

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT SEPTEMBER 2019

The net issuance was HUF 260.3 billion; out of which net HUF-denominated issuance was HUF 886.5 billion and net foreign currency denominated redemption was HUF 626.2 billion in 2019.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2018		2019		Change	
	December	%	September	%	HUF billion	%
HUF denominated debt	22,796.0	79.5	23,682.4	81.0	886.5	3.9
Loans	1,167.7	4.1	1,173.5	4.0	5.8	0.5
Government bonds	12,875.2	44.9	12,956.8	44.3	81.6	0.6
Retail securities	7,515.7	26.2	8,792.6	30.1	1,276.8	17.0
Discount treasury bills	1,237.3	4.3	759.5	2.6	-477.8	-38.6
Foreign exchange denominated debt	5,724.8	20.0	5,311.5	18.2	-413.3	-7.2
Total	28,520.7	99.4	28,993.9	99.2	473.2	1.7
<i>Other obligations</i>	167.4	0.6	229.1	0.8	61.7	36.8
Total central government debt	28,688.2	100.0	29,223.1	100.0	534.9	1.9

The HUF denominated debt of the central government increased by HUF 886.5 billion in 2019. The increase in domestic debt was the result of the net government bond issuance of HUF 81.6 billion and the total amount of retail government securities increased by HUF 1,276.8 billion. The significant increase of the retail government securities portfolio was mainly due to the new introduced 5-year long government security, the Hungarian Government Security Plus. The amount of discount Treasury bills decreased by HUF 477.8 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 5.8 billion in 2019.

The foreign currency debt of the central government decreased by HUF 413.3 billion in 2019. The domestic PÉMAK bond issuance was HUF 62.5 billion and the drawdown from foreign currency credit line was HUF 7.8 billion. The redemptions of foreign currency bonds worth HUF 679.3 billion and the repayment of the foreign currency was HUF 17.3 billion. The exchange rate revaluations totalling HUF 212.9 billion increased the Hungarian Forint value of the foreign currency debt in 2019. The total amount of other liabilities increased by HUF 61.7 billion in 2019.

BENCHMARK YIELDS

Maturity	28.12.2018	30.08.2019	30.09.2019	Change in September basis point
3-month	0.00	0.04	0.04	0
6-month	0.12	0.05	0.02	-3
1-year	0.39	0.03	0.01	-2
3-year	1.21	0.42	0.39	-3
5-year	2.46	1.00	1.01	1
10-year	3.01	1.90	1.97	7
15-year	3.78	2.30	2.48	18

Monthly OTC turnover of government securities increased by 12% to HUF 7,217.8 billion in September. Primary dealers, who account for the decisive part of all secondary government securities trading, made 71% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 22.0 billion in September and amounted to HUF 4,382.0 billion at the end of the month. This volume represented 19.5% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 334.65 on the last working day of September.

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

GOVERNMENT SECURITIES MARKET

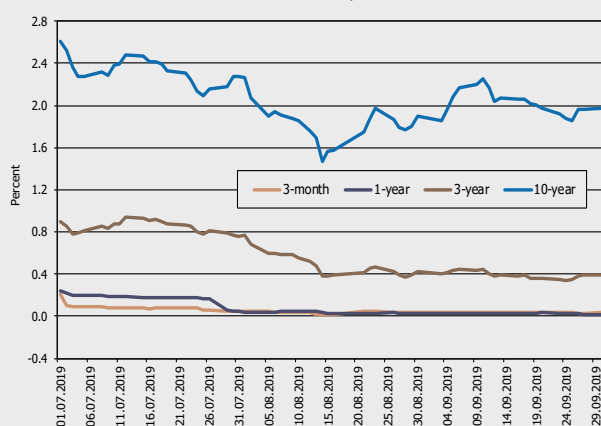
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

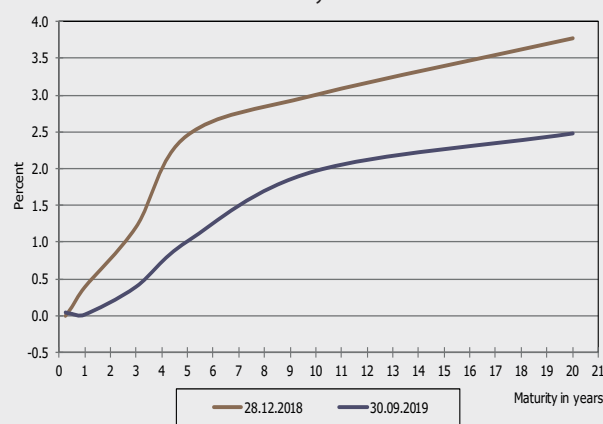
	2014	2015	2016	2017	2018	2019 July	2019 August	2019 September
1. Forint denominated debt	14,612.0	16,207.9	18,430.9	20,689.4	22,796.0	23,586.8	23,838.5	23,682.4
1.1. Loans	623.3	694.1	865.0	1,041.1	1,167.7	1,173.5	1,173.5	1,173.5
1.2. Government securities	13,988.7	15,513.8	17,565.8	19,648.3	21,628.3	22,413.3	22,665.0	22,508.9
1.2.1. Public issues	13,847.7	15,462.3	17,526.7	19,609.2	21,589.1	22,374.1	22,625.8	22,469.8
1.2.1.1. Bonds	9,848.0	11,043.4	11,562.4	11,767.1	12,836.1	13,012.1	13,148.5	12,917.7
1.2.1.2. Discount T-bills	1,588.6	901.6	896.4	1,039.2	1,237.3	867.8	893.6	759.5
1.2.1.3. Retail securities	2,411.1	3,517.4	5,067.9	6,802.9	7,515.7	8,494.2	8,583.7	8,792.6
1.2.2. Private placements	141.0	51.5	39.2	39.2	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	8,957.9	7,735.8	6,256.5	5,782.5	5,724.8	5,350.0	5,399.3	5,311.5
2.1. Loans	2,164.3	1,696.8	1,101.6	929.1	795.0	815.8	825.7	818.4
2.1.1. Foreign loans	1,889.9	1,614.2	1,097.6	929.1	795.0	815.8	825.7	818.4
2.1.2. Domestic loans	274.4	82.6	4.0	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	6,793.6	6,039.0	5,154.9	4,853.5	4,929.8	4,534.2	4,573.6	4,493.1
2.2.1. Issued abroad	5,844.6	5,198.9	4,618.9	4,145.9	4,246.2	3,809.1	3,837.2	3,783.5
2.2.2. Issued domestically	948.9	840.1	536.0	707.6	683.6	725.1	736.4	709.6
Total	23,569.9	23,943.7	24,687.4	26,472.0	28,520.7	28,936.8	29,237.8	28,993.9
Other liabilities	311.20	756.00	742.70	274.20	167.40	193.2	217.4	229.1
Total central government debt	23,881.1	24,699.7	25,430.0	26,746.2	28,688.2	29,130.0	29,455.2	29,223.1
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	11,577.6	11,996.5	12,498.0	12,845.5	14,112.6	13,919.1	14,081.3	13,716.4
Gross debt/GDP	73.0%	71.0%	70.8%	68.9%	67.2%			

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

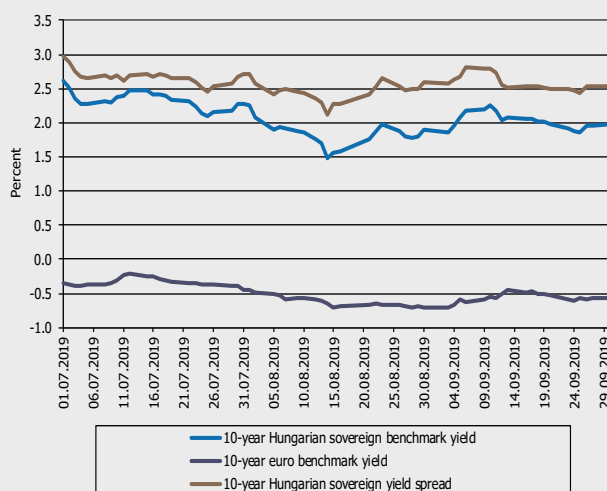
Benchmark yields



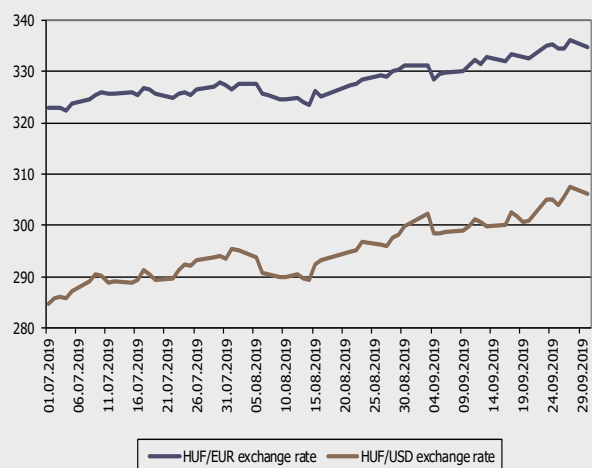
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



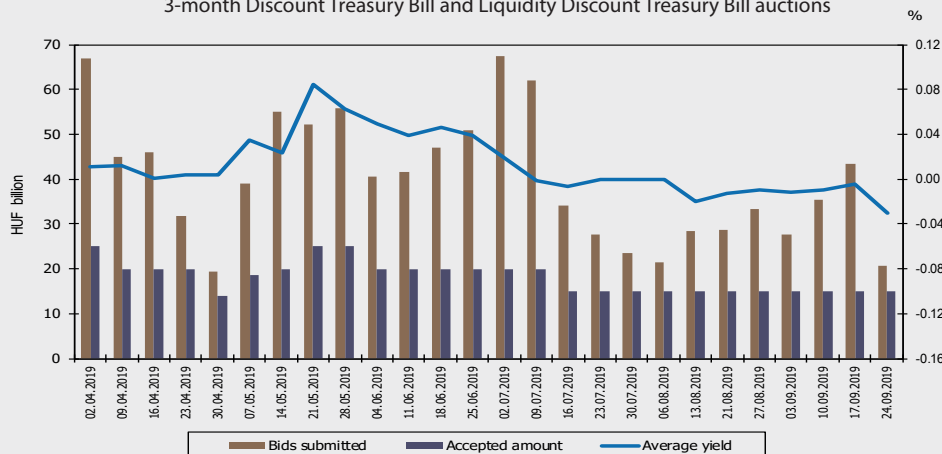
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

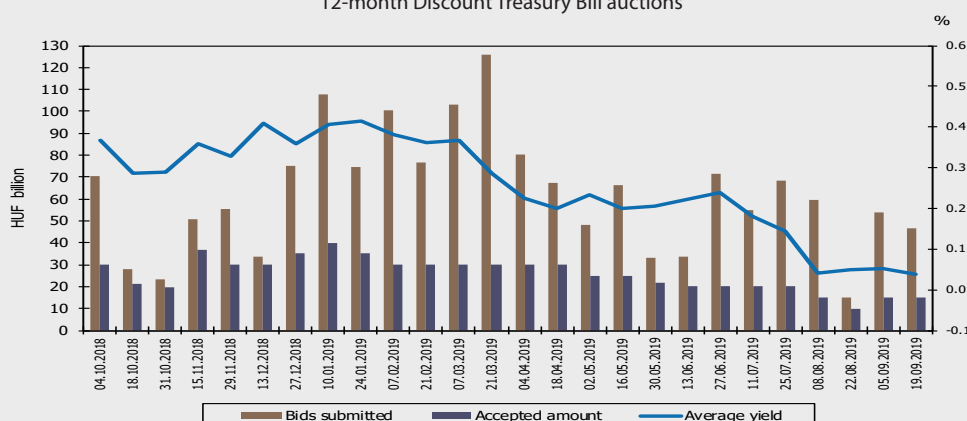
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D191211	D191218	D191223	D191231	D200826	D200826
ISIN code	HU0000522750	HU0000522768	HU0000522776	HU0000522420	HU0000522735	HU0000522735
Maturity in days	91	91	89	90	350	336
Date of auction	03.09.2019	10.09.2019	17.09.2019	24.09.2019	05.09.2019	19.09.2019
Date of financial settlement	11.09.2019	18.09.2019	25.09.2019	02.10.2019	11.09.2019	25.09.2019
Redemption date	11.12.2019	18.12.2019	23.12.2019	31.12.2019	26.08.2020	26.08.2020
Maximum yield (%) - ISMA	0.00	0.00	0.00	-0.03	0.07	0.04
Minimum yield (%) - ISMA	-0.02	-0.02	-0.01	-0.03	0.01	0.03
Average yield (%) - ISMA	-0.01	-0.01	0.00	-0.03	0.05	0.04
Maximum yield (%) - EHM	0.00	0.00	0.00	-0.03	0.07	0.04
Minimum yield (%) - EHM	-0.02	-0.02	-0.01	-0.03	0.01	0.03
Average yield (%) - EHM	-0.01	-0.01	0.00	-0.03	0.05	0.04
Average selling price (%)	100.0028	100.0024	100.0010	100.0075	99.9502	99.9647
Amount offered for sale (HUF million)	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Amount of bids submitted (HUF million)	27,718.78	35,300.00	43,428.00	20,623.80	54,111.32	46,718.80
Amount of bids accepted (HUF million)	15,000.00	14,999.97	14,999.98	15,000.00	15,000.00	14,999.99
Bid-to-cover ratio	1.85	2.35	2.90	1.37	3.61	3.11
Bids submitted (pcs)	17	18	18	10	26	25
Bids accepted (pcs)	6	8	9	1	14	9
Market sales* (HUF million)	15,000.00	14,999.97	14,999.98	15,000.00	15,000.00	14,999.99
Retained on ÁKK's own account (HUF million)	4,500.00	4,500.03	4,500.02	4,500.00	15,000.00	15,000.01
Total amount issued (HUF million)	19,500.00	19,500.00	19,500.00	19,500.00	30,000.00	30,000.00

* Without issuance onto ÁKK's own account

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



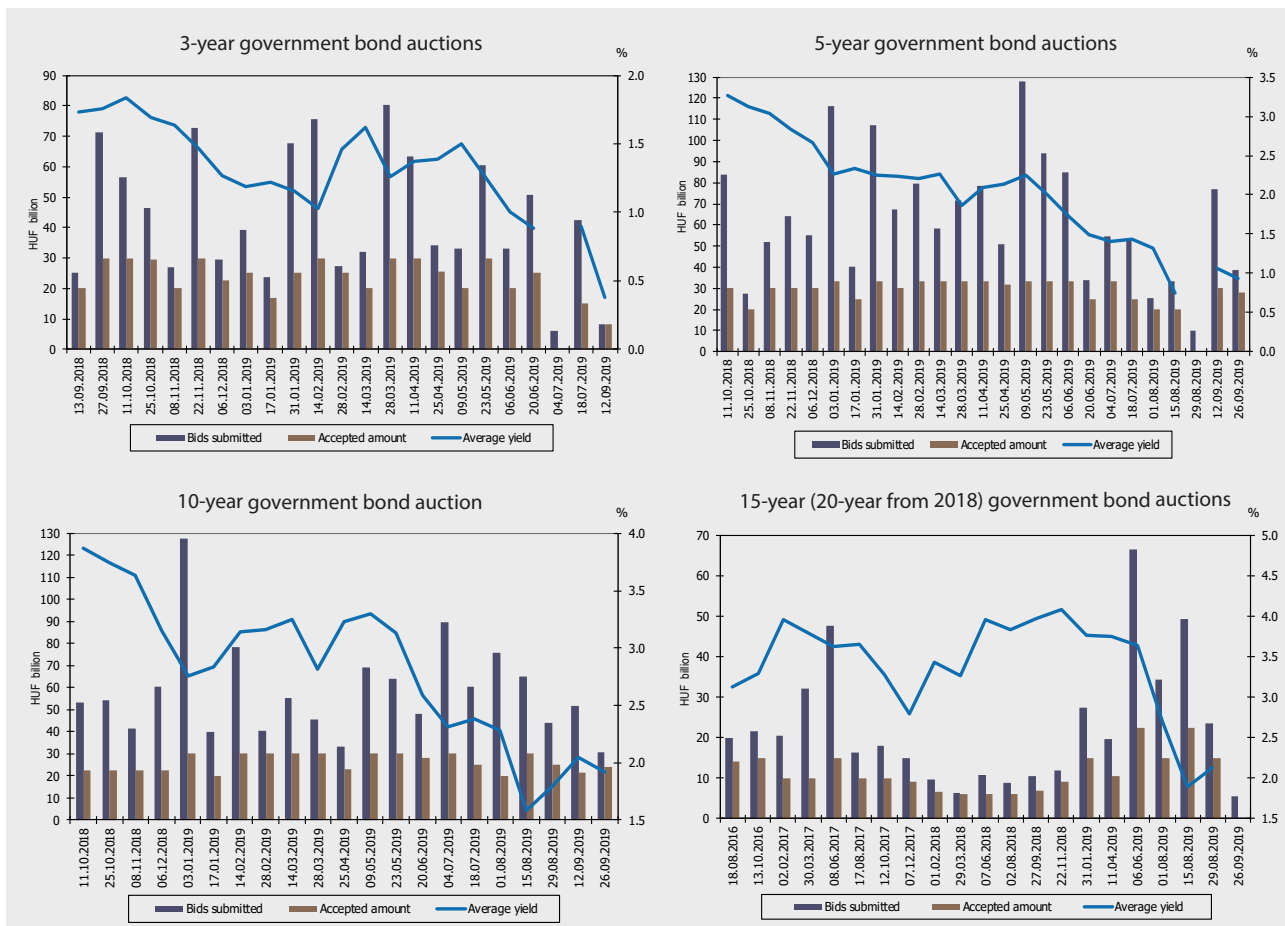
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2022/C	2024/C	2030/A	2024/C	2030/A	2038/A
ISIN code	HU0000403704	HU0000403571	HU0000403696	HU0000403571	HU0000403696	HU0000403555
Maturity (in years)	3	5	10	5	10	20
Coupon	1.50%	2.50%	3.00%	2.50%	3.00%	3.00%
Auction	12th auction	32nd auction	14th auction	33rd auction	15th auction	13th auction
Date of auction	12.09.2019	12.09.2019	12.09.2019	26.09.2019	26.09.2019	26.09.2019
Date of financial settlement	18.09.2019	18.09.2019	18.09.2019	02.10.2019	02.10.2019	02.10.2019
Redemption date	24.08.2022	24.10.2024	21.08.2030	24.10.2024	21.08.2030	27.10.2038
Maximum annual yield (%) - ISMA	0.40	1.07	2.05	0.95	1.94	0.00
Minimum annual yield (%) - ISMA	0.37	1.04	2.05	0.92	1.90	0.00
Average annual yield (%) - ISMA	0.38	1.06	2.05	0.94	1.92	0.00
Maximum annual yield (%) - EHM	0.40	1.07	2.05	0.95	1.94	0.00
Minimum annual yield (%) - EHM	0.37	1.04	2.04	0.91	1.90	0.00
Average annual yield (%) - EHM	0.38	1.06	2.05	0.94	1.92	0.00
Maximum price (%)	103.2886	107.2166	109.2625	107.8067	110.7226	0.0000
Minimum price (%)	103.1994	107.0621	109.2114	107.6264	110.3090	0.0000
Average price (%)	103.2503	107.0990	109.2278	107.6819	110.4756	0.0000
Amount offered for sale (HUF million)	15,000.00	20,000.00	15,000.00	20,000.00	20,000.00	15,000.00
Amount of bids submitted (HUF million)	8,356.00	76,950.00	51,920.34	38,510.00	30,650.00	5,412.55
Amount of bids accepted (HUF million)	8,356.00	30,000.00	21,500.00	28,000.00	23,999.99	0.00
Bid-to-cover ratio	1.00	2.57	2.41	1.38	1.28	0.00
Bids submitted (pcs)	15	38	42	43	30	21
Bids accepted (pcs)	15	13	13	28	22	0
Tail (%) (average price - minimum price)	0.05	0.04	0.02	0.06	0.17	0.00
Market sales (HUF million)	8,356.00	30,000.00	21,500.00	28,000.00	23,999.99	0.00
Non-competitive offer (HUF million)	0.00	11,520.00	3,960.00	2,800.00	1,064.44	0.00
Total amount sales (HUF million)	8,356.00	41,520.00	25,460.00	30,800.00	25,064.43	0.00



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2020/A	2021/C	2020/A	2020/B
ISIN code	HU0000402235	HU0000403464	HU0000402235	HU0000402953
Coupon (%)	7.50	0.50	7.50	3.50
Date of reverse auction	11.09.2019	11.09.2019	25.09.2019	25.09.2019
Date of financial settlement	18.09.2019	18.09.2019	02.10.2019	02.10.2019
Redemption date	12.11.2020	21.04.2021	12.11.2020	24.06.2020
Minimum annual yield (%)	0.00	0.03	0.00	0.00
Average annual yield- ISMA (%)	0.01	0.04	0.00	0.00
Average annual yield - EHM (%)	0.01	0.04	0.00	0.00
Amount of bids submitted (HUF million)	1,672.18	86,506.02	5,058.32	643.00
Amount of bids accepted (HUF million)	1,672.18	86,506.02	5,058.32	643.00

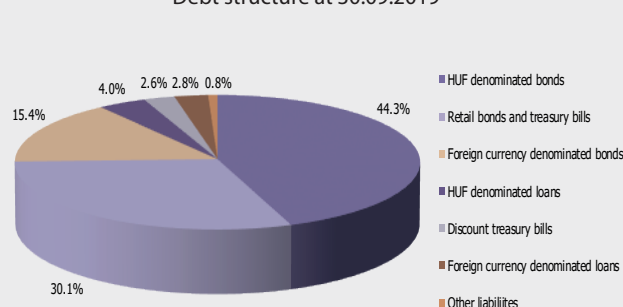
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN SEPTEMBER 2019

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2020/Q	20.09.2019	22.09.2019	22.09.2020	22.09.2020	2.04%	2.07%
2021/A	20.09.2019	23.09.2019	23.12.2019	23.12.2019	0.21%	0.05%
2022/N	18.09.2019	20.09.2019	20.09.2020	21.09.2020	2.58%	2.62%
2022/L	17.09.2019	21.09.2019	21.09.2020	21.09.2020	4.20%	4.20%
2023/J	24.09.2019	28.09.2019	28.09.2020	28.09.2020	4.20%	4.20%
2024/J	20.09.2019	25.09.2019	25.09.2020	25.09.2020	4.50%	4.50%
2026/N	20.09.2019	22.09.2019	22.09.2020	22.09.2020	2.79%	2.84%

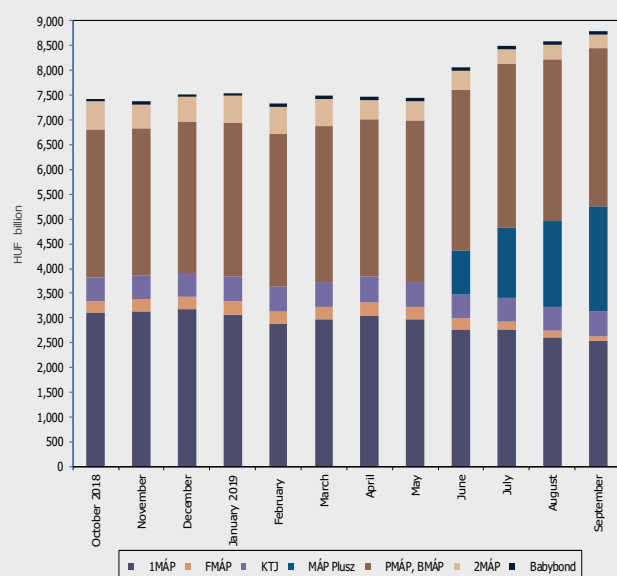
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2018	30.09.2019	HUF
1-year Hungarian Government Security / 1MÁP	3,169.8	2,551.5	-618.3
Half-year Hungarian Government Security / FMÁP	253.8	87.7	-166.1
Treasury Saving Bills / KTJ	495.9	489.0	-7.0
Hungarian Government Security Plus / MÁP Plusz	0.0	2,124.0	2,124.0
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	3,041.1	3,190.5	149.4
2-year Hungarian Government Security / 2MÁP	500.2	279.2	-221.0
Babybond	54.8	70.7	15.9
Total	7,515.7	8,792.5	1,276.8

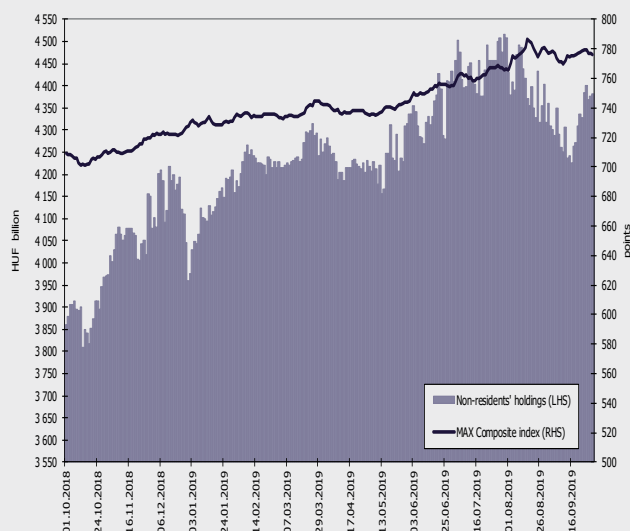
Debt structure at 30.09.2019



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 30.09.2019	822.2321	554.6602	776.4686	535.9674
Changes compared to the end of the month before	-0.8171	0.1186	-0.7389	0.0542
Annual yield earned on the index portfolio (%)	10.34	0.36	9.43	0.00

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 30.09.2019	779.1798	870.7850	675.7521	468.2673
Changes compared to the end of the month before	0.9213	0.2838	-3.4093	-11.3366
Reference yield (%)	0.39	1.01	1.97	2.48
Annual yield earned on the index portfolio (%)	6.94	12.68	22.75	27.81

Government bonds with the highest secondary market turnover in September 2019

Government bond	Date of redemption	Turnover (HUF billion)
2026/D	22.12.2026	698.1
2024/C	24.10.2024	584.0
2030/A	21.08.2030	531.0
2022/C	24.08.2022	300.2
2025/B	24.06.2025	297.2
2024/B	26.06.2024	233.8
2028/A	22.10.2028	209.5
2027/A	27.10.2027	200.6
2021/C	21.04.2021	183.6
2022/B	26.10.2022	166.3

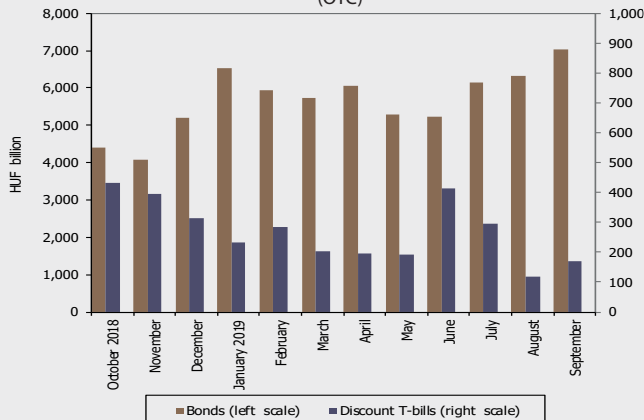
The outstanding volume of government bonds with benchmark status at the end of September 2019

Government bond	HUF billion	
	31.08.2019	30.09.2019
2022/C	287.50	295.88
2024/C	997.72	1,039.37
2030/A	432.48	492.57
2038/A	150.79	170.46

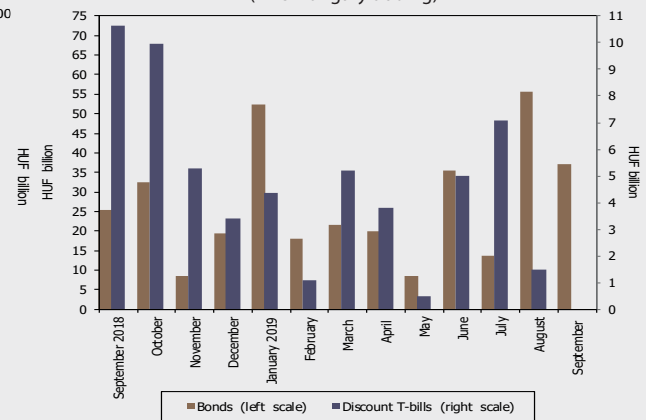
The outstanding volume of the three largest government bonds at the end of September 2019

Government bond	HUF billion
2027/A	1,201.92
2025/B	1,194.58
2022/B	1,131.55

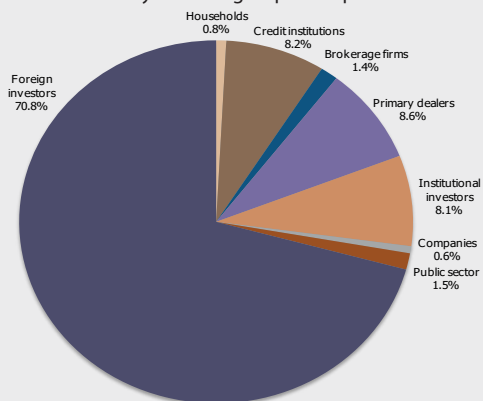
Secondary market trading of Hungarian government securities (OTC)



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



Breakdown of primary dealers' secondary market turnover in Government Bonds by investor groups in September 2019



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in September 2019

