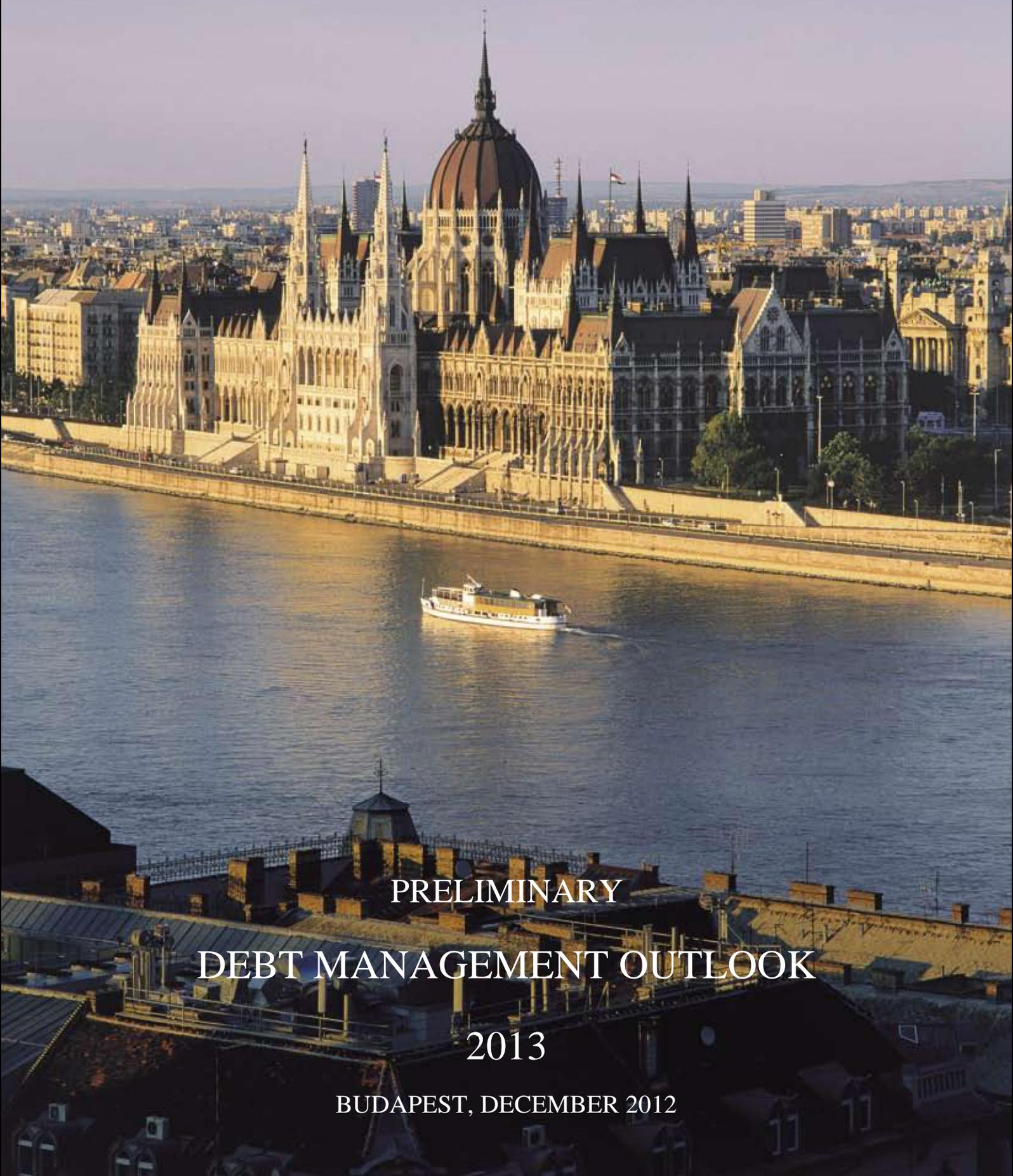




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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.



PRELIMINARY

DEBT MANAGEMENT OUTLOOK

2013

BUDAPEST, DECEMBER 2012

Contents

1. Net financing requirement
2. Government debt redemptions
3. Gross issuance
4. Net issuance
5. Debt management strategy
6. Further information
7. Issuance calendar

1. Net financing requirements in 2013

The deficit of the central government is the sum of the balances of the central government budget, the social security funds and the extra-budgetary funds. The deficit of the central government calculated on a cash-flow basis is planned at **HUF 842 billion**, equaling to 2,8% of the GDP.

The total cash-flow based net financing requirement for the year 2013 that comprises of the deficit of the central government and the projected pre-financing of EU transfers – will amount to **HUF 619 billion**, HUF 55 billion less than the plan for 2012.

Cash-flow based financing requirements in 2013 (plan)

	HUF billion
Balance of the central government budget	-834
Balance of the social security funds	0
Balance of the extra-budgetary funds	-7
Net financing requirement of the central government	-842
Pre-financing of EU transfers (net)	223
Total net financing requirement	-619

2. Government debt redemptions

The total amount of government debt redemptions in 2013 is planned at **HUF 5,117 billion**.¹ The redemption of domestic currency debt will amount to **HUF 3,662 billion**, of which domestic bonds account for HUF 1,056 billion, discount T-bills for HUF 1,847 billion, retail government securities for HUF 745 billion and HUF loans for HUF 14 billion.

	In HUF (bn)	In EUR (bn)
Domestic redemptions	3,662	12.9
T-bonds	1,056	3.7
Retail securities	745	2.6
Discount T-bills	1,847	6.5
Loans	14	0.0
FX redemptions	1,455	5.1
T-bonds	410	1.4
IMF loans	1,015	3.6
IFI and other loans	30	0.1
Total	5,117	18.1

(at 284 HUF/EUR exchange rate)

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 avoiding multiple counting.

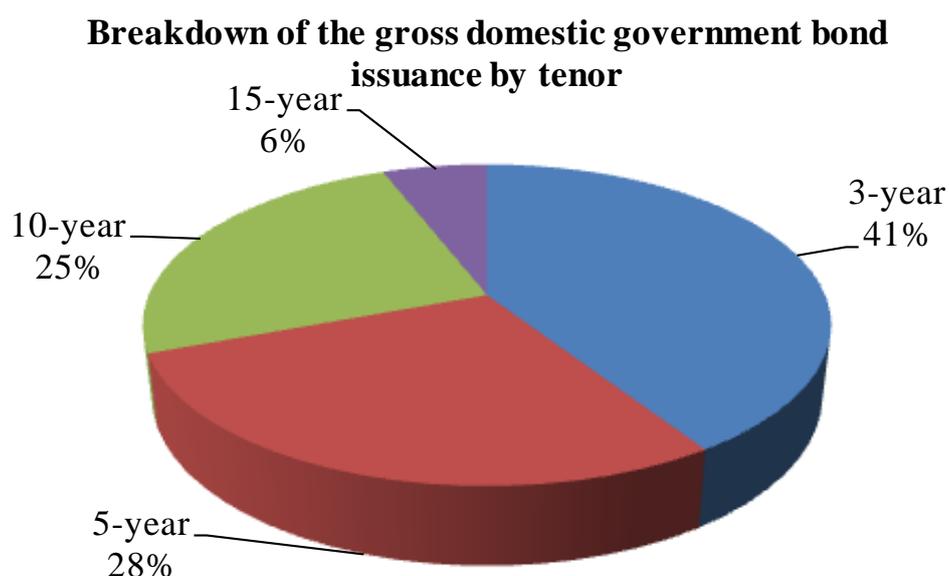
Foreign currency debt redemptions are expected to be **HUF 1,455 billion (EUR 5.1 billion)**, out of which international bond and IMF loan redemptions will amount to EUR 1.4 billion and 3.6 billion respectively, while the redemption of IFI and other loans will amount to EUR 0.1 billion.

3. Gross issuance

Total gross issuance is planned at **HUF 5,896 billion** in 2013, of which 75 per cent (or **HUF 4,394 billion**) will be in the domestic currency and 25 per cent (**HUF 1,502 billion** or EUR 5.3 billion) will be in foreign currencies.

	In HUF (bn)	In EUR (bn)
Gross issuance		
Domestic debt	4,394	15.5
T-bonds	1,530	5.4
Retail securities	995	3.5
Discount T-bills	1,869	6.6
FX currency debt	1,502	5.3
International bonds	1,275	4.5
Domestic FX bonds	113	0.4
IFIs loans	113	0.4
Total	5,896	20.8

Hungarian Forint government bonds will be sold at auctions in an amount of **HUF 1,530 billion**, with a breakdown by tenor similar that of the previous year.



The planned issuance of HUF-denominated government bonds are as follows:

Tenor	Issuance (HUF bn)
3-year (fixed)	625
5-year (floater)	60
5-year	375
10-year	380
15-year	90
Total	1,530

ÁKK intends to launch new 3-year and 5-year bond series, while for the 10-year and 15-year tenor off-the-run bonds will be sold. The new bond series of floating rate bond will be offered once a month together with the 1-year discount Treasury-bill. The issuance calendar includes only the dates of bond auctions. ÁKK will decide on the actual bond series and the amounts offered after consultations with Primary Dealers in the week preceding the auction. However, the current practice, i.e. regular simultaneous sales of the 3, 5 and 10-year bonds is likely to be continued in 2013 and the 15 year bond may be offered bi-monthly or quarterly replacing the 10 year bond. ÁKK will hold both bond-buyback and exchange auctions – similar to the practice followed from 2010 – in order to support a balanced government bond issuance pattern as well as to manage the maturity profile and the refinancing risk of the bond portfolio.

Foreign currency issuance in the international capital markets is planned in a total amount of EUR 4.5 billion to finance the maturing foreign currency denominated debt of EUR 5.1 billion. The currency, tenor and timing of the issues will be determined in accordance with the prevailing market conditions. The remaining foreign currency redemptions will be covered by project financing loans totaling EUR 0.4 billion and the issuance of the new domestic Premium Euro Hungarian Government Bond totaling EUR 0.4 billion.

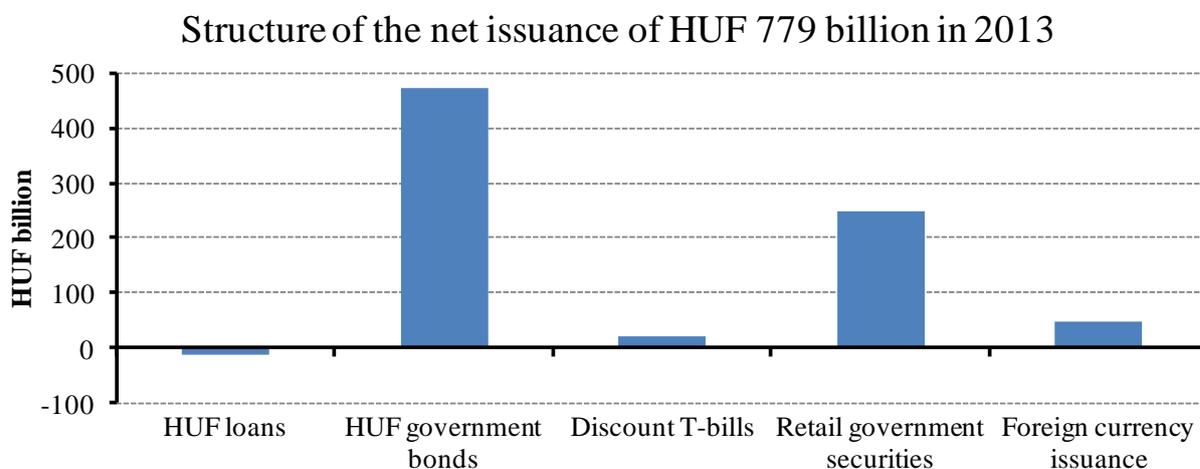
4. Net issuance

Net government debt issuance is planned in an amount of **HUF 779 billion**, out of which domestic debt issuance will reach **HUF 732 billion** (or 94 per cent of total), and net foreign currency borrowing will amount to **HUF 47 billion** (EUR 0.2 billion).

ÁKK will monitor closely the market and will decide on the amounts accepted at auctions according to the demand. Net issuance exceeding the net financing requirements, will increase the balance of the Single Treasury Account.

Of the net domestic government securities issuance net bond issuance will be **HUF 474 billion** (about HUF 325 billion less than the expected net bond issuance for 2012) and net discount T-bill issuance HUF 22 billion, while the stock of retail government securities will increase by HUF 250 billion.

No significant net foreign currency issuance is planned in 2013, the maturing foreign currency denominated debt will be renewed by bond issuance in the international capital markets and by project financing loans.



5. Debt management strategy

ÁKK's main objective is to finance the central government at the lowest costs in the long run taking account of risks. This objective is quantified by setting benchmarks, which are in part based on an optimal portfolio model using Value-at-Risk (VaR) and Cost-at-Risk (CaR) for taking into account both costs and risks. ÁKK has determined the following benchmark values for government debt management in 2013:

- ***Share of foreign currency debt:*** The share of the foreign currency denominated debt within the total central government debt should not exceed 45%.
- ***Currency mix of the foreign currency denominated debt:*** In order to mitigate cross-currency exchange rate risk, foreign currency obligations after swaps should be 100% in EUR, allowing for a 5% deviation from this target.
- ***Fixed / floater composition:*** Within the HUF debt, the share of the fixed rate elements should be in the 61-83% range, making the share of floating rate debt, which includes all short-term debt, between 17% and 39%. Within the foreign currency denominated debt, the optimal share of fixed rate debt is 66%, with a 5% tolerance band.
- ***Duration:*** In order to keep an acceptable level of refinancing risk, the Macaulay duration of the HUF debt portfolio is targeted at 2.5 years +/- 0.5 year.
- ***Liquidity:*** So as to maintain a continuously safe level of cash funds in the Single Treasury Account (STA), a minimal target STA balance has been determined and ÁKK's objective is to keep the end-of-day STA balance over the minimal level.

In the case of the first five benchmark values ÁKK takes into account their 3-month moving average values, to avoid unnecessary reaction to one-off or temporary market movements that actually would not need a response in the medium or longer term.

6. Further information

This Debt Management Outlook was compiled based on information available in the middle of December 2012. Thus the projected figures for 2013 may change according to the outturn of the financing needs and debt issuances. Even though the structure of financing may change compared to the plans, the issuance calendar is fixed (see next chapter), and ÁKK will not change the set of instruments used, its strategic objectives and its strategic behavior in the markets either.

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 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 fixed rate government bonds in 2013

Date of auction	Date of settlement
10.01.2013	16.01.2013
24.01.2013	30.01.2013
07.02.2013	13.02.2013
21.02.2013	27.02.2013
07.03.2013	13.03.2013
21.03.2013	27.03.2013
04.04.2013	10.04.2013
18.04.2013	24.04.2013
02.05.2013	08.05.2013
16.05.2013	22.05.2013
30.05.2013	05.06.2013
13.06.2013	19.06.2013
27.06.2013	03.07.2013
11.07.2013	17.07.2013
25.07.2013	31.07.2013
08.08.2013	14.08.2013
22.08.2013	28.08.2013
05.09.2013	11.09.2013
19.09.2013	25.09.2013
03.10.2013	09.10.2013
17.10.2013	24.10.2013
31.10.2013	06.11.2013
14.11.2013	20.11.2013
28.11.2013	04.12.2013
12.12.2013	18.12.2013

Issuance calendar of floating rate government bonds in 2013

Date of auction	Date of settlement
17.01.2013	23.01.2013
14.02.2013	20.02.2013
14.03.2013	20.03.2013
11.04.2013	17.04.2013
09.05.2013	15.05.2013
06.06.2013	12.06.2013
04.07.2013	10.07.2013
01.08.2013	07.08.2013
29.08.2013	04.09.2013
26.09.2013	02.10.2013
07.11.2013	13.11.2013
05.12.2013	11.12.2013

Issuance calendar of discount treasury bills in 2013

12-month discount T-bills

Code	Date of auction	Date of settlement	Date of maturity
D140108	03.01.2013	09.01.2013	08.01.2014
D140108	17.01.2013	23.01.2013	08.01.2014
D140108	31.01.2013	06.02.2013	08.01.2014
D140108	14.02.2013	20.02.2013	08.01.2014
D140305	28.02.2013	06.03.2013	05.03.2014
D140305	14.03.2013	20.03.2013	05.03.2014
D140305	28.03.2013	03.04.2013	05.03.2014
D140305	11.04.2013	17.04.2013	05.03.2014
D140430	25.04.2013	02.05.2013	30.04.2014
D140430	09.05.2013	15.05.2013	30.04.2014
D140430	23.05.2013	29.05.2013	30.04.2014
D140430	06.06.2013	12.06.2013	30.04.2014
D140625	20.06.2013	26.06.2013	25.06.2014
D140625	04.07.2013	10.07.2013	25.06.2014
D140625	18.07.2013	24.07.2013	25.06.2014
D140625	01.08.2013	07.08.2013	25.06.2014
D140806	15.08.2013	21.08.2013	06.08.2014
D140806	29.08.2013	04.09.2013	06.08.2014
D140806	12.09.2013	18.09.2013	06.08.2014
D140806	26.09.2013	02.10.2013	06.08.2014
D141015	10.10.2013	16.10.2013	15.10.2014
D141015	24.10.2013	30.10.2013	15.10.2014
D141015	07.11.2013	13.11.2013	15.10.2014
D141015	21.11.2013	27.11.2013	15.10.2014
D141126	05.12.2013	11.12.2013	26.11.2014
D141126	19.12.2013	23.12.2013	26.11.2014

3-month discount T-bills are auctioned every Tuesday, settlement is on the Wednesday of the following week.

Liquidity discount T-bills are auctioned upon decision of the Issuer, generally on Monday with settlement on Wednesday.