

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT SEPTEMBER 2018

The net issuance was HUF 1,453.0 billion; out of which net HUF-denominated issuance was HUF 2,054.5 billion and net foreign currency denominated redemption was HUF 601.6 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	September	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	22,743.9	80.0	2,054.5	9.9
Loans	1,041.1	3.9	1,118.0	3.9	76.9	7.4
Government bonds	11,806.3	44.1	12,783.2	45.0	976.9	8.3
Retail securities	6,802.9	25.4	7,368.3	25.9	565.4	8.3
Discount treasury bills	1,039.2	3.9	1,474.4	5.2	435.3	41.9
Foreign exchange denominated debt	5,782.5	21.6	5,430.1	19.1	-352.5	-6.1
Total	26,472.0	99.0	28,174.0	99.1	1,702.1	6.4
<i>Other obligations</i>	274.2	1.0	244.1	0.9	-30.2	-11.0
Total central government debt	26,746.2	100.0	28,418.1	100.0	1,671.9	6.3

The HUF denominated debt of the central government increased by HUF 2,054.5 billion in 2018. The increase in domestic debt was the result of the net government bond issuance of HUF 976.9 billion, the amount of discount Treasury bills increased by HUF 435.3 billion and the total amount of retail government securities increased by HUF 565.4 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 352.5 billion in 2018. The three-year samurai bond issue increased the debt by HUF 71.3 billion, the domestic P€MAK bond issuance was HUF 25.2 billion, while the redemptions of foreign currency bonds worth HUF 547.9 billion and the HUF148.9 billion foreign currency loan repayment decreased the debt. The exchange rate revaluations totalling HUF 249.1 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities decreased by HUF 30.2 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	31.08.2018	28.09.2018	Change in September basis point
3-month	-0.01	0.13	0.12	-1
6-month	0.01	0.33	0.13	-20
1-year	0.02	0.53	0.40	-13
3-year	0.51	1.65	1.75	10
5-year	1.09	2.84	2.97	13
10-year	2.02	3.46	3.54	8
15-year	2.72	3.88	3.95	7

Monthly OTC turnover of government securities decreased by 4% to HUF 4,229.3 billion in September. Primary dealers, who account for the decisive part of all secondary government securities trading, made 67% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 39.4 billion in September and amounted to HUF 3,749.1 billion at the end of the month. This volume represented 17.3% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 323.78 on the last working day of September.

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

GOVERNMENT SECURITIES MARKET

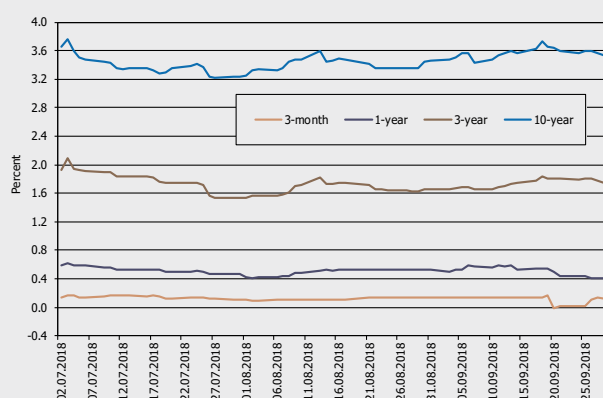
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

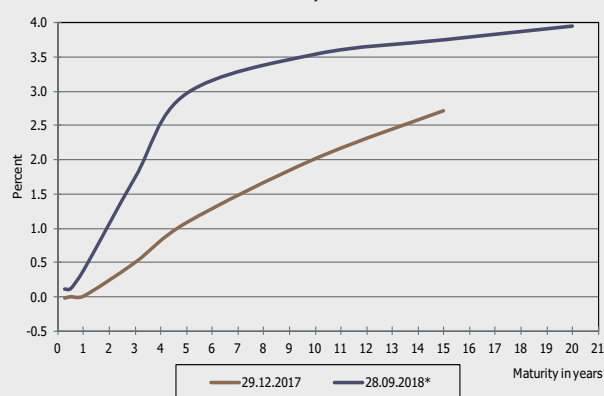
	2013	2014	2015	2016	2017	2018 July	2018 August	2018 September
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	22,314.2	22,723.9	22,743.9
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,118.0	1,118.0	1,118.0
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	21,196.1	21,605.9	21,625.9
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	21,157.0	21,566.7	21,586.7
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,423.3	12,588.4	12,744.0
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,500.7	1,634.6	1,474.4
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,232.9	7,343.7	7,368.3
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	5,482.9	5,571.6	5,430.1
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	887.2	901.4	820.2
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	887.2	901.4	820.2
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	4,595.7	4,670.1	4,609.9
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	3,870.5	3,932.4	3,900.2
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	725.2	737.8	709.7
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	27,797.1	28,295.4	28,174.0
Other liabilities	117.30	311.20	756.00	742.70	274.20	275.8	296.6	244.1
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	28,072.9	28,592.1	28,418.1
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	13,963.2	14,262.2	14,257.6
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

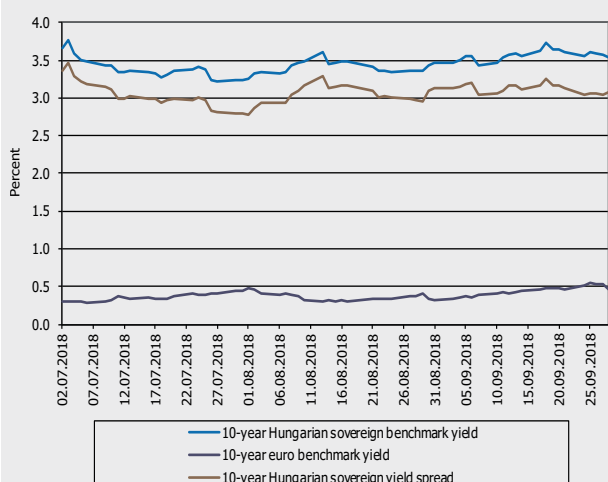


Benchmark yield curves

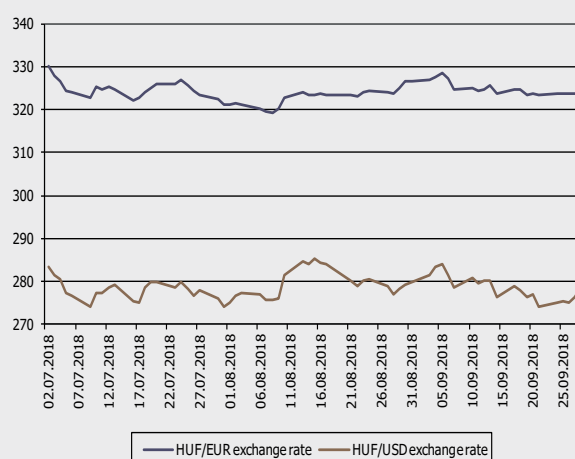


* The maturity of the reference bond is 20 years instead of 15 years from 04.04.2018

10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



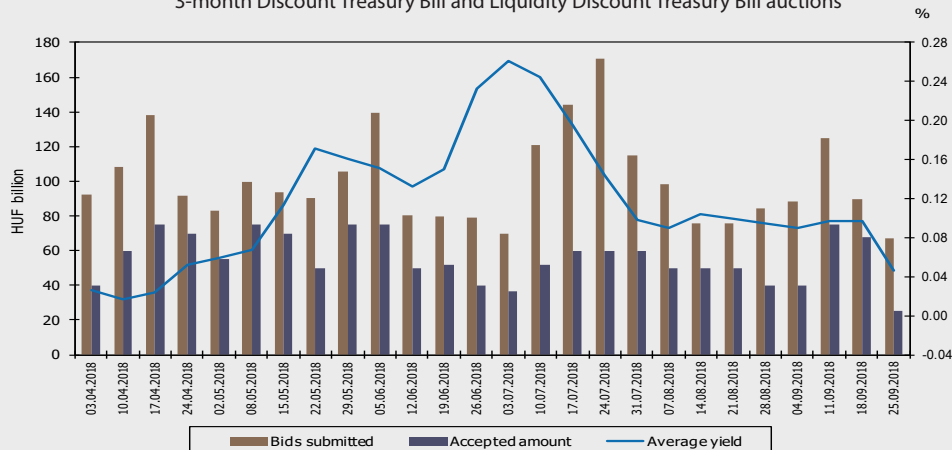
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

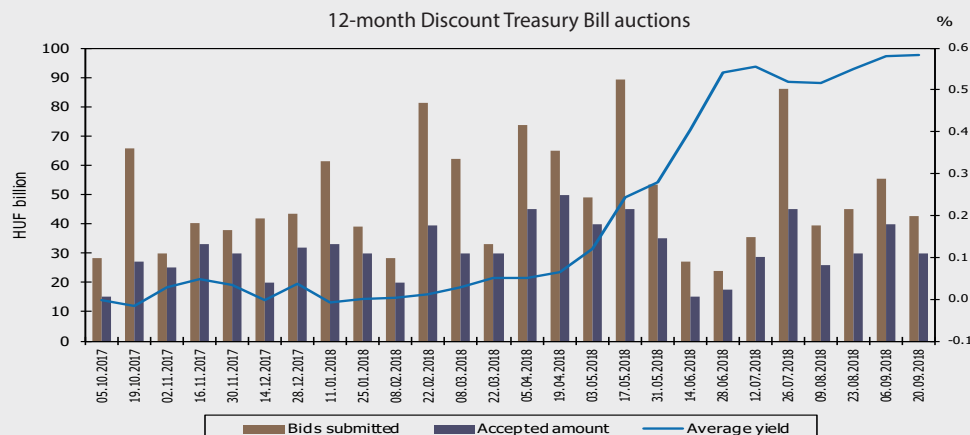
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D181212	D181219	D181227	D190102	D190731	D190925
ISIN code	HU0000522230	HU0000522248	HU0000521893	HU0000522263	HU0000522180	HU0000522255
Maturity in days	91	91	92	91	322	364
Date of auction	04.09.2018	11.09.2018	18.09.2018	25.09.2018	06.09.2018	20.09.2018
Date of financial settlement	12.09.2018	19.09.2018	26.09.2018	03.10.2018	12.09.2018	26.09.2018
Redemption date	12.12.2018	19.12.2018	27.12.2018	02.01.2019	31.07.2019	25.09.2019
Maximum yield (%) - ISMA	0.10	0.10	0.11	0.05	0.60	0.60
Minimum yield (%) - ISMA	0.07	0.08	0.08	0.04	0.52	0.50
Average yield (%) - ISMA	0.09	0.10	0.10	0.05	0.58	0.58
Maximum yield (%) - EHM	0.10	0.10	0.11	0.05	0.61	0.61
Minimum yield (%) - EHM	0.07	0.08	0.08	0.04	0.53	0.51
Average yield (%) - EHM	0.09	0.10	0.10	0.05	0.59	0.59
Average selling price (%)	99.9772	99.9755	99.9753	99.9883	99.4827	99.4149
Amount offered for sale (HUF million)	40,000.00	50,000.00	50,000.00	25,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	88,040.00	124,600.00	89,884.00	67,140.00	55,375.00	42,714.02
Amount of bids accepted (HUF million)	39,999.96	74,999.96	67,999.99	25,000.00	39,999.99	29,999.95
Bid-to-cover ratio	2.20	1.66	1.32	2.69	1.38	1.42
Bids submitted (pcs)	48	45	38	33	71	74
Bids accepted (pcs)	27	25	26	16	48	31
Market sales* (HUF million)	39,999.96	74,999.96	67,999.99	25,000.00	39,999.99	29,999.95
Retained on ÁKK's own account (HUF million)	12,000.04	7,500.04	13,600.01	7,500.00	0.01	30,000.05
Total amount issued (HUF million)	52,000.00	82,500.00	81,600.00	32,500.00	40,000.00	60,000.00

* Without issuance onto ÁKK's own account

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



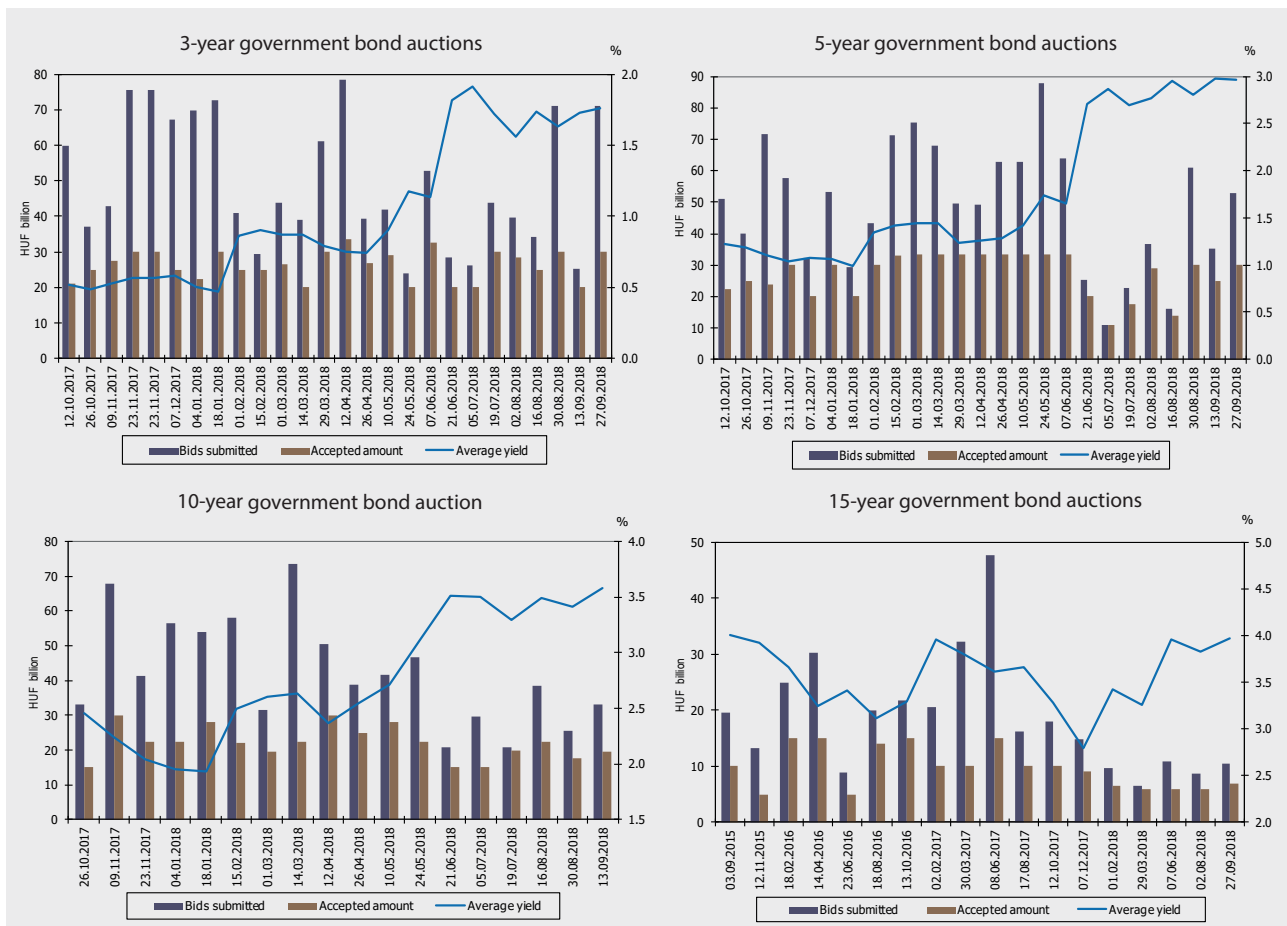
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2023/B	2021/C	2024/C	2027/A	2023/B	2021/C	2024/C	2038/A
ISIN code	HU0000403456	HU0000403464	HU0000403571	HU0000403118	HU0000403456	HU0000403464	HU0000403571	HU0000403555
Maturity (in years)	5	3	5	10	5	3	5	15
Coupon	0.25%	0.50%	2.50%	3.00%	0.25%	0.50%	2.50%	3.00%
Auction	17th auction	17th auction	7th auction	54th auction	18th auction	18th auction	8th auction	5th auction
Date of auction	06.09.2018	13.09.2018	13.09.2018	13.09.2018	20.09.2018	27.09.2018	27.09.2018	27.09.2018
Date of financial settlement	12.09.2018	19.09.2018	19.09.2018	19.09.2018	26.09.2018	03.10.2018	03.10.2018	03.10.2018
Redemption date	26.07.2023	21.04.2021	24.10.2024	27.10.2027	26.07.2023	21.04.2021	24.10.2024	27.10.2038
Maximum annual yield (%) - ISMA	-	1.74	3.00	3.59	-	1.77	2.98	3.99
Minimum annual yield (%) - ISMA	-	1.70	2.94	3.56	-	1.74	2.91	3.94
Average annual yield (%) - ISMA	-	1.73	2.98	3.58	-	1.76	2.96	3.97
Maximum annual yield (%) - EHM	-	1.74	3.00	3.59	-	1.77	2.98	3.99
Minimum annual yield (%) - EHM	-	1.70	2.94	3.56	-	1.74	2.91	3.94
Average annual yield (%) - EHM	-	1.72	2.97	3.57	-	1.76	2.96	3.97
Maximum price (%)	97.5800	96.9867	97.5601	95.7055	97.6100	96.9350	97.7354	87.1221
Minimum price (%)	97.5400	96.8884	97.2346	95.4812	97.5600	96.8620	97.3573	86.4996
Average price (%)	97.5500	96.9228	97.3609	95.5798	97.5700	96.8806	97.4760	86.7240
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	10,000.00
Amount of bids submitted (HUF million)	16,514.00	25,210.00	35,322.65	32,973.00	11,800.00	71,198.00	52,709.00	10,400.00
Amount of bids accepted (HUF million)	6,999.99	19,999.99	24,999.98	19,499.97	7,499.99	29,999.98	29,999.98	7,000.00
Bid-to-cover ratio	2.36	1.26	1.41	1.69	1.57	2.37	1.76	1.49
Bids submitted (pcs)	35	27	53	51	29	50	64	29
Bids accepted (pcs)	18	24	45	32	16	23	40	22
Tail (%) (average price - minimum price)	0.01	0.03	0.13	0.10	0.01	0.02	0.12	0.22
Market sales (HUF million)	6,999.99	19,999.99	24,999.98	19,499.97	7,499.99	29,999.98	29,999.98	7,000.00
Non-competitive offer (HUF million)	2,439.99	800.00	3,261.78	6,319.07	1,997.83	11,199.98	1,619.55	0.00
Total amount sales (HUF million)	9,439.98	20,799.99	28,261.76	25,819.04	9,497.82	41,199.96	31,619.53	7,000.00



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2019/A	2019/B	2019/A	2019/B
ISIN code	HU0000402433	HU0000402649	HU0000402433	HU0000402649
Coupon (%)	6.50	0.08	6.50	0.08
Date of reverse auction	12.09.2018	12.09.2018	26.09.2018	26.09.2018
Date of financial settlement	19.09.2018	19.09.2018	03.10.2018	03.10.2018
Redemption date	24.06.2019	20.05.2019	24.06.2019	20.05.2019
Minimum annual yield (%)	0.31	99.97	0.17	100.00
Average annual yield- ISMA (%)	0.31	99.97	0.18	99.99
Average annual yield - EHM (%)	0.31	-	0.18	-
Amount of bids submitted (HUF million)	42,162.76	63,359.44	6,390.90	52,634.54
Amount of bids accepted (HUF million)	30,141.89	10,649.44	5,976.40	39,634.54

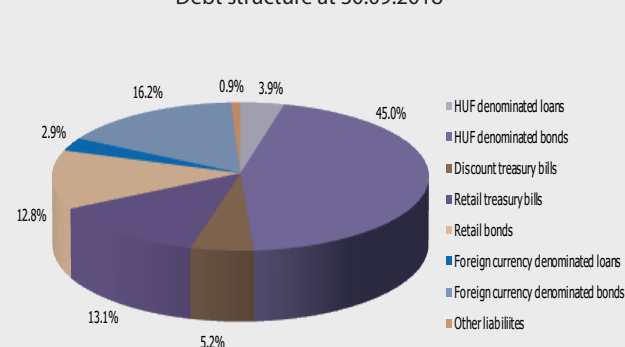
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN SEPTEMBER 2018

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2020/Q	20.09.2018	22.09.2018	22.09.2019	23.09.2019	2.56%	2.60%
2021/A	20.09.2018	23.09.2018	23.12.2018	27.12.2018	0.20%	0.05%
2022/N	18.09.2018	20.09.2018	20.09.2019	20.09.2019	3.04%	3.08%
2026/N	20.09.2018	22.09.2018	22.09.2019	23.09.2019	3.31%	3.36%
2023/J	24.09.2018	28.09.2018	28.09.2019	30.09.2019	3.80%	3.80%

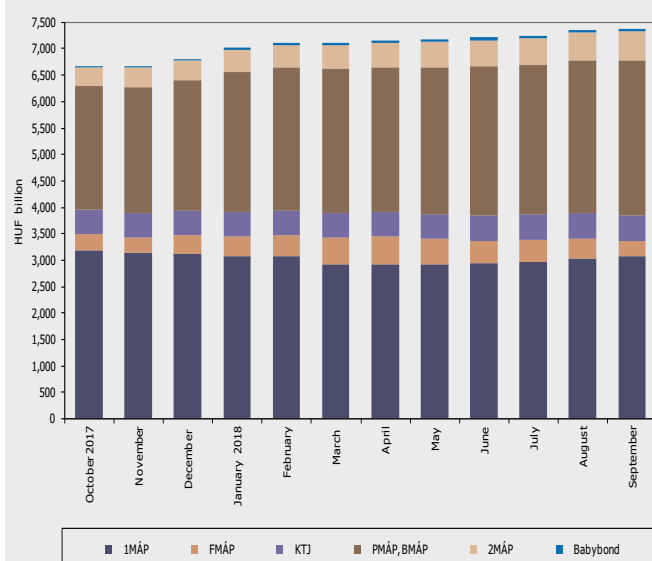
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2017	30.09.2018	HUF billion
1-year Hungarian Government Security / 1MAP	3,109.7	3,077.6	-32.1
Half-year Hungarian Government Security / FMAP	351.8	286.1	-65.7
Treasury Saving Bills / KTJ	468.7	485.3	16.6
Premium and Bonus Hungarian Government Securities / PMAP, BMAP	2,457.5	2,932.9	475.4
2-year Hungarian Government Security / 2MAP	376.8	537.7	160.9
Babybond	38.2	48.6	10.4
Total	6,802.9	7,368.2	565.4

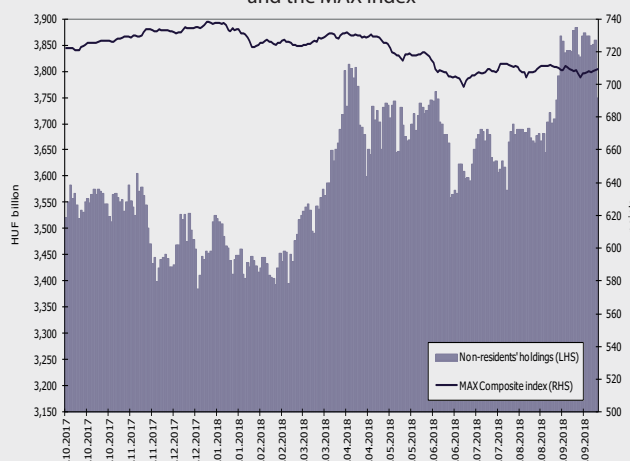
Debt structure at 30.09.2018



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 28.09.2018	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 28.09.2018	728.7368	772.9903	551.5921	367.1158
Changes compared to the end of the month before	-0.9006	-3.8800	-1.8996	-2.5611
Reference yield (%)	1.75	2.97	3.54	3.95
Annual yield earned on the index portfolio (%)	-1.71	-4.02	-4.68	-2.03

Government bonds with the highest secondary market turnover in September 2018

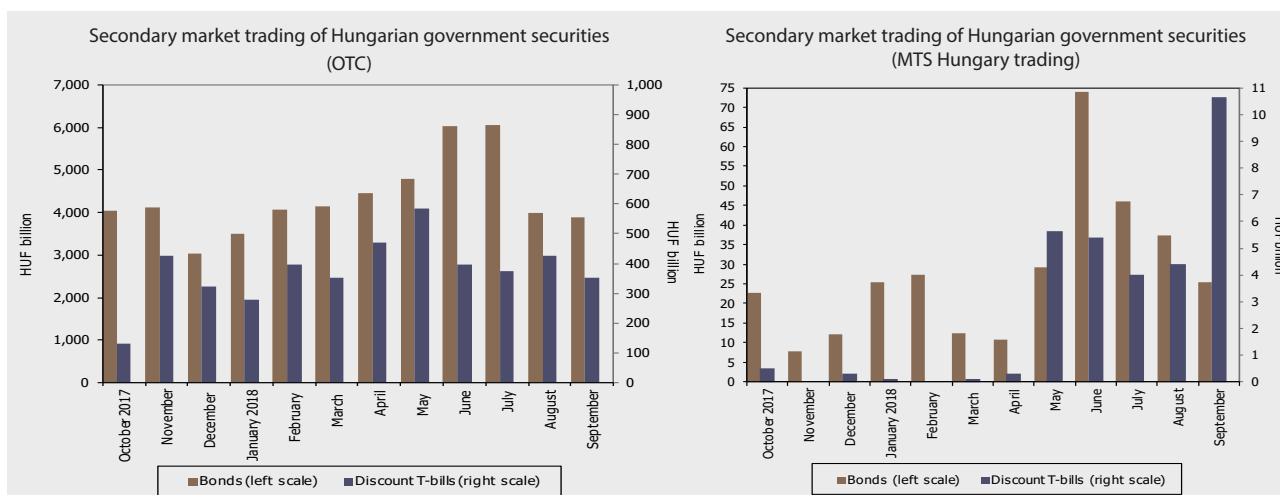
Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	303.1
2023/A	24.11.2023	243.2
2025/B	24.06.2025	241.6
2026/D	22.12.2026	219.7
2019/A	24.06.2019	208.5
2022/B	26.10.2022	206.1
2021/C	21.04.2021	161.0
2021/B	27.10.2021	139.2
2024/C	24.10.2024	122.8
2020/C	23.09.2020	119.2

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

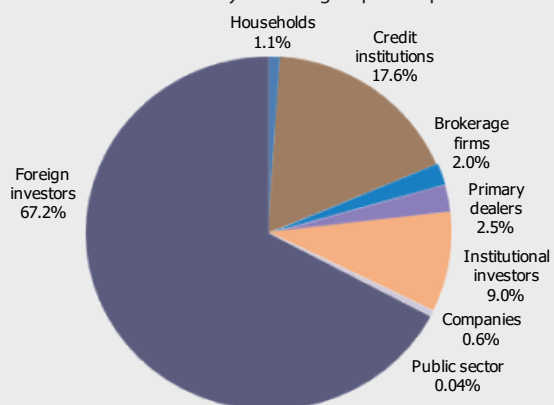
Government bond	HUF billion	
	31.08.2018	30.09.2018
2021/C	452.01	507.64
2024/C	94.79	155.13
2027/A	999.61	1,046.46
2038/A	24.95	24.97

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

Government bond	HUF billion
2025/B	1,194.69
2022/B	1,099.79
2027/A	1,046.46



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



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

