

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT APRIL 2018

The net issuance was HUF 1,003.7 billion; out of which net HUF-denominated issuance was HUF 1,019.7 billion and net foreign currency denominated redemption was HUF 16.0 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	April	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	21,709.1	78.5	1,019.7	4.9
Loans	1,041.1	3.9	1,080.8	3.9	39.7	3.8
Government bonds	11,806.3	44.1	12,226.4	44.2	420.1	3.6
Retail securities	6,802.9	25.4	7,148.0	25.9	345.1	5.1
Discount treasury bills	1,039.2	3.9	1,254.0	4.5	214.9	20.7
Foreign exchange denominated debt	5,782.5	21.6	5,812.6	21.0	30.0	0.5
Total	26,472.0	99.0	27,521.7	99.6	1,049.7	4.0
<i>Other obligations</i>	274.2	1.0	122.9	0.4	-151.4	-55.2
Total central government debt	26,746.2	100.0	27,644.5	100.0	898.3	3.4

The HUF denominated debt of the central government increased by HUF 1,019.7 billion in 2018. The increase in domestic debt was the result of the net government bond issuance was HUF 420.1 billion, the amount of discount Treasury bills increased by HUF 214.9 billion and the total amount of retail government securities increased by HUF 345.1 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 39.7 billion in 2018.

The foreign currency debt of the central government increased by HUF 30.0 billion in 2018. The three-year samurai bond issue increased the debt by HUF 71.3 billion, the domestic PÉMAK bond issuance was HUF 5.2 billion, while the redemptions of foreign currency bonds worth HUF 91.3 billion and the HUF 1.4 billion foreign currency loan repayment decreased the debt. The exchange rate revaluations totalling HUF 46.0 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities decreased by HUF 151.4 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	29.03.2018	27.04.2018	Change in April basis point
3-month	-0.01	0.00	0.01	1
6-month	0.01	-0.01	0.03	4
1-year	0.02	0.03	0.04	1
3-year	0.51	0.81	0.73	-8
5-year	1.09	1.24	1.27	3
10-year	2.02	2.39	2.52	13
15-year	2.72	2.85	3.56	71*

* Mostly due to a new, longer tenor benchmark bond.

Monthly OTC turnover of government securities increased by 10% to HUF 4,934.1 billion in April. Primary dealers, who account for the decisive part of all secondary government securities trading, made 72% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 54.3 billion in April and amounted to HUF 3,641.4 billion at the end of the month. This volume represented 17.7% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 312.62 on the last working day of April.

The credit rating of the long-term foreign currency debt of Hungary is as follows on the last working day of April: BBB- (Standard & Poor's); Baa3 (Moody's); BBB- (Fitch).

GOVERNMENT SECURITIES MARKET

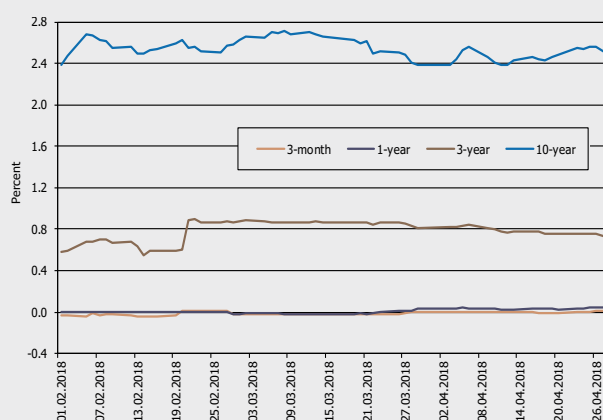
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

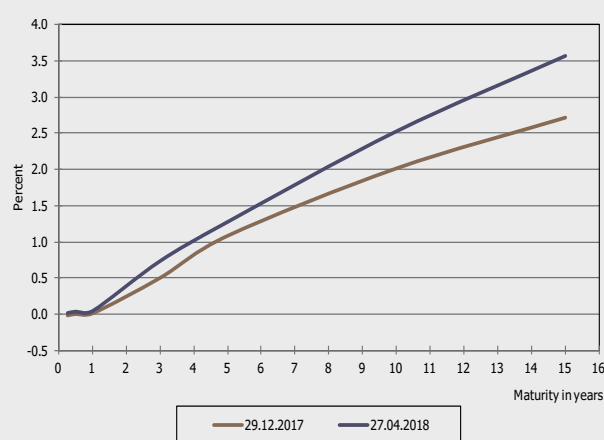
	2013	2014	2015	2016	2017	2018 February	2018 March	2018 April
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	21,421.6	21,710.6	21,709.1
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,080.8	1,080.8	1,080.8
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	20,340.8	20,629.9	20,628.4
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	20,301.7	20,590.7	20,589.2
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,182.9	12,299.9	12,187.2
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,007.7	1,183.2	1,254.0
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,111.1	7,107.5	7,148.0
1.2.2. Private placements	190.5	141.0	51.5	39.2	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	8,904.9	8,957.9	7,735.8	6,256.5	5,782.5	5,771.2	5,810.5	5,812.6
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	941.5	934.9	935.1
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	941.5	934.9	935.1
2.1.2. Domestic loans	335.4	274.4	82.6	4.0	0.0	0.0	0.0	0.0
2.2. Government securities	6,169.3	6,793.6	6,039.0	5,154.9	4,853.5	4,829.7	4,875.6	4,877.5
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	4,119.0	4,167.5	4,168.5
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	710.7	708.1	709.0
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	27,192.8	27,521.1	27,521.7
Other liabilities	117.30	311.20	756.00	742.70	274.20	132.9	129.5	122.9
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	27,325.7	27,650.6	27,644.5
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	10,684.2	11,577.6	11,996.5	12,498.0	12,845.5	13,229.8	13,522.3	13,480.4
Gross debt/GDP	72.7%	73.3%	72.0%	71.8%	70.0%			

*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

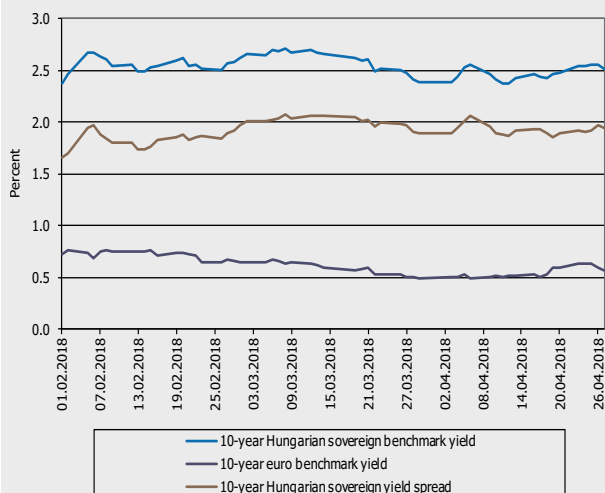
Benchmark yields



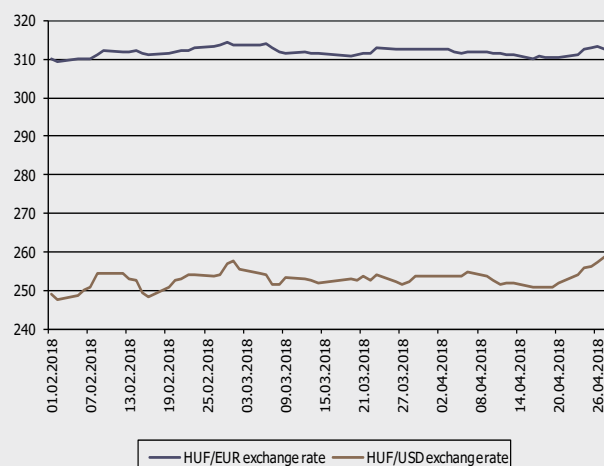
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



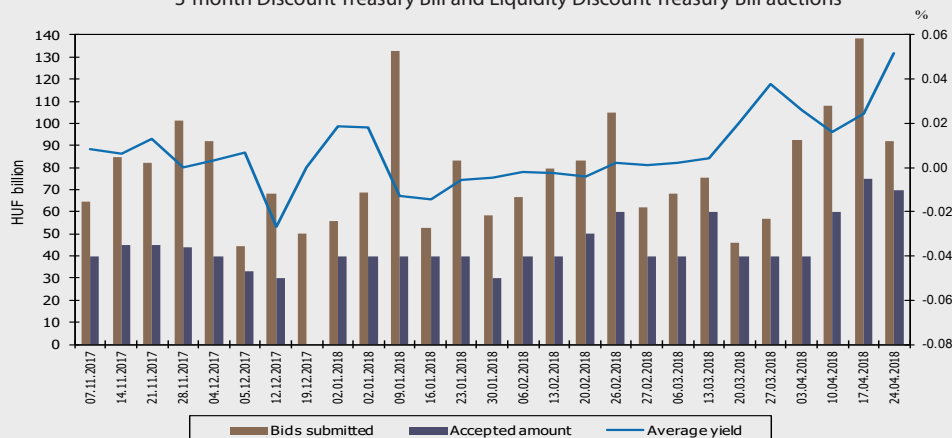
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

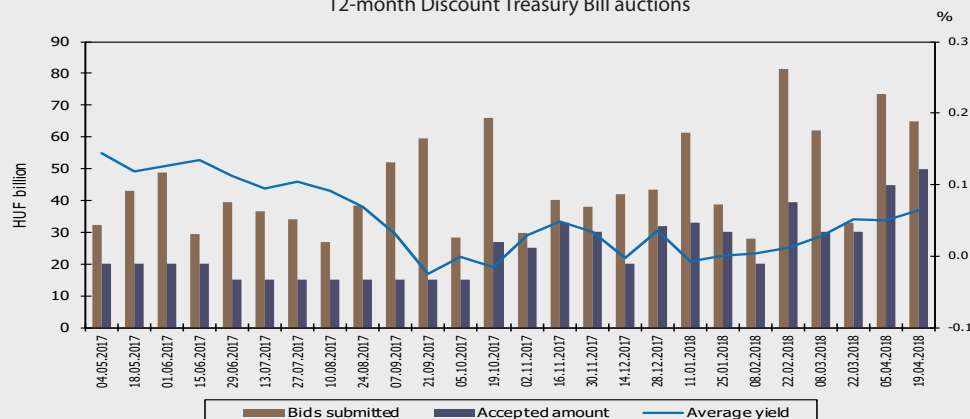
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D180711	D180718	D180725	D180801	D190227	D190424
ISIN code	HU0000522016	HU0000521687	HU0000522024	HU0000522040	HU0000521950	HU0000522032
Maturity in days	91	91	91	91	322	364
Date of auction	03.04.2018	10.04.2018	17.04.2018	24.04.2018	05.04.2018	19.04.2018
Date of financial settlement	11.04.2018	18.04.2018	25.04.2018	02.05.2018	11.04.2018	25.04.2018
Redemption date	11.07.2018	18.07.2018	25.07.2018	01.08.2018	27.02.2019	24.04.2019
Maximum yield (%) - ISMA	0.03	0.02	0.03	0.06	0.06	0.08
Minimum yield (%) - ISMA	0.01	0.00	0.01	0.01	0.02	0.03
Average yield (%) - ISMA	0.03	0.02	0.02	0.05	0.05	0.06
Maximum yield (%) - EHM	0.03	0.02	0.03	0.06	0.06	0.08
Minimum yield (%) - EHM	0.01	0.00	0.01	0.01	0.02	0.03
Average yield (%) - EHM	0.03	0.02	0.02	0.05	0.05	0.07
Average selling price (%)	99.9934	99.9959	99.9939	99.9869	99.9557	99.9346
Amount offered for sale (HUF million)	40,000.00	40,000.00	50,000.00	50,000.00	30,000.00	40,000.00
Amount of bids submitted (HUF million)	92,492.00	108,094.00	138,197.00	91,790.50	73,518.45	64,900.00
Amount of bids accepted (HUF million)	39,999.95	59,999.96	74,999.93	69,999.96	45,000.00	49,999.97
Bid-to-cover ratio	2.31	1.80	1.84	1.31	1.63	1.30
Bids submitted (pcs)	63	69	78	59	51	68
Bids accepted (pcs)	33	32	47	47	31	60
Market sales* (HUF million)	39,999.95	59,999.96	74,999.93	69,999.96	45,000.00	49,999.97
Retained on ÁKK's own account (HUF million)	12,000.05	12,000.04	11,250.07	7,000.04	9,000.00	50,000.03
Total amount issued (HUF million)	52,000.00	72,000.00	86,250.00	77,000.00	54,000.00	100,000.00

* Without issuance onto ÁKK's own account

3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions

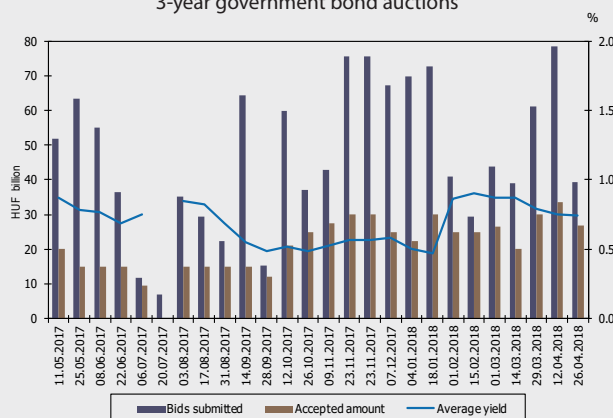


GOVERNMENT SECURITIES MARKET

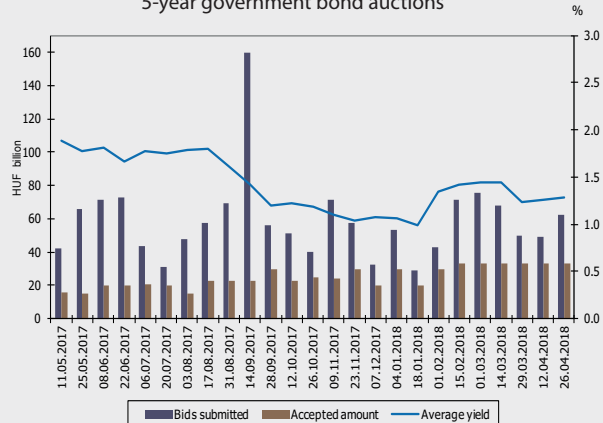
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2023/B	2021/C	2022/B	2027/A	2021/A	2021/C	2022/B	2027/A
ISIN code	HU0000403456	HU0000403464	HU0000403266	HU0000403118	HU0000402995	HU0000403464	HU0000403266	HU0000403118
Maturity (in years)	5	3	5	10	3	3	5	10
Coupon	0.03%	0.50%	1.75%	3.00%	0.03%	0.50%	1.75%	3.00%
Auction	7th auction	6th auction	33rd auction	45th auction	36th auction	7th auction	34th auction	46th auction
Date of auction	05.04.2018	12.04.2018	12.04.2018	12.04.2018	19.04.2018	26.04.2018	26.04.2018	26.04.2018
Date of financial settlement	11.04.2018	18.04.2018	18.04.2018	18.04.2018	25.04.2018	02.05.2018	02.05.2018	02.05.2018
Redemption date	26.07.2023	21.04.2021	26.10.2022	27.10.2027	23.06.2021	21.04.2021	26.10.2022	27.10.2027
Maximum annual yield (%) - ISMA	-	0.76	1.27	2.38	-	0.76	1.30	2.56
Minimum annual yield (%) - ISMA	-	0.72	1.24	2.35	-	0.70	1.26	2.52
Average annual yield (%) - ISMA	-	0.75	1.26	2.37	-	0.74	1.29	2.54
Maximum annual yield (%) - EHM	-	0.76	1.27	2.38	-	0.76	1.30	2.56
Minimum annual yield (%) - EHM	-	0.72	1.24	2.35	-	0.70	1.26	2.52
Average annual yield (%) - EHM	-	0.75	1.25	2.37	-	0.74	1.29	2.54
Maximum price (%)	98.2700	99.3469	102.2273	105.4833	99.2600	99.4149	102.1001	103.9971
Minimum price (%)	98.1500	99.2292	102.0944	105.2205	99.1100	99.2385	101.9240	103.6575
Average price (%)	98.2000	99.2685	102.1605	105.3052	99.1700	99.3008	101.9735	103.8262
Amount offered for sale (HUF million)	8,000.00	25,000.00	25,000.00	20,000.00	8,000.00	25,000.00	25,000.00	20,000.00
Amount of bids submitted (HUF million)	18,800.00	78,420.00	49,100.00	50,410.00	30,870.00	39,512.23	62,650.00	38,907.40
Amount of bids accepted (HUF million)	12,000.00	33,500.00	33,499.98	29,999.97	11,499.97	27,000.00	33,500.00	25,000.00
Bid-to-cover ratio	1.57	2.34	1.47	1.68	2.68	1.46	1.87	1.56
Bids submitted (pcs)	41	45	52	62	55	34	42	40
Bids accepted (pcs)	29	21	35	40	20	33	20	23
Tail (%) (average price - minimum price)	0.05	0.04	0.07	0.08	0.06	0.06	0.05	0.17
Market sales (HUF million)	12,000.00	33,500.00	33,499.98	29,999.97	11,499.97	27,000.00	33,500.00	25,000.00
Non-competitive offer (HUF million)	620.00	12,760.00	4,297.13	3,638.61	3,038.14	4,120.00	9,230.00	3,350.00
Total amount sales (HUF million)	12,620.00	46,260.00	37,797.11	33,638.58	14,538.11	31,120.00	42,730.00	28,350.00

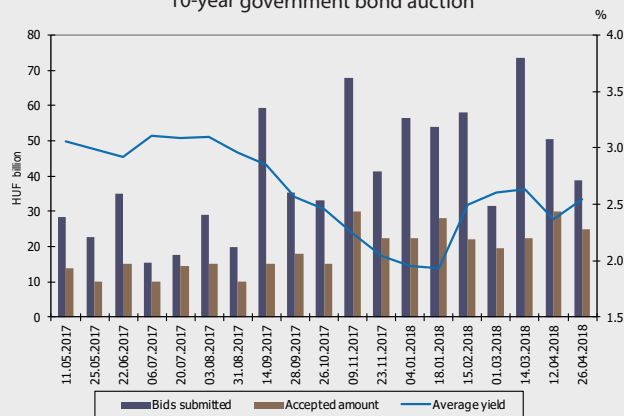
3-year government bond auctions



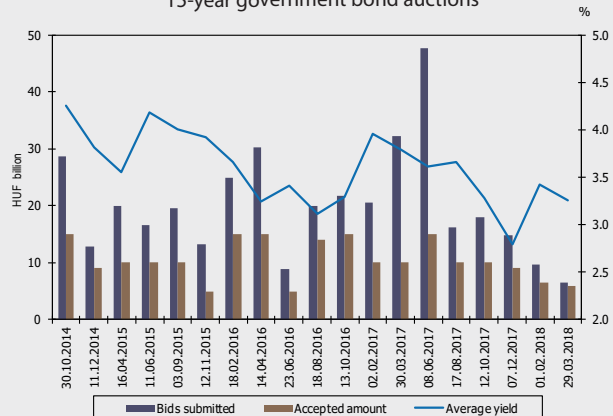
5-year government bond auctions



10-year government bond auction



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

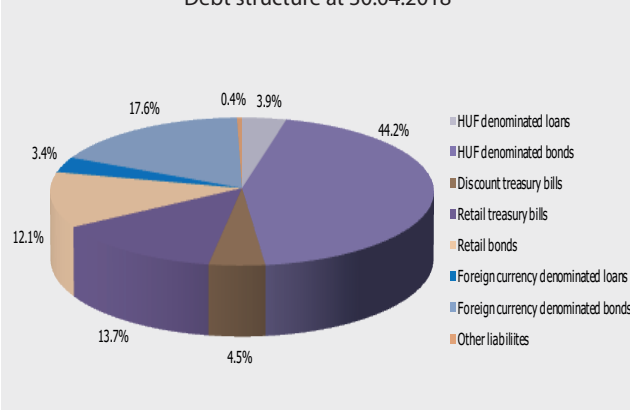
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN APRIL 2018

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2018/D	21.04.2018	24.04.2018	24.07.2018	24.07.2018	0.03%	0.01%
2020/I	20.04.2018	24.04.2018	24.04.2019	24.04.2019	6.40%	6.40%
2022/O	23.04.2018	27.04.2018	27.04.2019	29.04.2018	2.30%	2.33%
2023/B	23.04.2018	26.04.2018	26.07.2018	26.07.2018	0.03%	0.01%
2024/O	20.04.2018	24.04.2018	24.04.2019	24.04.2019	2.80%	2.84%
2026/B	24.04.2018	24.04.2018	24.10.2018	24.10.2018	0.01%	0.01%

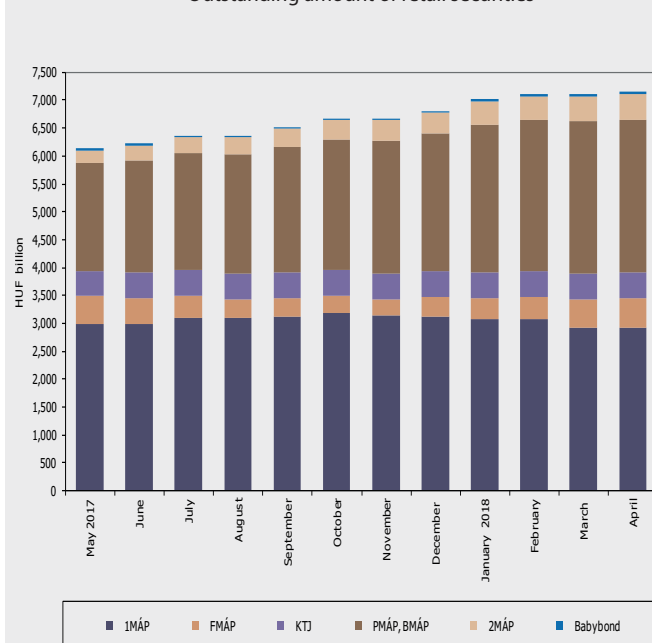
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2017	30.04.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	2,913.2	-196.5
Half-year Hungarian Government Security / FMÁP	351.8	528.0	176.2
Treasury Saving Bills / KTJ	468.7	472.9	4.2
Premium and Bonus Hungarian Government	2,457.5	2,729.6	272.1
2-year Hungarian Government Security / 2MÁP	376.8	460.3	83.5
Babybond	38.2	43.9	5.7
Total	6,802.9	7,148.0	345.1

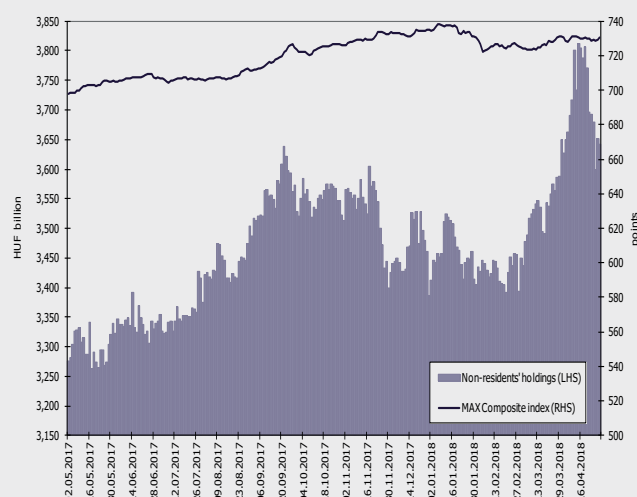
Debt structure at 30.04.2018



Outstanding amount of retail securities



Non-residents' holdings of Hungarian government securities and the MAX index



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 27.04.2018	768.2997	551.6753	730.3359	535.4333
Changes compared to the end of the month before	-0.9633	-0.0921	-0.8772	-0.0593
Annual yield earned on the index portfolio (%)	5.16	0.09	4.72	0.07

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 27.04.2018	745.3172	809.3377	590.0381	382.4019
Changes compared to the end of the month before	2.2196	-0.2421	-5.1321	-13.3824
Reference yield (%)	0.73	1.27	2.52	3.56
Annual yield earned on the index portfolio (%)	2.48	5.65	9.39	9.70

Government bonds with the highest secondary market turnover in April 2018

Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	368.9
2025/B	24.06.2025	345.9
2022/B	26.10.2022	258.4
2026/D	22.12.2026	202.0
2022/A	24.06.2022	191.8
2021/C	21.04.2021	176.8
2020/C	23.09.2020	142.2
2023/A	24.11.2023	140.5
2019/A	24.06.2019	137.2
2018/C	22.06.2018	109.9

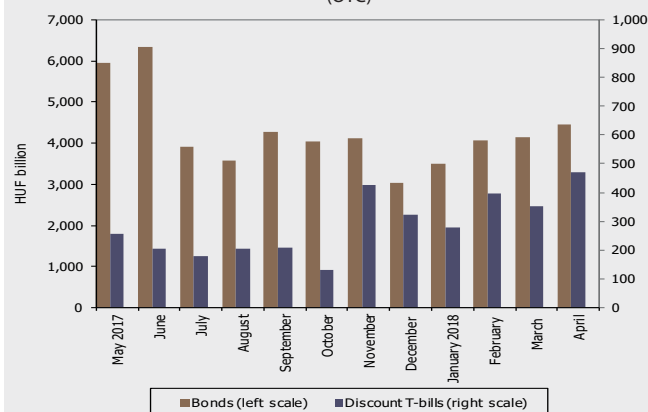
The outstanding volume of government bonds with benchmark status at the end of April 2018

Government bond	HUF billion	
	31.03.2018	30.04.2018
2021/C	113.72	195.09
2022/B	850.22	929.82
2027/A	785.06	819.13
2031/A - 2038/A	201.44	12.78

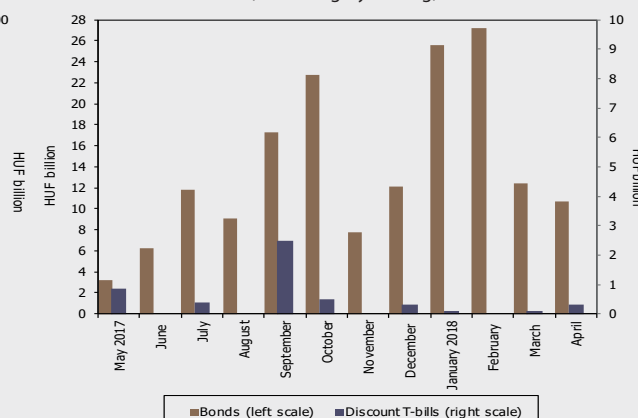
The outstanding volume of the three largest government bonds at the end of April 2018

Government bond	HUF billion
2025/B	1,197.75
2023/A	998.65
2022/A	972.29

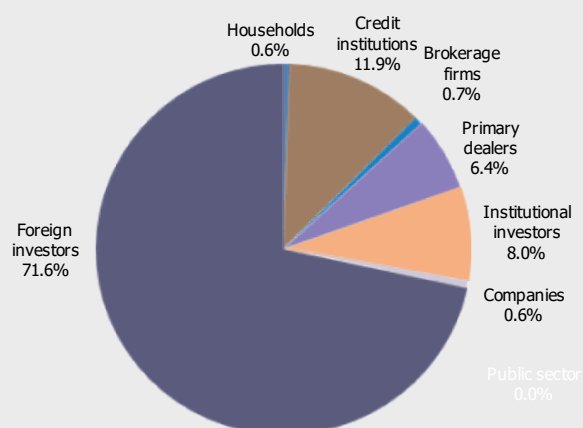
Secondary market trading of Hungarian government securities (OTC)



Secondary market trading of Hungarian government securities (MTS Hungary trading)



Breakdown of primary dealers' secondary market turnover in Government Bonds by investor groups in April 2018



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in April 2018

