Sovereign Debt Management Forum 2014
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Ministry of Finance
Republic of Azerbaijan
Macroeconomic outlook, 2013

- **GDP growth rate:** 5.8%
- **GDP per capita:** 7,912.4 USD
- **Oil sector:** 43%
- **Non-oil sector:** 57%
- **Inflation:** 2.4%
- **Foreign currency reserves:** 50.6 bln. USD
- **Investments:** 22.7 bln. USD
  - **Domestic** 17 bln. USD
  - **Foreign** 5.7 bln. USD
Macro dynamics

GDP historically

<table>
<thead>
<tr>
<th>Year</th>
<th>US Dollar (billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>7.3</td>
</tr>
<tr>
<td>2013</td>
<td>73.6</td>
</tr>
</tbody>
</table>

GDP per capita

<table>
<thead>
<tr>
<th>Year</th>
<th>US Dollar (billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>888.5</td>
</tr>
<tr>
<td>2013</td>
<td>7,912.4</td>
</tr>
</tbody>
</table>

Foreign currency reserves

<table>
<thead>
<tr>
<th>Year</th>
<th>US Dollar (billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1.6</td>
</tr>
<tr>
<td>2013</td>
<td>50.6</td>
</tr>
</tbody>
</table>

Debt/GDP ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>21.6%</td>
</tr>
<tr>
<td>2013</td>
<td>8.2%</td>
</tr>
</tbody>
</table>
Azerbaijan has received its first sovereign credit rating in July, 2000 from Fitch Ratings (B+)

First investment grade sovereign rating was received in May, 2010 from Fitch Ratings (BBB-)

Stable outlook on Azerbaijan’s sovereign bond rating is supported by the government’s strong financial position, including large foreign assets, which will mitigate the macroeconomic impact of volatility in oil price and production.
Debut Eurobond issuance plans in 2007

• “State Budget Law for 2007” included debut issuance of government bonds denominated in foreign currency (Eurobonds).
• In April 2007 Azerbaijan announced it’s Debut Sovereign Bond Issue plans.
• Sovereign ratings at the time: Ba1 (Moody’s), BB+ (Fitch).
• Banks were mandated and emission prospect prepared.
• The planned issuance amount was $500m (depending on market circumstances) with a circulation period of 5 or 10 years.
• Due to unfavorable conditions in the global capital market (i.e. global financial crisis) the Ministry of Finance had to postpone debut issuance.
Issuance Plans in 2014

- The President’s Order on application of “State Budget Law for 2014” to approve debut issuance of government bonds denominated in foreign currency.
- Coverage of predicted budget deficit in 2014.
- Favorable market conditions at the time of issuance.
Issue Details

Issuer: The Republic of Azerbaijan

Issuer Ratings: Baa3 (Moody’s) / BBB- (S&P) / BBB- (Fitch)

Issue Ratings: Baa3 (Moody’s) / BBB- (Fitch)

Format & Ranking: Regulation S / 144A, Senior Unsecured Notes

Pricing Date: Monday, 10th March 2014

Currency & Issue Size: US Dollars, US$ 1,250 million

Coupon: 4.750% Fixed Rated; semi-annual, 30 / 360

First Coupon Payment Date: 18th September 2014

Re-offer Spread: 10yr US Treasury [2.75% 02 / 2024] + 221.8 bps

Re-offer Price: 98.051

Re-offer Yield: 5.00%
Reasons for borrowing

• Build a yield curve
• Start building investor relations and presence in the market
• Allow investors a close look at the current economic situation in Azerbaijan, and a better assessment of the country’s prospects for successfully meeting its debt service payments
• Achieve higher visibility including with regards to rating agencies
• Foster a higher degree of internal discipline
• Country macroeconomic conditions and global financial situation at the time of issuance
Issuance achievements

• The order book had been oversubscribed more than four times, which allowed to significantly tighten the initial price guidance.
• Investors from 160 countries became interested in Azerbaijani bonds
• Wide geographical coverage in the final allocation:
  – USA 47%
  – United Kingdom 25%
  – Germany 18%
  – Others 10%
• Investor groups involved in allocation:
  – Fund Managers 75%
  – Hedge Funds 19%
  – Insurance & Pension Funds 7%
  – Others 4%
Future Plans

• Budget 2015 approval, expected in mid-December, to define borrowing plans for the next year
• Continuous communications with investors (existing and potential)
• Facilitate individual companies to tap foreign capital markets
Thank You for Your Attention!