



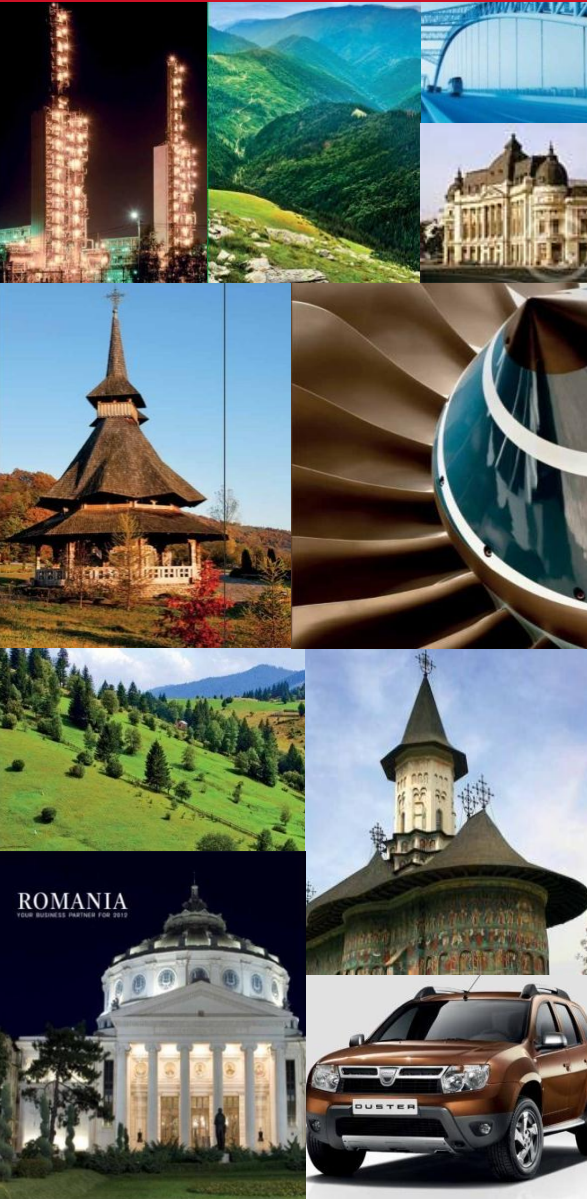
ROMANIA

Issuing sovereign debt in international capital markets

- selecting lead managers, understanding pricing considerations, and other key issues -



March 2015





AGENDA

- *Macroeconomic background and public debt*
- *Issuance strategy*
- *Selection of lead manager*
- *Pricing consideration*
- *Legal characteristics*
- *Lessons learned*



Romania's Economy: Macroeconomic Indicators

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-------|-------|-------|------|------|------|------|----------------------|----------------------|
| Macroeconomic Indicators | | | | | | | | | Forecast |
| Real GDP (% y-o-y) | 6.3 | 8.5 | -7.1 | -0.8 | 1.1 | 0.6 | 3.4 | 2.6 ⁽¹⁾ | 2.8 |
| Inflation rate (% , e.o.p.) | 6.6 | 6.3 | 4.7 | 8.0 | 3.1 | 4.95 | 1.55 | 0.83 ⁽²⁾ | 2.1 |
| Inflation rate (% , annual average) | 4.8 | 7.9 | 5.6 | 6.1 | 5.8 | 3.33 | 3.98 | 1.4 ⁽³⁾ | 1.3 |
| Budget balance (% GDP, cash) | -3.1 | -4.8 | -7.3 | -6.4 | -4.3 | -2.5 | -2.5 | -1.85 ⁽⁴⁾ | -1.8 |
| Budget balance (% GDP, ESA95) | -2.9 | -5.7 | -9.0 | -6.8 | -5.6 | -3.0 | -2.3 | -2.2 | -1.45 ⁽⁵⁾ |
| Public debt (% GDP, EU methodology ⁽⁶⁾) | 12.8 | 13.4 | 23.6 | 29.9 | 34.2 | 37.3 | 38.0 | 40.0 ⁽⁷⁾ | 39.8 |
| Exports of goods (% , y-o-y) | 14.3 | 14.1 | -13.8 | 28.5 | 21.2 | -0.5 | 10.0 | 7.6 ⁽⁸⁾ | 7.2 |
| Current account balance (% GDP) | -13.4 | -11.6 | -4.2 | -4.4 | -4.5 | -4.6 | -0.8 | -0.5 ⁽⁹⁾ | -1.1 |
| Interest And Exchange Rates | | | | | | | | | |
| NBR policy rate (% , e.o.p) | 7.50 | 10.25 | 8.00 | 6.25 | 6.00 | 5.25 | 3.5 | 2.75 ⁽¹⁰⁾ | 2.25 ⁽¹¹⁾ |
| Average exchange rate (RON/EUR) | 3.34 | 3.68 | 4.24 | 4.21 | 4.24 | 4.46 | 4.42 | 4.44 | 4.46 |
| Labor Market Indicators | | | | | | | | | |
| ILO unemployment rate (%) | 6.4 | 5.8 | 6.9 | 7.3 | 7.4 | 7.0 | 7.3 | 7.1 ⁽¹²⁾ | 6.7 |

Source: National Commission for Prognosis, National Bank of Romania, Ministry of Public Finance, unless otherwise noted

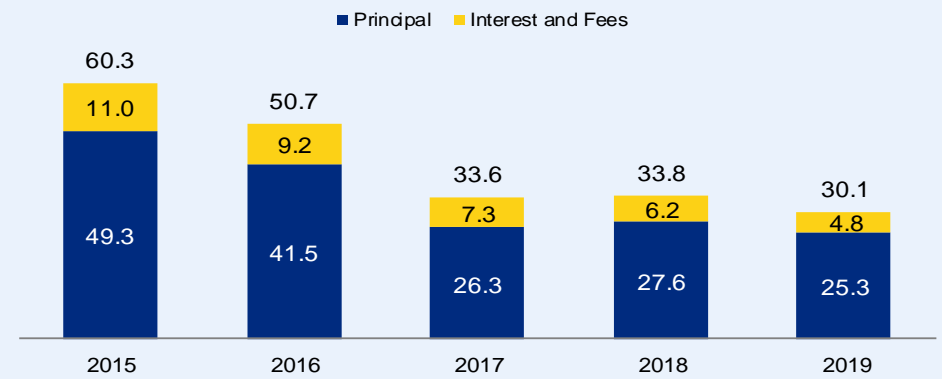
Note: (1) Source: National Commission for Prognosis; (2) Source: National Bank of Romania; (3) Source: National Bank of Romania; as of December 2014; (4) Preliminary data on budget execution at December 2014; (5) which includes 0.25 pp– an adjustor for EU funds co-financing; (6) EU methodology is compatible with ESA 2010, recorded at market value; (7) December 2014; (8) 8 Months 2014 vs 8 Months 2013; (9) The figure refers to 9 months 2014; (10) As of 4 November 2014; (11) As of February 5th 2015; (12) Source: National Commission for Prognosis.



Romania's Public Debt Remains Moderate Relative to GDP

- Romania's debt-to-GDP ratio remains one of the lowest in the EU and CEE regions - 40.0% of GDP at end December 2014
- As of 31 December 2014, the average remaining maturity of government securities were:
 - Total public debt - 5.1 years
 - Government securities (local ccy) - 3.0 years
 - Government securities (Eurobonds) - 7.2 years

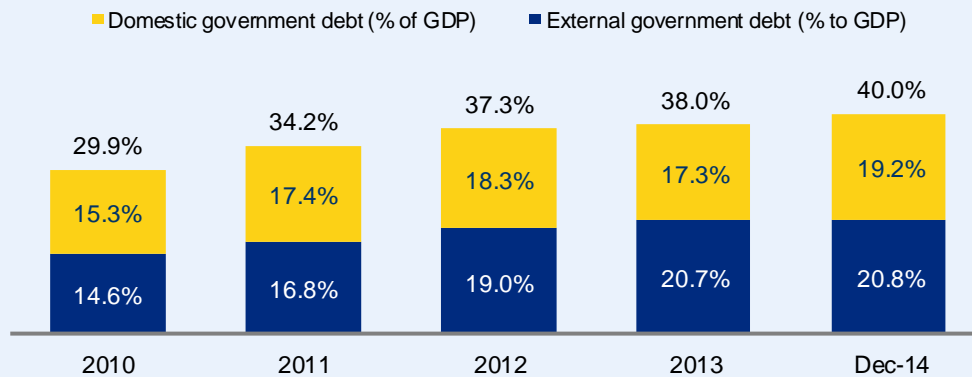
Public Government Debt Service Projection, RON bn



Source: Ministry of Public Finance

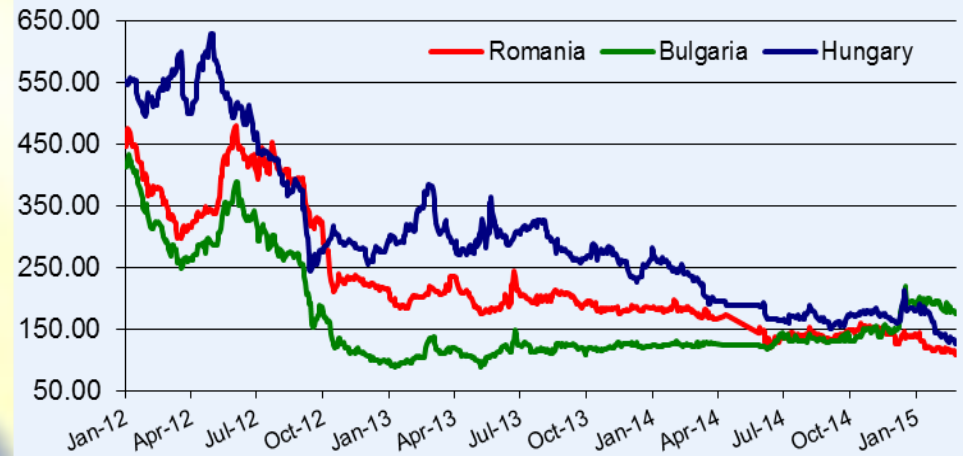
Note: Data based on outstanding debt at end of December 2014 according to national legislation

General Government Debt / GDP, %



Source: Ministry of Public Finance

5-year USD CDS Dynamics, bps





Debt Management Risk Indicators

| | Parameters ⁽¹⁾ | Levels as of December 2014 | Levels as of Dec 31, 2013 | Indicative targeted min / max ranges (2014- 2016) |
|--------------------|---|----------------------------|---------------------------|---|
| Currency Risk | Share of domestic currency debt, % of total | 39.6 | 39.8 | 35 – 50 |
| | Share of EUR debt out of total foreign-currency denominated debt, % | 81.9 | 83.0 | 75 – 90 |
| Refinancing Risk | Debt maturing in one year, % of total | 18.0 | 19.0 | 10 – 20 |
| | Local currency debt maturing in one year, % of total | 25.0 | 33.0 | 25 – 35 |
| | ATM for total debt, years | 5,1 | 4.4 | 4.5 – 6.5 |
| | ATM for local currency debt, years | 3.4 | 2.7 | 2.5 – 4.5 |
| Interest Rate Risk | Debt re-fixing in one year, % of total | 23.0 | 26.0 | 20 – 30 |
| | Local currency debt re-fixing in one year, % of total | 23.0 | 31.0 | 25 – 35 |
| | ATR for total debt, years | 5.1 | 4.3 | 4 – 6 |
| | ATR for local currency debt, years | 3.4 | 2.7 | 2.5 – 4.5 |

Source: Ministry of Public Finance. (1) Exclusive of loans of the State Treasury related to the General Current Account



Issuance strategy on external markets

■ 1997 - 2009

- International market was accessed only occasionally with stand alone transactions, (in general non-benchmark size); issues marketed through extensive road-shows

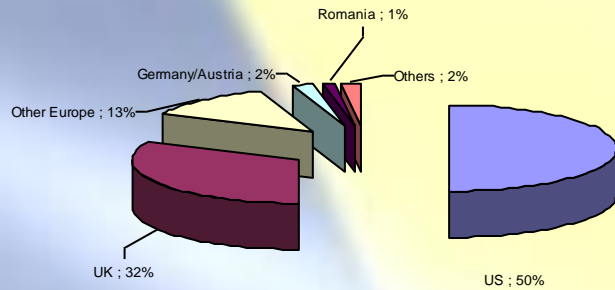
■ 2010 - current

- Increase visibility for the international investor community and become a regular issuer (on average 2 issues per year)
- MTN programme in place (EUR 18 bln)
 - Offers flexibility to react fast to any opportunities, issue in various currencies, in both RegS/144A format
 - Prospectus updated yearly (no requirements to comply with Prospectus Directive)
 - The bonds and the MTN Program are rated by S&P, Moody's, Fitch, which issue Rating Letters;
 - Pool of 18 dealers (global banks, 6 of them are PDs on domestic market)
 - Characteristics - benchmark size (EUR 1bn – EUR 2 bln), tap existing issues, fixed rate format, intraday execution, DTC/Euroclear/Clearstream
 - Helped to gradually build a liquid curve, extend duration (EUR – 10 years, USD – 30 years)
 - Investors became familiar with Romania credit-profile, no need to organize deal-related road-shows
 - Next issues most probably raised on the EUR market given the low interest environment, USD market to be used opportunistically (framework for derivatives under development)
 - In the near future plans to execute buy backs/exchanges

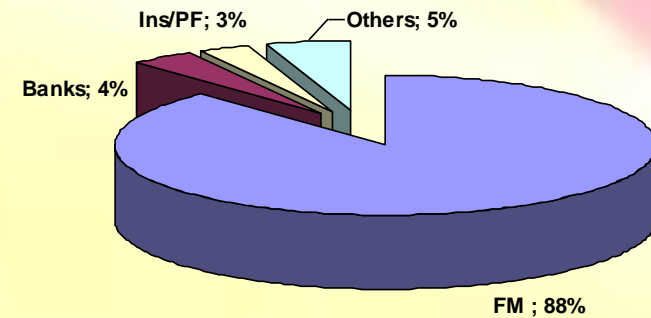


2014 eurobonds- geography, investor type

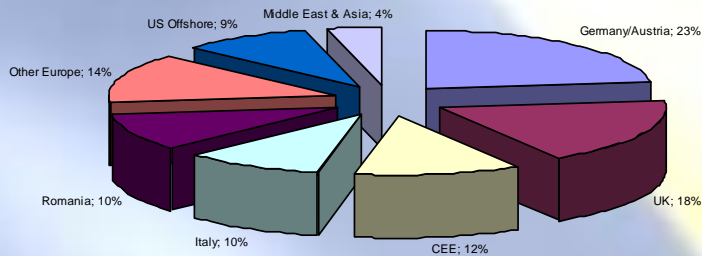
USD 2044 Geographic distribution



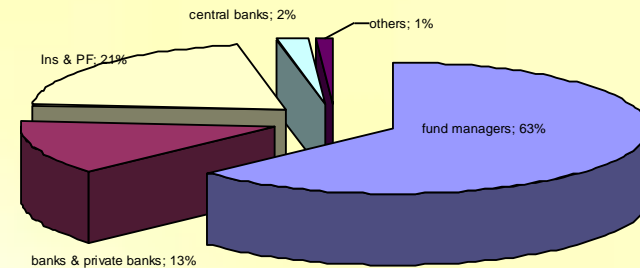
USD 2044 Distribution by investor type



EUR 2024 Geographic distribution



EUR 2024 Distribution by investor type



- Intensive marketing efforts, make use of a variety of communication channels to position and differentiate Romania towards the investor community – non-deal road-shows, one-on-one meetings, flash reports on macroeconomic developments, conference calls, reward primary dealers marketing efforts
- With every transaction better distribution both geographically and by type of investors had been received



Lead Managers Selection

- Selection process is based on RFP sent to the pool of dealers agreed under the Programme. The transaction size and targeted maturities are indicatively announced - we retain flexibility in setting the final size
- Selection criteria for each transaction vary from one transaction to another, the main criteria are :
 - Experience to place bonds with investors, league tables rankings
 - Commitment to Romanian market – trading volumes on Romanian bonds (both domestic and foreign) in the secondary market, top primary dealers on domestic market rewarded as lead-managers
 - added value to the ministry with the positioning of the issue, target investors, secondary market support
 - Fees – the importance of fee in the selection process had diminished over time, since the levels are not at market standards
- Syndicate - in general 3-4 banks are selected as lead-managers
- List of dealers is revised once a year.



Pricing/Allocation Considerations

- Analysis of the secondary market levels (including peers comparison);
- Before launching, the lead managers take “indications of interest”;
- Choose the appropriate spread over the underlying benchmark in order to ensure a satisfactory level of the allocation and distribution;
- Choose a day with stable market conditions for pricing. We look at the secondary trading levels of Romania’s existing bonds and add a premium for tenor extension; looking to get the optimal issue pricing;
- The Ministry always seeks to attract the highest quality, long term investors with big allocations to asset managers and pension/ insurance funds who will support the bonds and strengthen secondary market performance.

Legal issues

- Legal structure: prospectus and contractual documentation (Programme Manual, Dealer Agreement, Deed of Covenant, Engagement letter, Fiscal and Paying Agent etc.)
- Two international law firms (consortium) selected to which RFP is sent for individual transactions
- Pricing supplement for individual transactions – amount issued, date of issue, maturity, settlement details (T+5), spread over reference rate, yield and coupon etc;
- Governing law - English
- CACs, current - hybrid; ICMA format to be introduced



Lessons learned

- Regular issuance on external market raised visibility and familiarized investors with Romania credit profile
- Increased commitment for the local primary dealers to perform in order to be selected as lead-managers for external bond issuances
- Clear division tasks among lead-managers/issuer must be clearly established from the outset in order to ensure a successful transaction



Eurobond Issuing – Standalone and under the MTN Program

| ISIN | Issues Date | Maturity | Currency | Issued amount | Coupon (%) | Issue Spread | Reoffer Yield (%) |
|-------------------------------------|-------------|------------|----------|---------------|------------|-----------------------|-------------------|
| Standalone Issues | | | | | | | |
| XS0371163600 | 18.06.2008 | 18.06.2018 | EUR | 0.75 bln | 6.5 | DBR 4 ¼ 18 +213.10bps | 6.698 |
| | 11.09.2012 | | | 0.75 bln | | MS +404bps | 5.100 |
| XS0495980095 | 18.03.2010 | 18.03.2015 | EUR | 1 bln | 5 | MS +268bps | 5.038 |
| Issues under the MTN Program | | | | | | | |
| XS0638742485 | 17.06.2011 | 17.06.2016 | EUR | 1.5 bln | 5.25 | MS +255bps | 5.315 |
| US77586TAA43 US77586RAA86 | 07.02.2012 | 07.02.2022 | USD | 1.5 bln | 6.75 | UST + 506.60bps | 6.875 |
| | 06.03.2012 | | | 0.75 bln | | UST + 453.70bps | 6.450 |
| XS0852474336 | 07.11.2012 | 07.11.2019 | EUR | 1.5 bln | 4.875 | MS +370bps | 5.040 |
| US77586TAC09 US77586RAB69 | 22.02.2013 | 22.08.2023 | USD | 1.5 bln | 4.375 | MS +235.5bps | 4.500 |
| XS0972758741 | 18.09.2013 | 18.09.2020 | EUR | 1.5 bln | 4.625 | MS +295bps | 4.769 |
| | 28.10.2013 | | | 0.5 bln | | MS +250bps | 4.150 |
| US77586RAC43 US77586TAE64 | 22.01.2014 | 22.01.2044 | USD | 1 bln | 6.125 | UST +245.00bps | 6.258 |
| US77586RAD26 US77586TAD81 | 22.01.2014 | 22.01.2024 | USD | 1 bln | 4.875 | UST + 215.00bps | 5.021 |
| XS1060842975 | 24.04.2014 | 24.04.2024 | EUR | 1.25 bln | 3.625 | MS +200bps | 3.701 |
| XS1129788524 | 28.10.2014 | 28.10.2024 | EUR | 1.50 bln | 2.875 | MS + 185bps | 2.973 |



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