

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT OCTOBER 2018

The net issuance was HUF 1,841.2 billion; out of which net HUF-denominated issuance was HUF 2,124.6 billion and net foreign currency denominated redemption was HUF 283.4 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	October	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	22,814.0	79.0	2,124.6	10.3
Loans	1,041.1	3.9	1,118.0	3.9	76.9	7.4
Government bonds	11,806.3	44.1	12,871.3	44.6	1,064.9	9.0
Retail securities	6,802.9	25.4	7,417.6	25.7	614.7	9.0
Discount treasury bills	1,039.2	3.9	1,407.2	4.9	368.0	35.4
Foreign exchange denominated debt	5,782.5	21.6	5,764.8	20.0	-17.8	-0.3
Total	26,472.0	99.0	28,578.8	98.9	2,106.8	8.0
<i>Other obligations</i>	274.2	1.0	308.8	1.1	34.5	12.6
Total central government debt	26,746.2	100.0	28,887.6	100.0	2,141.4	8.0

The HUF denominated debt of the central government increased by HUF 2,124.6 billion in 2018. The increase in domestic debt was the result of the net government bond issuance of HUF 1,064.9 billion, the amount of discount Treasury bills increased by HUF 368.0 billion and the total amount of retail government securities increased by HUF 614.7 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 76.9 billion in 2018.

The foreign currency debt of the central government decreased by HUF 17.8 billion in 2018. The samurai bond issue increased the debt by HUF 71.3 billion and the euro bond issue increased the debt by HUF 323.4 billion, the domestic PÉMAK bond issuance was HUF 31.4 billion, while the redemptions of foreign currency bonds worth HUF 548.0 billion and the HUF160.3 billion foreign currency loan repayment decreased the debt. The exchange rate revaluations totalling HUF 265.6 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities increased by HUF 34.5 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	28.09.2018	31.10.2018	Change in October basis point
3-month	-0.01	0.12	-0.01	-13
6-month	0.01	0.13	0.01	-12
1-year	0.02	0.40	0.28	-12
3-year	0.51	1.75	1.60	-15
5-year	1.09	2.97	3.06	9
10-year	2.02	3.54	3.66	12
15-year	2.72	3.95	4.19	24

Monthly OTC turnover of government securities increased by 14% to HUF 4,822.9 billion in October. Primary dealers, who account for the decisive part of all secondary government securities trading, made 73% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 224.7 billion in October and amounted to HUF 3,973.8 billion at the end of the month. This volume represented 18.3% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 324.69 on the last working day of October.

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

GOVERNMENT SECURITIES MARKET

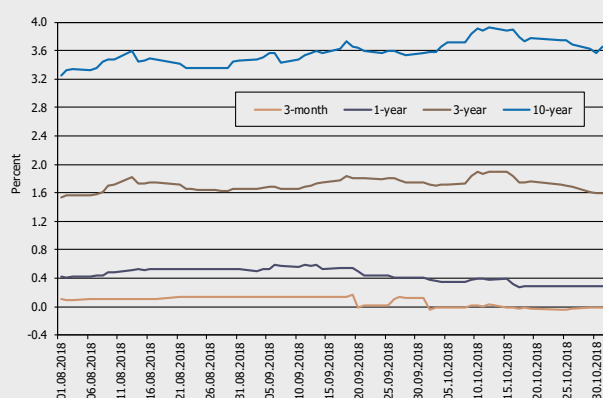
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

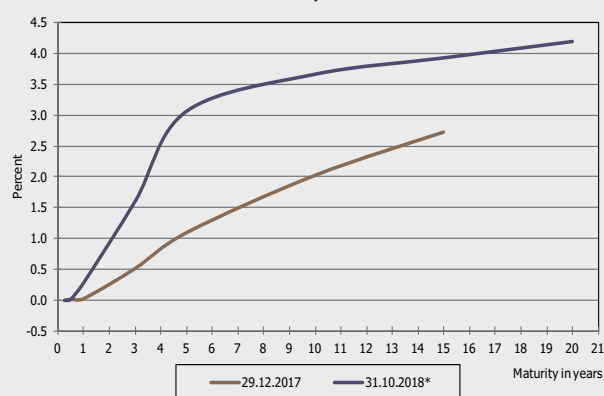
	2013	2014	2015	2016	2017	2018 August	2018 September	2018 October
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	22,723.9	22,743.9	22,814.0
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,118.0	1,118.0	1,118.0
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	21,605.9	21,625.9	21,696.0
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	21,566.7	21,586.7	21,656.8
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,588.4	12,744.0	12,832.1
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,634.6	1,474.4	1,407.2
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,343.7	7,368.3	7,417.6
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	5,571.6	5,430.1	5,764.8
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	901.4	820.2	811.1
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	901.4	820.2	811.1
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	4,670.1	4,609.9	4,953.6
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	3,932.4	3,900.2	4,235.9
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	737.8	709.7	717.8
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	28,295.4	28,174.0	28,578.8
Other liabilities	117.30	311.20	756.00	742.70	274.20	296.6	244.1	308.8
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	28,592.1	28,418.1	28,887.6
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	14,262.2	14,257.6	14,278.5
Gross debt/GDP	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.

Benchmark yields

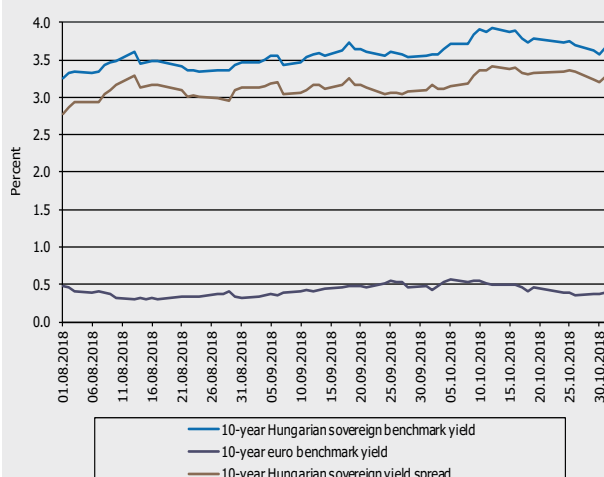


Benchmark yield curves

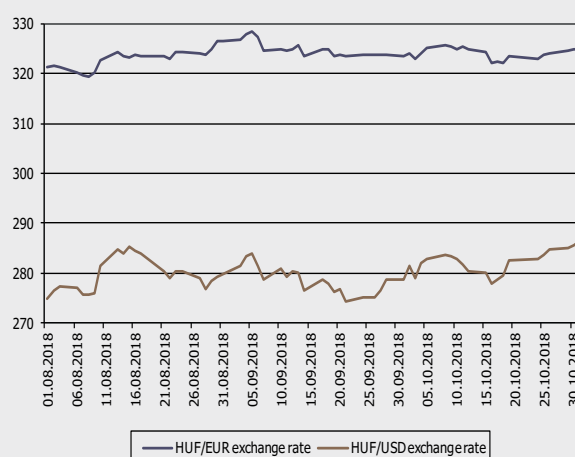


* The maturity of the reference bond is 20 years instead of 15 years from 04.04.2018

10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



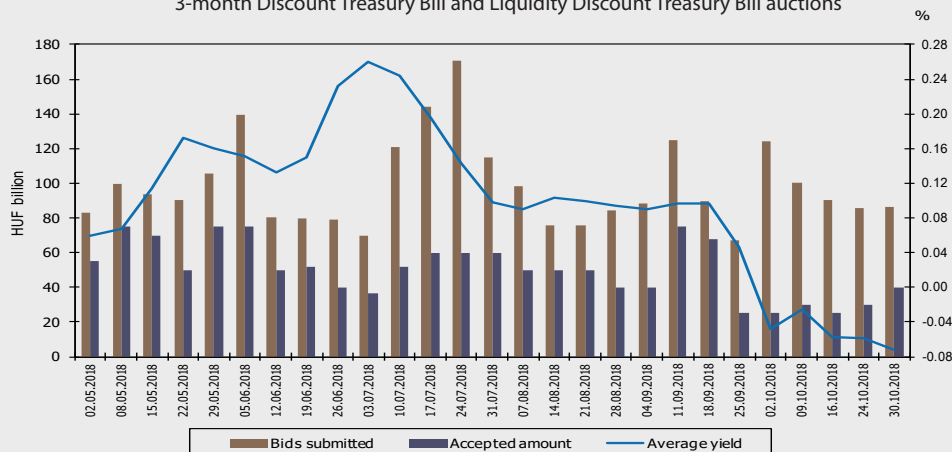
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

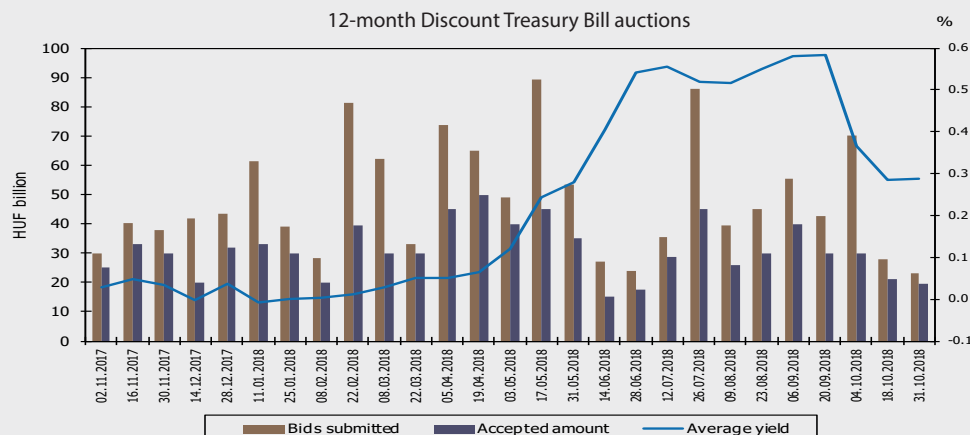
	3-month Discount T-bills					12-month Discount T-bills		
Code of T-bills	D190109	D190116	D190123	D190130	D190206	D190925	D190925	D190925
ISIN code	HU0000522271	HU0000522289	HU0000522297	HU0000522305	HU0000522313	HU0000522255	HU0000522255	HU0000522255
Maturity in days	91	91	91	91	91	350	336	322
Date of auction	02.10.2018	09.10.2018	16.10.2018	24.10.2018	30.10.2018	04.10.2018	18.10.2018	31.10.2018
Date of financial settlement	10.10.2018	17.10.2018	24.10.2018	31.10.2018	07.11.2018	10.10.2018	24.10.2018	07.11.2018
Redemption date	09.01.2019	16.01.2019	23.01.2019	30.01.2019	06.02.2019	25.09.2019	25.09.2019	25.09.2019
Maximum yield (%) - ISMA	0.01	0.00	-0.04	-0.05	-0.05	0.39	0.33	0.33
Minimum yield (%) - ISMA	-0.12	-0.06	-0.08	-0.07	-0.09	0.33	0.23	0.20
Average yield (%) - ISMA	-0.05	-0.03	-0.06	-0.06	-0.07	0.37	0.29	0.29
Maximum yield (%) - EHM	0.01	0.00	-0.04	-0.05	-0.05	0.40	0.33	0.33
Minimum yield (%) - EHM	-0.12	-0.06	-0.08	-0.07	-0.09	0.33	0.23	0.20
Average yield (%) - EHM	-0.05	-0.03	-0.06	-0.06	-0.07	0.37	0.29	0.29
Average selling price (%)	100.0121	100.0066	100.0144	100.0147	100.0181	99.6456	99.7337	99.7425
Amount offered for sale (HUF million)	25,000.00	25,000.00	25,000.00	25,000.00	35,000.00	30,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	124,025.00	100,361.00	90,640.00	85,426.00	86,668.00	70,180.31	27,902.00	23,087.34
Amount of bids accepted (HUF million)	25,000.00	29,999.99	24,999.99	29,999.98	39,999.99	29,999.99	21,000.00	19,499.98
Bid-to-cover ratio	4.96	3.35	3.63	2.85	2.17	2.34	1.33	1.18
Bids submitted (pcs)	44	41	33	27	25	65	47	47
Bids accepted (pcs)	13	11	9	10	8	26	40	34
Market sales* (HUF million)	25,000.00	29,999.99	24,999.99	29,999.98	39,999.99	29,999.99	21,000.00	19,499.98
Retained on ÁKK's own account (HUF million)	7,500.00	9,000.01	7,500.01	9,000.02	12,000.01	30,000.01	21,000.00	19,500.02
Total amount issued (HUF million)	32,500.00	39,000.00	32,500.00	39,000.00	52,000.00	60,000.00	42,000.00	39,000.00

* Without issuance onto ÁKK's own account

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



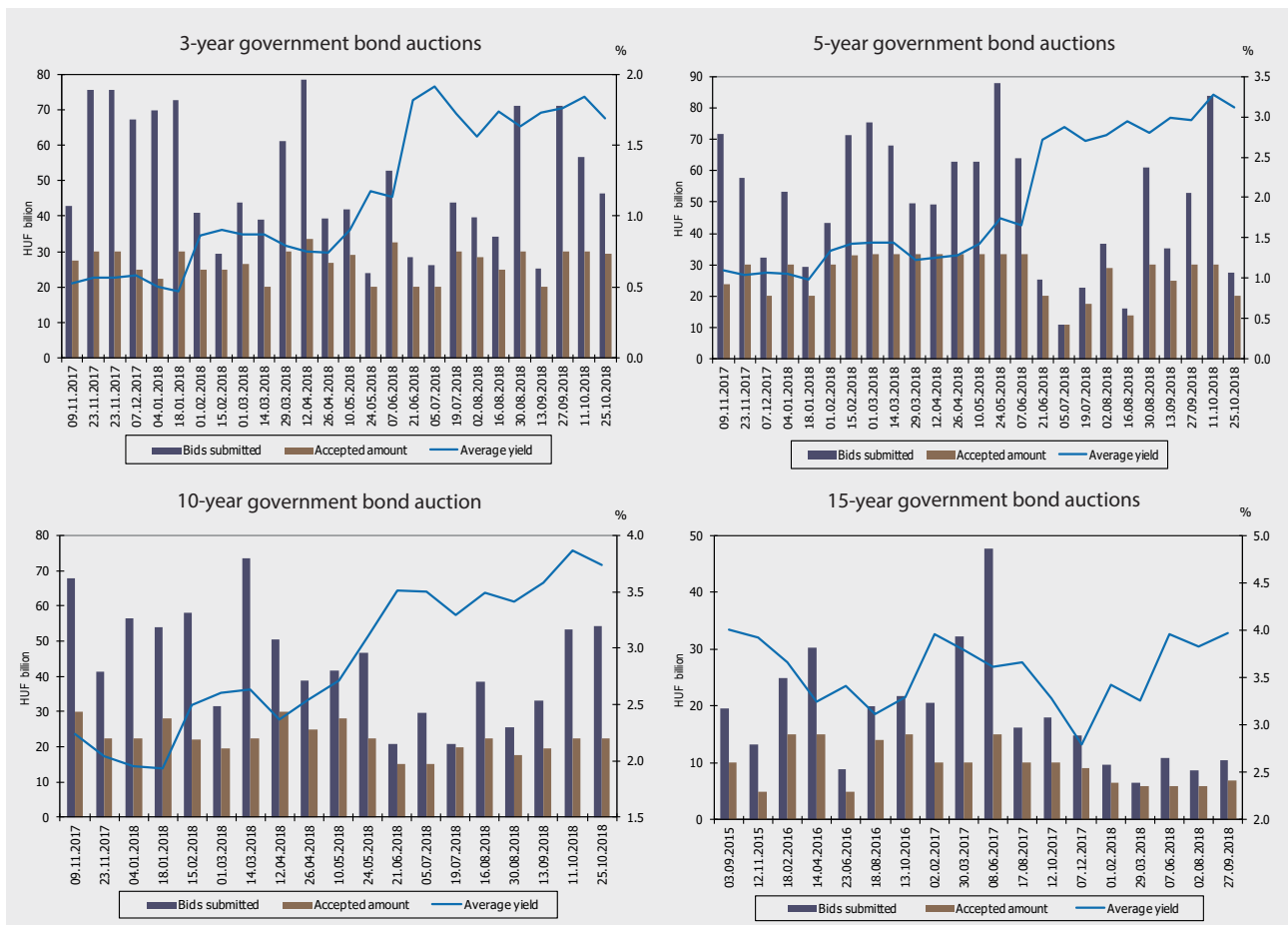
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2023/B	2021/C	2024/C	2027/A	2023/B	2021/C	2024/C	2027/A	2023/B
ISIN code	HU0000403456	HU0000403464	HU0000403571	HU0000403118	HU0000403456	HU0000403464	HU0000403571	HU0000403118	HU0000403456
Maturity (in years)	5	3	5	10	5	3	5	10	5
Coupon	0.25%	0.50%	2.50%	3.00%	0.25%	0.50%	2.50%	3.00%	0.16%
Auction	19th auction	19th auction	9th auction	55th auction	20th auction	20th auction	10th auction	56th auction	21st 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
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
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
Maximum annual yield (%) - ISMA	-	1.86	3.29	3.88	-	1.71	3.16	3.75	-
Minimum annual yield (%) - ISMA	-	1.81	3.25	3.84	-	1.66	3.09	3.72	-
Average annual yield (%) - ISMA	-	1.84	3.27	3.87	-	1.69	3.12	3.74	-
Maximum annual yield (%) - EHM	-	1.86	3.29	3.88	-	1.71	3.16	3.75	-
Minimum annual yield (%) - EHM	-	1.81	3.25	3.84	-	1.66	3.09	3.72	-
Average annual yield (%) - EHM	-	1.84	3.27	3.87	-	1.69	3.12	3.74	-
Maximum price (%)	97.6200	96.8121	95.9400	93.6909	97.6300	97.2121	96.8028	94.5830	97.6500
Minimum price (%)	97.5800	96.6932	95.7360	93.4027	97.5500	97.0945	96.4337	94.3646	97.5900
Average price (%)	97.6000	96.7314	95.8298	93.4912	97.6100	97.1334	96.6214	94.4472	97.6100
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
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
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
Bid-to-cover ratio	1.61	1.89	2.80	2.37	1.18	1.58	1.37	2.41	1.90
Bids submitted (pcs)	27	47	63	49	23	43	47	53	29
Bids accepted (pcs)	13	30	24	21	19	29	34	28	14
Tail (%) (average price - minimum price)	0.02	0.04	0.09	0.09	0.06	0.04	0.19	0.08	0.02
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
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
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



GOVERNMENT SECURITIES MARKET

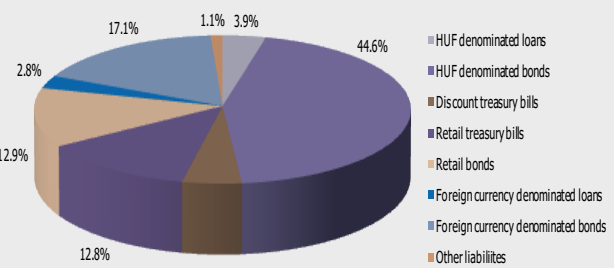
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN OCTOBER 2018

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%

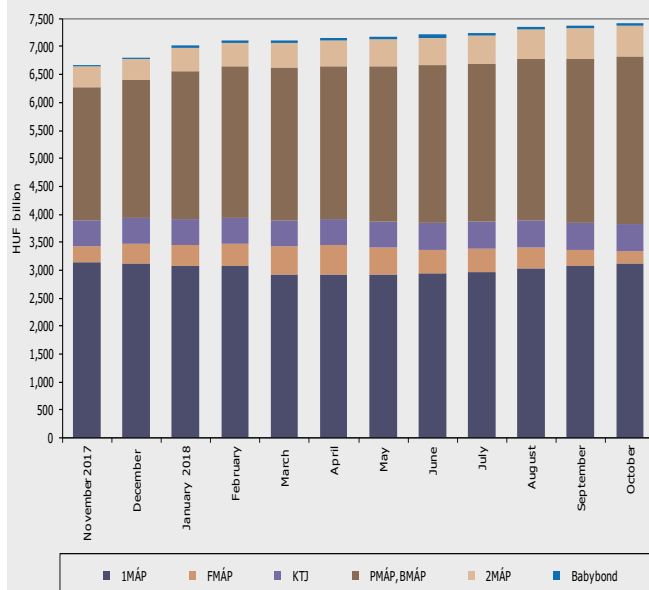
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2017	31.10.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	3,108.6	-1.1
Half-year Hungarian Government Security / FMÁP	351.8	227.6	-124.2
Treasury Saving Bills / KTJ	468.7	488.4	19.7
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	2,457.5	2,989.2	531.7
2-year Hungarian Government Security / 2MÁP	376.8	553.8	177.0
Babybond	38.2	49.9	11.6
Total	6,802.9	7,417.5	614.7

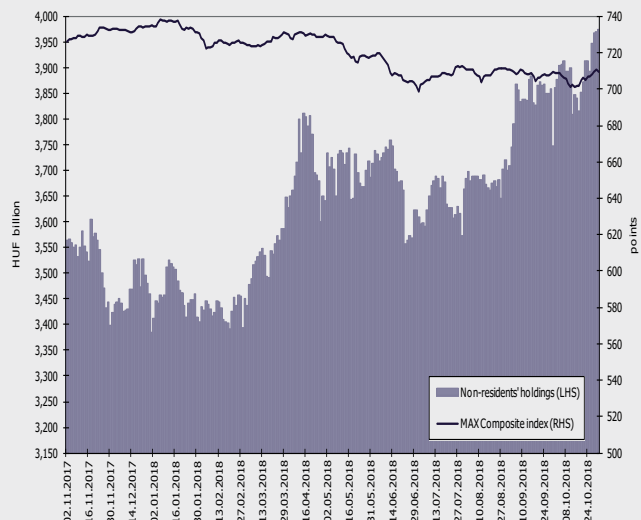
Debt structure at 31.10.2018



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 31.10.2018	744.8277	552.6675	709.2330	535.9929
Changes compared to the end of the month before	-1.9369	0.8207	-1.4722	0.3525
Annual yield earned on the index portfolio (%)	-2.01%	0.17%	-1.93%	0.10%

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.10.2018	732.5794	771.4021	548.6213	356.3988
Changes compared to the end of the month before	3.8426	-1.5882	-2.9708	-10.7170
Reference yield (%)	1.6	3.06	3.66	4.19
Annual yield earned on the index portfolio (%)	-1.15	-4.32	-6.19	-5.17

Government bonds with the highest secondary market turnover in October 2018

Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	591.0
2025/B	24.06.2025	399.7
2021/B	27.10.2021	307.5
2021/C	21.04.2021	275.1
2023/A	24.11.2023	227.5
2026/D	22.12.2026	209.4
2019/A	24.06.2019	195.4
2024/C	24.10.2024	175.4
2022/B	26.10.2022	154.9
2020/A	12.11.2020	142.6

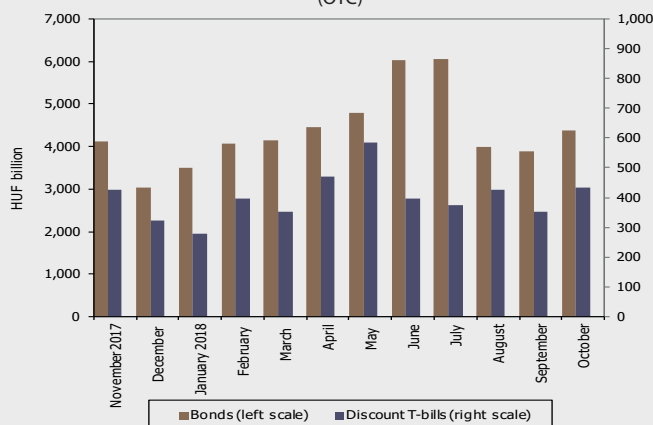
The outstanding volume of government bonds with benchmark status at the end of October 2018

Government bond	HUF billion	
	30.09.2018	31.10.2018
2021/C	507.64	623.70
2024/C	155.13	248.29
2027/A	1,046.46	1,106.64
2038/A	24.97	31.98

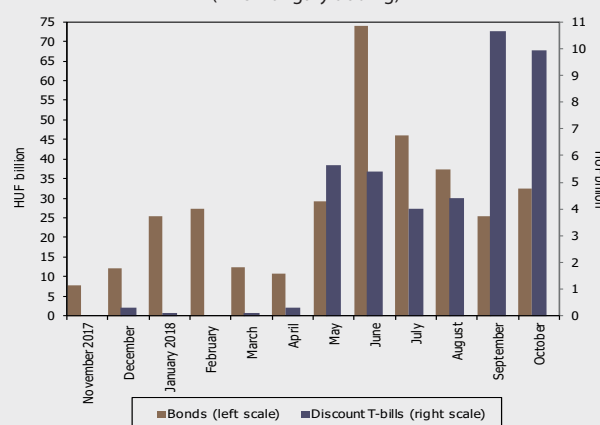
The outstanding volume of the three largest government bonds at the end of October 2018

Government bond	HUF billion
2025/B	1,194.65
2027/A	1,106.64
2022/B	1,099.77

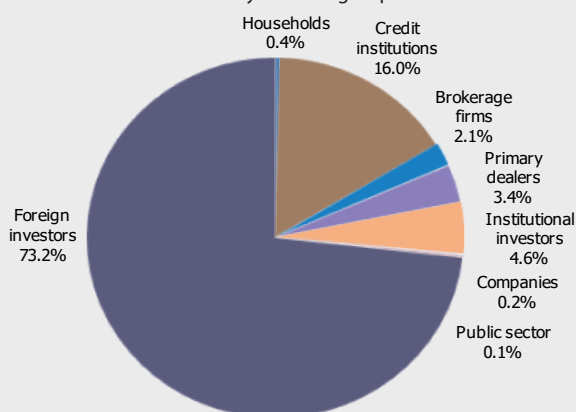
Secondary market trading of Hungarian government securities (OTC)



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



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



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

