Montenegro successfully prices 5-year Eurobond at record low 5.375% coupon and covers all 2014 funding needs

15.05.2014

EUR 1.6bn total order book from more than 210 investors worldwide

New bond issue combined with an exchange and tender offer for outstanding 2015 and 2016 notes

Montenegro has now covered all of this year's funding needs and decreased bond redemptions in 2015 and 2016, underlining its sound debt and liquidity management

Erste Group Bank AG ("Erste Group") successfully managed the EUR 280 million issue of a new 5-year Montenegro government bond as Joint Lead Manager. The bond carries a coupon of 5.375% and is the first EUR denominated Eurobond of Montenegro since 2011. The size and high granularity of the order book (over 210 investors) allowed Montenegro to price the EUR 280mn new issue at the very tight end of the revised final price guidance. This coupon represents the lowest coupon Montenegro has ever achieved for a Eurobond issue.

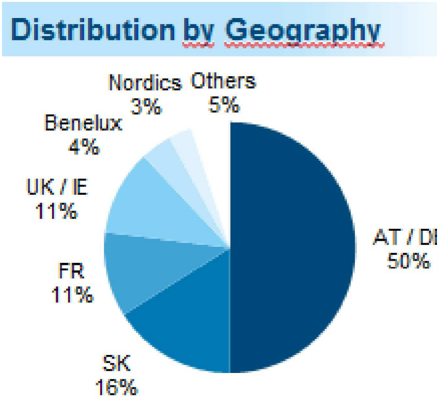

Photo: Investors' distribution by geography

The issue was launched on the back of the tender and exchange announcement on April 30th, inviting eligible holders of the outstanding EUR 200mn 7.875% Notes due 2015 and EUR 180mn 7.250% Notes due 2016 to either exchange any or all of their holdings of existing notes for new notes or to purchase any or all of their existing notes for cash.

The deal structure, combined with international investors' positive risk assessment, brought the total order book to a relevant size of around EUR 1.6bn.

''We have seen a wide range of CEE governments tapping the EUR denominated Eurobond market this year, on the back of robust demand from global investors, who continue to appreciate these countries' strong fundamentals and growth prospects relative to the EU average.

In the case of Montenegro, the fiscal consolidation efforts undertaken by the new government in 2013 have yielded fruit and allowed the Ministry of Finance to proactively manage the forthcoming maturities in 2015 and 2016, while also covering its financing needs for 2014,'' explained Tomas Cerny, Head of DCM CEE & SSA of Erste Group.

Montenegro GDP grew by a robust 3.5% in 2013, following the approx. 3pp of GDP consolidation efforts and the budget deficit being slashed to below 4% of GDP in 2013. According to Erste Group analysts, the ambitious investment pipeline and traditional tourism support sets the stage for 2.5 – 3.0% GDP growth in 2014-2015. While CA imbalances remain predictably pronounced and the gap is expected to be approx. 15% of GDP in the coming period, the FDI pipeline in the energy, tourism and infrastructure sectors may add a further to the trade balance gap, while remaining an essential part of the financing side of the equation.

Erste Group has been one of the leading bookrunners for bonds in Austria and CEE since 2010, with a market share of 10.4% and a volume of EUR 21bn.[1]

[1] Source: Bloomberg; EUR denominated bond issues from Austria and CEE excl. Russia (1/1/2010– YTD 2014)

Disclaimer: This press release is not an offer of securities for sale in the United States and securities are not be offered or sold in the United States absent registration or an exemption from registration (complaint with Rule 135 (e).