

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT DECEMBER 2018

The net issuance was HUF 1,840.0 billion; out of which net HUF-denominated issuance was HUF 2,106.5 billion and net foreign currency denominated redemption was HUF 266.5 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	December	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	22,796.0	79.5	2,106.5	10.2
Loans	1,041.1	3.9	1,167.7	4.1	126.6	12.2
Government bonds	11,806.3	44.1	12,875.2	44.9	1,068.9	9.1
Retail securities	6,802.9	25.4	7,515.7	26.2	712.9	10.5
Discount treasury bills	1,039.2	3.9	1,237.3	4.3	198.1	19.1
Foreign exchange denominated debt	5,782.5	21.6	5,724.8	20.0	-57.8	-1.0
Total	26,472.0	99.0	28,520.7	99.4	2,048.8	7.7
<i>Other obligations</i>	274.2	1.0	167.4	0.6	-106.8	-38.9
Total central government debt	26,746.2	100.0	28,688.2	100.0	1,942.0	7.3

The HUF denominated debt of the central government increased by HUF 2,106.5 billion in 2018. The increase in domestic debt was the result of the net government bond issuance of HUF 1,068.9 billion, the amount of discount Treasury bills increased by HUF 198.1 billion and the total amount of retail government securities increased by HUF 712.9 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 126.6 billion in 2018.

The foreign currency debt of the central government decreased by HUF 57.8 billion in 2018. The samurai bond issue increased the debt by HUF 71.3 billion, the euro bond issue increased the debt by HUF 323.4 billion and the Panda bond issue increased the debt by HUF 82.8 billion. The domestic PÉMAK bond issuance was HUF 39.0 billion, while the redemptions of foreign currency bonds worth HUF 613.3 billion and the HUF 168.6 billion foreign currency loan repayment decreased the debt. The exchange rate revaluations totalling HUF 208.8 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities decreased by HUF 106.8 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	30.11.2018	28.12.2018	Change in December basis point
3-month	-0.01	0.00	0.00	0
6-month	0.01	0.01	0.12	11
1-year	0.02	0.27	0.39	12
3-year	0.51	1.26	1.21	-5
5-year	1.09	2.61	2.46	-15
10-year	2.02	3.14	3.01	-13
15-year	2.72	3.81	3.78	-3

Monthly OTC turnover of government securities increased by 24% to HUF 5,520.8 billion in December. Primary dealers, who account for the decisive part of all secondary government securities trading, made 65% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 115.8 billion in December and amounted to HUF 3,960.9 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 321.51 on the last working day of December.

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

GOVERNMENT SECURITIES MARKET

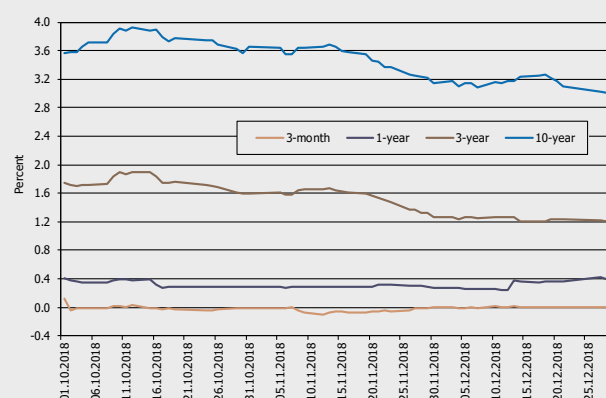
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

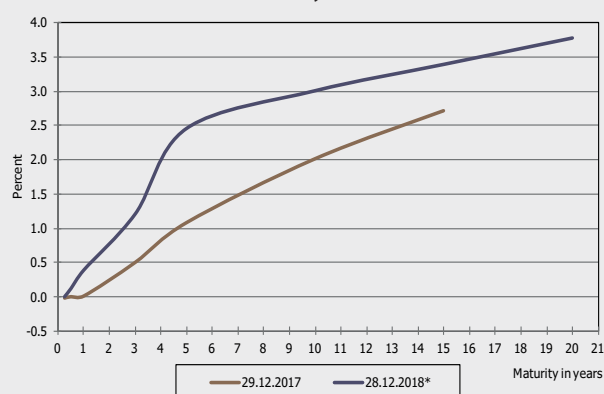
	2013	2014	2015	2016	2017	2018 October	2018 November	2018 December
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	22,814.0	23,024.4	22,796.0
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,118.0	1,145.1	1,167.7
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	21,696.0	21,879.2	21,628.3
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	21,656.8	21,840.1	21,589.1
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,832.1	13,069.6	12,836.1
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,407.2	1,398.4	1,237.3
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,417.6	7,372.1	7,515.7
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	5,764.8	5,747.9	5,724.8
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	811.1	808.3	795.0
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	811.1	808.3	795.0
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	4,953.6	4,939.6	4,929.8
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	4,235.9	4,221.0	4,246.2
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	717.8	718.6	683.6
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	28,578.8	28,772.2	28,520.7
Other liabilities	117.30	311.20	756.00	742.70	274.20	308.8	232.8	167.4
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	28,887.6	29,005.0	28,688.2
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	14,278.5	14,507.2	14,112.6
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

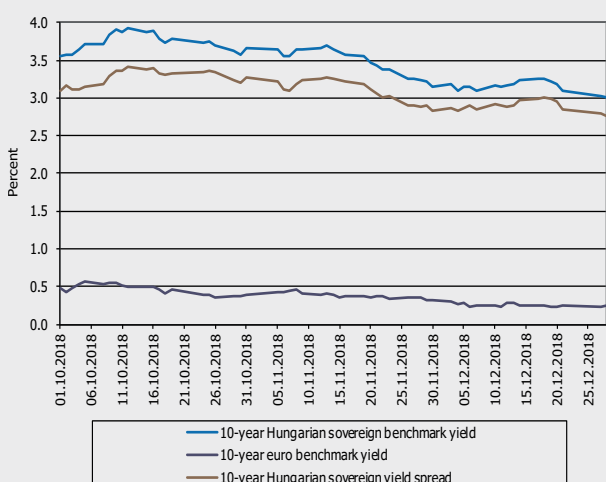


Benchmark yield curves

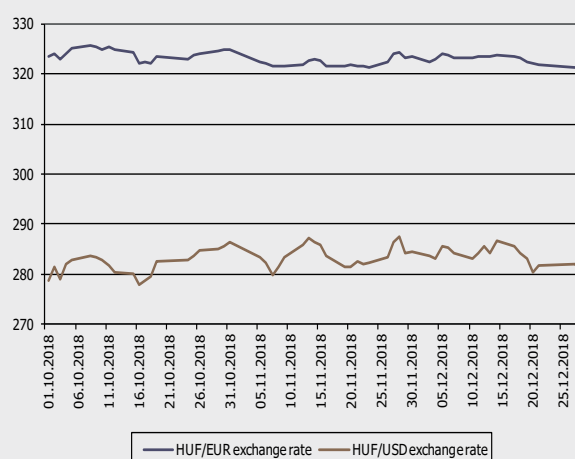


* The maturity of the reference bond is 20 years instead of 15 years from 04.04.2018

10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint

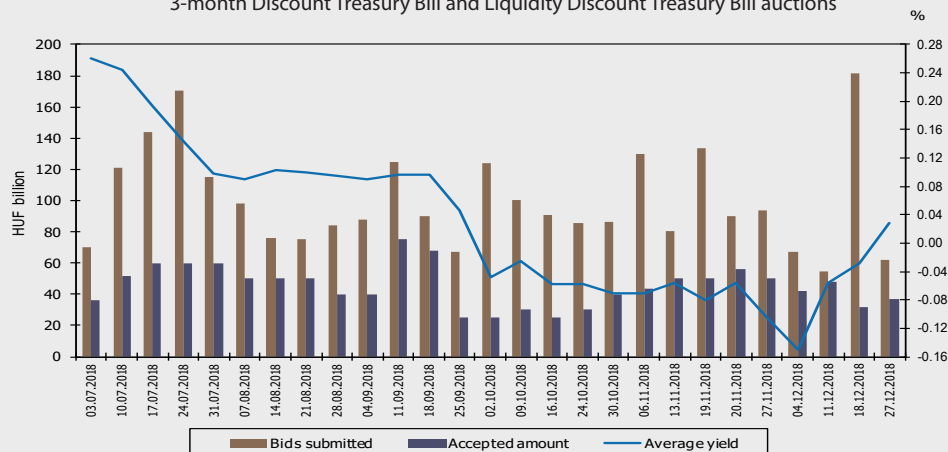


GOVERNMENT SECURITIES MARKET

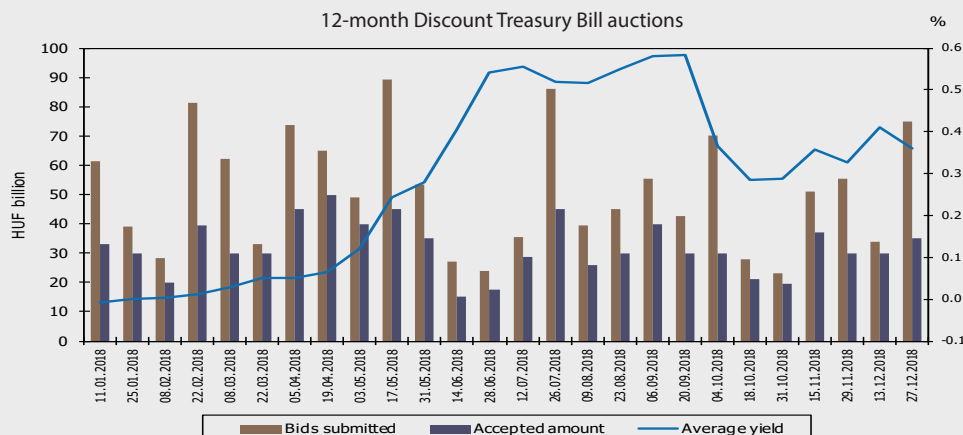
DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D190313	D190320	D190327	D190403	D191120	D191120
ISIN code	HU0000522362	HU0000522370	HU0000522388	HU0000522396	HU0000522347	HU0000522347
Maturity in days	91	91	90	91	336	322
Date of auction	04.12.2018	11.12.2018	18.12.2018	27.12.2018	13.12.2018	27.12.2018
Date of financial settlement	12.12.2018	19.12.2018	27.12.2018	02.01.2019	19.12.2018	02.01.2019
Redemption date	13.03.2019	20.03.2019	27.03.2019	03.04.2019	20.11.2019	20.11.2019
Maximum yield (%) - ISMA	-0.15	0.05	0.00	0.05	0.45	0.40
Minimum yield (%) - ISMA	-0.15	-0.15	-0.06	0.01	0.33	0.32
Average yield (%) - ISMA	-0.15	-0.06	-0.03	0.03	0.41	0.36
Maximum yield (%) - EHM	-0.15	0.05	0.00	0.05	0.46	0.41
Minimum yield (%) - EHM	-0.15	-0.15	-0.06	0.01	0.33	0.32
Average yield (%) - EHM	-0.15	-0.06	-0.03	0.03	0.41	0.36
Average selling price (%)	100.0380	100.0142	100.0071	99.9929	99.6195	99.6797
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	50,000.00	30,000.00	40,000.00
Amount of bids submitted (HUF million)	66,836.41	54,344.41	181,394.13	61,860.00	33,734.00	74,900.00
Amount of bids accepted (HUF million)	42,000.00	48,000.00	31,999.99	36,999.99	29,999.97	35,000.00
Bid-to-cover ratio	1.59	1.13	5.67	1.67	1.12	2.14
Bids submitted (pcs)	13	20	57	22	68	47
Bids accepted (pcs)	4	18	9	8	65	8
Market sales* (HUF million)	42,000.00	48,000.00	31,999.99	36,999.99	29,999.97	35,000.00
Retained on ÁKK's own account (HUF million)	12,600.00	14,400.00	6400.01	7,400.01	30,000.03	10,500.00
Total amount issued (HUF million)	54,600.00	62,400.00	38,400.00	44,400.00	60,000.00	45,500.00
* Without issuance onto ÁKK's own account						

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



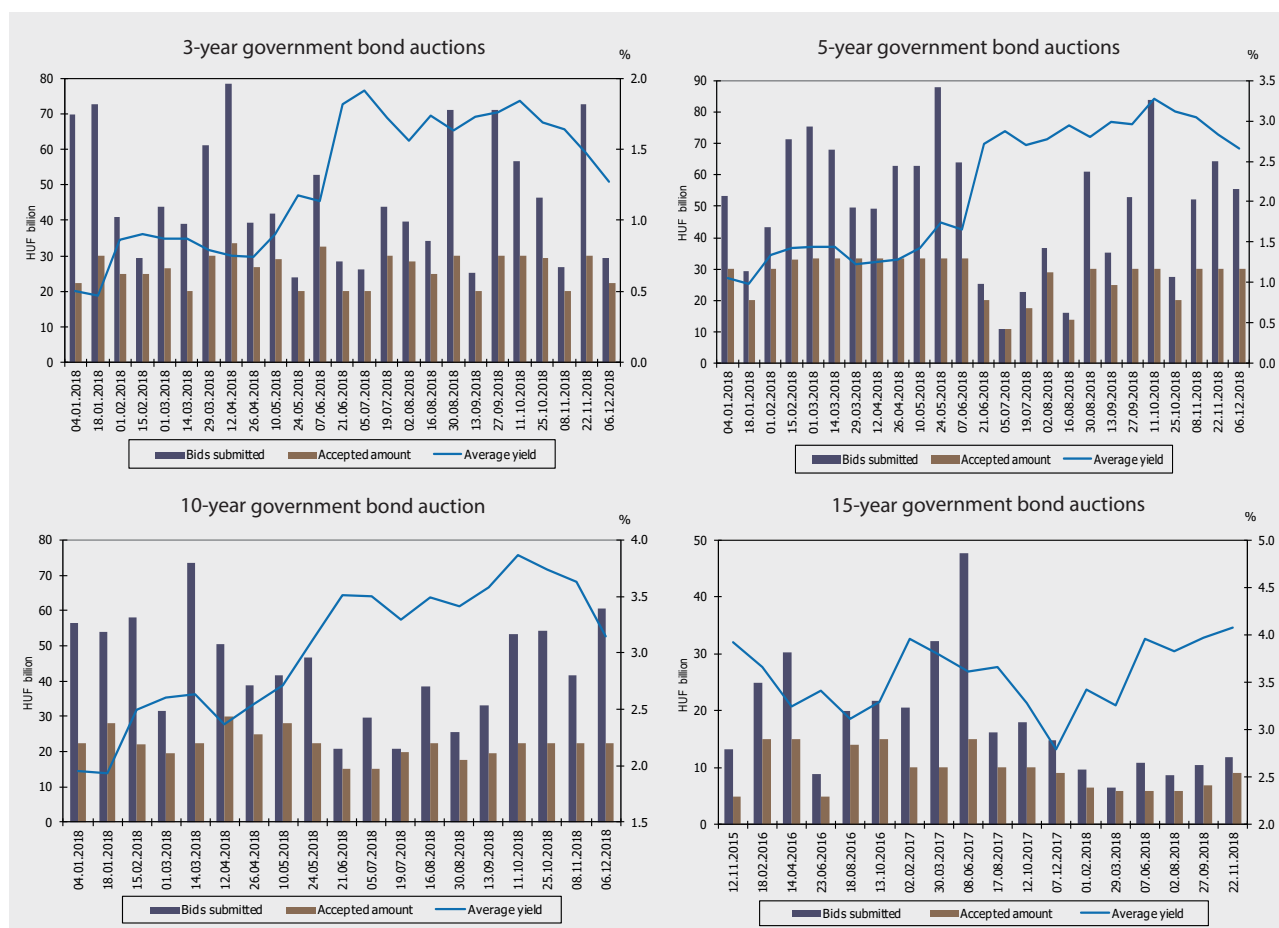
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/C	2024/C	2027/A	2023/B
ISIN code	HU0000403464	HU0000403571	HU0000403118	HU0000403456
Maturity (in years)	3	5	10	5
Coupon	0.50%	2.50%	3.00%	0.16%
Auction	23rd auction	13th auction	58th auction	24th auction
Date of auction	06.12.2018	06.12.2018	06.12.2018	13.12.2018
Date of financial settlement	12.12.2018	12.12.2018	12.12.2018	19.12.2018
Redemption date	21.04.2021	24.10.2024	27.10.2027	26.07.2023
Maximum annual yield (%) - ISMA	1.29	2.68	3.16	-
Minimum annual yield (%) - ISMA	1.24	2.64	3.13	-
Average annual yield (%) - ISMA	1.27	2.66	3.15	-
Maximum annual yield (%) - EHM	1.29	2.68	3.16	-
Minimum annual yield (%) - EHM	1.24	2.64	3.13	-
Average annual yield (%) - EHM	1.26	2.66	3.14	-
Maximum price (%)	98.2909	99.2312	99.0100	97.7000
Minimum price (%)	98.1772	99.0175	98.7734	97.6300
Average price (%)	98.2321	99.1089	98.8824	97.6600
Amount offered for sale (HUF million)	20,000.00	20,000.00	15,000.00	6,000.00
Amount of bids submitted (HUF million)	29,552.46	55,390.00	60,545.85	12,420.00
Amount of bids accepted (HUF million)	22,500.00	30,000.00	22,499.99	9,000.00
Bid-to-cover ratio	1.31	1.85	2.69	1.38
Bids submitted (pcs)	27	52	42	27
Bids accepted (pcs)	24	30	14	19
Tail (%) (average price - minimum price)	0.05	0.09	0.11	0.03
Market sales (HUF million)	22,500.00	30,000.00	22,499.99	9,000.00
Non-competitive offer (HUF million)	1,219.01	10,080.00	4,999.99	2,028.00
Total amount sales (HUF million)	23,719.01	40,080.00	27,499.98	11,028.00



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2019/A	2019/B
ISIN code	HU0000402433	HU0000402649
Coupon (%)	6.50	5.47
Date of reverse auction	05.12.2018	05.12.2018
Date of financial settlement	12.12.2018	12.12.2018
Redemption date	24.06.2019	20.05.2019
Minimum annual yield (%)	0.02	99.99
Average annual yield- ISMA (%)	0.02	99.99
Average annual yield - EHM (%)	0.02	-
Amount of bids submitted (HUF million)	10,735.67	99,904.75
Amount of bids accepted (HUF million)	8,174.35	22,130.41

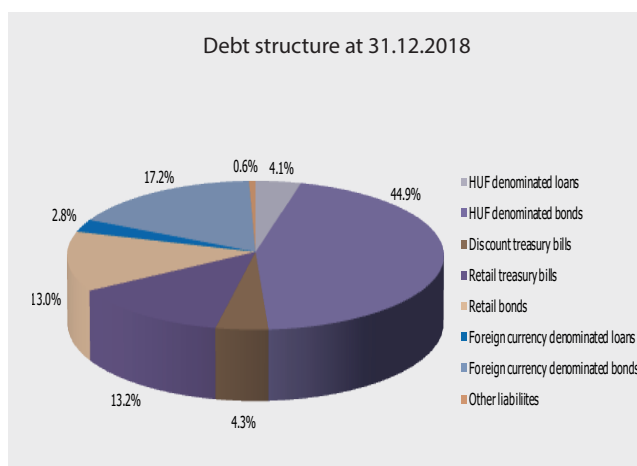
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN DECEMBER 2018

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2021/A	20.12.2018	23.12.2018	23.03.2019	25.03.2019	0.13%	0.03%
2024/I	18.12.2018	18.12.2018	21.02.2019	21.02.2019	4.10%	0.73%

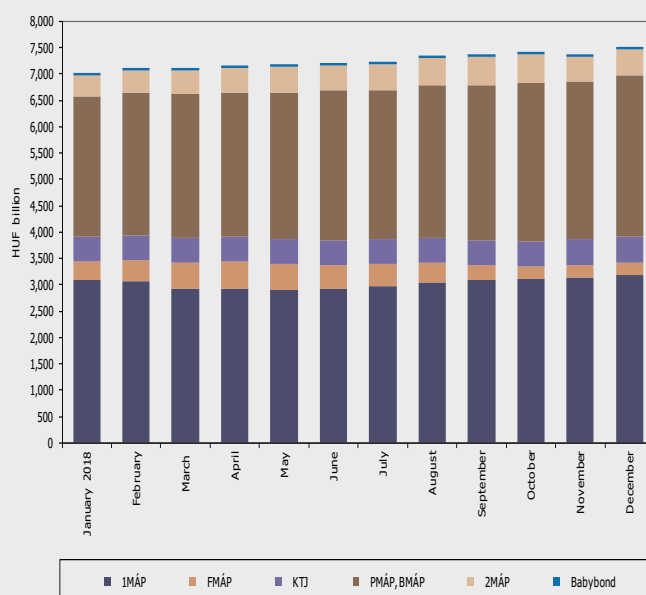
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2017	31.12.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	3,169.8	60.1
Half-year Hungarian Government Security / FMÁP	351.8	253.8	-98.0
Treasury Saving Bills / KTJ	468.7	495.9	27.2
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	2,457.5	3,041.1	583.6
2-year Hungarian Government Security / 2MÁP	376.8	500.2	123.4
Babybond	38.2	54.8	16.6
Total	6,802.9	7,515.7	712.9

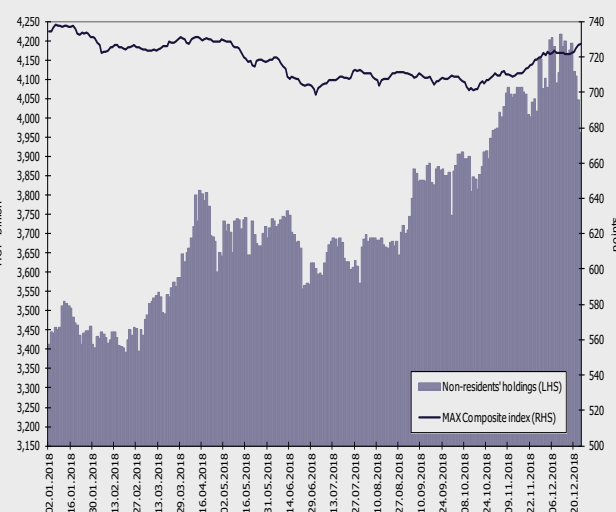
Debt structure at 31.12.2018



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 28.12.2018	766.3514	553.4827	727.4192	535.7788
Changes compared to the end of the month before	6.0786	-0.0073	5.1087	-0.0656
Annual yield earned on the index portfolio (%)	-0.90	0.31	-0.99	0.05

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 28.12.2018	740.8940	799.9849	579.5765	380.1799
Changes compared to the end of the month before	1.5940	7.9896	7.1522	2.7854
Reference yield (%)	1.21	2.46	3.01	3.78
Annual yield earned on the index portfolio (%)	-0.14	-1.60	-5.06	-4.64

Government bonds with the highest secondary market turnover in December 2018

Government bond	Date of redemption	Turnover (HUF billion)
2022/B	26.10.2022	483.9
2027/A	27.10.2027	342.8
2025/B	24.06.2025	274.7
2023/A	24.11.2023	240.9
2026/D	22.12.2026	236.0
2021/A	23.06.2021	186.2
2021/B	27.10.2021	184.7
2028/A	22.10.2028	153.2
2021/C	21.04.2021	143.4
2019/A	24.06.2019	116.6

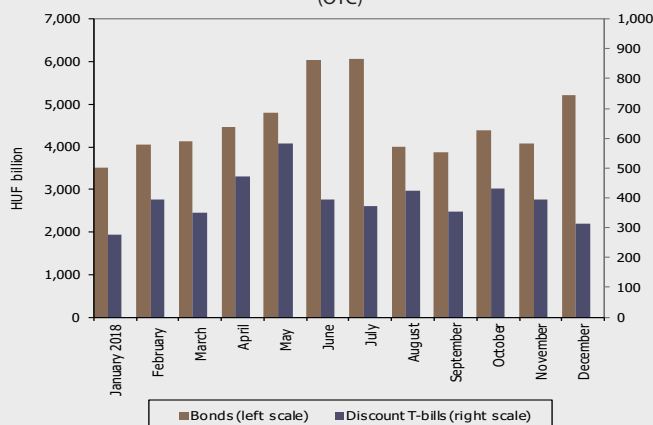
The outstanding volume of government bonds with benchmark status at the end of December 2018

Government bond	HUF billion	
	30.11.2018	31.12.2018
2021/C	676.03	700.05
2024/C	320.07	360.40
2027/A	1,109.35	1,136.89
2038/A	41.10	41.18

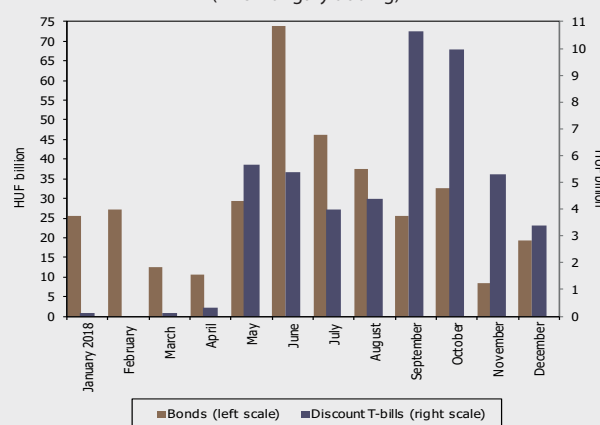
The outstanding volume of the three largest government bonds at the end of December 2018

Government bond	HUF billion
2025/B	1,194.60
2027/A	1,136.89
2022/B	1,090.94

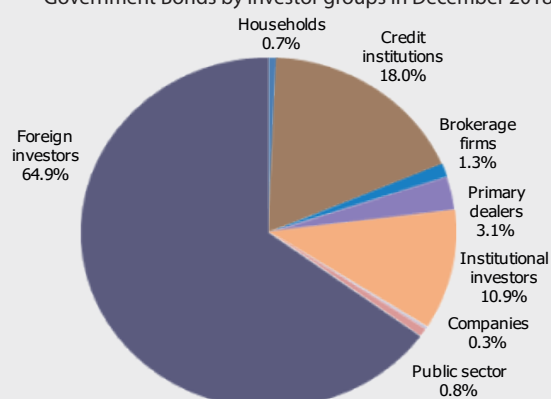
Secondary market trading of Hungarian government securities (OTC)



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



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



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

