

MINISTRY OF PUBLIC FINANCE

Government securities indicative financing program for 2016

The total size of Government securities to be issued by the Ministry of Public Finance in 2016 on the domestic market is determined by the target budget deficit of 2.8% of GDP (aprox. RON 21 bn), to be financed 50% from the domestic market and 50% from external markets, and by the volume of government securities redemptions on the domestic market in 2016 (in RON and EURO), amounting to aprox. RON 38 bn (as of 31 December 2015), out of which RON 31 bn are due for RON denominated government securities and RON 7 bn for EURO denominated securities.

The Ministry of Public Finance is planning also to borrow from the external markets an amount of around EUR 4.5 bn, subject to market conditions and opportunities, taking into account the level of the redemptions of EUR 1.5 bn in June 2016 as well as the need to consolidate the foreign currency buffer of the Treasury. Thus the external financing will be raised by issuing Eurobonds under the MTN Program with an indicative volume of approx. EUR 3 bn, and by disbursing amounts of around EUR 1.5 bn from IFIs.

The Ministry of Public Finance will pursue a flexible approach to carry out the funding activities in 2016, with a predictable and transparent supply of government securities in order to react appropriately to any potential changes in market trends and investor behavior.

Thus, to achieve the objective of reducing the refinancing risk by extending the remaining average duration of Government securities while covering the gross financing needs, the Ministry of Public Finance is planning to issue in 2016 a volume of RON 48-50 bn on domestic market with a maturity structure of 30% / 70% short-term maturities versus medium and long term by issuing treasury bills with a volume of about RON 14-15 bn and benchmark bonds of about RON 34-35 bn.

To meet the objective of consolidating and extending the yield curve in RON and to improve the liquidity of Government securities market, the Ministry of Public Finance is planning to tap the existing benchmark bonds until they reach volumes of around EUR 2 bn equivalent for each maturity.

The Government RON denominated securities to be issued in 2016 on the domestic market are:

- Monthly treasury bills mainly with maturities of 6 and 12 month, including T-bills with maturity of 3 month for cash management purposes, and
- Benchmark bonds launched in 2015 with initial maturities of 3 and 5 years which will be reopened monthly, while those with initial maturities of 7, 10 and 15 years (residual maturities of 11.5 years) are to be tapped monthly or every two months until reaching an appropriate volume.
- During 2016 new benchmark bonds will be launched with initial standard maturities similar to the ones mentioned above. In order to ensure the extension of the yield curve and increase the average residual maturity of the bond portfolio, subject to market conditions during 2016 and to investors' appetite for long maturities a new 15 years benchmark bond could be issued.

Taking into account the increase of gross financing needs (as a result of the budget deficit and the refinancing of the public debt) and consequently the increase of the government securities to be issued on the domestic market, the Ministry of Public Finance is planning to launch a new EUR denominated government bond on the domestic market with a 5 years maturity in order to partially

refinance the domestic EUR denominated redemption in 2016 amounting to EUR 1.6 bn. The Ministry of Public Finance may consider reopening this new line if NBR foreign currency reserves requirements for credit institutions will decline.

Treasury bills auctions and benchmark bonds auctions are to be held on Mondays and Thursdays, with the date of settlement on Wednesday and Monday respectively, excepting national holidays. These features may be reviewed during 2016 given developments in the financial markets, investment needs of market participants, budget execution, the financing of budget deficit and refinancing maturing debt, as well as the requirement to maintain and consolidate the financial reserve in foreign currency in the State Treasury account.

Also in order to diversify the investors' base for government securities market it is planned to maintain a flexible approach on the issuance of retail bonds through the FIDELIS program via the Romanian Stock Exchange platform.

In 2016, the Ministry of Finance is planning to use specific instruments such as buy-backs and bond exchanges, and operations such as repos to improve liquidity management (operations that will be performed with the primary dealers), as soon as the necessary legal, technical and operational framework is in place.

Should financial markets conditions continue to maintain favorable, the Ministry of Public Finance may consider pre-financing needs for the year 2016 taking into account also the objective of maintaining a four months gross financing needs foreign currency financial reserve in the State Treasury account .

The indicative volume for government securities issues are to be provided in quarterly announcements, while the monthly prospectus will provide details on volumes per maturities and all the other characteristics for the planned issues. In the first quarter of 2016, Ministry of Public Finance announces an indicative issuance of Government securities on domestic market in a range between RON 14 and 16 bn.