

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Romania

<Outlook Change>

Foreign Currency Long-term Issuer Rating: BBB

Outlook: from Stable to Negative

Local Currency Long-term Issuer Rating : BBB+

Outlook: from Stable to Negative

<Affirmation>

Bonds: BBB

Rationale

- (1) The ratings are primarily supported by the country's relatively developed economic base, comparatively low government debt level and various benefits it enjoys as an EU member state. On the other hand, they are constrained by the constant current account deficit and the large fiscal deficit stemming from structural factors. In 2024, the fiscal deficit far exceeded JCR's presumptions as additional spending measures were implemented ahead of the elections in the context of a slower economic growth. This has resulted in a deterioration in the medium-term fiscal outlook. The current account deficit has also remained high, with external financing less dependent on non debt-creating capital flows. The general election in December 2024 resulted in a continuation of the grand coalition between the Social Democratic Party and the National Liberal Party. However, there is heightened political uncertainty due to the polarization of the parliament and the postponement of the presidential election following the annulment of the results of the first round, which could negatively affect the government's policy implementation. Based on the above, JCR changed the rating outlook to "Negative". JCR expects that the government will adhere to policy operation anchored by the EU's excessive deficit procedure (EDP) and the Recovery and Resilience Plan (RRP), and will closely monitor the implementation of fiscal consolidation measures and their effectiveness.
- (2) Romania has been achieving economic convergence by receiving various benefits as an EU member state including the development of institutional frameworks in line with EU standards, inflows of direct investment and subsidies, and deepened integration with other countries in the region through trade and finance. Its per capita GDP exceeded USD 45,000 in PPP terms in 2023, and its governance indicators are relatively high among the sovereigns rated in the BBB range by JCR. In 2024, real GDP growth rate slowed to 0.9% from 2.4% in 2023 amid sluggish external demand. Private consumption was strong due to increased disposable income resulting from increases in the minimum wage and public sector wages, and pension hikes, and imports increased in line with the growth in domestic demand, resulting in a significant negative contribution from net exports. In the medium-term, while the growth of private consumption will slow down as a result of fiscal consolidation, JCR projects the growth rate to reach around 2% supported by inflows from the EU's 2021-2027 multiannual financial framework and the Recover and Resilience Facility as well as by a recovery in external demand. Given the uncertainty in the external environment due to factors such as heightened geopolitical tensions, JCR will monitor how future developments will impact the Romanian economy.
- (3) The current account deficit widened to 8.3% of GDP in 2024 from 6.6% in 2023 mainly due to an increase in the trade deficit. While temporary factors such as a decrease in agricultural exports and an increase in energy imports due to drought partly explain the increased current account deficit in 2024, JCR views that the persistently large current account deficit is attributable to pro-cyclical fiscal policies and a decline in competitiveness due to the rise in unit labor cost. As fiscal consolidation progresses, the current account deficit is expected to improve gradually going forward. In recent years, around two thirds of the current account deficit had been financed by direct investment and capital transfers from the EU funds. Against this background, the continuation of high current account deficit had not led to a large rise of the external debt/GDP ratio. In 2024, however, inflows of direct investment and EU funds decreased and financing of the current account deficit was partly reliant on capital flows such as portfolio investment. On the other hand, the stability of the country's financial system has been maintained, with the banking sector maintaining solid financial position even amid the volatile economic and financial environments since the COVID-19 pandemic.

(4) In 2024, the general government deficit (ESA basis) as a percentage of GDP appears to have widened significantly from 6.5% in 2023 to the high 8% range. This resulted from an increase in expenditures due to the implementation of additional measures ahead of the elections such as raising public-sector wages and increasing pensions, as well as higher capital spending. The fiscal deficit target has repeatedly been revised in recent years due to slower economic growth and expenditure overrun, and post-COVID fiscal consolidation has not progressed as planned by the government. As Romania is subject to the EDP, it is expected that the government will start working to reduce the deficit from 2025 onwards. However, the target year for reducing it to below 3% of GDP has been postponed until 2031. The government decided on the consolidation measures worth 2% of GDP immediately after taking office, but JCR forecasts the fiscal deficit will remain elevated in the medium-term if no additional measures are taken. The government also faces the task of steadily implementing and realizing the effects of the structural reforms committed under the RRP. JCR views that the fragmented political environment is making policy steering more difficult. The government debt-GDP ratio rose to 54.6% at the end of 2024 from 48.9% at the end of 2023, but is still somewhat below the average of the BBB range sovereigns. However, the ratio is projected to keep rising in the medium-term and may exceed the EU threshold of 60% within a few years.

Atsushi Masuda, Haruna Saeki

Rating

Issuer: Romania

<Outlook Change>

Foreign Currency Long-term Issuer Rating: BBB Outlook: Negative
Local Currency Long-term Issuer Rating : BBB+ Outlook: Negative

<Affirmation>

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Japanese Yen Bonds - First Series (2024) (Green Bonds)	JPY 22.0	October 11, 2024	October 8, 2027	2.10%	BBB
Japanese Yen Bonds - Second Series (2024) (Green Bonds)	JPY 3.6	October 11, 2024	October 11, 2029	2.63%	BBB
Japanese Yen Bonds - Third Series (2024) (Green Bonds)	JPY 7.4	October 11, 2024	October 10, 2031	3.14%	BBB

Rating Assignment Date: March 25, 2025

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "Sovereign and Public Sector Entities" (October 1, 2021) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Romania
Rating Publication Date:	March 28, 2025

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Economic Base

The likelihood of a given debt payment is highly conditional to the issuing government's ability to maintain/expand the economic base into the future with maintaining soundness of financial systems.

B) Fiscal Base

The likelihood of a given debt payment is highly correlated to fiscal balance, public debt and other factors of the issuing government's fiscal condition.

C) External Positions

The likelihood of a given debt payment is highly correlated to the liquidity positions which change along with the international balance of payments and the international investment position.

D) Social and Political Bases and Economic Policy

The likelihood of a given debt payment is highly conditional to the social and political stability, effectiveness of economic and monetary policies as well as international economics.

E) Related Parties' Stance of Support/ Assistance for the Government

The likelihood of a given debt payment is affected by the stance of the credit enhancement provider and other related parties with regard to their stance of support/ assistance for the issuing government.

F) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuing government's will, and/ or its rank relative to other debts of the same government in the order of seniority in principal/ interest payment which is determined by design as financial product or by international practice, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.
 - A) Informational and explanatory materials presented by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing government
 - B) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing government

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Economic Base

The credit rating is subject to alteration if there is an improvement or deterioration of the issuer's economy or financial systems, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Fiscal Base

The credit rating is subject to alteration if the issuer increases/ decreases its fiscal deficit/ surplus and its public debt and thereby makes given debt payment liability less/ more bearable. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

C) External Positions

The credit rating is subject to alteration if there is a change in the issuer's international balance of payments and international investment position and thereby an improvement/ deterioration of its liquidity positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Social and Political Bases and Economic Policy

The credit rating is subject to alteration if there is a change in the issuer's social and political conditions or economic/ monetary policies, etc. and thereby an improvement/ deterioration of its economy and fiscal positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Related Parties' Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the credit enhancement provider or other related parties with regard to their stance of support/ assistance for the issuing government and thereby an improvement/ deterioration of its economy, fiscal positions and liquidity positions. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

F) Order of Seniority in Debt Payment

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts, due to improvement/ deterioration of the issuer's fiscal condition and/or will. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

G) International Economies

The credit rating is subject to alteration if there is a change in the international economies, commodity or foreign exchange markets, etc. and thereby, through international balance of payments, an improvement/ deterioration in the issuer's fiscal balance or debt payment capacity. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as domestic unrest, war, natural disaster, etc. which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's economy, fiscal positions, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12

Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Economic Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's economy or financial systems, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's economy or financial systems on some drastic change in environments, etc.

B) Fiscal Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's fiscal conditions in terms of annual balance or public debt. The resultant change of the credit rating is most likely by a notch, as JCR

speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's fiscal condition on some drastic change in its economy.

C) External Positions

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions reflecting improvement or deterioration of the international balance of payments and the international investment position. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in the country's economic/ fiscal conditions and financing activities, etc.

D) Social and Political Bases and Economic Policies

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's social and political bases and economic/ monetary policies. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the country's situation changes drastically, making the issuer's social and political bases and economic/monetary policies significantly improved or deteriorated.

E) International Economics

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of the international economies or commodity/ foreign exchange markets, etc. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14

Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Romania	Issuer(Long-term)(FC)	November 27, 2023	BBB	Stable
Romania	Issuer(Long-term)(LC)	November 27, 2023	BBB+	Stable
Romania	Japanese Yen Bonds - First Series (2024) (Green Bonds)	October 4, 2024	BBB	
Romania	Japanese Yen Bonds - Second Series (2024) (Green Bonds)	October 4, 2024	BBB	
Romania	Japanese Yen Bonds - Third Series (2024) (Green Bonds)	October 4, 2024	BBB	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Kiichi Sugiura, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

杉浦 輝一

Kiichi Sugiura
General Manager of International Department

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