



1st Debt Management Club

Hungarian government bond issuance in the first 5 months of 2011

The foreign currency bond issuance process

Euroweek's awards given to ÁKK

Main topics:

1. Financing in the first 5 months of 2011, with a focus on bond issuance.

presented by: dr. László András Borbély
Deputy CEO (General Affairs)

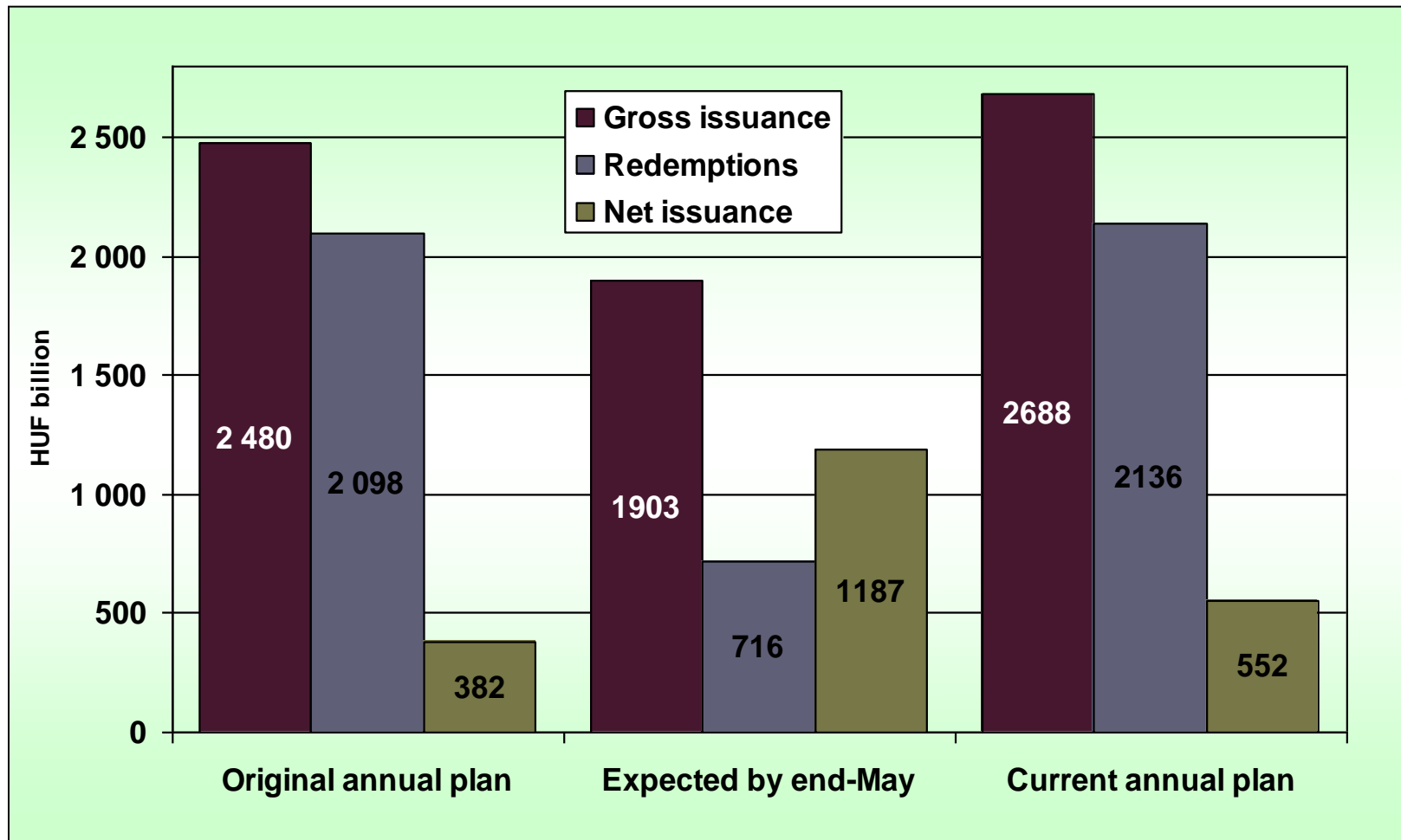
2. The foreign currency bond issuance process and the Euroweek awards given to ÁKK.

presented by: László Búzás
Deputy CEO (Front Office)

Part 1

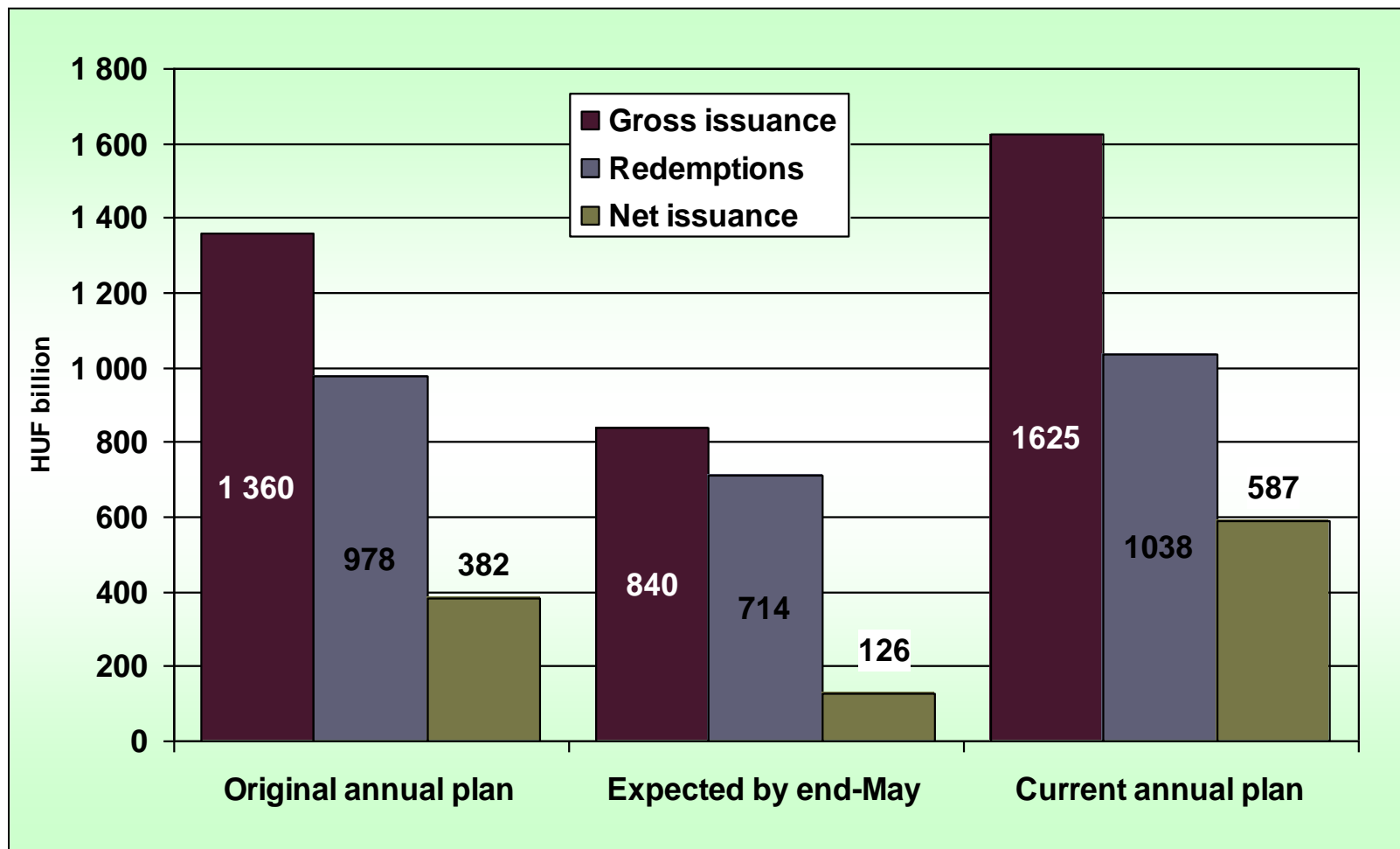
Financing in the first 5 months of 2011, with a focus on bond issuance

Total (domestic and international) government bond issuance in 2011



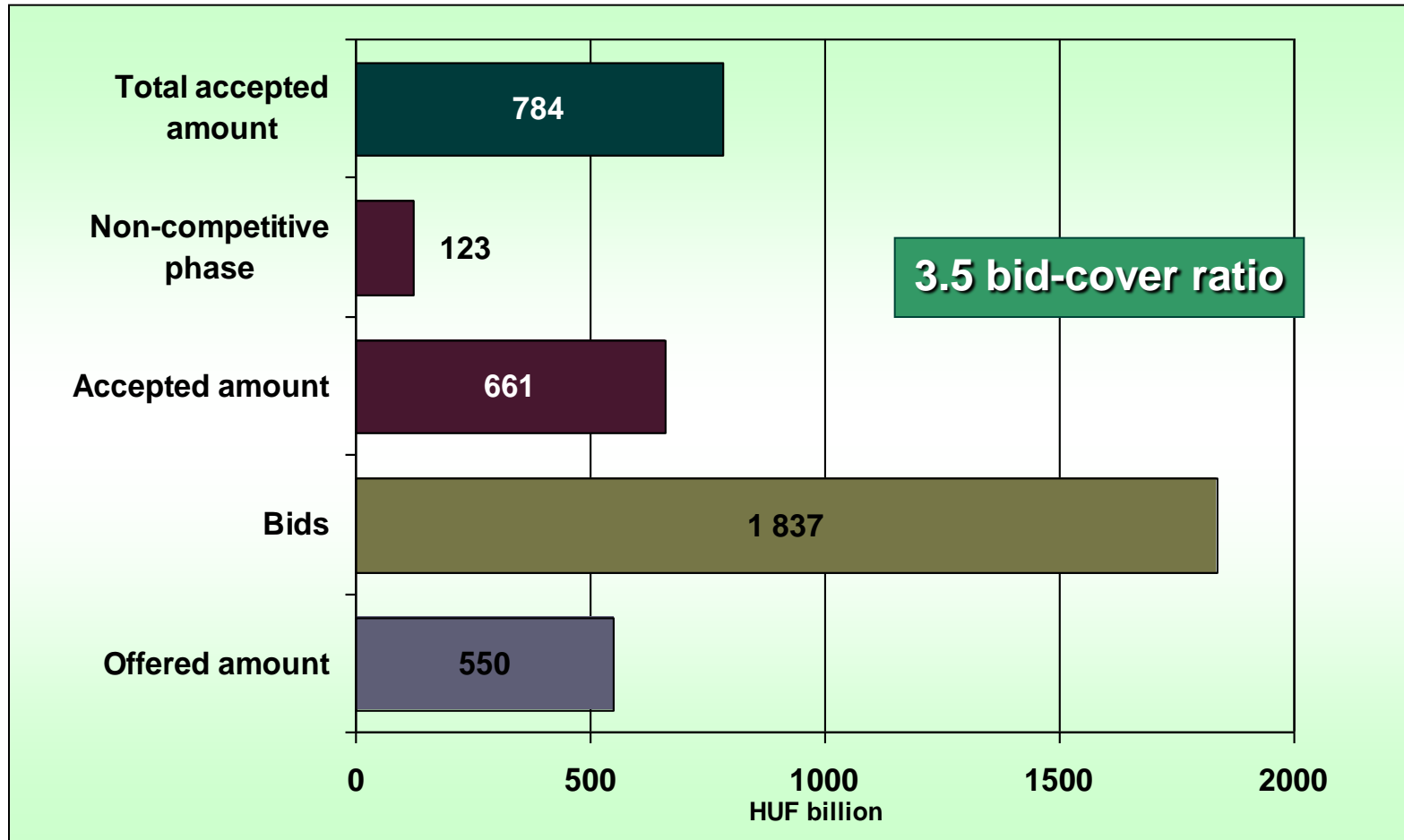
77% of originally planned bond issuance and 34% of bond redemptions already completed

Domestic (HUF) bond issuance in 2011



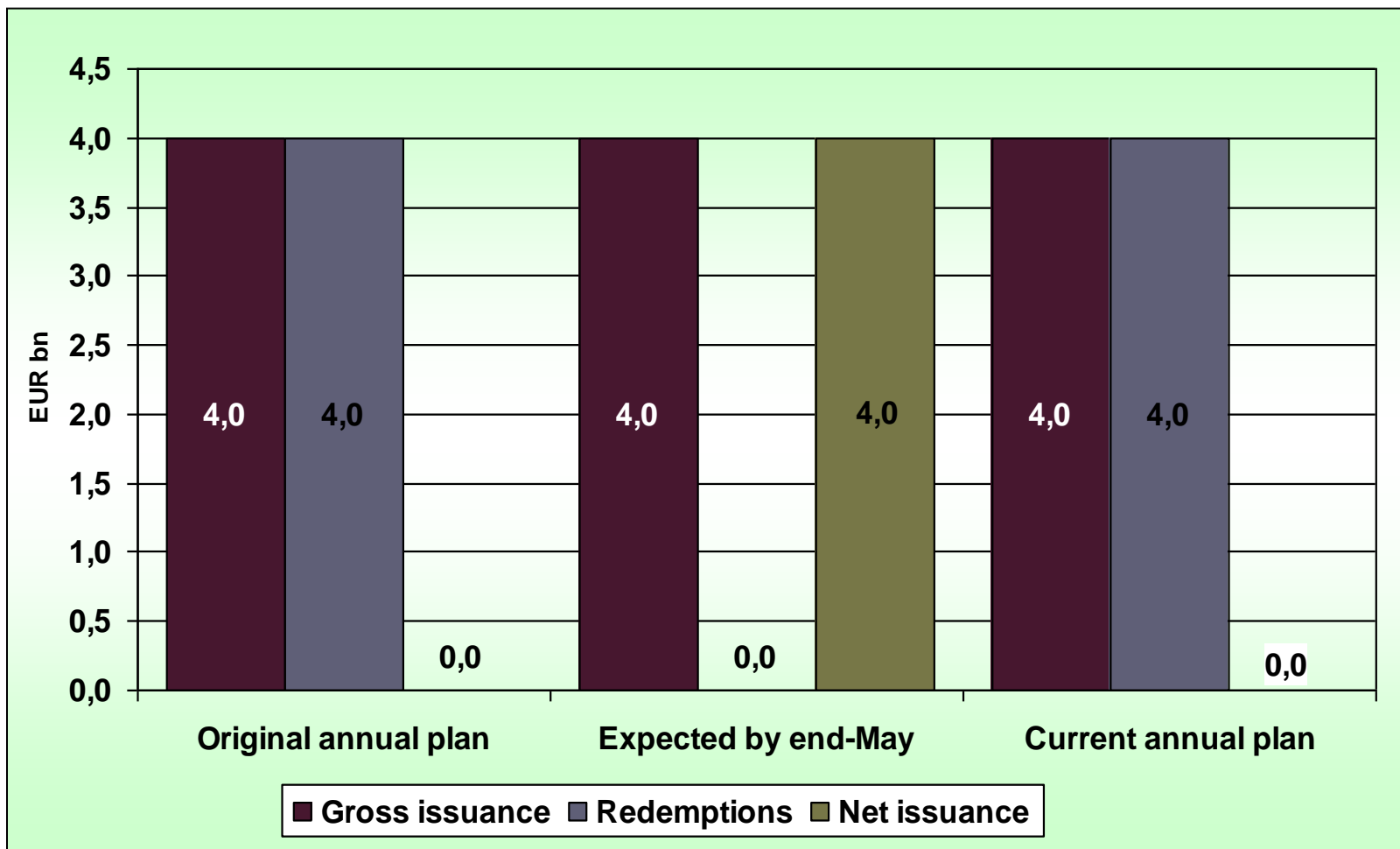
62% of originally planned bond issuance and 73% of bond redemptions already realized in the domestic market

Domestic bond auction results in January – May 2011 (forecast)



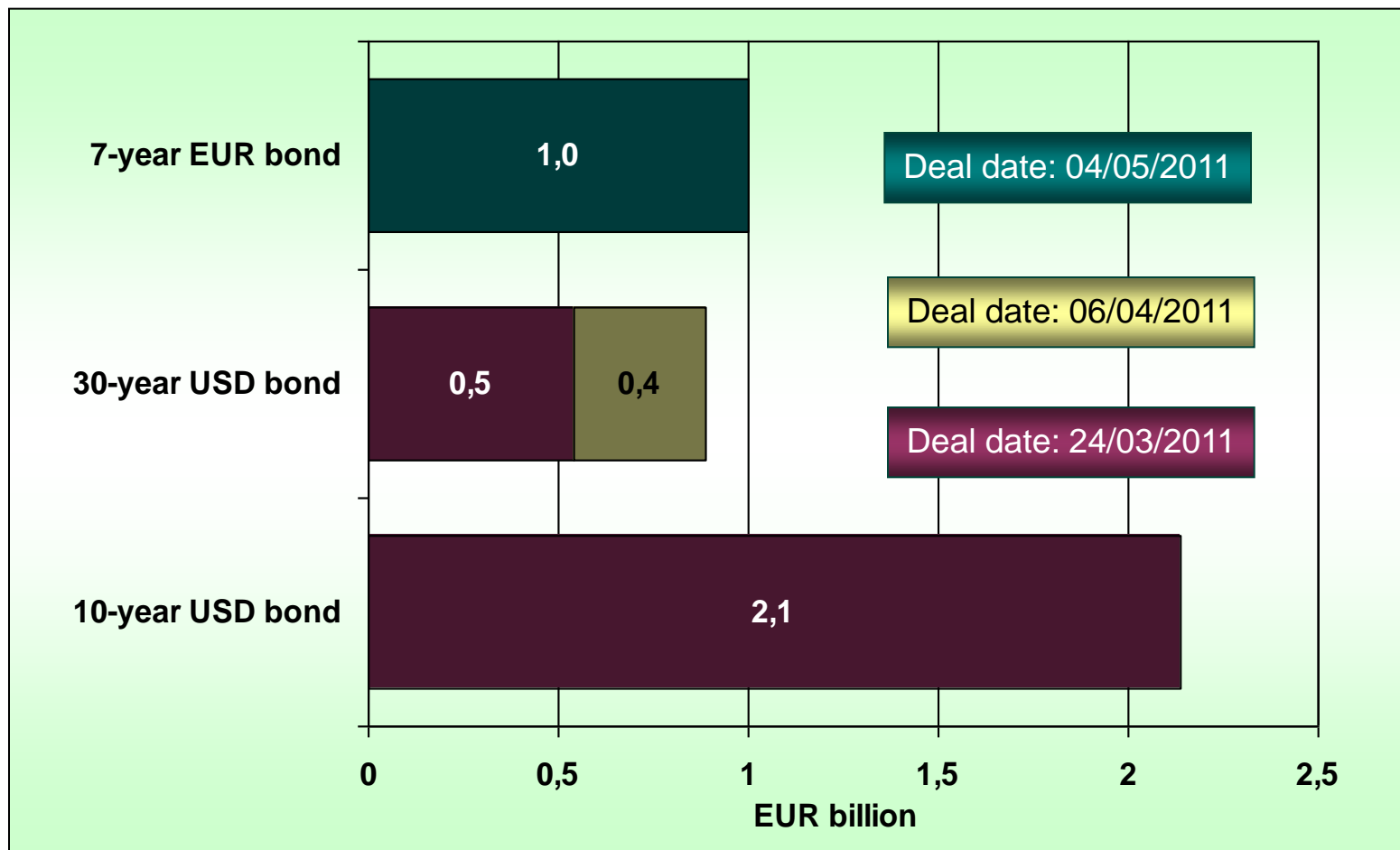
Extra issuance of HUF 234 billion at auctions

International bond issuance in 2011



The annual issuance target has been met already, redemptions are due in June, October and November.

International currency bond transactions in 2011



Part 2

The foreign currency bond issuance process and the Euroweek awards given to ÁKK

The foreign currency bond issuance process I.

- **The annual financing plan sets the requirements for the foreign currency debt issuance**
 - ✓ Planned annual amount – Financing plan – Minister for National Economy
 - ✓ No exact timing (it depends on market conditions), reserves give room to maneuver
 - ✓ Currency of issuance, maturity, type of interest, timing, lead managers – determined by ÁKK

- **Mandate for EUR and USD bond issues can be given only to institutions that belong to the banking group of a primary dealer**

- **Lead managers are chosen by certain criteria, e.g.:**
 - ✓ Former experience in co-operation
 - ✓ Secondary market activity (in relations to Hungarian bonds)
 - ✓ Ranking
 - ✓ Primary dealer performance in Hungary
 - ✓ Others (research, co-operation in other areas)

- **Possible roadshow / non-deal roadshow**
 - ✓ Access to a wide range of investors (one-on-one meetings, group presentations)
 - ✓ Bloomberg Net roadshow, conference calls
 - ✓ Dispelling investors' worries (one should have an answer to every question)
 - ✓ Assessing investors' preferences (currency of issuance, maturity, expected spread etc.)

The foreign currency bond issuance process II.

- **Rigorous communication restrictions:**
 - ✓ Not only for the employees of ÁKK, but also for government officials
 - ✓ The SEC may even stop the transaction process
 - ✓ Press release - strict communication rules (general terms are allowed, such as „benchmark transaction”)

- **Preparation of the documentation** (starts already before the given transaction, e.g. Shelf registration)

- **Decision on the transaction, awarding the mandate**

- **Transaction process:**
 - ✓ Setting the spread guidance
 - ✓ Opening the order book, book-building
 - ✓ Invitation of syndicate members
 - ✓ Closing of the order book, allocation
 - ✓ Pricing
 - ✓ Concluding swap transactions (cross-currency and/or interest rate swaps)
 - ✓ Closing (release of the bonds, cash inflow)

Awards given to ÁKK between 1999 and 2011



Best Sovereign Borrower in Central and Eastern Europe 1999



Best Sovereign Borrower in Central and Eastern Europe 2007



Best Central and Eastern European Borrower 2011



Best Overall Emerging Market Borrower 2011

Thank you!