

## Erste Group successfully manages Romania's EUR 1.5 bn inaugural bond issue under the newly established EMTN program

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**Large appetite for the Romanian sovereign bonds offering: total orders amounted to over EUR 3 bn from over 140 investors**

**Global order book with strong participation particularly from UK, US, German /Austrian and CEE investors**

**Romania's ability to issue its largest Eurobond transaction to date and tighten the spread to 255bps underlines investor confidence in Romania's structural reform and fiscal consolidation efforts**

Erste Group Bank AG („Erste Group“) successfully managed as Joint Bookrunner a EUR 1.5 bn inaugural issue of a 5-year sovereign bond for the Republic of Romania, rated Baa3/BB+/BB+ (Moody's/S&P/Fitch, all stable). The transaction followed a Pan-European Roadshow by the issuer, represented by Bogdan Dragoi Secretary of State, Ministry of Public Finance, and Cristian Popa Deputy Governor, National Bank of Romania.

The issue constitutes the first transaction under the newly established EUR 7bn EMTN program. An EMTN (Euro Medium Term Note) Program is a documentation framework which allows for flexible issuance of bonds in various currencies and with varying maturities on the Eurobond market. Erste Group acted as Joint Arranger and Dealer under the program.

The issue due 17 June 2016 carries a coupon of 5.25% and was priced at a re-offer price of 99.794% and a yield of 5.298%. Good demand from investors in the UK & Ireland (30%), the US (20%), Germany and Austria (8%), as well as CEE (8%) in addition to domestic orders (20%) in Romania allowed to price the offering at mid-swaps + 255bps.

„Our strong credentials as bookrunner in the recent deals of Austria, the Czech Republic and Slovakia made us a clear partner for the Romanian government,“ explains Franz Hochstrasser, Deputy CEO of Erste Group. „CEE euro debt continues to be appealing for investors, especially given the lower debt-to-GDP levels and higher economic growth potential compared to the Euro average. We therefore expect further CEE countries to use the positive momentum on debt markets and continue to issue sovereign bonds in the upcoming period.“ Erste Group acted as Joint Bookrunner - among other deals - in the recent bond issues of the Republic of Austria (EUR 4 bn), the Czech Republic (EUR 1.5 bn) as well as Slovakia (EUR 1.25 bn and EUR 1.0 bn). Erste Group ranked #1 bookrunner for sovereign and corporate bonds in Austria and CEE, with a market share of 11.9% and a volume of EUR 5,129 m in 2010[1].

The success of Romania's issue is based on the remarkable narrowing of its external imbalances over the last two years and the country's strong effort in being on track with the IMF programme and its policy recommendations. The Romanian economy emerged from recession at the beginning of this year and the economy is expected to grow by 2% in 2011 and 3.9% in 2012. Furthermore, Romania has a very healthy fiscal position, posting the fourth lowest level of public debt in the EU27 in 2010 (31% of GDP compared to 80% in the EU27 average) and aiming to bring the fiscal deficit to about 5% in 2011 and 3% of GDP and 2012.

According to Erste Group Research analysts, the improved risk assessment of CEE countries - CDS spreads are tighter than those of (southern) European countries - combined with the lower than Euro Area average public debt levels support the overall attractiveness of CEE sovereign bonds. Therefore, further sovereign bond issues in the CEE region can be expected in the upcoming months.

[1] According to Underwriter League Tables of Bloomberg.

[2] The combined public debt of Hungary, Czech Republic, Slovakia, Romania and Croatia amounted to EUR 220 bn, which is EUR 100 bn less than the sole public debt of Greece (EUR 320bn in 2010e).

### CDS spreads June 2011

