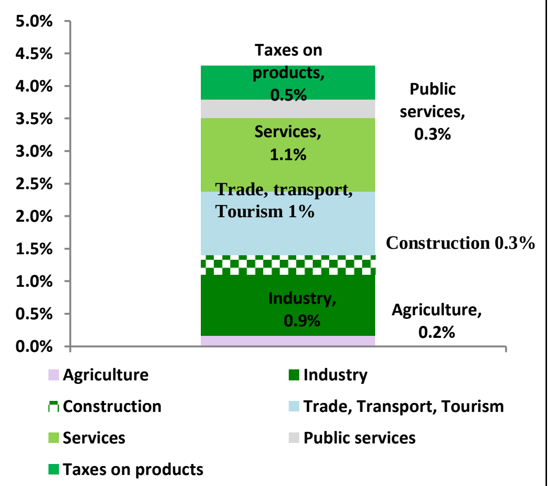
QUARTERTLY MACROECONOMIC REPORT ROMANIA – Q2 2015

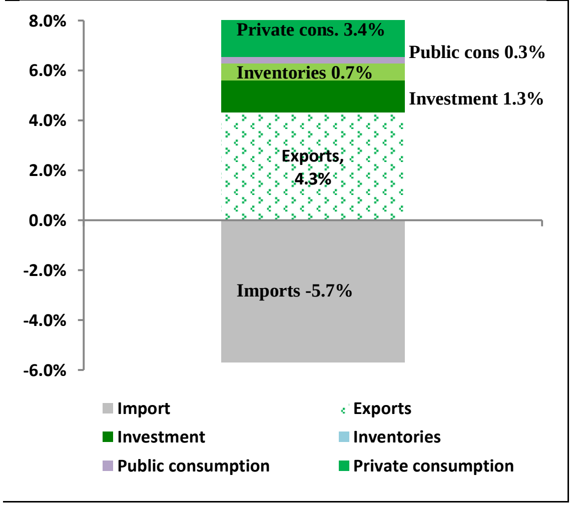
Optimistic outlook: growth to accelerate

Moody's: Baa3 stable / S&P: BBB-stable / Fitch: BBB- stable

GROWTH HAS BEEN BROADBASED AMONG SECTORS in Q1 2015



INVESTMENTS STILL NOT ENOUGH



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Outlook – Romania's strength rests fundamentally on the external and internal macro balances, creating a proper environment for a sustainable economic development. The Q1 GDP growth came out beyond expectations at 4.3% yoy. More importantly, the growth is broad-based on all sectors of activity, like industry, services, trade, transportation and construction. Figures are confirming our optimistic outlook regarding the good economic performance in the next couple of years.

The sizable fiscal relaxation planned through the new fiscal code is expected to boost further the consumption-driven GDP growth, so we revise our GDP growth forecasts upwards, at 3.0% and 3.5% yoy, for 2015 and 2016, respectively. Nevertheless, such measures have also a cost, and risks are mounting on deteriorated fiscal balance and its consequences on the country's risk premium. External financing conditions could also become tougher also due to the more hawkish global monetary policy. For the moment, we keep our outlook of fiscal balance below the 3% in 2016, relying on growth acceleration and improved fiscal collection with possible further adjustments through cuts in expenditures. Risk to this scenario is on the upside given that 2016 is an election year and the current public spending will rather accelerate than drop. Moreover, the collection performance might not improve as fast as desired.

Main Topics:

• GDP – 2015 Q1 GDP outpaced expectations
• Country risk profile – Balanced macro policies rewarded by rating agencies but worries are related to the new fiscal code
• Inflation – VAT pass-through on final prices was above expectations
• Monetary policy – NBR to reconsider its monetary policy
• Fiscal Policy – First budget revision for 2015 increases both revenues and expenditures by 0.6% of GDP
• Public financing – Public debt dropped in January-MayExternal Accounts and Financing – EU funds keep the CA account deficit low; FDI are increasing
• Bank flows – Lending is picking up, but portfolio cleanup not completed yet

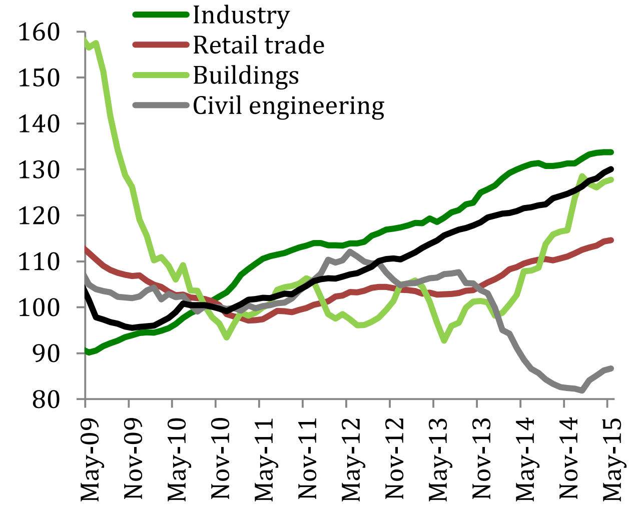
Economic Growth

2015 Q1 GDP outpaced expectations

GDP growth rate came out at 4.3% yoy (1.5% qoq) in Q1 2015. Industrial growth accelerated at 4.2% yoy in Q1 2015 from 2.0% yoy in the previous quarter. Constructions did not fail our expectations this time and grew by +6.1% yoy (in value added) driven by the buildings segment. Besides construction, a positive surprise, came from the trade, transport and tourism (+5.6% yoy in value added). The turnover of transport activity advanced (10.7% yoy) nearly twice faster than in the previous quarter. The good dynamics is in line with higher international trade volumes, especially from the euro-zone. The IT services, the fastest growing components of GDP in 2014, registered double digit growth in their turnover during the first quarter of the year (+24% yoy in turnover) and have potential for further growth during 2015. With both external and internal demand on expansion, the manufacturing industry expected to increase further its capacity during the year and keep the positive growth path, although with a slower pace. Moreover, the service sectors are increasing their shares from total output, while innovative service sectors like the IT, are expected to remain the driver of the development. Trade is connected with accelerating consumption that has been boosted by the 11% growth in wages since the beginning of 2014. Looking forward, the purchasing power of the population should continue to benefit from the historically low inflation for another one-two years. The construction sector has been driven by the sharp acceleration of buildings since the second half of 2014 and the trend is expected to persist. The civil engineering works are disappointing for the second year and unfortunately the signs of improvement are still modest. Lastly, we expect a negative correction of agriculture in 2015 after two exceptional years (+29% yoy in 2013 and additional +1.5% in 2014).

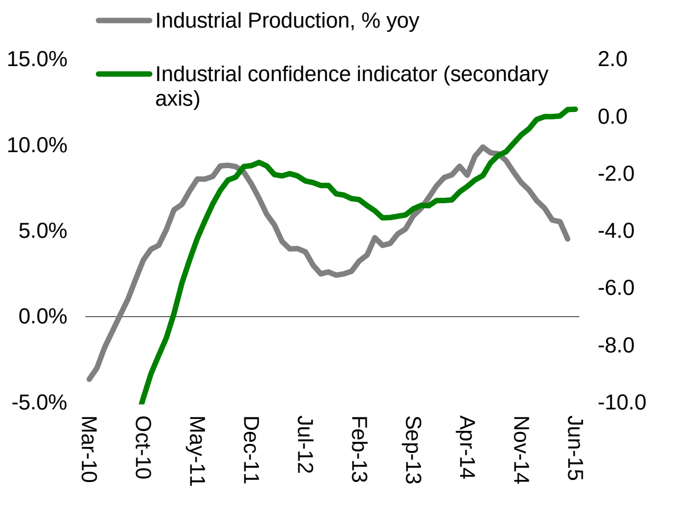
On the demand side, the real wage growth (+6.4% yoy in Q1 2015) continues to be supportive for demand acceleration. The VAT cut is expected to further boost consumption and GDP but rather to be visible in 2016 with additional 0.7 percentage point growth in GDP, while for 2015 the impact we project at around additional 0.2 percentage point growth in GDP. We revise upward our forecast on GDP at 3.0% and 3.5% yoy, for 2015 and 2016, respectively.

INDUSTRY STILL THE MAJOR DRIVER OF ECONOMIC RECOVERY–6 MONTHS MOOVING AVERAGE



Source: NIS, Eurostat, GarantiBank Research
Note: 2010=100

INDUSTRY IS SPEEDING DOWN AFTER TWO YEARS OF STRONG GROWTH –CONFIDENCE INDICATOR ON THE UPWARD TREND



Source: NIS, Eurostat, GarantiBank Research

Country risk

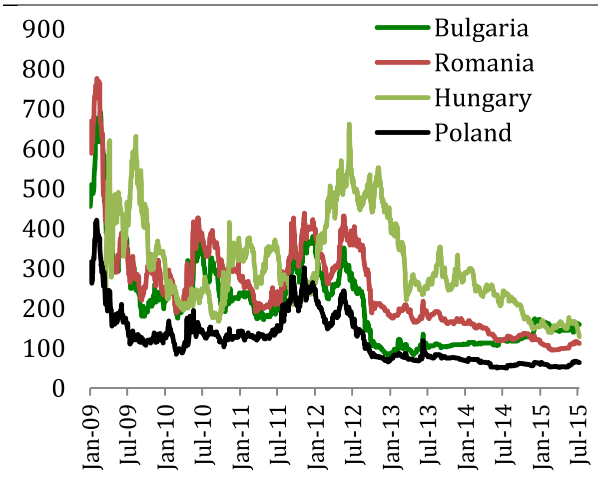
Balanced macro policies rewarded by rating agencies but worries are related to the new fiscal code

The 5Y EUR CDS increased at 117 bps in July amid higher regional risk from its all-time lows of bellow 100 bps at the beginning of the year but it is still significantly below the 400 bps seen in 2012 and Romania is considered to have lower risk in comparison to its regional pears as well. While there is a robust growth outlook for Romania amid stable macro environment in terms of price stability and external and internal balances, there is a clear increase of concern in terms of fiscal consolidation under the announced new fiscal code.

Moreover, on the top of the fiscal relaxation (with first round impact on budget at around -2.4% of GDP), children allowances have been doubled as of June 2015 (with around -0.3% of GDP annual impact on the budget) while a draft law for public sector employee remuneration is on the table with proposed substantial hike of around 70% in the next three years (1.3% of GDP impact on budget). Besides the risk of the hike in the above mentioned current spending, the continuous cut on capital expenditure (-26% or around RON 1 bn less in 2014 than a year earlier; RON 1 bn cut from transportation ministry in the first budget rectification in 2015) became unsustainable in the future. Some part of investments can be maintained just if higher efficiency of these projects is achieved. But for the sake of sustainable economic growth, these expenditure items should increase in the mid to long-term and this means that the government should refrain from further cuts and stick to initial plans of expenditure for 2016.

A technical assistance mission of the International Monetary Fund came in Romania in July after the unsuccessful visit in June when the aid review was not finalized and the current agreement remained suspended because of disagreements on the new fiscal code. According to the news, the mission came at the request of local authorities after the new tax code was just sent back by the president to the parliament to reconsider the proposed substantial fiscal relaxation. The current visit might be the last tentative to convince the parliament to soften the relaxation or/end introduce it gradually, when the improved collection as an alternative source became more visible. Romania has a stand-by agreement of 4 billion euros with the IMF that ends in September. Although there is no need of financing at the current stage, the

CDS AT HISTORICAL LOW REFLECT MACROECONOMIC BALANCE BUT ALSO REGIONAL TREND



Source: Reuters, Garanti Bank Research

RON VOLATILITY BEYOND THE 5% BAND FOR THE LAST TWO YEARS

Source: NBR, Garanti Bank Research

situation might change if stress scenarios in the euro-zone materialize and fiscal imbalances start growing in Romania.

Still, due to the balanced macro indicators, the Romanian economy can absorb possible shocks, like geopolitical uncertainties stemming from Greece or Ukraine, and changes in global financing conditions, at least on the short to medium term. Regarding Greece, although not ruled out completely, the possibility of leaving euro zone decreased significantly, once the new bailout accord has been sealed[1], In any case, the contagion of Romania to Greek default is limited and controlled. The strongest link is through the banking system, since 12% of the Romanian banking system is controlled by Greek banks while international trade linkages are small (below 2% of both export and imports). The Greek banks present in Romania do not depend on the parent funding. Moreover, liquidity risks of Greek banks are lower due to compensation agreements made with their shareholders based on which, Greek banks can refuse to give back deposits to parent banks if capital controls are introduced.

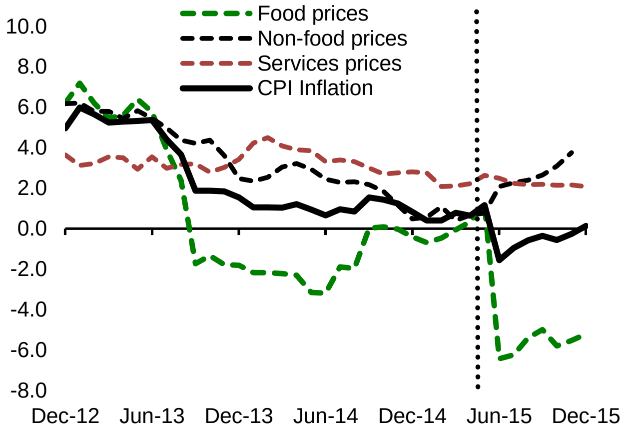
Inflation

VAT pass-through on final prices was above expectations

Inflation remained below target band (2.5% +/-1%) almost the entire 2014 and H1 2015 while the VAT cut on food products from 24% to 9% implemented in June pushed CPI in negative territory. Inflation rate dropped more than expected at -3% mom while the annual inflation came at -1.6%. The pass-through of VAT cut was higher than expectations of 50-75% and stood actually close to 90%. Additionally, prices of milling and baking products, where the VAT was already at 9%, dropped as well by 2.7% compared to the previous month.

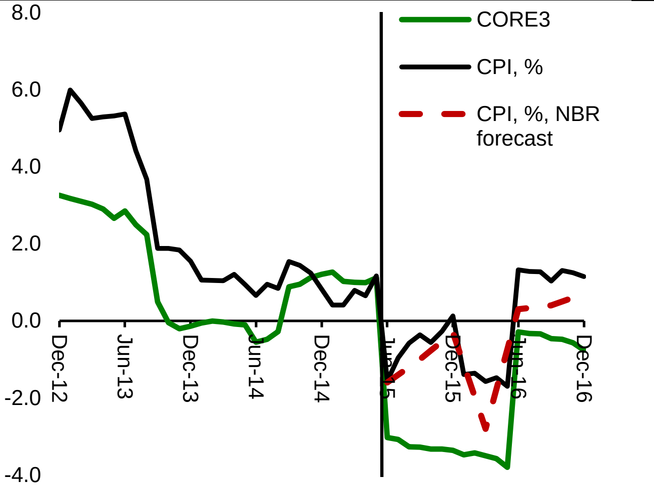
Nevertheless, fruits and vegetables prices are expected to climb again due to some drop in production, after two years of good agricultural output. Regarding other components, gas prices have been lifted by 13% as of July 2015 as part of gas price liberalization process which was interrupted in October 2014. Tobacco prices have been increased due to excise regulation, by 3% as of 1st April while fuel prices should be lifted by the recovery of oil price on the international market.

INFLATION TURNS TO DEFLATION IMPACTED BY VAT CUT ON FOOD PRODUCTS



Source: NIS, GarantiBank Research

CPI INFLATION TURNS POSITIVE IN 2016 BUT CORE3 REMAINS NEGATIVE



Source: NIS, GarantiBank Research

[1] Greece should wrap up bailout talks with international lenders by August 20 aimed to seal the bailout accord, which could offer Greece up to 86 billion euros in new loans.

We currently expect a 0.1% yoy end of year inflation for 2015 but mostly negative until June 2016, when expected to jump back to positive territory, driven by the base effect. The CORE3 measure is seen in the negative territory until the end of 2016. The general VAT planned to be cut from 24% to 19% as of January 2016 for which we considered an 80% pass-through while an additional strong lowering influence is coming from the cut of the fuel excise duty (6% drop with 8% from the CPI basket). Consequently, the headline inflation is expected to stay subdued during 2016 as well with end of year level at 1.2% yoy.

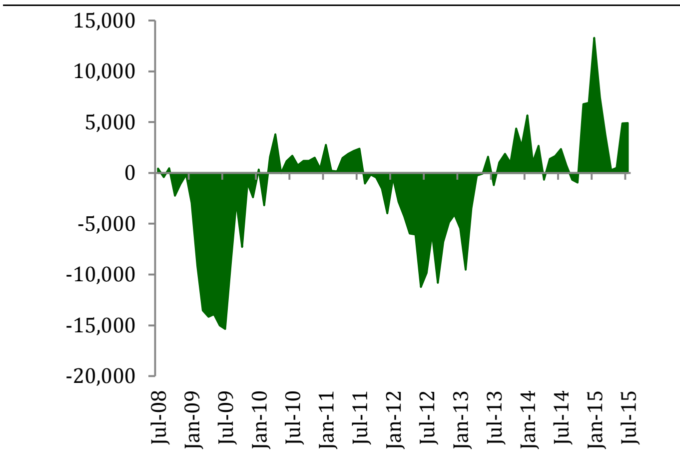
Monetary Policy

NBR to reconsider its monetary policy

As inflation was persistently below expectations and NBR target of 2.5% (+/-1%), the Central Bank cut its policy interest rate by additional 1.0 percentage point in 2015 in four steps until the level of 1.75% as of May 2015. At its latest monetary policy meeting held in July 2015, NBR decided to maintain its policy rate at 1.75%. Although inflation outlook is below the NBR target of 2.5% (end-of-year inflation expected by NBR at -0.3%), upward risk might come from fruits and vegetables and increasing energy and oil prices. Moreover, an additional price increase might come from a possible RON depreciation driven by higher regional risk channeled from uncertainties in Greece and Ukraine. Looking forward, on the one hand, we can say that it remains less space for further key rate cut and a "wait-and-see" attitude of NBR is rather expected for the next couple of months and one more cut we expect at the beginning of 2016, when CPI is expected to turn back negative. On the other hand, with inflation outlook below target until the end of 2016 (0.7% yoy NBR forecast, 1.2% yoy our expectation), we neither expect any rate hike before 2017. Nevertheless, tighter monetary conditions might be implemented through sweeping off inter-bank liquidity and this way lifting market rates closer to the key rate. The risk of earlier than 2017 hike from the NBR are related to the final impact on consumption of the proposed fiscal relaxation. In case that GDP growth will be above its potential (that is not our baseline scenario), NBR may implement offsetting measures in order to keep a similar mix of economic policies.

The minimum reserve requirements (MRR) ratios on both leu-denominated and foreign-exchange denominated liabilities of credit institutions, currently at the level of 8% (last drop in May 2015) and 14% (last drop in November 2014) are expected to be maintained in the next quarter and a possible cut of the MRR on foreign denominated liabilities at 12% while further cuts on both ratios are expected in 2016 until 6% and 9%, respectively.

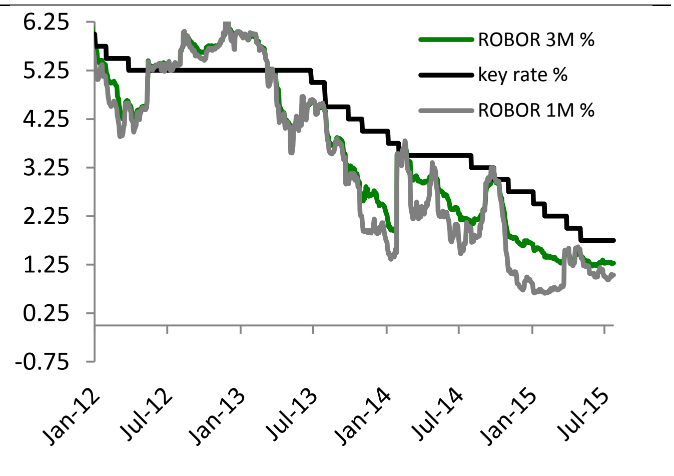
NET LIQUIDITY POSITION OF BANKS VERSUS NBR (+ MEANS NBR IS NET DEPOSITOR)



Source: NBR, GarantiBank Research

Note: net liquidity position includes permanent facilities and

MARKET RATES BELOW THE KEY RATE AMID GOOD INTER-BANK LIQUIDITY



Source: NBR, GarantiBank Research

repo/reverse repo.

Fiscal Policy

First budget revision for 2015 increases both revenues and expenditures by 0.6% of GDP

The budget posted a surplus of 0.6% during the first half of the year. The surplus will accommodate the fiscal changes implemented this year and which were not caught by the budget planned for 2015. More precisely, the VAT cut for foods from 24% to 9%[2] and the increase in child benefit from RON 42 to RON 84[3]. The fiscal changes came hand in hand with increased collection efforts, especially at the VAT level and also a higher than expected GDP growth. During the H1 2015, the share of VAT revenues in GDP rose by 0.5 percentage points, to 4.2%. This is comparable to the realized budget surplus of 0.6%. The more favorable evolution of the economy allowed the realization of higher than planned revenues, as current revenues were 3.3% higher than planned. The other side of the story regards the expenditure side, where the investment category was under the plan, but higher than last year by 7.2%. Because funds remained unused, the first budget revision decided to reallocate funds from the Ministry of Transport (RON 1 bn or 0.1% in GDP)

According to the revision, the budget deficit rises to 1.9% and remains unchanged in nominal figure (RON 13 bn)[4]. The overall budget revenues and expenses have been increased by RON 4.5 bn, which is roughly equal to the budget surplus obtained during the first 6 months. This raises the question whether the extra revenues collected in H1 15 can be preserved until the end of the year, considering that the lower VAT income is an offsetting factor. This upward revised revenue estimation afforded higher planned expenditures, including the ones with social assistance (+RON 1.3 bn mostly due to the child benefit modification), executory titles for public employees (RON 0.6 bn) and payments related to expropriations decided by the European Court of Human Rights (RON 0.55 bn). Among the ministries which will see an increased budget allocation there are: the Public Finances (RON + 1.3 bn), Minister of labour, family and social protection (RON 1.2 bn), Ministry of Defense (RON +650 mn), Ministry of Internal Affairs (RON +565 mn), the Ministry of Environment (RON +305 mn) and others. The biggest reductions will be operated in the case of Ministry of Transports (RON -1 bn) and Ministry of Health (RON -600 mn).

Our understanding of a successful budget execution this year[5], but especially in 2016 is to remain under the 3% deficit target, while also speeding up capital investment. Therefore, just remaining under target is not enough, the spending structure needs careful attention as well. Continuing the collection efforts is a must. Additionally, the efficiency of investment projects can be improved. Romania has approved its Transportation Masterplan which should be a top priority considering the country's stance in an international comparison in terms of infrastructure. Romania is among top spenders in European Union (please see the graph below), however in terms of motorway length, it lies behind its CEE peers: Poland and Hungary have more than double the number of built motorways, while Bulgaria is close to

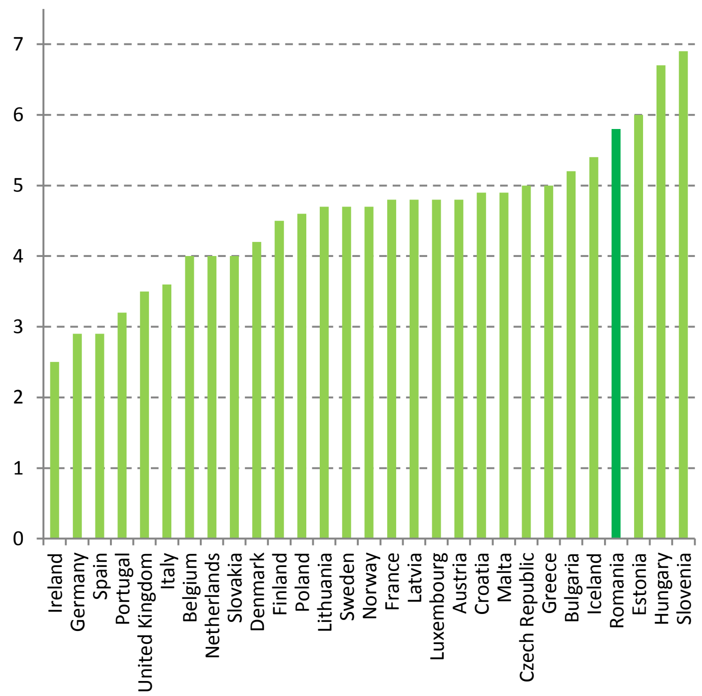
[2] Except for bread and bakery which were operated in 2013
[3] Estimated by government officials at RON 1.8 bn per year.
[4] The nominal deficit remains the same (RON 13 bn) but the estimated nominal GDP for this year is lower: Ron 701 bn instead of RON 709.7 bn. The difference comes from the re-estimation of the GDP deflator, from an initial 2.7% to 1.8%. At the same time, the real GDP growth for 2015 has been increased from 2.5% estimated initially, to 3.3% at the moment.
[5] It means a budget deficit bellow 3% in GDP.

Romania (644 km in 2013), but for a country surface that is half the one of Romania. For this year, the plan is to build 90 km of highways, after having built just 50 km in 2014. The efforts for 2016 should be greater if we are to remain on time with the plan to finish 250 km in 2015-2016, which was the estimation of the transportation ministry at the beginning of the year.

All in all, we estimate a budget deficit of 2% this year and 2.9% in 2016. The risks to 2015's estimation stem from the increase in expenditures realized in the first budget revision.

Another budget revision will be done in October and it will probably accommodate the realization (or lack of it) of the foreseen higher revenues. In 2016, when the general VAT drops 5 percentage points, the budget deficit can come under 3% provided that we maintain the collection performance and spending are carefully watched. The initial approved budget deficit for 2016 was 1.1% (ESA). The estimated increase in deficit following the implementation of the fiscal code can add 2.3% in GDP. If the current collection efforts of 0.5% in GDP can be maintained, then we can avoid going over the target. In this scenario, if the law of public wages is adopted and a 70% wage hike is approved for 2015-2017, the way to balance out this effect is through reduction in the number of public employees.

ROMANIA HAS ONE OF THE LARGEST CAPITAL EXPENDITURES IN THE EUROPEAN UNION



Source: Eurostat, GarantiBank Research

PUBLIC REVENUES ADVANCE FASTER THAN THE ANNUAL PLANNED RATE

RON mn	June 15	June yoy %	Realized vs plan (June 15)
TOTAL REVENUES	110,611	10.2%	97.5%
CURRENT REVENUES	105,849	9.0%	103.3%
Income tax	20,610	13.3%	105.1%
Property tax	3,554	-3.8%	100.0%
Taxes on goods and services	44,354	15.3%	107.1%
Social security contributions	27,707	-1.3%	100.7%
EU funds	4,409	62.6%	41.9%
Other	9,978	8.2%	92.0%
TOTAL EXPENDITURES	106,414	2.5%	84.2%
CURRENT EXPENDITURES	103,279	3.8%	89.7%
Compensation of public employees	25,124	5.2%	99.5%
Goods and services	17,127	-2.4%	91.1%
Interest paid	5,768	-7.9%	89.0%
Subsidies	3,202	0.7%	94.9%
Social benefits	37,176	5.6%	99.6%
Other transfers	7,753	-5.5%	71.5%
Capital expenditures	10,264	7.2%	42.2%

Source: Ministry of Finance, GarantiBank Research

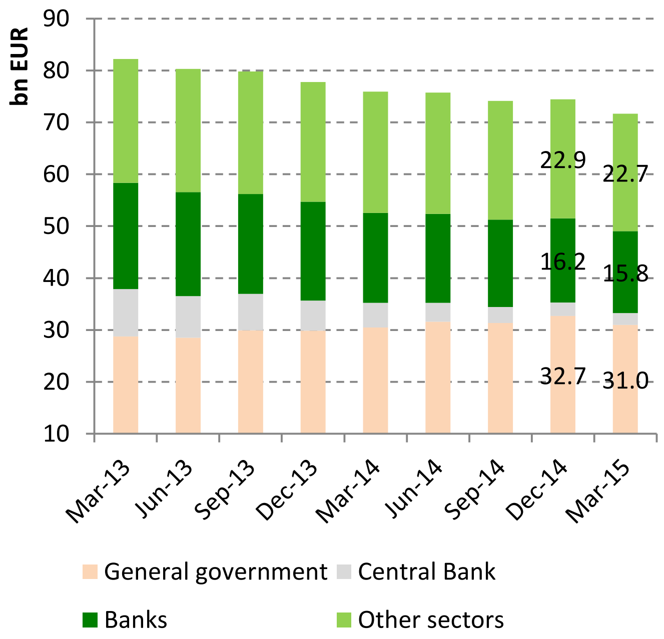
Public Financing

Public debt dropped in January-May

According to the head of treasury the FX buffer of the Ministry of Finance stayed at EUR 5.5 bn at the end of June but it is expected to drop towards EUR 3 bn due to higher redemption and budget balance turning negative by the end of 2015. We see a need of increase in the monthly issue from RON 2 bn of the last months. They also need to raise between EUR 2-2.5 bn from international markets. The Treasury estimates that it needs to refinance 31.6 bn RON in 2015 from the local market. On top of this, other financing needs come from the budget deficit estimated at RON 13 bn, RON 12.2 bn for external loans (and this was done already by March) and RON 3.35 bn reimbursements of local loans.

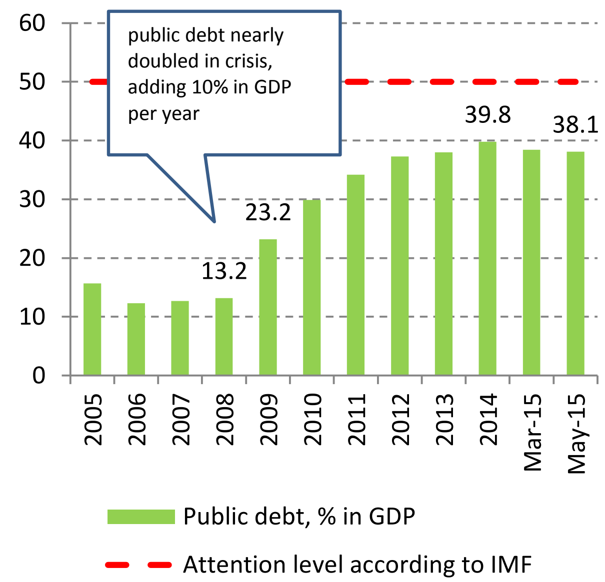
Public debt fell from 39.8% in GDP in December 14 to 38.4% in March 15 and further to 38.1% in May (EUR 58 bn). In January-May, the sharper drop was triggered by the redemption of around 1 bn EUR in Eurobonds and 1.55 bn installment to the European Commission. At the moment, the public debt profile has a low risk by IMF standards, which shows that attention level is at around 50% in GDP while the gross financing needs warning signal is at 15% of GDP. Romania's gross financing needs are estimated at 8.6% of GDP in 2015, according to the Ministry of Finance. Other benchmarks given by the IMF are the public debt held by non-residents, which should be below 45% in total debt and the amount of public debt in foreign currency (share in total), which must be below 60%. In what concerns these two criteria, Romania should have a cautious approach, as nonresidents hold 49% (May 15) of total public debt and foreign currency denominated debt is 54% (May 15).

EXTERNAL DEBT -DELEVERAGING CONTINUES



Source: NBR, GarantiBank Research

PUBLIC DEBT IS DECREASING



Source: The Ministry of Finance, GarantiBank Research

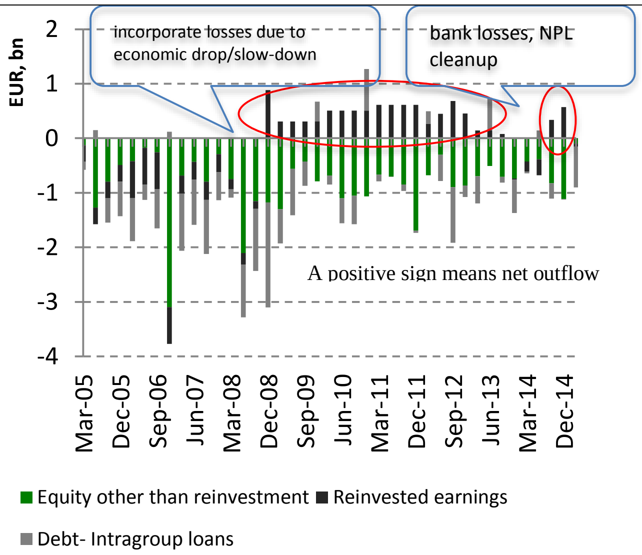
External Accounts and Financing

EU funds keep the CA account deficit low; FDI are increasing

The Current account (CA) deficit remains small, at 0.3 bn EUR during the first 5M. The trade gap (exports-imports of goods) grows in line with internal demand (2.1 bn EUR). However, there are higher EU funds transfers to general government and this is why the current account deficit remains small. This year CA deficit we project to end the year below 1%, given the net inflows of EU funds It is the second year when 2 programs (2007-2013 and 2014-2020) run in parallel, and, unlike last year, we already see in the state budget payments being received from the second program (around 90 mn EUR by May15).

On the funding side, we notice that FDI has been increasing (+18%yoy) during Jan-May, to EUR 1.2 bn EUR. However if we just look at the equity component and adjust for banks' recapitalization, the trend has been downward in the past 3 years. If we decompose the elements of FDI (please see chart below), one part is the capital increases/decreases through the net profit/loss of the FDI firms. Post crisis, this has impacted negatively overall FDI, especially due to net losses recorded by the banking system and just partially compensated by the mandatory capital increases from the shareholders. The pattern was broken during 2013-2014 but the rush to complete portfolio cleanup has again kicked in at the end of last year when the aggregated loss of the banking system stayed at EUR 0.8 bn. After the clean-up, the impact of this component should diminish significantly. Moreover, as the economic environment stabilizes and the economy is expanding, we expect to see more investment driven capital increases in existing FDI firms and even more greenfield investments. The higher intragroup loans might be in line with cheaper financing and easing credit standards in Euro-zone and this should be maintained until the end of 2016.[6] In turn, some of these funds can be redirected to Romanian subsidiaries. Giving these existing patterns, we expect FDI to increase moderately this year, to around 3 bn EUR or 2% in GDP.

FDI IS INCREASING HELPED BY SMALLER INCORPORATED NET LOSSES



Source: NBR, GarantiBank Research

EU FUNDS TO GENERAL ADMINISTRATION ARE INCREASING EU FUNDS ABSORBTION IN H1; TWO PROGRAMS IN PLACE

H1 2015, mn EUR	Estimation for 2015	Realized
1. Pre accession funds	**-**	**29**
2. Post accession	**10,158**	**3,452**
Structural funds (2007 -2013)	6,688	1,144
Rural development (2007-2013)	1,789	861
FEGA (2007-2013)	1,582	1,363
Others (2007-2013)	99	83
3. Paid by Romania	**1,514**	**881**
Net inflows from 2007-2013 program (1+2-3)	*8,645*	*2,601*
4. Structural funds (2014 -2020)		**456**
TOTAL EU FUNDS INFLOWS (1+2+4)		**3,908**

Source: Ministry of finance, GarantiBank Research

[6] ECB expected to keep its interest rate at the current level until end-2016.

Besides the FDI, other external financing sources, like the portfolio and derivatives investments, bank's external financing and loans (not FDI related) shows net outflow for the first 5 months of the year of EUR 6.4 bn. In particular, portfolio investments reflect the bond sell off that took place in the second quarter, in line with the trend seen in the region and manifested through the increase in bond yields by 30-40 bps between March- May (for the 5 and 10 year maturities. The move was triggered by the swift in portfolio allocation at international level, considering an expected interest rate hike by the Fed. Under this circumstance, the US bonds would have been more attractive, on a risk adjusted basis. In what concerns the other investments component (loans and deposits mainly), the net outflows are a pattern that started after the gentlemen agreement "Vienna Initiative" expired in 2011. Since 2012, the banking system started deleveraging, a process that continues until today.

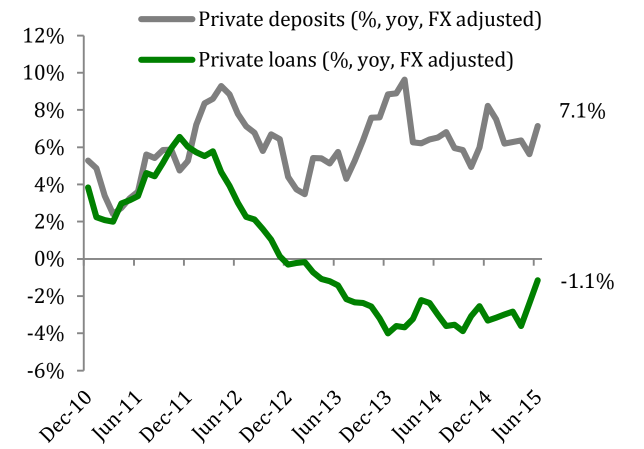
Bank flows

Lending is picking up, but portfolio cleanup not completed yet

The stock of loans continued to drop but at a much lower pace (-1.1%yoy in June, FX adjusted) and we see a turning point. However, the announced sales of NPL loans expected in the second part of the year will push down again the annual rate in a deeper negative territory. The more clear picture is given by new loans, which grew by 26%yoy in Q2 2015, faster than in Q1 2015 (7.5%yoy). For the first time since we have data on new loans, the sales of RON loans to households were greater than the ones for companies: RON 7.4 bn versus RON 6.4 bn in case of companies. This is due to the fact that 97% (Q2 2015) of new household loans are denominated in RON. In case of corporations, the share is much lower, at 65%.

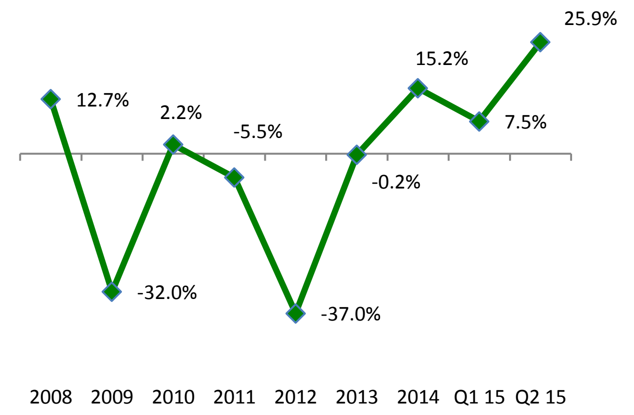
The loan product with the fastest pace is the mortgage in RON, which grew 75%yoy in Q2 2015. The "First House" program continued this year as well and enjoyed changes that allow old clients of the program to tap again this type of funding. As wages increase and the unemployment rate drops, there is an increased demand for mortgages. According to data from FNGCIMM, during the first 6M, the fund gave 40% more guarantees than in H1 2014. In total, there were 15.600 guarantees, totaling RON 1.3 bn which allowed clients to tap 2.6 bn RON in mortgage loans. Of the total amount of mortgages sold this year, nearly 60% were sold through the "First House" Program. The other segments that are growing are consumer loans in RON (49%yoy) and corporate loans in RON (+22%yoy). Another state program has been added in March this year to support lending, the "First car" program. The total state guarantees are RON 350 mn allowing for total loans of RON 0.7 bn. By comparison, the 2015 guarantees for "First House are RON 2.5 bn, allowing for granting loans of RON 5 bn. If we look at the last year loan sales for households, the new guarantee ceilings allow for one third of retail loans to be covered by state guarantees (50% of the loan).

THE LOAN STOCK CONTINUES TO FALL BUT SOME IMPROVEMENT IS VISIBLE



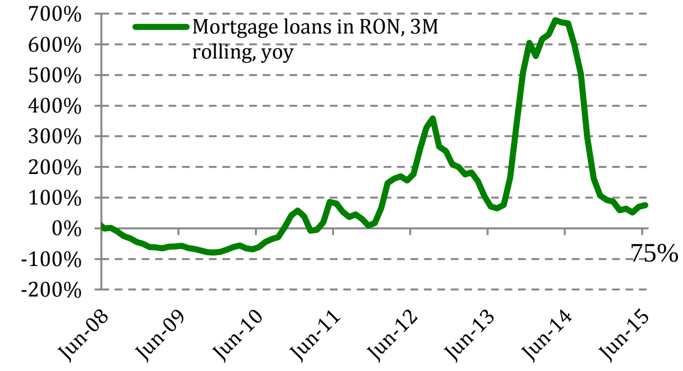
Source: NBR, GarantiBank Research

NEW VOLUMES ARE RISING; IN Q2 2015 WE SAW THE FASTEST ADVANCE POST CRISIS



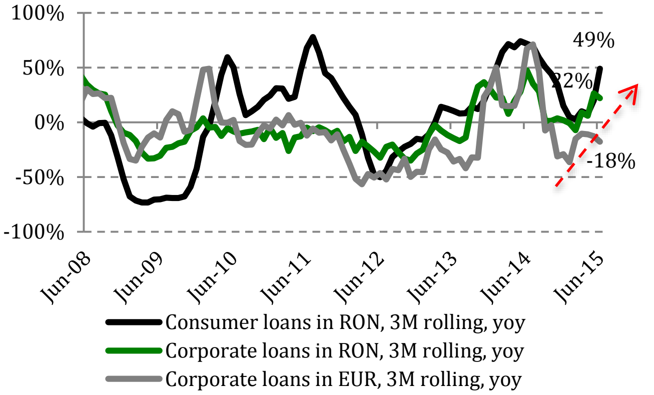
Source: NBR, GarantiBank Research

THE FLOW OF MORTGAGE LOANS ARE ADVANCING THE FASTEST (NEW LOANS)



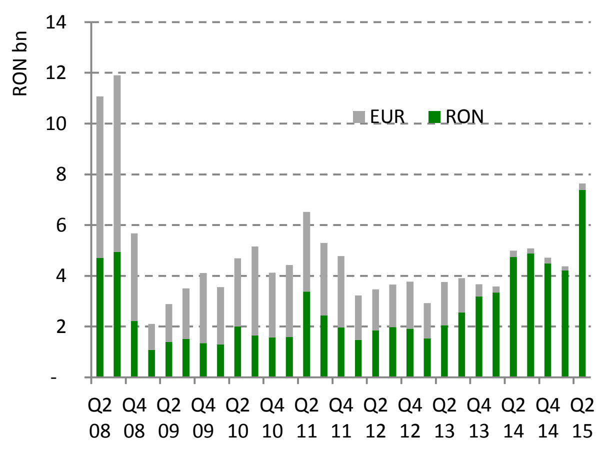
Source: NBR, GarantiBank Research

THE FLOW OF OTHER LOANS HAVE SIMILAR GROWTH PATTERNS (NEW LOANS)



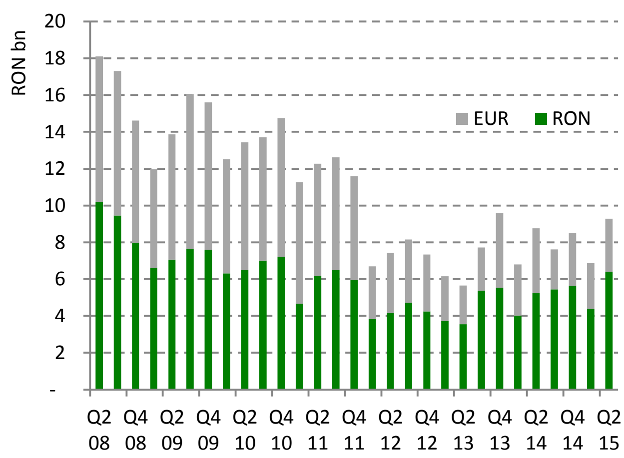
Source: NBR, GarantiBank Research

SINCE LAST YEAR, ALMOST ALL NEW HOUSEHOLD LOANS ARE IN RON



Source: NBR, GarantiBank Research

TWO THIRDS OF NEW CORPORATE LOANS ARE IN RON



Source: NBR, GarantiBank Research

	2011	2012	2013	2014	2015F	2016F
Economy						
Nominal GDP, (EUR bn)	133.3	133.9	144.3	150.0	158.7	169.7
GDP per Capita (EUR)	6,601	6,663	7,207	7,521.0	7,971	8,540
Real GDP, (% yoy)	1.1	0.6	3.4	2.8	3.0	3.5
Agriculture, % yoy	13.9	-26.1	29.2	1.5	-5.9	5.1
Industry (except construction), % yoy	0.1	-7.0	3.8	3.6	3.2	2.7
Construction, % yoy	-19.1	-1.1	5.3	0.3	6.5	7.5
Wholesale and retail trade; tourism and transport, % yoy	0.5	33.0	-6.2	2.0	5.0	3.7
Other services, % yoy	4.0	2.4	8.3	4.0	4.2	3.9
Public administration, % yoy	3.1	-1.3	0.6	0.5	1.3	1.2
Avg net monthly wages (EUR, nominal)	348	347	367	384	415	440
Avg gross monthly wages (EUR, nominal)	479	479	507	531	574	609
Avg net monthly wages (% yoy, RON)	4.9	4.9	4.8	5.2	7.4	5.0
Minimum gross monthly wages (EUR, nominal, eop)	155	158	178	201	239	275
Unemployment rate, ILO, % avg	7.1	6.9	7.1	6.80	6.6	6.50
External Accounts						
Current Account (EUR bn)	-6.2	-6.1	-1.2	-0.6	-1.5	-2.5
Current Account (% of GDP)	-4.6	-4.5	-0.8	-0.4	-0.7	-1.4
Export (% yoy)	22.5	-0.5	10.0	6.6	5.6	6.0
Import (% yoy)	17.6	-0.5	1.0	5.8	6.7	7.0
Trade balance FOB-FOB (EUR bn)	-9.0	-8.9	-5.4	-5.4	-6.3	-7.2
Trade balance FOB-FOB (% of GDP)	-6.7	-6.7	-3.8	-3.6	-3.9	-4.2
Net FDI (EUR bn)	1.8	2.4	2.9	2.5	3.2	4.2
Net FDI (% of GDP)	1.3	1.8	2.0	1.7	2.0	2.5
Internat. reserves incl. Gold (EUR bn)	37.3	35.4	35.4	35.5	37.6	39.9
Gross Foreign Debt (EUR bn)	99.9	100.9	98.1	94.3	98.2	104.0
Gross Foreign Debt (% of GDP)	74.9	75.3	68.0	62.8	61.9	61.3
Fiscal Accounts						
Budget Balance (% of GDP)	-4.2	-2.5	-2.5	-1.9	-2.0	-2.9
Public Governmental Debt (% of GDP)	34.2	37.3	38.0	39.8	39.8	40.6
Inflation/Monetary/FX						
Inflation (CPI), % yoy, eop	3.1	5.0	1.6	0.8	0.1	1.2
Inflation (CPI) % yoy, yearly average	5.9	3.3	4.0	1.1	-0.3	-0.4
Central bank reference rate, % eop	6.00	5.25	4.00	2.75	1.75	1.50
Central bank inflation target %	3.00	3.00	2.50	2.50	2.50	2.50
Minimum res. Req. rate on RON liabilities %	15.0	15	15	10	8	6
Minimum res. Req. rate on FX liabilities %	20.0	20	20	14	12	9
3M Robor, % eop	6.05	6.1	2.4	1.7	1.2	1.5
3M Robor, % avg	5.82	5.34	4.2	2.4	3.5	3.2
EUR/RON, eop	4.32	4.43	4.48	4.48	4.40	4.36
EUR/RON, avg	4.24	4.46	4.42	4.44	4.42	4.37

Source: NBR, NIS, GarantiBank Research

Note:F = forecast

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