

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT FEBRUARY 2019

The net issuance was HUF 9.1 billion; out of which net HUF-denominated issuance was HUF 303.3 billion and net foreign currency denominated redemption was HUF 294.2 billion in 2019.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2018		2019		Change	
	December	%	February	%	HUF billion	%
HUF denominated debt	22,796.0	79.5	23,099.2	80.7	303.3	1.3
Loans	1,167.7	4.1	1,187.8	4.1	20.1	1.7
Government bonds	12,875.2	44.9	13,371.1	46.7	495.9	3.9
Retail securities	7,515.7	26.2	7,331.0	25.6	-184.7	-2.5
Discount treasury bills	1,237.3	4.3	1,209.3	4.2	-28.0	-2.3
Foreign exchange denominated debt	5,724.8	20.0	5,344.1	18.7	-380.7	-6.7
Total	28,520.7	99.4	28,443.3	99.4	-77.4	-0.3
Other obligations	167.4	0.6	179.9	0.6	12.5	7.5
Total central government debt	28,688.2	100.0	28,623.2	100.0	-65.0	-0.2

The HUF denominated debt of the central government increased by HUF 303.3 billion in 2019. The increase in domestic debt was the result of the net government bond issuance of HUF 495.9 billion, the amount of discount Treasury bills decreased by HUF 28.0 billion and the total amount of retail government securities decreased by HUF 184.7 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 20.1 billion in 2019.

The foreign currency debt of the central government decreased by HUF 380.7 billion in 2019. The domestic PÉMAK bond issuance was HUF 12.3 billion, while the redemptions of foreign currency bonds worth HUF 306.5 billion. The exchange rate revaluations totalling HUF 86.5 billion decreased the Hungarian Forint value of the foreign currency debt in 2019. The total amount of other liabilities increased by HUF 12.5 billion in 2019.

BENCHMARK YIELDS

Maturity	28.12.2018	31.01.2019	28.02.2019	Change in February basis point
3-month	0.00	0.08	0.12	4
6-month	0.12	0.18	0.13	-5
1-year	0.39	0.37	0.37	0
3-year	1.21	1.15	0.95	-20
5-year	2.46	2.26	2.21	-5
10-year	3.01	2.74	2.70	-4
15-year	3.78	3.75	3.69	-6

Monthly OTC turnover of government securities decreased by 8% to HUF 6,227.3 billion in February. Primary dealers, who account for the decisive part of all secondary government securities trading, made 78% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 54.9 billion in February and amounted to HUF 4,214.6 billion at the end of the month. This volume represented 19.2% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 316.39 on the last working day of February.

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

Standard and Poor's and Fitch upgraded Hungary's credit rating from "BBB-" to "BBB", and the outlook of the new ratings are stable in both cases in February.

GOVERNMENT SECURITIES MARKET

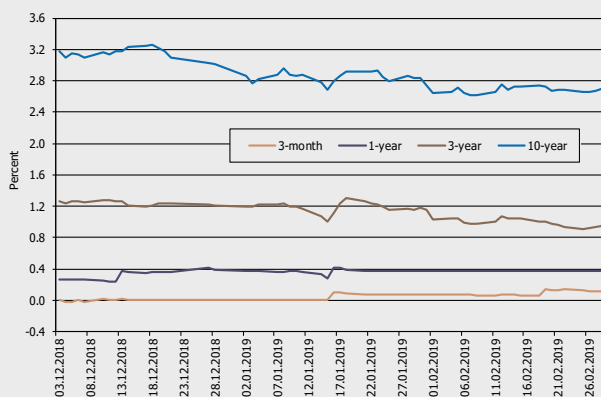
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

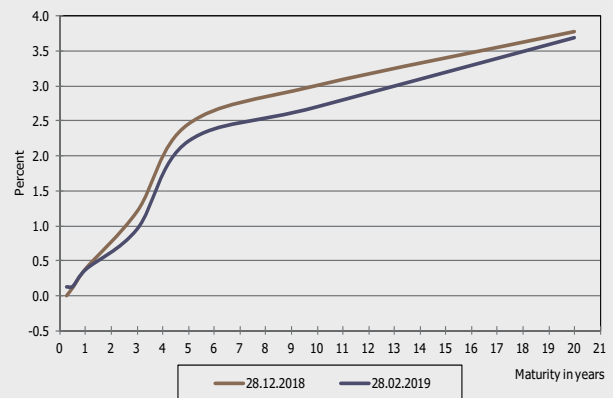
	2013	2014	2015	2016	2017	2018 December	2019 January	2019 February
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	22,796.0	23,188.8	23,099.2
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,167.7	1,187.8	1,187.8
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	21,628.3	22,001.0	21,911.4
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	21,589.1	21,961.8	21,872.3
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,836.1	13,035.1	13,331.9
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,237.3	1,382.9	1,209.3
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,515.7	7,543.9	7,331.0
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	5,724.8	5,373.9	5,344.1
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	795.0	781.0	782.3
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	795.0	781.0	782.3
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	4,929.8	4,592.8	4,561.7
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	4,246.2	3,915.5	3,877.1
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	683.6	677.3	684.6
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	28,520.7	28,562.7	28,443.3
Other liabilities	117.30	311.20	756.00	742.70	274.20	167.4	168.9	179.9
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	28,688.2	28,731.6	28,623.2
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	14,112.6	14,457.2	14,580.4
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.

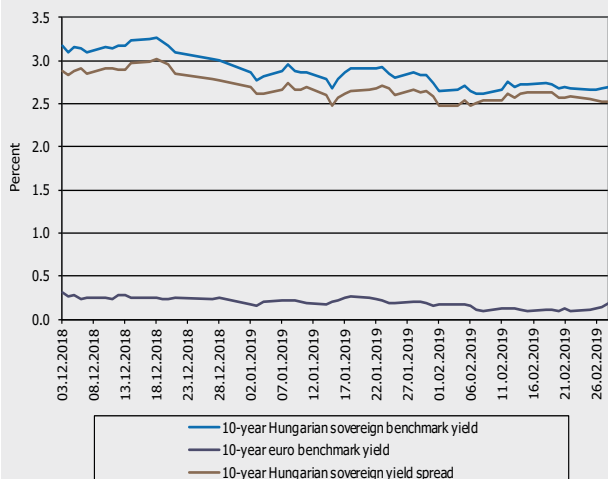
Benchmark yields



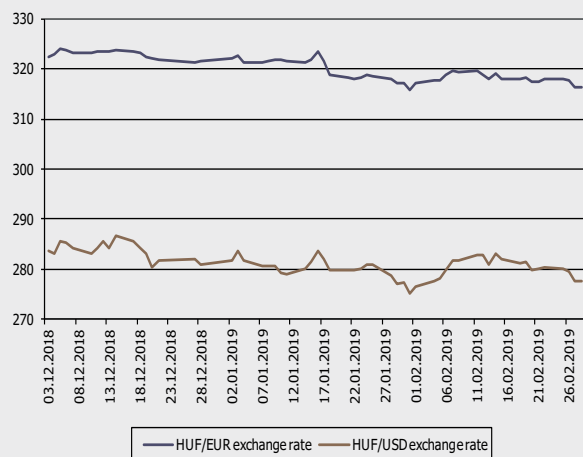
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



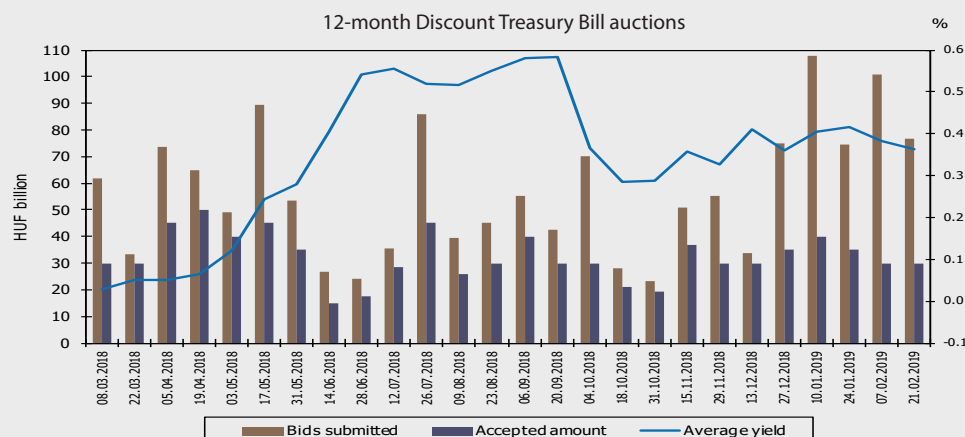
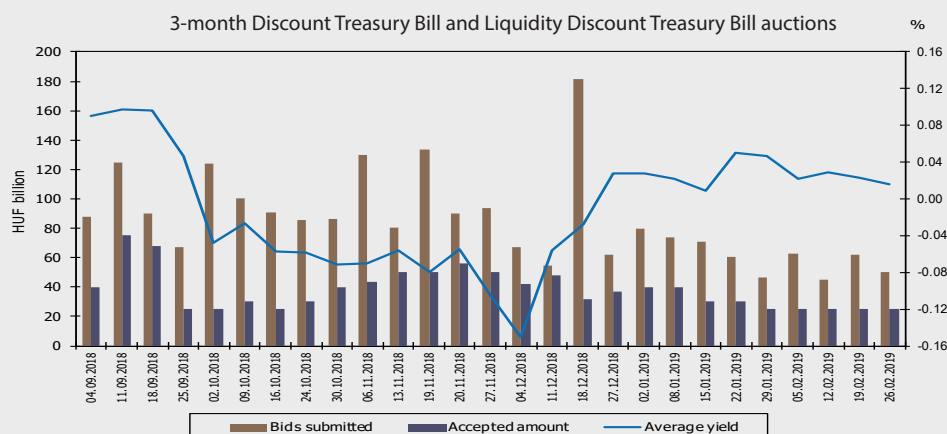
The exchange rate of the Hungarian Forint



GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

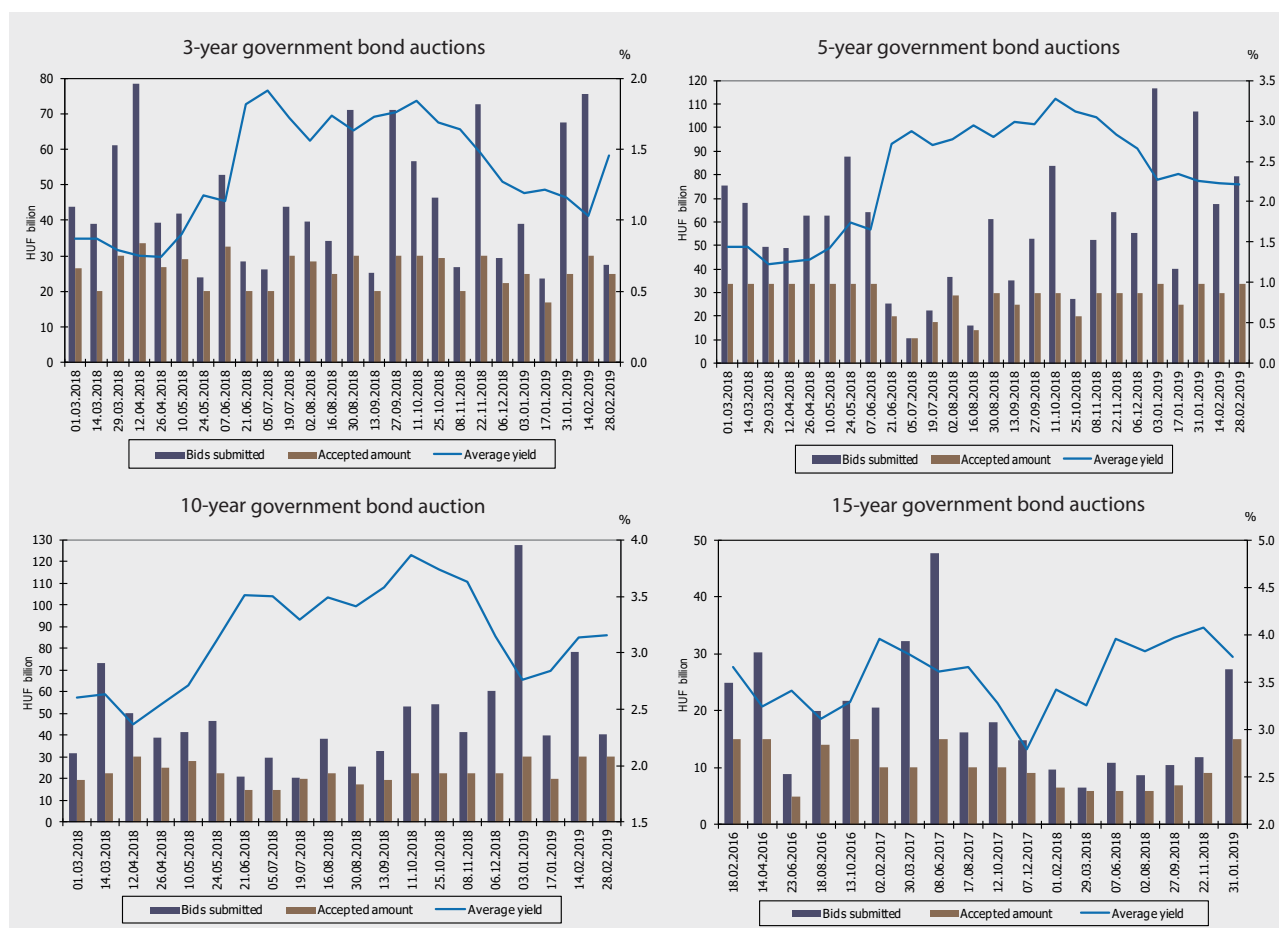
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D190515	D190522	D190529	D190605	D191231	D191231
ISIN code	HU0000522453	HU0000522107	HU0000522461	HU0000522479	HU0000522420	HU0000522420
Maturity in days	91	91	91	91	321	307
Date of auction	05.02.2019	12.02.2019	19.02.2019	26.02.2019	07.02.2019	21.02.2019
Date of financial settlement	13.02.2019	20.02.2019	27.02.2019	06.03.2019	13.02.2019	27.02.2019
Redemption date	15.05.2019	22.05.2019	29.05.2019	05.06.2019	31.12.2019	31.12.2019
Maximum yield (%) - ISMA	0.03	0.04	0.03	0.02	0.39	0.38
Minimum yield (%) - ISMA	0.01	0.01	0.01	0.01	0.37	0.33
Average yield (%) - ISMA	0.02	0.03	0.02	0.02	0.38	0.36
Maximum yield (%) - EHM	0.03	0.04	0.03	0.02	0.40	0.39
Minimum yield (%) - EHM	0.01	0.01	0.01	0.01	0.38	0.33
Average yield (%) - EHM	0.02	0.03	0.02	0.02	0.39	0.37
Average selling price (%)	99.9946	99.9928	99.9943	99.9959	99.6608	99.6923
Amount offered for sale (HUF million)	25,000.00	25,000.00	25,000.00	25,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	62,553.59	44,912.50	61,833.59	50,384.00	100,659.60	76,873.00
Amount of bids accepted (HUF million)	25,000.00	24,999.96	24,999.98	25,000.00	29,999.94	29,999.94
Bid-to-cover ratio	2.50	1.80	2.47	2.02	3.36	2.56
Bids submitted (pcs)	22	26	45	29	69	79
Bids accepted (pcs)	9	17	18	10	21	39
Market sales* (HUF million)	25,000.00	24,999.96	24,999.98	25,000.00	29,999.94	29,999.94
Retained on ÁKK's own account (HUF million)	7,500.00	7,500.04	7500.02	7,500.00	30,000.06	0.06
Total amount issued (HUF million)	32,500.00	32,500.00	32,500.00	32,500.00	60,000.00	30,000.00
* Without issuance onto ÁKK's own account						



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2023/B	2021/C	2024/C	2030/A	2023/B	2022/C	2024/C	2030/A
ISIN code	HU0000403456	HU0000403464	HU0000403571	HU0000403696	HU0000403456	HU0000403704	HU0000403571	HU0000403696
Maturity (in years)	5	3	5	10	5	3	5	10
Coupon	0.14%	0.50%	2.50%	3.00%	0.14%	1.50%	2.50%	3.00%
Auction	27th auction	27th auction	17th auction	1st auction	28th auction	1st auction	18th auction	2nd auction
Date of auction	07.02.2019	14.02.2019	14.02.2019	14.02.2019	21.02.2019	28.02.2019	28.02.2019	28.02.2019
Date of financial settlement	13.02.2019	20.02.2019	20.02.2019	20.02.2019	27.02.2019	06.03.2019	06.03.2019	06.03.2019
Redemption date	26.07.2023	21.04.2021	24.10.2024	21.08.2030	26.07.2023	24.08.2022	24.10.2024	21.08.2030
Maximum annual yield (%) - ISMA	-	1.04	2.24	3.18	-	1.53	2.22	3.17
Minimum annual yield (%) - ISMA	-	1.01	2.20	3.10	-	1.42	2.19	3.12
Average annual yield (%) - ISMA	-	1.03	2.23	3.14	-	1.46	2.21	3.16
Maximum annual yield (%) - EHM	-	1.04	2.24	3.18	-	1.53	2.22	3.17
Minimum annual yield (%) - EHM	-	1.01	2.20	3.10	-	1.42	2.19	3.12
Average annual yield (%) - EHM	-	1.02	2.23	3.14	-	1.46	2.20	3.15
Maximum price (%)	98.0600	98.9131	101.5710	99.0604	98.2300	100.2710	101.6144	98.8722
Minimum price (%)	98.0100	98.8520	101.3577	98.3049	98.2000	99.9002	101.4554	98.4013
Average price (%)	98.0200	98.8805	101.4144	98.7038	98.2200	100.1248	101.5248	98.5391
Amount offered for sale (HUF million)	6,000.00	20,000.00	25,000.00	20,000.00	8,000.00	25,000.00	25,000.00	20,000.00
Amount of bids submitted (HUF million)	31,400.00	75,650.00	67,340.00	78,591.00	45,705.00	27,400.00	79,457.92	40,379.83
Amount of bids accepted (HUF million)	8,999.99	30,000.00	29,999.98	30,000.00	11,999.99	25,000.00	33,500.00	29,999.97
Bid-to-cover ratio	3.49	2.52	2.24	2.62	3.81	1.10	2.37	1.35
Bids submitted (pcs)	40	54	62	71	53	43	75	53
Bids accepted (pcs)	16	18	36	34	16	42	32	37
Tail (%) (average price - minimum price)	0.01	0.03	0.06	0.40	0.02	0.22	0.07	0.14
Market sales (HUF million)	8,999.99	30,000.00	29,999.98	30,000.00	11,999.99	25,000.00	33,500.00	29,999.97
Non-competitive offer (HUF million)	3,279.99	5,440.00	9,477.40	9,191.60	4,045.00	0.00	12,869.00	6,413.32
Total amount sales (HUF million)	12,279.98	35,440.00	39,477.38	39,191.60	16,044.99	25,000.00	46,369.00	36,413.29



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2019/C	2020/B	2019/C	2020/B
ISIN code	HU0000403092	HU0000402953	HU0000403092	HU0000402953
Coupon (%)	2.00	3.50	2.00	3.50
Date of reverse auction	13.02.2019	13.02.2019	27.02.2019	27.02.2019
Date of financial settlement	20.02.2019	20.02.2019	06.03.2019	06.03.2019
Redemption date	30.10.2019	24.06.2020	30.10.2019	24.06.2020
Minimum annual yield (%)	0.22	0.32	0.00	0.25
Average annual yield- ISMA (%)	0.23	0.34	0.00	0.29
Average annual yield - EHM (%)	0.23	0.34	0.00	0.29
Amount of bids submitted (HUF million)	6,119.94	21,053.69	2,043.47	17,440.24
Amount of bids accepted (HUF million)	4,088.47	19,653.69	-	12,440.24

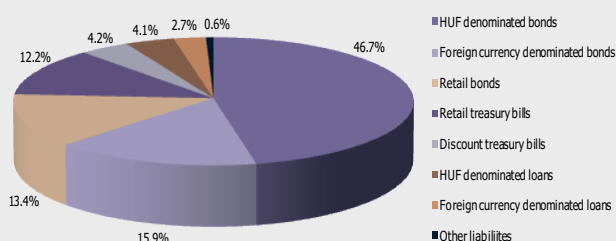
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN FEBRUARY 2019

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/D	25.02.2019	28.02.2019	28.05.2019	28.05.2019	0.15%	0.04%
2024/I	15.02.2019	21.02.2019	21.02.2020	21.02.2020	4.50%	4.50%

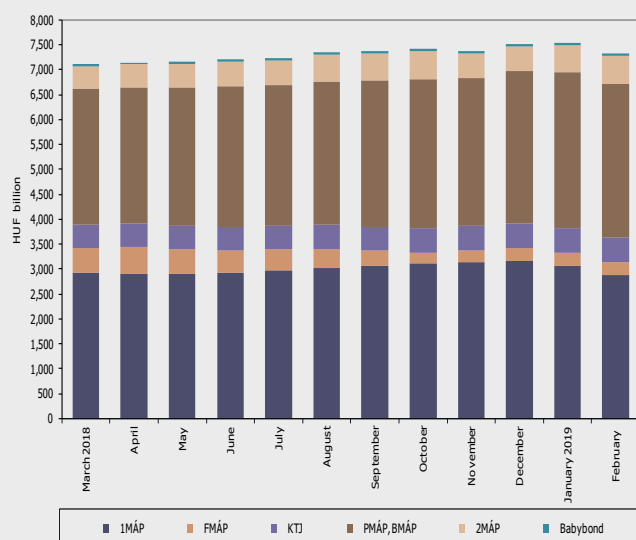
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2018	28.02.2019	HUF billion
1-year Hungarian Government Security / 1MÁP	3,169.8	2,887.1	-282.7
Half-year Hungarian Government Security / FMÁP	253.8	249.7	-4.1
Treasury Saving Bills / KTJ	495.9	502.3	6.4
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	3,041.1	3,074.5	33.4
2-year Hungarian Government Security / 2MÁP	500.2	557.4	57.2
Babybond	54.8	60.0	5.2
Total	7,515.7	7,331.0	-184.7

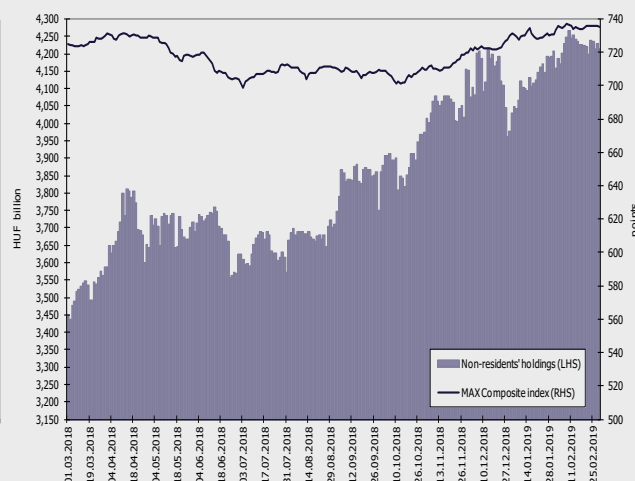
Debt structure at 28.02.2019



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 28.02.2019	775.5690	553.6240	735.1956	535.8433
Changes compared to the end of the month before	2.4490	0.1984	2.0938	0.1113
Annual yield earned on the index portfolio (%)	1.64	0.32	1.31	0.06

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 28.02.2019	746.4097	813.5596	596.0393	387.4051
Changes compared to the end of the month before	3.7693	3.4775	3.0117	4.3585
Reference yield (%)	0.95	2.21	2.7	3.69
Annual yield earned on the index portfolio (%)	0.71	1.50	1.95	-0.47

Government bonds with the highest secondary market turnover in February 2019

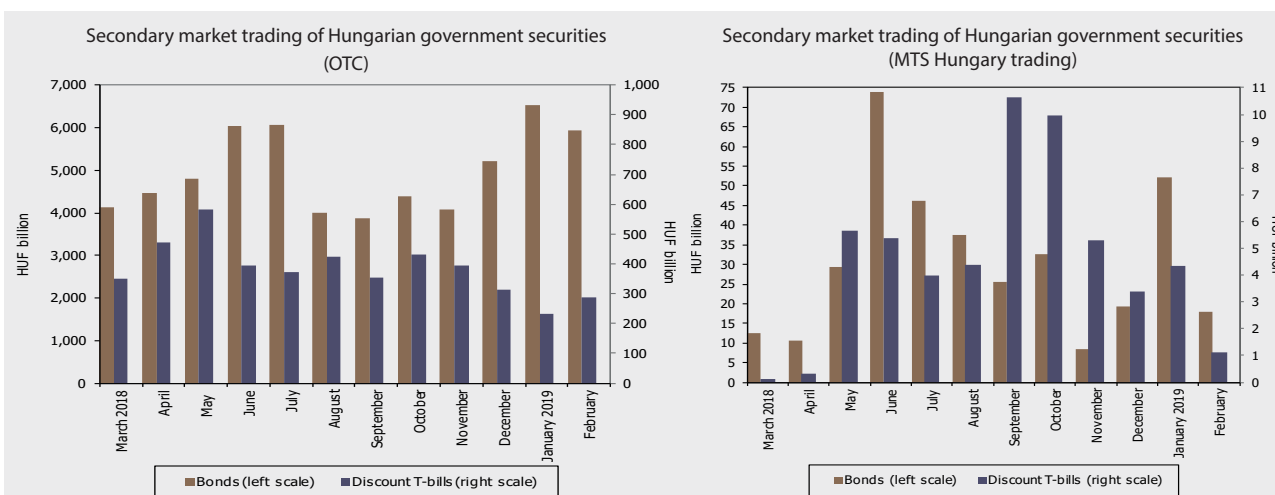
Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	575.4
2026/D	22.12.2026	463.9
2022/B	26.10.2022	370.8
2024/C	24.10.2024	347.5
2021/C	21.04.2021	336.4
2023/A	24.11.2023	292.1
2025/B	24.06.2025	259.0
2024/B	26.06.2024	145.0
2020/A	12.11.2020	121.4
2022/A	24.06.2022	114.2

The outstanding volume of government bonds with benchmark status at the end of February 2019

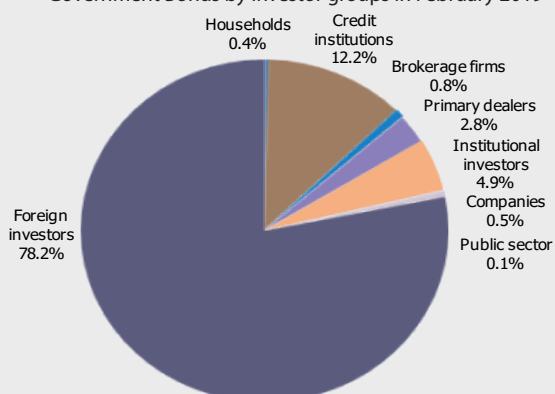
Government bond	HUF billion	
	31.01.2019	2019.02.28
2021/C	743.45	813.25
2024/C	431.56	516.29
2027/A	1,201.75	1,201.91
2038/A	41.16	58.61

The outstanding volume of the three largest government bonds at the end of February 2019

Government bond	HUF billion
2027/A	1,201.91
2025/B	1,194.56
2022/B	1,131.03



Breakdown of primary dealers' secondary market turnover in Government Bonds by investor groups in February 2019



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

