



GOVERNMENT DEBT MANAGEMENT AGENCY PTE. LTD.

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Debt management 2010-2016

György Barcza, CEO

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MAIN PRINCIPLES OF DEBT MANAGEMENT

1. Decreasing debt-to-GDP ratio

The debt ratio has been decreasing from 2010. The 50 percent threshold in the Constitution turned decreasing debt ratio to national policy goal.

2. Decreasing share of FX debt

The share of FX debt decreased below 30 percent in 2016 and expected to decrease to 26 percent by the end of the year, which is not outstandingly high in international comparison (it was above 50 percent in 2011)

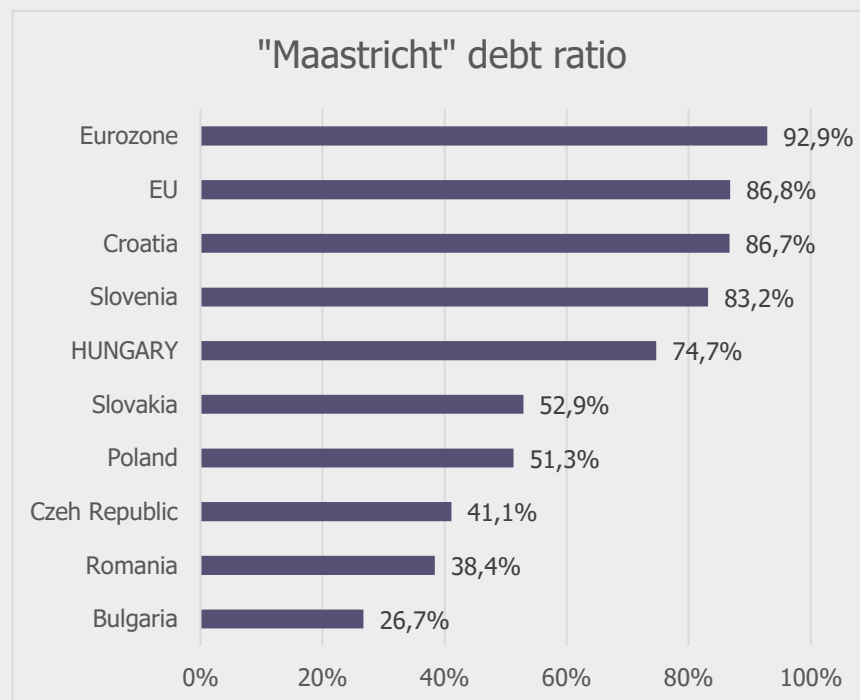
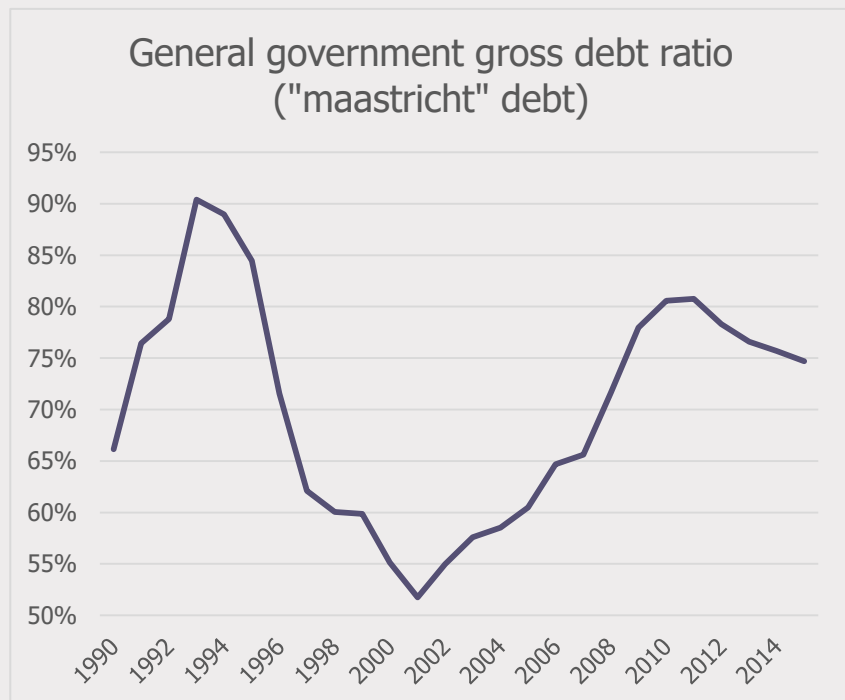
3. Development of the retail government securities market

The role of retail financing has increased, the share of retail securities reached 20 percent of total debt. It is advantageous for both the retail sector and the government.

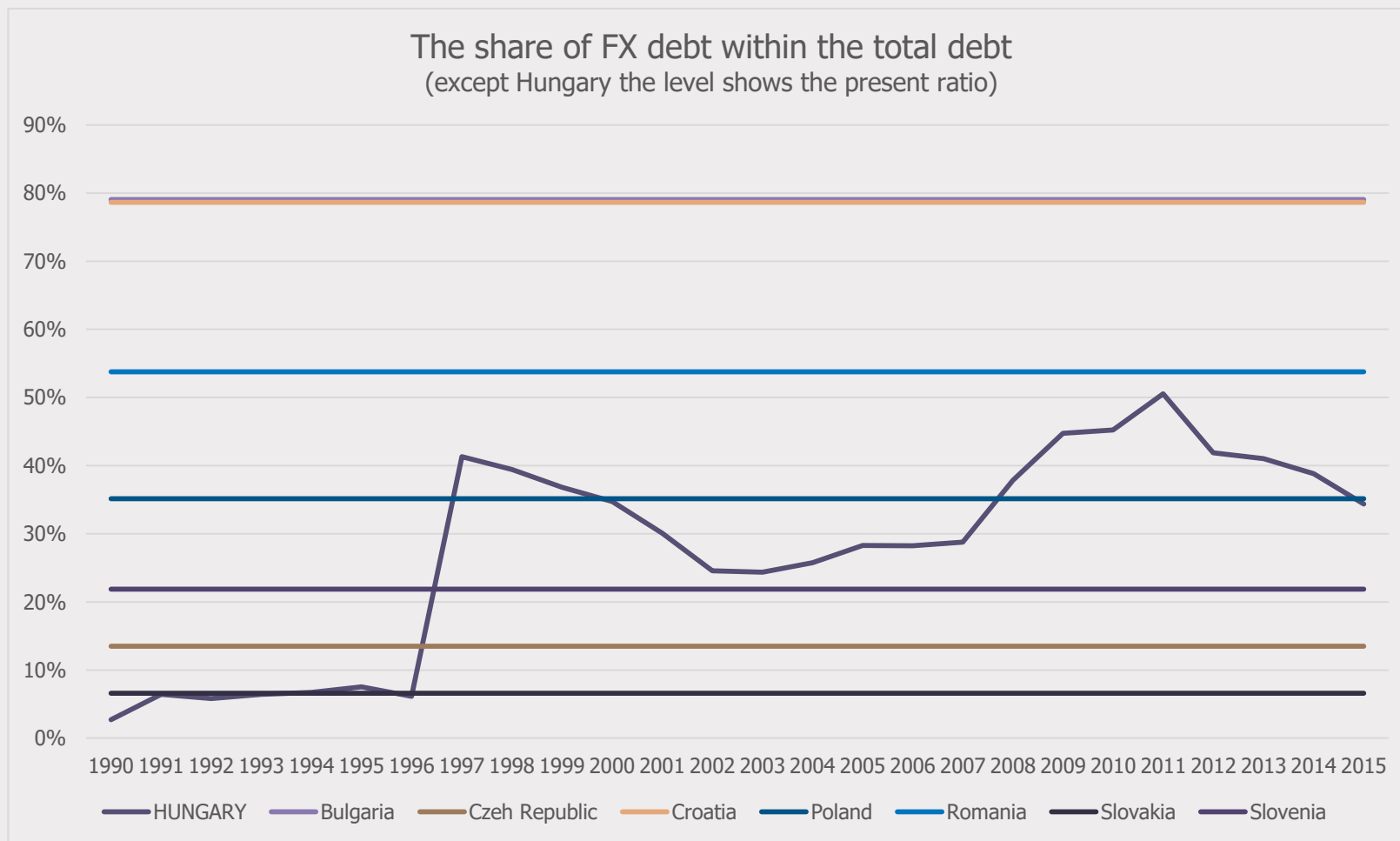
➤ Result: credit rating upgrades, more favorable and safer financing

Hungary regained investment-grade status. According to international practice two best grade is relevant out of the three rating agencies. (Moody's next announcement date is on 4 November.)

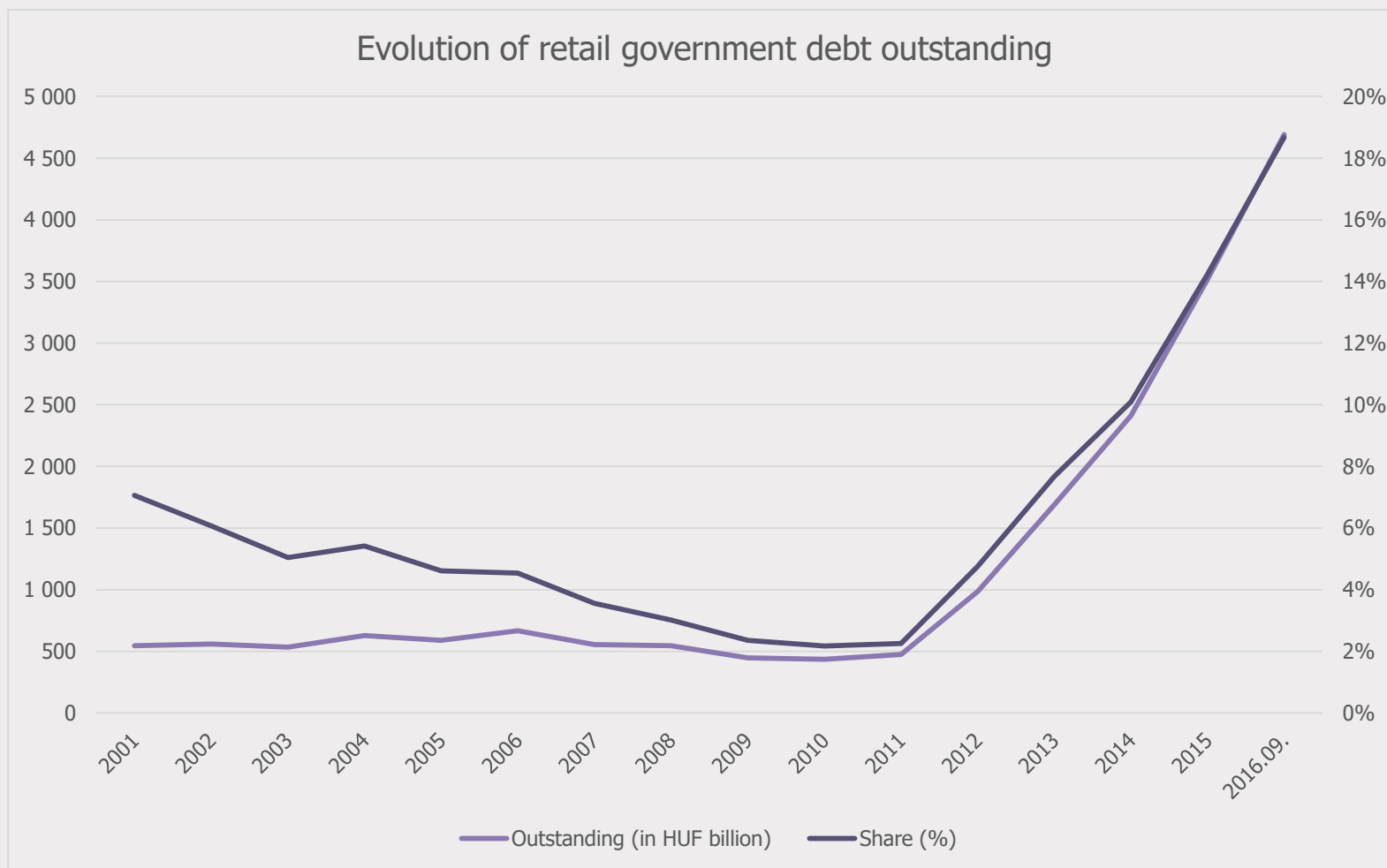
THE EVOLUTION OF GROSS GOVERNMENT DEBT



THE SHARE OF FOREIGN CURRENCY DEBT



OUTSTANDING STOCK OF RETAIL GOVERNMENT SECURITIES

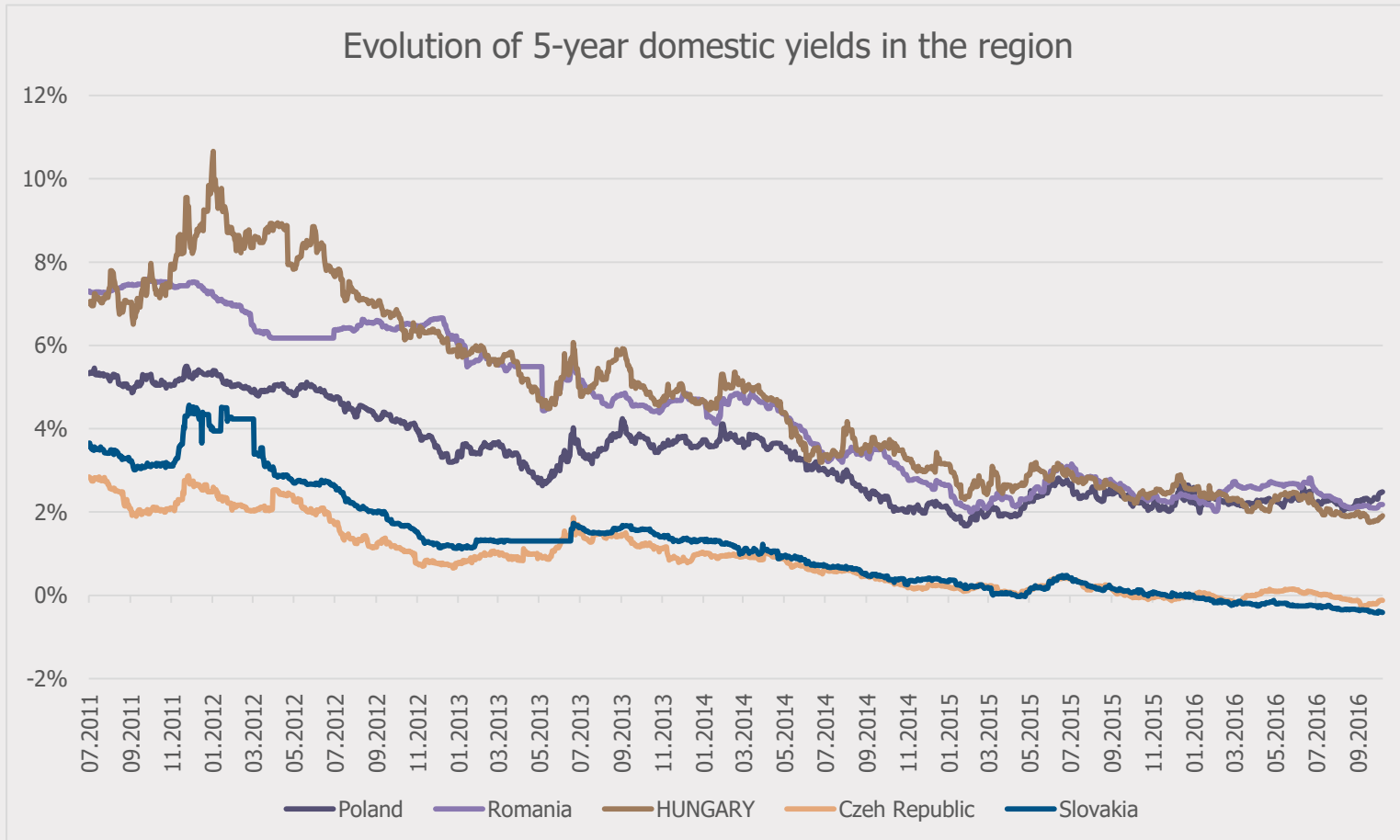


MOST POPULAR RETAIL SECURITIES



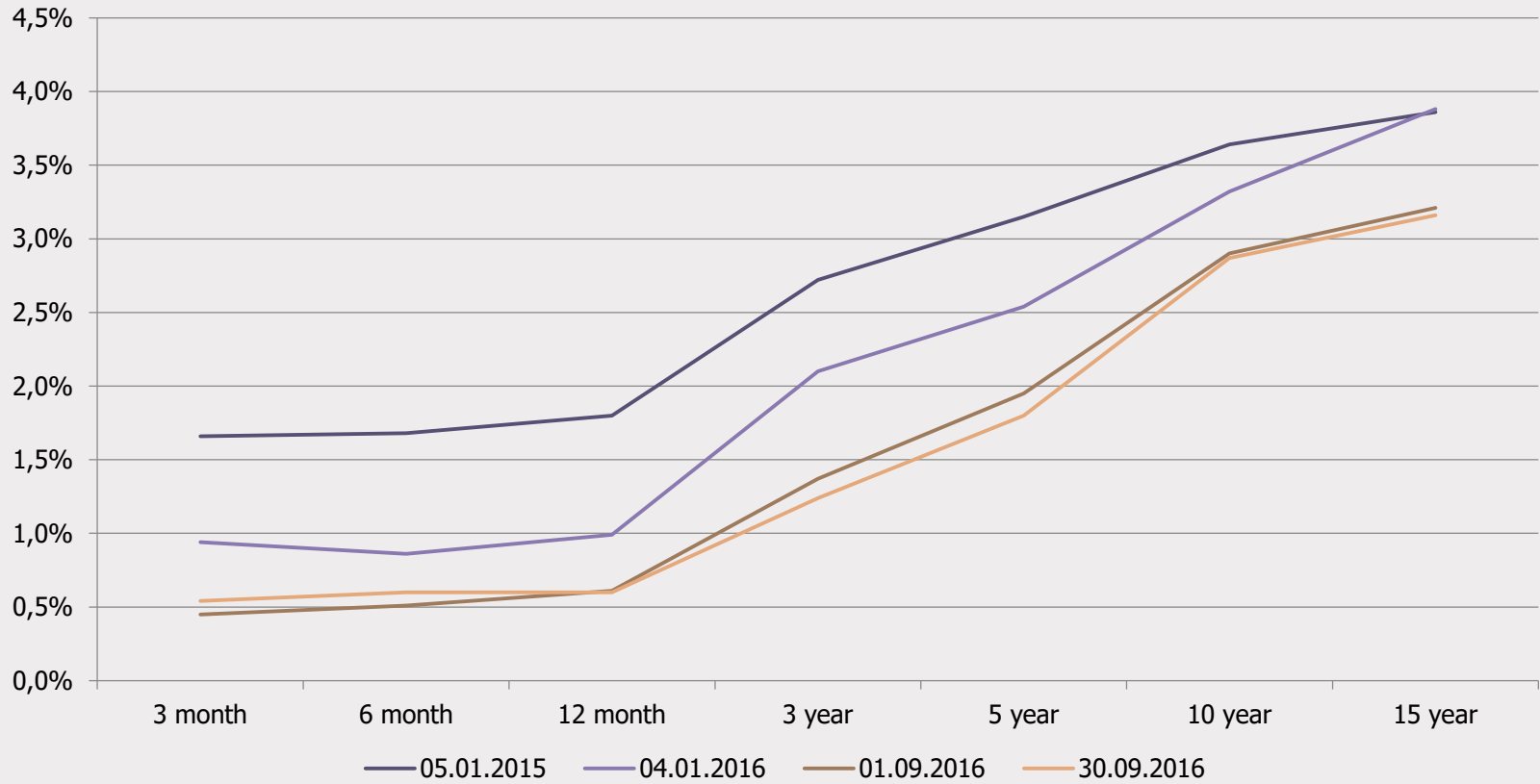
Security	Tenor	Interest type	Actual coupon	Increase in 2014-2016	Share within the total debt
Interest-Bearing Treasury Bill	1 year	Fixed	2,25%	221%	52%
Premium Hungarian Government Bond	3 and 5 year	Variable (inflation + premium)	2,75% 3,25%	169%	20%
Bonus Hungarian Government Bond	4, 6 and 10 year	Variable (12 month DTB + premium)	2,61%, 3,11% 3,36%	128%	10%
Half-year Interest-Bearing Treasury Bill	6 month	Fixed	2,00%	1410%	9%
Treasury Saving Bills	1 and 2 year	Fixed	2,00%, 2,25% 2,50%	123%	9%

5-YEAR YIELDS IN THE REGION

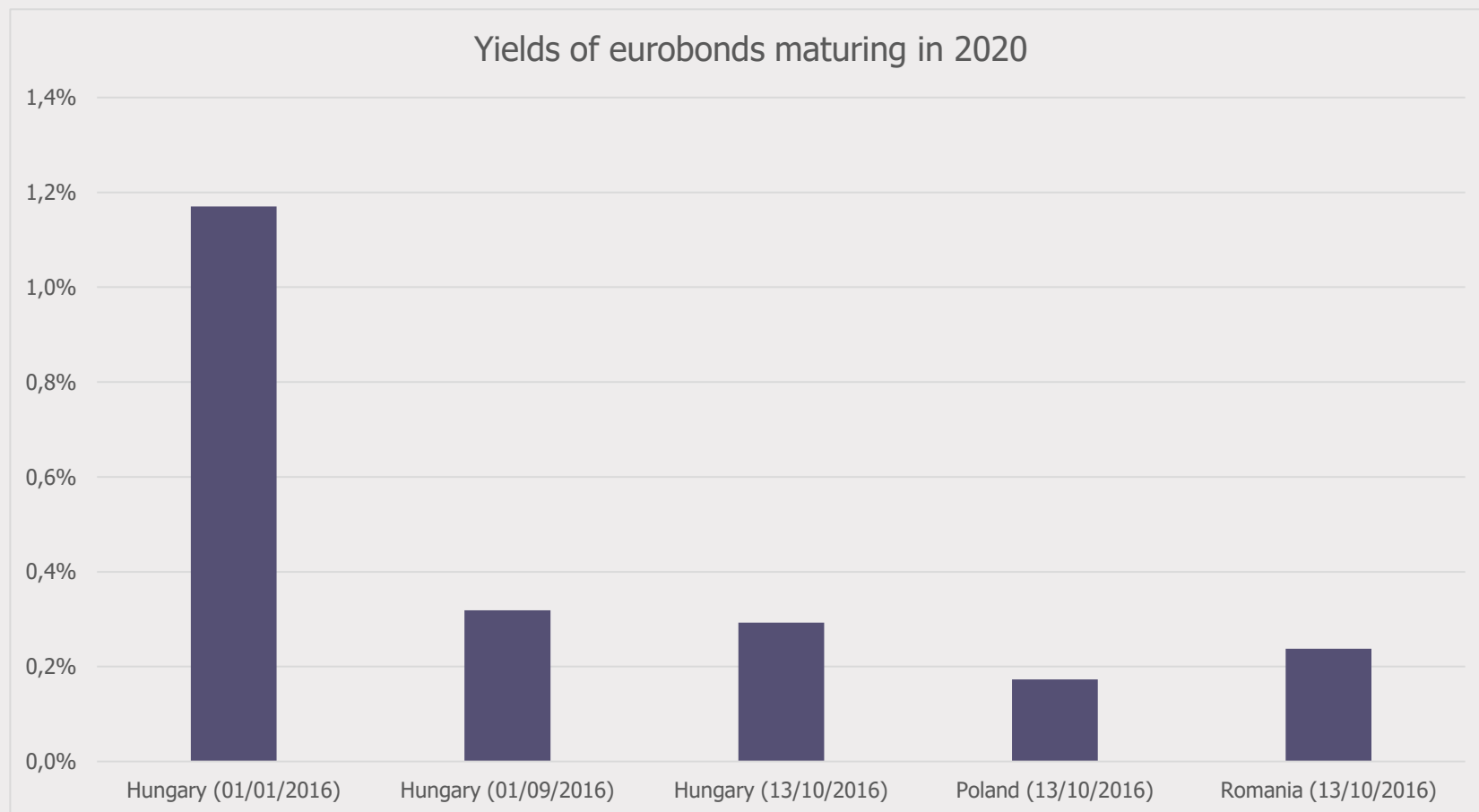


THE HUNGARIAN YIELD CURVE

The Hungarian Benchmark Yield Curve



THE CONSEQUENCE OF THE UPGRADE IN YIELDS



INVESTMENT-GRADE AGAIN



- ***ESSENTIAL STRUCTURAL CHANGES HAVE BEEN REALIZED***

Principles remain the same (decreasing debt ratio, decreasing share of FX debt, development of retail securities market), but the structural changes have been met.

Portfolio (cost and risk) point of view can be emphasized in designing the optimal debt portfolio (beside macroeconomic)

- ***NEW OPPORTUNITIES***

- next years the share of foreign currency debt may decrease even with FX bond issuance in the international market
- ample potential demand for new international FX bond issuance after the upgrade
- FX bond issuance mainly in euro, but for diversification reason it's considered to issue in the three other largest bond market in the world (Chinese renminbi, Japanese yen (a new opportunity after the upgrade) and US dollar)
- In retail securities market: product development and marketing reform

Notes: ÁKK is going to publish the financing plan for 2017 in December 2016

THANK YOU FOR YOUR ATTENTION!

