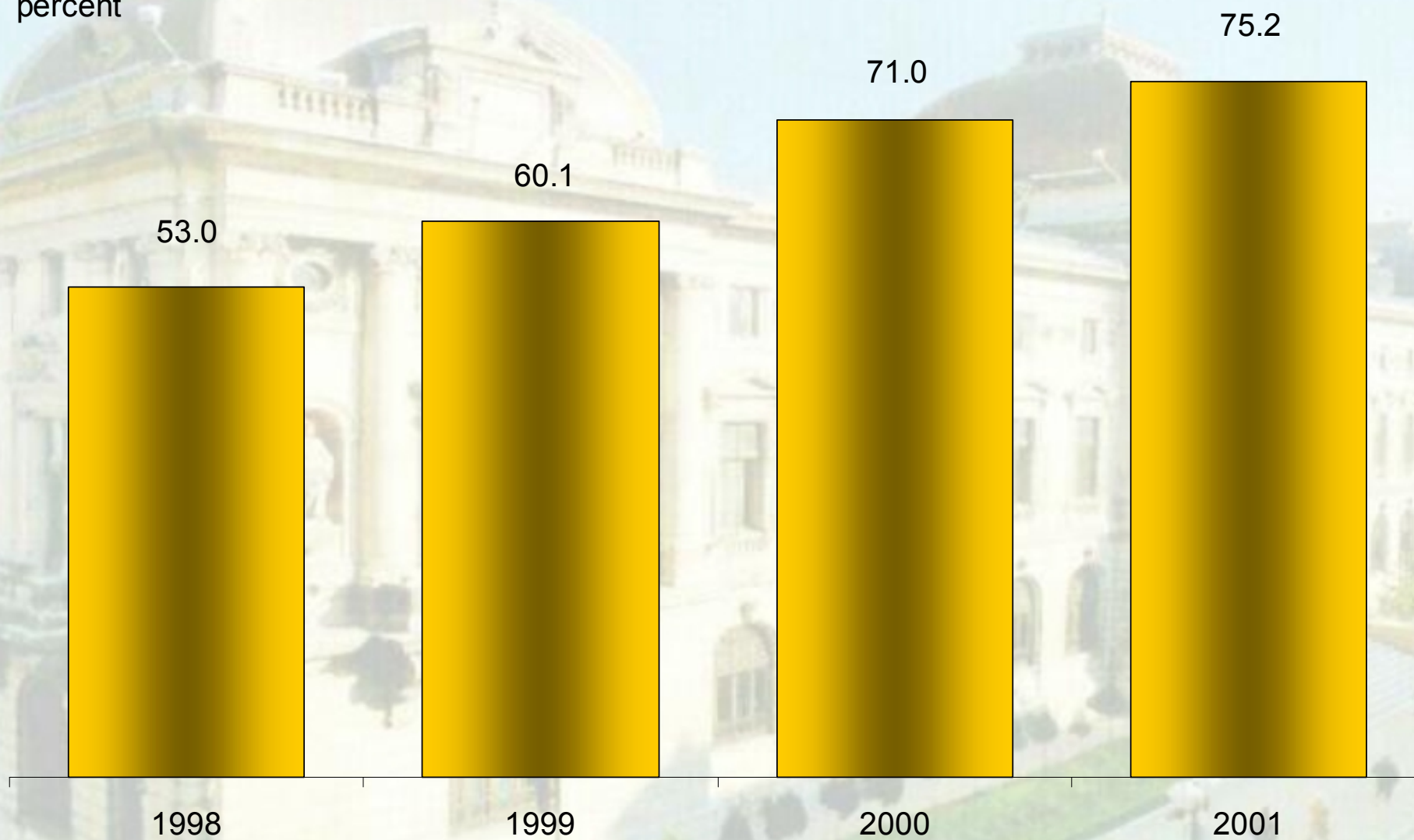
Contribution of Main Economic Sectors to GDP Formation

	INDUSTRY (as % of GDP)				AGRICULTURE (as % of GDP)			
	1997	1998	1999	2000	1997	1998	1999	2000
Czech Rep.	35.9	36.9	35.5	36.0	5.0	4.8	3.9	3.9
Hungary	25.0	25.9	26.9	n.a.	5.8	5.4	5.3	n.a.
Poland	28.1	28.1	28.2	29.0	5.7	5.5	5.2	5.0
Romania	30.9	26.3	24.8	25.2	18.0	14.4	13.3	11.1
Bulgaria	25.3	25.5	24.6	25.1	23.8	18.8	15.9	13.4
Slovak Rep.	26.8	25.5	24.2	25.8	4.8	4.4	4.4	4.4
Slovenia	28.0	28.1	27.3	27.7	3.7	3.6	3.2	2.9

Source: EBRD - Transition Report 2001
National Institute of Statistics (Romania)

Openness of the Economy

percent

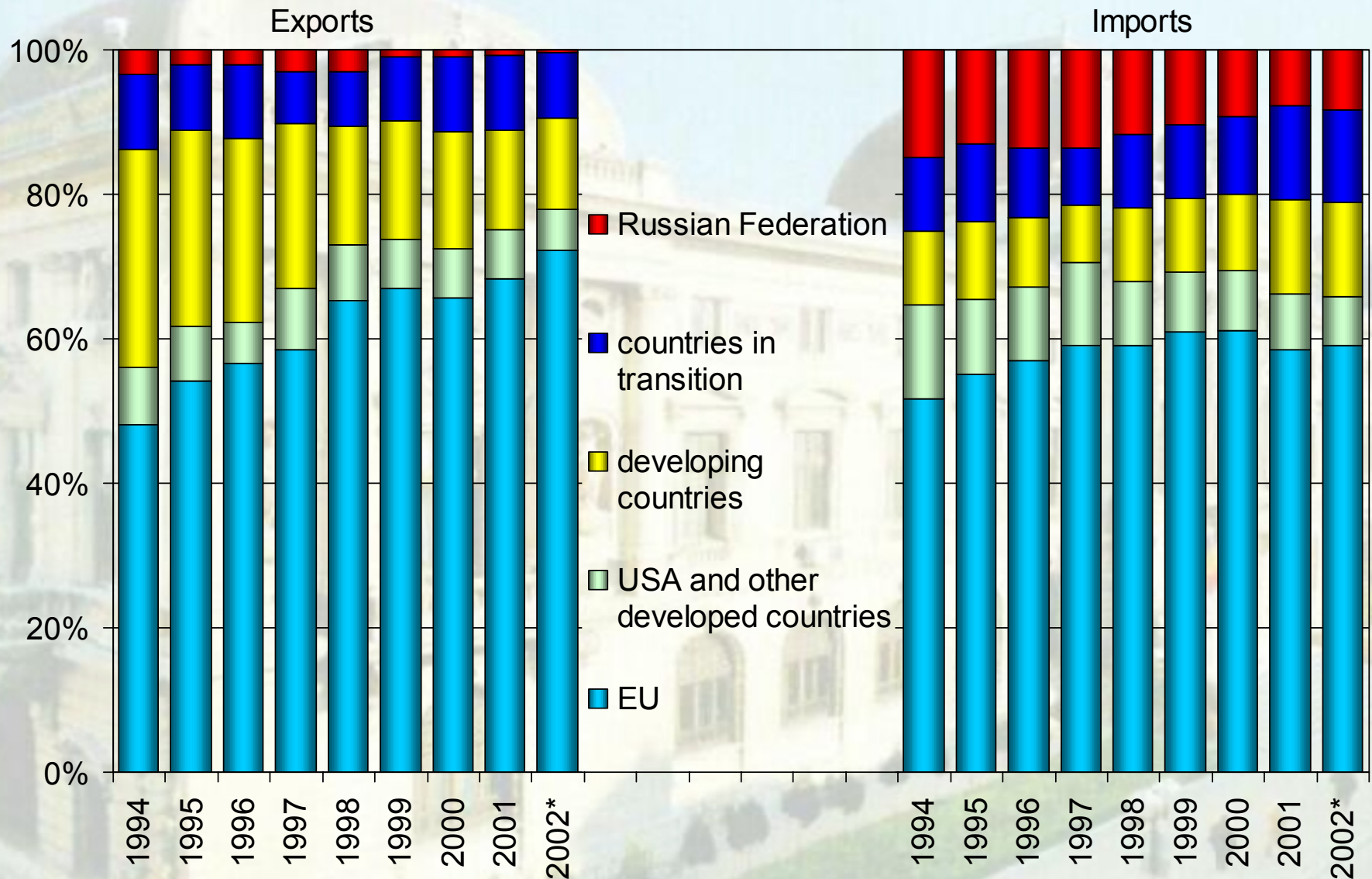


Source: National Institute of Statistics, NBR calculations

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Foreign Trade by Group of Countries



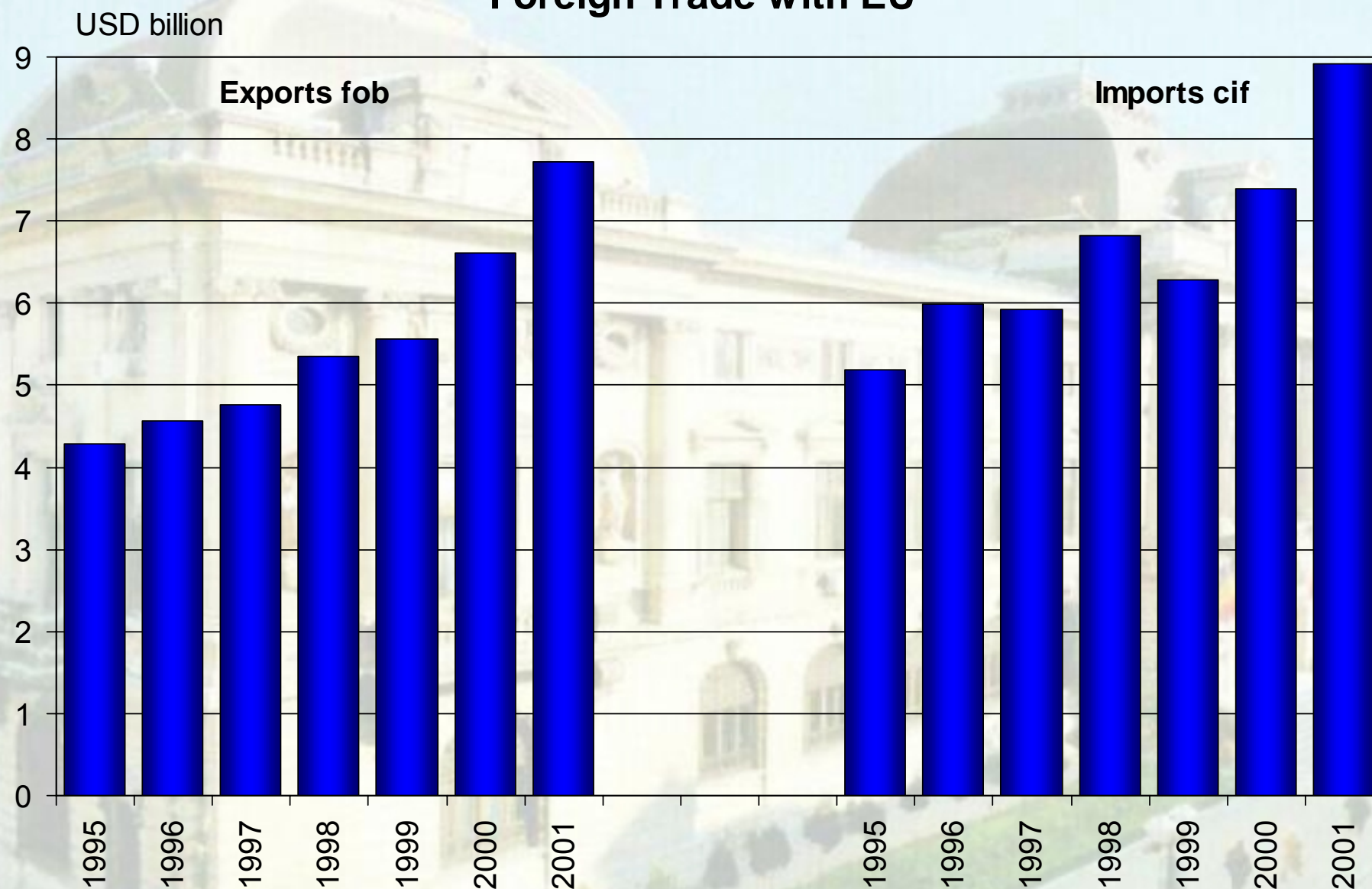
Source: National Institute of Statistics

*) March

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Foreign Trade with EU

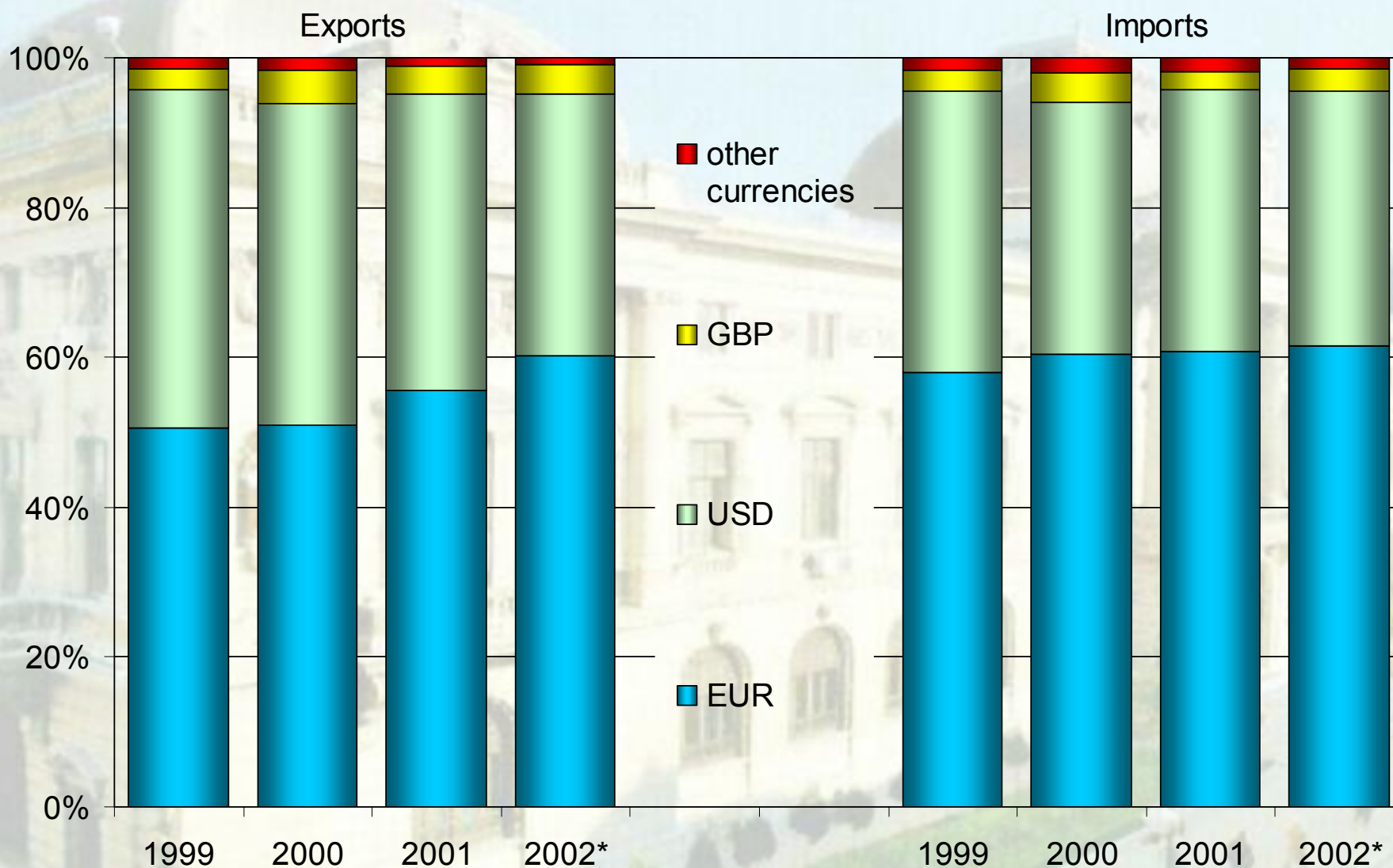


Source: National Institute of Statistics

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Foreign Trade Composition by Currency



Source: National Bank of Romania

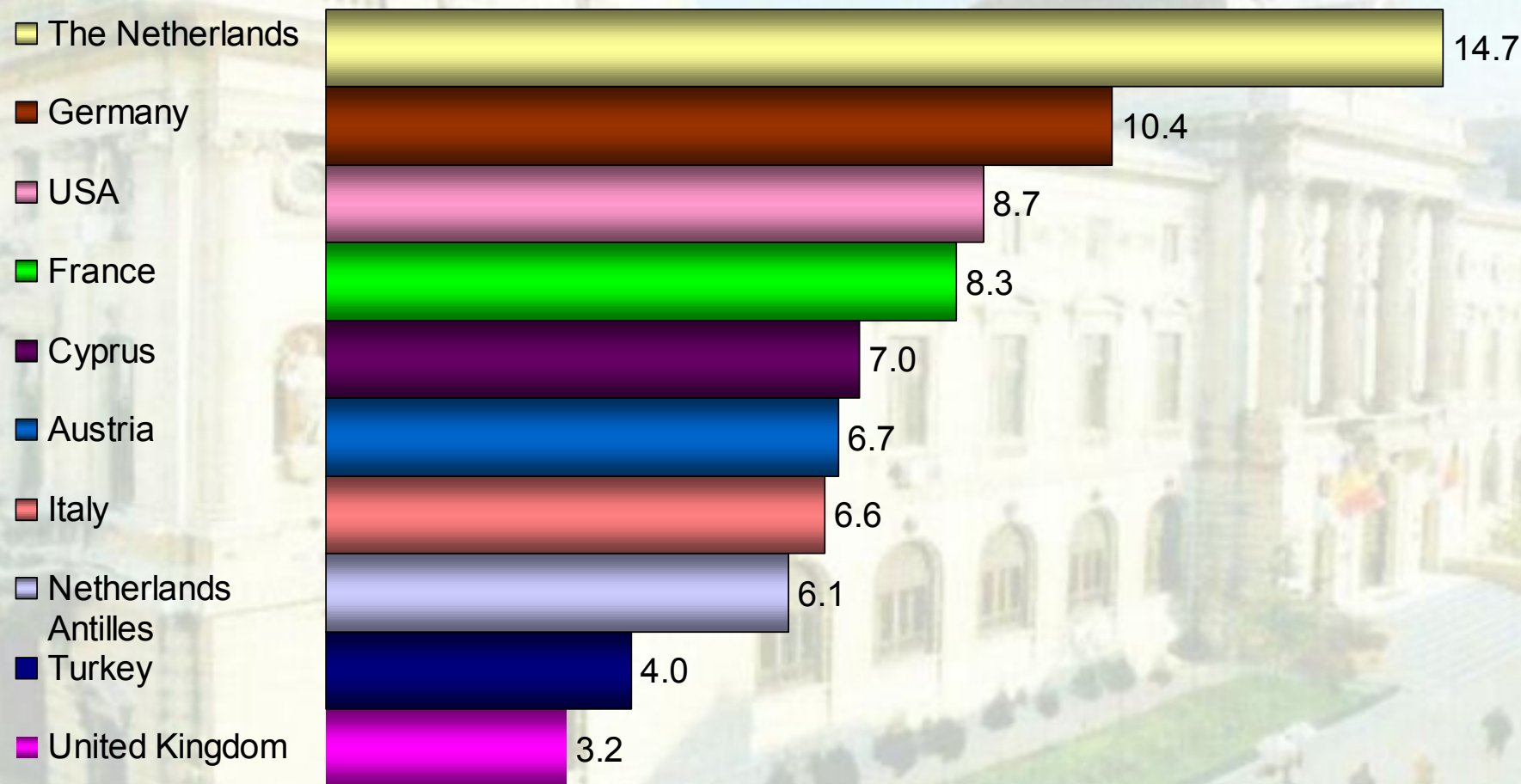
*) March

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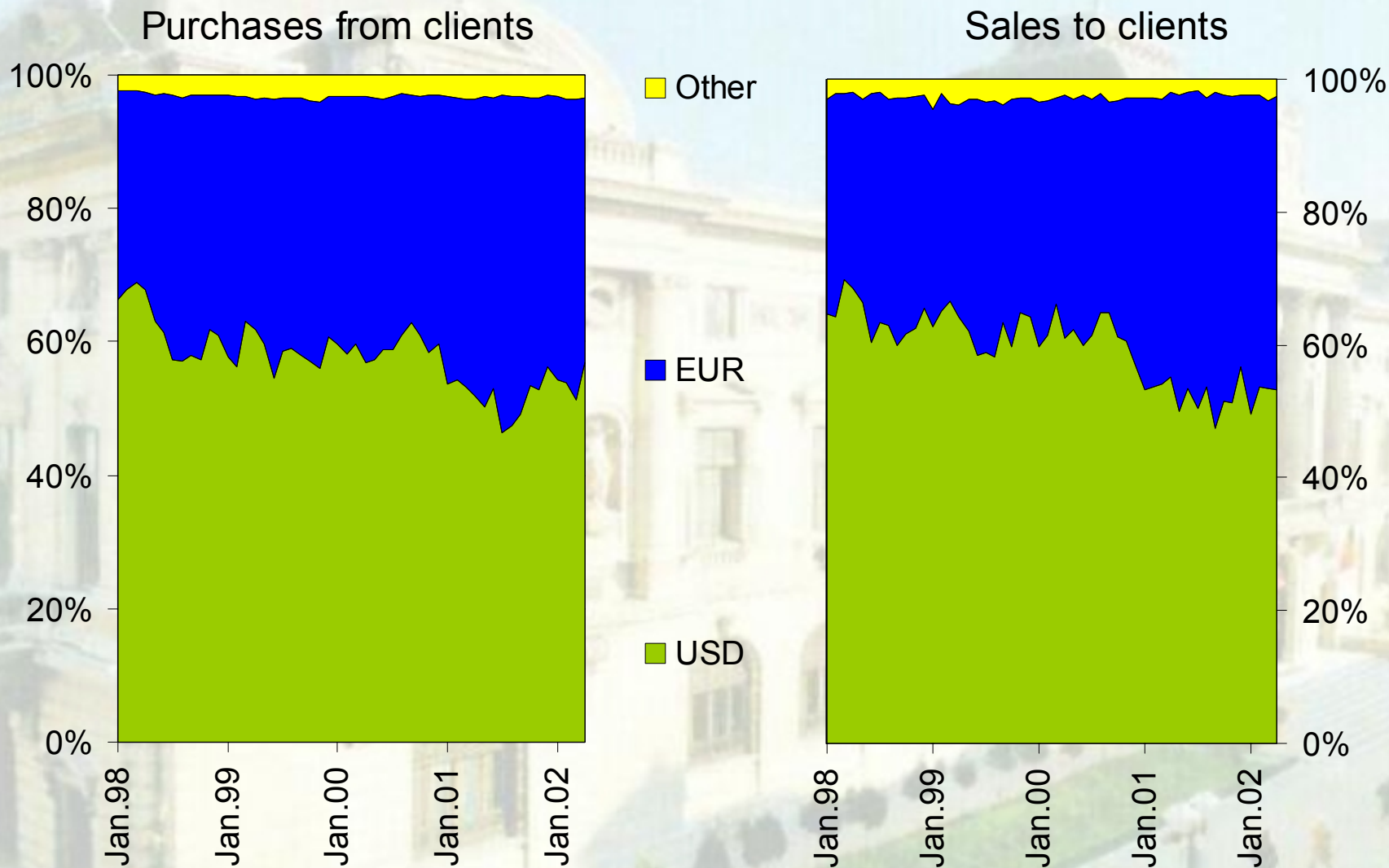
Top-Ten Countries by Investment in Joint-Stock Companies in Romania as at March 31, 2002

percent; as a share of total subscribed capital



Source: The Chamber of Commerce and Industry of Romania and Bucharest Municipality

Transactions on Interbank Forex Market by Currency

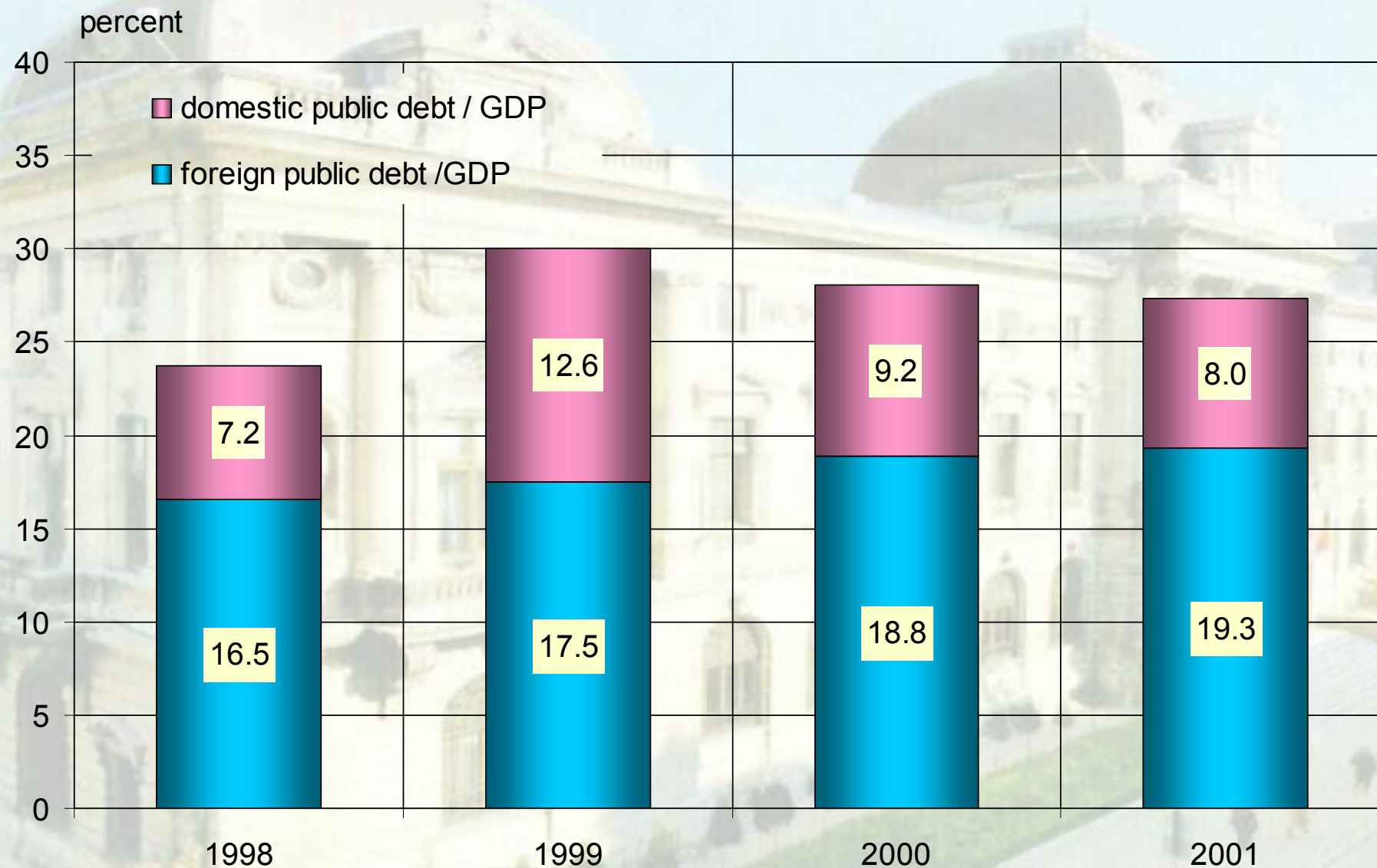


Source: National Bank of Romania

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Public Debt as a Share of GDP

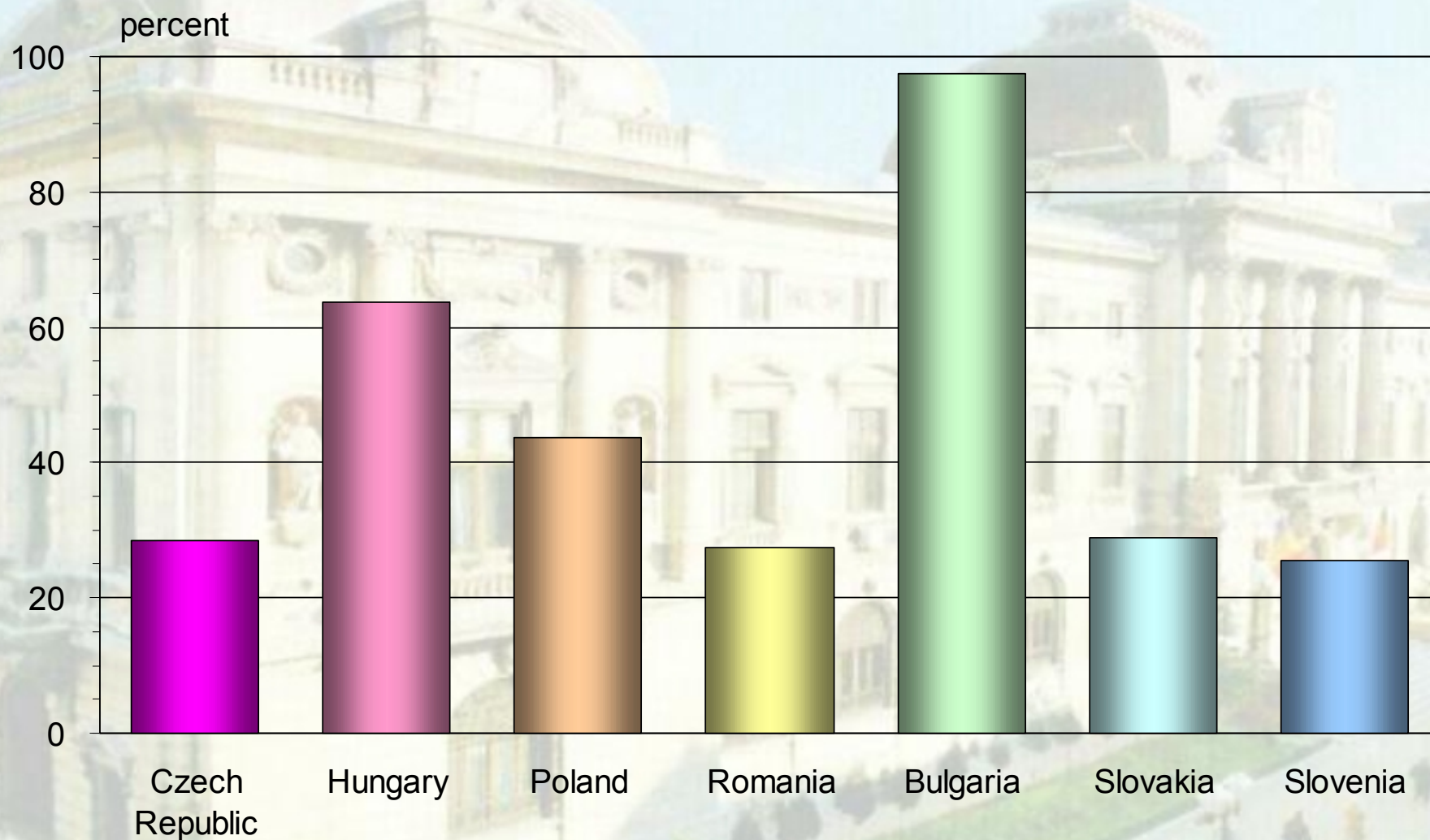


Source: Ministry of Public Finance, National Institute of Statistics

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Public Debt as a share of GDP* 2001



Source: IMF, International Financial Statistics; national statistics for Romania

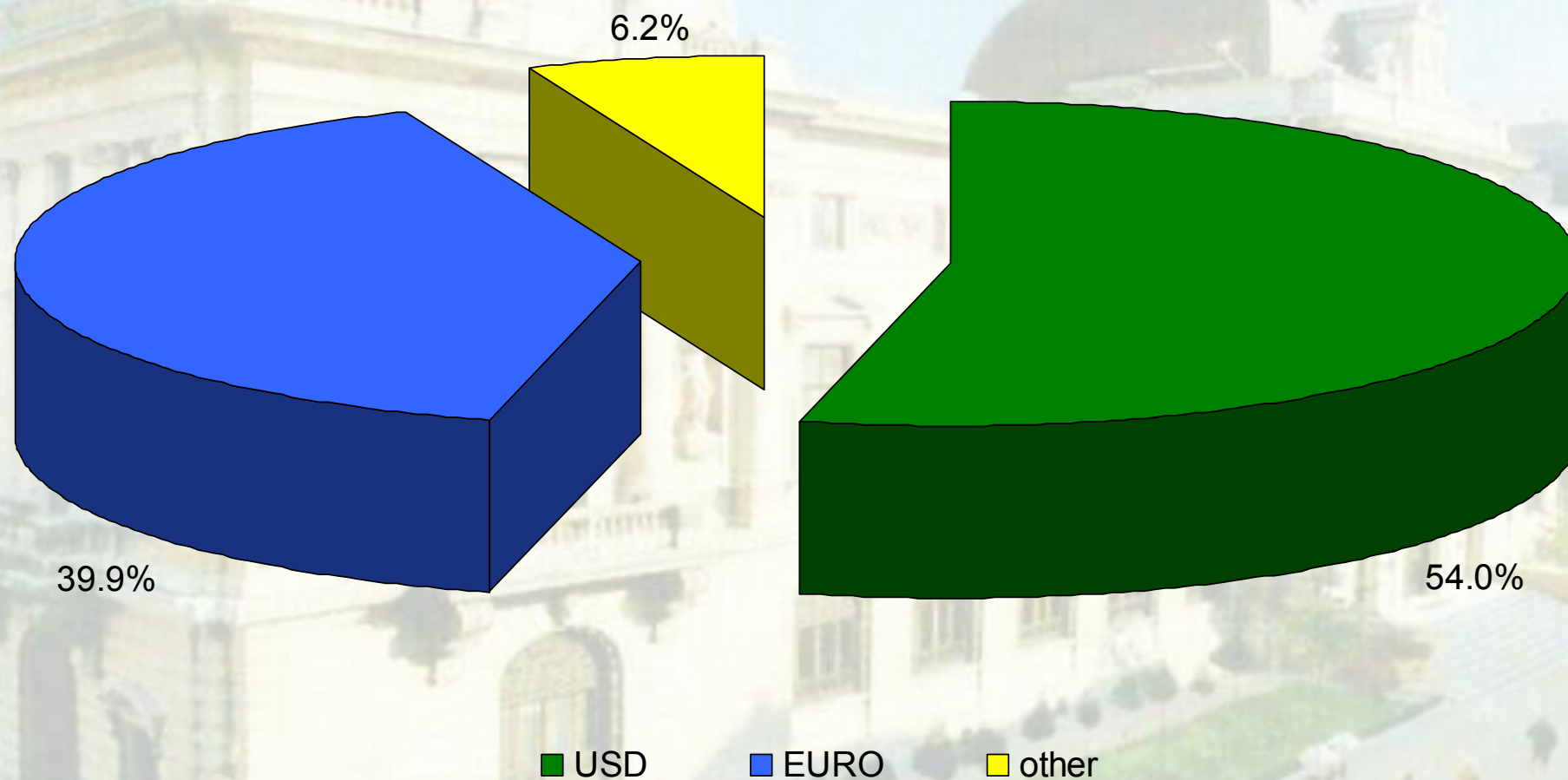
*) 6 months, except Romania

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External Debt by Currency

March 31, 2002



Source: National Bank of Romania

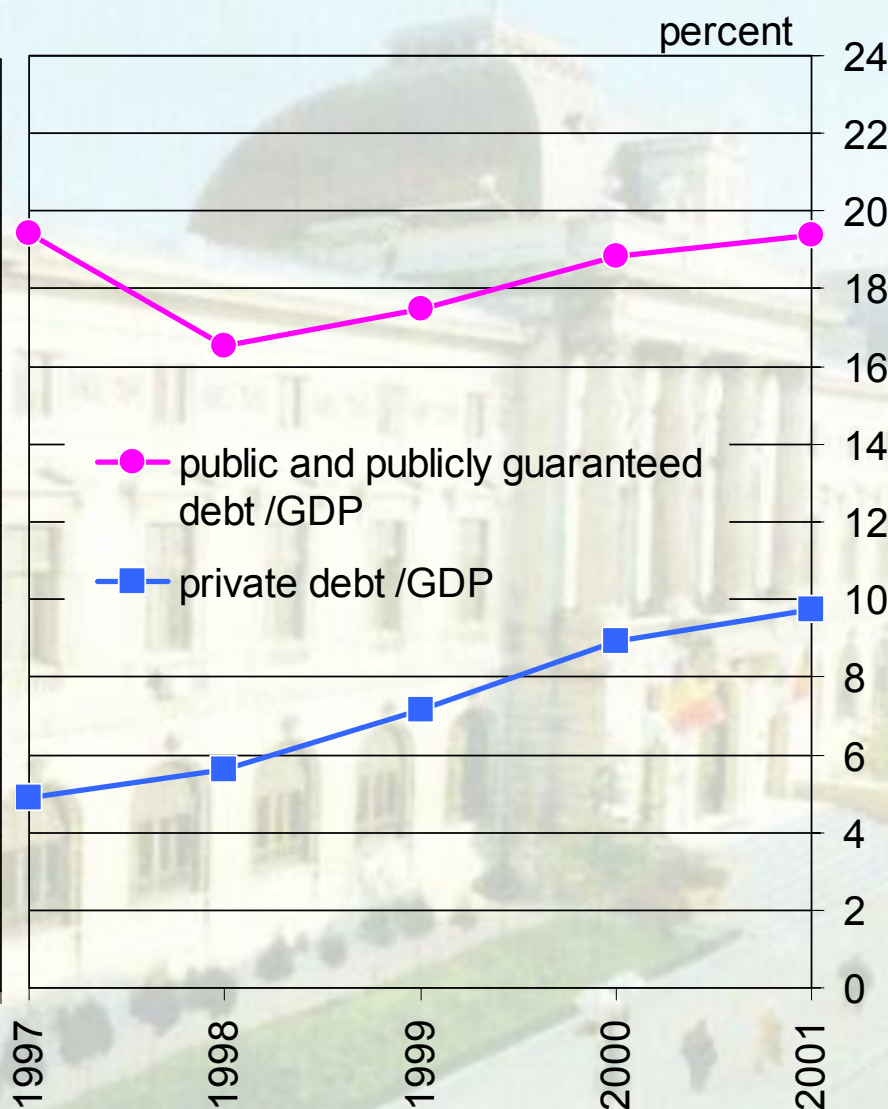
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MLT External Debt



MLT External Debt / GDP

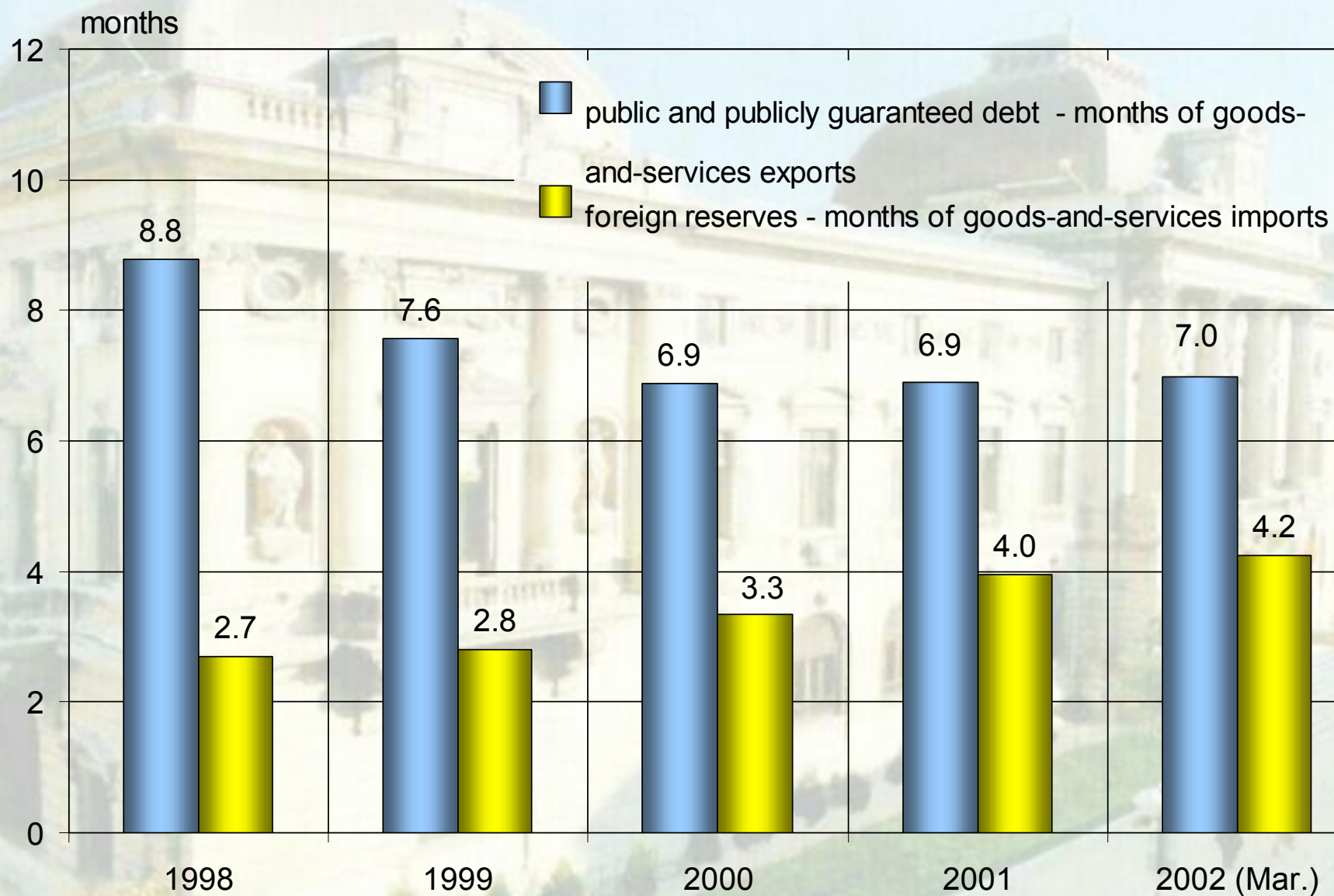


Source: National Bank of Romania, National Institute of Statistics

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External Debt Indicators

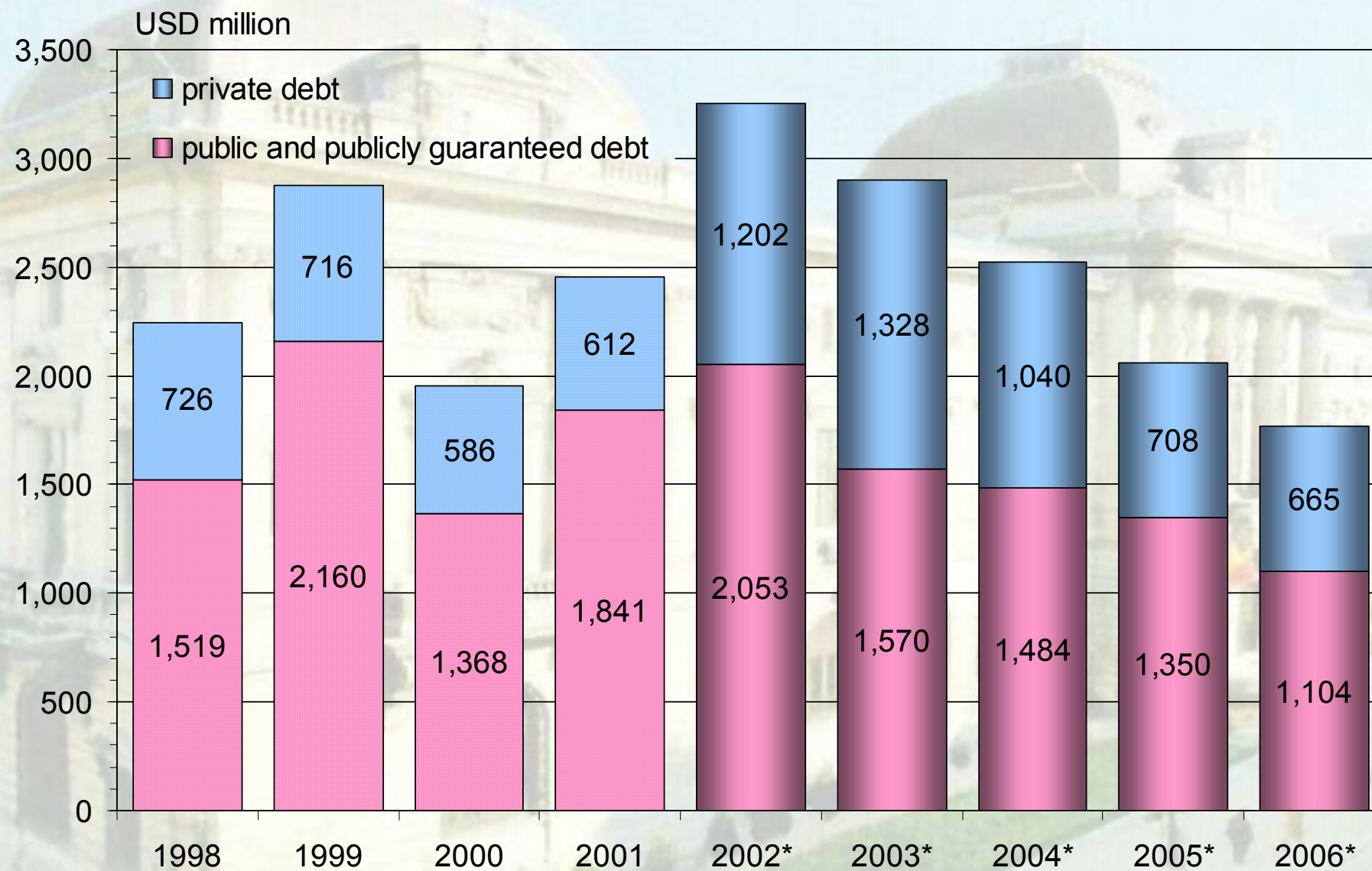


Source: National Bank of Romania

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MLT External Debt Service



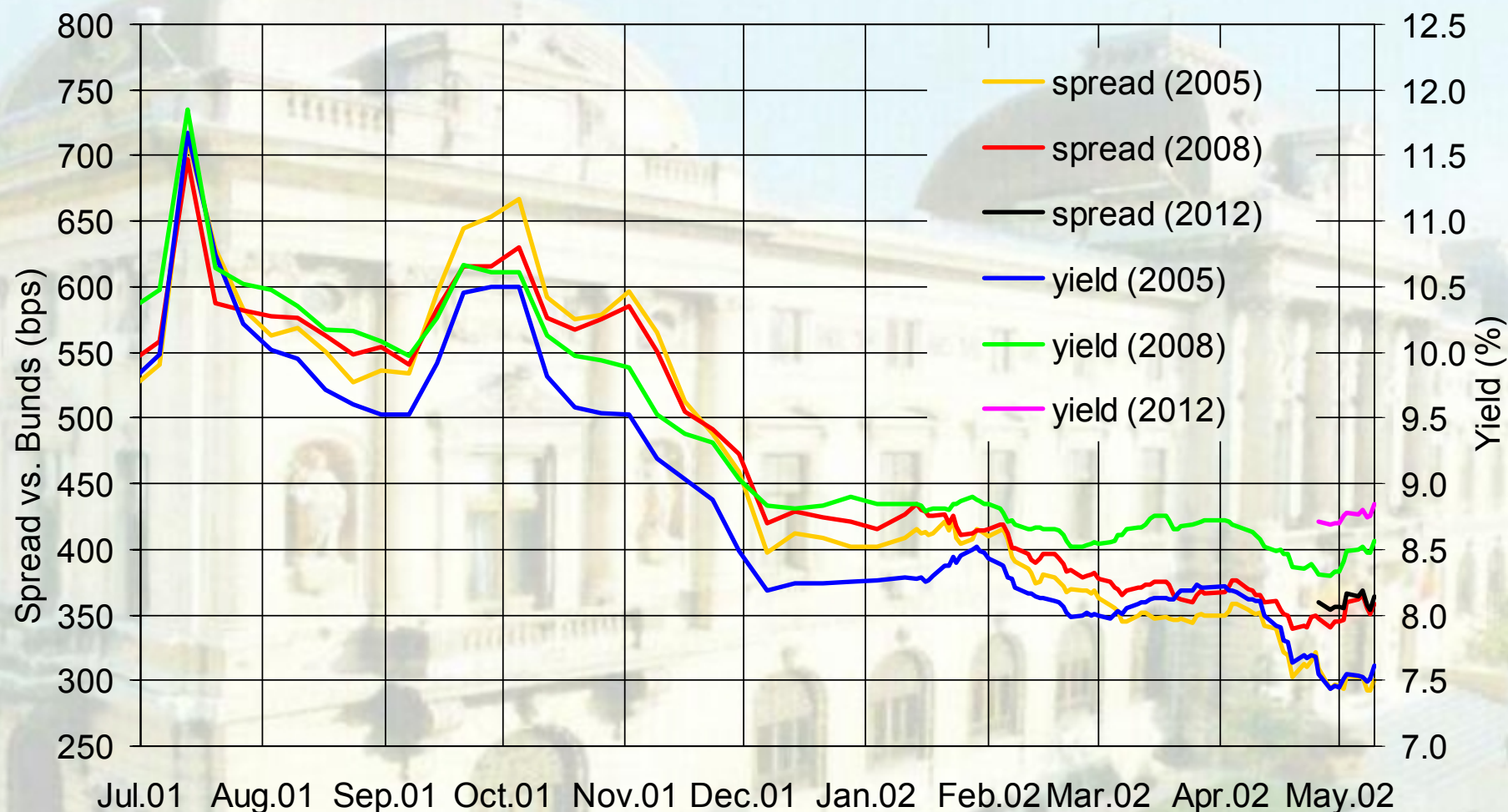
Source: National Bank of Romania

*) projection

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Spread of Romania's Eurobonds 2005, 2008 & 2012



Note: Romania '05 was 660 bps over Bunds at launch and 300 bps on 10 May '02
 Romania '08 was 592 bps over Bunds at launch and 358 bps on 10 May '03
 Romania '12 was 565 bps over Bunds at launch and 364 bps on 10 May '03

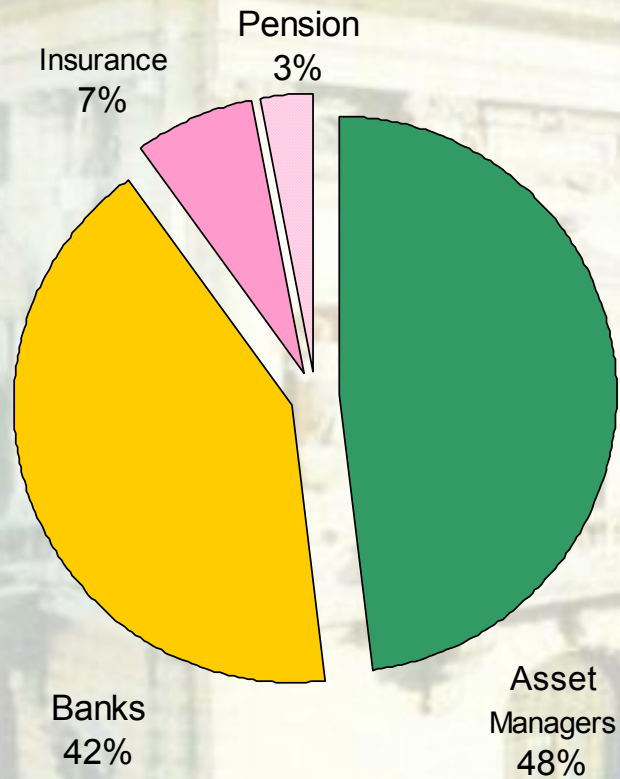
Source: Reuters, Bloomberg

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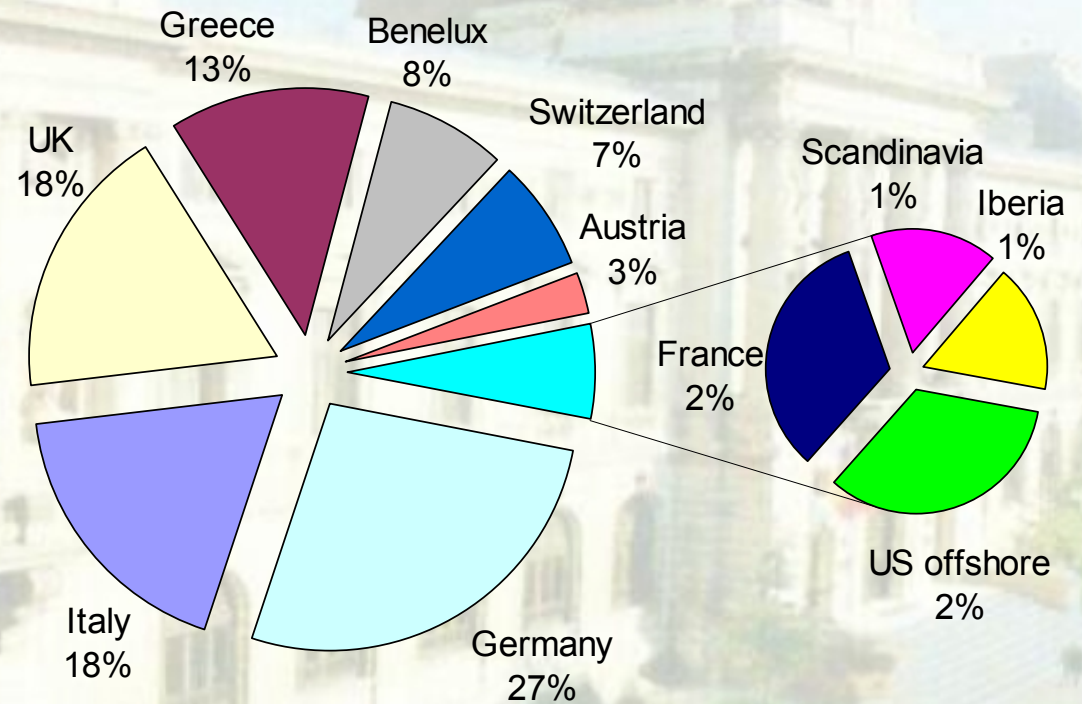


Romania's Eurobonds 2008

Distribution by Investor



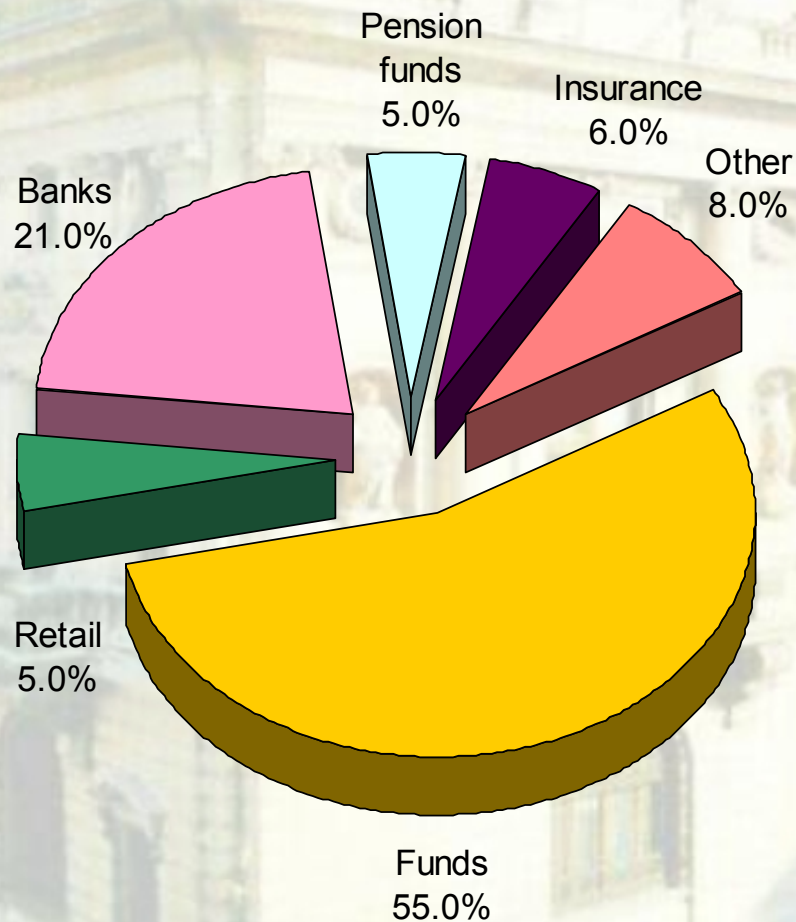
Distribution by Geography



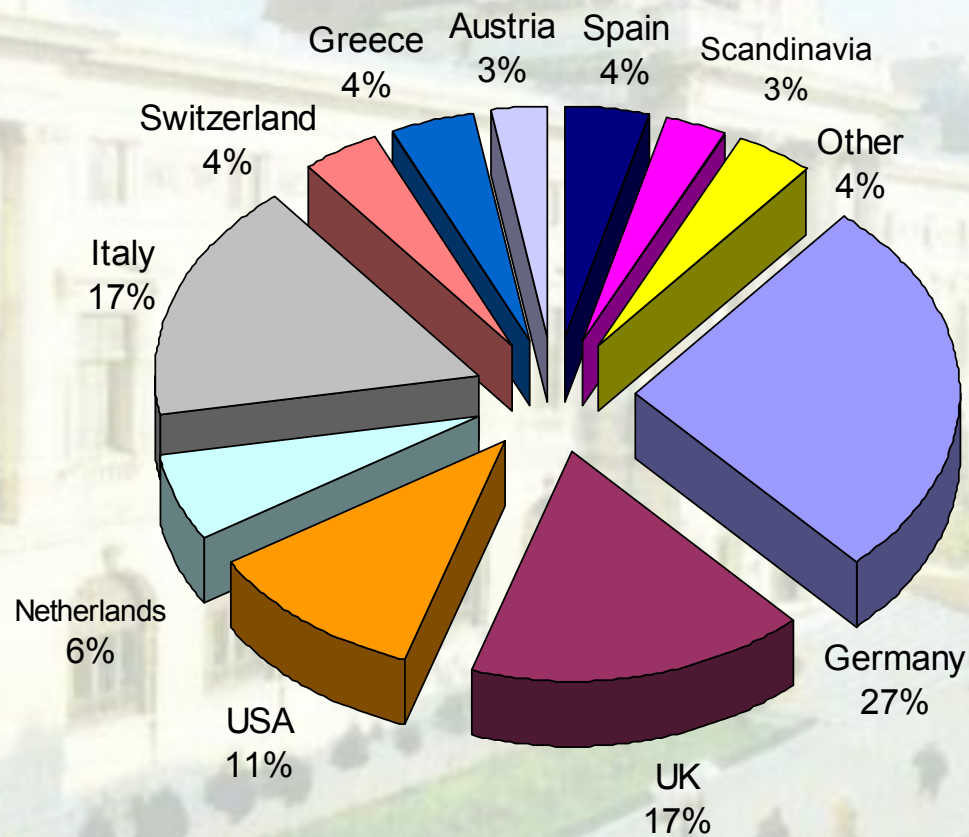
Source: Ministry of Public Finance

Romania's Eurobonds 2012

Distribution by Investor



Distribution by Geography



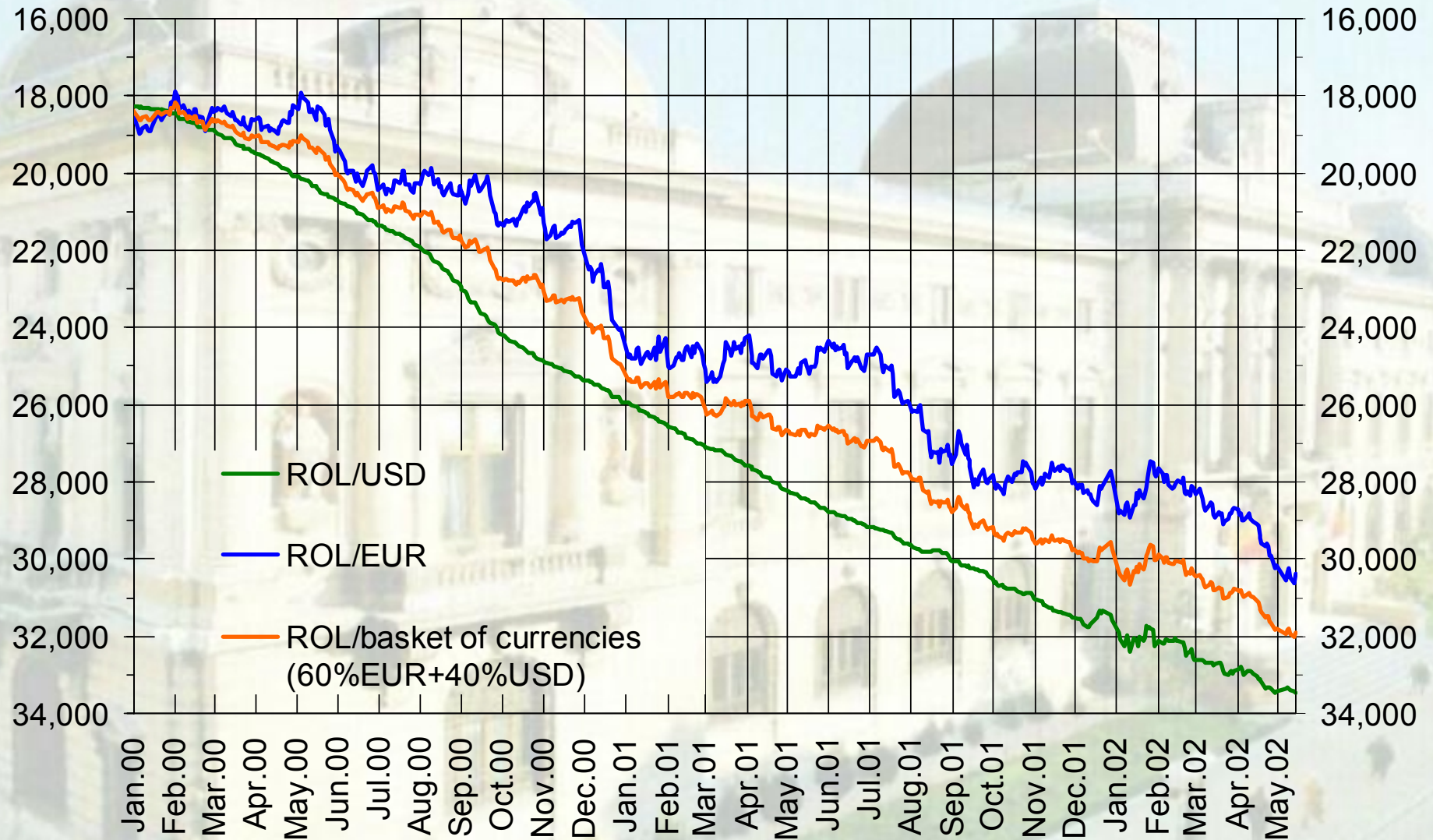
Source: Ministry of Public Finance

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Nominal Exchange Rate

(Daily Data)

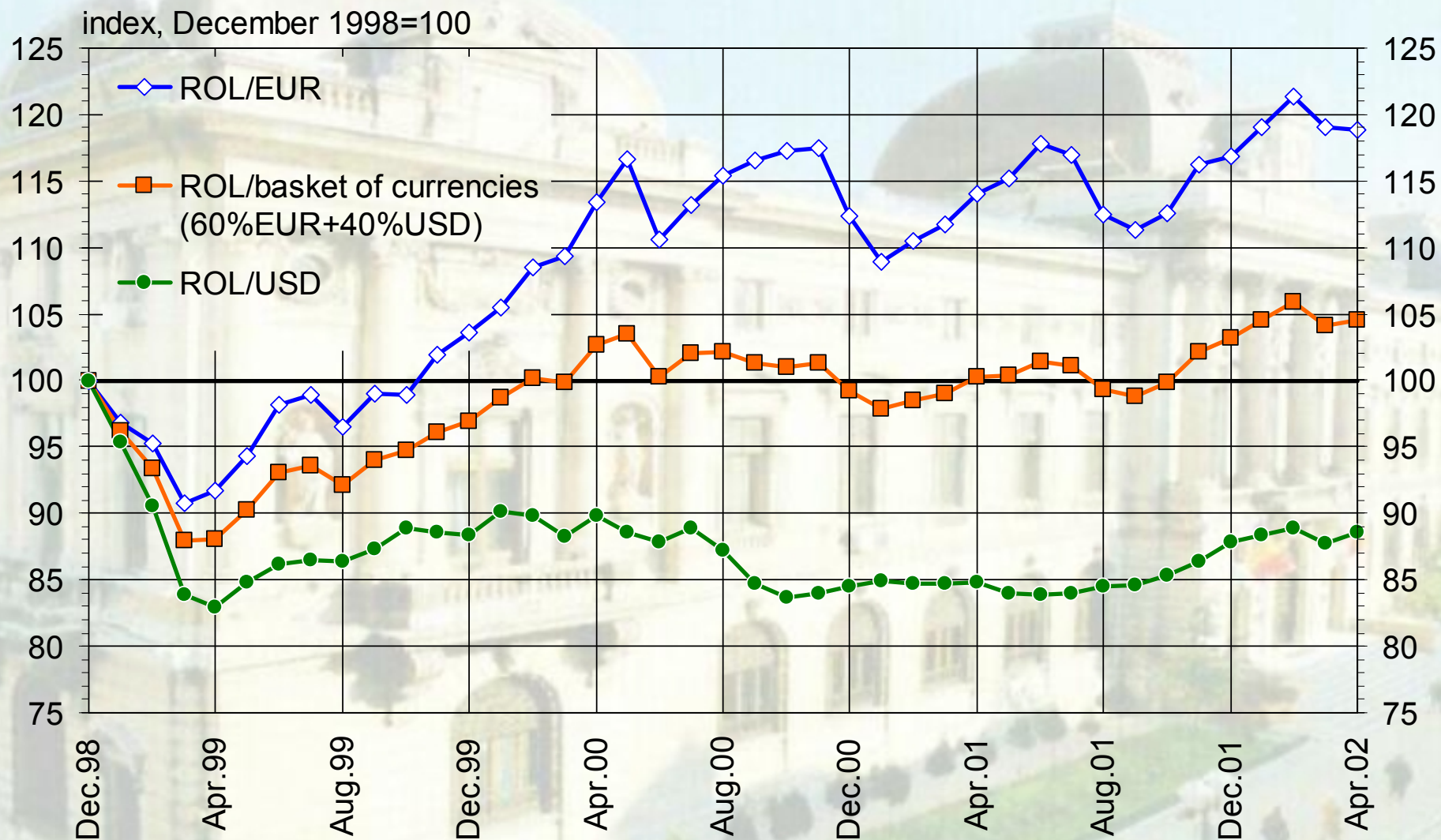


Source: National Bank of Romania

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Real Exchange Rate*



*) based on CPI differential between Romania and USA / Euro area

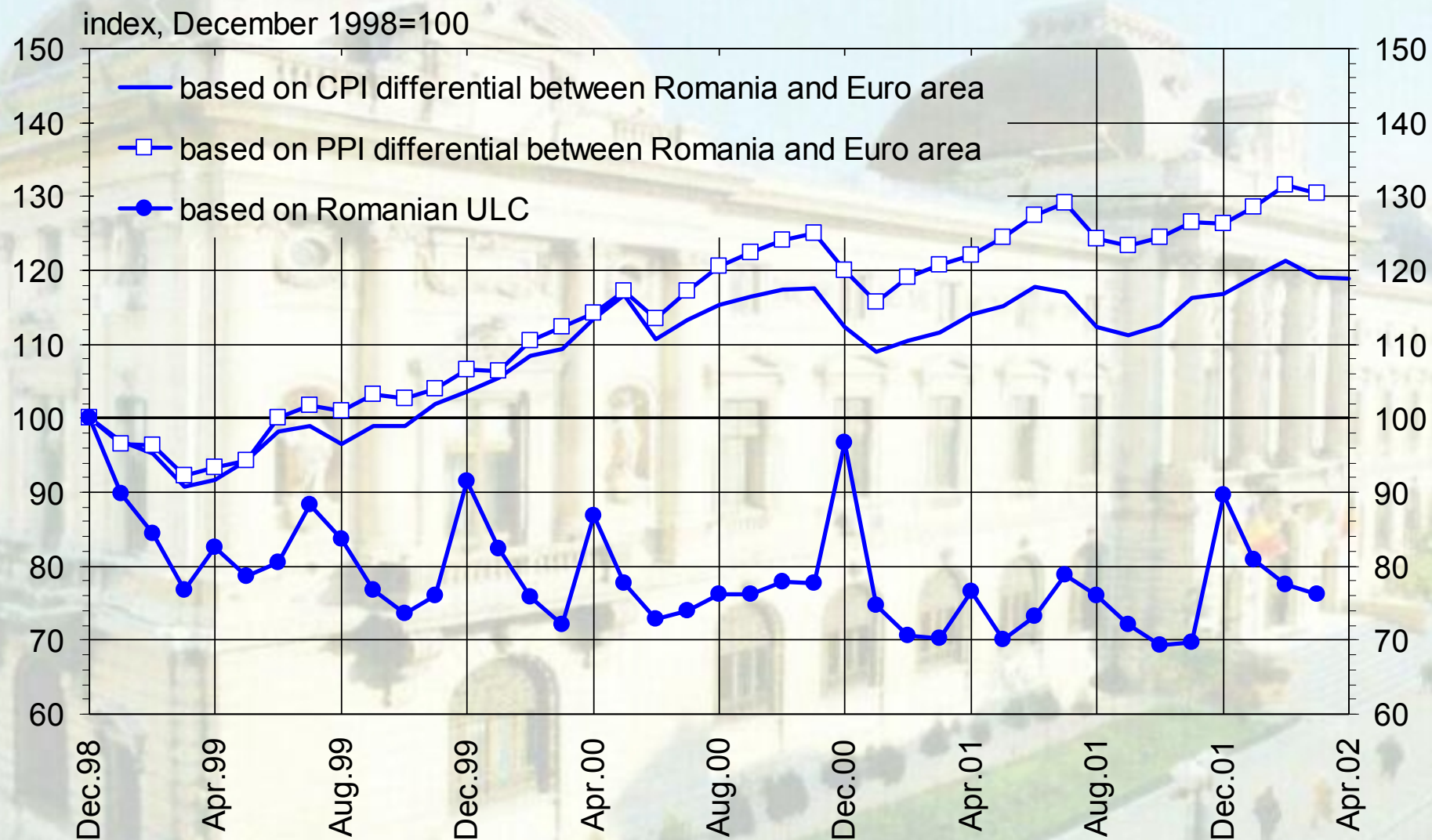
Source: National Bank of Romania

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Real Exchange Rate of the ROL Against the EUR

Appreciation (+)/Depreciation (–)

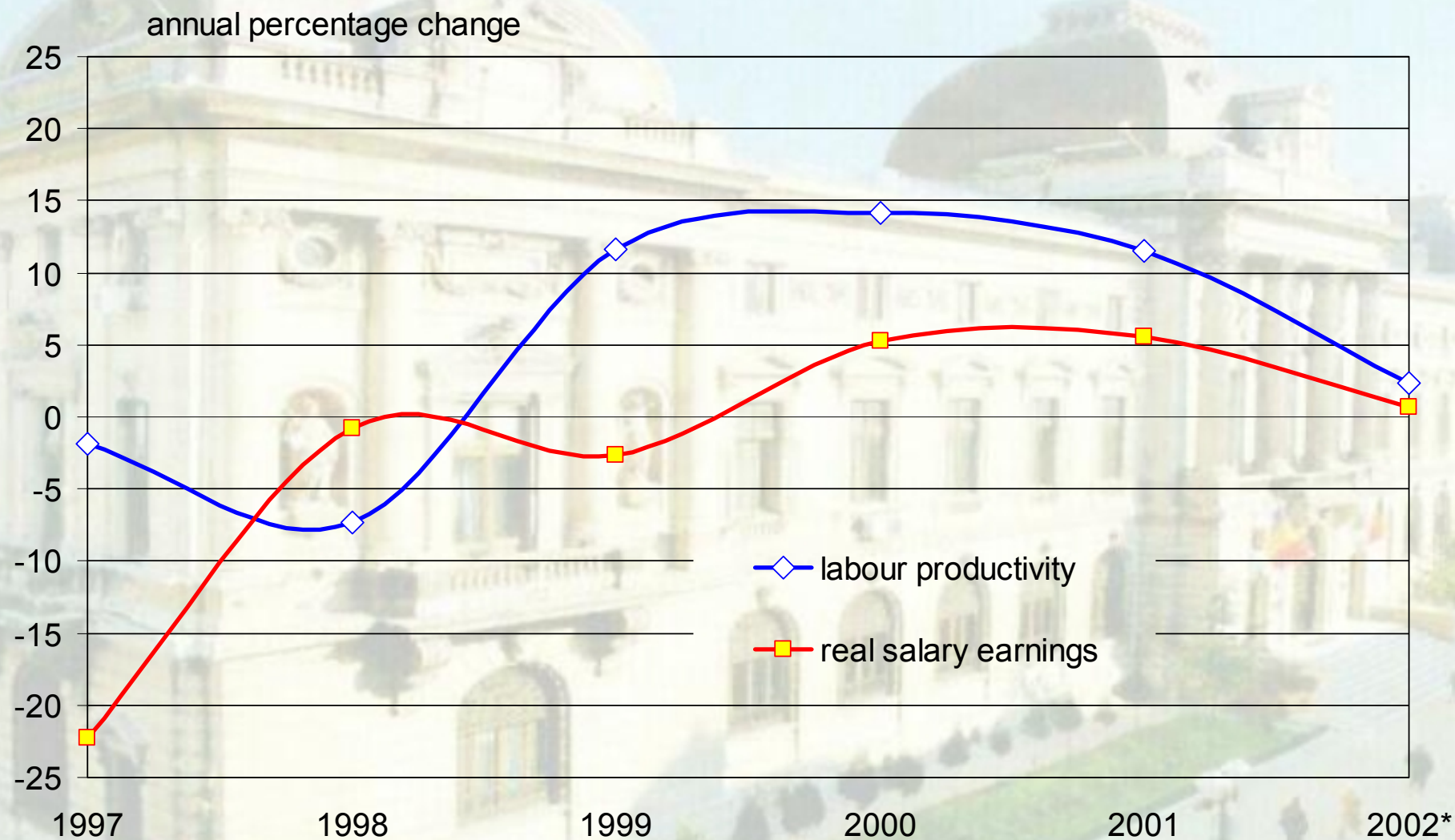


Source: National Bank of Romania

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Real Salary Earnings and Labour Productivity in Industry



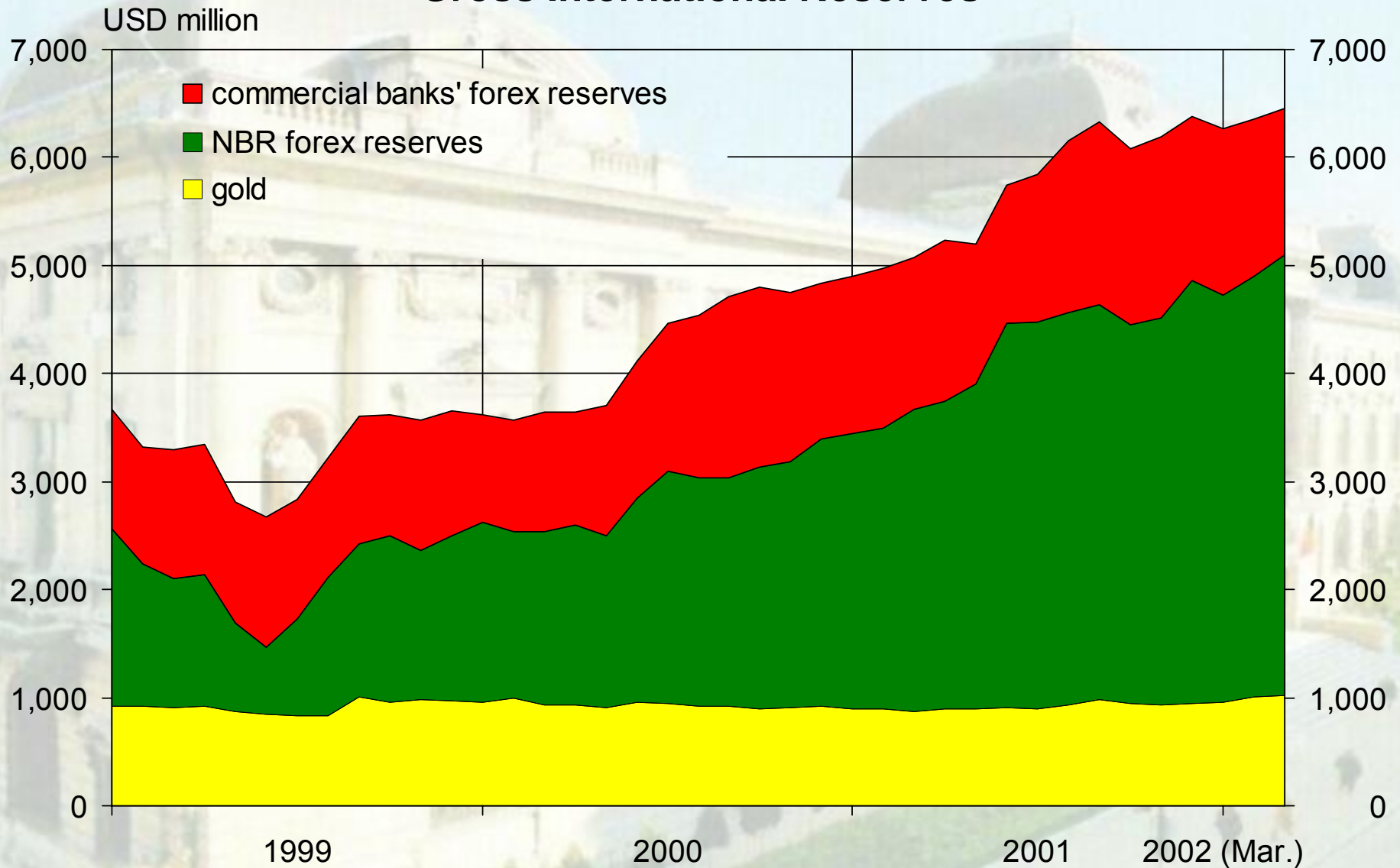
Source: National Institute of Statistics, NBR calculations

*) March

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Gross International Reserves

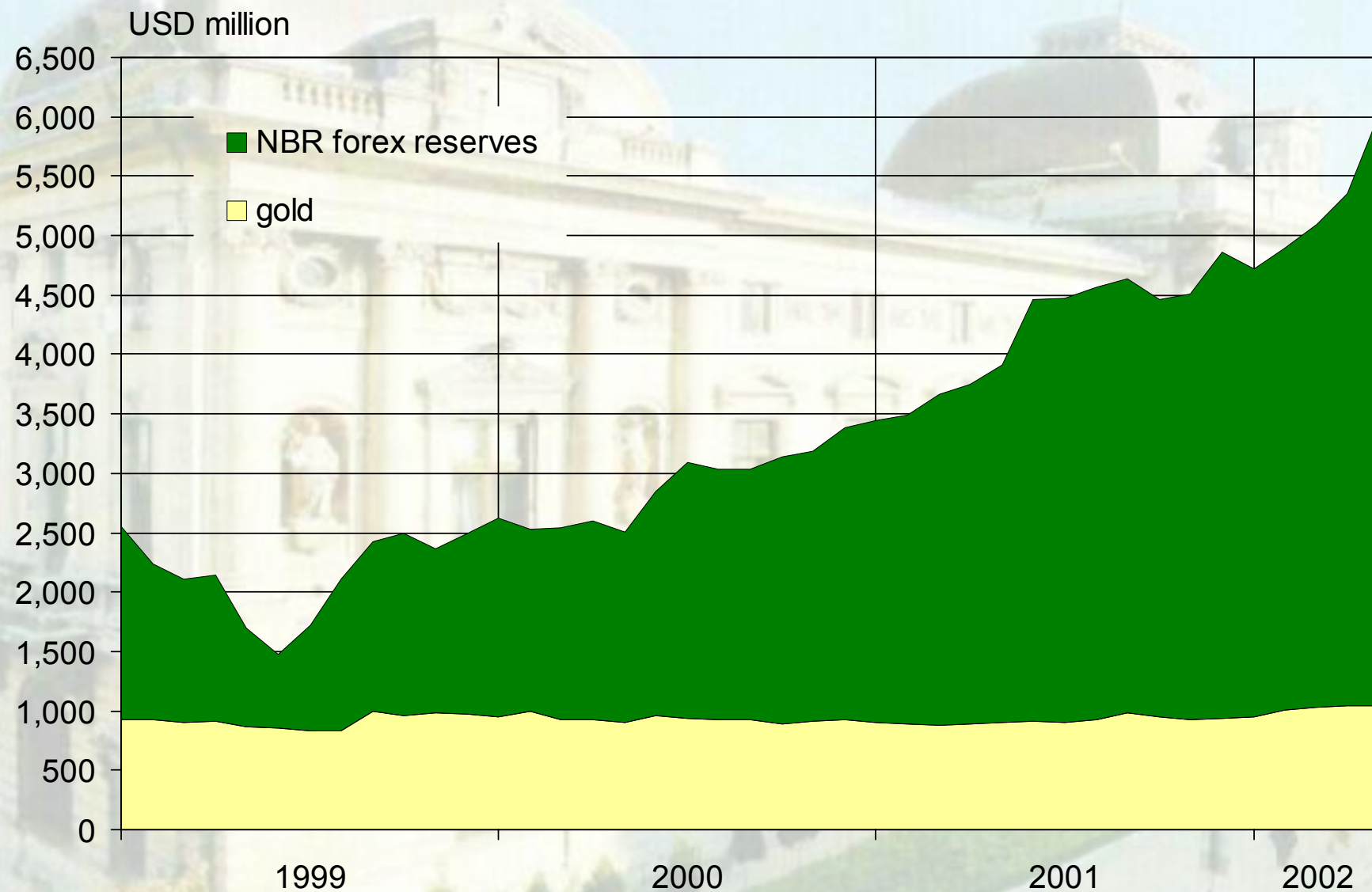


Source: National Bank of Romania

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Gross Official Reserves



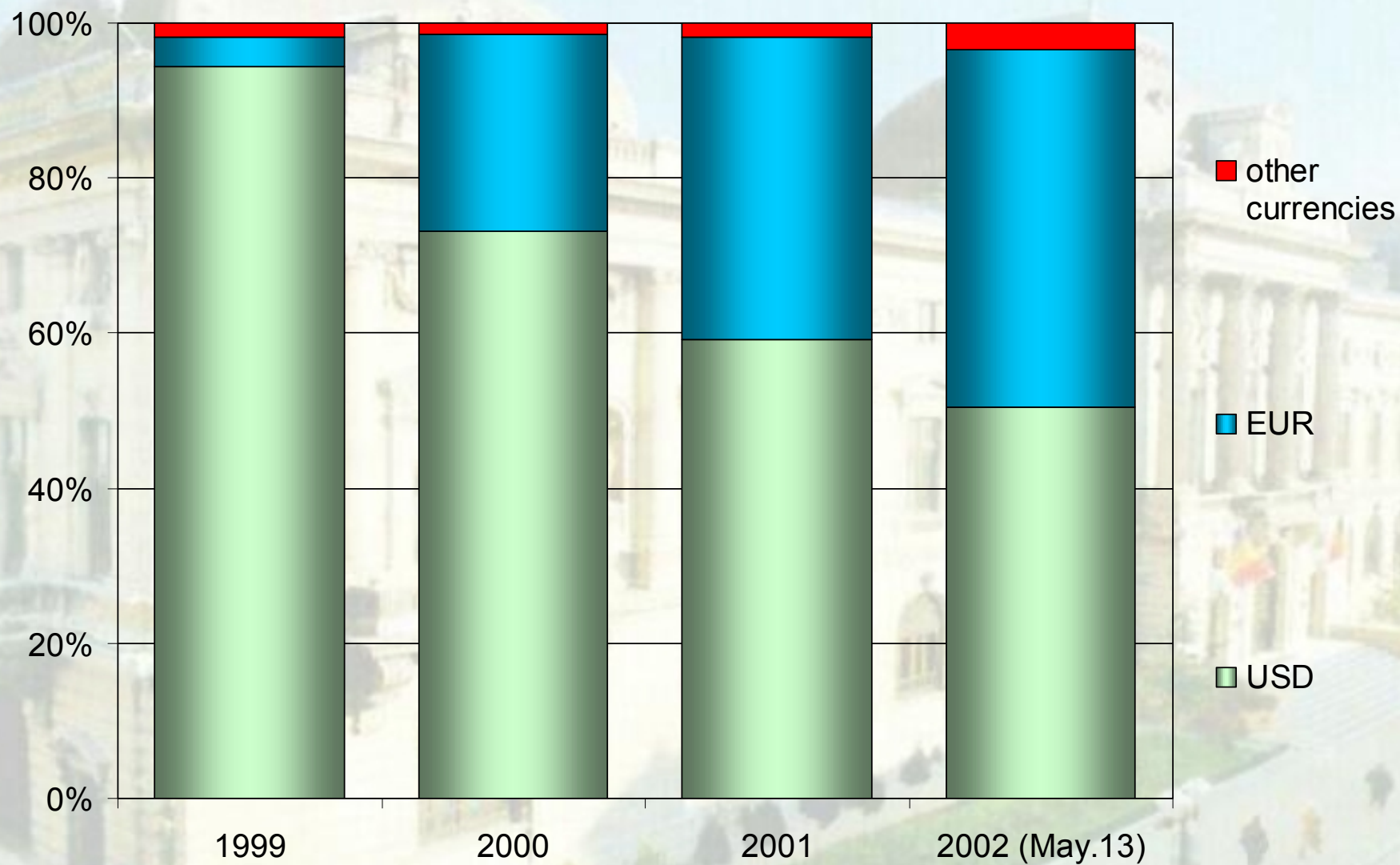
Source: National Bank of Romania

(May 16)

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NBR Forex Reserves Composition



Source: National Bank of Romania

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Debt and Reserves

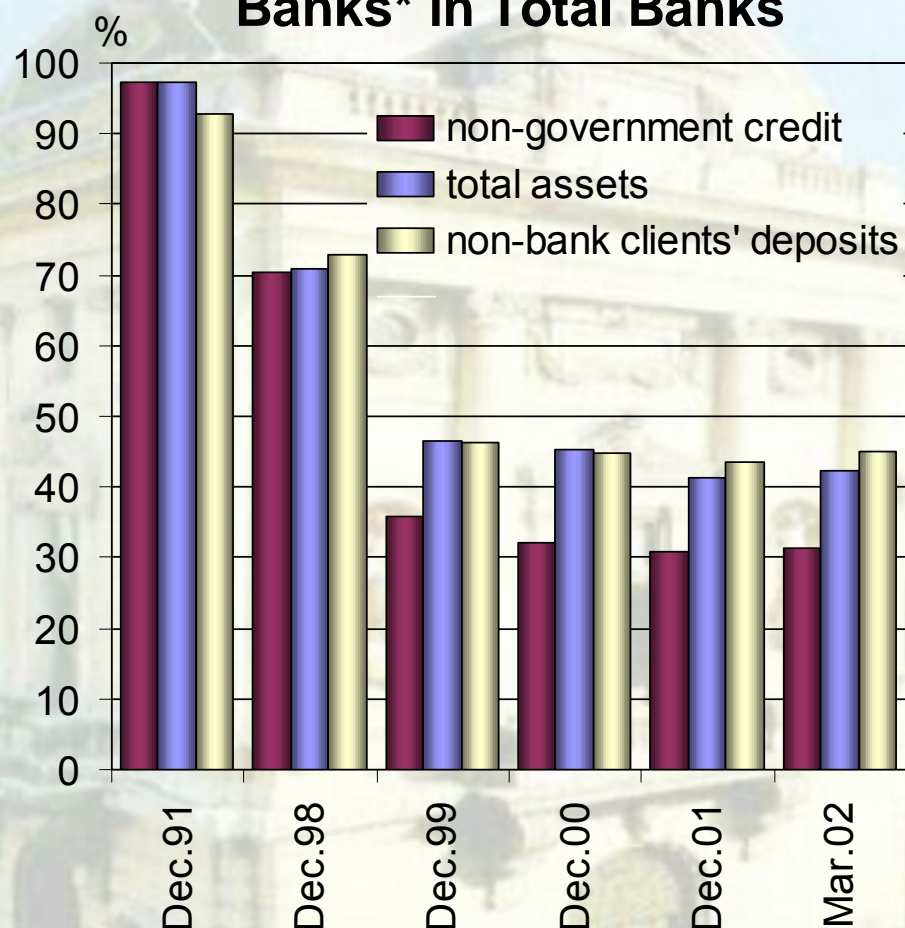


Source: National Bank of Romania

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Share of Majority State-owned Banks* in Total Banks



share in total banks (%); March 2002

	Total assets	Non-govt. credit	Non-bank clients deposits
Banks with majority foreign capital	54.4	65.1	52.2
Banks with majority domestic state-owned capital ¹	42.4	31.3	45.0
Banks with majority domestic state-owned capital ^{1,2}	10.4	2.6	11.0

1) including CEC; 2) excluding BCR

*) Banca Comercială Română (BCR), Banca de Export Import a României (EXIMBANK), Casa de Economii și Consemnațiuni (CEC)

Note: Starting Sep. '99 BANCOREX was subject to merger with BCR; Except BANC POST and Banca Română pentru Dezvoltare (BRD) starting Feb. '99 and Banca Agricolă (BA) starting Sep. '01.

Source: National Bank of Romania

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Foreign Equity Interest in the Share Capital of Romanian Banks

end-March 2002

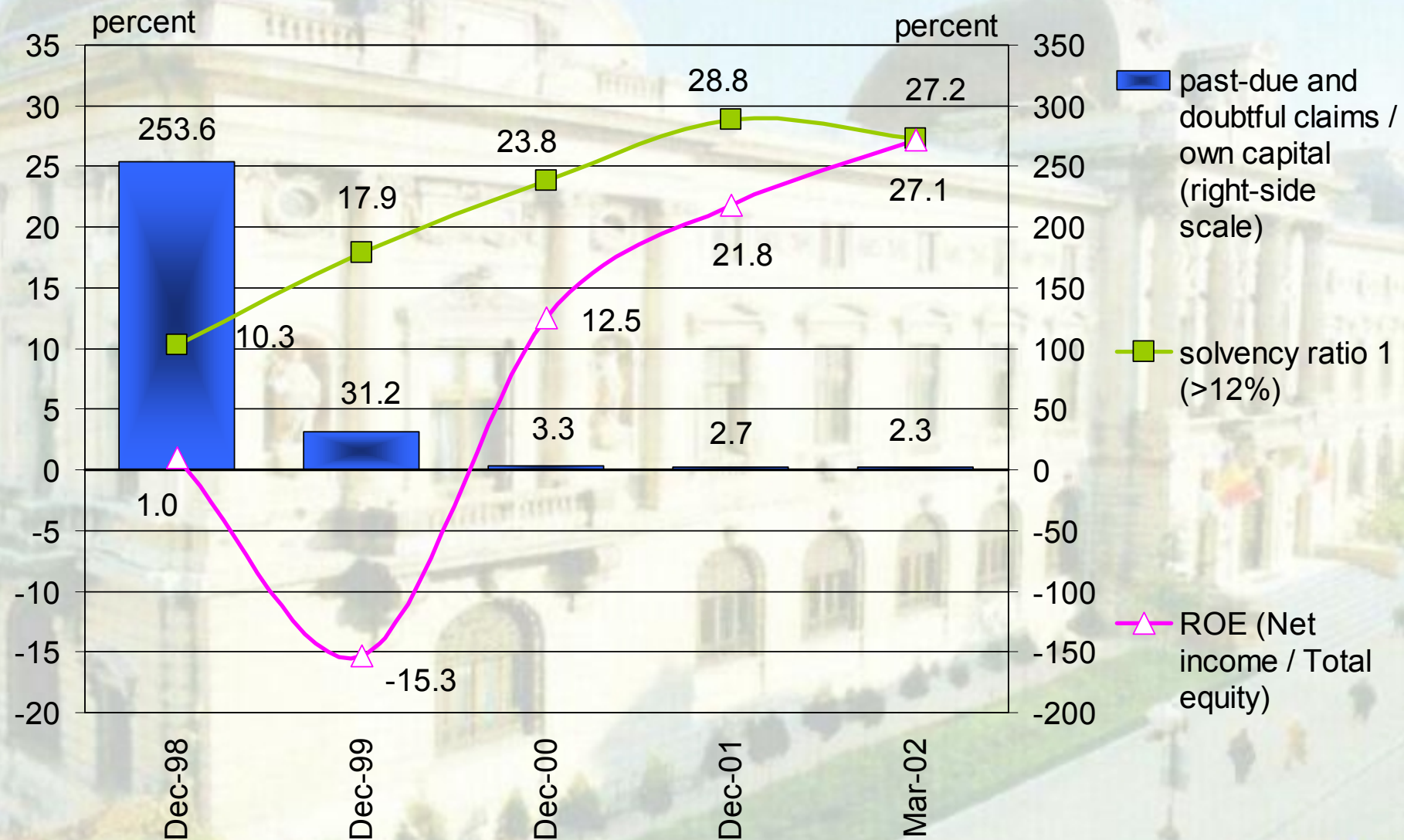
Country	Foreign equity interest	
	Percentage of total private foreign share capital	Percentage of total share capital
Greece	12.9	6.6
France	7.0	3.6
Austria	43.7	22.1
Netherlands	6.7	3.4
Italy	2.2	1.1
United Kingdom	1.7	0.9
Portugal	0.9	0.5
Total EU	75.1	38.2
Turkey	9.1	4.6
U.S.A.	8.5	4.3
Republic of Korea	2.2	1.1
Monaco	1.3	0.7
Other countries including EBRD	3.8	1.8
Total	100	50.7

Source: NBR

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Analysis Ratios for the Banking System

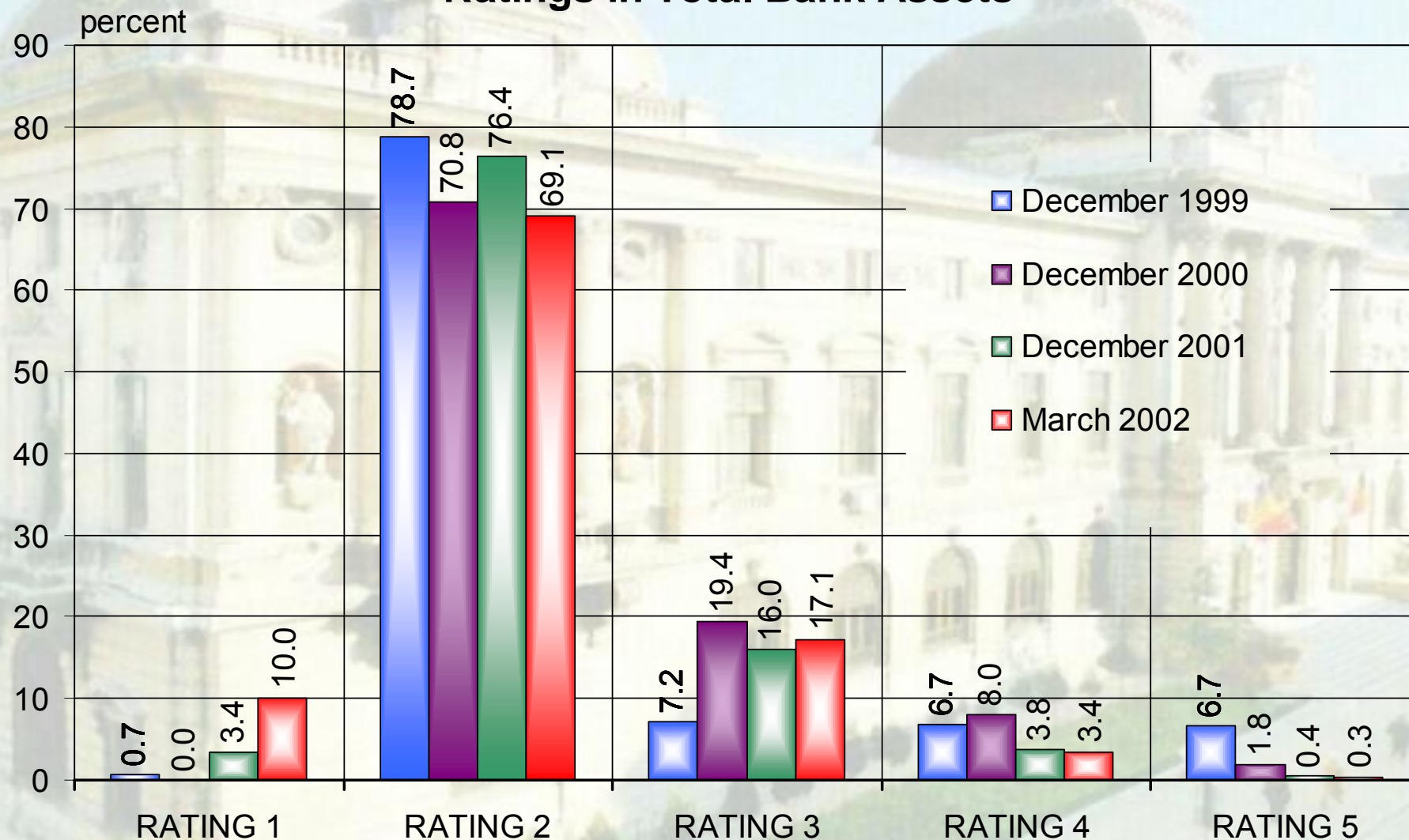


Source: National Bank of Romania

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The Weight of Banks Classified by the Five Composite Ratings in Total Bank Assets



Source: National Bank of Romania

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Harmonisation of banking legislative and regulatory framework with EU Directives – steady concern of the NBR

- ✓ Progress in harmonisation of prudential supervision and accountancy practices :
 - New banking laws (1998), including subsequent amendments (the latest – 2001);
 - Regulatory framework for credit cooperatives (2000);
 - NBR's norms:
 - on access of credit institutions to banking business (minimum capital, licensing requirements);
 - on banks' pursuit of banking business (own funds, solvency, large exposures, derivatives);
 - harmonisation of accountancy practices: banks' chart of accounts, introduction of the International Accounting Standards, annual and consolidated accounts ;
- ✓ The relevant *acquis* will be fully incorporated in 2002– 2003:
 - amendment of The Banking Act (2002) and adjustment of the present regulatory framework (2002-2003);
 - adjustment of bank chart of accounts and prudential regulations on pursuit of banking business to the requirements of credit cooperatives (2002);
 - regulations on internal control of credit institutions (2002);
 - prudential regulations applicable to e-money issuers (2003);
 - regulations on consolidated supervision of credit institutions (2003 – 2004);
 - regulations on market risk management by credit institutions (2003 – 2004).

Regulatory Framework for Banks

Type	Prudential Regulation	Comparison with EU Standards
Solvency Ratio	12% (risk-weighted)	8% (risk-weighted)
Liquidity indicator	Actual liquidity \geq Required liquidity	No liquidity indicator
Limits on lending (as % of own funds) <ul style="list-style-type: none"> Credit concentration per client (group of connected clients) Insider lending 	20% 20% (aggregate)	25% 20%
Limits on foreign exchange exposure (as % of own funds)	20% (overall) 10% (any one currency)	> 2% excess multiplied by 8 to get capital adequacy
Minimum registered capital	ROL 250 billion (EUR 8.85 million)	EUR 5 million
Loan classification and provisioning	0% for standard 5% for watch 20% for substandard 50% for doubtful 100% for loss	No EU-wide standards
Audited annual reports	By audit companies	External comprehensive audits

Source: NBR

Liberalisation of International Flows

1998: liberalisation of current account operations (Art.VIII of the IMF's Articles of Agreement);

1999: liberalisation of medium- and long-term capital inflows

2001: schedule of capital account liberalisation

Liberalisation of capital flows with low impact on balance of payments

2001-02

- direct and real-estate investment by residents abroad;
- admission to quotation of national securities* on foreign capital markets
- collateral granted by foreigners to residents
- personal capital movements

Liberalisation of capital movements consisting of transfers in performance of insurance contracts and other capital flows with significant impact on the real sector

2003

- medium- and long-term loans related to commercial transactions or services granted by residents to non-residents
- capital transfers in performance of insurance contracts
- collateral granted by residents to foreigners

2004

- acquisition by residents of traded foreign securities* (including OTC)
- financial borrowings and loans with maturity less than 1 year granted by foreigners to residents
- financial borrowings and loans granted by residents to foreigners
- admission of foreign securities* to quotation on domestic capital markets
- operations in ROL-denominated deposit accounts of foreigners opened with resident financial institutions

Liberalisation of capital flows with significant impact on the balance of payments

upon accession to EU

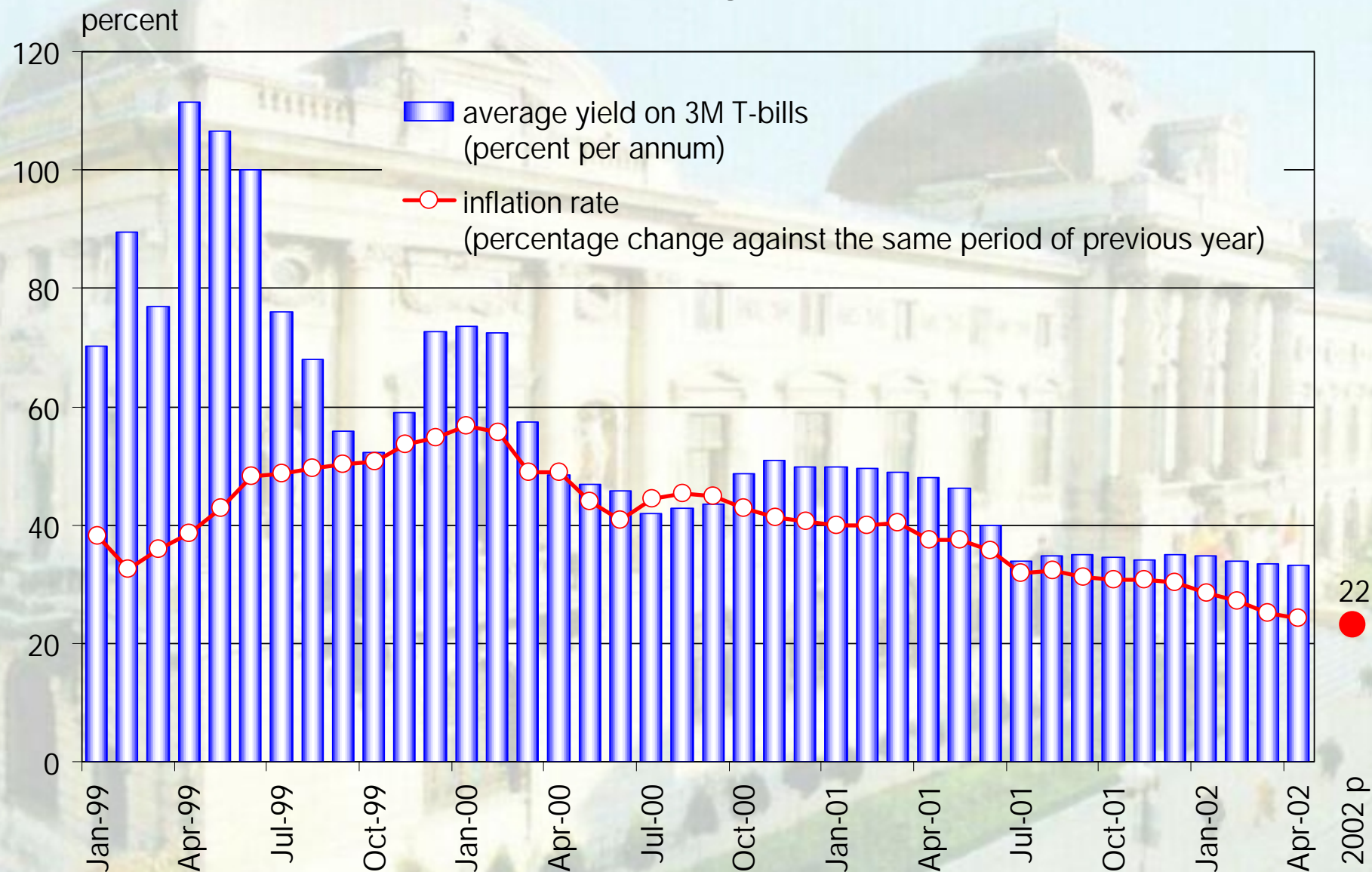
- operations in securities and other money-market specific instruments
- operations in current and deposit accounts carried out by residents with foreigners

*) including operations in units of collective investment undertakings

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Inflation Rate and Average Yield on 3M T-Bills

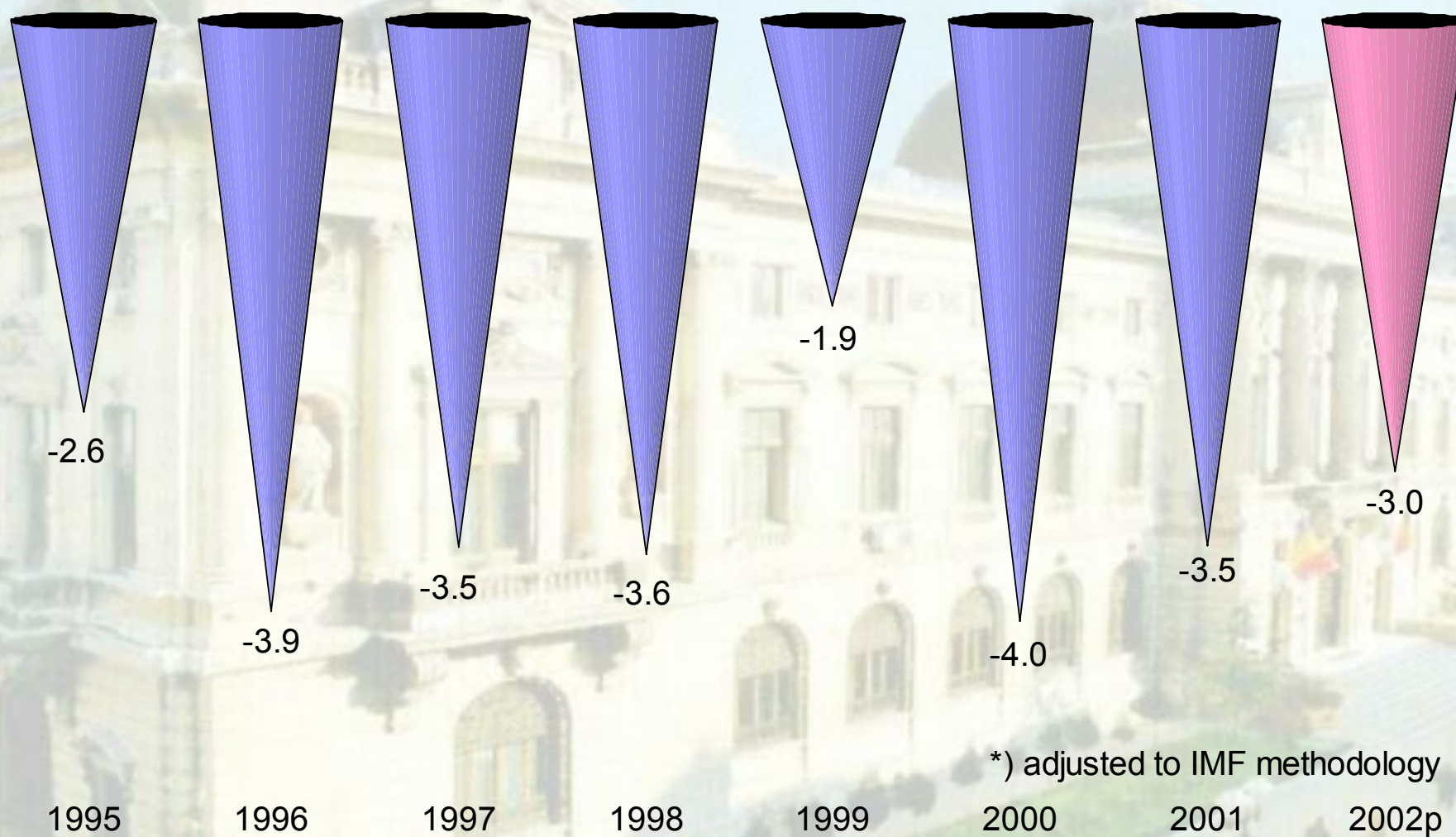


Source: National Institute of Statistics

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Fiscal Deficit as Share in GDP*



Source: Ministry of Public Finance, National Institute of Statistics