

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT MARCH 2018

The net issuance was HUF 1,004.5 billion; out of which net HUF-denominated issuance was HUF 1,021.2 billion and net foreign currency denominated redemption was HUF 16.7 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	March	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	21,710.6	78.5	1,021.2	4.9
Loans	1,041.1	3.9	1,080.8	3.9	39.7	3.8
Government bonds	11,806.3	44.1	12,339.1	44.6	532.8	4.5
Retail securities	6,802.9	25.4	7,107.5	25.7	304.7	4.5
Discount treasury bills	1,039.2	3.9	1,183.2	4.3	144.1	13.9
Foreign exchange denominated debt	5,782.5	21.6	5,810.5	21.0	27.9	0.5
Total	26,472.0	99.0	27,521.1	99.5	1,049.1	4.0
<i>Other obligations</i>	274.2	1.0	129.5	0.5	-144.7	-52.8
Total central government debt	26,746.2	100.0	27,650.6	100.0	904.4	3.4

The HUF denominated debt of the central government increased by HUF 1,021.2 billion in 2018. The increase in domestic debt was the result of the net government bond issuance was HUF 532.8 billion, the amount of discount Treasury bills increased by HUF 144.1 billion and the total amount of retail government securities increased by HUF 304.7 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 27.9 billion in 2018. The three-year samurai bond issue increased the debt by HUF 71.3 billion, the domestic PÉMAK bond issuance was HUF 4.2 billion, while the redemptions of foreign currency bonds worth HUF 91.1 billion and the HUF 1.4 billion foreign currency loan repayment decreased the debt. The exchange rate revaluations totalling HUF 44.7 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities decreased by HUF 144.7 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	28.02.2018	29.03.2018	Change in March basis point
3-month	-0.01	-0.02	0.00	2
6-month	0.01	-0.02	-0.01	1
1-year	0.02	-0.02	0.03	5
3-year	0.51	0.87	0.81	-6
5-year	1.09	1.44	1.24	-20
10-year	2.02	2.58	2.39	-19
15-year	2.72	2.98	2.85	-13

Monthly OTC turnover of government securities increased by 1% to HUF 4,486.0 billion in March. Primary dealers, who account for the decisive part of all secondary government securities trading, made 75% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 192.7 billion in March and amounted to HUF 3,587.1 billion at the end of the month. This volume represented 17.4% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 312.55 on the last working day of March.

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

GOVERNMENT SECURITIES MARKET

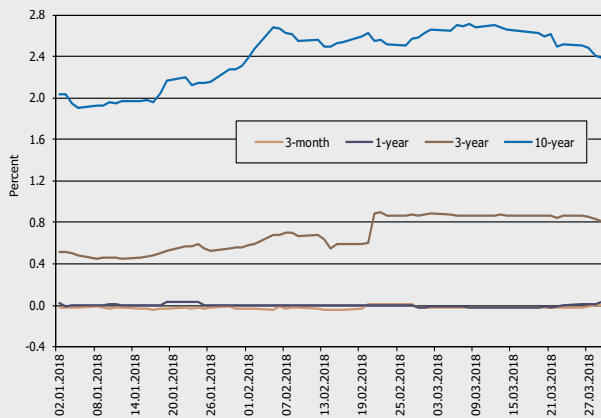
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

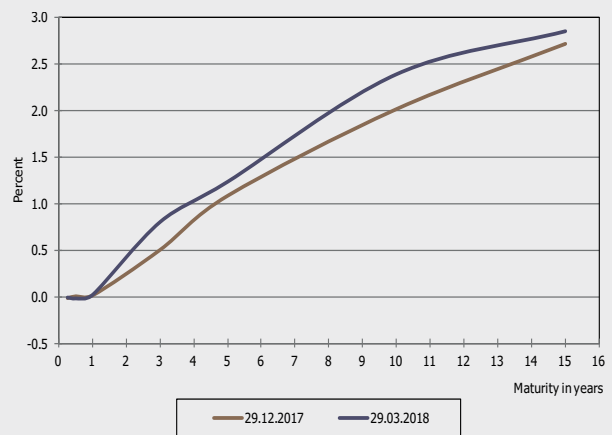
	2013	2014	2015	2016	2017	2018 January	2018 February	2018 March
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	21,150.6	21,421.6	21,710.6
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,078.2	1,080.8	1,080.8
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	20,072.4	20,340.8	20,629.9
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	20,033.2	20,301.7	20,590.7
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	11,965.5	12,182.9	12,299.9
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,060.2	1,007.7	1,183.2
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,007.6	7,111.1	7,107.5
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	5,796.5	5,771.2	5,810.5
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	930.4	941.5	934.9
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	930.4	941.5	934.9
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	4,866.1	4,829.7	4,875.6
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	4,156.0	4,119.0	4,167.5
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	710.0	710.7	708.1
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	26,947.1	27,192.8	27,521.1
Other liabilities	117.30	311.20	756.00	742.70	274.20	143.4	132.9	129.5
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	27,090.5	27,325.7	27,650.6
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	13,064.9	13,229.8	13,522.3
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.

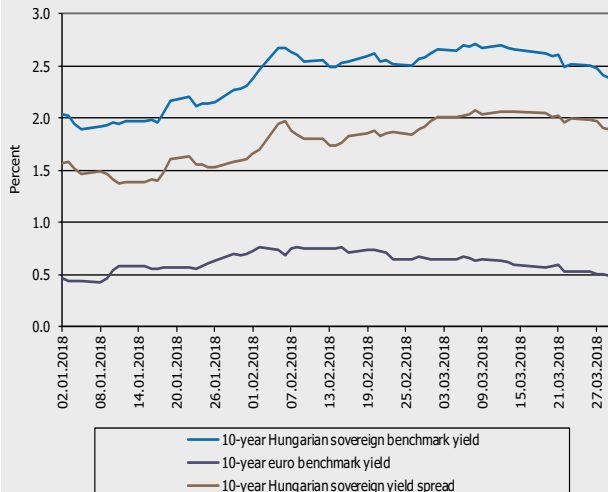
Benchmark yields



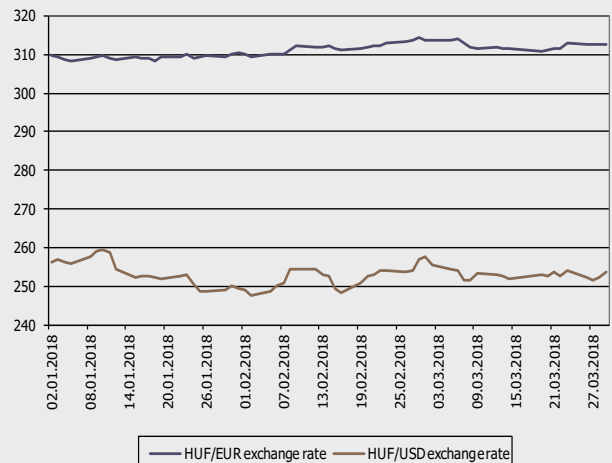
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



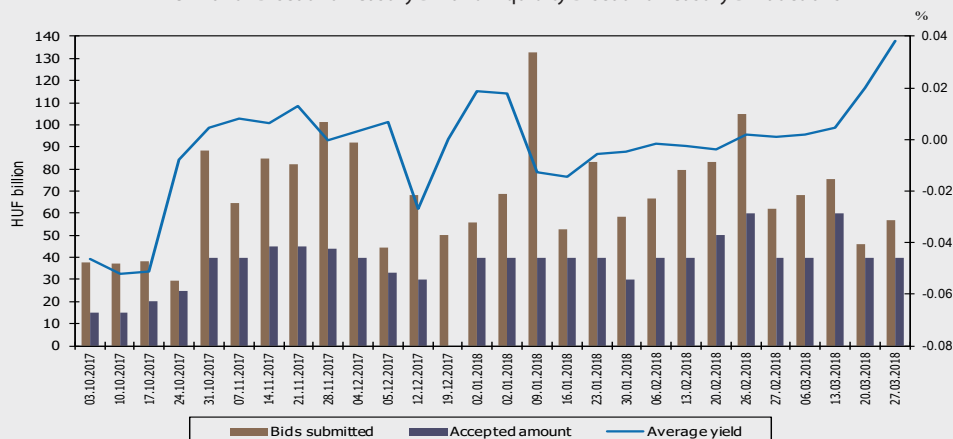
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

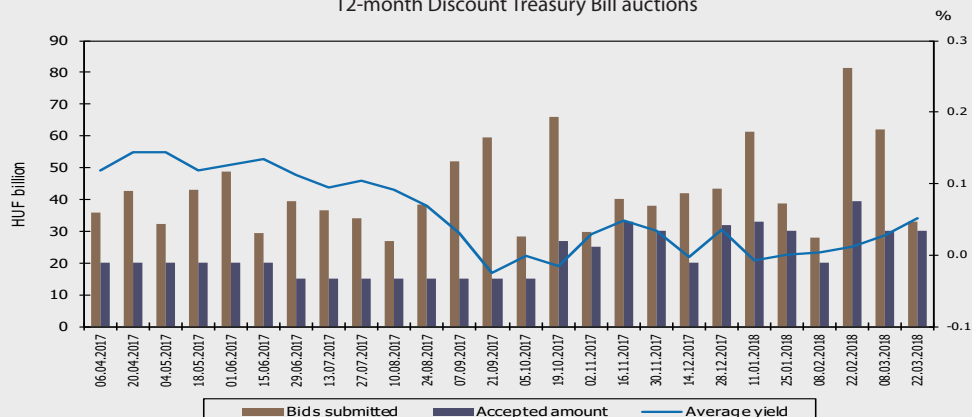
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D180613	D180620	D180627	D180704	D190227	D190227
ISIN code	HU0000521976	HU0000521984	HU0000521992	HU0000522008	HU0000521950	HU0000521950
Maturity in days	91	91	91	91	350	336
Date of auction	06.03.2018	13.03.2018	20.03.2018	27.03.2018	08.03.2018	22.03.2018
Date of financial settlement	14.03.2018	21.03.2018	28.03.2018	04.04.2018	14.03.2018	28.03.2018
Redemption date	13.06.2018	20.06.2018	27.06.2018	04.07.2018	27.02.2019	27.02.2019
Maximum yield (%) - ISMA	0.01	0.01	0.04	0.05	0.05	0.07
Minimum yield (%) - ISMA	-0.01	0.00	0.00	0.02	0.01	0.03
Average yield (%) - ISMA	0.00	0.00	0.02	0.04	0.03	0.05
Maximum yield (%) - EHM	0.01	0.01	0.04	0.05	0.05	0.07
Minimum yield (%) - EHM	-0.01	0.00	0.00	0.02	0.01	0.03
Average yield (%) - EHM	0.00	0.00	0.02	0.04	0.03	0.05
Average selling price (%)	99.9995	99.9989	99.9949	99.9904	99.9728	99.9519
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	68,401.50	75,375.00	45,950.00	56,883.00	61,986.10	33,125.00
Amount of bids accepted (HUF million)	40,000.00	59,999.98	40,000.00	39,999.92	30,000.00	29,999.99
Bid-to-cover ratio	1.71	1.26	1.15	1.42	2.07	1.10
Bids submitted (pcs)	41	21	37	48	48	31
Bids accepted (pcs)	23	16	36	34	43	27
Market sales* (HUF million)	40,000.00	59,999.98	40,000.00	39,999.92	30,000.00	29,999.99
Retained on ÁKK's own account (HUF million)	12,000.00	18,000.02	8,000.00	10,000.08	30,000.00	30,000.01
Total amount issued (HUF million)	52,000.00	77,999.98	48,000.00	50,000.00	60,000.00	59,999.99

* Without issuance onto ÁKK's own account

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



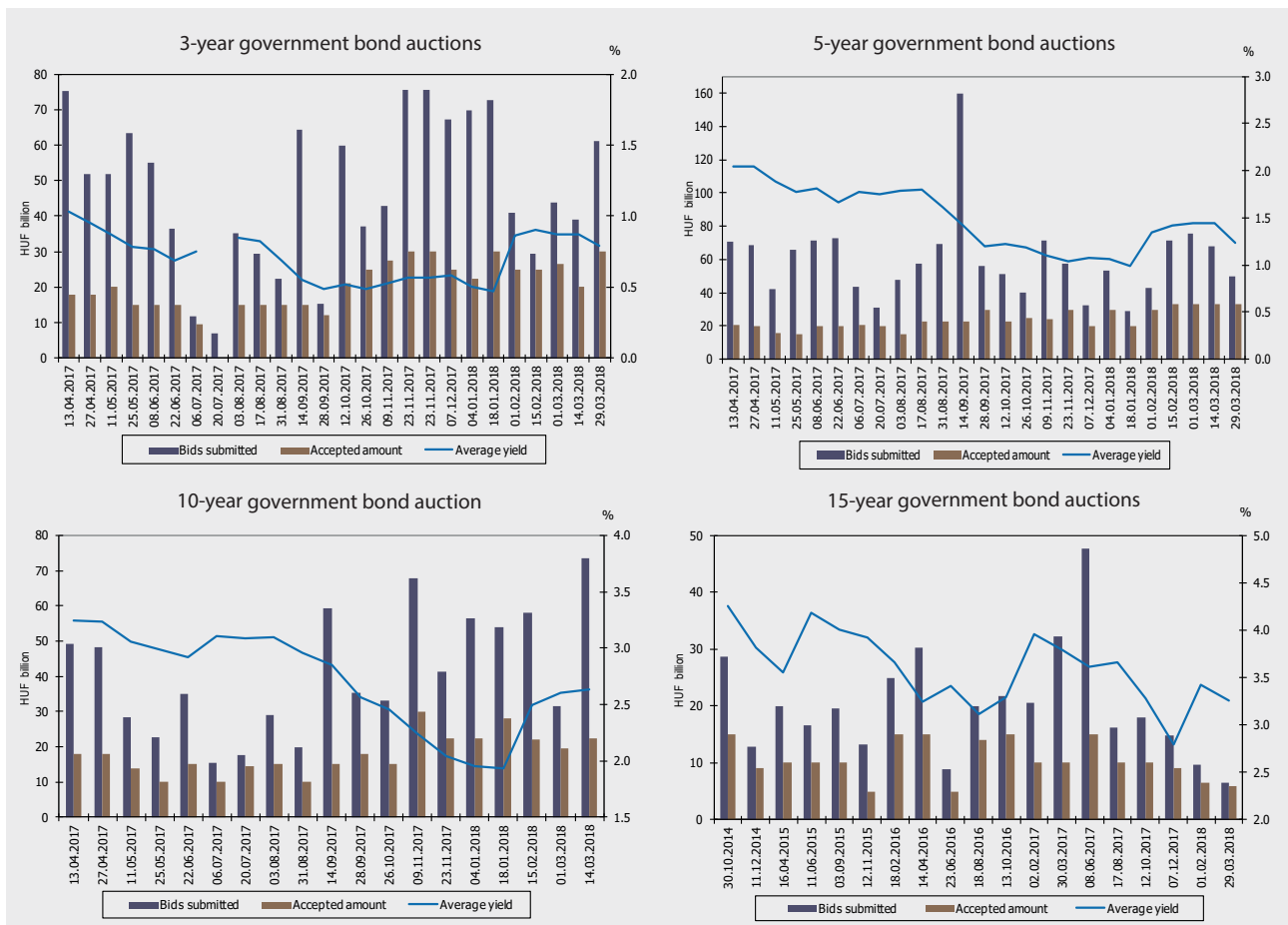
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/C	2022/B	2027/A	2023/B	2021/C	2022/B	2027/A	2023/B	2021/C	2022/B	2038/A
ISIN code	HU0000403464	HU0000403266	HU0000403118	HU0000403456	HU0000403464	HU0000403266	HU0000403118	HU0000403456	HU0000403464	HU0000403266	HU0000403555
Maturity (in years)	3	5	10	5	3	5	10	5	3	5	15
Coupon	0.50%	1.75%	3.00%	0.03%	0.50%	1.75%	3.00%	0.03%	0.50%	1.75%	3.00%
Auction	3rd auction	30th auction	43rd auction	5th auction	4th auction	31st auction	44th auction	6th auction	5th auction	32nd auction	2nd auction
Date of auction	01.03.2018	01.03.2018	01.03.2018	08.03.2018	14.03.2018	14.03.2018	14.03.2018	22.03.2018	29.03.2018	29.03.2018	29.03.2018
Date of financial settlement	07.03.2018	07.03.2018	07.03.2018	14.03.2018	21.03.2018	21.03.2018	21.03.2018	28.03.2018	04.04.2018	04.04.2018	04.04.2018
Redemption date	21.04.2021	26.10.2022	27.10.2027	26.07.2023	21.04.2021	26.10.2022	27.10.2027	26.07.2023	21.04.2021	26.10.2022	27.10.2038
Maximum annual yield (%) - ISMA	0.88	1.45	2.62	-	0.89	1.44	2.64	-	0.80	1.24	3.28
Minimum annual yield (%) - ISMA	0.86	1.42	2.57	-	0.86	1.43	2.62	-	0.78	1.21	3.22
Average annual yield (%) - ISMA	0.87	1.44	2.60	-	0.87	1.44	2.63	-	0.79	1.22	3.26
Maximum annual yield (%) - EHM	0.88	1.45	2.62	-	0.89	1.44	2.64	-	0.80	1.24	3.28
Minimum annual yield (%) - EHM	0.86	1.42	2.57	-	0.86	1.43	2.62	-	0.78	1.21	3.22
Average annual yield (%) - EHM	0.87	1.43	2.60	-	0.87	1.44	2.63	-	0.79	1.22	3.26
Maximum price (%)	98.8961	101.4699	103.6238	98.3300	98.9081	101.4144	103.1803	98.3300	99.1620	102.3900	96.7297
Minimum price (%)	98.8300	101.3434	103.1919	98.3000	98.8177	101.3681	103.0098	98.2200	99.0999	102.2461	95.8593
Average price (%)	98.8589	101.3976	103.3784	98.3100	98.8642	101.3790	103.0580	98.2600	99.1274	102.3170	96.1702
Amount offered for sale (HUF million)	20,000.00	25,000.00	15,000.00	8,000.00	20,000.00	25,000.00	15,000.00	8,000.00	20,000.00	25,000.00	8,000.00
Amount of bids submitted (HUF million)	44,000.00	75,500.00	31,521.70	24,670.00	39,191.20	68,100.00	73,500.00	27,295.00	61,250.00	49,600.00	6,450.00
Amount of bids accepted (HUF million)	26,500.00	33,500.00	19,499.98	11,999.98	19,999.98	33,500.00	22,500.00	11,999.98	29,999.99	33,500.00	6,000.00
Bid-to-cover ratio	1.66	2.25	1.62	2.06	1.96	2.03	3.27	2.27	2.04	1.48	1.08
Bids submitted (pcs)	25	41	44	35	36	50	41	46	41	32	21
Bids accepted (pcs)	16	20	37	15	21	21	13	24	22	19	17
Tail (%) (average price - minimum price)	0.03	0.05	0.19	0.01	0.05	0.01	0.05	0.04	0.03	0.07	0.31
Market sales (HUF million)	26,500.00	33,500.00	19,499.98	11,999.98	19,999.98	33,500.00	22,500.00	11,999.98	29,999.99	33,500.00	6,000.00
Non-competitive offer (HUF million)	5,120.00	5,340.00	1,600.00	1,999.99	2,392.72	12,680.00	8,520.00	3,774.60	4,800.00	7,680.00	0.00
Total amount sales (HUF million)	31,620.00	38,840.00	21,099.98	13,999.97	22,392.70	46,180.00	31,020.00	15,774.58	34,799.99	41,180.00	6,000.00



GOVERNMENT SECURITIES MARKET

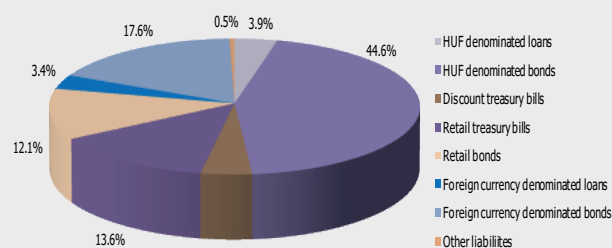
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MARCH 2018

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2021/A	20.03.2018	23.03.2018	23.06.2018	25.06.2018	0.03%	0.01%
2023/I	14.03.2018	22.03.2018	22.03.2019	22.03.2019	3.90%	3.90%
2028/N	19.03.2018	22.03.2018	22.03.2019	22.03.2019	3.01%	3.05%

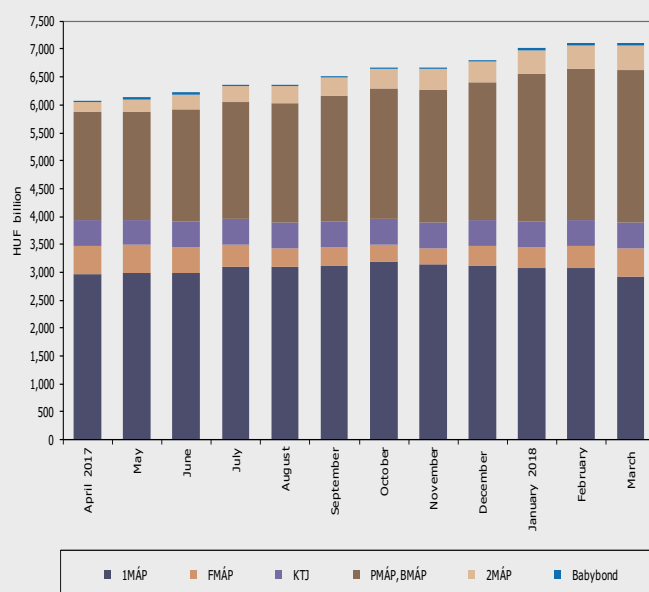
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2017	31.03.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	2,925.0	-184.8
Half-year Hungarian Government Security / FMÁP	351.8	488.0	136.2
Treasury Saving Bills / KTJ	468.7	472.0	3.3
Premium and Bonus Hungarian Government	2,457.5	2,733.7	276.2
2-year Hungarian Government Security / 2MÁP	376.8	446.4	69.5
Babybond	38.2	42.3	4.1
Total	6,802.9	7,107.5	304.7

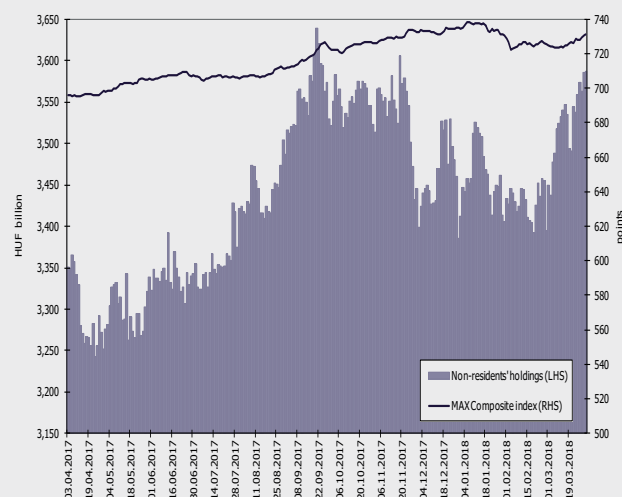
Debt structure at 31.03.2018



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 29.03.2018	769.2630	551.7674	731.2131	535.4926
Changes compared to the end of the month before	6.1815	-0.1079	5.5485	-0.0222
Annual yield earned on the index portfolio (%)	5.90	0.11	5.42	0.09

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 29.03.2018	743.0976	809.5798	595.1702	395.7843
Changes compared to the end of the month before	1.9185	8.0282	10.5248	6.5320
Reference yield (%)	0.81	1.24	2.39	2.85
Annual yield earned on the index portfolio (%)	2.99	6.48	10.94	14.16

Government bonds with the highest secondary market turnover in March 2018

Government bond	Date of redemption	Turnover (HUF billion)
2025/B	24.06.2025	491.1
2027/A	27.10.2027	418.6
2018/B	25.04.2018	325.4
2022/B	26.10.2022	314.6
2020/C	23.09.2020	258.6
2022/A	24.06.2022	186.8
2026/D	22.12.2026	175.8
2021/C	21.04.2021	143.6
2023/A	24.11.2023	109.4
2028/A	22.10.2028	94.0

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

Government bond	HUF billion	
	28.02.2018	31.03.2018
2021/C	59.38	113.72
2022/B	764.90	850.22
2027/A	732.94	785.06
2031/A	201.45	201.44

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

Government bond	HUF billion
2025/B	1,197.42
2023/A	998.46
2022/A	972.11

