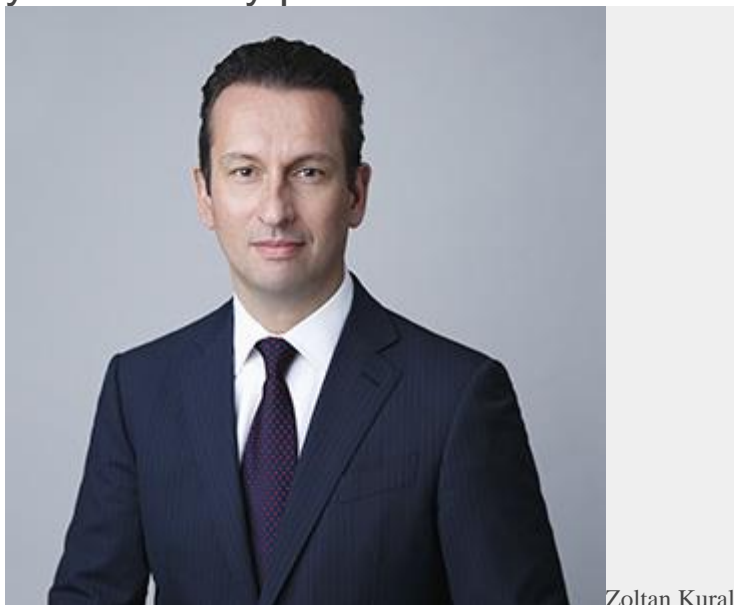


Hungary has raised JPY59 billion (\$514 million) from its second 'samurai' sovereign green bond, with the green label helping it to attract investors to longer duration paper.

The green bond tranches formed part of a larger JPY75 billion samurai bond issued by the AKK, the Hungarian debt management office. The JPY46.8 billion five-year, JPY4.7 billion seven-year and JPY7.8 billion ten-year tranche were all issued in green format with the JPY16 billion three-year tranche in conventional bond format.

Hungary remains the only sovereign issuer of 'samurai' green bonds – a Japanese yen-denominated bond issued in Tokyo by a foreign issuer. The latest issuance follows Hungary raising JPY62.7 billion in September 2020 from its similarly structured, first 'samurai' green bond, of which JPY20 billion was raised through 'green' tranches with seven- and ten-year maturity profiles.



Zoltan Kurali

AKK chief executive officer Zoltan Kurali told *Environmental Finance* the greater share of green tranches in its second Japanese yen green bond – for which Nomura Securities, Mizuho Securities and Daiwa Securities acted as joint bookrunners – was "purely driven by investor demand" for such 'green' assets.

Kurali said the AKK was able to use the 'green' label as a "bargaining chip" to attract investment in the

longer maturity tranches. He explained that Hungary is keen for longer debt maturities, as it currently has debt maturity peaks in 2024, 2025 and 2026 and so the AKK is "much more comfortable" printing bonds maturing beyond 2026.

"So in 2020, we actually issued the seven- and the 10-year in green format – the three- and the five- year was in conventional format," he said. "And this time around, only the three-year was non-green – and we actually downsized [the three-year tranche] quite a lot. In the indications we provided to investors, we made it clear we did not want to do a lot of three-year – we wanted to push out towards a longer maturity profile."

The AKK said the latest deal was priced better at all maturities than the previous 'samurai' green bond.

What is more, Kurali said the latest 'samurai' green bond was "very competitively priced" – especially for the seven- and ten-year tranches – on a post-cross-currency swap basis when compared with their euro yield curve. Indeed, Kurali said the 'samurai' bond was issued on the yield curve on its euro equivalent, which he explained was "simply because new issue premiums in Europe widened as a result of this situation on the market" related to interest rate rises and the growing tensions between Russia and Ukraine.

Kurali said AKK was generally willing to accept offering additional yield compared with its euro bonds through its Japanese bond issuance in order secure investor diversification.

"We want investor diversification [through its 'samurai' bond programme], and we have been ready to pay some extra premium for that," he said. "And, lately, we ended up not paying a premium for it at all – so this is great."

According to *Environmental Finance Data*, Hungary has raised more than \$2.6 billion from green bonds since it first issued in June 2020. The country has issued green bonds in several currencies, including euros, Chinese renminbi, Hungarian forint and Japanese yen.

Ahren Lester