



GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

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GOVERNMENT SECURITIES MARKET

QUARTERLY REPORT
Q4 2018



GOVERNMENT SECURITIES

The deficit of the central government amounted to HUF 1,445.1 billion (about EUR 4.5 billion) in 2018. The net financing need was decreased by HUF 582.2 billion of the net balance of transfers from the European Union and other sources. Thus, the total net financing need amounted to HUF 862.9 billion. Net issuance was HUF 1,840.0 billion, out of which net HUF denominated issuance was HUF 2,106.5 billion and net foreign currency denominated redemption was HUF 266.5 billion. The total amount of other liabilities decreased by HUF 106.8 billion in 2018.

ÁKK had set up benchmarks to maintain the optimal cost-risk characteristics of public debt. The 90-day moving average values of those benchmarks at the end of Q4 2018 were as follows:

- The share of foreign currency denominated debt within the total debt was 20.0%.
- 100% of the foreign currency debt was denominated in euro.
- The fixed-floating mix of the foreign currency debt portfolio was 68.9%-31.1%.
- The fixed-floating mix of the HUF-denominated debt was 59.7% and 40.3% respectively.
- The duration of the HUF-denominated debt was 2.8 years.

All benchmark targets were met in Q4 2018.

The 3-6-12 month short term and the 3-5-10-15 year long term secondary market yields decreased. The 3 month yield decreased by 12 basis points and 6-12 month yields decreased by 1 basis point. The 3-5-10 year yields decreased by 51-54 basis points and the 15 year yield also decreased by 17 basis points. At the end of December the 1-year benchmark yield stood at 0.39%, the 3-year yield at 1.21% and the 10-year yield at 3.01%.

The liquidity in the secondary market was lower by 2% than in the previous quarter. OTC turnover of government securities in Q4 amounted to HUF 14,805.9 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 70% of their secondary government securities deals with non-resident investors.

The volume of non-resident holdings of Hungarian government securities increased by HUF 211.8 billion from end-September and amounted to HUF 3,960.9 billion at the end of December. This amount represented 18.3% of domestic government securities.

The credit rating of the long-term foreign currency denominated debt of Hungary was: BBB- (Standard & Poor's); Baa3 (Moody's); BBB- (Fitch) as at 31 December 2018.

The EUR/HUF exchange rate according to the National Bank of Hungary was 321.51 on the last working day of December.

GOVERNMENT SECURITIES

MACROECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP growth (yearly average) ¹	0.6	1.7	-1.5	2.2	4.1	3.3	2.1	4.2	4.9
Industrial production ¹	10.6	5.6	-1.8	1.1	7.7	7.4	0.9	4.6	3.6
Unemployment rate (%) (3-month average)	11.2	10.9	10.9	10.2	7.7	6.8	5.1	4.2	3.7
Consumer price index (yearly change) ²	4.7	4.1	5.0	0.4	-0.9	0.9	1.8	2.4	
Consumer price index (yearly average)	4.9	3.9	5.7	1.7	-0.2	-0.1	0.4	2.4	2.8
Producer price index (yearly change) ²	8.1	7.5	-1.8	0.5	0.1	-1.3	0.5	3.3	
Producer price index (yearly average)	4.5	4.2	4.3	0.7	-0.4	-0.9	-1.7	3.3	5.5
Net lending position of households (HUF Bn) ³	1,226.9	1,489.6	1,505.6	1,475.3	1,769.8	2,733.6	1,667.0	1,997.7	2,499.8
Current account of balance of payments (EUR M)	273.8	753.9	1,751.8	3,892.2	1,587.4	3,126.9	7,070.6	3,946.9	
Net direct investments (EUR M) ⁴	-2,067.1	-971.7	-2,094.6	-1,137.8	-2,948.0	-1,213.0	-2,309.1	-1,635.0	
Balance of the central government budget (HUF Bn) ⁵	-835.7	-1,483.6	-620.1	-979.8	-837.1	-1,195.9	-771.6	-1,904.2	-1,368.8
Balance of the central government budget (GFS, per cent of GDP) ⁵	-4.2	-5.7	-1.8	-2.7	-2.4	-3.6	-2.2	-5.0	
Balance of the central government budget (ESA, percent of GDP) ⁵	-4.5	-5.4	-2.4	-2.6	-2.6	-1.9	-1.6	-2.2	
Central government gross debt (HUF Bn)	20,041.0	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	28,688.2
Central government gross debt (per cent of GDP)	73.6	74.0	72.0	72.7	73.3	71.8	71.8	69.7	
Net foreign debt (EUR M) ⁶	53,341.8	47,088.0	45,373.1	37,504.1	34,888.6	27,282.6	21,485.7	16,241.1	
Net foreign debt (per cent of GDP)	54.6	46.4	45.6	36.8	33.0	24.6	18.9	13.2	
HUF/USD mid exchange rate at the end of period	208.65	240.68	220.93	215.67	259.13	286.63	293.69	258.82	280.94
HUF/EUR mid exchange rate at the end of period	278.75	311.13	291.29	296.91	314.89	313.12	311.02	310.14	321.51

¹ Same period of previous year = 100%, working day adjusted

² In case of yearly data: December/previous December, otherwise month/same month of the previous year

³ Non-consolidated data

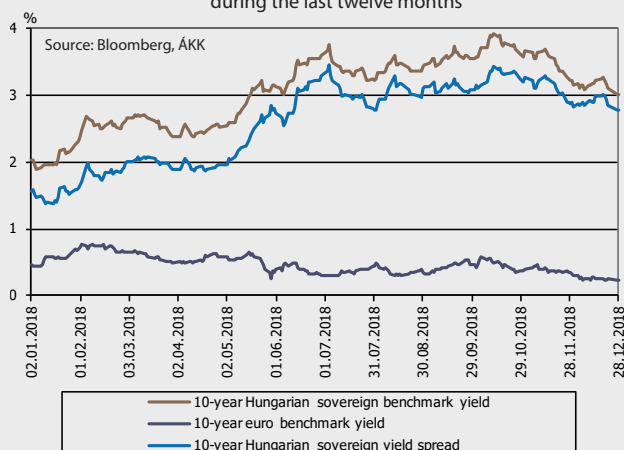
⁴ Including intercompany loans

⁵ Excluding privatisation proceeds

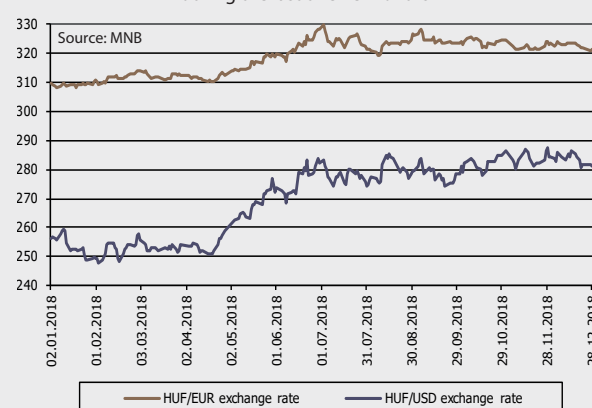
⁶ Excluding intercompany loans

Source: KSH, MNB, PM/NGM, ÁKK

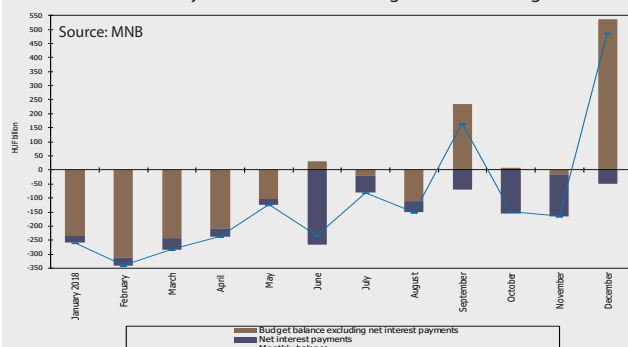
10-year Hungarian and eurozone benchmark yields during the last twelve months



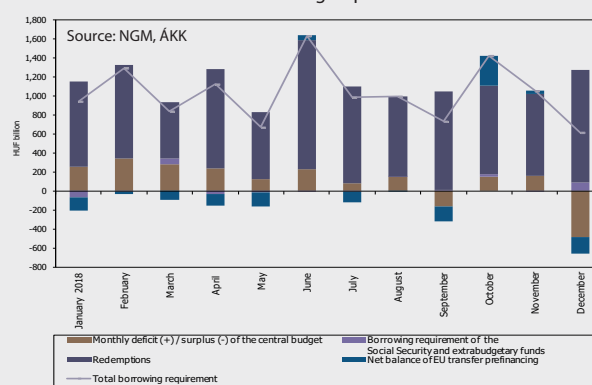
The exchange rate of the Hungarian Forint during the last twelve months



Monthly balance of the central government budget



Gross borrowing requirement



GOVERNMENT SECURITIES

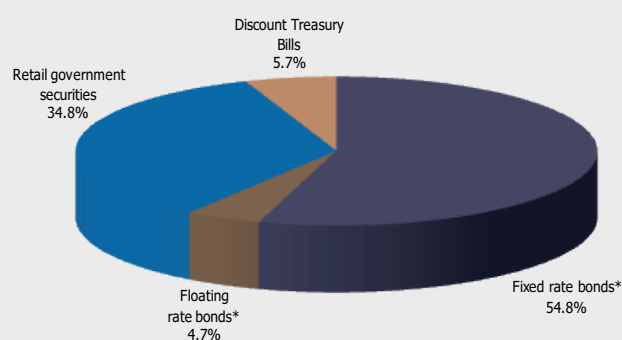
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

	2011	2012	2013	2014	2015	2016	2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	21,710.6	22,411.2	22,743.9	22,796.0
1.1. Loans	590.8	566.8	603.6	623.3	694.1	865.0	1,041.1	1,080.8	1,135.1	1,118.0	1,167.7
1.2. Government securities	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	20,629.9	21,276.1	21,625.9	21,628.3
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	20,590.7	21,236.9	21,586.7	21,589.1
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,299.9	12,294.9	12,744.0	12,836.1
1.2.1.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	896.4	1,039.2	1,183.2	1,738.5	1,474.4	1,237.3
1.2.1.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,107.5	7,203.6	7,368.3	7,515.7
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	39.2	39.2	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	6,256.5	5,782.5	5,810.5	5,629.4	5,430.1	5,724.8
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	929.1	934.9	922.9	820.2	795.0
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	929.1	934.9	922.9	820.2	795.0
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	4.0	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,154.9	4,853.5	4,875.6	4,706.5	4,609.9	4,929.8
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	4,167.5	3,958.3	3,900.2	4,246.2
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	536.0	707.6	708.1	748.2	709.7	683.6
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	27,521.1	28,040.6	28,174.0	28,520.7
Other liabilities	422.9	351.1	117.3	311.2	756.0	742.7	274.2	129.5	293.1	244.1	167.4
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	27,650.6	28,333.7	28,418.1	28,688.2
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	9,297.6	10,489.1	10,684.2	11,577.6	11,996.5	12,498.0	12,845.5	13,522.3	14,072.6	14,257.6	14,112.6
Gross debt/GDP	74.0%	72.0%	72.7%	73.3%	71.8%	71.7%	69.7%				

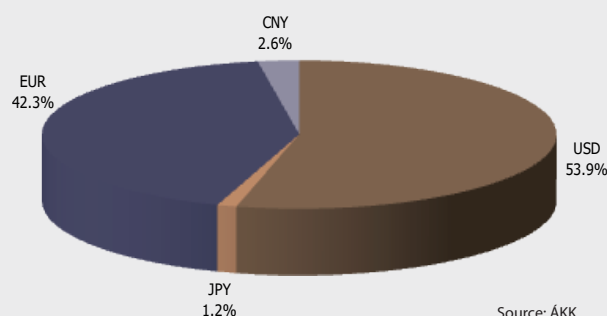
*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

Composition of HUF government securities as at 31.12.2018



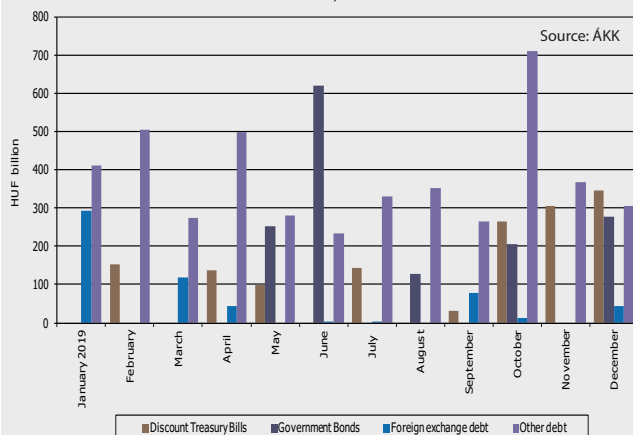
* Without retail government securities.

Currency composition of the foreign exchange debt portfolio before swaps as at 31.12.2018*

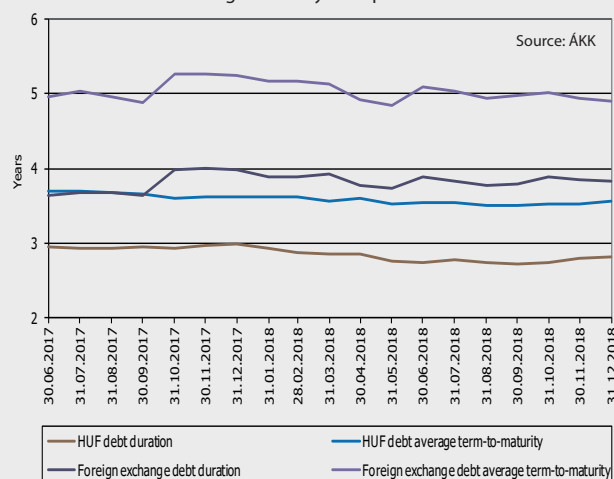


* Composition before swaps. By using cross-currency swaps, 100% of the actual foreign exchange debt of the central government was due in euros.

Maturity profile of the central government gross debt over the next 12 months, as at 31.12.2018



Duration and average term-to-maturity of the HUF and foreign currency debt portfolios



GOVERNMENT SECURITIES

GOVERNMENT BOND AUCTION RESULTS

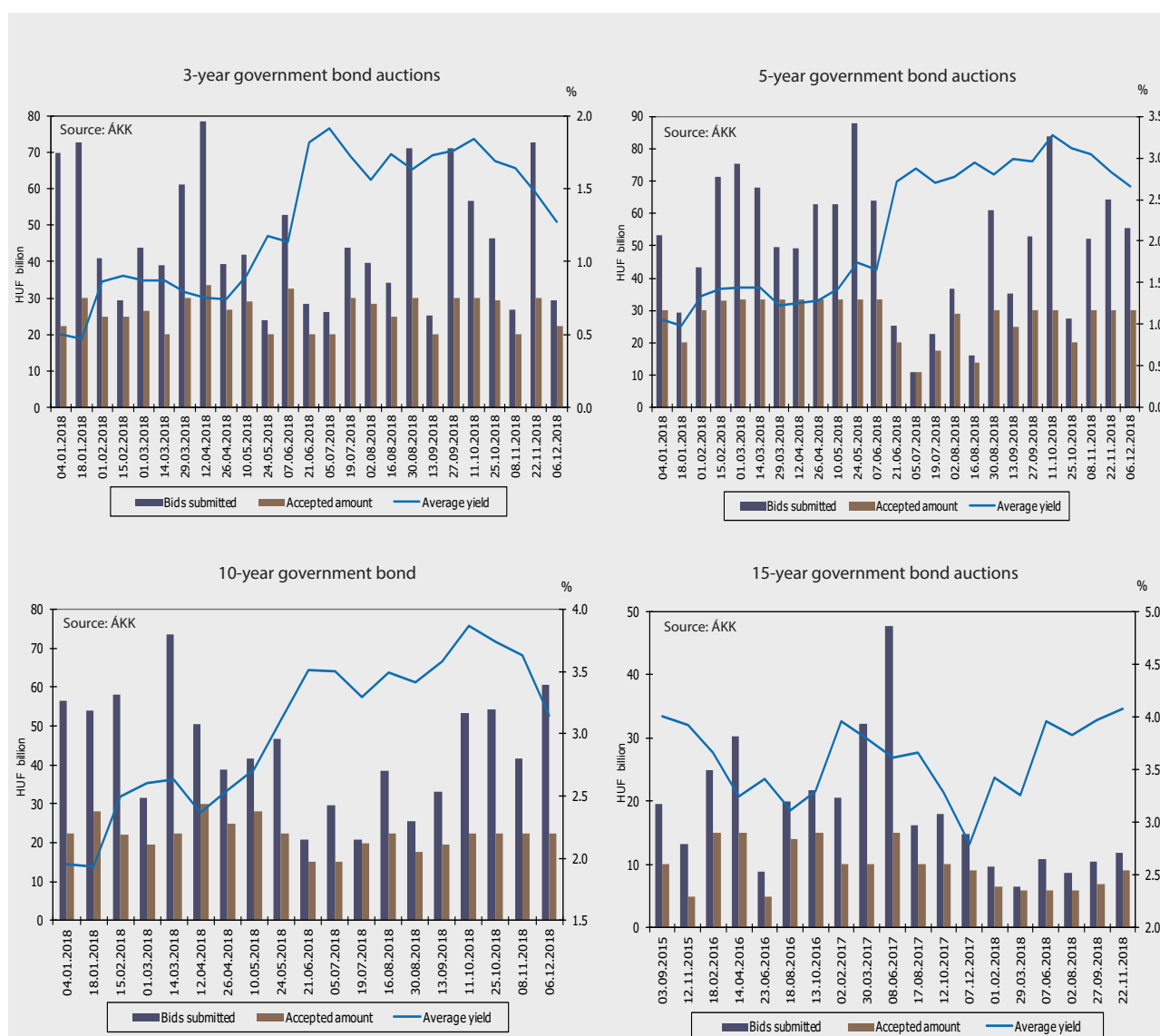
Government Bond	2023/B	2021/C	2024/C	2027/A	2023/B	2021/C	2024/C	2027/A	2023/B	2021/C	2024/C
ISIN code	HU0000403456	HU0000403464	HU0000403571	HU0000403118	HU0000403456	HU0000403464	HU0000403571	HU0000403118	HU0000403456	HU0000403464	HU0000403571
Maturity (in years)	5	3	5	10	5	3	5	10	5	3	5
Coupon	0.25%	0.50%	2.50%	3.00%	0.25%	0.50%	2.50%	3.00%	0.16%	0.50%	2.50%
Auction	19th auction	19th auction	9th auction	55th auction	20th auction	20th auction	10th auction	56th auction	21st auction	21st auction	11th auction
Date of auction	04.10.2018	11.10.2018	11.10.2018	11.10.2018	18.10.2018	25.10.2018	25.10.2018	25.10.2018	31.10.2018	08.11.2018	08.11.2018
Date of financial settlement	10.10.2018	17.10.2018	17.10.2018	17.10.2018	24.10.2018	31.10.2018	31.10.2018	31.10.2018	07.11.2018	14.11.2018	14.11.2018
Redemption date	26.07.2023	21.04.2021	24.10.2024	27.10.2027	26.07.2023	21.04.2021	24.10.2024	27.10.2027	26.07.2023	21.04.2021	24.10.2024
Maximum annual yield (%) - ISMA	-	1.86	3.29	3.88	-	1.71	3.16	3.75	-	1.65	3.05
Minimum annual yield (%) - ISMA	-	1.81	3.25	3.84	-	1.66	3.09	3.72	-	1.61	3.02
Average annual yield (%) - ISMA	-	1.84	3.27	3.87	-	1.69	3.12	3.74	-	1.64	3.04
Maximum annual yield (%) - EHM	-	1.86	3.29	3.88	-	1.71	3.16	3.75	-	1.65	3.05
Minimum annual yield (%) - EHM	-	1.81	3.25	3.84	-	1.66	3.09	3.72	-	1.61	3.02
Average annual yield (%) - EHM	-	1.84	3.27	3.87	-	1.69	3.12	3.74	-	1.64	3.03
Maximum price (%)	97.6200	96.8121	95.9400	93.6909	97.6300	97.2121	96.8028	94.5830	97.6500	97.3720	97.1915
Minimum price (%)	97.5800	96.6932	95.7360	93.4027	97.5500	97.0945	96.4337	94.3646	97.5900	97.2778	97.0320
Average price (%)	97.6000	96.7314	95.8298	93.4912	97.6100	97.1334	96.6214	94.4472	97.6100	97.3065	97.1005
Amount offered for sale (HUF million)	6,000.00	20,000.00	20,000.00	15,000.00	6,000.00	20,000.00	20,000.00	15,000.00	6,000.00	20,000.00	20,000.00
Amount of bids submitted (HUF million)	13,651.71	56,550.00	83,900.00	53,360.00	10,050.00	46,500.00	27,315.08	54,232.00	17,100.00	26,980.00	52,200.00
Amount of bids accepted (HUF million)	8,500.00	29,999.97	30,000.00	22,499.97	8,500.00	29,499.98	20,000.00	22,499.99	9,000.00	19,999.98	30,000.00
Bid-to-cover ratio	1.61	1.89	2.80	2.37	1.18	1.58	1.37	2.41	1.90	1.35	1.74
Bids submitted (pcs)	27	47	63	49	23	43	47	53	29	35	43
Bids accepted (pcs)	13	30	24	21	19	29	34	28	14	29	24
Tail (average price - minimum price)	0.02	0.04	0.09	0.09	0.06	0.04	0.19	0.08	0.02	0.03	0.07
Market sales (HUF million)	8,500.00	29,999.97	30,000.00	22,499.97	8,500.00	29,499.98	20,000.00	22,499.99	9,000.00	19,999.98	30,000.00
Non-competitive offer (HUF million)	3,119.31	7,304.84	10,440.00	7,832.86	2,000.00	7,737.12	920.00	7,210.75	3,349.09	1,707.86	7,720.00
Total amount sales (HUF million)	11,619.31	37,304.81	40,440.00	30,332.83	10,500.00	37,237.10	20,920.00	29,710.74	12,349.09	21,707.84	37,720.00

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2027/A	2023/B	2021/C	2024/C	2038/A	2023/B	2021/C	2024/C	2027/A	2023/B
ISIN code	HU0000403118	HU0000403456	HU0000403464	HU0000403571	HU0000403555	HU0000403456	HU0000403464	HU0000403571	HU0000403118	HU0000403456
Maturity (in years)	10	5	3	5	15	5	3	5	10	5
Coupon	3.00%	0.16%	0.50%	2.50%	3.00%	0.16%	0.50%	2.50%	3.00%	0.16%
Auction	57th auction	22nd auction	22nd auction	12th auction	6th auction	23rd auction	23rd auction	13th auction	58th auction	24th auction
Date of auction	08.11.2018	15.11.2018	22.11.2018	22.11.2018	22.11.2018	29.11.2018	06.12.2018	06.12.2018	06.12.2018	13.12.2018
Date of financial settlement	14.11.2018	21.11.2018	28.11.2018	28.11.2018	28.11.2018	05.12.2018	12.12.2018	12.12.2018	12.12.2018	19.12.2018
Redemption date	27.10.2027	26.07.2023	21.04.2021	24.10.2024	27.10.2038	26.07.2023	21.04.2021	24.10.2024	27.10.2027	26.07.2023
Maximum annual yield (%) - ISMA	3.64	-	1.49	2.84	4.10	-	1.29	2.68	3.16	-
Minimum annual yield (%) - ISMA	3.61	-	1.45	2.80	4.04	-	1.24	2.64	3.13	-
Average annual yield (%) - ISMA	3.63	-	1.47	2.83	4.08	-	1.27	2.66	3.15	-
Maximum annual yield (%) - EHM	3.64	-	1.49	2.84	4.10	-	1.29	2.68	3.16	-
Minimum annual yield (%) - EHM	3.61	-	1.45	2.80	4.04	-	1.24	2.64	3.13	-
Average annual yield (%) - EHM	3.63	-	1.47	2.82	4.07	-	1.26	2.66	3.14	-
Maximum price (%)	95.4030	97.6400	97.7786	98.3698	85.9530	97.6700	98.2909	99.2312	99.0100	97.7000
Minimum price (%)	95.1824	97.5900	97.6867	98.1570	85.2198	97.6600	98.1772	99.0175	98.7734	97.6300
Average price (%)	95.2503	97.6200	97.7350	98.2351	85.5194	97.6700	98.2321	99.1089	98.8824	97.6600
Amount offered for sale (HUF million)	15,000.00	6,000.00	20,000.00	20,000.00	8,000.00	6,000.00	20,000.00	20,000.00	15,000.00	6,000.00
Amount of bids submitted (HUF million)	41,550.00	17,950.00	72,845.70	64,234.16	11,860.00	27,797.00	29,552.46	55,390.00	60,545.85	12,420.00
Amount of bids accepted (HUF million)	22,500.00	8,999.98	29,999.98	29,999.98	9,000.00	8,999.99	22,500.00	30,000.00	22,499.99	9,000.00
Bid-to-cover ratio	1.85	1.99	2.43	2.14	1.32	3.09	1.31	1.85	2.69	1.38
Bids submitted (pcs)	42	34	55	56	26	35	27	52	42	27
Bids accepted (pcs)	26	16	24	23	24	9	24	30	14	19
Tail (average price - minimum price)	0.07	0.03	0.05	0.08	0.30	0.01	0.05	0.09	0.11	0.03
Market sales (HUF million)	22,500.00	8,999.98	29,999.98	29,999.98	9,000.00	8,999.99	22,500.00	30,000.00	22,499.99	9,000.00
Non-competitive offer (HUF million)	1,620.00	1,622.18	1,240.00	3,752.38	80.00	3,199.99	1,219.01	10,080.00	4,999.99	2,028.00
Total amount sales (HUF million)	24,120.00	10,622.16	31,239.98	33,752.36	9,080.00	12,199.98	23,719.01	40,080.00	27,499.98	11,028.00

Source: ÁKK

GOVERNMENT SECURITIES

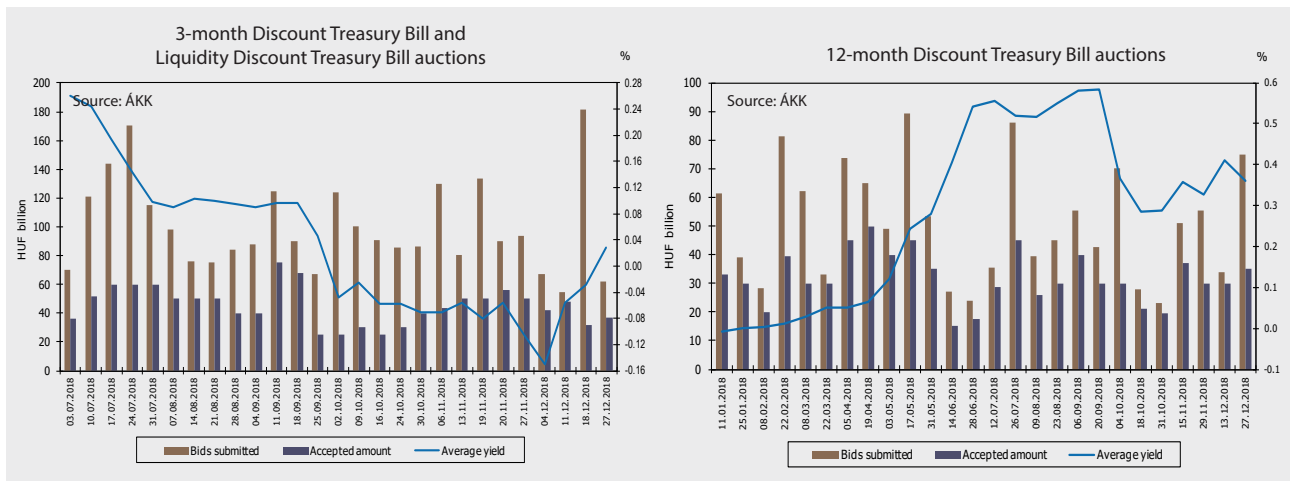


INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN Q4 2018

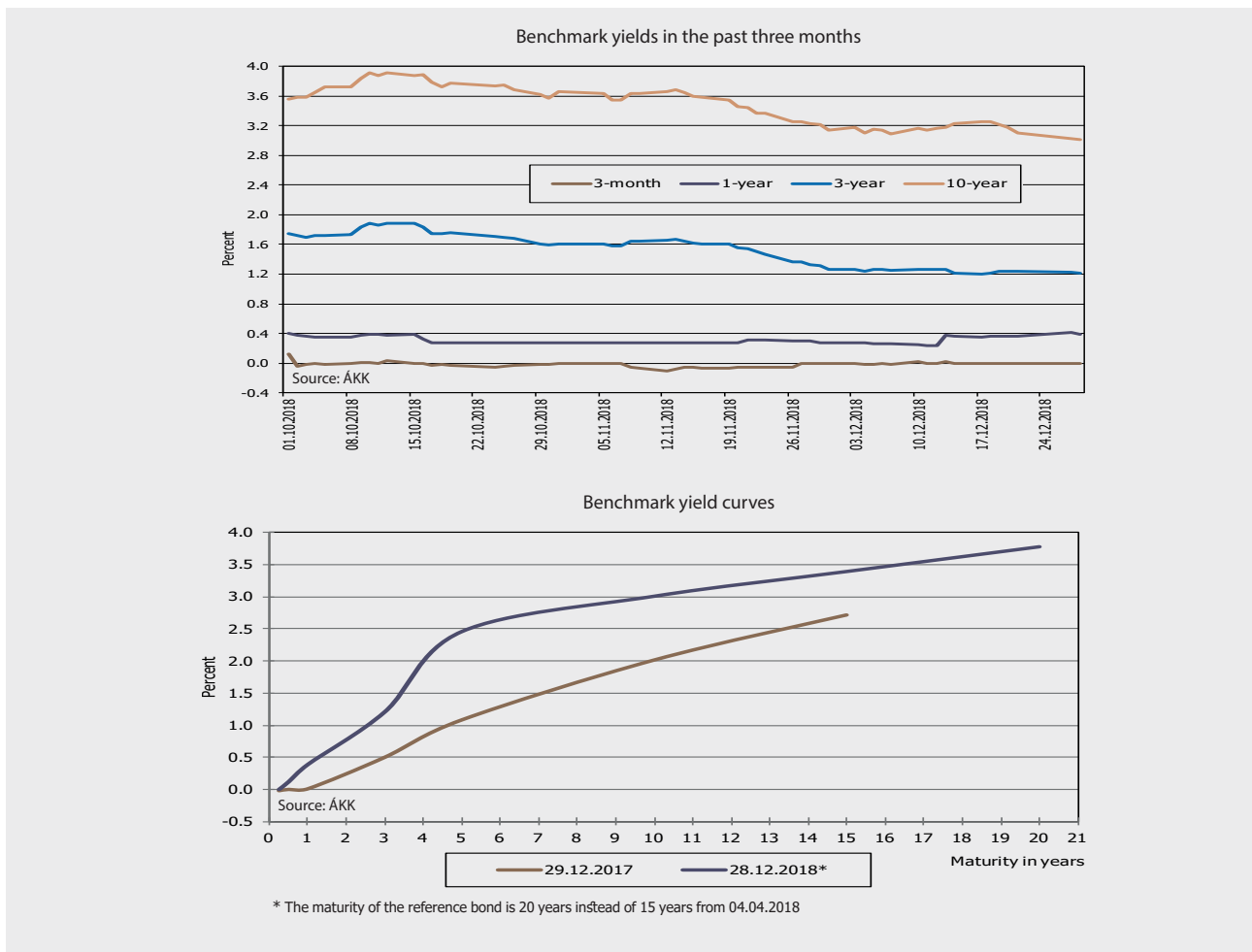
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/L	19.10.2018	21.10.2018	21.10.2019	21.10.2019	5.15%	5.15%
2021/I	18.10.2018	20.10.2018	20.10.2019	21.10.2019	5.65%	5.65%
2023/B	23.10.2018	26.10.2018	26.01.2019	28.01.2019	0.16%	0.04%
2026/B	24.10.2018	24.10.2018	24.04.2019	24.04.2019	0.09%	0.06%
2019/B	17.11.2018	20.11.2018	20.05.2019	20.05.2019	0.01%	0.01%
2019/D	25.11.2018	28.11.2018	28.02.2019	28.02.2019	0.13%	0.03%
2022/J	20.11.2018	22.11.2018	22.11.2019	22.11.2019	4.40%	4.40%
2032/S	30.11.2018	02.12.2018	02.12.2019	02.12.2019	5.40%	5.40%
2021/A	20.12.2018	23.12.2018	23.03.2019	25.03.2019	0.13%	0.03%
2024/I	18.12.2018	18.12.2018	21.02.2019	21.02.2019	4.10%	0.73%

Source: ÁKK

GOVERNMENT SECURITIES

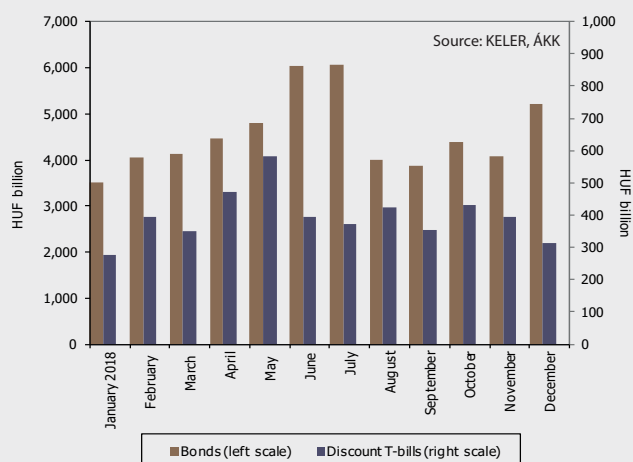


PRIMARY DEALERS - AS AT 31 DECEMBER 2018	
BNP Paribas SA	J.P. Morgan Securities Plc.
CIB Bank Zrt.	K&H Bank Zrt.
CITIBANK Europe Plc.	Magyar Takarékszövetkezeti Bank Zrt.
Deutsche Bank AG	MKB Bank Zrt.
ERSTE Befektetési Zrt.	OTP Bank Nyrt.
Goldman Sachs International	Raiffeisen Bank Zrt.
ING Bank N.V.	UniCredit Bank Hungary Zrt.

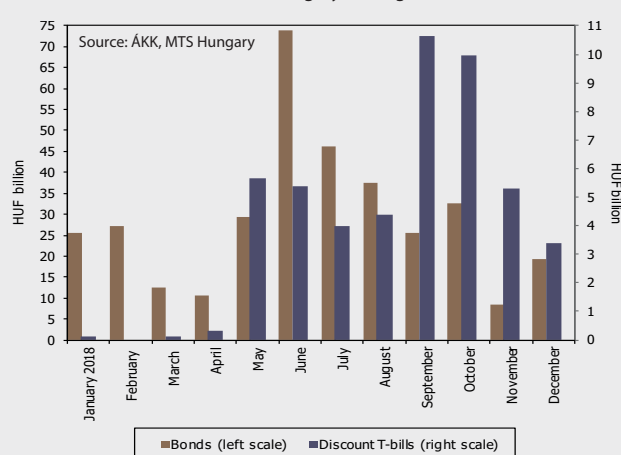


GOVERNMENT SECURITIES

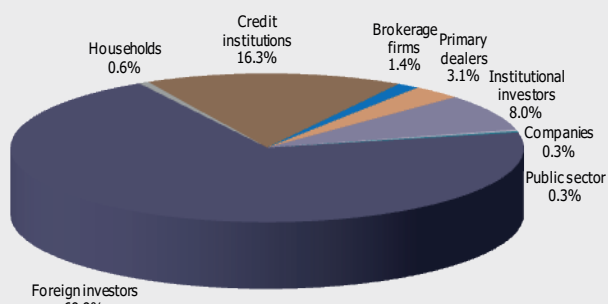
Secondary market trading of Hungarian government securities (OTC)



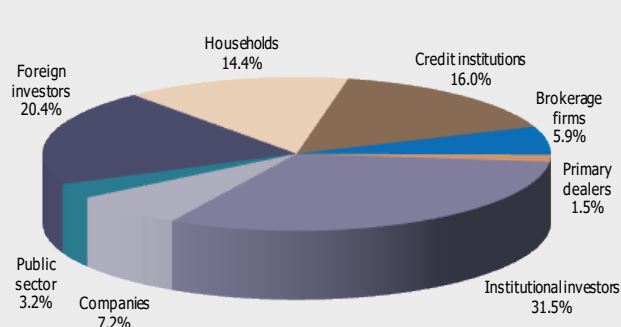
Secondary market trading of Hungarian government securities (MTS Hungary trading)



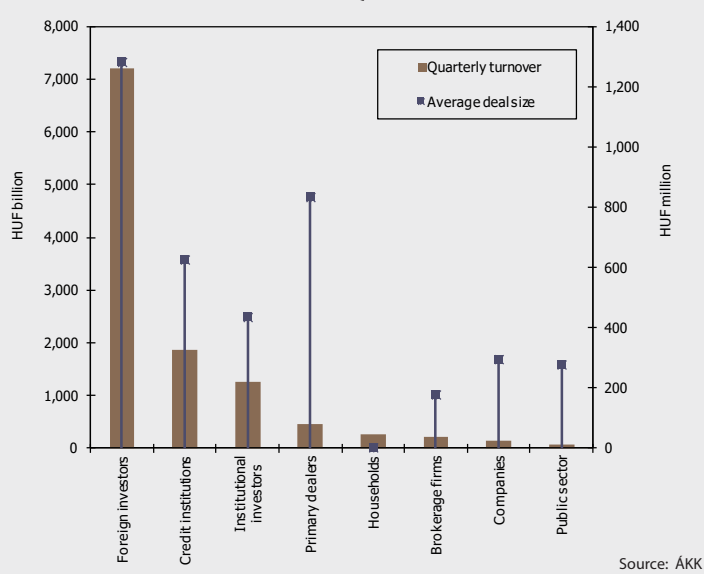
Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in Q4 2018



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in Q4 2018



Primary dealers' trading with different investor groups in Q4 2018

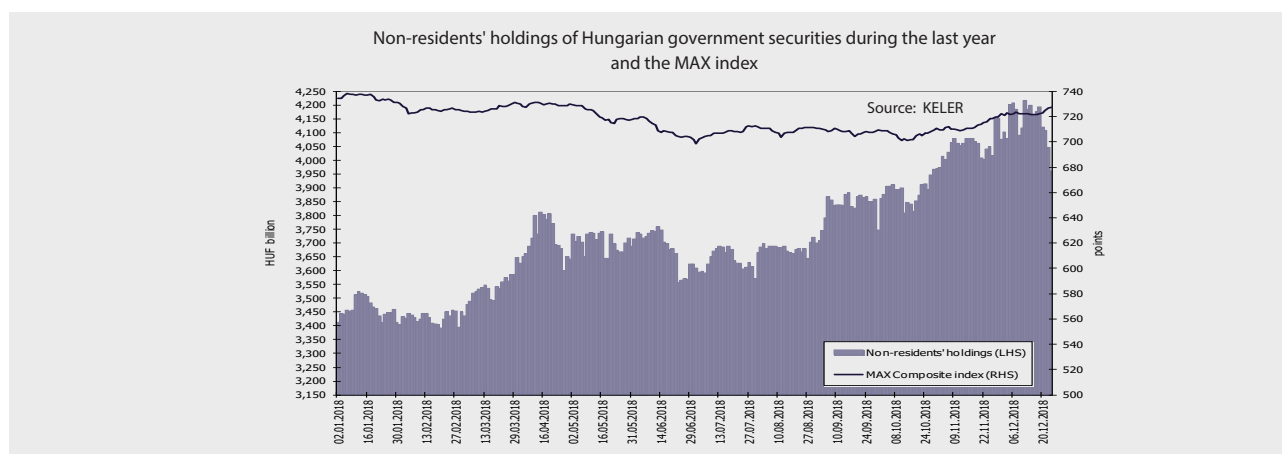


Government securities with the highest secondary market turnover in Q4 2018

Government security	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	1,444.6
2022/B	26.10.2022	963.5
2025/B	24.06.2025	848.1
2023/A	24.11.2023	671.3
2021/C	21.04.2021	662.5
2021/B	27.10.2021	660.6
2026/D	22.12.2026	600.9
2024/C	24.10.2024	546.2
2019/A	24.06.2019	513.0
2024/B	26.06.2024	443.2

Source: ÁKK

GOVERNMENT SECURITIES



HUNGARIAN GOVERNMENT SECURITIES INDICES

	Value of the index				Annual yield earned on the index portfolio			
	MAX index	RMAX index	MAX Composite index	ZMAX index	MAX index	RMAX index	MAX Composite index	ZMAX index
28.09.2018	744.8277	552.6675	709.2330	535.9929	-2.01%	0.17%	-1.93%	0.10%
31.10.2018	744.9518	553.2040	709.3830	535.9115	-2.39%	0.28%	-2.27%	0.08%
30.11.2018	760.2728	553.4900	722.3105	535.8444	-1.35%	0.33%	-1.37%	0.07%
28.12.2018	766.3514	553.4827	727.4192	535.7788	-0.90%	0.31%	-0.99%	0.05%

Source: ÁKK

OUTSTANDING AMOUNT OF BENCHMARK GOVERNMENT BOND SERIES IN Q4 2018

Government bond	HUF billion		
	31.10.2018	30.11.2018	31.12.2018
2021/C	623.70	676.03	700.05
2024/C	248.29	320.07	360.40
2027/A	1,106.64	1,109.35	1,136.89
2038/A	31.98	41.10	41.18

Source: ÁKK

REUTERS PAGES (CODES)

main page: HUTREASURY

Auction results are available from 11.30 (CET)	
HUISSUE	Publication of the following issues and 1-year Hungarian Government Security underwriting and results
HUAUCTION01	Discount T-bill auction results
HUAUCTION02	Government Bond auction results
HUAUCTION03	Non-competitive fixed rate bonds offer
HUAUCTION04	Non-competitive floating rate bonds
HUBUYBACK	Government Bond buyback auction results
HUEXCHANGE	Government Bond exchange auction results
HURETAIL	6-month Interest Bearing Treasury Bill underwriting results
Secondary market data	
HUBONDFIX	Benchmark yield fixing (updated during 14.00 -14.30CET)
HUBONDAKK, HUBONDAKK4	Best morning secondary market quotations
HUBONDAKK2, HUBONDAKK3	Best afternoon secondary market quotations
HUBONDIINDEX1	Hungarian Government Total Return Index (MAX), updated during 14.00-14.30 CET
HUBONDIINDEX2	Benchmark Indices for Government Bonds BMX3Y-15Y (updated during 14.00-14.30 CET)
HUMAXCOMP, HUMAXCOMP2	Hungarian Government Total Return Index (MAX) statistics
HUAKK01,HUAKK02,HUAKK03	MAX Composite Index
Other	
HUFLOATER	Interest rate reset of floating rate bonds
HUBONDINFO	Primary Dealers

FURTHER INFORMATION PAGES:

Bloomberg pages (code): GDMA

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