

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT NOVEMBER 2018

The net issuance was HUF 2,054.9 billion; out of which net HUF-denominated issuance was HUF 2,334.9 billion and net foreign currency denominated redemption was HUF 280.1 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	November	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	23,024.4	79.4	2,334.9	11.3
Loans	1,041.1	3.9	1,145.1	3.9	104.0	10.0
Government bonds	11,806.3	44.1	13,108.7	45.2	1,302.4	11.0
Retail securities	6,802.9	25.4	7,372.1	25.4	569.2	8.4
Discount treasury bills	1,039.2	3.9	1,398.4	4.8	359.3	34.6
Foreign exchange denominated debt	5,782.5	21.6	5,747.9	19.8	-34.7	-0.6
Total	26,472.0	99.0	28,772.2	99.2	2,300.3	8.7
<i>Other obligations</i>	274.2	1.0	232.8	0.8	-41.5	-15.1
Total central government debt	26,746.2	100.0	29,005.0	100.0	2,258.8	8.4

The HUF denominated debt of the central government increased by HUF 2,334.9 billion in 2018. The increase in domestic debt was the result of the net government bond issuance of HUF 1,302.4 billion, the amount of discount Treasury bills increased by HUF 359.3 billion and the total amount of retail government securities increased by HUF 569.2 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 104.0 billion in 2018.

The foreign currency debt of the central government decreased by HUF 34.7 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 34.8 billion, while the redemptions of foreign currency bonds worth HUF 548.1 billion and the HUF160.3 billion foreign currency loan repayment decreased the debt. The exchange rate revaluations totalling HUF 245.4 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities decreased by HUF 41.5 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	31.10.2018	30.11.2018	Change in November basis point
3-month	-0.01	-0.01	0.00	1
6-month	0.01	0.01	0.01	0
1-year	0.02	0.28	0.27	-1
3-year	0.51	1.60	1.26	-34
5-year	1.09	3.06	2.61	-45
10-year	2.02	3.66	3.14	-52
15-year	2.72	4.19	3.81	-38

Monthly OTC turnover of government securities decreased by 7% to HUF 4,462.2 billion in November. Primary dealers, who account for the decisive part of all secondary government securities trading, made 71% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 102.9 billion in November and amounted to HUF 4,076.7 billion at the end of the month. This volume represented 18.6% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 323.55 on the last working day of November.

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

GOVERNMENT SECURITIES MARKET

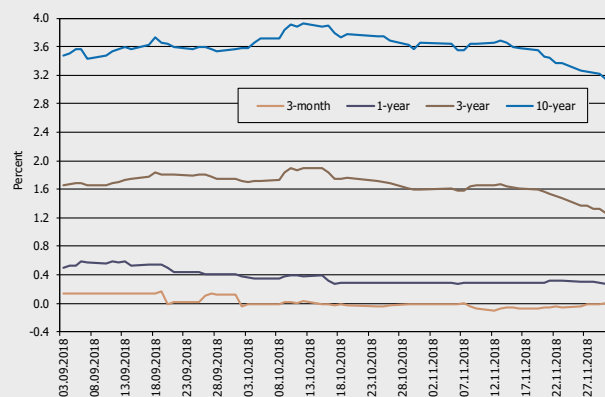
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

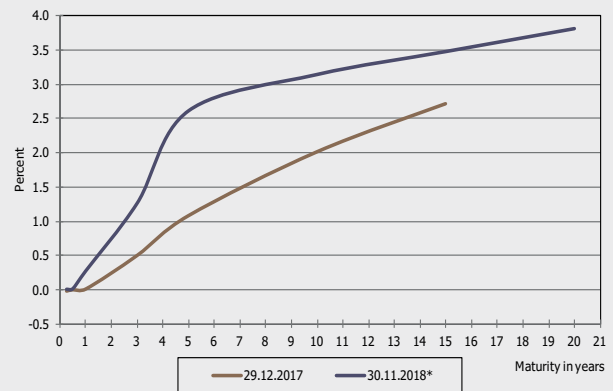
	2013	2014	2015	2016	2017	2018 September	2018 October	2018 November
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	22,743.9	22,814.0	23,024.4
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,118.0	1,118.0	1,145.1
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	21,625.9	21,696.0	21,879.2
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	21,586.7	21,656.8	21,840.1
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,744.0	12,832.1	13,069.6
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,474.4	1,407.2	1,398.4
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,368.3	7,417.6	7,372.1
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	5,430.1	5,764.8	5,747.9
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	820.2	811.1	808.3
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	820.2	811.1	808.3
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	4,609.9	4,953.6	4,939.6
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	3,900.2	4,235.9	4,221.0
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	709.7	717.8	718.6
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	28,174.0	28,578.8	28,772.2
Other liabilities	117.30	311.20	756.00	742.70	274.20	244.1	308.8	232.8
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	28,418.1	28,887.6	29,005.0
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	14,257.6	14,278.5	14,507.2
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

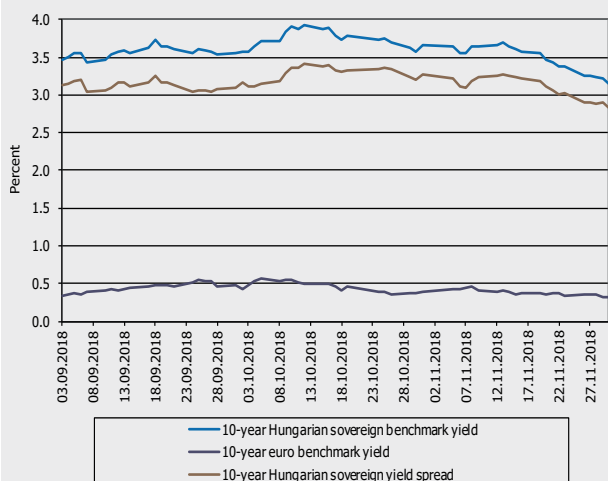


Benchmark yield curves

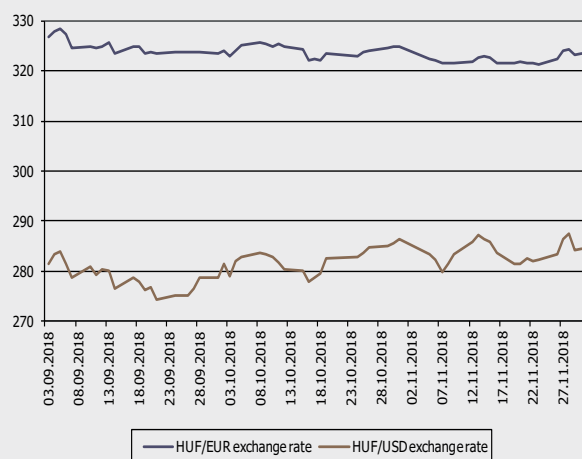


* The maturity of the reference bond is 20 years instead of 15 years from 04.04.2018

10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint

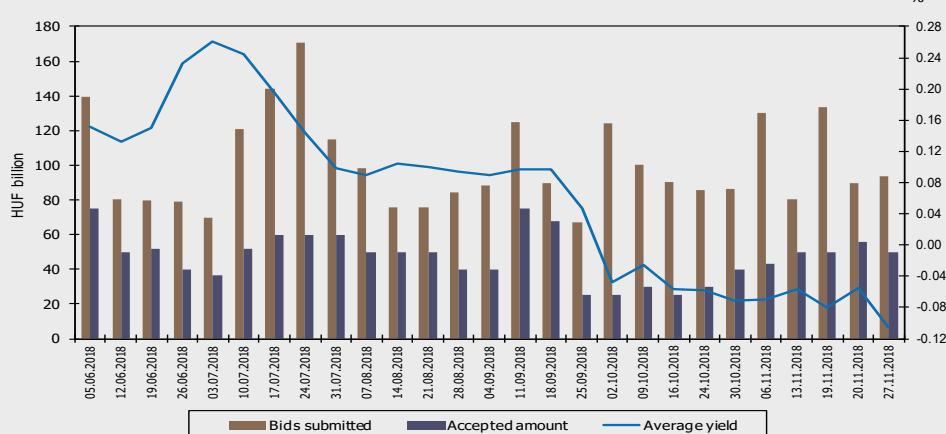


GOVERNMENT SECURITIES MARKET

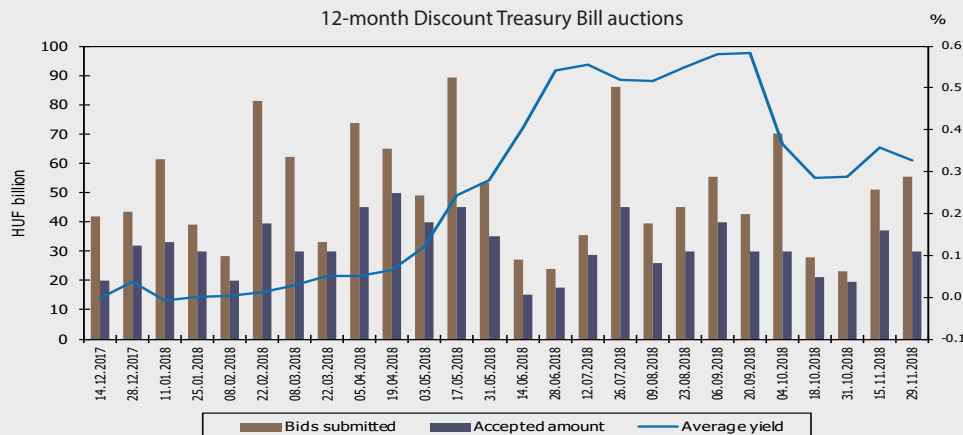
DISCOUNT TREASURY BILL AUCTION RESULTS

	Liquidity Discount T-bills	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D181227	D190213	D190220	D190227	D190306	D191120	D191120
ISIN code	HU0000521893	HU0000522321	HU0000522339	HU0000521950	HU0000522354	HU0000522347	HU0000522347
Maturity in days	36	91	91	91	91	364	350
Date of auction	19.11.2018	06.11.2018	13.11.2018	20.11.2018	27.11.2018	15.11.2018	29.11.2018
Date of financial settlement	21.11.2018	14.11.2018	21.11.2018	28.11.2018	05.12.2018	21.11.2018	05.12.2018
Redemption date	27.12.2018	13.02.2019	20.02.2019	27.02.2019	06.03.2019	20.11.2019	20.11.2019
Maximum yield (%) - ISMA	-0.08	-0.05	0.01	-0.01	-0.10	0.39	0.37
Minimum yield (%) - ISMA	-0.08	-0.09	-0.09	-0.10	-0.11	0.30	0.28
Average yield (%) - ISMA	-0.08	-0.07	-0.06	-0.06	-0.11	0.36	0.33
Maximum yield (%) - EHM	-0.08	-0.05	0.01	-0.01	-0.10	0.40	0.38
Minimum yield (%) - EHM	-0.08	-0.09	-0.09	-0.10	-0.11	0.30	0.28
Average yield (%) - EHM	-0.08	-0.07	-0.06	-0.06	-0.11	0.36	0.33
Average selling price (%)	100.0080	100.0177	100.0142	100.0140	100.0267	99.6393	99.6823
Amount offered for sale (HUF million)	40,000.00	40,000.00	50,000.00	50,000.00	50,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	133,590.00	130,195.60	80,217.50	89,865.00	93,666.41	50,875.36	55,390.00
Amount of bids accepted (HUF million)	50,000.00	43,499.99	50,000.00	56,000.00	50,000.00	36,999.97	29,999.98
Bid-to-cover ratio	2.67	2.99	1.60	1.60	1.87	1.38	1.85
Bids submitted (pcs)	33	25	37	41	26	77	74
Bids accepted (pcs)	2	9	24	19	6	55	54
Market sales* (HUF million)	50,000.00	43,499.99	50,000.00	56,000.00	50,000.00	36,999.97	29,999.98
Retained on ÁKK's own account (HUF million)	0.00	13,050.01	10,000.00	0.00	15,000.00	37,000.03	30,000.02
Total amount issued (HUF million)	50,000.00	56,550.00	60,000.00	56,000.00	65,000.00	74,000.00	60,000.00
* Without issuance onto ÁKK's own account							

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



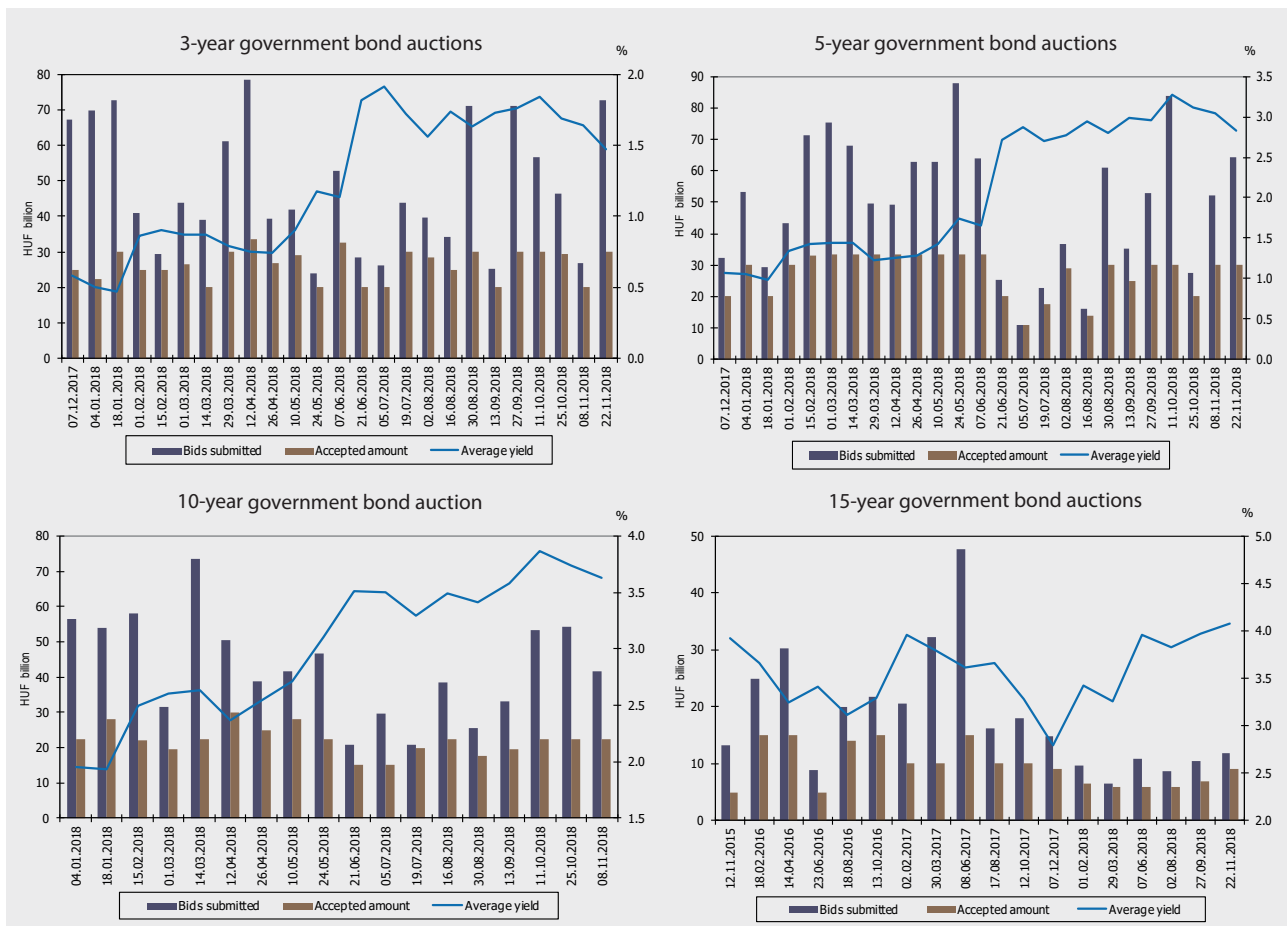
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/C	2024/C	2027/A	2023/B	2021/C	2024/C	2038/A	2023/B
ISIN code	HU0000403464	HU0000403571	HU0000403118	HU0000403456	HU0000403464	HU0000403571	HU0000403555	HU0000403456
Maturity (in years)	3	5	10	5	3	5	15	5
Coupon	0.50%	2.50%	3.00%	0.16%	0.50%	2.50%	3.00%	0.16%
Auction	21st auction	11th auction	57th auction	22nd auction	22nd auction	12th auction	6th auction	23rd auction
Date of auction	08.11.2018	08.11.2018	08.11.2018	15.11.2018	22.11.2018	22.11.2018	22.11.2018	29.11.2018
Date of financial settlement	14.11.2018	14.11.2018	14.11.2018	21.11.2018	28.11.2018	28.11.2018	28.11.2018	05.12.2018
Redemption date	21.04.2021	24.10.2024	27.10.2027	26.07.2023	21.04.2021	24.10.2024	27.10.2038	26.07.2023
Maximum annual yield (%) - ISMA	1.65	3.05	3.64	-	1.49	2.84	4.10	-
Minimum annual yield (%) - ISMA	1.61	3.02	3.61	-	1.45	2.80	4.04	-
Average annual yield (%) - ISMA	1.64	3.04	3.63	-	1.47	2.83	4.08	-
Maximum annual yield (%) - EHM	1.65	3.05	3.64	-	1.49	2.84	4.10	-
Minimum annual yield (%) - EHM	1.61	3.02	3.61	-	1.45	2.80	4.04	-
Average annual yield (%) - EHM	1.64	3.03	3.63	-	1.47	2.82	4.07	-
Maximum price (%)	97.3720	97.1915	95.4030	97.6400	97.7786	98.3698	85.9530	97.6700
Minimum price (%)	97.2778	97.0320	95.1824	97.5900	97.6867	98.1570	85.2198	97.6600
Average price (%)	97.3065	97.1005	95.2503	97.6200	97.7350	98.2351	85.5194	97.6700
Amount offered for sale (HUF million)	20,000.00	20,000.00	15,000.00	6,000.00	20,000.00	20,000.00	8,000.00	6,000.00
Amount of bids submitted (HUF million)	26,980.00	52,200.00	41,550.00	17,950.00	72,845.70	64,234.16	11,860.00	27,797.00
Amount of bids accepted (HUF million)	19,999.98	30,000.00	22,500.00	8,999.98	29,999.98	29,999.98	9,000.00	8,999.99
Bid-to-cover ratio	1.35	1.74	1.85	1.99	2.43	2.14	1.32	3.09
Bids submitted (pcs)	35	43	42	34	55	56	26	35
Bids accepted (pcs)	29	24	26	16	24	23	24	9
Tail (%) (average price - minimum price)	0.03	0.07	0.07	0.03	0.05	0.08	0.30	0.01
Market sales (HUF million)	19,999.98	30,000.00	22,500.00	8,999.98	29,999.98	29,999.98	9,000.00	8,999.99
Non-competitive offer (HUF million)	1,707.86	7,720.00	1,620.00	1,622.18	1,240.00	3,752.38	80.00	3,199.99
Total amount sales (HUF million)	21,707.84	37,720.00	24,120.00	10,622.16	31,239.98	33,752.36	9,080.00	12,199.98



GOVERNMENT SECURITIES MARKET

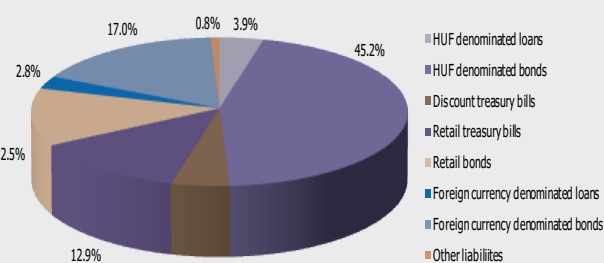
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN NOVEMBER 2018

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/B	17.11.2018	20.11.2018	20.05.2019	20.05.2019	0.01%	0.01%
2019/D	25.11.2018	28.11.2018	28.02.2019	28.02.2019	0.13%	0.03%
2022/J	20.11.2018	22.11.2018	22.11.2019	22.11.2019	4.40%	4.40%
2032/S	30.11.2018	02.12.2018	02.12.2019	02.12.2019	5.40%	5.40%

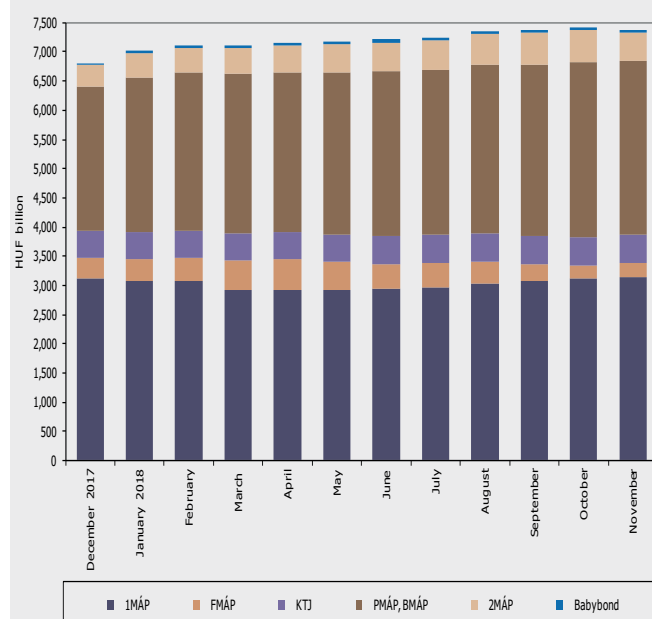
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2017	30.11.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	3,141.4	31.7
Half-year Hungarian Government Security / FMÁP	351.8	237.4	-114.5
Treasury Saving Bills / KTJ	468.7	492.9	24.2
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	2,457.5	2,964.8	507.3
2-year Hungarian Government Security / 2MÁP	376.8	484.4	107.6
Babybond	38.2	51.1	12.9
Total	6,802.9	7,372.0	569.2

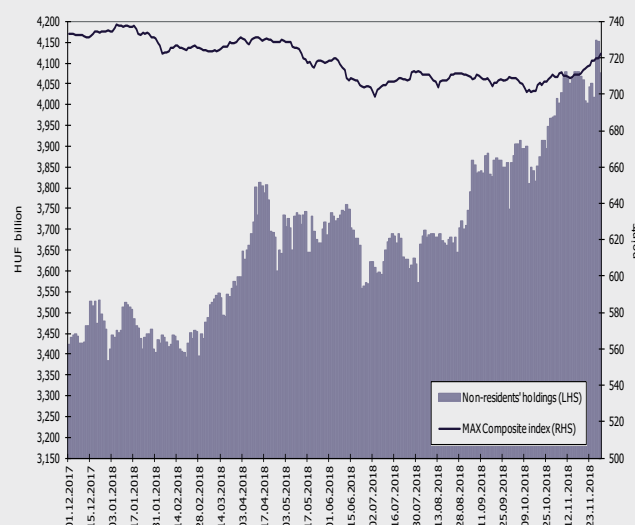
Debt structure at 30.11.2018



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 30.11.2018	760.2728	553.4900	722.3105	535.8444
Changes compared to the end of the month before	15.3210	0.2860	12.9275	-0.0671
Annual yield earned on the index portfolio (%)	-1.35%	0.33%	-1.37%	0.07%

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 30.11.2018	739.3000	791.9953	572.4243	377.3945
Changes compared to the end of the month before	6.7206	20.5932	23.8030	20.9957
Reference yield (%)	1.26	2.61	3.14	3.81
Annual yield earned on the index portfolio (%)	-0.12	-2.46	-5.19	-4.07

Government bonds with the highest secondary market turnover in November 2018

Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	510.8
2022/B	26.10.2022	324.7
2024/C	24.10.2024	260.0
2021/C	21.04.2021	244.0
2024/B	26.06.2024	224.1
2023/A	24.11.2023	202.9
2019/A	24.06.2019	201.0
2025/B	24.06.2025	173.7
2021/B	27.10.2021	168.4
2028/A	22.10.2028	157.3

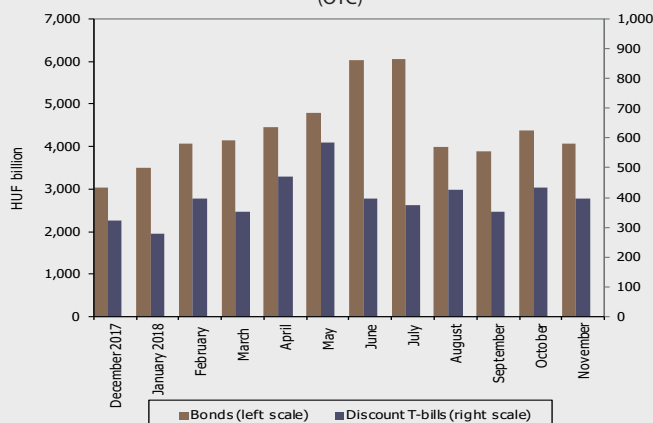
The outstanding volume of government bonds with benchmark status at the end of November 2018

Government bond	HUF billion	
	31.10.2018	30.11.2018
2021/C	623.70	676.03
2024/C	248.29	320.07
2027/A	1,106.64	1,109.35
2038/A	31.98	41.10

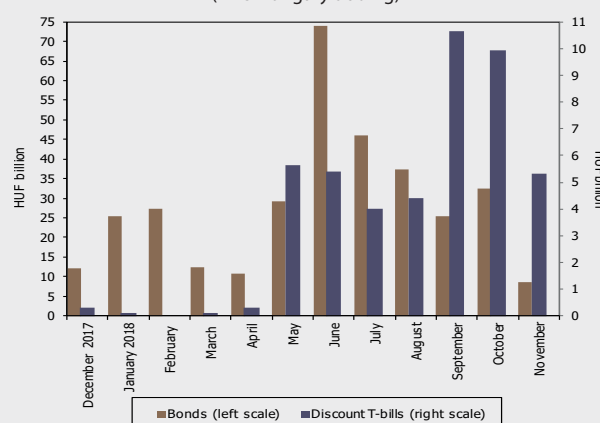
The outstanding volume of the three largest government bonds at the end of November 2018

Government bond	HUF billion
2025/B	1,194.66
2027/A	1,109.35
2022/B	1,090.96

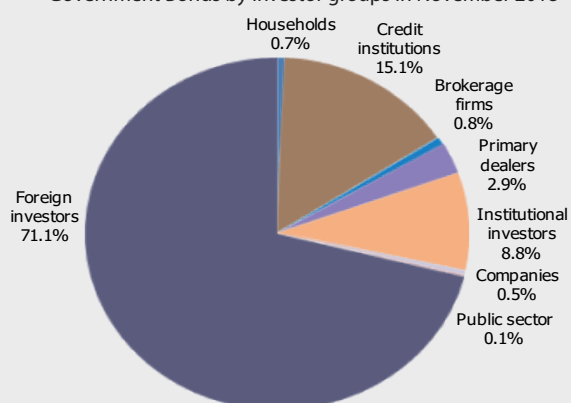
Secondary market trading of Hungarian government securities (OTC)



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



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



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

