



GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

Á | K | K

GOVERNMENT SECURITIES MARKET

QUARTERLY REPORT
Q4 2019



GOVERNMENT SECURITIES

The deficit of the central government amounted to HUF 1,219.0 billion (about EUR 3.7 billion) in 2019. The net financing need was increased by HUF 58.2 billion of the net balance of transfers from the European Union and other sources. Thus, the total net financing need amounted to HUF 1,277.2 billion. Net issuance was HUF 811.1 billion, out of which net HUF denominated issuance was HUF 1,561.1 billion and net foreign currency denominated redemption was HUF 750.0 billion. The total amount of other liabilities increased by HUF 36.2 billion in 2019.

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 2019 were as follows:

- The share of foreign currency denominated debt within the total debt was 17.7%.
- 100% of the foreign currency debt was denominated in euro.
- The fixed-floating mix of the foreign currency debt portfolio was 71.8%-28.2%.
- The fixed-floating mix of the HUF-denominated debt was 68.8% and 31.2% respectively.
- The average time to refixing (ATR) of the HUF-denominated debt was 3.7 years.

All benchmark targets were met in Q4 2019.

The 3-6 month short term and the 3 year long term secondary market yields decreased, but the 12 month short term and 5-10-15 year long term secondary market yields increased in Q4. The 3-6 month yields decreased by 5-1 basis points and the 3 year yield decreased by 11 basis points. The 12 month yield increased by 1 basis point and the 10 year yield increased by 4 basis points, the 5-15 year yields increased by 16-32 basis points. At the end of December the 1-year benchmark yield stood at 0.02%, the 3-year yield at 0.28% and the 10-year yield at 2.01%.

The liquidity in the secondary market was lower by 16% than in the previous quarter. OTC turnover of government securities in Q4 amounted to HUF 16,843.2 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 decreased by HUF 214.0 billion from end-September and amounted to HUF 4,168.0 billion at the end of December. This amount represented 18.0% 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 2019.

The EUR/HUF exchange rate according to the National Bank of Hungary was 330.52 on the last working day of December.

GOVERNMENT SECURITIES

MACROECONOMIC INDICATORS

	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP growth (yearly average) ¹	1.7	-1.4	2.0	4.1	3.8	2.1	4.5	5.1	4.9
Industrial production ¹	5.6	-1.8	1.1	7.7	7.4	0.9	4.6	3.5	5.4
Unemployment rate (%) (3-month average)	10.9	10.9	10.2	7.7	6.8	5.1	4.2	3.7	3.4
Consumer price index (yearly change) ²	4.1	5.0	0.4	-0.9	0.9	1.8	2.1	2.7	
Consumer price index (yearly average)	3.9	5.7	1.7	-0.2	-0.1	0.4	2.4	2.8	3.4
Producer price index (yearly change) ²	7.5	-1.8	0.5	0.1	-1.3	0.5	3.9	4.7	
Producer price index (yearly average)	4.2	4.3	0.7	-0.4	-0.9	-1.7	3.3	5.5	2.1
Net lending position of households (HUF Bn) ³	1,489.6	1,505.6	1,485.7	1,773.5	2,749.2	1,693.7	1,988.5	2,461.8	
Current account of balance of payments (EUR M)	753.9	1,751.8	3,892.2	1,260.2	2,648.1	5,209.3	2,830.4	-717.3	
Net direct investments (EUR M) ⁴	-971.7	-2,094.6	-1,137.8	-3,078.5	-1,438.3	-2,562.6	-2,164.1	-2,812.2	
Balance of the central government budget (HUF Bn) ⁵	-1,483.6	-620.1	-979.8	-837.1	-1,195.9	-771.6	-1,904.2	-1,368.8	-324.8
Balance of the central government budget (GFS, per cent of GDP) ⁵	-5.7	-1.8	-2.7	-2.4	-3.6	-2.2	-5.0	-3.3	
Balance of the central government budget (ESA, percent of GDP) ⁵	-5.4	-2.4	-2.6	-2.6	-1.9	-1.6	-2.2	-2.2	
Central government gross debt (HUF Bn)	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	28,688.2	29,682.0
Central government gross debt (per cent of GDP)	74.0	71.8	72.6	73.0	71.0	70.8	68.9	67.2	63.5
Net foreign debt (EUR M) ⁶	47,088.0	45,373.1	37,504.1	34,888.6	27,282.6	21,877.7	17,202.6	11,773.3	
Net foreign debt (per cent of GDP)	46.4	45.0	36.6	32.6	24.3	19.0	13.7	8.8	
HUF/USD mid exchange rate at the end of period	240.68	220.93	215.67	259.13	286.63	293.69	258.82	280.94	294.74
HUF/EUR mid exchange rate at the end of period	311.13	291.29	296.91	314.89	313.12	311.02	310.14	321.51	330.52

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

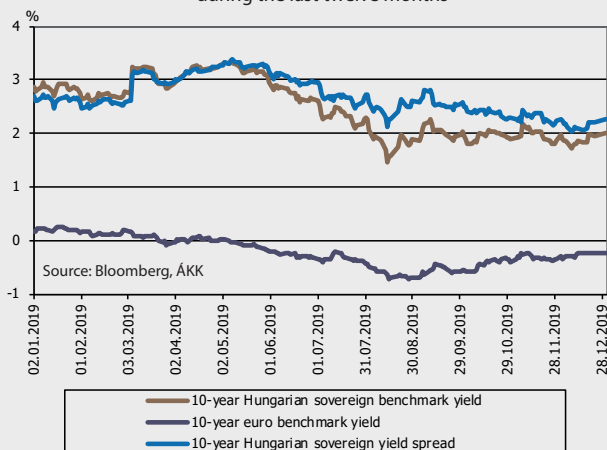
⁴ Including intercompany loans

⁵ Excluding privatisation proceeds

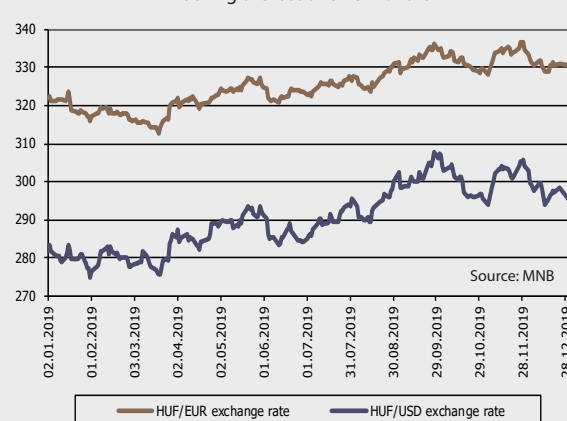
⁶ Excluding intercompany loans

Source: KSH, MNB, PM, ÁKK

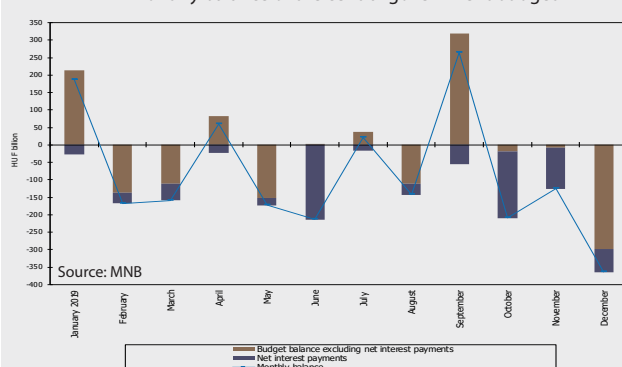
10-year Hungarian and eurozone benchmark yields during the last twelve months



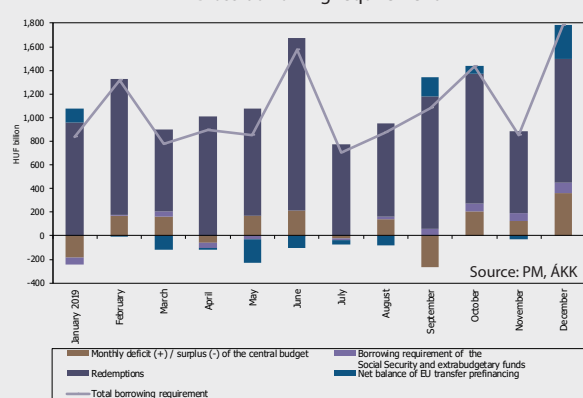
The exchange rate of the Hungarian Forint during the last twelve months



Monthly balance of the central government budget



Gross borrowing requirement



GOVERNMENT SECURITIES

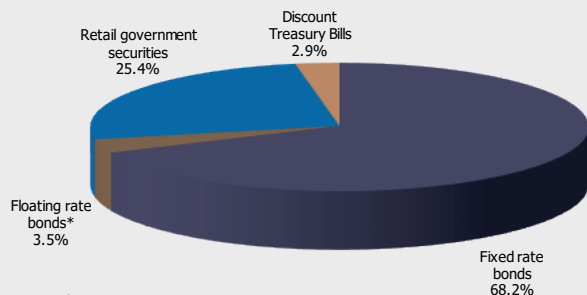
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

	2012	2013	2014	2015	2016	2017	2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	22,796.0	23,528.1	23,349.2	23,682.4	24,357.1
1.1. Loans	566.8	603.6	623.3	694.1	865.0	1,041.1	1,167.7	1,179.3	1,173.5	1,173.5	1,208.1
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	21,628.3	22,348.8	22,175.7	22,508.9	23,149.0
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	21,589.1	22,309.6	22,136.5	22,469.8	23,109.8
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,836.1	13,635.1	13,035.0	12,917.7	13,378.5
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	1,039.2	1,237.3	1,177.3	1,033.6	759.5	657.3
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,515.7	7,497.2	8,067.9	8,792.6	9,074.0
1.2.2. Private placements	398.5	190.5	141.0	51.5	39.2	39.2	39.2	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	8,326.6	8,904.9	8,957.9	7,735.8	6,256.5	5,782.5	5,724.8	5,313.5	5,305.1	5,311.5	5,121.2
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	929.1	795.0	800.6	807.1	818.4	825.4
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	929.1	795.0	800.6	807.1	818.4	825.4
2.1.2. Domestic loans	83.5	335.4	274.4	82.6	4.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	5,014.1	6,169.3	6,793.6	6,039.0	5,154.9	4,853.5	4,929.8	4,512.9	4,498.1	4,493.1	4,295.8
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	4,246.2	3,814.0	3,784.4	3,783.5	3,713.5
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	707.6	683.6	698.8	713.7	709.6	582.3
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	28,520.7	28,841.6	28,654.3	28,993.9	29,478.3
Other liabilities	351.1	117.3	311.2	756.0	742.7	274.2	167.4	196.8	199.7	229.1	203.7
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	28,688.2	29,038.4	28,854.0	29,223.1	29,682.0
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	10,489.1	10,684.2	11,577.6	11,996.5	12,498.0	12,845.5	14,112.6	14,851.6	14,107.8	13,716.4	14,075.0
Gross debt/GDP	71.8%	72.6%	73.0%	71.0%	70.8%	68.9%	67.2%	62.2%	61.8%	62.5%	63.5%

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

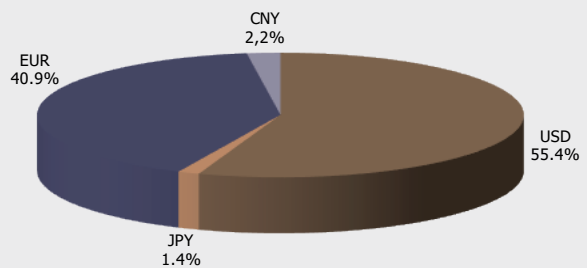
Composition of HUF government securities as at 31.12.2019



Source: ÁKK

* Without retail government securities.

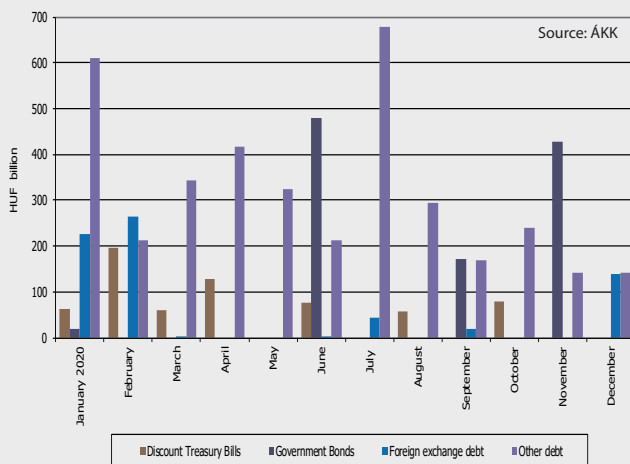
Currency composition of the foreign exchange debt portfolio before swaps as at 31.12.2019*



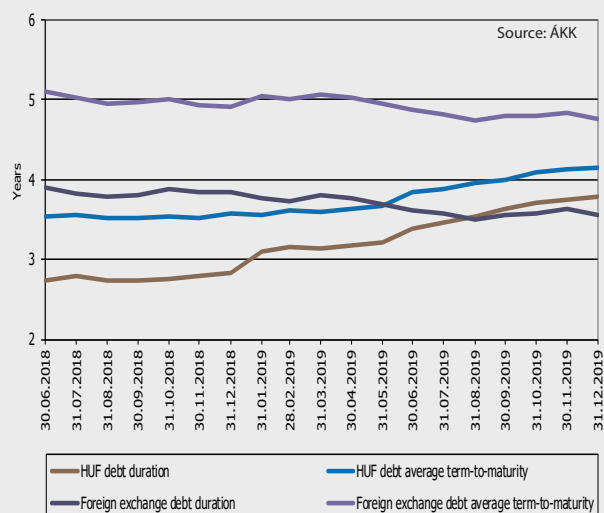
Source: ÁKK

* 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 31.12.2019



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



* Duration index was replaced by ATR (average time to refixing) from 01.01.2019

GOVERNMENT SECURITIES

GOVERNMENT BOND AUCTION RESULTS

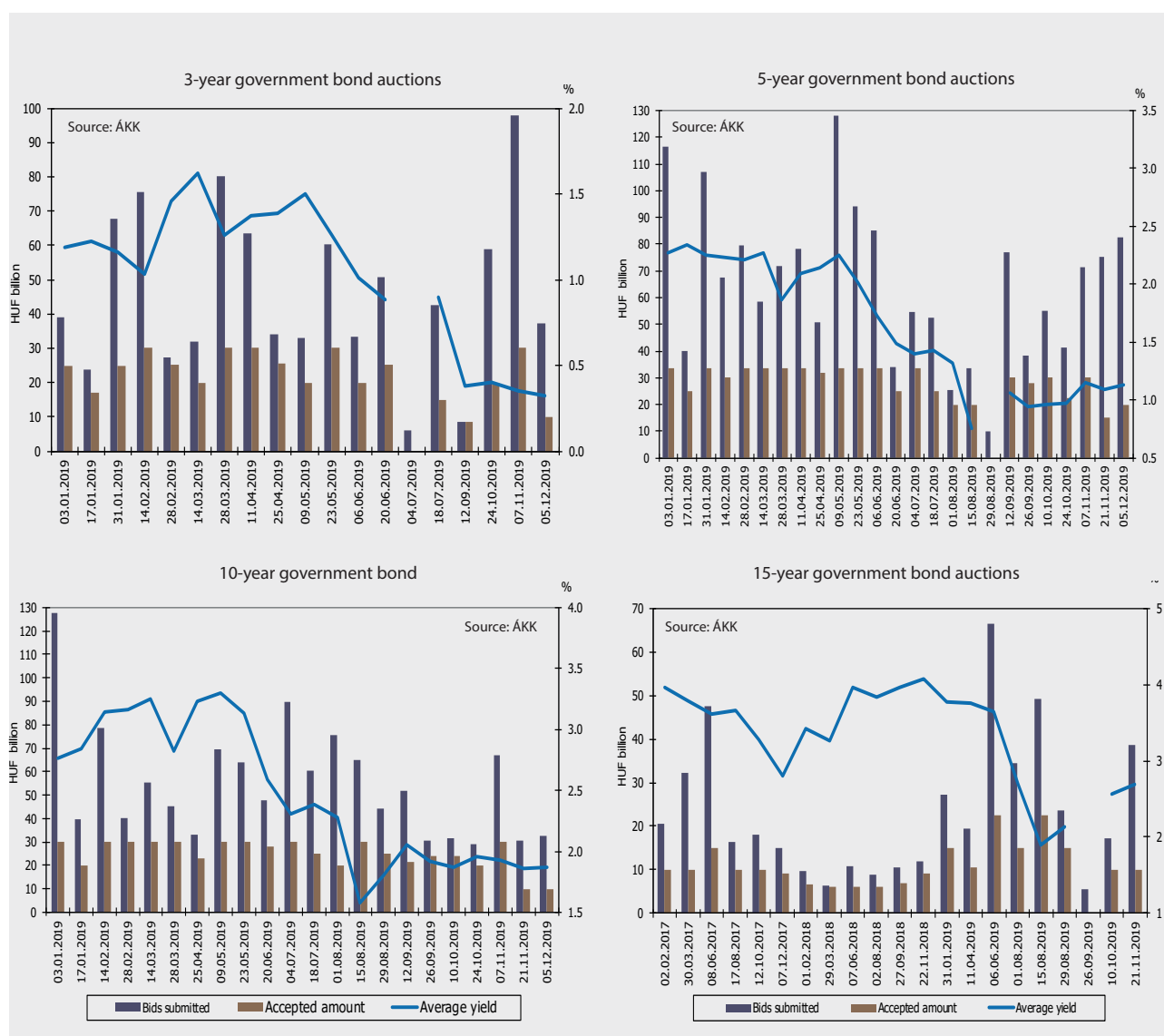
Government Bond	2024/C	2030/A	2038/A	2022/C	2024/C	2030/A	2022/C
ISIN code	HU0000403571	HU0000403696	HU0000403555	HU0000403704	HU0000403571	HU0000403696	HU0000403704
Maturity (in years)	5	10	15	3	5	10	3
Coupon	2.50%	3.00%	3.00%	1.50%	2.50%	3.00%	1.50%
Auction	34th auction	16th auction	14th auction	13th auction	35th auction	17th auction	14th auction
Date of auction	10.10.2019	10.10.2019	10.10.2019	24.10.2019	24.10.2019	24.10.2019	07.11.2019
Date of financial settlement	16.10.2019	16.10.2019	16.10.2019	30.10.2019	30.10.2019	30.10.2019	13.11.2019
Redemption date	24.10.2024	21.08.2030	27.10.2038	24.08.2022	24.10.2024	21.08.2030	24.08.2022
Maximum annual yield (%) - ISMA	0.97	1.88	2.60	0.41	0.98	1.98	0.35
Minimum annual yield (%) - ISMA	0.94	1.85	2.53	0.39	0.96	1.93	0.35
Average annual yield (%) - ISMA	0.96	1.87	2.57	0.40	0.97	1.96	0.35
Maximum annual yield (%) - EHM	0.97	1.88	2.60	0.41	0.98	1.98	0.35
Minimum annual yield (%) - EHM	0.94	1.85	2.53	0.39	0.96	1.93	0.35
Average annual yield (%) - EHM	0.96	1.87	2.57	0.40	0.97	1.96	0.35
Maximum price (%)	107.6237	111.2075	107.0286	103.1032	107.4611	110.3471	103.1802
Minimum price (%)	107.4702	110.8944	105.9439	103.0461	107.3577	109.8344	103.1740
Average price (%)	107.5379	110.9871	106.3822	103.0613	107.3914	110.0095	103.1785
Amount offered for sale (HUF million)	20,000.00	20,000.00	10,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Amount of bids submitted (HUF million)	54,897.70	31,703.00	17,055.80	58,950.00	41,167.50	29,119.16	98,040.00
Amount of bids accepted (HUF million)	30,000.00	24,000.00	10,000.00	19,999.98	22,499.98	20,000.00	30,000.00
Bid-to-cover ratio	1.83	1.32	1.71	2.95	1.83	1.46	3.27
Bids submitted (pcs)	50	39	38	33	43	47	46
Bids accepted (pcs)	28	28	29	12	24	35	12
Tail (average price - minimum price)	0.07	0.09	0.44	0.02	0.03	0.18	0.00
Market sales (HUF million)	30,000.00	24,000.00	10,000.00	19,999.98	22,499.98	20,000.00	30,000.00
Non-competitive offer (HUF million)	0.00	0.00	0.00	3,200.00	2,399.00	1,340.33	11,000.00
Total amount sales (HUF million)	30,000.00	24,000.00	10,000.00	23,199.98	24,898.98	21,340.33	41,000.00

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2025/C	2030/A	2025/C	2030/A	2038/A	2022/C	2025/C	2030/A
ISIN code	HU0000404058	HU0000403696	HU0000404058	HU0000403696	HU0000403555	HU0000403704	HU0000404058	HU0000403696
Maturity (in years)	5	10	5	10	15	3	5	10
Coupon	1.00%	3.00%	1.00%	3.00%	3.00%	1.50%	1.00%	3.00%
Auction	1st auction	18th auction	2nd auction	19th auction	14th auction	15th auction	3rd auction	20th auction
Date of auction	07.11.2019	07.11.2019	21.11.2019	21.11.2019	21.11.2019	05.12.2019	05.12.2019	05.12.2019
Date of financial settlement	13.11.2019	13.11.2019	27.11.2019	27.11.2019	27.11.2019	11.12.2019	11.12.2019	11.12.2019
Redemption date	26.11.2025	21.08.2030	26.11.2025	21.08.2030	27.10.2038	24.08.2022	26.11.2025	21.08.2030
Maximum annual yield (%) - ISMA	1.17	1.95	1.09	1.88	2.71	0.34	1.14	1.88
Minimum annual yield (%) - ISMA	1.11	1.90	1.08	1.85	2.68	0.30	1.12	1.86
Average annual yield (%) - ISMA	1.15	1.93	1.09	1.86	2.69	0.32	1.13	1.87
Maximum annual yield (%) - EHM	1.17	1.95	1.09	1.88	2.71	0.34	1.14	1.88
Minimum annual yield (%) - EHM	1.11	1.90	1.08	1.85	2.68	0.30	1.12	1.86
Average annual yield (%) - EHM	1.15	1.93	1.09	1.86	2.69	0.32	1.13	1.87
Maximum price (%)	99.3670	110.6200	99.5425	111.0961	104.6969	103.2243	99.3157	110.9585
Minimum price (%)	99.0190	110.1070	99.4842	110.7883	104.2449	103.1160	99.2016	110.7550
Average price (%)	99.1565	110.2837	99.5023	110.9564	104.4728	103.1650	99.2736	110.8491
Amount offered for sale (HUF million)	20,000.00	20,000.00	15,000.00	10,000.00	10,000.00	10,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	71,306.00	66,850.00	75,408.00	30,500.00	38,525.00	37,119.00	82,450.00	32,790.00
Amount of bids accepted (HUF million)	29,999.96	30,000.00	14,999.99	9,999.99	10,000.00	10,000.00	19,999.99	10,000.00
Bid-to-cover ratio	2.38	2.23	5.03	3.05	3.85	3.71	4.12	3.28
Bids submitted (pcs)	73	45	62	35	42	24	53	37
Bids accepted (pcs)	32	22	22	16	20	11	21	17
Tail (average price - minimum price)	0.14	0.18	0.02	0.17	0.23	0.05	0.07	0.09
Market sales (HUF million)	29,999.96	30,000.00	14,999.99	9,999.99	10,000.00	10,000.00	19,999.99	10,000.00
Non-competitive offer (HUF million)	5,216.03	200.00	1,854.93	1,142.60	1,607.50	3,520.00	6,399.98	3,440.00
Total amount sales (HUF million)	35,215.99	30,200.00	16,854.92	11,142.59	11,607.50	13,520.00	26,399.97	13,440.00

Source: ÁKK

GOVERNMENT SECURITIES

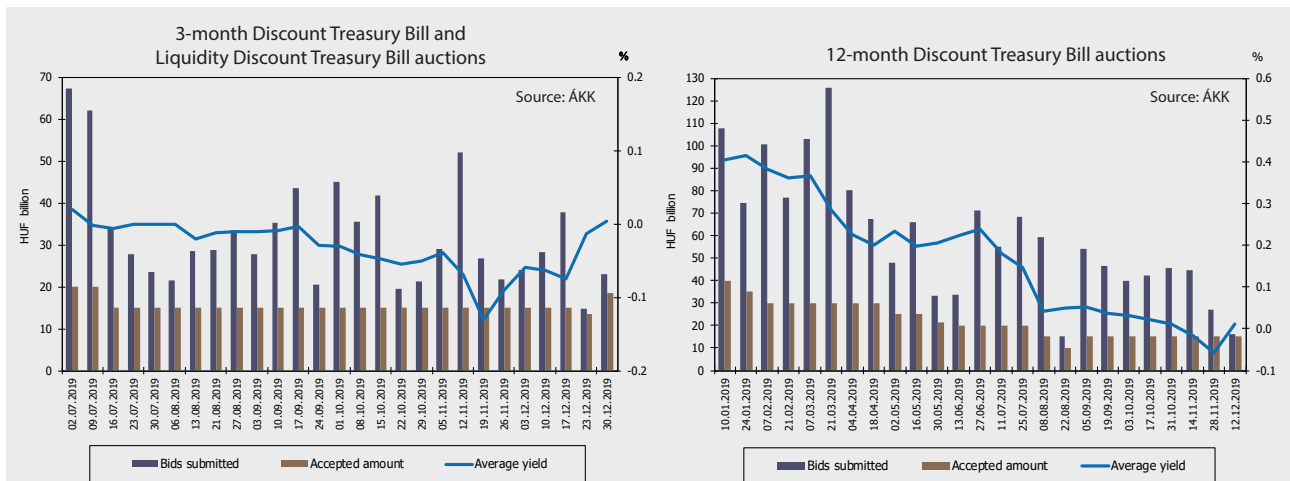


INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN Q4 2019

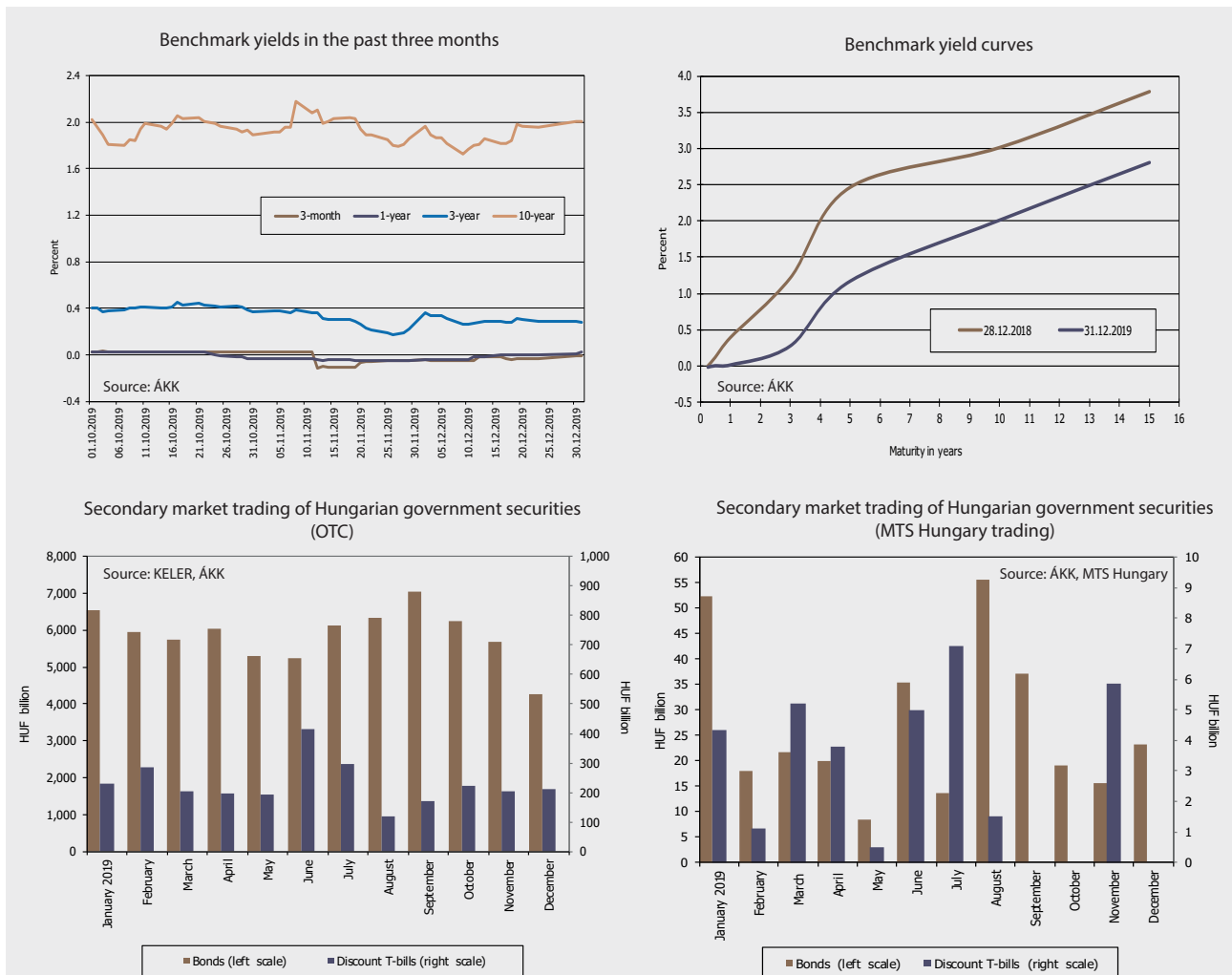
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2021/I	18.10.2019	20.10.2019	20.10.2020	20.10.2020	6.05%	6.05%
2023/B	23.10.2019	26.10.2019	26.01.2020	27.01.2020	0.21%	0.05%
2026/B	24.10.2019	24.10.2019	24.04.2020	24.04.2020	0.01%	0.02%
2022/J	20.11.2019	22.11.2019	22.11.2020	23.11.2020	4.80%	4.80%
2023/K	29.10.2019	05.11.2019	15.02.2020	17.02.2020	4.10%	1.15%
2025/I	29.10.2019	05.11.2019	20.02.2019	20.02.2019	4.50%	1.32%
2032/S	29.11.2019	02.12.2019	02.12.2020	02.12.2020	5.80%	5.80%
2021/A	20.12.2019	23.12.2019	23.03.2020	23.03.2020	0.16%	0.04%

Source: ÁKK

GOVERNMENT SECURITIES

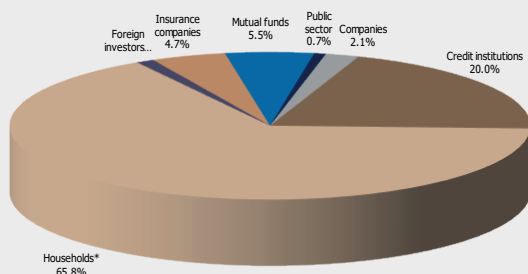


PRIMARY DEALERS - AS AT 31 DECEMBER 2019	
BNP Paribas SA	J.P. Morgan Securities Plc.
CIB Bank Zrt.	K&H Bank Zrt.
CITIBANK Europe Plc.	MTB Magyar Takarékszövetkezeti Bank Zrt.
Deutsche Bank AG	MKB Bank Nyrt.
ERSTE Befektetési Zrt.	OTP Bank Nyrt.
Goldman Sachs International	Raiffeisen Bank Zrt.
ING Bank N.V.	UniCredit Bank Hungary Zrt.



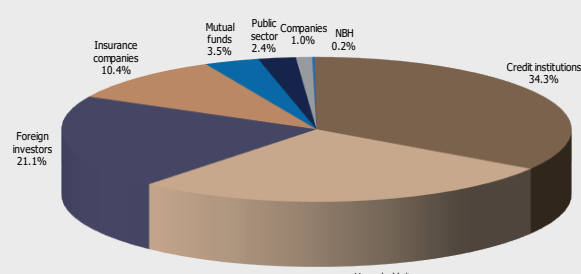
GOVERNMENT SECURITIES

Breakdown of government securities with maturity up to one year by investor sector in Q4 2019



Source: ÁKK

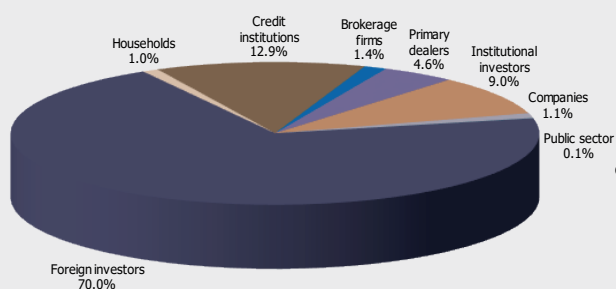
Breakdown of government securities with a maturity of over one year by investor sector in Q4 2019



Source: ÁKK

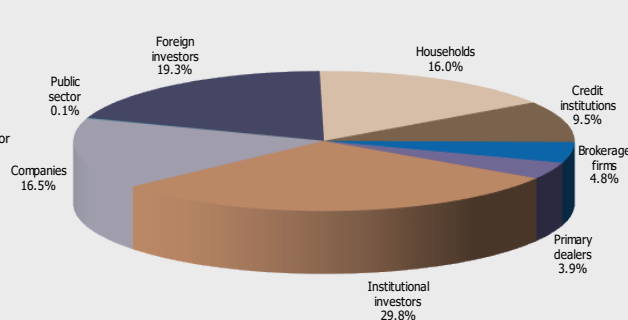
*Government securities with a maturity of up to one year and with a maturity of over one year, the stock of Households also includes the stock of non-profit institutions serving households.

Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in Q4 2019



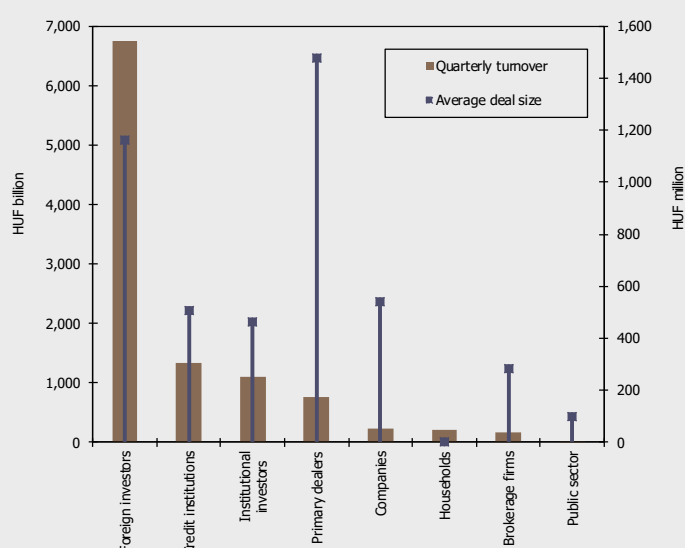
Source: ÁKK

Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in Q4 2019



Source: ÁKK

Primary dealers' trading with different investor groups in Q4 2019



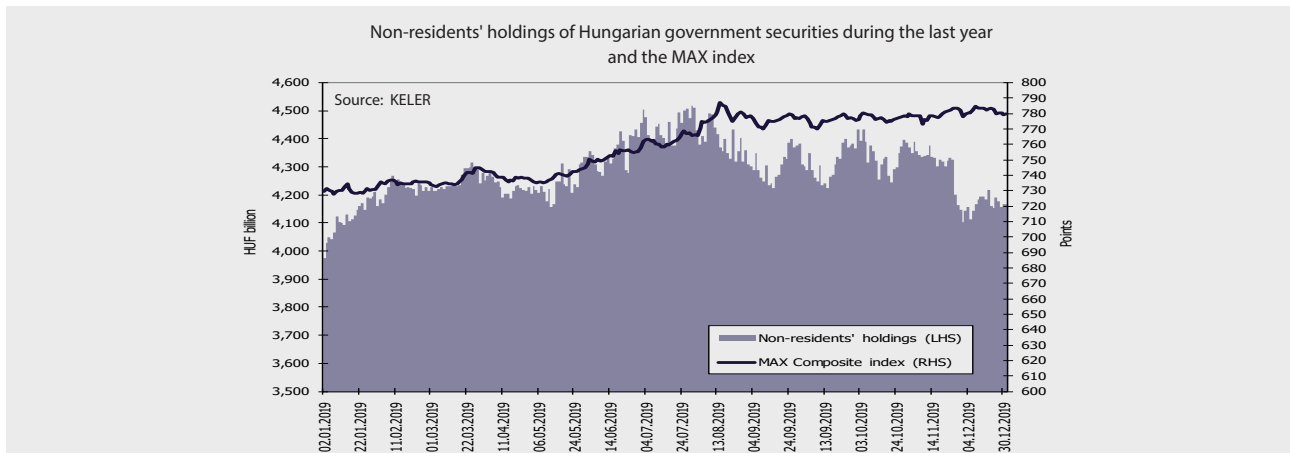
Source: ÁKK

Government securities with the highest secondary market turnover in Q4 2019

Government security	Date of redemption	Turnover (HUF billion)
2026/D	22.12.2026	1,847.6
2030/A	21.08.2030	1,218.2
2024/C	24.10.2024	964.0
2022/B	26.10.2022	606.7
2025/B	24.06.2025	554.2
2022/C	24.08.2022	553.8
2027/A	27.10.2027	549.9
2028/A	22.10.2028	500.5
2022/A	24.06.2022	441.8
2024/B	26.06.2024	358.5

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
30.09.2019	822.2321	554.6602	776.4686	535.9674	10.34%	0.36%	9.43%	0.00%
31.10.2019	825.9421	554.6675	779.7055	535.9997	10.87%	0.26%	9.91%	0.02%
29.11.2019	828.5841	554.8169	782.0478	536.0170	9.41%	0.24%	8.64%	0.03%
31.12.2019	825.6634	554.7562	779.4252	536.0286	7.68%	0.23%	7.09%	0.05%

Source: ÁKK

OUTSTANDING AMOUNT OF BENCHMARK GOVERNMENT BOND SERIES IN Q4 2019

Government bond	HUF billion		
	31.10.2019	30.11.2019	31.12.2019
2022/C	319.13	361.65	378.16
2024/C	1,125.23	1,130.27	1,132.11
2030/A	563.16	604.71	618.26
2038/A	180.53	192.17	192.20

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
HUBONDINDEX1	Hungarian Government Total Return Index (MAX), updated during 14.00-14.30 CET
HUBONDINDEX2	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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