GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

ÁKK

DEBT MANAGEMENT OUTLOOK

2025

Budapest, December 2024

Contents

1. Net financing requirements in 2025

The total net funding requirement of the central budget for 2025 is HUF 4,123 billion. The balance of the central government is the sum of Hungarian operational and investment budgets and EU development budget balance. The financing requirement is based on the cash-flow balance. (The cash-flow balance may differ from the accrual-based balance significantly.)

The balance of EU net transfers and other items may modify the total net funding requirement. In the 2025 financing plan these other financing items have been taken into account.

2. Government debt redemptions

The total amount of government debt redemptions and pre-financing in 2025 is expected to be HUF 8,715 billion, of which maturities in 2025 – without pre-financing – are expected to be HUF 8,043 billion and pre-financing is planned to be HUF 672 billion (Hungarian Government Bond switches and buyback).[1]

Amount of gross redemptions and pre-financing in 2025 (HUF bn)

	2025 plan (HUF bn)	2025 plan (EUR bn)
HUF debt maturities	7,226	18.2
Hungarian Government Bonds (HGB)	2,321	5.8
Retail securities	2,376	6.0
Discount T-bills	2,343	5.9
HUF loans	186	0.5
FX debt redemptions	817	2.1
International bonds and ECP	769	1.9
IFI and other loans	19	0.05
Domestic bonds	29	0.07
Total maturities	8,043	20.2
Switch auctions	672	1.7
Total pre-financing	672	1.7
Total redemptions including pre-financing	8,715	21.9

The redemptions of HUF debt are expected to be HUF 7,226 billion - more than in 2024 due to higher retail government security redemption. FX debt maturities are expected to be HUF 817 billion (EUR 2.1 billion). To smoothen the maturity profile and decrease refinancing risk ÁKK is planning pre-financing. The 2025 financing plan includes a HUF 750 billion switch auction programme with switch auctions buybacks to amount to HUF 672 billion.

Hungarian Government Bond (HGBs) redemptions are expected to be HUF 2,321 billion (including the redemptions of the Municipal HGBs), **discount T-bill** redemptions are expected to be **HUF 2,343 billion**. Redemptions include the maturity of two institutional fixed-rate bond and the expected redemptions and maturity of Municipal HGBs. The higher maturities of discount T-bills is a result of strong demand of mutual funds and households in 2024. A significant part of HUF debt redemptions is the **maturity and redemption of retail securities**

[1] ÁKK provides gross issuance and redemption data according to the methodology recommended by OECD, which takes redemptions of short-term securities - typically Treasury bills - only once into account to avoid multiple counting.

with an amount of HUF 2,376 billion. However, retail investors usually reinvest the maturing holdings. The amortization of HUF denominated loans is expected to be HUF 186 billion.

FX debt redemptions are expected to be **EUR 2.1 billion** (HUF 817 billion), of which international bond redemptions and ECP maturities will amount to EUR 1.9 billion, domestic bond maturities will amount to EUR 0.07 billion, while the maturing IFIs loans will amount to EUR 0.05 billion.

3. Gross issuance in 2025

Total gross issuance is expected to be **HUF 12,838 billion** in 2025, of which 86 per cent (**HUF 11,096 billion**) in HUF and 14 per cent (**HUF 1,742 billion** or EUR 4.4 billion) in FX.

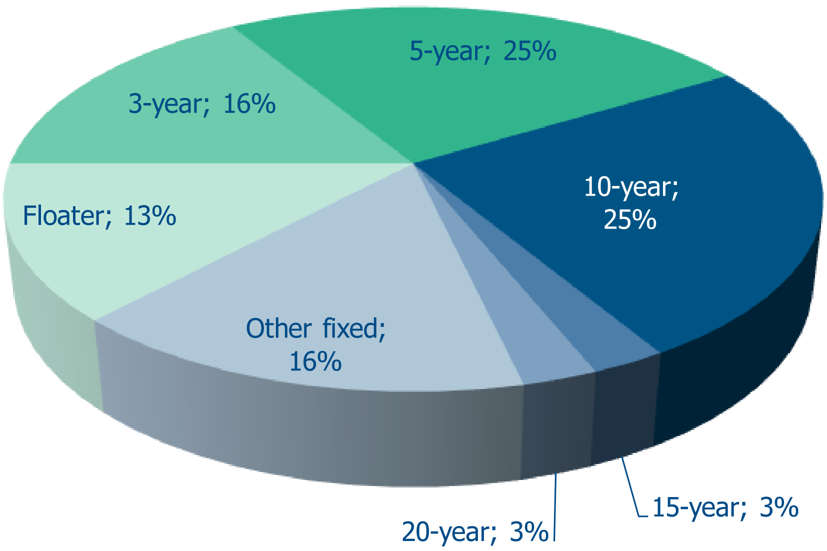
Total gross issuance in 2025 (HUF bn)

	2025 plan (HUF bn)	2025 plan (EUR bn)
Domestic issuance	11,096	27.9
HGBs	3,992	10.0
Switch auction	750	1.9
Municipial HGB	100	0.3
Retail securities	3,612	9.1
Discount T-bills	2,443	6.1
HUF loans	199	0.5
FX issuance	1,742	4.4
International bonds and ECP	1,344	3.4
IFIs and other loans	281	0.7
Other FX borrowing (e.g. domestic Bonds)	116	0.3
Grand total	12,838	32.3

HUF 3,992 billion of HGBs will be offered at auctions (including non-competitive sales) and the plan also includes HUF 100 billion issuance of Municipal HGBs. In addition, HUF 750 billion switch auction programme is planned to reduce renewal risk and to increase average maturity. ÁKK is planning to issue green HGBs in the amount of HUF 200 billion.

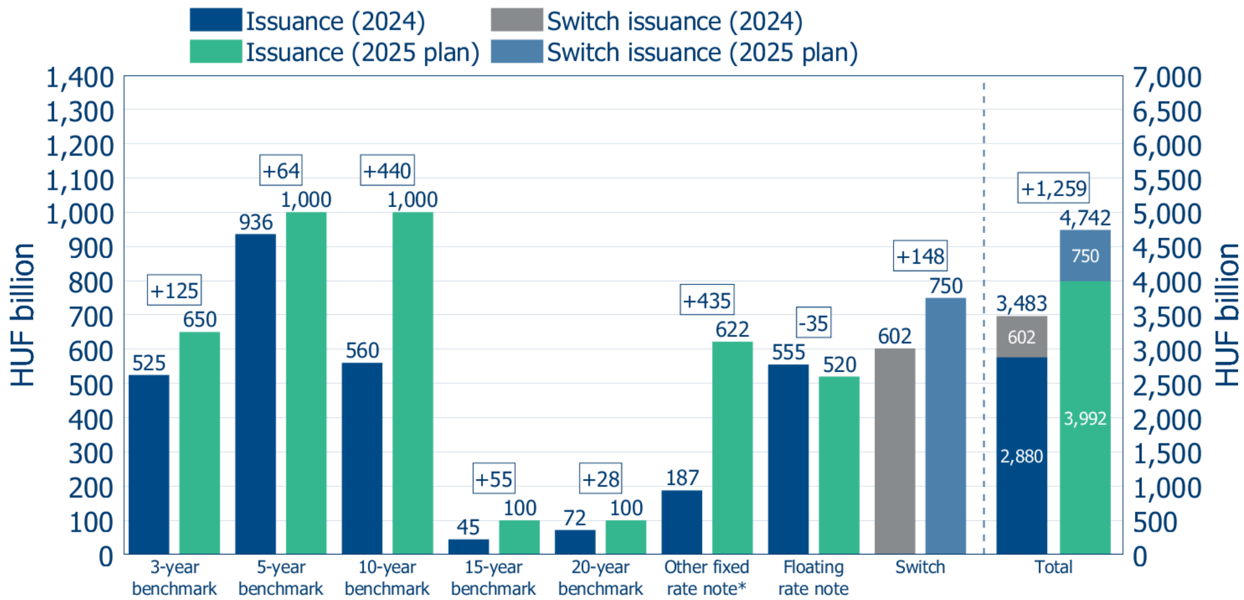
The bond auction system will slightly change in 2025. 3-year, 5-year and 10-year tenor bonds will be offered at biweekly auctions as before, playing a major role in the issuance. According to the plan, 3-year bond issuances are planned at HUF 650 billion, while 5- and 10-year bonds issuances are planned at HUF 1,000-1,000 billion each in 2025. Similar to 2024, floating rate bonds will be offered every four weeks, with a total planned issuance of HUF 520 billion. One of the changes is that 15- and 20-year bonds will be issued every two months (more often than previously) on weeks when neither 3-, 5- and 10-year bonds, nor floating-rate bonds will be offered. The other change is that an additional series of already issued bonds will be re-issued every second week (on weeks with no 3-year, 5-year and 10-year offering) based on market demand.

Breakdown of the gross domestic government bond issuance by tenor



Discount T-Bill auctions with 3-, 6- and 12-month tenors will remain unchanged in 2025. To support market liquidity ÁKK plans to keep the number of Discount T-Bill series as seen in 2024 and the weekly switch auctions remain.

In order to foster balanced HGB issuance, manage redemptions and support investors in the renewal of bonds, ÁKK will continue with the switch auction programme. Switch auctions will be held biweekly subject to demand and market conditions. However, ÁKK is not planning with buy-back auctions for HGBs with maturity over a year.



Source: AKK; Note: Expected 2024 and planned 2025 values.
**Other fixed rate note: additional bond series announced every two weeks based on market demand (either for green bonds or for series not under continuous auction).*

In the first half of 2025, ÁKK is planning to issue an international FX bond with a volume of up to EUR 2.5 billion including a benchmark-sized green Eurobond. ÁKK is planning to issue Panda bonds on the Chinese market later in the year. Similar to previous years foreign currency denominated project loans and other types of FX financing (e.g.: ECP) depending on circumstances are also options in 2025.The financing plan contains a drawdown of EUR 0.7 billion foreign currency denominated loans. Other foreign currency denominated borrowing (e.g. retail bonds) expected to be EUR 0.3 billion.

4. Net issuance

In 2025 net government debt issuance is planned at HUF 4,123 billion, of which net domestic debt issuance is expected to reach HUF 3,198 billion (EUR 8 billion) and net international bond issuance is expected to be HUF 925 (EUR 2.3 billion).

Similar to previous years' practice, ÁKK pays close attention to market demand when determining the actual issued amount and structure of financing; the structure of issuance may change based on local and foreign currency market conditions.

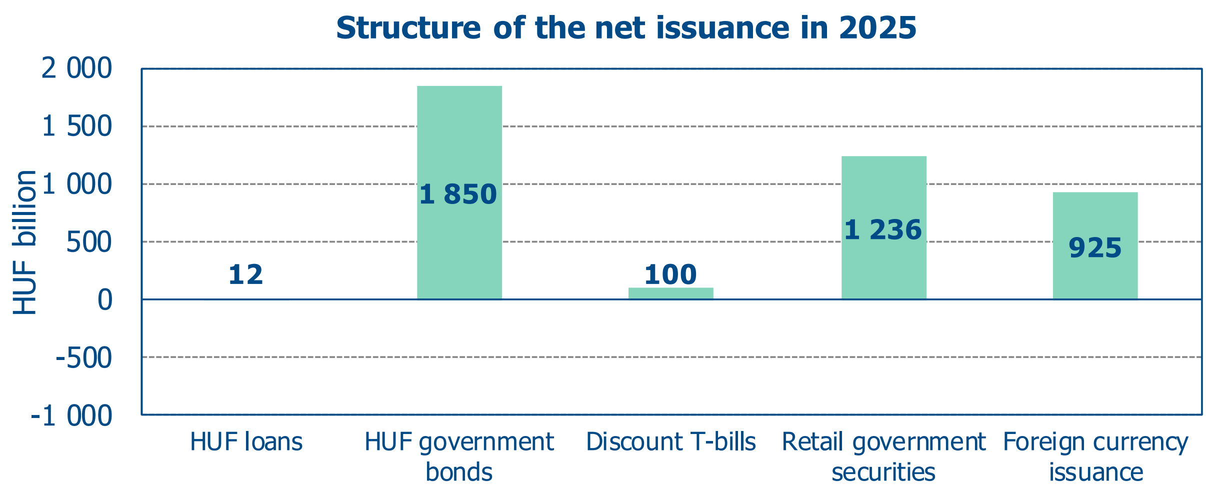
Out of the HUF 3,198 billion net domestic debt issuance, **net institutional HGB issuance is expected to be HUF 1,850 billion**. On the institutional HGB market the strategic goal of ÁKK is minimizing funding costs in the long run taking risks into account as well as the gradual smoothing of the maturity profile. To this end, a HUF 750 billion switch auction programme is planned in 2025.

The financing plan contains **HUF 1,323 billion (1.5% of GDP) net financing from households, compared to GDP 2% interest payed on retail securities**. HUF retail financing is expected to be HUF 1,236 billion, net FX retail financing is expected to be HUF 87 billion. The stock of Discount T-bills owned by households is not expected to change in 2025. To achieve the financing target ÁKK plans on the retail market:

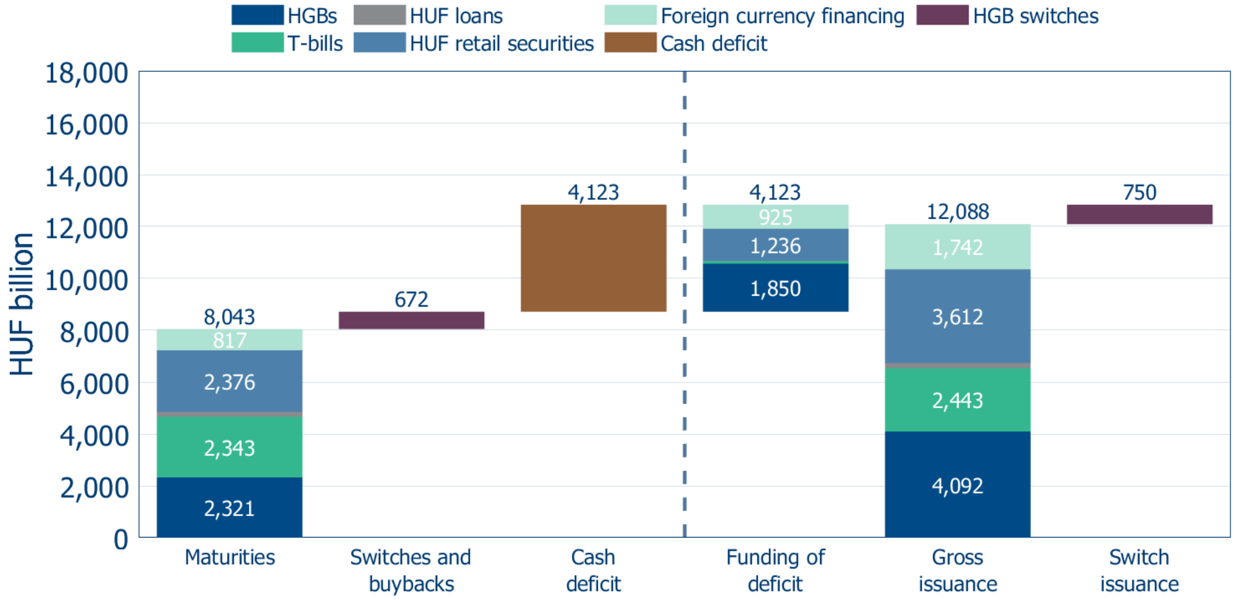
- To increase the number of retail customers;
- Introduction of a government securities switch function on the Webkincstár and Mobilkincstár platforms;
- Further increasing the share of online account openings and online sales, especially in banks;

The stock of Discount T-Bills is expected to increase by HUF 100 billion, thus the outstanding stock of discount T-bills is expected to reach HUF 2,443 billion by the end of 2025.

In 2025, HUF 186 billion of HUF loans will mature, therefore net issuance of HUF loans is expected to be HUF 12 billion. The currency of loans will be decided based on market conditions, strategy and benchmarks.



Total foreign currency redemption is expected to be EUR 2.1 billion (including ECP) and gross foreign currency issuance (including international bond issuance, foreign currency loans and other – e. g. retail – foreign currency financing) is planned at EUR 4.4 billion, net foreign currency issuance is planned to be EUR 2.3 billion (HUF 925 billion) in 2025. Out of the net foreign currency issuance, EUR 0.2 billion (HUF 87 billion) is the net issuance of retail government securities (maturities of PEMÁP and sales of EMÁP). As a result, the net financing of retail investors (including local and foreign currency financing) is expected to be HUF 1,323 billion in 2025.



Source: AKK; Note: transactions based on nominal values

5. Debt management strategy and benchmarks

The mission of ÁKK is to finance the government debt and the central government deficit at the lowest costs in the long run taking account of risks, at a high professional level and by using sophisticated methods.

ÁKK set the following strategic goals to adhere to the base principle of government debt management of minimizing cost and risks set out in law – taking into account the economic policy objectives:

1. Based on the Fundamental Law of Hungary if the public debt to GDP ratio is higher than 50 percent, only such a budget can be approved, which leads to the reduction of the debt ratio year by year. **The primary objective of debt management is to support the reduction of the debt ratio** accordingly.
2. The second goal of ÁKK is to achieve a sufficiently diversified debt portfolio, as diversification enhances significantly the stability of the investor base and consequently the safety of the government debt financing. The measures to reach this strategic goal:
   a. **Developing the institutional local currency government bond market** via flexible issuance policy, maintaining a transparent primary dealer system and developing the institutional domestic investor base.
   b. **Broadening the domestic investor base, increasing the number of retail customers, and supporting retail sales** in line with the objectives set out in the Retail Government Securities Strategy.
   c. **Actively managing the share of the FX debt ratio** within defined limits, maintaining **necessary market presence**.
3. The third goal of debt management is to **increase the average term-to-maturity (ATM) of the public debt** depending on market conditions. Although the average term-to-maturity of the Hungarian government debt increased significantly during the past years, it is still relatively low in EU comparison.
4. The fourth goal is to **maintain and improve the presence on ESG markets and to diversify the funding sources**.

The general goals of Hungary's government debt management is quantified by setting performance indicators and benchmarks. Based on the results of the optimal debt portfolio model, the following benchmark targets has been determined for government debt management in 2025 (no change relative to 2024):

- ***Share of foreign currency debt:*** The share of the foreign currency denominated debt within the total central government debt should be below **30%**, implying no change relative to the previous year.
- ***Currency mix of the foreign currency denominated debt:*** 100% in EUR (allowing for a 5% deviation from this target).
- ***Fixed / floater composition:*** Within the total debt, the share of the fixed rate elements should be in the range of 60-80%.
- ***Average Time to Re-fixing (ATR):*** The ATR of the total debt portfolio should be above 4 years.
- ***Average Term to Maturity (ATM):*** The average term to maturity of total debt should be above 5.5 years.
- ***Share of retail government securities held by households:*** The share of retail government securities held by households within the total debt should be between 20% and 25% in 2025.
- ***Liquidity:*** In order to maintain the continuously safe financing of the budget, a minimum target balance of the Treasury Single Account has been determined and ÁKK's objective is to keep the end-of-day actual balance over this level.

In case of the first six benchmark values that determine the structure of the debt ÁKK takes into account their 3-month moving average values, to avoid unnecessary reactions to short-term, temporary market movements.

Maintaining a safe level of liquidity reserves, access to a broad range of liquidity tools and dampening the long-term effects of increased yield levels remain priority goals of financing in 2025. The ESG strategy aims to broaden the investor base and to secure and strengthen international market presence.

6. Further information

This Debt Management Outlook publication was compiled based on information available in the end of November 2024. Accordingly, data related to 2024 are only projections and 2025 planned data may change during the course of the year depending on the financing need and the realization of fund raising.

ÁKK's website (www.akk.hu, www.gdma.hu) and its regular publications and reports (monthly and quarterly publications; monthly report on debt transactions) provide regularly updated information on the financing needs, the debt transactions and the government debt. ÁKK also discloses until the 15th of each month the detailed domestic market issuance plan for the next 3 months, which shows the amounts to be issued for each tenor.

7. Issuance calendar

Issuance calendar of Hungarian government bonds in 2025

Tenor	Date of auction	Date of settlement
floating rate, other fixed rate	02.01.2025	08.01.2025
3, 5, 10 fixed rate	09.01.2025	15.01.2025
15 year fixed rate; other fixed rate	16.01.2025	22.01.2025
3, 5, 10 fixed rate	23.01.2025	29.01.2025
floating rate, other fixed rate	30.01.2025	05.02.2025
3, 5, 10 fixed rate	06.02.2025	12.02.2025
20 year fixed rate; other fixed rate	13.02.2025	19.02.2025
3, 5, 10 fixed rate	20.02.2025	26.02.2025
floating rate, other fixed rate	27.02.2025	05.03.2025
3, 5, 10 fixed rate	06.03.2025	12.03.2025
15 year fixed rate; other fixed rate	13.03.2025	19.03.2025
3, 5, 10 fixed rate	20.03.2025	26.03.2025
floating rate, other fixed rate	27.03.2025	02.04.2025
3, 5, 10 fixed rate	03.04.2025	09.04.2025
20 year fixed rate; other fixed rate	10.04.2025	16.04.2025
3, 5, 10 fixed rate	17.04.2025	23.04.2025
floating rate, other fixed rate	24.04.2025	30.04.2025
3, 5, 10 fixed rate	30.04.2025	07.05.2025
15 year fixed rate; other fixed rate	08.05.2025	14.05.2025
3, 5, 10 fixed rate	15.05.2025	21.05.2025
floating rate, other fixed rate	22.05.2025	28.05.2025
3, 5, 10 fixed rate	29.05.2025	04.06.2025
20 year fixed rate; other fixed rate	05.06.2025	11.06.2025
3, 5, 10 fixed rate	12.06.2025	18.06.2025
floating rate, other fixed rate	19.06.2025	25.06.2025
3, 5, 10 fixed rate	26.06.2025	02.07.2025
15 year fixed rate; other fixed rate	03.07.2025	09.07.2025
3, 5, 10 fixed rate	10.07.2025	16.07.2025
floating rate, other fixed rate	17.07.2025	23.07.2025
3, 5, 10 fixed rate	24.07.2025	30.07.2025
20 year fixed rate; other fixed rate	31.07.2025	06.08.2025
3, 5, 10 fixed rate	07.08.2025	13.08.2025
floating rate, other fixed rate	14.08.2025	21.08.2025
3, 5, 10 fixed rate	21.08.2025	27.08.2025
15 year fixed rate; other fixed rate	28.08.2025	03.09.2025
3, 5, 10 fixed rate	04.09.2025	10.09.2025
floating rate, other fixed rate	11.09.2025	17.09.2025
3, 5, 10 fixed rate	18.09.2025	24.09.2025
20 year fixed rate; other fixed rate	25.09.2025	01.10.2025
3, 5, 10 fixed rate	02.10.2025	08.10.2025
floating rate, other fixed rate	09.10.2025	15.10.2025
3, 5, 10 fixed rate	16.10.2025	22.10.2025
15 year fixed rate; other fixed rate	22.10.2025	29.10.2025
3, 5, 10 fixed rate	30.10.2025	05.11.2025
floating rate, other fixed rate	06.11.2025	12.11.2025
3, 5, 10 fixed rate	13.11.2025	19.11.2025
20 year fixed rate; other fixed rate	20.11.2025	26.11.2025
3, 5, 10 fixed rate	27.11.2025	03.12.2025
floating rate, other fixed rate	04.12.2025	10.12.2025
3, 5, 10 fixed rate	11.12.2025	17.12.2025
15 year fixed rate; other fixed rate	18.12.2025	23.12.2025

3-month discount T-bills are auctioned every week, while the 6 and 12-month T-bills are auctioned bi-weekly. Settlement is on the Wednesday of the following week.

12-month discount T-bills

Code	Date of auction	Date of settlement	Date of maturity
D251223	02.01.2025	08.01.2025	23.12.2025
D251223	16.01.2025	22.01.2025	23.12.2025
D251223	30.01.2025	05.02.2025	23.12.2025
D260218	13.02.2025	19.02.2025	18.02.2026
D260218	27.02.2025	05.03.2025	18.02.2026
D260218	13.03.2025	19.03.2025	18.02.2026
D260218	27.03.2025	02.04.2025	18.02.2026
D260218	10.04.2025	16.04.2025	18.02.2026
D260429	24.04.2025	30.04.2025	29.04.2026
D260429	08.05.2025	14.05.2025	29.04.2026
D260429	22.05.2025	28.05.2025	29.04.2026
D260429	05.06.2025	11.06.2025	29.04.2026
D260624	19.06.2025	25.06.2025	24.06.2026
D260624	03.07.2025	09.07.2025	24.06.2026
D260624	17.07.2025	23.07.2025	24.06.2026
D260624	31.07.2025	06.08.2025	24.06.2026
D260819	14.08.2025	21.08.2025	19.08.2026
D260819	28.08.2025	03.09.2025	19.08.2026
D260819	11.09.2025	17.09.2025	19.08.2026
D260819	25.09.2025	01.10.2025	19.08.2026
D260819	09.10.2025	15.10.2025	19.08.2026
D261028	22.10.2025	29.10.2025	28.10.2026
D261028	06.11.2025	12.11.2025	28.10.2026
D261028	20.11.2025	26.11.2025	28.10.2026
D261028	04.12.2025	10.12.2025	28.10.2026
D261223	18.12.2025	23.12.2025	23.12.2026

6-month discount T-bills

Code	Date of auction	Date of settlement	Date of maturity
D250625	30.12.2024	08.01.2025	25.06.2025
D250821	15.01.2025	22.01.2025	21.08.2025
D250821	29.01.2025	05.02.2025	21.08.2025
D250821	12.02.2025	19.02.2025	21.08.2025
D250821	26.02.2025	05.03.2025	21.08.2025
D251029	12.03.2025	19.03.2025	29.10.2025
D251029	26.03.2025	02.04.2025	29.10.2025
D251029	09.04.2025	16.04.2025	29.10.2025
D251029	23.04.2025	30.04.2025	29.10.2025
D251223	07.05.2025	14.05.2025	23.12.2025
D251223	21.05.2025	28.05.2025	23.12.2025
D251223	04.06.2025	11.06.2025	23.12.2025
D251223	18.06.2025	25.06.2025	23.12.2025
D251223	02.07.2025	09.07.2025	23.12.2025
D260218	16.07.2025	23.07.2025	18.02.2026
D260218	30.07.2025	06.08.2025	18.02.2026
D260218	13.08.2025	21.08.2025	18.02.2026
D260218	27.08.2025	03.09.2025	18.02.2026
D260429	10.09.2025	17.09.2025	29.04.2026
D260429	24.09.2025	01.10.2025	29.04.2026
D260429	08.10.2025	15.10.2025	29.04.2026
D260429	22.10.2025	29.10.2025	29.04.2026
D260624	05.11.2025	12.11.2025	24.06.2026
D260624	19.11.2025	26.11.2025	24.06.2026
D260624	03.12.2025	10.12.2025	24.06.2026
D260624	17.12.2025	23.12.2025	24.06.2026