

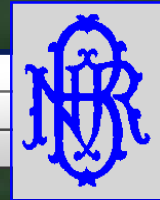
Working Breakfast

on

Recent Developments in the Romanian Banking System

London, April 18, 2004

NATIONAL BANK OF ROMANIA



Remaining Steps for Full Harmonization with EU Banking Legislation

- Banking Act amended at end-2003
- Regulatory framework governing cross-border credit transfers in place early 2004
- Directive on financial collateral arrangements transposed into national legislation in 2004 Q1
- Legal framework for bank insolvency improved in 2004 Q1 to cover all credit institutions, to establish reorganization measures and to regulate cross-border winding-up procedures
- Law on final settlements via payment and settlement systems of operations in financial instruments (effective by end-2004)
- Norms on capital adequacy of credit institutions (to be issued by mid-2004)

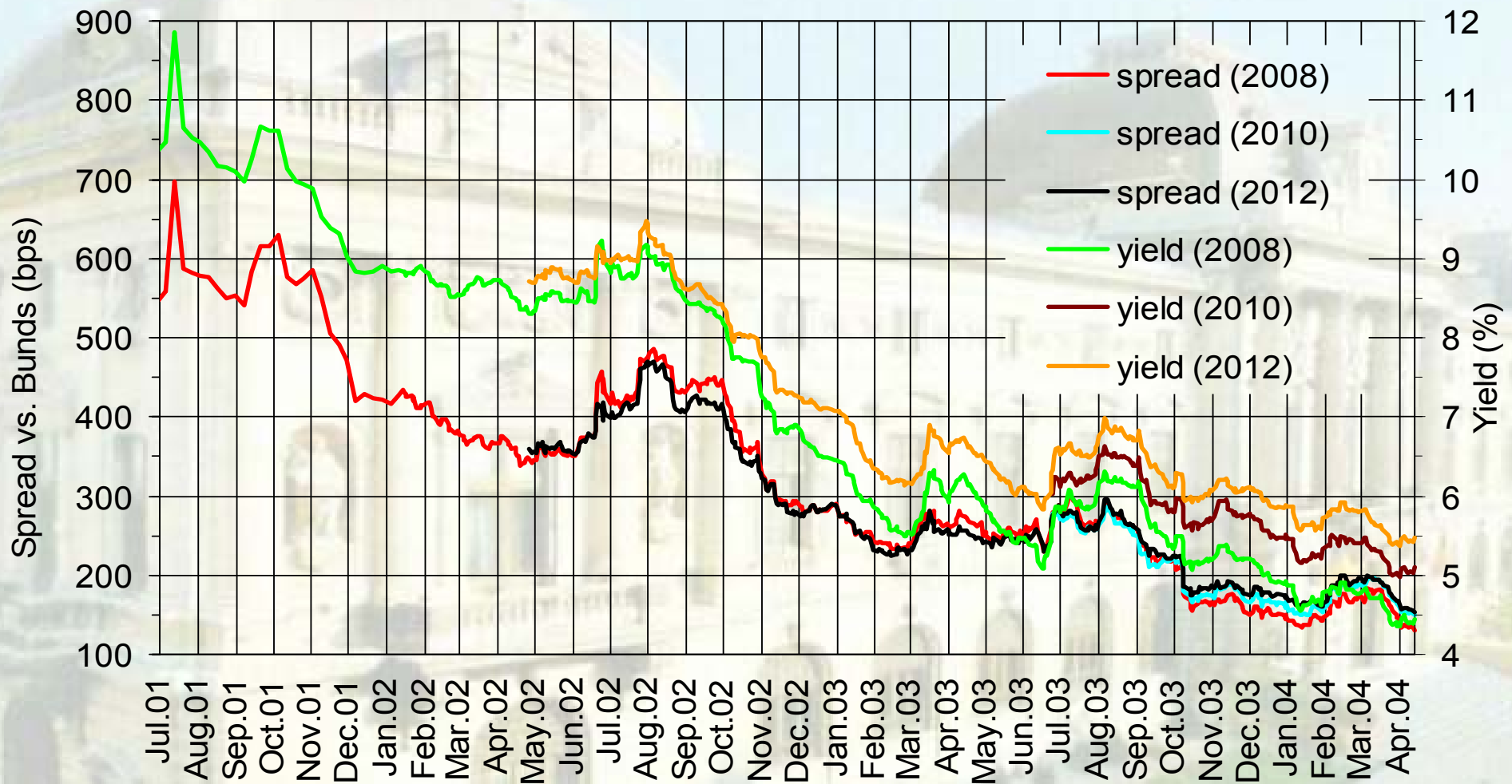
Main Amendments to NBR Act

- Price stability as primary objective
- Consolidating central bank independence:
 - Institutional independence
 - Personal independence
 - Financial independence
- Prohibition of privileged access of public institutions to the resources of financial institutions, including the central bank
- Harmonization of National Bank of Romania's monetary policy instruments and procedures with those used by the ECB

Capital Account Liberalization

- Current account convertibility since 1998
- Capital account liberalization
 - started in 1999; schedule envisages, as general principle, liberalizing inflows before outflows; medium- and long-term flows before short-term ones
 - schedule largely completed; only exceptions are:
 - Operations in deposit accounts in ROL opened by non-residents with credit institutions in Romania (tentatively scheduled for March 2005, pending prior review)
 - Operations in money market financial instruments (by moment of accession at the latest)
 - Operations in current and deposit accounts opened by residents abroad with credit and other similar institutions (by moment of accession at the latest)

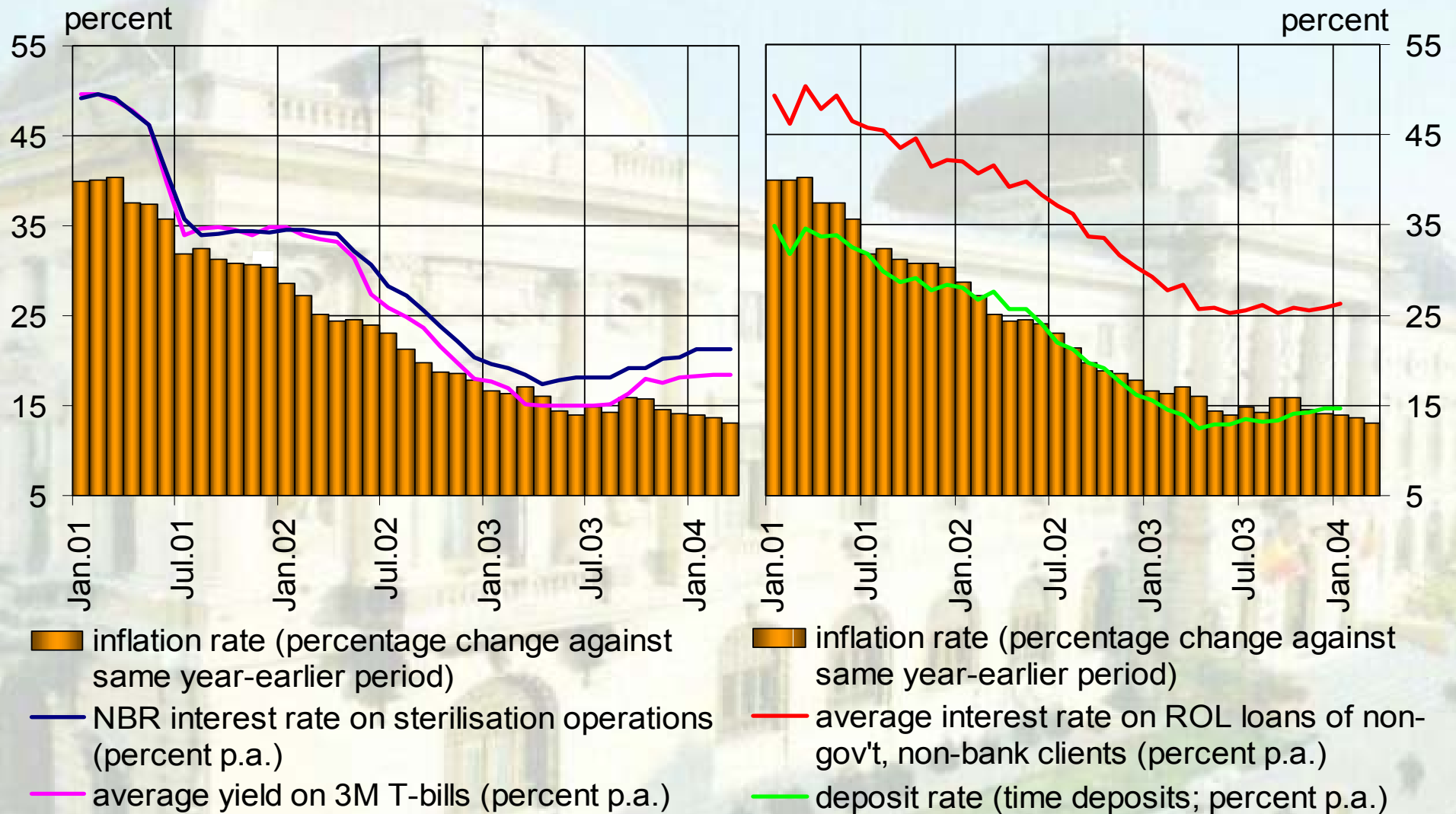
Spread of Romania's Eurobonds 2008, 2010 & 2012



Note: Romania '08 was 592 bps over Bunds at launch and 130 bps on 13 April '04
 Romania '10 was 271 bps over Bunds at launch and 149 bps on 13 April '04
 Romania '12 was 365 bps over Bunds at launch and 154 bps on 13 April '04

Source: Bloomberg

Inflation Rate and Interest Rates

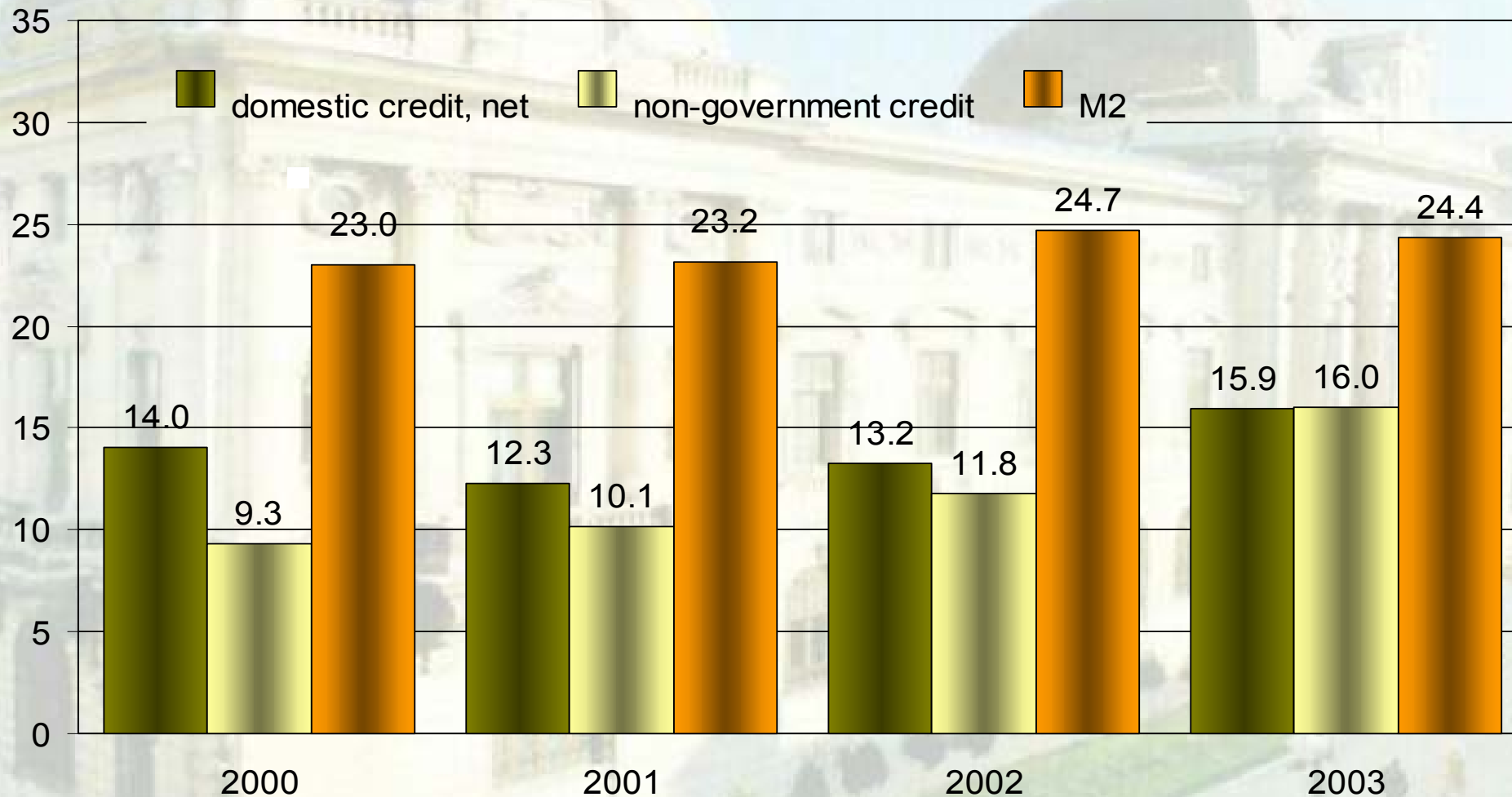


NBR's policy rate increased to 21.25% on November 20, 2003.

Source: National Institute of Statistics, National Bank of Romania

Financial Intermediation and Remonetisation of the Economy

end of period, share of GDP



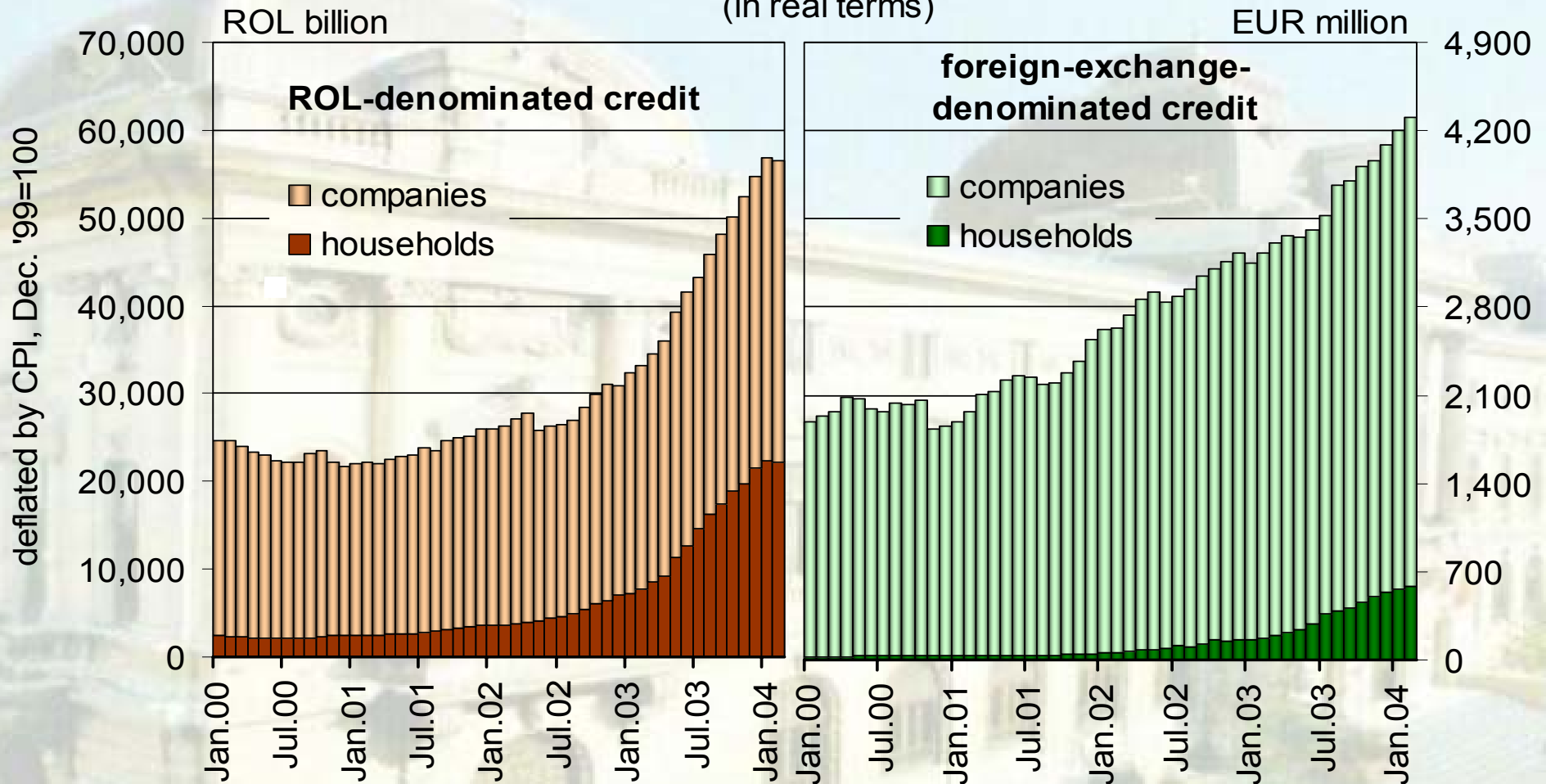
Source: National Institute of Statistics, National Bank of Romania

NATIONAL BANK OF ROMANIA



Non-Government Credit

(in real terms)



Source: National Bank of Romania

Feb. 2004/Jan. 2004 (percentage change, real)

Consumer Credit

-3.5

1.5

Mortgage Loans

-0.9

5.8



Non-Bank Intermediation

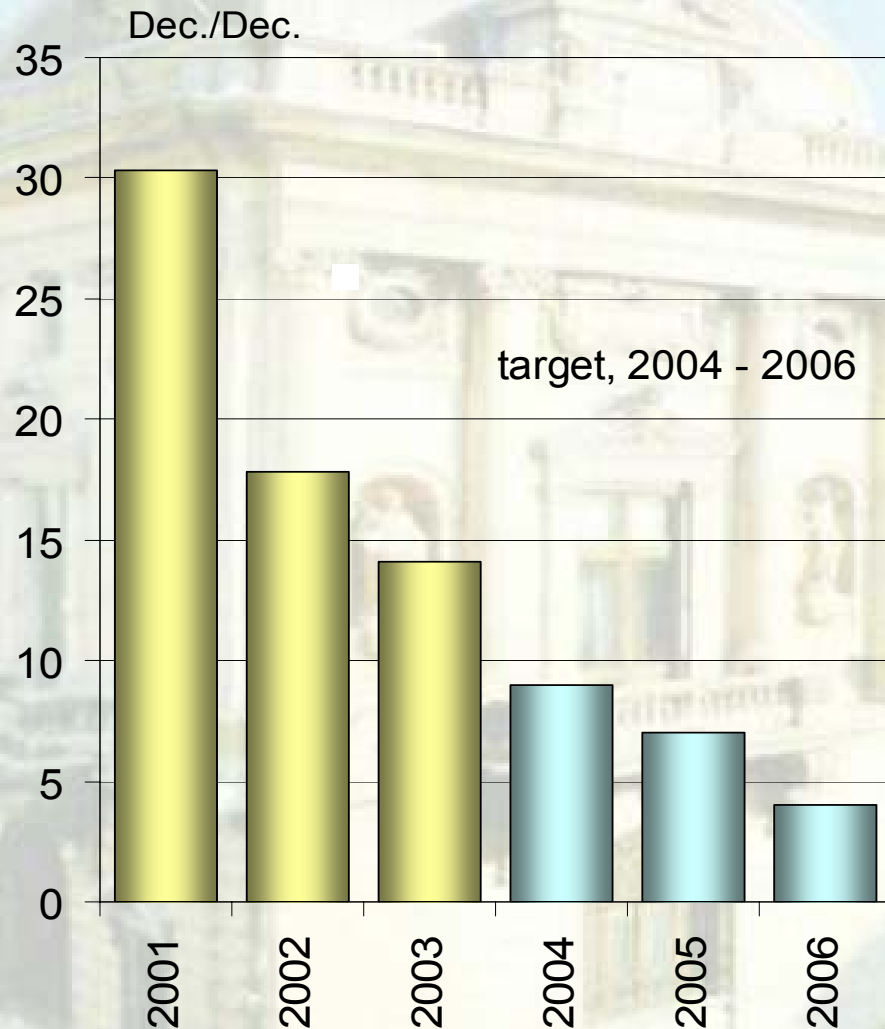
as percent of GDP

	2001	2002	2003
Market capitalisation - BSE	3.3	6.1	6.4
Market capitalisation - RASDAQ	2.9	4.0	4.2
Insurance premia	0.9	1.1	1.4*

*) estimate

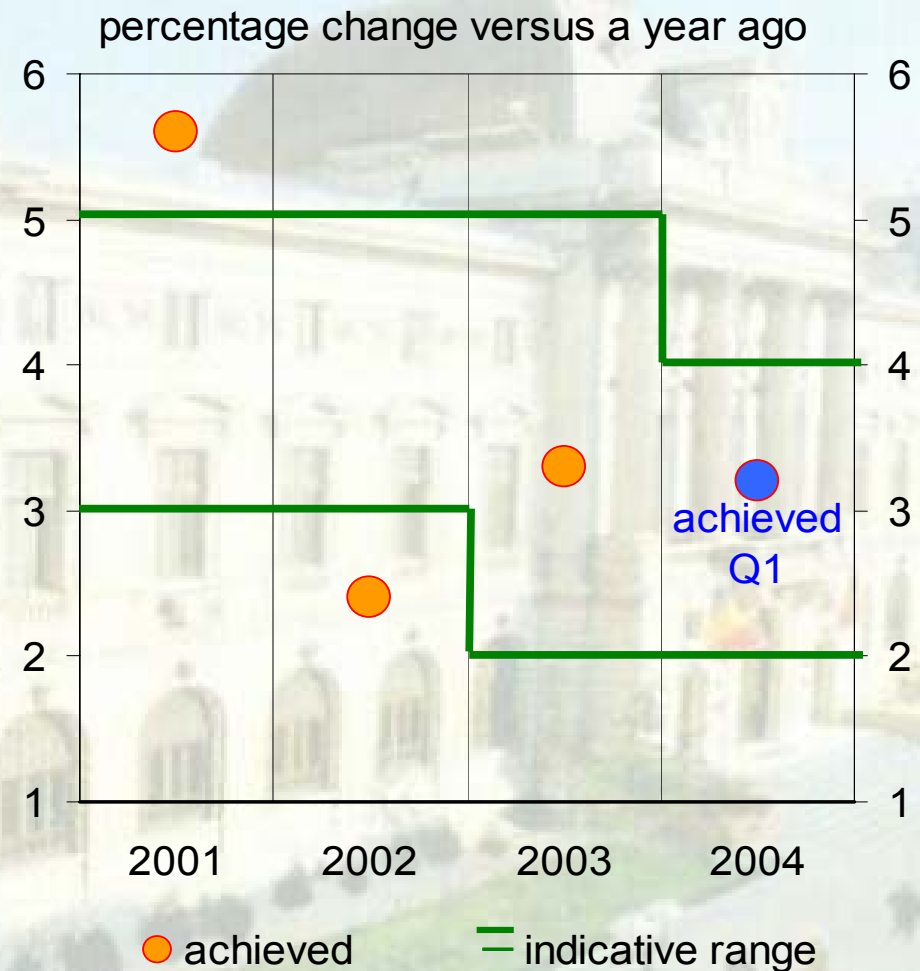
Source: BSE, Rasdaq, Insurance Supervisory Commission, NBR

Inflation Rate



Source: NBR, PEP
(Pre-accession Economic Programme)

Average Real Exchange Rate of the ROL Against the Currency Basket



Source: National Institute of Statistics,
National Bank of Romania

A Post-Accession Perspective

- Timing of ERM2 entry (3-4 years after accession) should be chosen so as to:
 - provide necessary monetary policy and exchange rate flexibility in order to further ongoing structural adjustment
 - maintain the motivation to carry out reforms in a timely manner and consolidate macro discipline
- Timing configured to ensure *ex ante* likelihood of minimum necessary stay in ERM2, considering:
 - credibility provided by final stage of the process (adoption of the euro) and spurring of adjustments during process
 - possible volatile capital movements amid restricted exchange rate flexibility during interim period
 - inflation-targeting framework for monetary policy, to which exchange rate developments must be clearly subordinated
- Euro adoption expected in 2012-2013