

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT JULY 2018

The net issuance was HUF 1,119.8 billion; out of which net HUF-denominated issuance was HUF 1,624.7 billion and net foreign currency denominated redemption was HUF 504.9 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	July	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	22,314.2	79.5	1,624.7	7.9
Loans	1,041.1	3.9	1,118.0	4.0	76.9	7.4
Government bonds	11,806.3	44.1	12,462.5	44.4	656.2	5.6
Retail securities	6,802.9	25.4	7,232.9	25.8	430.1	6.3
Discount treasury bills	1,039.2	3.9	1,500.7	5.3	461.6	44.4
Foreign exchange denominated debt	5,782.5	21.6	5,482.9	19.5	-299.6	-5.2
Total	26,472.0	99.0	27,797.1	99.0	1,325.1	5.0
<i>Other obligations</i>	274.2	1.0	275.8	1.0	1.6	0.6
Total central government debt	26,746.2	100.0	28,072.9	100.0	1,326.7	5.0

The HUF denominated debt of the central government increased by HUF 1,624.7 billion in 2018. The increase in domestic debt was the result of the net government bond issuance was HUF 656.2 billion, the amount of discount Treasury bills increased by HUF 461.6 billion and the total amount of retail government securities increased by HUF 430.1 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 299.6 billion in 2018. The three-year samurai bond issue increased the debt by HUF 71.3 billion, the domestic PÉMAK bond issuance was HUF 9.2 billion, while the redemptions of foreign currency bonds worth HUF 510.8 billion and the HUF 74.9 billion foreign currency loan repayment decreased the debt. The exchange rate revaluations totalling HUF 205.3 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities increased by HUF 1.6 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	29.06.2018	31.07.2018	Change in July basis point
3-month	-0.01	0.13	0.11	-2
6-month	0.01	0.37	0.32	-5
1-year	0.02	0.62	0.47	-15
3-year	0.51	1.85	1.54	-31
5-year	1.09	2.28	2.65	+37
10-year	2.02	3.59	3.23	-36
15-year	2.72	4.15	3.73	-42

Monthly OTC turnover of government securities hasn't changed in July, the amount was HUF 6,425.3 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 72% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 51.6 billion in July and amounted to HUF 3,572.3 billion at the end of the month. This volume represented 16.9% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 321.31 on the last working day of July.

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

GOVERNMENT SECURITIES MARKET

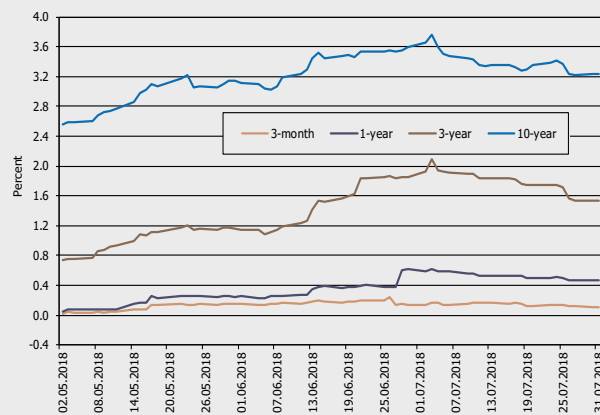
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

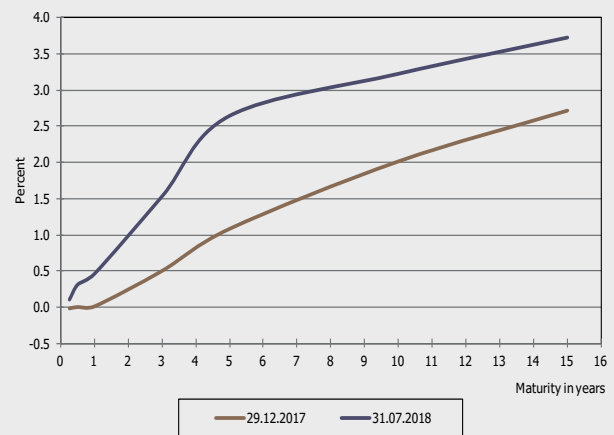
	2013	2014	2015	2016	2017	2018 May	2018 June	2018 July
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	22,183.2	22,411.2	22,314.2
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,083.4	1,135.1	1,118.0
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	21,099.9	21,276.1	21,196.1
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	21,060.7	21,236.9	21,157.0
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,403.2	12,294.9	12,423.3
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,491.0	1,738.5	1,500.7
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,166.4	7,203.6	7,232.9
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	5,905.6	5,629.4	5,482.9
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	928.8	922.9	887.2
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	928.8	922.9	887.2
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	4,976.8	4,706.5	4,595.7
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	4,251.9	3,958.3	3,870.5
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	724.8	748.2	725.2
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	28,088.8	28,040.6	27,797.1
Other liabilities	117.30	311.20	756.00	742.70	274.20	254.1	293.1	275.8
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	28,342.9	28,333.7	28,072.9
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	13,933.4	14,072.6	13,963.2
Gross debt/GDP	72.7%	73.3%	72.0%	71.8%	70.0%			

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

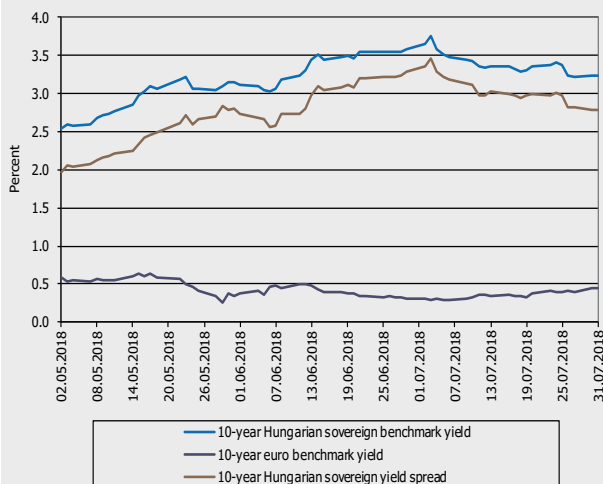
Benchmark yields



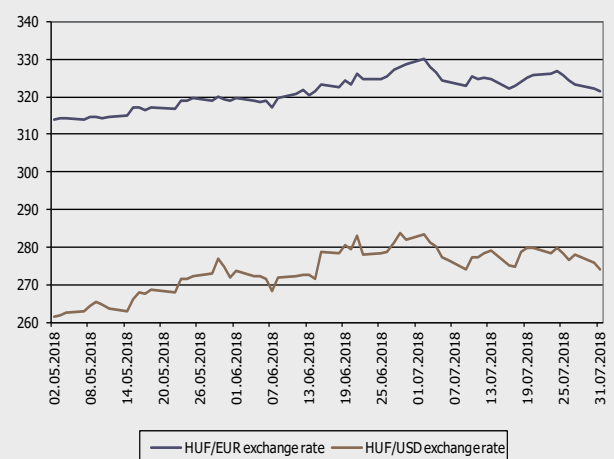
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



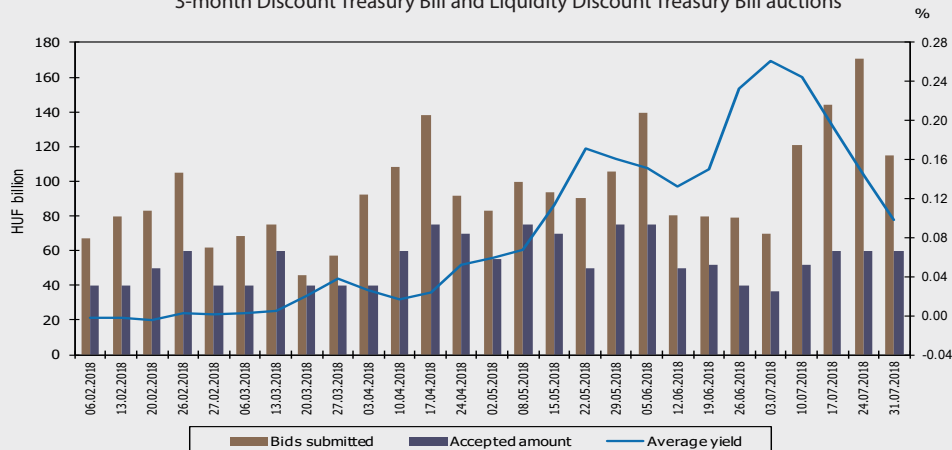
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

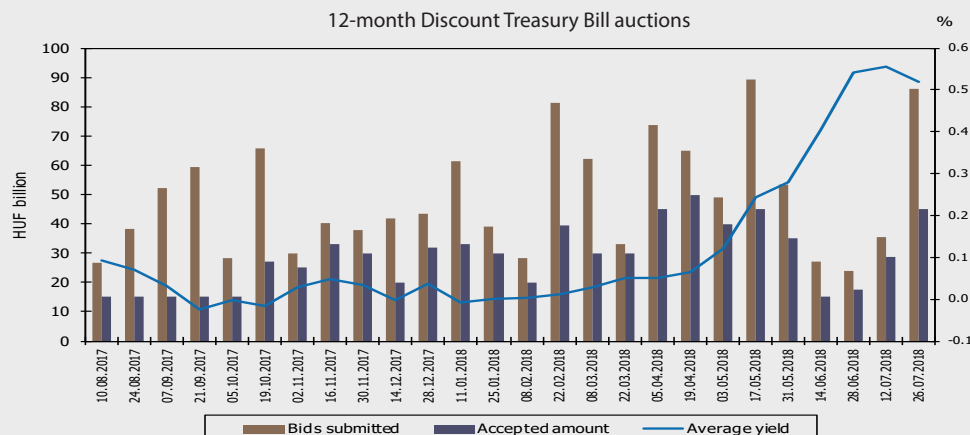
	Liquidity Discount T-bills		3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D180822	D180926	D181010	D181017	D181024	D181031	D181107	D190522	D190731
ISIN code	HU0000522073	HU0000521745	HU0000522131	HU0000522156	HU0000522164	HU0000522172	HU0000522198	HU0000522107	HU0000522180
Maturity in days	49	56	91	91	91	91	91	308	364
Date of auction	02.07.2018	30.07.2018	03.07.2018	10.07.2018	17.07.2018	24.07.2018	31.07.2018	12.07.2018	26.07.2018
Date of financial settlement	04.07.2018	01.08.2018	11.07.2018	18.07.2018	25.07.2018	01.08.2018	08.08.2018	18.07.2018	01.08.2018
Redemption date	22.08.2018	26.09.2018	10.10.2018	17.10.2018	24.10.2018	31.10.2018	07.11.2018	22.05.2019	31.07.2019
Maximum yield (%) - ISMA	0.25	0.10	0.29	0.26	0.21	0.16	0.12	0.60	0.55
Minimum yield (%) - ISMA	0.11	0.05	0.21	0.22	0.16	0.12	0.05	0.48	0.47
Average yield (%) - ISMA	0.18	0.09	0.26	0.24	0.19	0.14	0.10	0.56	0.52
Maximum yield (%) - EHM	0.25	0.10	0.29	0.26	0.21	0.16	0.12	0.61	0.56
Minimum yield (%) - EHM	0.11	0.05	0.21	0.22	0.16	0.12	0.05	0.49	0.48
Average yield (%) - EHM	0.18	0.09	0.26	0.25	0.20	0.15	0.10	0.56	0.53
Average selling price (%)	99.9754	99.9860	99.9341	99.9382	99.9508	99.9637	99.9753	99.5260	99.4776
Amount offered for sale (HUF million)	40,000.00	50,000.00	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)	55,940.00	122,091.70	69,880.00	120,948.70	144,229.00	170,558.05	114,780.00	35,570.70	85,995.00
Amount of bids accepted (HUF million)	35,999.98	68,499.97	36,500.00	51,999.99	59,999.95	59,999.98	59,999.96	28,499.99	44,999.98
Bid-to-cover ratio	1.55	1.78	1.91	2.33	2.40	2.84	1.91	1.25	1.91
Bids submitted (pcs)	53	43	52	79	109	88	68	62	102
Bids accepted (pcs)	40	17	24	30	33	28	34	56	55
Market sales* (HUF million)	35,999.98	68,499.97	36,500.00	51,999.99	59,999.95	59,999.98	59,999.96	28,499.99	44,999.98
Retained on ÁKK's own account (HUF million)	0.02	0.03	10,950.00	15,600.01	10,000.00	18,000.02	18,000.04	28,500.01	45,000.02
Total amount issued (HUF million)	36,000.00	68,500.00	47,450.00	67,600.00	69,999.95	78,000.00	78,000.00	57,000.00	90,000.00

* Without issuance onto ÁKK's own account

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



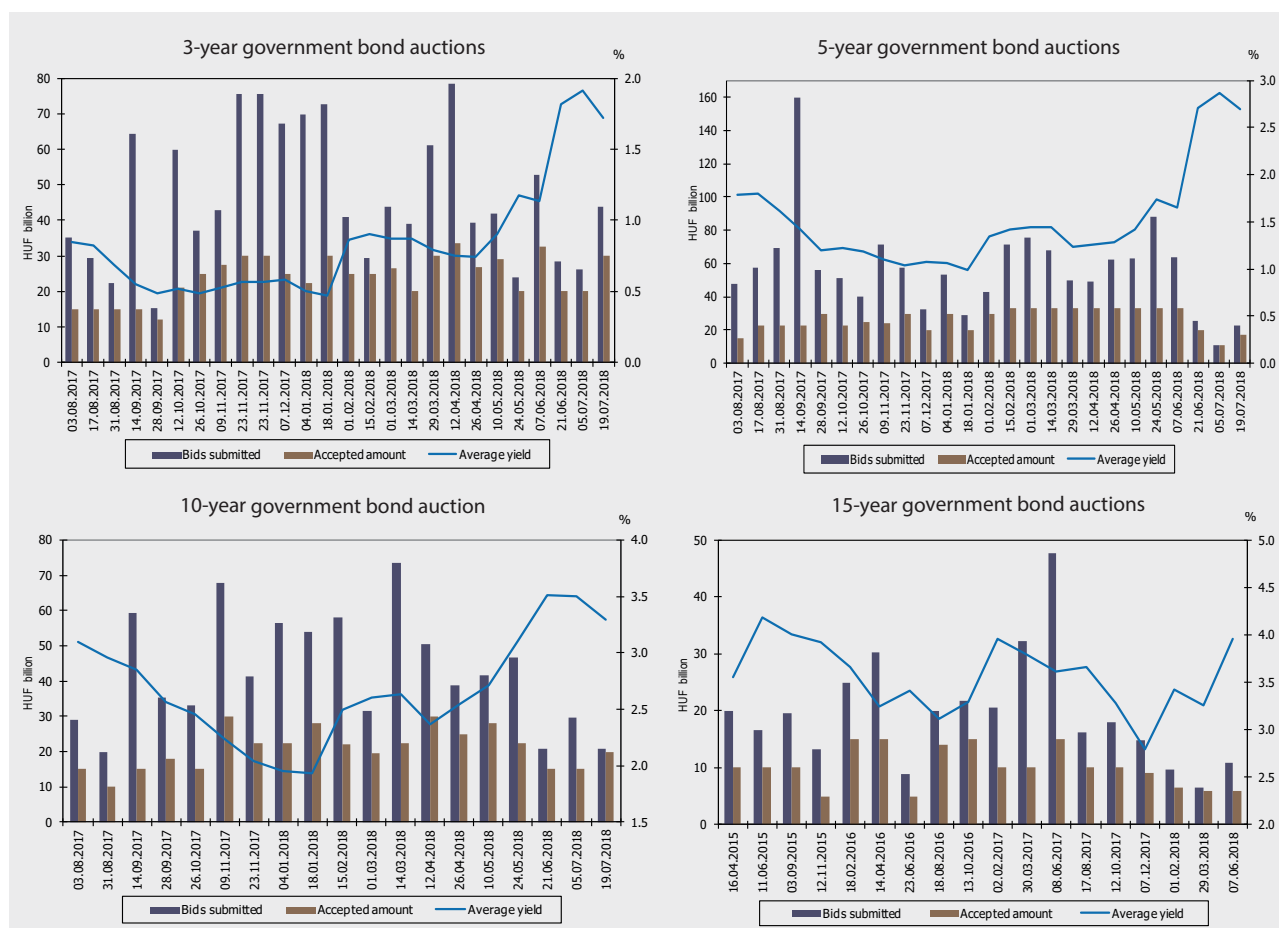
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/C	2024/C	2027/A	2023/B	2021/C	2024/C	2027/A	2023/B
ISIN code	HU0000403464	HU0000403571	HU0000403118	HU0000403456	HU0000403464	HU0000403571	HU0000403118	HU0000403456
Maturity (in years)	3	5	10	5	3	5	10	5
Coupon	0.50%	2.50%	3.00%	0.03%	0.50%	2.50%	3.00%	0.25%
Auction	12th auction	2nd auction	50th auction	13th auction	13th auction	3rd auction	51st auction	14th auction
Date of auction	05.07.2018	05.07.2018	05.07.2018	12.07.2018	19.07.2018	19.07.2018	19.07.2018	26.07.2018
Date of financial settlement	11.07.2018	11.07.2018	11.07.2018	18.07.2018	25.07.2018	25.07.2018	25.07.2018	01.08.2018
Redemption date	21.04.2021	24.10.2024	27.10.2027	26.07.2023	21.04.2021	24.10.2024	27.10.2027	26.07.2023
Maximum annual yield (%) - ISMA	1.94	2.93	3.52	-	1.74	2.73	3.31	-
Minimum annual yield (%) - ISMA	1.88	2.81	3.46	-	1.70	2.68	3.24	-
Average annual yield (%) - ISMA	1.91	2.87	3.50	-	1.72	2.70	3.29	-
Maximum annual yield (%) - EHM	1.94	2.93	3.52	-	1.74	2.73	3.31	-
Minimum annual yield (%) - EHM	1.88	2.81	3.46	-	1.70	2.68	3.24	-
Average annual yield (%) - EHM	1.91	2.86	3.50	-	1.72	2.70	3.29	-
Maximum price (%)	96.2961	98.2248	96.3854	97.5000	96.8121	98.9653	98.0981	97.5300
Minimum price (%)	96.1394	97.5514	95.9271	97.3500	96.7084	98.6830	97.5531	97.4500
Average price (%)	96.2116	97.9030	96.0818	97.4100	96.7656	98.8637	97.7266	97.4900
Amount offered for sale (HUF million)	20,000.00	20,000.00	10,000.00	5,000.00	20,000.00	20,000.00	15,000.00	5,000.00
Amount of bids submitted (HUF million)	26,310.80	10,850.00	29,620.00	11,280.00	43,810.50	22,540.00	20,700.00	22,748.83
Amount of bids accepted (HUF million)	20,000.00	10,850.00	15,000.00	5,999.99	29,999.99	17,500.00	19,999.99	7,499.97
Bid-to-cover ratio	1.32	1.00	1.97	1.88	1.46	1.29	1.04	3.03
Bids submitted (pcs)	38	22	52	22	44	32	33	36
Bids accepted (pcs)	22	22	28	16	24	24	31	21
Tail (%) (average price - minimum price)	0.07	0.35	0.15	0.06	0.06	0.18	0.17	0.04
Market sales (HUF million)	20,000.00	10,850.00	15,000.00	5,999.99	29,999.99	17,500.00	19,999.99	7,499.97
Non-competitive offer (HUF million)	2,279.13	0.00	4,188.00	1,939.98	1,320.00	0.00	3,683.63	2,631.57
Total amount sales (HUF million)	22,279.13	10,850.00	19,188.00	7,939.97	31,319.99	17,500.00	23,683.62	10,131.54



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

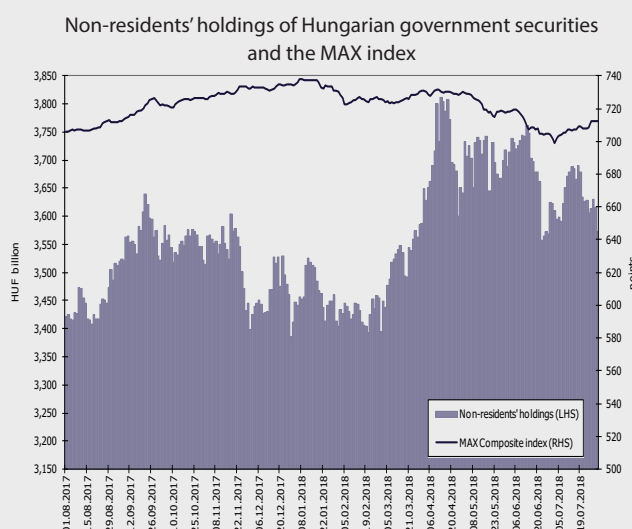
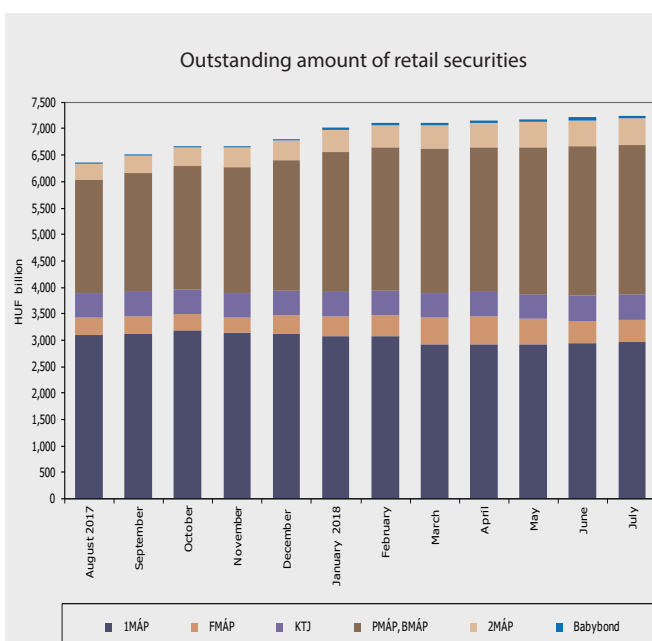
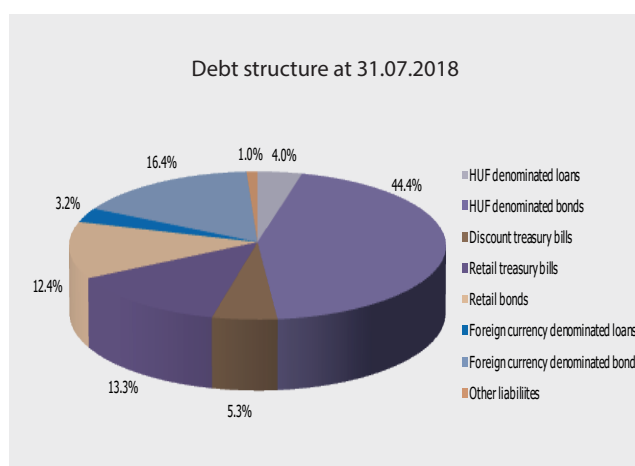
Government bond	2019/A	2019/C
ISIN code	HU0000402433	HU0000403092
Coupon (%)	6.50	2.00
Date of reverse auction	04.07.2018	04.07.2018
Date of financial settlement	11.07.2018	11.07.2018
Redemption date	24.06.2019	30.10.2019
Minimum annual yield (%)	0.58	0.00
Average annual yield- ISMA (%)	0.58	0.00
Average annual yield - EHM (%)	0.58	0.00
Amount of bids submitted (HUF million)	10,556.35	6,640.50
Amount of bids accepted (HUF million)	5,756.35	0.00

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JULY 2018

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2018/D	21.07.2018	24.07.2018	24.10.2018	24.10.2018	0.25%	0.06%
2020/P	19.07.2018	22.07.2018	22.07.2019	22.07.2019	2.93%	2.97%
2020/R	23.07.2018	23.07.2018	23.07.2019	23.07.2019	2.43%	2.46%
2020/K	27.07.2018	29.07.2018	29.07.2019	29.07.2019	4.15%	4.15%
2022/I	27.07.2018	29.07.2018	29.07.2019	29.07.2019	4.65%	4.65%
2023/B	23.07.2018	26.07.2018	26.10.2018	26.10.2018	0.25%	0.06%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2017	31.07.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	2,963.8	-145.9
Half-year Hungarian Government Security / FMÁP	351.8	423.9	72.1
Treasury Saving Bills / KTJ	468.7	476.4	7.8
Premium and Bonus Hungarian Government	2,457.5	2,818.7	361.2
2-year Hungarian Government Security / 2MÁP	376.8	503.4	126.5
Babybond	38.2	46.7	8.4
Total	6,802.9	7,232.9	430.1



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31.07.2018	749.1189	551.5100	712.5959	535.5867
Changes compared to the end of the month before	10.5483	0.8404	8.8122	0.1035
Annual yield earned on the index portfolio (%)	1.12%	0.04%	0.89%	0.06%

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.07.2018	730.6919	783.3098	561.7049	376.4100
Changes compared to the end of the month before	7.0819	4.9552	17.0022	23.0483
Reference yield (%)	1.54	2.65	3.23	3.73
Annual yield earned on the index portfolio (%)	-0.28	0.43	1.90	6.18

Government bonds with the highest secondary market turnover in July 2018

Government bond	Date of redemption	Turnover (HUF billion)
2022/B	26.10.2022	689.2
2027/A	27.10.2027	374.8
2024/B	26.06.2024	317.6
2025/B	24.06.2025	313.2
2023/A	24.11.2023	220.5
2026/D	22.12.2026	213.2
2021/C	21.04.2021	203.4
2019/A	24.06.2019	153.8
2021/B	27.10.2021	141.6
2022/A	24.06.2022	125.6

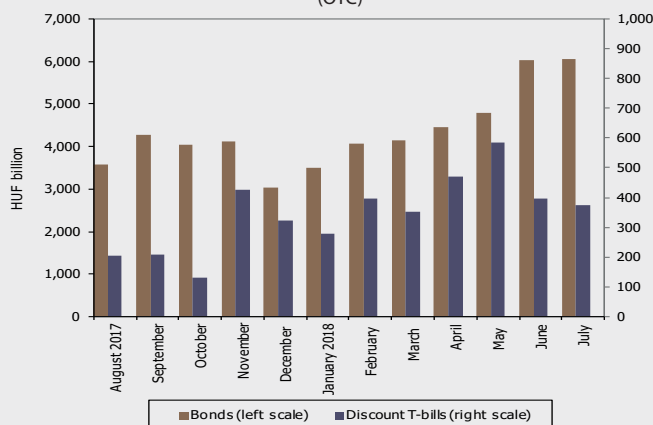
The outstanding volume of government bonds with benchmark status at the end of July 2018

Government bond	HUF billion	
	30.06.2018	31.07.2018
2021/C	333.70	387.48
2022/B - 2024/C	1,099.39	50.97
2027/A	925.43	968.41
2038/A	18.85	18.95

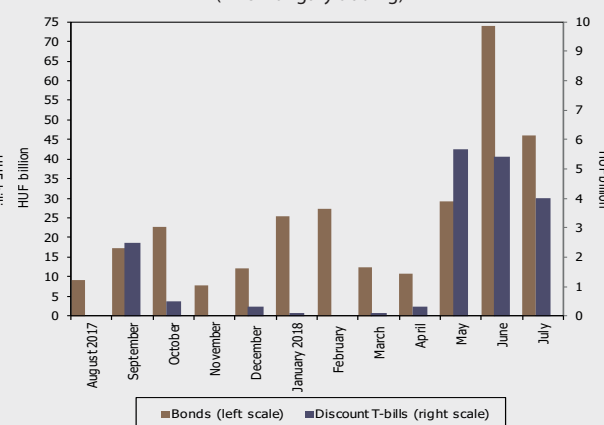
The outstanding volume of the three largest government bonds at the end of July 2018

Government bond	HUF billion
2025/B	1,194.67
2022/B	1,099.76
2023/A	996.05

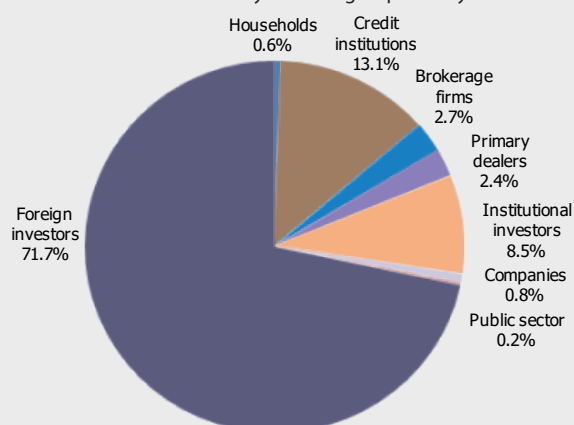
Secondary market trading of Hungarian government securities (OTC)



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



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



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

