

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT FEBRUARY 2018

The net issuance was HUF 644.6 billion; out of which net HUF-denominated issuance was HUF 732.2 billion and net foreign currency denominated redemption was HUF 87.5 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	February	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	21,421.6	78.4	732.2	3.5
Loans	1,041.1	3.9	1,080.8	4.0	39.7	3.8
Government bonds	11,806.3	44.1	12,222.1	44.7	415.8	3.5
Retail securities	6,802.9	25.4	7,111.1	26.0	308.2	4.5
Discount treasury bills	1,039.2	3.9	1,007.7	3.7	-31.5	-3.0
Foreign exchange denominated debt	5,782.5	21.6	5,771.2	21.1	-11.4	-0.2
Total	26,472.0	99.0	27,192.8	99.5	720.8	2.7
<i>Other obligations</i>	274.2	1.0	132.9	0.5	-141.3	-51.5
Total central government debt	26,746.2	100.0	27,325.7	100.0	579.5	2.2

The HUF denominated debt of the central government increased by HUF 732.2 billion in 2018. The increase in domestic debt was the result of the net government bond issuance was HUF 415.8 billion, the amount of discount Treasury bills decreased by HUF 31.5 billion and the total amount of retail government securities increased by HUF 308.2 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 39.7 billion in 2018.

The foreign currency debt of the central government decreased by HUF 11.4 billion in 2018. The domestic PÉMAK bond issuance was HUF 2.6 billion, while the redemptions of foreign currency bonds worth HUF 90.5 billion decreased the debt. The exchange rate revaluations totalling HUF 76.2 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities decreased by HUF 141.3 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	31.01.2018	28.02.2018	Change in February basis point
3-month	-0.01	-0.03	-0.02	1
6-month	0.01	0.01	-0.02	-3
1-year	0.02	0.00	-0.02	-2
3-year	0.51	0.56	0.87	31
5-year	1.09	1.24	1.44	20
10-year	2.02	2.31	2.58	27
15-year	2.72	2.73	2.98	25

Monthly OTC turnover of government securities increased by 18% to HUF 4,458.2 billion in February. Primary dealers, who account for the decisive part of all secondary government securities trading, made 82% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 10.7 billion in February and amounted to HUF 3,394.4 billion at the end of the month. This volume represented 16.7% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 314.28 on the last working day of February.

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

GOVERNMENT SECURITIES MARKET

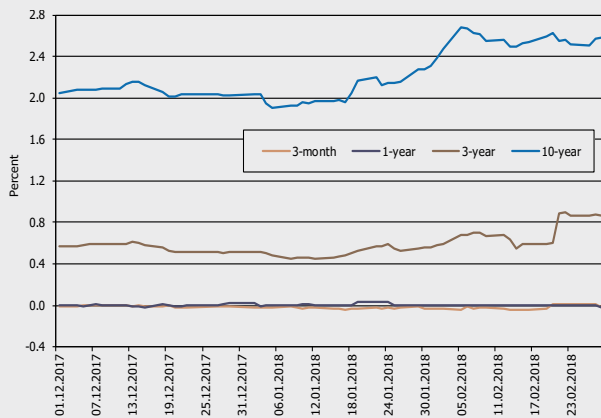
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

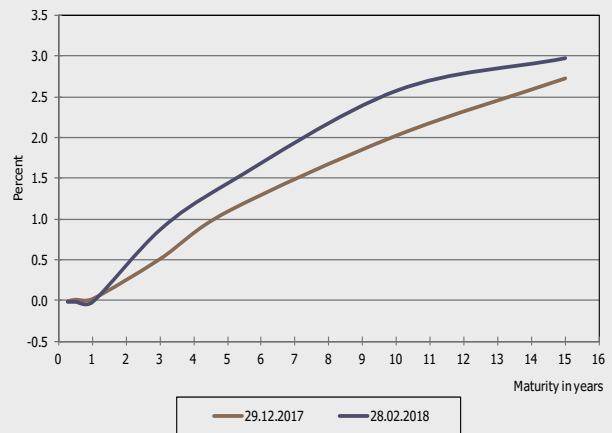
	2012	2013	2014	2015	2016	2017 December	2018 January	2018 February
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	21,150.6	21,421.6
1.1. Loans	566.8	603.6	623.3	694.1	865.0	1,041.1	1,078.2	1,080.8
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	20,072.4	20,340.8
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	20,033.2	20,301.7
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	11,965.5	12,182.9
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	1,039.2	1,060.2	1,007.7
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,007.6	7,111.1
1.2.2. Private placements	398.5	190.5	141.0	51.5	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	8,326.6	8,904.9	8,957.9	7,735.8	6,256.5	5,782.5	5,796.5	5,771.2
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	929.1	930.4	941.5
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	929.1	930.4	941.5
2.1.2. Domestic loans	83.5	335.4	274.4	82.6	4.0	0.0	0.0	0.0
2.2. Government securities	5,014.1	6,169.3	6,793.6	6,039.0	5,154.9	4,853.5	4,866.1	4,829.7
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	4,156.0	4,119.0
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	707.6	710.0	710.7
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	26,947.1	27,192.8
Other liabilities	351.10	117.30	311.20	756.00	742.70	274.2	143.4	132.9
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	27,090.5	27,325.7
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	10,489.1	10,684.2	11,577.6	11,996.5	12,498.0	12,845.5	13,064.9	13,229.8
Gross debt/GDP	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.

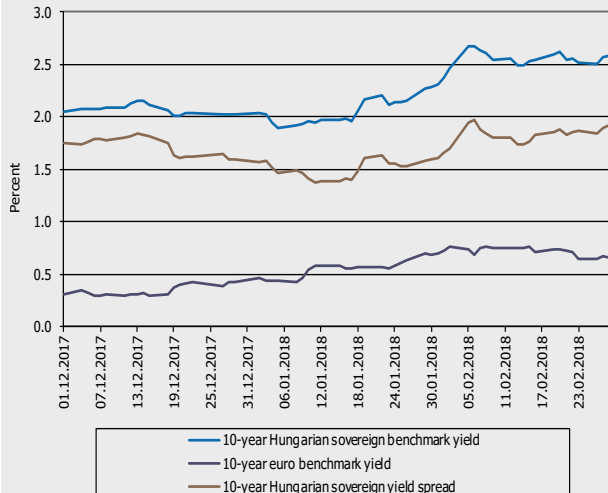
Benchmark yields



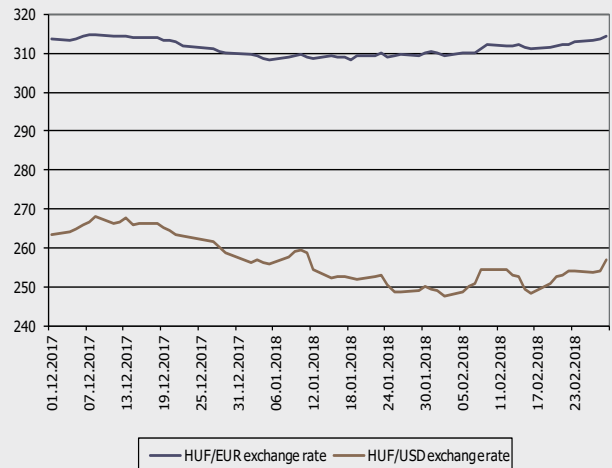
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



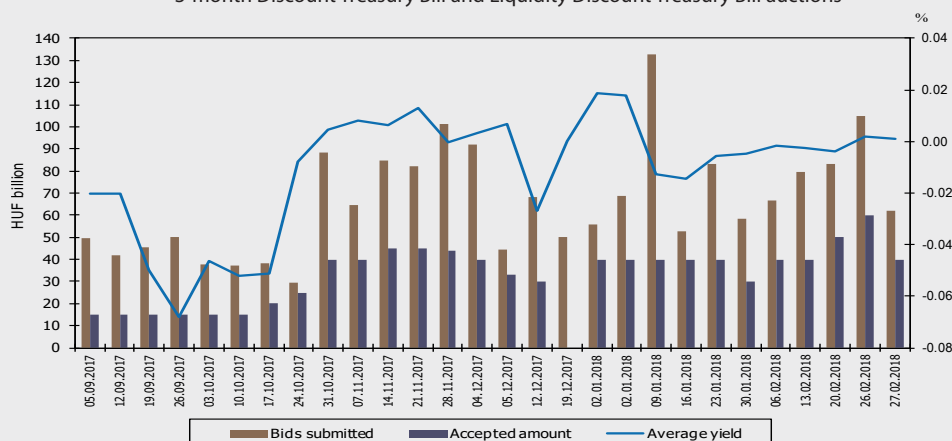
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

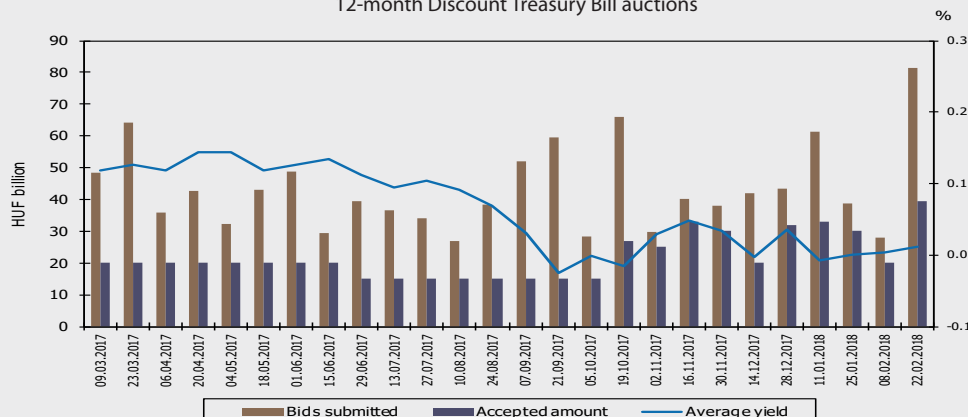
	Liquidity Disc T-bills	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D180418	D180516	D180523	D180530	D180606	D181227	D190227
ISIN code	HU0000521901	HU0000521943	HU0000521596	HU0000521885	HU0000521968	HU0000521893	HU0000521950
Maturity in days	49	91	91	91	91	316	364
Date of auction	26.02.2018	06.02.2018	13.02.2018	20.02.2018	27.02.2018	08.02.2018	22.02.2018
Date of financial settlement	28.02.2018	14.02.2018	21.02.2018	28.02.2018	07.03.2018	14.02.2018	28.02.2018
Redemption date	18.04.2018	16.05.2018	23.05.2018	30.05.2018	06.06.2018	27.12.2018	27.02.2019
Maximum yield (%) - ISMA	0.01	0.00	0.00	0.00	0.01	0.02	0.02
Minimum yield (%) - ISMA	-0.03	-0.02	-0.02	-0.02	-0.01	0.00	0.00
Average yield (%) - ISMA	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Maximum yield (%) - EHM	0.01	0.00	0.00	0.00	0.01	0.02	0.02
Minimum yield (%) - EHM	-0.03	-0.02	-0.02	-0.02	-0.01	0.00	0.00
Average yield (%) - EHM	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Average selling price (%)	99.9997	100.0005	100.0007	100.0010	99.9997	99.9969	99.9879
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	104,835.00	66,764.50	79,454.40	83,278.21	62,065.00	28,100.00	81,341.00
Amount of bids accepted (HUF million)	59,999.97	39,999.97	39,999.95	49,999.94	39,999.97	19,999.99	39,500.00
Bid-to-cover ratio	1.75	1.67	1.99	1.67	1.55	1.41	2.06
Bids submitted (pcs)	29	35	35	38	41	28	64
Bids accepted (pcs)	21	20	20	24	35	18	40
Market sales* (HUF million)	59,999.97	39,999.97	39,999.95	49,999.94	39,999.97	19,999.99	39,500.00
Retained on ÁKK's own account (HUF million)	0.03	12,000.03	12,000.05	15,000.06	12,000.03	10,000.01	39,500.00
Total amount issued (HUF million)	60,000.00	52,000.00	52,000.00	65,000.00	52,000.00	30,000.00	79,000.00

* Without issuance onto ÁKK's own account

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



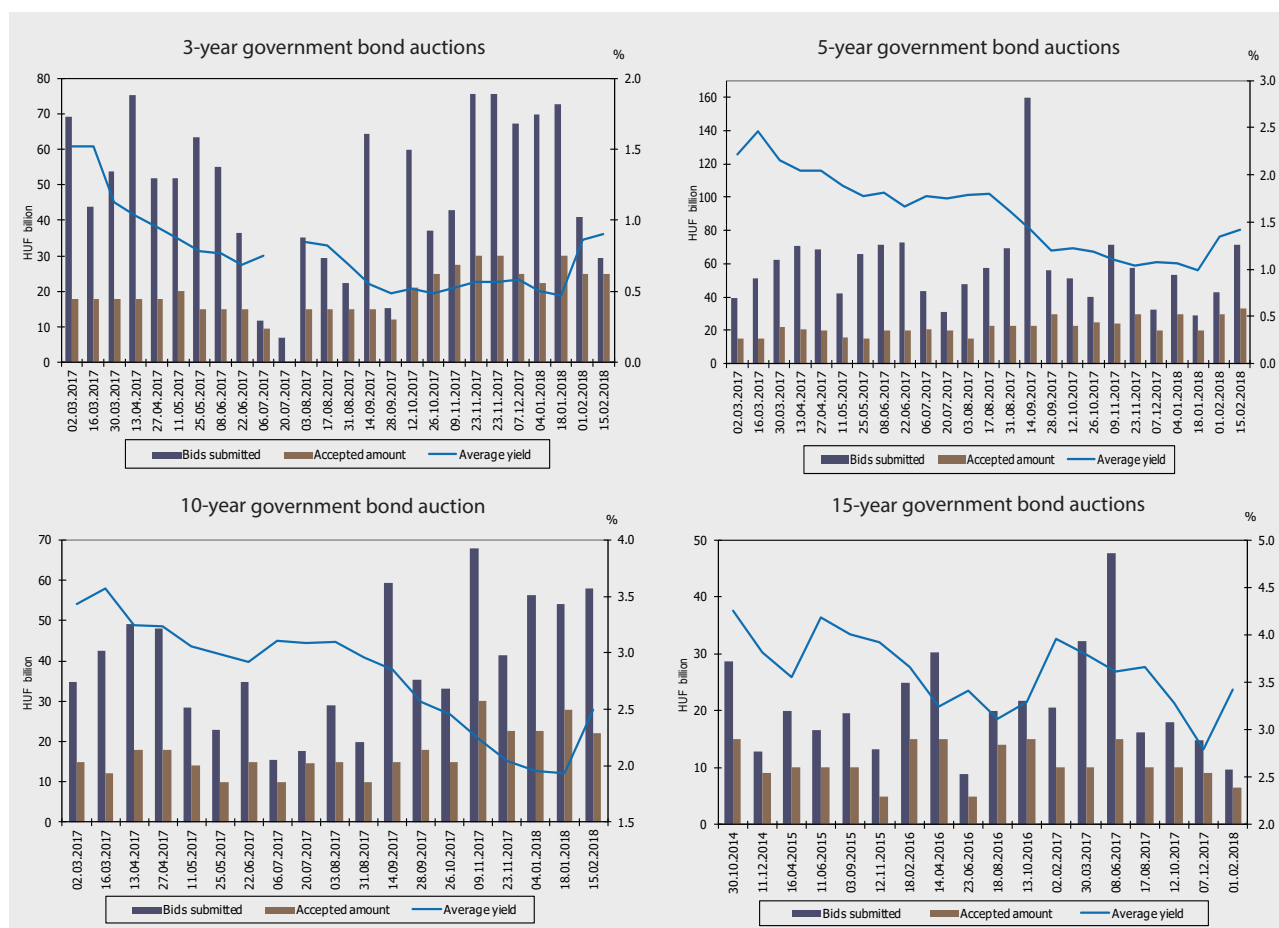
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/C	2022/B	2038/A	2023/B	2021/C	2022/B	2027/A	2023/B
ISIN code	HU0000403464	HU0000403266	HU0000403555	HU0000403456	HU0000403464	HU0000403266	HU0000403118	HU0000403456
Maturity (in years)	3	5	15	5	3	5	10	5
Coupon	0.50%	1.75%	3.00%	0.03%	0.50%	1.75%	3.00%	0.03%
Auction	1st auction	28th auction	1st auction	3rd auction	2nd auction	29th auction	42nd auction	4th auction
Date of auction	01.02.2018	01.02.2018	01.02.2018	08.02.2018	15.02.2018	15.02.2018	15.02.2018	22.02.2018
Date of financial settlement	07.02.2018	07.02.2018	07.02.2018	14.02.2018	21.02.2018	21.02.2018	21.02.2018	28.02.2018
Redemption date	21.04.2021	26.10.2022	27.10.2038	26.07.2023	21.04.2021	26.10.2022	27.10.2027	26.07.2023
Maximum annual yield (%) - ISMA	0.88	1.36	3.48	-	0.92	1.43	2.51	-
Minimum annual yield (%) - ISMA	0.82	1.29	3.35	-	0.87	1.40	2.49	-
Average annual yield (%) - ISMA	0.86	1.34	3.43	-	0.90	1.42	2.50	-
Maximum annual yield (%) - EHM	0.88	1.36	3.48	-	0.92	1.43	2.51	-
Minimum annual yield (%) - EHM	0.82	1.29	3.35	-	0.87	1.40	2.49	-
Average annual yield (%) - EHM	0.86	1.33	3.42	-	0.90	1.42	2.50	-
Maximum price (%)	98.9929	102.0890	94.8376	98.4000	98.8519	101.5726	104.3311	98.3600
Minimum price (%)	98.8058	101.7672	93.0037	98.3000	98.6965	101.4355	104.1567	98.3000
Average price (%)	98.8799	101.8590	93.7519	98.3400	98.7614	101.4955	104.2265	98.3200
Amount offered for sale (HUF million)	25,000.00	25,000.00	10,000.00	6,000.00	25,000.00	25,000.00	15,000.00	8,000.00
Amount of bids submitted (HUF million)	40,800.00	43,250.00	9,755.00	13,925.00	29,460.00	71,095.00	58,070.00	23,719.03
Amount of bids accepted (HUF million)	25,000.00	29,999.97	6,500.00	7,500.00	24,999.99	33,000.00	22,000.00	11,999.97
Bid-to-cover ratio	1.63	1.44	1.50	1.86	1.18	2.15	2.64	1.98
Bids submitted (pcs)	47	52	55	30	34	54	58	41
Bids accepted (pcs)	35	33	34	18	30	23	20	17
Tail (%) (average price - minimum price)	0.07	0.09	0.75	0.04	0.06	0.06	0.07	0.02
Market sales (HUF million)	25,000.00	29,999.97	6,500.00	7,500.00	24,999.99	33,000.00	22,000.00	11,999.97
Non-competitive offer (HUF million)	9,360.00	10,716.35	0.00	1,660.00	0.00	7,520.00	5,660.00	3,314.51
Total amount sales (HUF million)	34,360.00	40,716.32	6,500.00	9,160.00	24,999.99	40,520.00	27,660.00	15,314.48



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2019/A	2019/B
ISIN code	HU0000402433	HU0000402649
Coupon (%)	6.50	0.01
Date of reverse auction	14.02.2018	14.02.2018
Date of financial settlement	21.02.2018	21.02.2018
Redemption date	24.06.2019	20.05.2019
Minimum annual yield (%)	0.05	-
Average annual yield- ISMA (%)	0.05	-
Average annual yield - EHM (%)	0.05	-
Amount of bids submitted (HUF million)	20,956.29	104,238.51
Amount of bids accepted (HUF million)	15,314.21	9,875.77

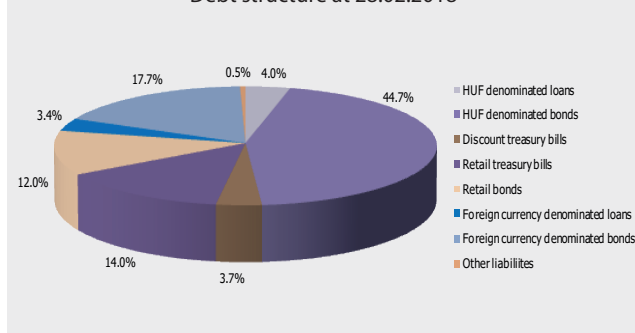
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN FEBRUARY 2018

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/I	01.02.2018	03.02.2018	03.02.2019	04.02.2019	5.40%	5.40%
2019/J	01.02.2018	03.02.2018	03.02.2019	04.02.2019	5.40%	5.40%
2019/K	01.02.2018	03.02.2018	03.02.2019	04.02.2019	5.40%	5.40%
2019/D	25.02.2018	28.05.2018	28.05.2018	28.05.2018	0.02%	0.00%

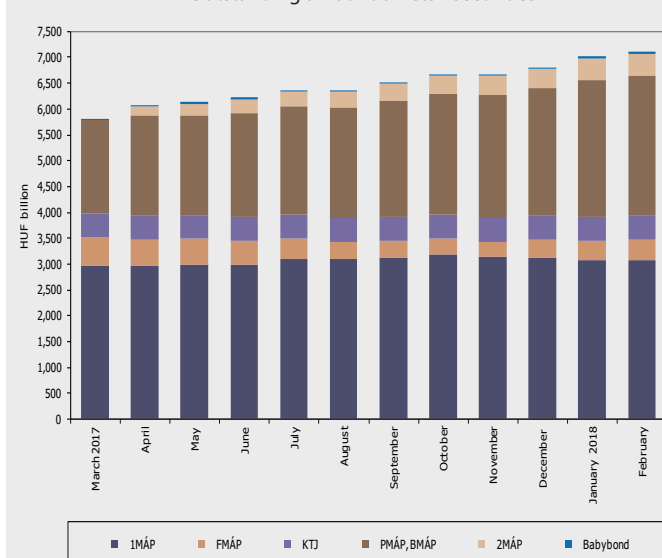
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2017	28.02.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	3,071.3	-38.4
Half-year Hungarian Government Security / FMÁP	351.8	392.8	41.0
Treasury Saving Bills / KTJ	468.7	471.4	2.7
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	2,457.5	2,698.3	240.8
2-year Hungarian Government Security / 2MÁP	376.8	436.2	59.4
Babybond	38.2	40.9	2.7
Total	6,802.9	7,111.0	308.2

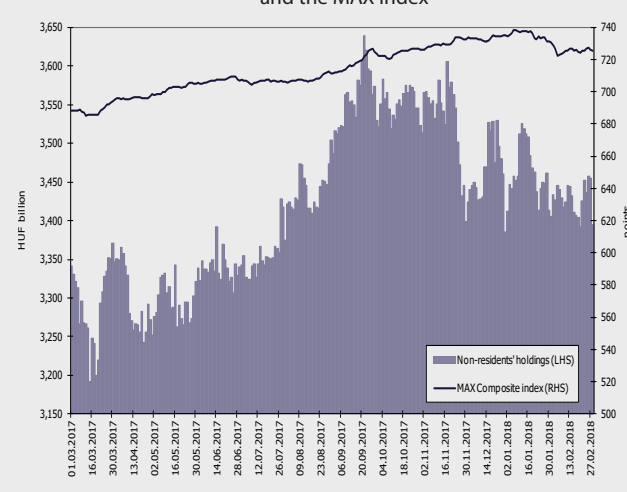
Debt structure at 28.02.2018



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 28.02.2018	763.0815	551.8753	725.6646	535.5148
Changes compared to the end of the month before	-5.5292	0.0944	-4.8230	0.0404
Annual yield earned on the index portfolio (%)	5.69	0.20	5.22	0.09

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 28.02.2018	741.1791	801.5516	584.6454	389.2523
Changes compared to the end of the month before	0.0705	-6.3627	-12.1590	-9.8905
Reference yield (%)	0.87	1.44	2.58	2.98
Annual yield earned on the index portfolio (%)	3.90	5.44	10.43	14.51

Government bonds with the highest secondary market turnover in February 2018

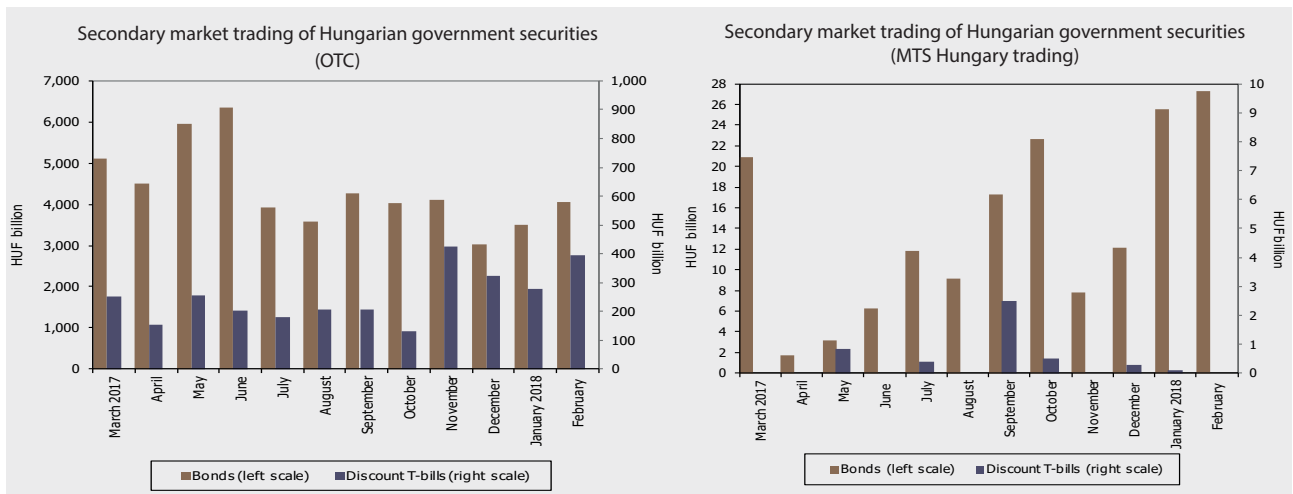
Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	607.0
2025/B	24.06.2025	598.0
2022/B	26.10.2022	398.4
2020/C	23.09.2020	298.3
2019/A	24.06.2019	254.9
2018/B	25.04.2018	215.2
2023/A	24.11.2023	155.2
2026/D	22.12.2026	148.9
2021/B	27.10.2021	136.2
2024/B	26.06.2024	134.5

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

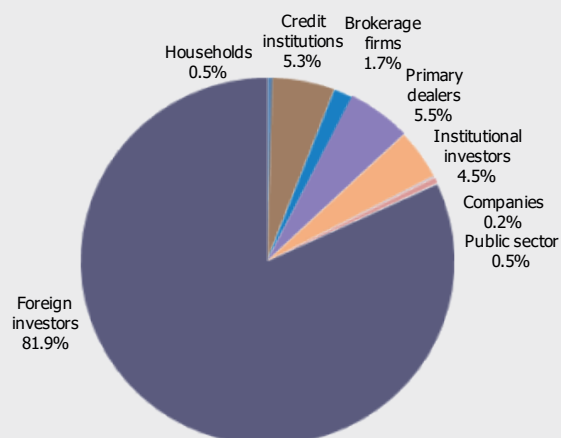
Government bond	HUF billion	
	31.01.2018	28.02.2018
2021/C	-	59.38
2022/B	683.22	764.90
2027/A	704.85	732.94
2031/A	201.41	201.45

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

Government bond	HUF billion
2025/B	1,178.06
2023/A	998.71
2022/A	972.31



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



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

