



GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

Á | K | K

# GOVERNMENT SECURITIES MARKET

QUARTERLY REPORT  
Q4 2017



# GOVERNMENT SECURITIES

The deficit of the central government amounted to HUF 1,973.9 billion (about EUR 6.4 billion) in 2017. The net financing need was decreased by HUF 66.8 billion of the net balance of transfers from the European Union and other sources. Thus, the total net financing need amounted to HUF 1,907.1 billion. Net issuance was HUF 1,800.2 billion, out of which net HUF denominated issuance was HUF 2,258.5 billion and net foreign currency denominated redemption was HUF 458.4 billion. The total amount of other liabilities decreased by HUF 468.4 billion in 2017.

ÁKK had set up benchmarks to maintain the optimal cost-risk characteristics of public debt. The 90-day moving average values of those benchmarks at the end of Q4 2017 were as follows:

- The share of foreign currency denominated debt within the total debt decreased to 22.3%.
- 100% of the foreign currency debt was denominated in euro.
- The fixed-floating mix of the foreign currency debt portfolio was 67.6%-32.4%.
- The fixed-floating mix of the HUF-denominated debt was 58.9% and 41.1% respectively.
- The duration of the HUF-denominated debt was 2.95 years.

All benchmark targets were met in Q4 2017.

The 3-6-12 short term secondary market yields increased, the 3 year yield hasn't changed and the 5-10-15 year yields decreased in Q4. The 3-6-12 month yields increased by 3-6 basis points, the 3 year yield was the same as the previous quarter, the 5 year yield decreased by 12 basic points, and the 10-15 year yields were lower by 49-56 basis points compared to Q3. At the end of December the 1-year benchmark yield stood at 0.02%, the 3-year yield at 0.51% and the 10-year yield at 2.02%.

The liquidity in the secondary market was lower by 3% than the previous quarter. OTC turnover of government securities in Q4 amounted to HUF 12,054.1 billion. 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-resident holdings of Hungarian government securities decreased by HUF 143.6 billion from end-September and amounted to HUF 3,385.4 billion at the end of December. This amount represented 17.2% of domestic government securities.

The credit rating of the long-term foreign currency denominated debt of Hungary was: BBB- (Standard & Poor's); Baa3 (Moody's); BBB- (Fitch) as at 31 December 2017. Fitch Ratings revised Hungary's sovereign credit outlook to "positive" from "stable" in November.

The EUR/HUF exchange rate according to the National Bank of Hungary was 310.14 on the last working day of December.

# GOVERNMENT SECURITIES

## MACROECONOMIC INDICATORS

|                                                                              | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     | 2015     | 2016     | October 2017 | November 2017 | December 2017 |
|------------------------------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------------|---------------|---------------|
| GDP growth (yearly average) <sup>1</sup>                                     | 0.6      | -6.6     | 0.6      | 1.7      | -1.5     | 2.2      | 3.9      | 3.3      | 2.1      |              |               | 4.8           |
| Industrial production <sup>1</sup>                                           | 0.0      | -17.8    | 10.6     | 5.6      | -1.8     | 1.1      | 7.7      | 7.4      | 0.9      | 7.6          | 3.4           | 4.5           |
| Unemployment rate (%) (3-month average)                                      | 7.8      | 10.0     | 11.2     | 10.9     | 10.9     | 10.2     | 7.7      | 6.8      | 5.1      | 4.0          | 3.8           | 3.8           |
| Consumer price index (yearly change) <sup>2</sup>                            | 3.5      | 5.6      | 4.7      | 4.1      | 5.0      | 0.4      | -0.9     | 0.9      | 1.8      | 2.2          | 2.5           | 2.1           |
| Consumer price index (yearly average)                                        | 6.1      | 4.2      | 4.9      | 3.9      | 5.7      | 1.7      | -0.2     | -0.1     | 0.4      |              |               | 2.4           |
| Consumer price index (monthly change)                                        |          |          |          |          |          |          |          |          |          | 0.3          | 0.4           | 0.0           |
| Producer price index (yearly change) <sup>2</sup>                            | 5.8      | 1.3      | 8.1      | 7.5      | -1.8     | 0.5      | 0.1      | -1.3     | 0.5      | 4.5          | 4.5           | 3.9           |
| Producer price index (yearly average)                                        | 5.3      | 4.9      | 4.5      | 4.2      | 4.3      | 0.7      | -0.4     | -0.9     | -1.7     |              |               |               |
| Producer price index (monthly change)                                        |          |          |          |          |          |          |          |          |          | 1.0          | 1.0           | 0.0           |
| Net lending position of households (HUF Bn) <sup>3</sup>                     | 479.9    | 912.1    | 1,180.0  | 1,492.5  | 1,466.5  | 1,470.8  | 1,780.2  | 2,645.1  | 1,592.7  |              |               |               |
| Current account of balance of payments (EUR M)                               | -7,571.9 | -754.4   | 273.8    | 753.9    | 1,751.8  | 3,892.2  | 1,587.4  | 3,838.3  | 6,966.8  |              |               |               |
| Net direct investments (EUR M) <sup>4</sup>                                  | 3,535.7  | -1,810.1 | -2,067.1 | -971.7   | -2,094.6 | -1,137.8 | -2,948.0 | -1,093.4 | -1,912.8 |              |               |               |
| Balance of the central government budget (HUF Bn) <sup>5</sup>               | -861.7   | -737.2   | -835.7   | -1,483.6 | -620.1   | -979.8   | -837.1   | -1,195.9 | -771.6   | -1,491.9     | -1,667.0      | -1,904.2      |
| Balance of the central government budget (GFS, per cent of GDP) <sup>5</sup> | -3.4     | -3.9     | -4.2     | -5.7     | -1.8     | -2.7     | -2.4     | -3.6     | -2.2     |              |               |               |
| Balance of the central government budget (ESA, percent of GDP) <sup>5</sup>  | -3.6     | -4.6     | -4.5     | -5.5     | -2.3     | -2.6     | -2.1     | -1.6     | -1.7     |              |               |               |
| Central government gross debt (HUF Bn)                                       | 18,103.9 | 18,964.9 | 20,041.0 | 20,955.5 | 20,720.1 | 21,998.6 | 23,881.1 | 24,699.7 | 25,430.0 | 26,601.1     | 26,934.5      | 26,746.2      |
| Central government gross debt (per cent of GDP)                              | 66.6     | 71.8     | 73.6     | 74.0     | 72.0     | 72.7     | 73.3     | 72.0     | 71.8     |              |               |               |
| Net foreign debt (EUR M) <sup>6</sup>                                        | 54,500.9 | 53,341.9 | 53,341.8 | 47,088.0 | 45,373.1 | 37,504.1 | 34,888.6 | 27,604.6 | 21,792.7 |              |               |               |
| Net foreign debt (per cent of GDP)                                           | 53.1     | 54.7     | 54.6     | 51.8     | 45.9     | 36.8     | 33.7     | 25.2     | 19.1     |              |               |               |
| HUF/USD mid exchange rate at the end of period                               | 187.91   | 188.07   | 208.65   | 240.68   | 220.93   | 215.67   | 259.13   | 286.63   | 293.69   | 267.68       | 264.27        | 258.82        |
| HUF/EUR mid exchange rate at the end of period                               | 264.78   | 270.84   | 278.75   | 311.13   | 291.29   | 296.91   | 314.89   | 313.12   | 311.02   | 311.42       | 312.68        | 310.14        |

<sup>1</sup> Same period of previous year = 100%, working day adjusted

<sup>2</sup> In case of yearly data: December/previous December, otherwise month/same month of the previous year

<sup>3</sup> Non-consolidated data

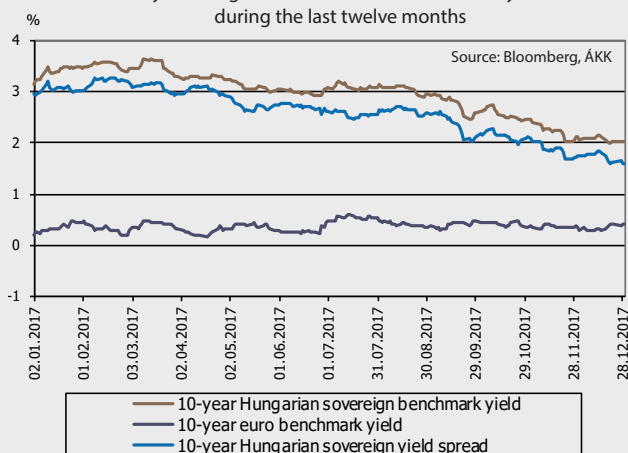
<sup>4</sup> Including intercompany loans

<sup>5</sup> Excluding privatisation proceeds

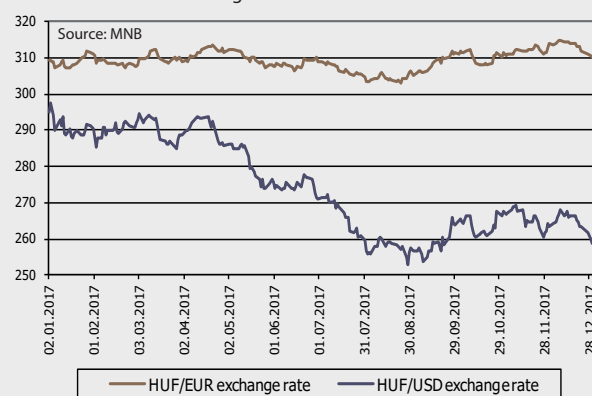
<sup>6</sup> Excluding intercompany loans

Source: KSH, MNB, PM/NGM, ÁKK

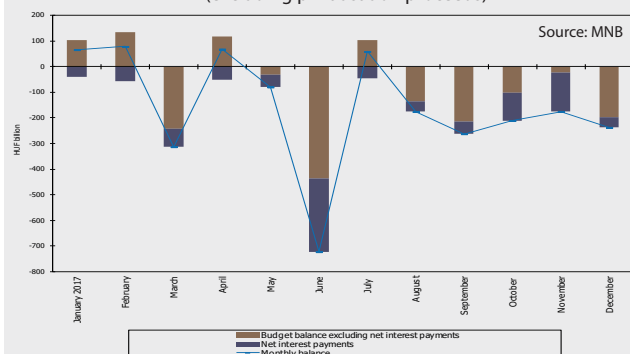
10-year Hungarian and eurozone benchmark yields during the last twelve months



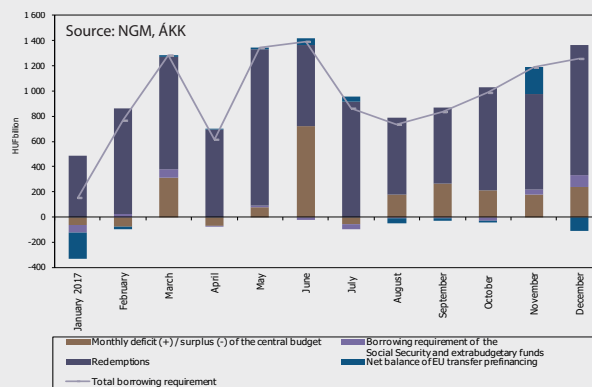
The exchange rate of the Hungarian Forint during the last twelve months



Monthly balance of the central government budget (excluding privatisation proceeds)



Gross borrowing requirement



# GOVERNMENT SECURITIES

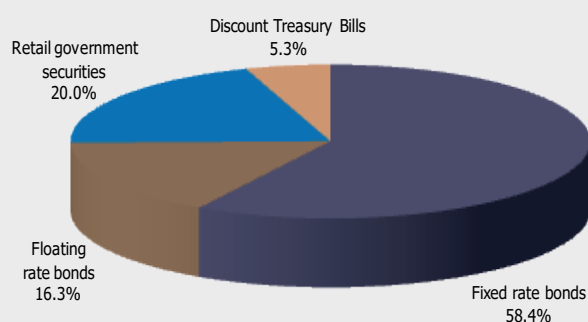
## CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

|                                             | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     | 2015     | 2016     | October 2017 | November 2017 | December 2017 |
|---------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|--------------|---------------|---------------|
| 1. Forint denominated debt                  | 10,476.2 | 10,978.2 | 10,362.2 | 12,042.4 | 12,976.4 | 14,612.0 | 16,207.9 | 18,430.9 | 20,386.5     | 20,721.1      | 20,689.4      |
| 1.1. Loans                                  | 438.7    | 540.8    | 590.8    | 566.8    | 603.6    | 623.3    | 694.1    | 865.0    | 901.1        | 1,012.9       | 1,041.1       |
| 1.2. Government securities                  | 10,037.5 | 10,437.4 | 9,771.4  | 11,475.6 | 12,372.8 | 13,988.7 | 15,513.8 | 17,565.8 | 19,485.4     | 19,708.2      | 19,648.3      |
| 1.2.1. Public issues                        | 9,613.2  | 10,019.6 | 9,368.1  | 11,077.1 | 12,182.3 | 13,847.7 | 15,462.3 | 17,526.7 | 19,446.3     | 19,669.0      | 19,609.2      |
| 1.2.1.1. Bonds                              | 7,519.2  | 7,965.8  | 7,353.4  | 8,184.1  | 8,588.8  | 9,848.0  | 11,043.4 | 11,562.4 | 12,069.8     | 11,906.8      | 11,767.1      |
| 1.2.1.1.2. Discount T-bills                 | 1,647.3  | 1,618.2  | 1,540.9  | 1,906.5  | 1,904.9  | 1,588.6  | 901.6    | 896.4    | 711.5        | 1,094.6       | 1,039.2       |
| 1.2.1.3. Retail securities                  | 446.6    | 435.7    | 473.8    | 986.6    | 1,688.5  | 2,411.1  | 3,517.4  | 5,067.9  | 6,665.0      | 6,667.6       | 6,802.9       |
| 1.2.2. Private placements                   | 424.3    | 417.8    | 403.2    | 398.5    | 190.5    | 141.0    | 51.5     | 39.2     | 39.2         | 39.2          | 39.2          |
| 2. Foreign currency denominated debt*       | 8,468.5  | 8,842.8  | 10,170.4 | 8,326.6  | 8,904.9  | 8,957.9  | 7,735.8  | 6,256.5  | 5,899.7      | 5,931.5       | 5,782.5       |
| 2.1. Loans                                  | 4,114.5  | 4,292.8  | 4,458.1  | 3,312.5  | 2,735.6  | 2,164.3  | 1,696.8  | 1,101.6  | 992.2        | 1,003.1       | 929.1         |
| 2.1.1. Foreign loans                        | 4,114.5  | 4,292.8  | 4,337.9  | 3,229.0  | 2,400.2  | 1,889.9  | 1,614.2  | 1,097.6  | 992.2        | 1,003.1       | 929.1         |
| 2.1.2. Domestic loans                       | 0.0      | 0.0      | 0.0      | 83.5     | 335.4    | 274.4    | 82.6     | 4.0      | 0.0          | 0.0           | 0.0           |
| 2.2. Government securities                  | 4,354.0  | 4,550.0  | 5,712.3  | 5,014.1  | 6,169.3  | 6,793.6  | 6,039.0  | 5,154.9  | 4,907.5      | 4,928.4       | 4,853.5       |
| 2.2.1. Issued abroad                        | 4,354.0  | 4,550.0  | 5,712.3  | 4,924.2  | 5,736.9  | 5,844.6  | 5,198.9  | 4,618.9  | 4,200.5      | 4,217.5       | 4,145.9       |
| 2.2.2. Issued domestically                  | 0.0      | 0.0      | 0.0      | 89.9     | 432.5    | 948.9    | 840.1    | 536.0    | 707.0        | 710.9         | 707.6         |
| Total                                       | 18,944.8 | 19,821.0 | 20,532.6 | 20,369.0 | 21,881.4 | 23,569.9 | 23,943.7 | 24,687.4 | 26,286.2     | 26,652.6      | 26,472.0      |
| Other liabilities                           | 20.1     | 220.0    | 422.9    | 351.1    | 117.3    | 311.2    | 756.0    | 742.7    | 314.9        | 281.8         | 274.2         |
| Total central government debt               | 18,964.9 | 20,041.0 | 20,955.5 | 20,720.1 | 21,998.6 | 23,881.1 | 24,699.7 | 25,430.0 | 26,601.1     | 26,934.5      | 26,746.2      |
| Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2) | 9,590.9  | 10,001.8 | 9,297.6  | 10,489.1 | 10,684.2 | 11,577.6 | 11,996.5 | 12,498.0 | 12,820.5     | 13,040.6      | 12,845.5      |
| Gross debt/GDP                              | 71.8%    | 73.6%    | 74.0%    | 72.0%    | 72.7%    | 73.3%    | 72.0%    | 71.8%    |              |               |               |

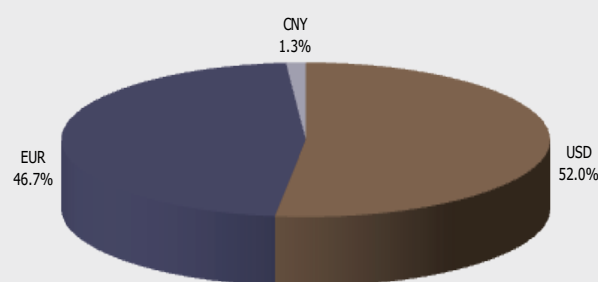
\*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

Composition of HUF government securities as at 31.12.2017



Source: ÁKK

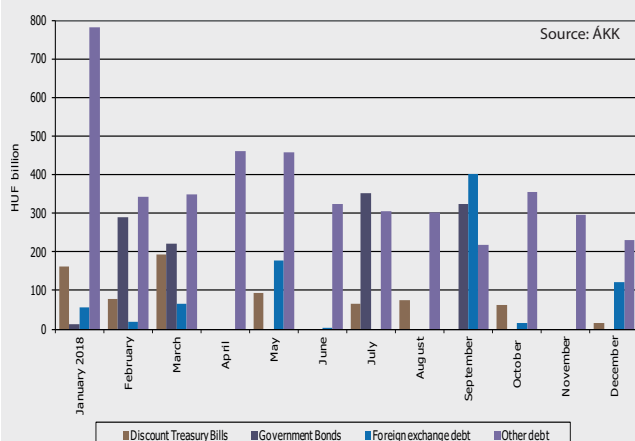
Currency composition of the foreign exchange debt portfolio before swaps as at 31.12.2017\*



Source: ÁKK

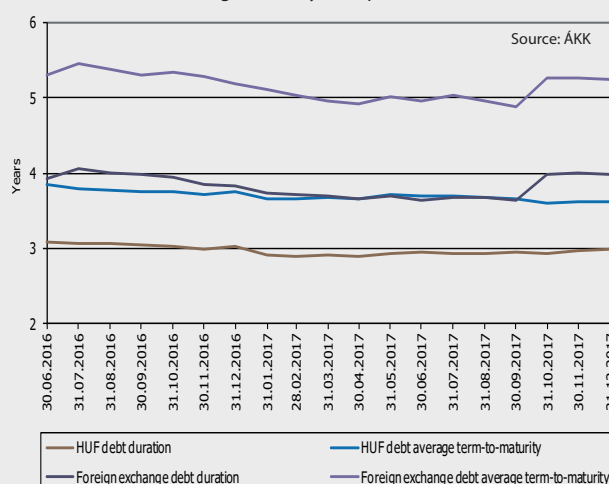
\* Composition before swaps. By using cross-currency swaps, 100% of the actual foreign exchange debt of the central government was due in euros.

Maturity profile of the central government gross debt over the next 12 months, as at 31.12.2017



Source: ÁKK

Duration and average term-to-maturity of the HUF and foreign currency debt portfolios



# GOVERNMENT SECURITIES

## GOVERNMENT BOND AUCTION RESULTS

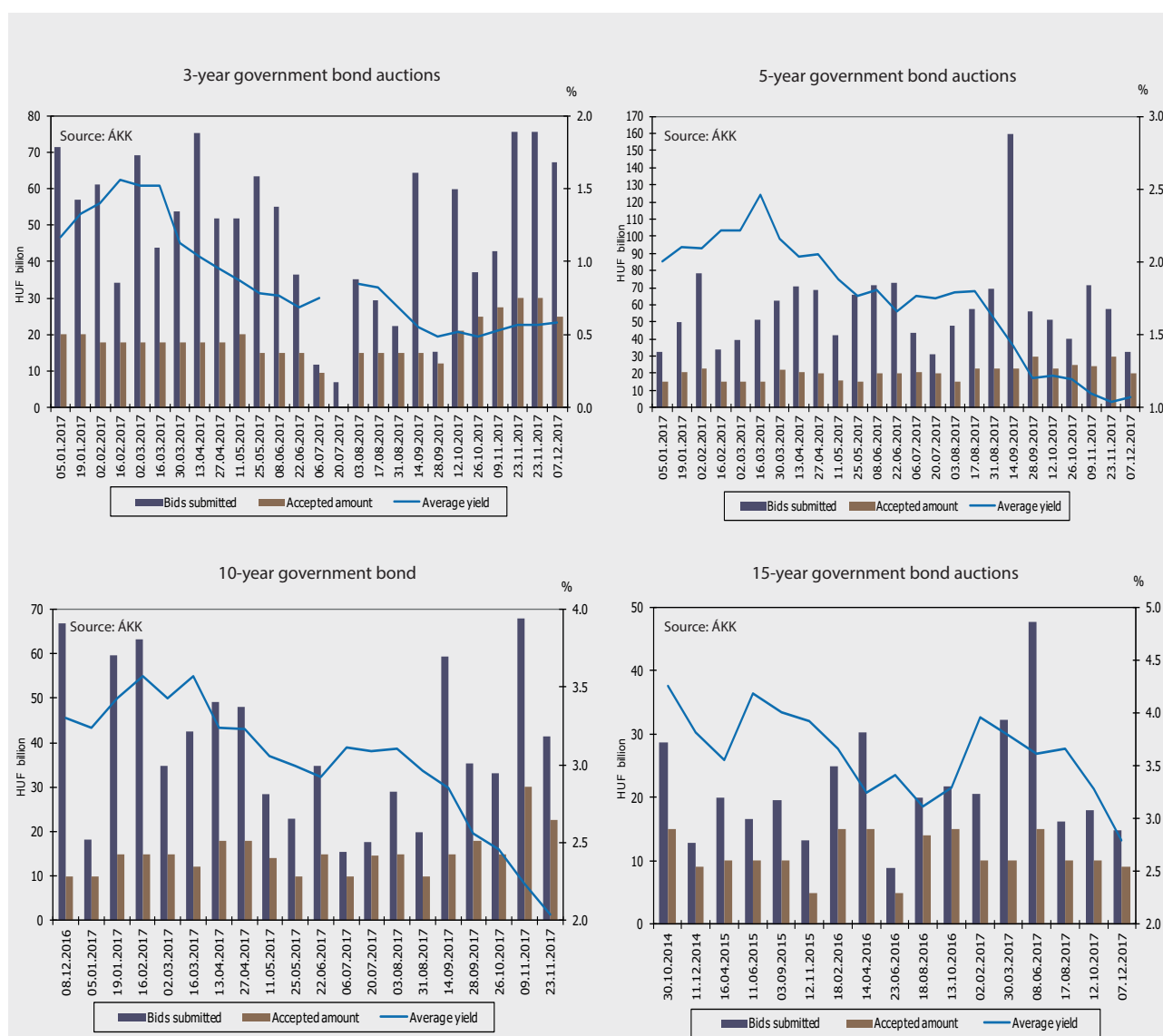
| Government Bond                        | 2021/A       | 2020/C       | 2022/B       | 2031/A       | 2021/A       | 2020/C       | 2022/B       | 2027/A       | 2021/A       | 2020/C       |
|----------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ISIN code                              | HU0000402995 | HU0000403258 | HU0000403266 | HU0000403001 | HU0000402995 | HU0000403258 | HU0000403266 | HU0000403118 | HU0000402995 | HU0000403258 |
| Maturity (in years)                    | 5            | 3            | 5            | 15           | 5            | 3            | 5            | 10           | 5            | 3            |
| Coupon                                 | 0.06%        | 1.00%        | 1.75%        | 3.25%        | 0.06%        | 1.00%        | 1.75%        | 3.00%        | 0.06%        | 1.00%        |
| Auction                                | 31st auction | 21st auction | 21st auction | 14th auction | 32nd auction | 22nd auction | 22nd auction | 37th auction | 33rd auction | 23rd auction |
| Date of auction                        | 05.10.2017   | 12.10.2017   | 12.10.2017   | 12.10.2017   | 19.10.2017   | 26.10.2017   | 26.10.2017   | 26.10.2017   | 02.11.2017   | 09.11.2017   |
| Date of financial settlement           | 11.10.2017   | 18.10.2017   | 18.10.2017   | 18.10.2017   | 25.10.2017   | 02.11.2017   | 02.11.2017   | 02.11.2017   | 08.11.2017   | 15.11.2017   |
| Redemption date                        | 23.06.2021   | 23.09.2020   | 26.10.2022   | 22.10.2031   | 23.06.2021   | 23.09.2020   | 26.10.2022   | 27.10.2027   | 23.06.2021   | 23.09.2020   |
| Maximum annual yield (%) - ISMA        | -            | 0.52         | 1.23         | 3.29         | -            | 0.50         | 1.20         | 2.47         | -            | 0.54         |
| Minimum annual yield (%) - ISMA        | -            | 0.50         | 1.20         | 3.25         | -            | 0.47         | 1.17         | 2.45         | -            | 0.52         |
| Average annual yield (%) - ISMA        | -            | 0.51         | 1.22         | 3.28         | -            | 0.49         | 1.19         | 2.46         | -            | 0.53         |
| Maximum annual yield (%) - EHM         | -            | 0.52         | 1.23         | 3.29         | -            | 0.50         | 1.20         | 2.47         | -            | 0.54         |
| Minimum annual yield (%) - EHM         | -            | 0.50         | 1.20         | 3.25         | -            | 0.47         | 1.17         | 2.45         | -            | 0.52         |
| Average annual yield (%) - EHM         | -            | 0.51         | 1.22         | 3.28         | -            | 0.49         | 1.19         | 2.46         | -            | 0.53         |
| Maximum price (%)                      | 99.3000      | 101.4528     | 102.6661     | 100.0009     | 99.3100      | 101.5178     | 102.7903     | 104.8200     | 99.3000      | 101.3579     |
| Minimum price (%)                      | 99.1800      | 101.3929     | 102.5165     | 99.5561      | 99.2400      | 101.4312     | 102.6438     | 104.6834     | 99.1700      | 101.2993     |
| Average price (%)                      | 99.2300      | 101.4077     | 102.5676     | 99.6812      | 99.2800      | 101.4579     | 102.7031     | 104.7266     | 99.2300      | 101.3238     |
| Amount offered for sale (HUF million)  | 7,000.00     | 15,000.00    | 15,000.00    | 10,000.00    | 7,000.00     | 20,000.00    | 20,000.00    | 10,000.00    | 7,000.00     | 20,000.00    |
| Amount of bids submitted (HUF million) | 27,900.00    | 59,800.00    | 51,000.00    | 18,085.00    | 22,850.00    | 37,200.00    | 39,950.00    | 33,000.00    | 14,200.00    | 42,935.00    |
| Amount of bids accepted (HUF million)  | 9,999.99     | 21,000.00    | 22,500.00    | 9,999.98     | 7,000.00     | 25,000.00    | 25,000.00    | 15,000.00    | 6,999.99     | 27,500.00    |
| Bid-to-cover ratio                     | 2.79         | 2.85         | 2.27         | 1.81         | 3.26         | 1.49         | 1.60         | 2.20         | 2.03         | 1.56         |
| Bids submitted (pcs)                   | 46           | 49           | 47           | 51           | 44           | 37           | 37           | 36           | 24           | 24           |
| Bids accepted (pcs)                    | 18           | 19           | 28           | 33           | 19           | 24           | 19           | 17           | 12           | 16           |
| Tail (average price - minimum price)   | 0.05         | 0.01         | 0.05         | 0.13         | 0.04         | 0.03         | 0.06         | 0.04         | 0.06         | 0.02         |
| Market sales (HUF million)             | 9,999.99     | 21,000.00    | 22,500.00    | 9,999.98     | 7,000.00     | 25,000.00    | 25,000.00    | 15,000.00    | 6,999.99     | 27,500.00    |
| Non-competitive offer (HUF million)    | 3,393.84     | 4,880.00     | 2,960.00     | 2,151.76     | 1,080.00     | 2,600.00     | 4,500.00     | 4,960.00     | 1,098.18     | 360.00       |
| Total amount sales (HUF million)       | 13,393.83    | 25,880.00    | 25,460.00    | 12,151.74    | 8,080.00     | 27,600.00    | 29,500.00    | 19,960.00    | 8,098.17     | 27,860.00    |

## GOVERNMENT BOND AUCTION RESULTS

| Government Bond                        | 2022/B       | 2027/A       | 2021/A       | 2020/C       | 2022/B       | 2027/A       | 2021/A       | 2020/C       | 2022/B       | 2031/A       |
|----------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ISIN code                              | HU0000403266 | HU0000403118 | HU0000402995 | HU0000403258 | HU0000403266 | HU0000403118 | HU0000402995 | HU0000403258 | HU0000403266 | HU0000403001 |
| Maturity (in years)                    | 5            | 10           | 5            | 3            | 5            | 10           | 5            | 3            | 5            | 15           |
| Coupon                                 | 1.75%        | 3.00%        | 0.06%        | 1.00%        | 1.75%        | 3.00%        | 0.06%        | 1.00%        | 1.75%        | 3.25%        |
| Auction                                | 23rd auction | 38th auction | 34th auction | 24th auction | 24th auction | 39th auction | 35th auction | 25th auction | 25th auction | 15th auction |
| Date of auction                        | 09.11.2017   | 09.11.2017   | 16.11.2017   | 23.11.2017   | 23.11.2017   | 23.11.2017   | 30.11.2017   | 07.12.2017   | 07.12.2017   | 07.12.2017   |
| Date of financial settlement           | 15.11.2017   | 15.11.2017   | 22.11.2017   | 29.11.2017   | 29.11.2017   | 29.11.2017   | 06.12.2017   | 13.12.2017   | 13.12.2017   | 13.12.2017   |
| Redemption date                        | 26.10.2022   | 27.10.2027   | 23.06.2021   | 23.09.2020   | 26.10.2022   | 27.10.2027   | 23.06.2021   | 23.09.2020   | 26.10.2022   | 22.10.2031   |
| Maximum annual yield (%) - ISMA        | 1.11         | 2.24         | -            | 0.58         | 1.05         | 2.05         | -            | 0.60         | 1.09         | 2.82         |
| Minimum annual yield (%) - ISMA        | 1.08         | 2.22         | -            | 0.55         | 1.03         | 2.00         | -            | 0.57         | 1.06         | 2.78         |
| Average annual yield (%) - ISMA        | 1.10         | 2.23         | -            | 0.57         | 1.04         | 2.04         | -            | 0.58         | 1.07         | 2.80         |
| Maximum annual yield (%) - EHM         | 1.11         | 2.24         | -            | 0.58         | 1.05         | 2.05         | -            | 0.60         | 1.09         | 2.82         |
| Minimum annual yield (%) - EHM         | 1.08         | 2.22         | -            | 0.55         | 1.03         | 2.00         | -            | 0.57         | 1.06         | 2.78         |
| Average annual yield (%) - EHM         | 1.10         | 2.23         | -            | 0.57         | 1.04         | 2.03         | -            | 0.58         | 1.07         | 2.80         |
| Maximum price (%)                      | 103.2001     | 106.8940     | 99.2400      | 101.2553     | 103.4303     | 108.9081     | 99.2400      | 101.1821     | 103.2571     | 105.3407     |
| Minimum price (%)                      | 103.0626     | 106.7200     | 99.1500      | 101.1704     | 103.3300     | 108.4392     | 99.1600      | 101.0983     | 103.1119     | 104.8710     |
| Average price (%)                      | 103.1116     | 106.7563     | 99.2000      | 101.2001     | 103.3731     | 108.5694     | 99.1800      | 101.1531     | 103.2134     | 105.0803     |
| Amount offered for sale (HUF million)  | 20,000.00    | 20,000.00    | 7,000.00     | 20,000.00    | 20,000.00    | 15,000.00    | 7,000.00     | 20,000.00    | 20,000.00    | 10,000.00    |
| Amount of bids submitted (HUF million) | 71,600.00    | 67,751.75    | 13,608.08    | 75,499.30    | 57,580.00    | 41,300.00    | 12,959.43    | 67,354.00    | 32,440.00    | 14,830.80    |
| Amount of bids accepted (HUF million)  | 23,999.98    | 30,000.00    | 8,000.00     | 30,000.00    | 29,999.99    | 22,499.97    | 7,999.98     | 25,000.00    | 19,999.98    | 8,999.97     |
| Bid-to-cover ratio                     | 2.98         | 2.26         | 1.70         | 2.52         | 1.92         | 1.84         | 1.62         | 2.69         | 1.62         | 1.65         |
| Bids submitted (pcs)                   | 54           | 54           | 33           | 45           | 55           | 53           | 24           | 32           | 33           | 34           |
| Bids accepted (pcs)                    | 24           | 19           | 25           | 21           | 34           | 34           | 18           | 12           | 23           | 28           |
| Tail (average price - minimum price)   | 0.05         | 0.04         | 0.05         | 0.03         | 0.04         | 0.13         | 0.02         | 0.05         | 0.10         | 0.21         |
| Market sales (HUF million)             | 23,999.98    | 30,000.00    | 8,000.00     | 30,000.00    | 29,999.99    | 22,499.97    | 7,999.98     | 25,000.00    | 19,999.98    | 8,999.97     |
| Non-competitive offer (HUF million)    | 120.00       | 640.00       | 1,276.76     | 5,920.00     | 8,235.14     | 2,491.52     | 1,652.48     | 5,920.00     | 4,080.00     | 0.00         |
| Total amount sales (HUF million)       | 24,119.98    | 30,640.00    | 9,276.76     | 35,920.00    | 38,235.13    | 24,991.49    | 9,652.46     | 30,920.00    | 24,079.98    | 8,999.97     |

Source: ÁKK

# GOVERNMENT SECURITIES



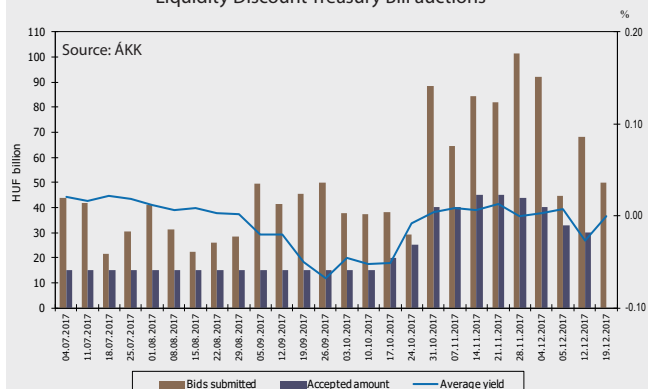
## INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN Q4 2017

| Government bond | Date of interest rate reset | Interest period |            | Date of interest payment | Reset interest rate | Interest payable |
|-----------------|-----------------------------|-----------------|------------|--------------------------|---------------------|------------------|
| 2018/D          | 21.10.2017                  | 24.10.2017      | 24.01.2018 | 24.01.2018               | 0.03%               | 0.01%            |
| 2019/L          | 19.10.2017                  | 21.10.2017      | 21.10.2018 | 22.10.2018               | 3.15%               | 3.15%            |
| 2021/J          | 03.10.2017                  | 03.10.2017      | 26.05.2018 | 28.05.2018               | 3.55%               | 2.29%            |
| 2021/I          | 18.10.2017                  | 20.10.2017      | 20.10.2018 | 22.10.2018               | 3.65%               | 3.65%            |
| 2022/O          | 03.10.2017                  | 03.10.2017      | 27.04.2018 | 27.04.2018               | 2.29%               | 1.31%            |
| 2023/I          | 03.10.2017                  | 03.10.2017      | 22.03.2018 | 22.03.2018               | 3.80%               | 1.77%            |
| 2024/O          | 03.10.2017                  | 03.10.2017      | 24.04.2017 | 24.04.2017               | 2.79%               | 1.57%            |
| 2026/B          | 24.10.2017                  | 24.10.2017      | 24.04.2018 | 24.04.2018               | 0.01%               | 0.01%            |
| 2028/N          | 03.10.2017                  | 03.10.2017      | 22.03.2018 | 22.03.2018               | 3.04%               | 1.44%            |
| 2018/K          | 17.11.2017                  | 21.11.2017      | 21.11.2018 | 21.11.2018               | 3.40%               | 3.40%            |
| 2019/B          | 17.11.2017                  | 20.11.2017      | 20.05.2018 | 21.05.2018               | 0.01%               | 0.01%            |
| 2019/D          | 25.11.2017                  | 28.11.2017      | 28.02.2018 | 28.02.2018               | 0.03%               | 0.01%            |
| 2032/S          | 30.11.2017                  | 02.12.2017      | 02.12.2018 | 03.12.2018               | 3.40%               | 3.40%            |
| 2021/A          | 20.12.2017                  | 23.12.2017      | 23.03.2018 | 23.03.2018               | 0.03%               | 0.01%            |

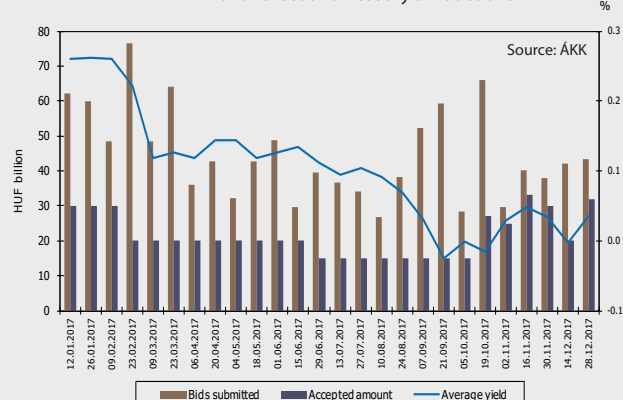
Source: ÁKK

# GOVERNMENT SECURITIES

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



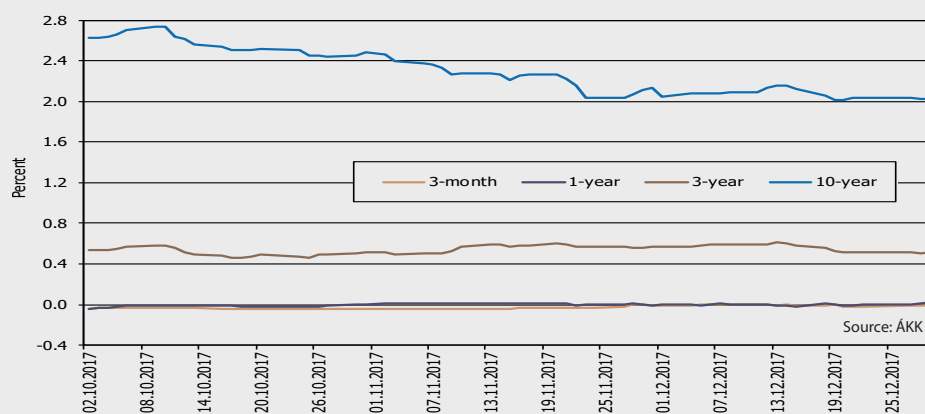
12-month Discount Treasury Bill auctions



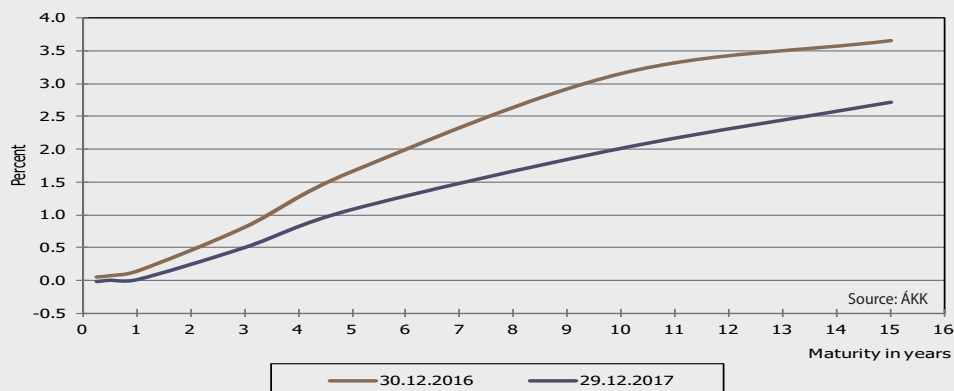
## PRIMARY DEALERS - AS AT 31 DECEMBER 2017

|                             |                                      |
|-----------------------------|--------------------------------------|
| BNP Paribas SA              | K&H Bank Zrt.                        |
| CIB Bank Zrt.               | Magyar Takarékszövetkezeti Bank Zrt. |
| CITIBANK Europe Plc.        | Merrill Lynch International          |
| Deutsche Bank AG            | MKB Bank Zrt.                        |
| ERSTE Befektetési Zrt.      | OTP Bank Nyrt.                       |
| Goldman Sachs International | Raiffeisen Bank Zrt.                 |
| ING Bank N.V.               | UniCredit Bank Hungary Zrt.          |
| J.P. Morgan Securities Plc. |                                      |

Benchmark yields in the past three months

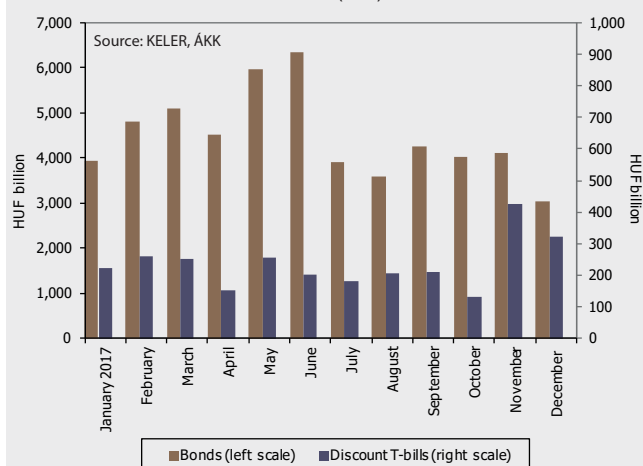


Benchmark yield curves

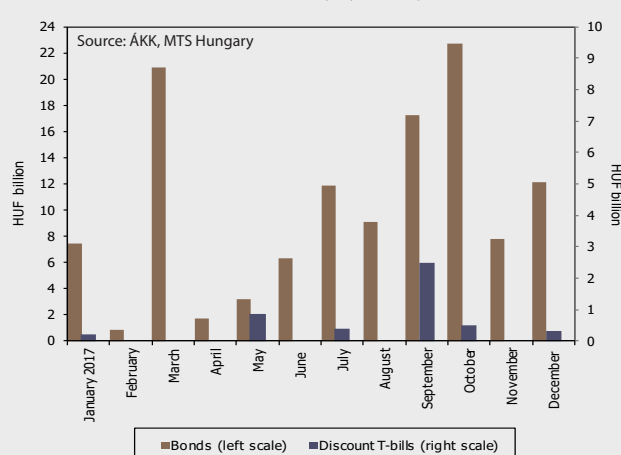


# GOVERNMENT SECURITIES

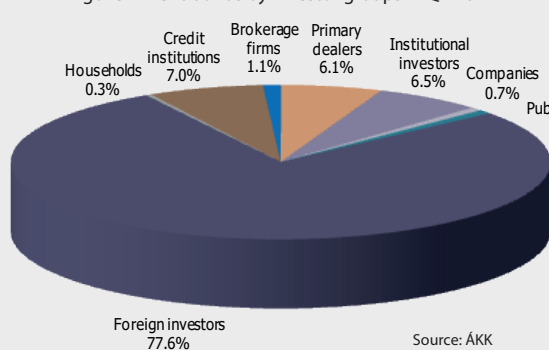
Secondary market trading of Hungarian government securities (OTC)



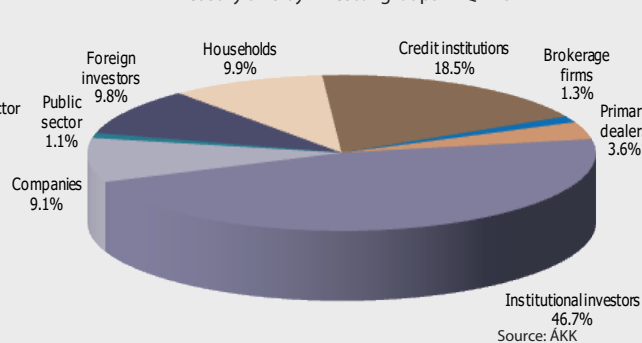
Secondary market trading of Hungarian government securities (MTS Hungary trading)



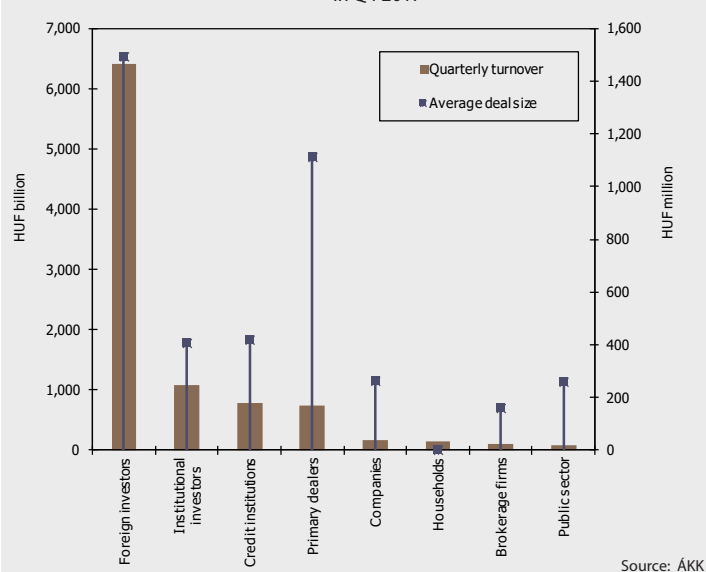
Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in Q4 2017



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in Q4 2017



Primary dealers' trading with different investor groups in Q4 2017

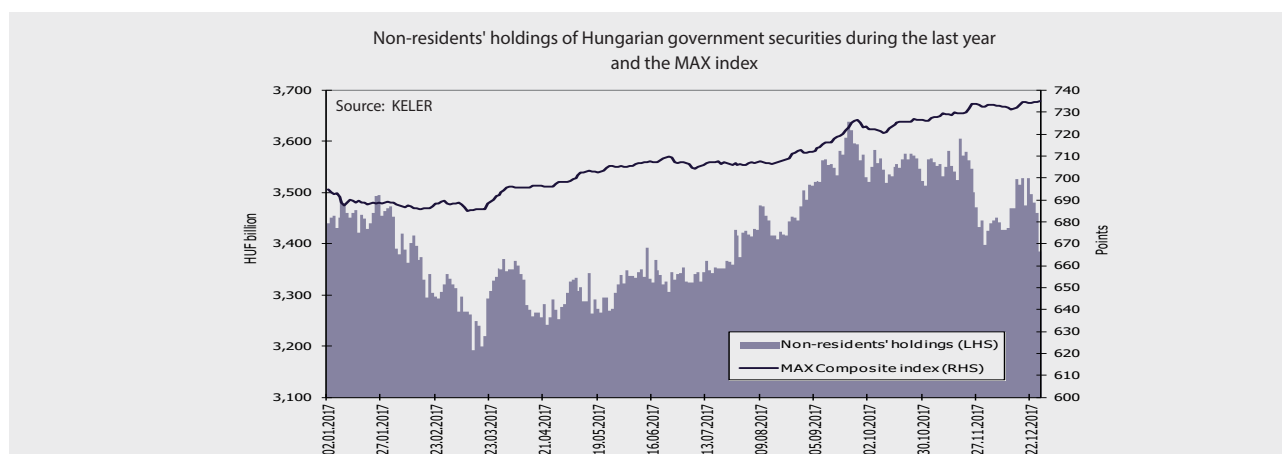


Government securities with the highest secondary market turnover in Q4 2017

| Government security | Date of redemption | Turnover (HUF billion) |
|---------------------|--------------------|------------------------|
| 2027/A              | 27.10.2027         | 1 626,2                |
| 2018/B              | 25.04.2018         | 834,7                  |
| 2025/B              | 24.06.2025         | 814,5                  |
| 2026/D              | 22.12.2026         | 796,2                  |
| 2022/B              | 26.10.2022         | 649,9                  |
| 2023/A              | 24.11.2023         | 471,8                  |
| 2020/C              | 23.09.2020         | 378,6                  |
| 2024/B              | 26.06.2024         | 362,0                  |
| 2020/A              | 12.11.2020         | 355,6                  |
| 2018/C              | 22.06.2018         | 343,6                  |

Source: ÁKK

# GOVERNMENT SECURITIES



## HUNGARIAN GOVERNMENT SECURITIES INDICES

|            | Value of the index |            |                     |            | Annual yield earned on the index portfolio |            |                     |            |
|------------|--------------------|------------|---------------------|------------|--------------------------------------------|------------|---------------------|------------|
|            | MAX index          | RMAX index | MAX Composite index | ZMAX index | MAX index                                  | RMAX index | MAX Composite index | ZMAX index |
| 29.09.2017 | 760.6400           | 551.6962   | 723.6197            | 535.4628   | 5.32%                                      | 0.59%      | 4.94%               | 0.27%      |
| 31.10.2017 | 763.1906           | 551.6661   | 725.8477            | 535.4738   | 5.56%                                      | 0.47%      | 5.15%               | 0.19%      |
| 30.11.2017 | 770.6581           | 551.6443   | 732.3580            | 535.4869   | 7.48%                                      | 0.41%      | 6.89%               | 0.16%      |
| 29.12.2017 | 773.6886           | 551.7792   | 735.0165            | 535.5208   | 6.50%                                      | 0.20%      | 5.96%               | 0.10%      |

Source: ÁKK

## OUTSTANDING AMOUNT OF BENCHMARK GOVERNMENT BOND SERIES IN Q4 2017

| Government bond | HUF billion |            |            |
|-----------------|-------------|------------|------------|
|                 | 31.10.2017  | 30.11.2017 | 31.12.2017 |
| 2020/C          | 410.22      | 502.00     | 533.26     |
| 2022/B          | 504.59      | 597.01     | 621.55     |
| 2027/A          | 571.50      | 647.40     | 647.69     |
| 2031/A          | 192.19      | 192.29     | 201.29     |

Source: ÁKK

## REUTERS PAGES (CODES)

main page: HUTREASURY

|                                                |                                                                                   |
|------------------------------------------------|-----------------------------------------------------------------------------------|
| Auction results are available from 11.30 (CET) |                                                                                   |
| HUISSUE                                        | Publication of the following issues and reverse auctions                          |
| HUAUCTION01                                    | Discount T-bill auction results                                                   |
| HUAUCTION02                                    | Government Bond auction results                                                   |
| HUAUCTION03                                    | Non-competitive fixed rate bonds offer                                            |
| HUAUCTION04                                    | Non-competitive floating rate bonds                                               |
| HUBUYBACK                                      | Government Bond buyback auction results                                           |
| HUEXCHANGE                                     | Government Bond exchange auction results                                          |
| HURETAIL                                       | 6-month Interest Bearing Treasury Bill underwriting results                       |
| Secondary market data                          |                                                                                   |
| HUBONDFIX                                      | Benchmark yield fixing (updated during 14.00 - 14.30 CET)                         |
| HUBONDAKK, HUBONDAKK4                          | Best morning secondary market quotations                                          |
| HUBONDAKK2, HUBONDAKK3                         | Best afternoon secondary market quotations                                        |
| HUBONDIINDEX1                                  | Hungarian Government Total Return Index (MAX), updated during 14.00-14.30 CET     |
| HUBONDIINDEX2                                  | Benchmark Indices for Government Bonds BMX3Y-15Y (updated during 14.00-14.30 CET) |
| HUMAXCOMP1, HUMAXCOMP2                         | Hungarian Government Total Return Index (MAX) statistics                          |
| HUAKK01, HUAKK02, HUAKK03                      | MAX Composite Index                                                               |
| Other                                          |                                                                                   |
| HUFLOATER                                      | Interest rate reset of floating rate bonds                                        |
| HUBONDINFO                                     | Primary Dealers                                                                   |

## FURTHER INFORMATION PAGES:

Bloomberg pages (code): GDMA

Homepage: [www.akk.hu](http://www.akk.hu)

[www.allampapir.hu](http://www.allampapir.hu)