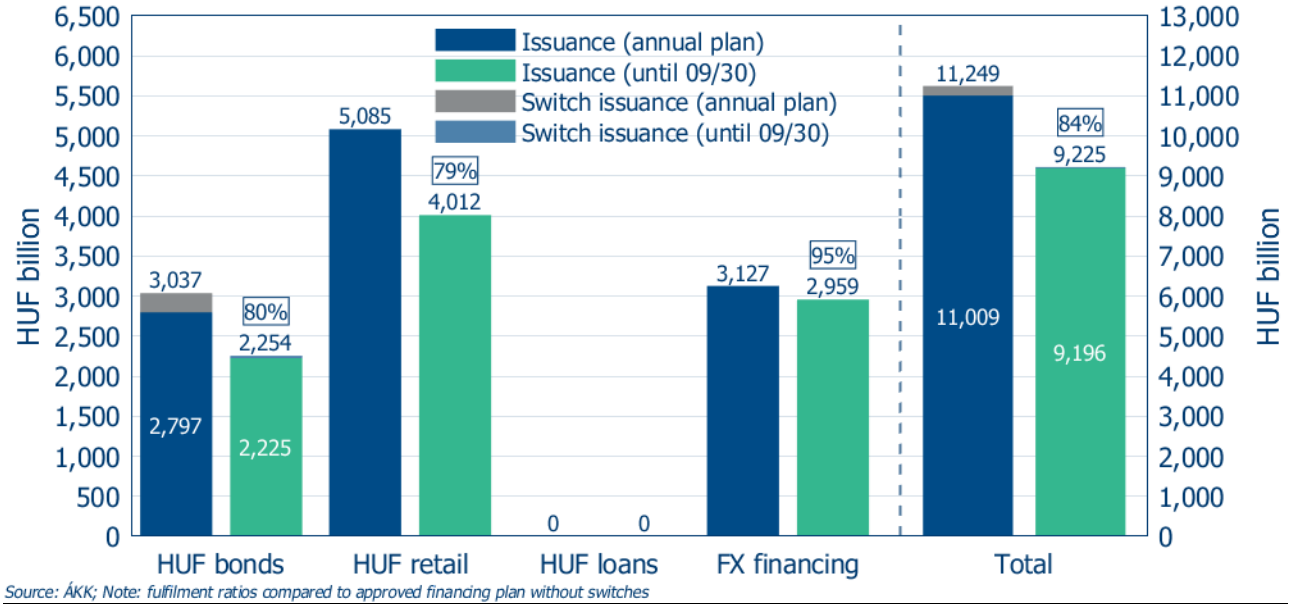
ÁKK: Prorated fulfilment of the 2023 Financing Plan in Q3 2023

Budapest, 2 October, 2023

On 20 December, 2022, the Ministry of Finance and the Government Debt Management Agency Pte Ltd. (ÁKK) presented Hungary's 2023 financing plan. ÁKK published the latest updated financing plan reflecting year-to-date fact issuance figures on its website in September.

84% of the updated 2023 financing plan published in September was completed by 30 September, 2023 as a result of debt management operations completed in the first three quarters of the year.

Figure 1 shows the fulfilment ratios by market segments:



Source: ÁKK; Note: fulfilment ratios compared to approved financing plan without switches

Figure 1: Fulfilment of issuances by market segments. The percentages denote the ratio of the auction issuances fulfilled and settled until 30 September to the issuances planned for the entire year (without switch issues). Note: The data is based on value dates as opposed to deal dates. The figure does not contain T-Bill and ECP issuance plans.

Debt management benchmarks

As of 30 September, the average time to maturity of the debt portfolio is 6.1 years (three-month averaged) equalling the year-end value of 2022. The FX share rose from 25.1% to 25.8% and the share of fixed-rate debt decreased from 73.3% to 69% within the total debt. The benchmark value regarding the share of retail debt (i.e. the share of retail securities owned by households within the total debt) increased from the end-2022 19.6% to 19.9%. In line with the strategic objectives the debt management benchmarks remained within their target range except for the share of retail debt. No target band has been set for the share of green bonds.

	2023 benchmark targets	30 09, 2023 figures	
Share of FX debt	Maximum 30%	✓	25.8%
Currency mix of the FX debt (after swaps)	100% in EUR (with a 5% deviation allowed)	✓	100.0%
Average time to maturity	Minimum 5.5 years	✓	6.1 years
Average time to re-fixing	Minimum 4 years	✓	5.0 years
Share of debt with a fixed coupon	Between 60% and 80%	✓	69.0%
Share of retail debt	Between 20% and 25%	✗	19.9%
Share of green bonds			3.4%

Figure 2: Debt management benchmarks and band limits as of 30 September, 2023. ÁKK is using a three-month moving average when calculating the benchmarks in order to avoid that any volatile but temporary market movements make the debt management agency react against its long-run interests.

Retail Market

79% of the planned gross HUF retail market issuance has already been fulfilled and the estimated outstanding amount of retail securities owned by households stands at HUF 9,892 billion at the end of September. It indicates an increase of HUF 982 billion in the first three quarters while at the end of 2022, ÁKK expected a net retail growth of HUF 960 billion for 2023. The total outstanding amount of retail securities increased from the end-2022 HUF 8,972 billion to HUF 9,954 billion, while institutional holdings decreased as shown in Figure 3.

The estimated outstanding amount of institutional government bonds and T-bills held by households increased by HUF 151 billion, from HUF 1,411 billion at the beginning of the year to HUF 1,562 billion.

At the end of August 2023, the number of customers[1] owning retail government securities in Hungary reached 800,612, an increase of 35,034 retail security investors compared to the end of 2022.

[1] Number of customers owning dematerialised retail government securities, excluding customers solely owning Baby Bonds.

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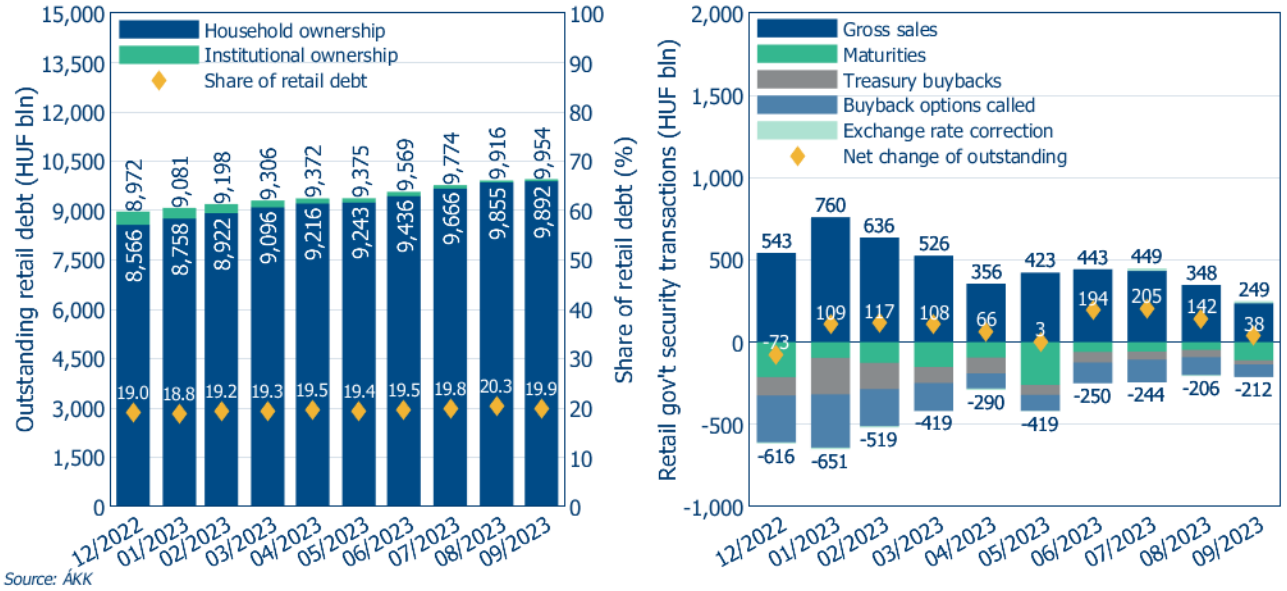

Figure 3: Monthly retail government security stock and transaction data. Share of retail debt exhibits the ratio of retail securities owned by households to the total government debt. Note: The data is based on value dates as opposed to deal dates.

In accordance with the higher-than-expected sales and decreasing institutional yields, the premium of the new PMÁP series issued in August was lowered to 25 basis points and ÁKK reduced the sales cap to HUF 25 million as well. As a result of the new conditions, the volume of PMÁP issuances has decreased since August, in line with ÁKK's expectations. The initial coupon of PMÁP currently stands at 14.75% which remained significantly favourable compared to the institutional yields (the average 12-month T-Bill yield was 9.7% in August and 9.1% in September) and may exceed the monthly year-on-year inflation soon.

In line with previous practice, ÁKK will align retail pricing and sales cap to market conditions and expected sales volume, with special attention to institutional yields and inflation.

HUF Institutional Market

80% of the planned institutional primary market HUF bond issuance was fulfilled during the first three quarters of 2023 (Figure 4). The outstanding amount of HUF institutional securities is HUF 25,857 billion (including the HUF 57 billion outstanding amount of Hungarian Municipal Government Bonds). The share of non-resident holdings is 23.9% against the 24.9% value of H1 2022.

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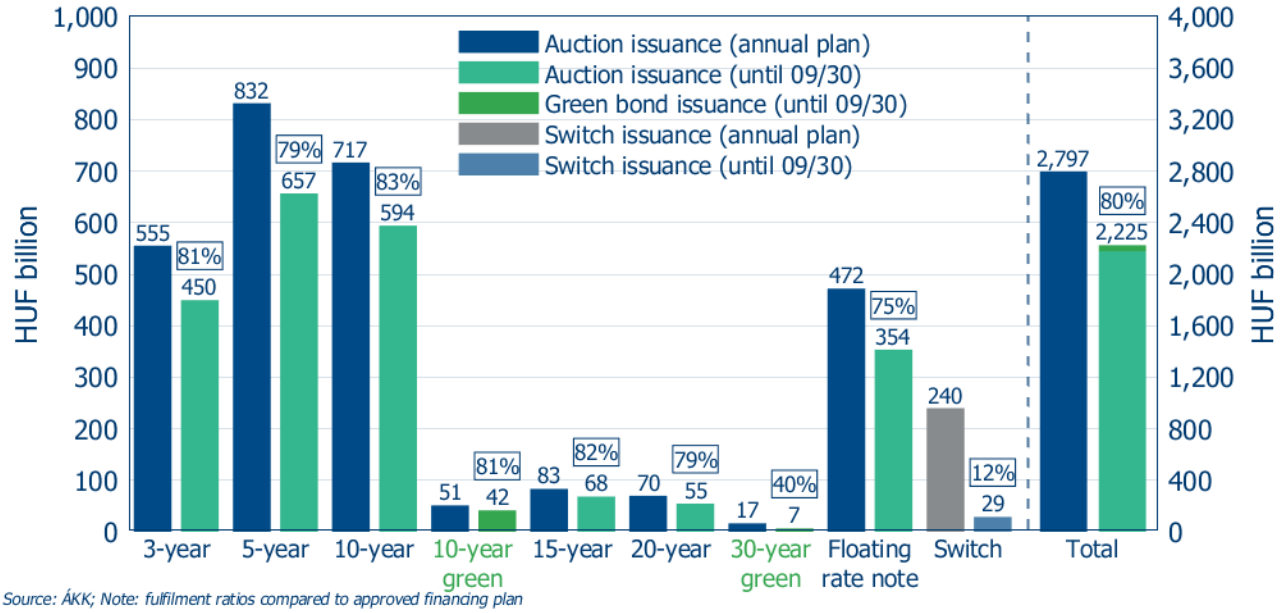

Source: ÁKK; Note: fulfilment ratios compared to approved financing plan

Figure 4: Fulfilment of institutional market bond issuance plan (excluding T-bills and municipal bonds) categorized by tenor. The percentages indicate the ratio of the auction issuances fulfilled and settled until 30 September relative to the issuances planned for the entire year (excluding switch issues). Note: The data is based on value dates as opposed to deal dates.

The outstanding amount of T-bills increased by HUF 355 billion to HUF 2,127 billion in the first three quarters of 2023 compared to end-2022. The expected end-2023 T-bill outstanding is HUF 1,535 billion according to the approved financing plan which is HUF 592 billion below the September figures. A lower-than-expected decrease in the volume of T-bills means excess liquidity in the HUF institutional financing.

The average bid-to-cover ratio in Q3 2023 was 1.8 on T-bill and 3.8 on the government bond auctions.

ÁKK restarted the switch auction programme in September with a new framework that allows ÁKK to adapt to market changes with more flexibility, made possible by a new IT solution. The primary objective of the new, flexible switch auction system is the gradual reduction of the HUF institutional bond maturity peaks in 2025 and 2026.

ÁKK reduced in several steps the maximum bid-offer spread applicable by the Primary Dealers to HGBs subject to quoting obligation. From 1 September, 2023, it stands at 15 basis points, in accordance with the quotation rule applied prior to 16 March, 2022.

Foreign Currency Institutional Market

According to the approved 2023 financing plan, 95% of the annual FX issuances have been fulfilled by 30 September, 2023. The modification of the FX financing plan created the opportunity for the issuance of a 10-year Eurobond in an amount of EUR 1.75 billion that took place on 5 September with threefold oversubscription. After this benchmark size transaction, further FX issuances cannot be expected in 2023. The share of FX debt (three-month averaged) stands at 25.8% on 30 September, 2023, still below the 30% upper bound of the benchmark.

The outstanding amount under the Euro Commercial Paper Programme is USD 500 million on 30 September, 2023.

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