

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT JANUARY 2018

The net issuance was HUF 466.7 billion; out of which net HUF-denominated issuance was HUF 461.2 billion and net foreign currency denominated issuance was HUF 5.5 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	January	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	21,150.6	78.1	461.2	2.2
Loans	1,041.1	3.9	1,078.2	4.0	37.1	3.6
Government bonds	11,806.3	44.1	12,004.6	44.3	198.3	1.7
Retail securities	6,802.9	25.4	7,007.6	25.9	204.8	3.0
Discount treasury bills	1,039.2	3.9	1,060.2	3.9	21.0	2.0
Foreign exchange denominated debt	5,782.5	21.6	5,796.5	21.4	14.0	0.2
Total	26,472.0	99.0	26,947.1	99.5	475.1	1.8
<i>Other obligations</i>	274.2	1.0	143.4	0.5	-130.8	-47.7
Total central government debt	26,746.2	100.0	27,090.5	100.0	344.3	1.3

The HUF denominated debt of the central government increased by HUF 461.2 billion in 2018. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 204.8 billion, the amount of discount Treasury bills increased by HUF 21.0 billion and the net government bond issuance was HUF 198.3 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 37.1 billion in 2018.

The foreign currency debt of the central government increased by HUF 14.0 billion in 2018. The domestic PÉMAK bond issuance was HUF 1.5 billion, while the redemptions of foreign currency debt worth HUF 108.4 billion decreased the debt. The drawdown of foreign currency denominated revolving loans worth HUF 108.5 billion in January, this amount was repaid in that month. The exchange rate revaluations totalling HUF 8.4 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities decreased by HUF 130.8 billion in 2018.

BENCHMARK YIELDS

Maturity	30.12.2016	29.12.2017	31.01.2018	Change in January basis point
3-month	0.06	-0.01	-0.03	-2
6-month	0.08	0.01	0.01	0
1-year	0.15	0.02	0.00	-2
3-year	0.82	0.51	0.56	5
5-year	1.67	1.09	1.24	15
10-year	3.16	2.02	2.31	29
15-year	3.66	2.72	2.73	1

Monthly OTC turnover of government securities increased by 13% to HUF 3,779.6 billion in January. Primary dealers, who account for the decisive part of all secondary government securities trading, made 74% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 19.6 billion in January and amounted to HUF 3,405.1 billion at the end of the month. This volume represented 17.0% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 310.60 on the last working day of January.

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

GOVERNMENT SECURITIES MARKET

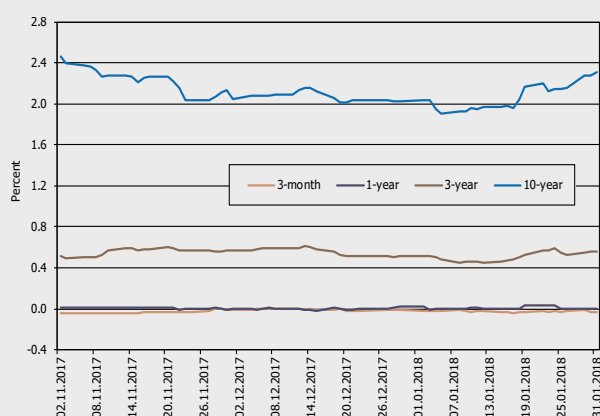
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

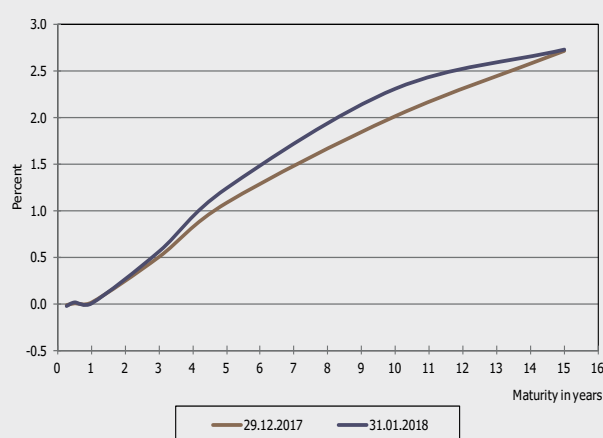
	2012	2013	2014	2015	2016	2017 November	2017 December	2018 January
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	20,721.1	20,689.4	21,150.6
1.1. Loans	566.8	603.6	623.3	694.1	865.0	1,012.9	1,041.1	1,078.2
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	19,708.2	19,648.3	20,072.4
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	19,669.0	19,609.2	20,033.2
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,906.8	11,767.1	11,965.5
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	1,094.6	1,039.2	1,060.2
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	6,667.6	6,802.9	7,007.6
1.2.2. Private placements	398.5	190.5	141.0	51.5	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	5,931.5	5,782.5	5,796.5
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	1,003.1	929.1	930.4
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	1,003.1	929.1	930.4
2.1.2. Domestic loans	83.5	335.4	274.4	82.6	4.0	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	4,928.4	4,853.5	4,866.1
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,217.5	4,145.9	4,156.0
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	710.9	707.6	710.0
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	26,652.6	26,472.0	26,947.1
Other liabilities	351.10	117.30	311.20	756.00	742.70	281.8	274.2	143.4
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	26,934.5	26,746.2	27,090.5
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	13,040.6	12,845.5	13,064.9
Gross debt/GDP	72.0%	72.7%	73.3%	72.0%	71.8%			

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

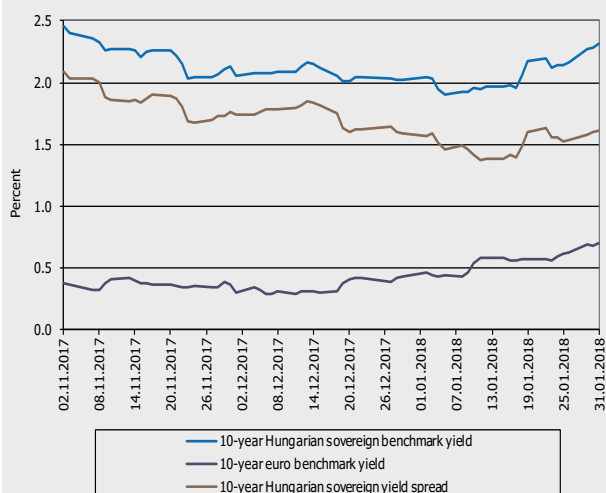
Benchmark yields



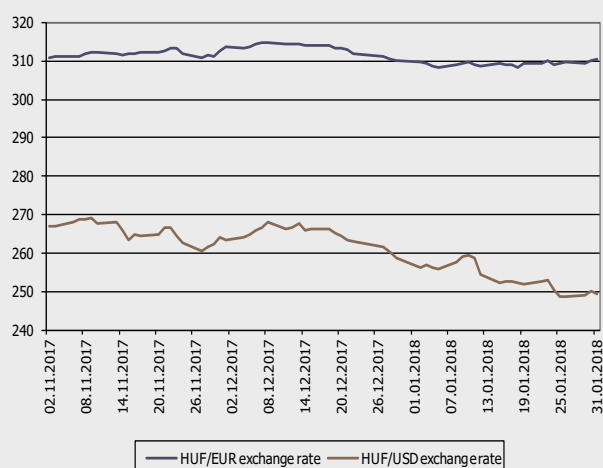
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



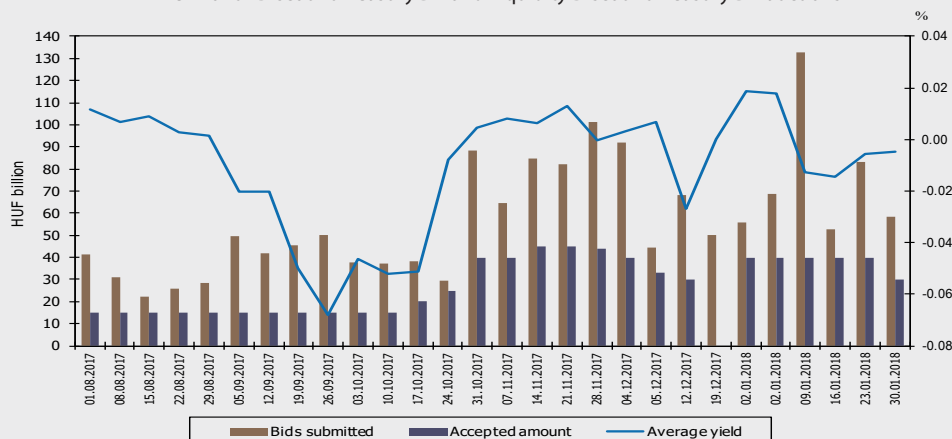
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

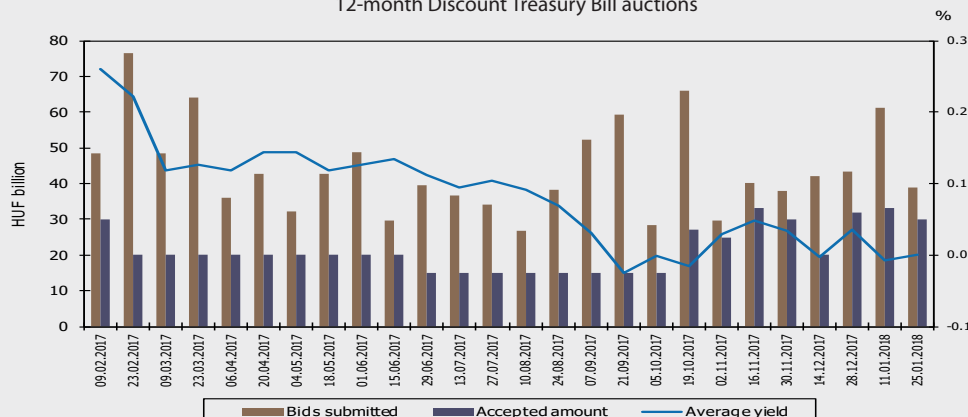
	Liquidity Disc T-bills	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D180228	D180411	D180418	D180425	D180502	D180509	D181227	D181227
ISIN code	HU0000521448	HU0000521521	HU0000521901	HU0000521919	HU0000521927	HU0000521935	HU0000521893	HU0000521893
Maturity in days	56	91	91	91	91	91	344	330
Date of auction	02.01.2018	02.01.2018	09.01.2018	16.01.2018	23.01.2018	30.01.2018	11.01.2018	25.01.2018
Date of financial settlement	03.01.2018	10.01.2018	17.01.2018	24.01.2018	31.01.2018	07.02.2018	17.01.2018	31.01.2018
Redemption date	28.02.2018	11.04.2018	18.04.2018	25.04.2018	02.05.2018	09.05.2018	27.12.2018	27.12.2018
Maximum yield (%) - ISMA	0.03	0.03	0.00	0.00	0.00	0.00	0.00	0.01
Minimum yield (%) - ISMA	0.00	0.00	-0.03	-0.03	-0.01	-0.01	-0.01	0.00
Average yield (%) - ISMA	0.02	0.02	-0.01	-0.01	-0.01	0.00	-0.01	0.00
Maximum yield (%) - EHM	0.03	0.03	0.00	0.00	0.00	0.00	0.00	0.01
Minimum yield (%) - EHM	0.00	0.00	-0.03	-0.03	-0.01	-0.01	-0.01	0.00
Average yield (%) - EHM	0.02	0.02	-0.01	-0.01	-0.01	0.00	-0.01	0.00
Average selling price (%)	99.9972	99.9953	100.0032	100.0037	100.0014	100.0012	100.0066	99.9990
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	30,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	68,645.30	55,600.00	132,783.40	52,700.00	83,239.80	58,150.00	61,171.16	38,902.87
Amount of bids accepted (HUF million)	40,000.00	39,999.99	40,000.00	39,999.98	39,999.96	29,999.95	32,999.99	29,999.99
Bid-to-cover ratio	1.72	1.39	3.32	1.32	2.08	1.94	1.85	1.30
Bids submitted (pcs)	22	29	50	33	41	30	42	18
Bids accepted (pcs)	13	17	10	23	20	16	9	15
Market sales* (HUF million)	40,000.00	39,999.99	40,000.00	39,999.98	39,999.96	29,999.95	32,999.99	29,999.99
Retained on ÁKK's own account (HUF million)	-	0.01	12,000.00	12,000.02	12,000.04	9,000.05	33,000.01	9,000.01
Total amount issued (HUF million)	40,000.00	40,000.00	52,000.00	52,000.00	52,000.00	39,000.00	66,000.00	39,000.00

* Without issuance onto ÁKK's own account

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



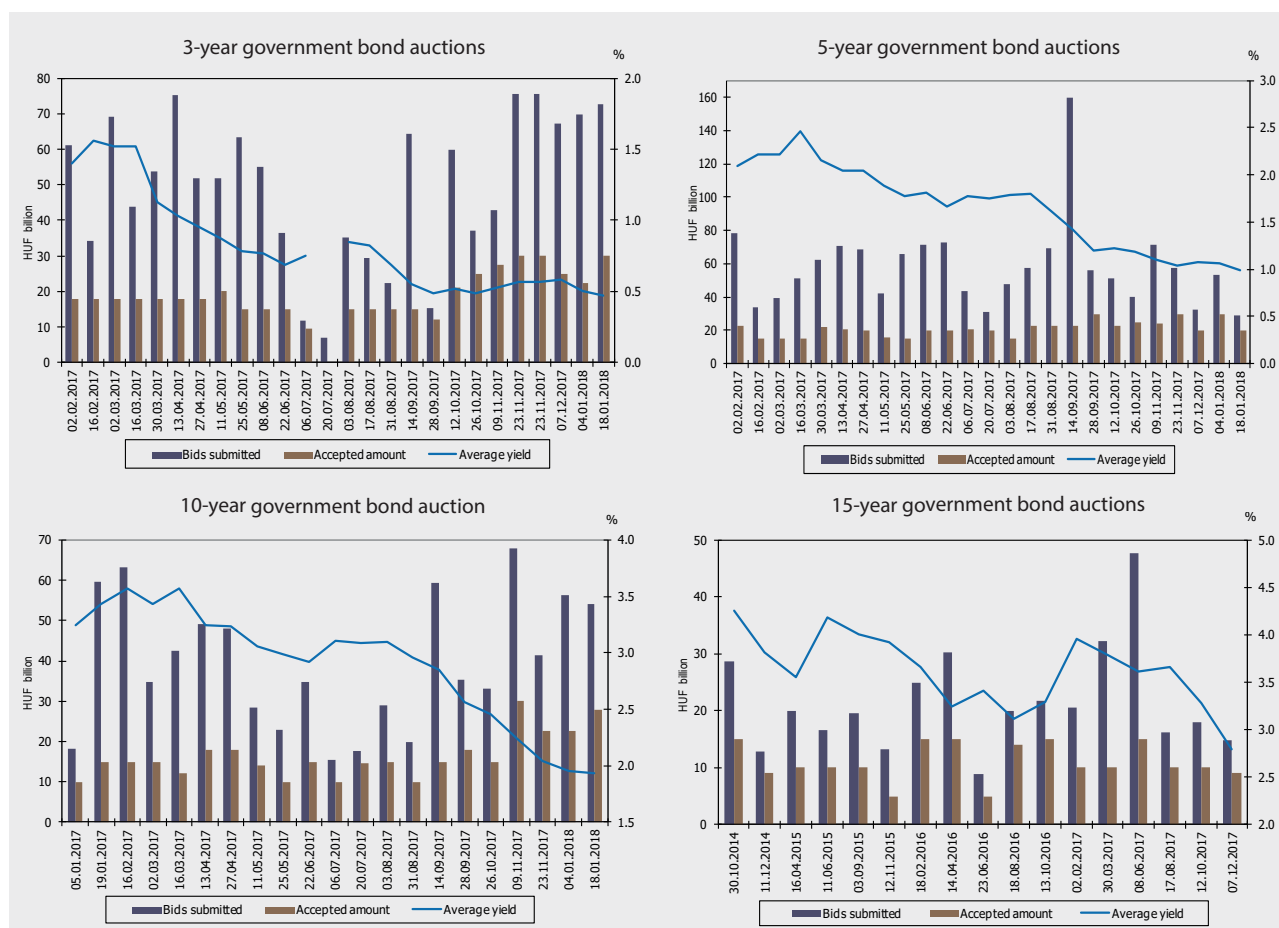
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2020/C	2022/B	2027/A	2023/B	2020/C	2022/B	2027/A	2023/B
ISIN code	HU0000403258	HU0000403266	HU0000403118	HU0000403456	HU0000403258	HU0000403266	HU0000403118	HU0000403456
Maturity (in years)	3	5	10	5	3	5	10	5
Coupon	1.00%	1.75%	3.00%	0.03%	1.00%	1.75%	3.00%	0.03%
Auction	26th auction	26th auction	40th auction	1st auction	27th auction	27th auction	41st auction	2nd auction
Date of auction	04.01.2018	04.01.2018	04.01.2018	11.01.2018	18.01.2018	18.01.2018	18.01.2018	25.01.2018
Date of financial settlement	10.01.2018	10.01.2018	10.01.2018	17.01.2018	24.01.2018	24.01.2018	24.01.2018	31.01.2018
Redemption date	23.09.2020	26.10.2022	27.10.2027	26.07.2023	23.09.2020	26.10.2022	27.10.2027	26.07.2023
Maximum annual yield (%) - ISMA	0.50	1.07	1.97	-	0.48	1.01	1.94	-
Minimum annual yield (%) - ISMA	0.49	1.04	1.95	-	0.46	0.96	1.91	-
Average annual yield (%) - ISMA	0.50	1.06	1.96	-	0.47	0.99	1.93	-
Maximum annual yield (%) - EHM	0.50	1.07	1.97	-	0.48	1.01	1.94	-
Minimum annual yield (%) - EHM	0.49	1.04	1.95	-	0.46	0.96	1.91	-
Average annual yield (%) - EHM	0.50	1.06	1.96	-	0.47	0.99	1.93	-
Maximum price (%)	101.3601	103.3006	109.2753	98.8000	101.4255	103.6522	109.6151	98.4100
Minimum price (%)	101.3378	103.1585	109.0895	98.1000	101.3721	103.4163	109.3345	98.2500
Average price (%)	101.3434	103.2210	109.2134	98.3200	101.3882	103.5182	109.3947	98.3300
Amount offered for sale (HUF million)	15,000.00	20,000.00	15,000.00	10,000.00	20,000.00	20,000.00	20,000.00	6,000.00
Amount of bids submitted (HUF million)	69,690.00	53,400.00	56,400.00	31,200.00	72,700.00	29,320.00	54,029.98	17,135.00
Amount of bids accepted (HUF million)	22,499.99	30,000.00	22,500.00	12,000.00	29,999.98	20,000.00	27,999.98	5,999.99
Bid-to-cover ratio	3.10	1.78	2.51	2.60	2.42	1.47	1.93	2.86
Bids submitted (pcs)	42	49	53	69	39	33	45	29
Bids accepted (pcs)	15	30	19	22	17	25	28	19
Tail (%) (average price - minimum price)	0.01	0.06	0.12	0.22	0.02	0.10	0.06	0.08
Market sales (HUF million)	22,499.99	30,000.00	22,500.00	12,000.00	29,999.98	20,000.00	27,999.98	5,999.99
Non-competitive offer (HUF million)	5,719.99	11,360.00	6,480.00	4,240.00	0.00	0.00	0.00	1,381.24
Total amount sales (HUF million)	28,219.98	41,360.00	28,980.00	16,240.00	29,999.98	20,000.00	27,999.98	7,381.23



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

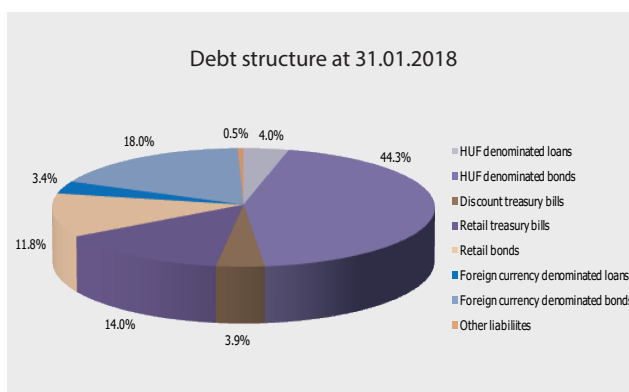
Government bond	2019/A	2019/B	2019/C	2019/D
ISIN code	HU0000402433	HU0000402649	HU0000403092	HU0000403126
Coupon (%)	6.50	0.01	2.00	0.03
Date of reverse auction	17.01.2018	17.01.2018	31.01.2018	31.01.2018
Date of financial settlement	24.01.2018	24.01.2018	07.02.2018	07.02.2018
Redemption date	24.06.2019	20.05.2019	30.10.2019	28.08.2019
Minimum annual yield (%)	0.02	-	0.06	-
Average annual yield- ISMA (%)	0.02	-	0.06	-
Average annual yield - EHM (%)	0.02	-	0.06	-
Amount of bids submitted (HUF million)	18,390.54	111,864.87	47,735.76	67,253.16
Amount of bids accepted (HUF million)	4,731.70	83,978.93	23,650.70	20,000.00

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JANUARY 2018

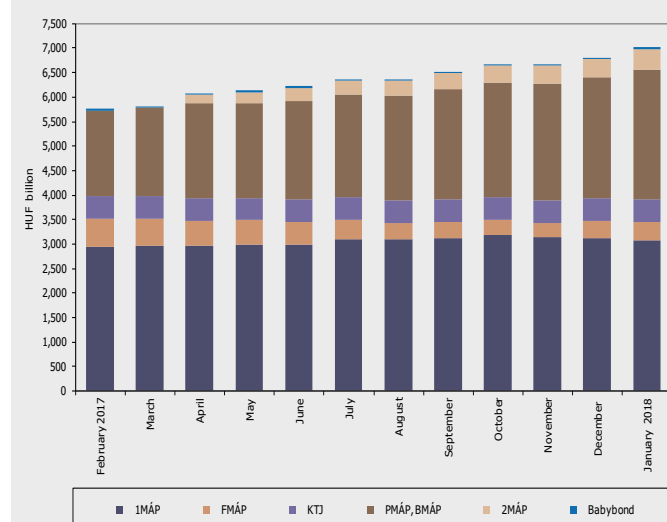
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2018/D	21.01.2018	24.01.2018	24.04.2018	24.04.2018	0.02%	0.01%
2021/K	18.01.2018	18.01.2018	26.08.2018	27.08.2018	3.50%	2.11%
2022/P	26.01.2018	26.01.2018	27.04.2019	29.04.2019	2.27%	2.88%
2023/J	18.01.2018	18.01.2018	28.09.2018	28.09.2018	3.80%	2.63%
2024/P	26.01.2018	26.01.2018	24.04.2019	24.04.2019	2.77%	3.49%
2028/O	26.01.2018	26.01.2018	22.03.2019	22.03.2019	3.02%	3.52%
2033/S	30.01.2018	01.02.2018	01.02.2019	01.02.2019	5.40%	5.40%
2034/S	30.01.2018	01.02.2018	01.02.2019	01.02.2019	5.40%	5.40%
2035/S	30.01.2018	01.02.2018	01.02.2019	01.02.2019	5.40%	5.40%
2036/S	30.01.2018	01.02.2018	01.02.2019	01.02.2019	5.40%	5.40%
2037/S	26.01.2018	01.02.2018	01.02.2019	01.02.2019	5.40%	5.40%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

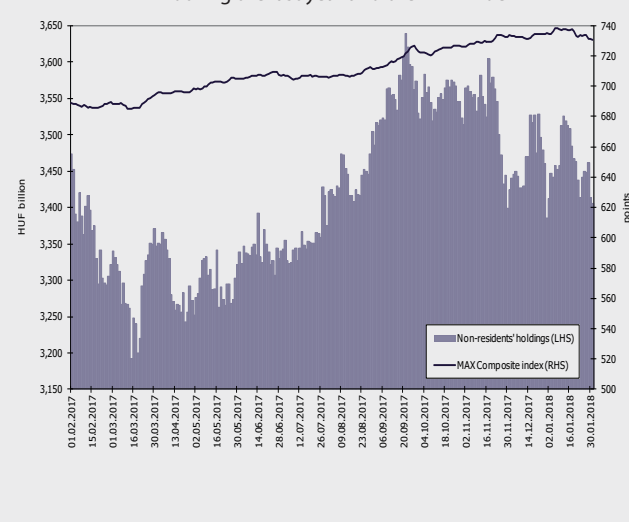
Retail securities	HUF billion		Change
	31.12.2017	31.01.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	3,078.5	-31.2
Half-year Hungarian Government Security / FMÁP	351.8	364.7	12.9
Treasury Saving Bills / KTJ	468.7	470.9	2.2
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	2,457.5	2,642.4	184.8
2-year Hungarian Government Security / 2MÁP	376.8	411.5	34.7
Babybond	38.2	39.6	1.3
Total	6,802.8	7,007.6	204.8



Outstanding amount of retail securities during the last year



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



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31.01.2018	768.6107	551.7809	730.4876	535.4744
Changes compared to the end of the month before	-5.0779	0.0017	-4.5289	-0.0464
Annual yield earned on the index portfolio (%)	6.50	0.21	5.96	0.09

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.01.2018	741.1086	807.9143	596.8044	399.1428
Changes compared to the end of the month before	-0.6520	-4.7593	-13.6891	0.4422
Reference yield (%)	0.56	1.24	2.31	2.73
Annual yield earned on the index portfolio (%)	3.57	6.11	13.62	18.03

Government bonds with the highest secondary market turnover in January 2018

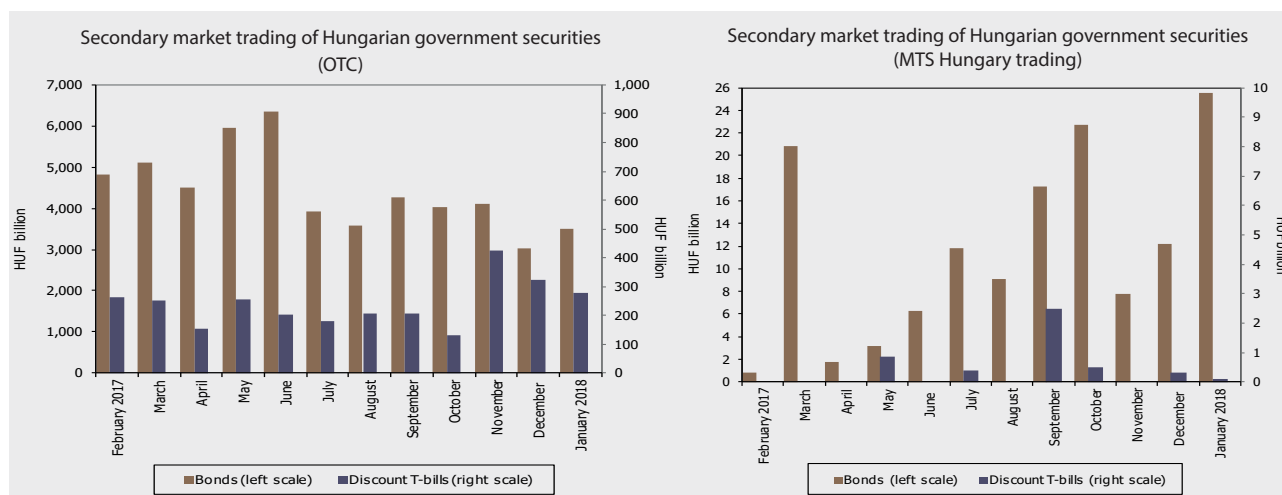
Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	588.3
2025/B	24.06.2025	371.6
2018/B	25.04.2018	337.3
2020/C	23.09.2020	267.4
2022/B	26.10.2022	220.0
2020/B	24.06.2020	210.3
2023/A	24.11.2023	182.0
2026/D	22.12.2026	177.3
2022/A	24.06.2022	120.9
2021/B	27.10.2021	95.5

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

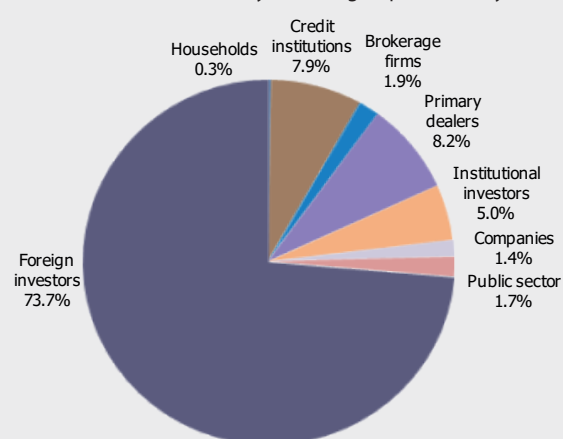
Government bond	HUF billion	
	31.12.2017	31.01.2018
2020/C	533.26	591.79
2022/B	621.55	683.22
2027/A	647.69	704.85
2031/A	201.29	201.41

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

Government bond	HUF billion
2025/B	1,157.76
2023/A	998.54
2022/A	972.15



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



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

