

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT DECEMBER 2019

The net issuance was HUF 811.1 billion; out of which net HUF-denominated issuance was HUF 1,561.1 billion and net foreign currency denominated redemption was HUF 750.0 billion in 2019.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2018		2019		Change	
	December	%	December	%	HUF billion	%
HUF denominated debt	22,796.0	79.5	24,357.1	82.1	1,561.1	6.8
Loans	1,167.7	4.1	1,208.1	4.1	40.4	3.5
Government bonds	12,875.2	44.9	13,417.7	45.2	542.4	4.2
Retail securities	7,515.7	26.2	9,074.0	30.6	1,558.3	20.7
Discount treasury bills	1,237.3	4.3	657.3	2.2	-580.0	-46.9
Foreign exchange denominated debt	5,724.8	20.0	5,121.2	17.3	-603.6	-10.5
Total	28,520.7	99.4	29,478.3	99.3	957.6	3.4
<i>Other obligations</i>	167.4	0.6	203.7	0.7	36.2	21.6
Total central government debt	28,688.2	100.0	29,682.0	100.0	993.8	3.5

The HUF denominated debt of the central government increased by HUF 1,561.1 billion in 2019. The increase in domestic debt was the result of the net government bond issuance of HUF 542.4 billion and the total amount of retail government securities increased by HUF 1,558.3 billion. The significant increase of the retail government securities portfolio was mainly due to the new introduced 5-year long government security, the Hungarian Government Security Plus. The amount of discount Treasury bills decreased by HUF 580.0 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 40.4 billion in 2019.

The foreign currency debt of the central government decreased by HUF 603.6 billion in 2019. The domestic PÉMAK bond issuance was HUF 92.0 billion and the drawdown from foreign currency credit line was HUF 53.6 billion. The redemptions of foreign currency bonds worth HUF 850.4 billion and the repayment of the foreign currency was HUF 45.1 billion. The exchange rate revaluations totalling HUF 146.5 billion increased the Hungarian Forint value of the foreign currency debt in 2019. The total amount of other liabilities increased by HUF 36.2 billion in 2019.

BENCHMARK YIELDS

Maturity	28.12.2018	29.11.2019	31.12.2019	Change in December basis point
3-month	0.00	-0.05	-0.01	4
6-month	0.12	0.00	0.01	1
1-year	0.39	-0.05	0.02	7
3-year	1.21	0.22	0.28	6
5-year	2.46	1.09	1.17	8
10-year	3.01	1.86	2.01	15
15-year	3.78	2.63	2.80	17

Monthly OTC turnover of government securities decreased by 24% to HUF 4,471.9 billion in December. Primary dealers, who account for the decisive part of all secondary government securities trading, made 64% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 21.8 billion in December and amounted to HUF 4,168.0 billion at the end of the month. This volume represented 18.0% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 330.52 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

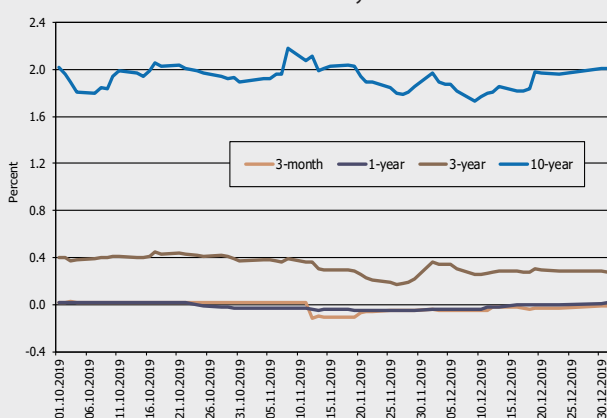
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

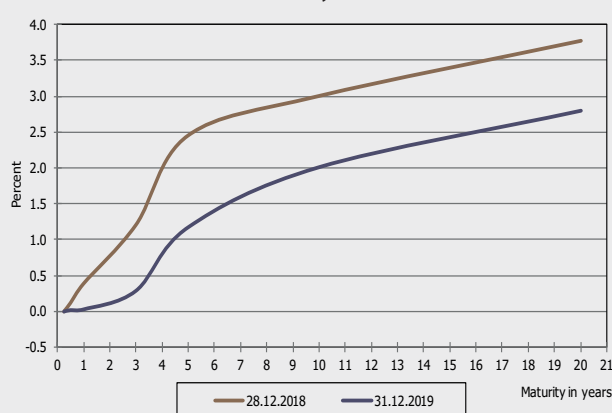
	2014	2015	2016	2017	2018	2019 October	2019 November	2019 December
1. Forint denominated debt	14,612.0	16,207.9	18,430.9	20,689.4	22,796.0	23,847.1	24,139.9	24,357.1
1.1. Loans	623.3	694.1	865.0	1,041.1	1,167.7	1,173.5	1,208.1	1,208.1
1.2. Government securities	13,988.7	15,513.8	17,565.8	19,648.3	21,628.3	22,673.6	22,931.8	23,149.0
1.2.1. Public issues	13,847.7	15,462.3	17,526.7	19,609.2	21,589.1	22,634.4	22,892.6	23,109.8
1.2.1.1. Bonds	9,848.0	11,043.4	11,562.4	11,767.1	12,836.1	13,022.5	13,166.9	13,378.5
1.2.1.2. Discount T-bills	1,588.6	901.6	896.4	1,039.2	1,237.3	807.8	716.9	657.3
1.2.1.3. Retail securities	2,411.1	3,517.4	5,067.9	6,802.9	7,515.7	8,804.0	9,008.8	9,074.0
1.2.2. Private placements	141.0	51.5	39.2	39.2	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	8,957.9	7,735.8	6,256.5	5,782.5	5,724.8	5,199.1	5,336.7	5,121.2
2.1. Loans	2,164.3	1,696.8	1,101.6	929.1	795.0	784.8	842.0	825.4
2.1.1. Foreign loans	1,889.9	1,614.2	1,097.6	929.1	795.0	784.8	842.0	825.4
2.1.2. Domestic loans	274.4	82.6	4.0	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	6,793.6	6,039.0	5,154.9	4,853.5	4,929.8	4,414.3	4,494.7	4,295.8
2.2.1. Issued abroad	5,844.6	5,198.9	4,618.9	4,145.9	4,246.2	3,701.6	3,760.6	3,713.5
2.2.2. Issued domestically	948.9	840.1	536.0	707.6	683.6	712.7	734.1	582.3
Total	23,569.9	23,943.7	24,687.4	26,472.0	28,520.7	29,046.2	29,476.6	29,478.3
Other liabilities	311.20	756.00	742.70	274.20	167.40	206.7	222.6	203.7
Total central government debt	23,881.1	24,699.7	25,430.0	26,746.2	28,688.2	29,252.9	29,699.1	29,682.0
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	11,577.6	11,996.5	12,498.0	12,845.5	14,112.6	13,869.5	13,923.0	14,075.0
Gross debt/GDP	73.0%	71.0%	70.8%	68.9%	67.2%			

*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

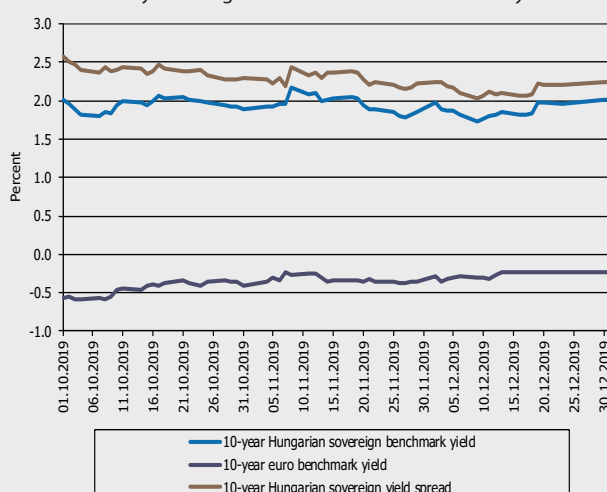
Benchmark yields



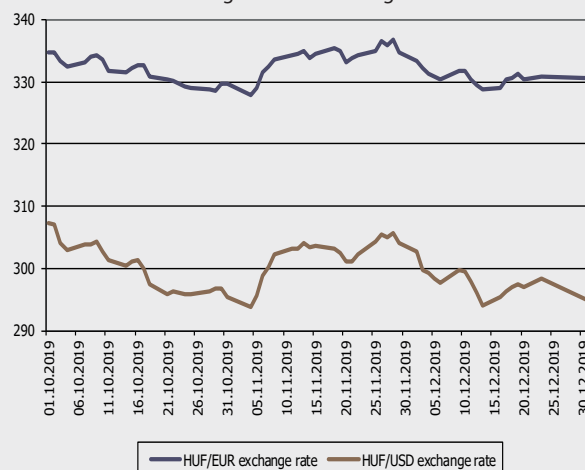
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



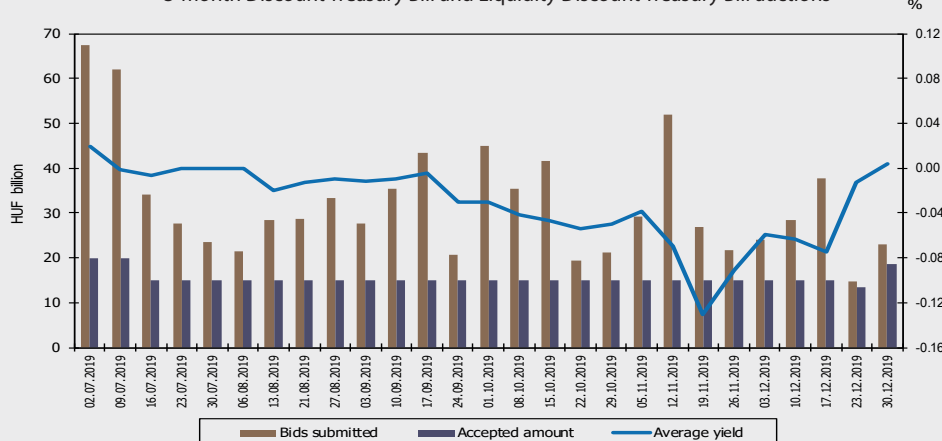
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

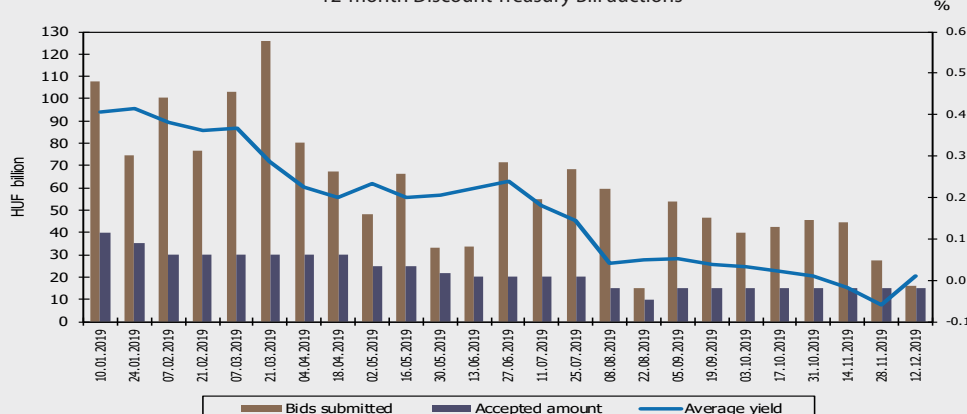
	3-month Discount T-bills				12-month Discount T-bills
Code of T-bills	D200311	D200318	D200325	D200401	D201021
ISIN code	HU0000522883	HU0000522875	HU0000522891	HU0000522958	HU0000522818
Maturity in days	91	91	93	92	308
Date of auction	03.12.2019	10.12.2019	17.12.2019	23.12.2019	12.12.2019
Date of financial settlement	11.12.2019	18.12.2019	23.12.2019	31.12.2019	18.12.2019
Redemption date	11.03.2020	18.03.2020	25.03.2020	01.04.2020	21.10.2020
Maximum yield (%) - ISMA	-0.05	-0.05	-0.05	0.00	0.03
Minimum yield (%) - ISMA	-0.07	-0.07	-0.10	-0.06	0.00
Average yield (%) - ISMA	-0.06	-0.06	-0.07	-0.01	0.01
Maximum yield (%) - EHM	-0.05	-0.05	-0.05	0.00	0.03
Minimum yield (%) - EHM	-0.07	-0.07	-0.10	-0.06	0.00
Average yield (%) - EHM	-0.06	-0.06	-0.08	-0.01	0.01
Average selling price (%)	100.0150	100.0161	100.0192	100.0034	99.9905
Amount offered for sale (HUF million)	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Amount of bids submitted (HUF million)	23,968.78	28,350.00	37,767.50	14,790.00	16,120.00
Amount of bids accepted (HUF million)	15,000.00	15,000.00	15,000.00	13,500.00	15,000.00
Bid-to-cover ratio	1.60	1.89	2.52	1.10	1.07
Bids submitted (pcs)	7	7	15	14	11
Bids accepted (pcs)	5	5	8	11	11
Market sales* (HUF million)	15,000.00	15,000.00	15,000.00	13,500.00	15,000.00
Retained on ÁKK's own account (HUF million)	4,500.00	4,500.00	4,500.00	4,050.00	15,000.00
Total amount issued (HUF million)	19,500.00	19,500.00	19,500.00	17,550.00	30,000.00

* Without issuance onto ÁKK's own account

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



12-month Discount Treasury Bill auctions

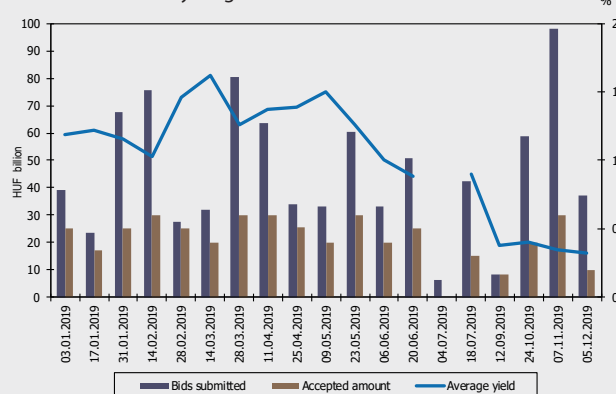


GOVERNMENT SECURITIES MARKET

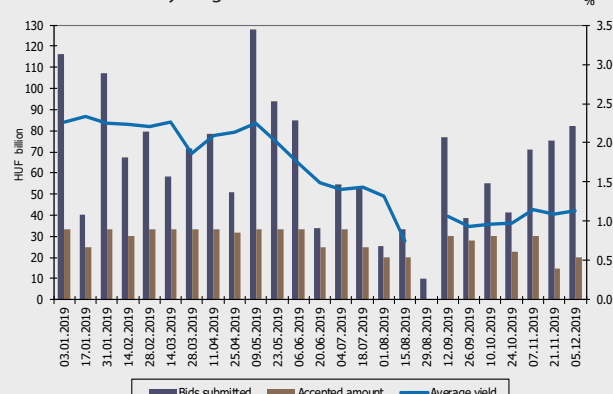
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2022/C	2025/C	2030/A
ISIN code	HU0000403704	HU0000404058	HU0000403696
Maturity (in years)	3	5	10
Coupon	1.50%	1.00%	3.00%
Auction	15th auction	3rd auction	20th auction
Date of auction	05.12.2019	05.12.2019	05.12.2019
Date of financial settlement	11.12.2019	11.12.2019	11.12.2019
Redemption date	24.08.2022	26.11.2025	21.08.2030
Maximum annual yield (%) - ISMA	0.34	1.14	1.88
Minimum annual yield (%) - ISMA	0.30	1.12	1.86
Average annual yield (%) - ISMA	0.32	1.13	1.87
Maximum annual yield (%) - EHM	0.34	1.14	1.88
Minimum annual yield (%) - EHM	0.30	1.12	1.86
Average annual yield (%) - EHM	0.32	1.13	1.87
Maximum price (%)	103.2243	99.3157	110.9585
Minimum price (%)	103.1160	99.2016	110.7550
Average price (%)	103.1650	99.2736	110.8491
Amount offered for sale (HUF million)	10,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	37,119.00	82,450.00	32,790.00
Amount of bids accepted (HUF million)	10,000.00	19,999.99	10,000.00
Bid-to-cover ratio	3.71	4.12	3.28
Bids submitted (pcs)	24	53	37
Bids accepted (pcs)	11	21	17
Tail (%) (average price - minimum price)	0.05	0.07	0.09
Market sales (HUF million)	10,000.00	19,999.99	10,000.00
Non-competitive offer (HUF million)	3,520.00	6,399.98	3,440.00
Total amount sales (HUF million)	13,520.00	26,399.97	13,440.00

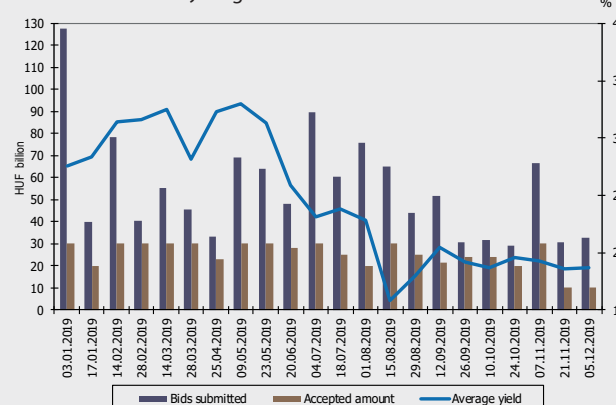
3-year government bond auctions



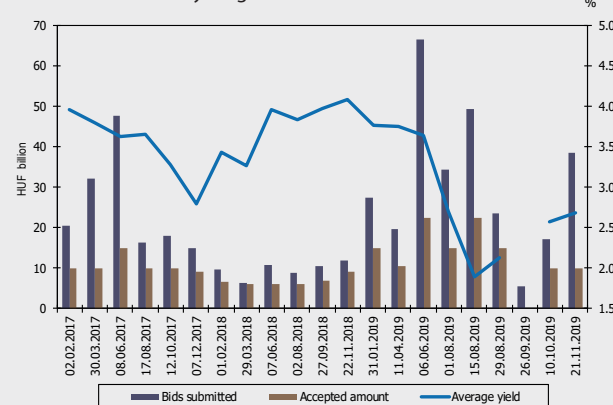
5-year government bond auctions



10-year government bond auction



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

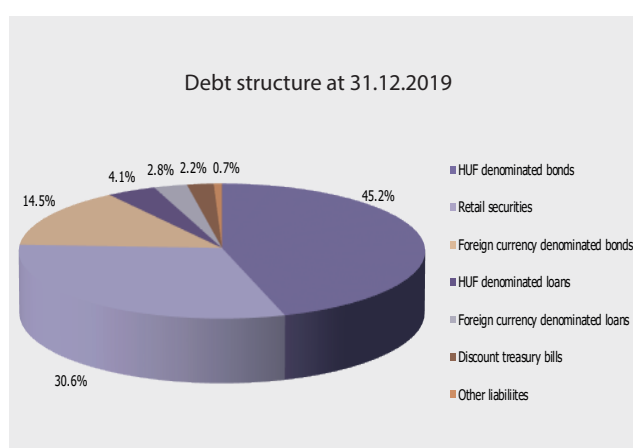
Government bond	2021/B	2021/C	2021/C	2021/A
ISIN code	HU0000403100	HU0000403464	HU0000403464	HU0000402995
Coupon (%)	2.50%	0.50%	0.50%	2.10%
Date of reverse auction	04.12.2019	04.12.2019	18.12.2019	18.12.2019
Date of financial settlement	11.12.2019	11.12.2019	23.12.2019	23.12.2019
Redemption date	27.10.2021	21.04.2021	21.04.2021	23.06.2021
Minimum annual yield (%)	0.00	0.00	0.00	100.15
Average annual yield- ISMA (%)	0.00	0.01	0.00	100.13
Average annual yield - EHM (%)	0.00	0.01	0.00	-
Amount of bids submitted (HUF million)	3,895.21	27,801.66	7,712.87	7,901.49
Amount of bids accepted (HUF million)	3,895.21	27,801.66	7,712.87	6,781.49

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN DECEMBER 2019

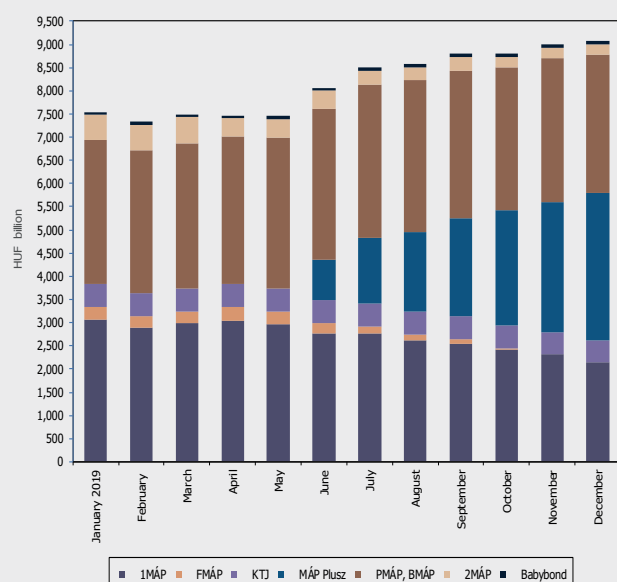
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2021/A	20.12.2019	23.12.2019	23.03.2020	23.03.2020	0.16%	0.04%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

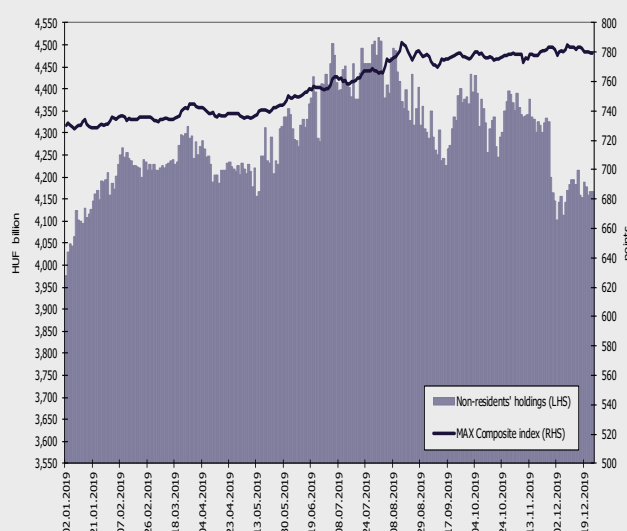
Retail securities	HUF billion		
	31.12.2018	31.12.2019	Change
1-year Hungarian Government Security / 1MÁP	3,169.8	2,158.0	-1,011.8
Half-year Hungarian Government Security / FMÁP	253.8	0.0	-253.8
Treasury Saving Bills / KTJ	495.9	455.1	-40.8
Hungarian Government Security Plus / MÁP Plusz	0.0	3,196.2	3,196.2
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	3,041.1	2,969.8	-71.3
2-year Hungarian Government Security / 2MÁP	500.2	215.2	-285.0
Babybond	54.8	79.7	24.9
Total	7,515.7	9,074.0	1,558.3



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 31.12.2019	825.6634	554.7562	779.4252	536.0286
Changes compared to the end of the month before	-2.9207	-0.0607	-2.6226	0.0116
Annual yield earned on the index portfolio (%)	7.68	0.23	7.09	0.05

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.12.2019	782.1743	873.8262	676.6535	450.5243
Changes compared to the end of the month before	-1.0698	-3.1761	-8.1993	-10.0574
Reference yield (%)	0.28	1.17	2.01	2.80
Annual yield earned on the index portfolio (%)	5.53	9.15	16.60	18.34

Government bonds with the highest secondary market turnover in December 2019

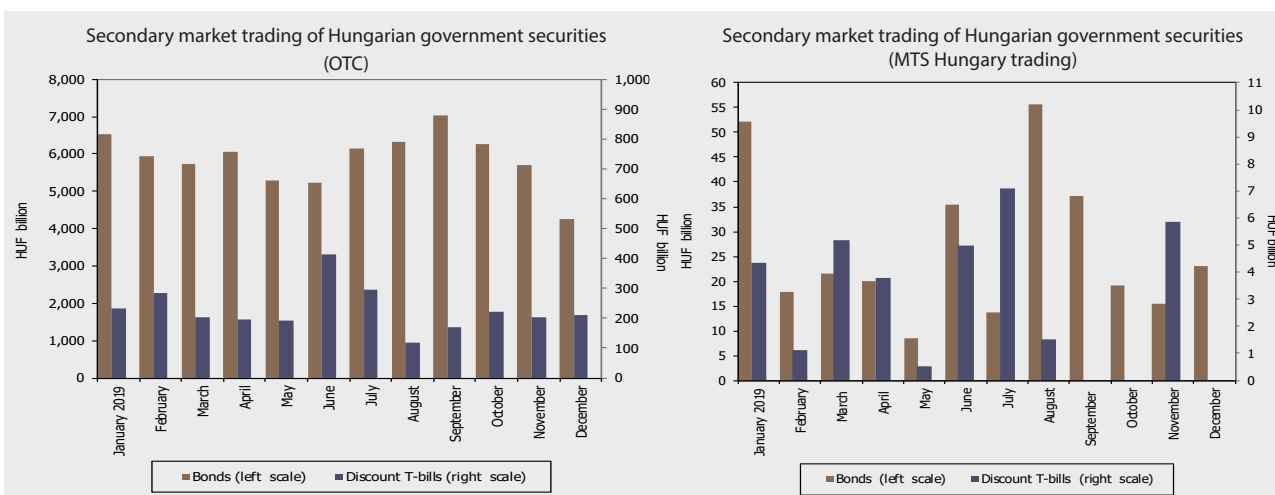
Government bond	Date of redemption	Turnover (HUF billion)
2026/D	22.12.2026	429.8
2030/A	21.08.2030	258.5
2025/B	24.06.2025	226.4
2022/C	24.08.2022	222.7
2027/A	27.10.2027	160.3
2024/C	24.10.2024	151.2
2022/A	24.06.2022	146.1
2028/A	22.10.2028	124.8
2024/B	26.06.2024	119.4
2022/B	26.10.2022	110.3

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

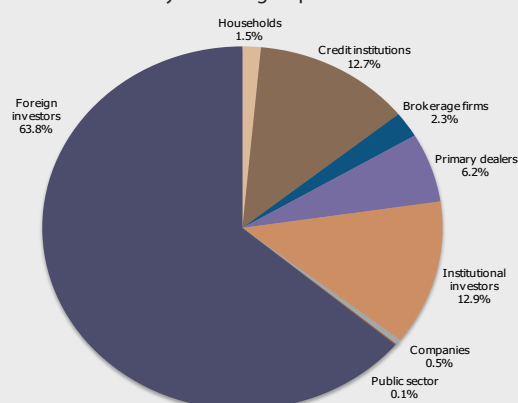
Government bond	HUF billion	
	30.11.2019	31.12.2019
2022/C	361.65	378.16
2024/C	1,130.27	1,132.11
2030/A	604.71	618.26
2038/A	192.17	192.20

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

Government bond	HUF billion
2027/A	1,201.93
2025/B	1,199.77
2022/B	1,139.06



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



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

