

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT JUNE 2018

The net issuance was HUF 1,238.7 billion; out of which net HUF-denominated issuance was HUF 1,721.7 billion and net foreign currency denominated redemption was HUF 483.0 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	June	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	22,411.2	79.1	1,721.7	8.3
Loans	1,041.1	3.9	1,135.1	4.0	94.0	9.0
Government bonds	11,806.3	44.1	12,334.1	43.5	527.7	4.5
Retail securities	6,802.9	25.4	7,203.6	25.4	400.7	5.9
Discount treasury bills	1,039.2	3.9	1,738.5	6.1	699.3	67.3
Foreign exchange denominated debt	5,782.5	21.6	5,629.4	19.9	-153.1	-2.6
Total	26,472.0	99.0	28,040.6	99.0	1,568.6	5.9
<i>Other obligations</i>	274.2	1.0	293.1	1.0	18.9	6.9
Total central government debt	26,746.2	100.0	28,333.7	100.0	1,587.5	5.9

The HUF denominated debt of the central government increased by HUF 1,721.7 billion in 2018. The increase in domestic debt was the result of the net government bond issuance was HUF 527.7 billion, the amount of discount Treasury bills increased by HUF 699.3 billion and the total amount of retail government securities increased by HUF 400.7 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 94.0 billion in 2018.

The foreign currency debt of the central government decreased by HUF 153.1 billion in 2018. The three-year samurai bond issue increased the debt by HUF 71.3 billion, the domestic PÉMAK bond issuance was HUF 8.4 billion, while the redemptions of foreign currency bonds worth HUF 503.6 billion and the HUF 59.5 billion foreign currency loan repayment decreased the debt. The exchange rate revaluations totalling HUF 329.9 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities increased by HUF 18.9 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	31.05.2018	29.06.2018	Change in June basis point
3-month	-0.01	0.15	0.13	-2
6-month	0.01	0.13	0.37	24
1-year	0.02	0.24	0.62	38
3-year	0.51	1.16	1.85	69
5-year	1.09	1.65	2.28	63
10-year	2.02	3.15	3.59	44
15-year	2.72	3.92	4.15	23

Monthly OTC turnover of government securities increased by 19% to HUF 6,423.8 billion in June. Primary dealers, who account for the decisive part of all secondary government securities trading, made 66% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 63.9 billion in June and amounted to HUF 3,623.9 billion at the end of the month. This volume represented 17.0% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 328.60 on the last working day of June.

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

GOVERNMENT SECURITIES MARKET

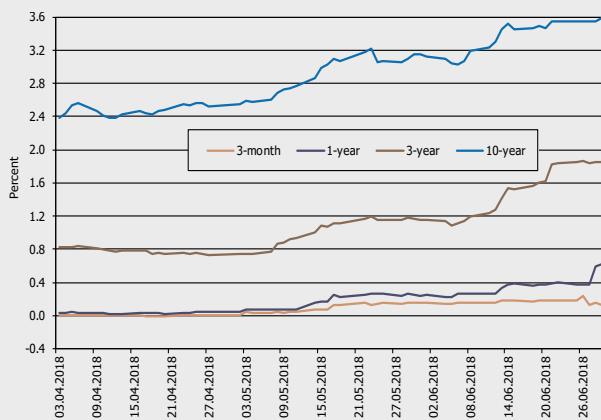
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

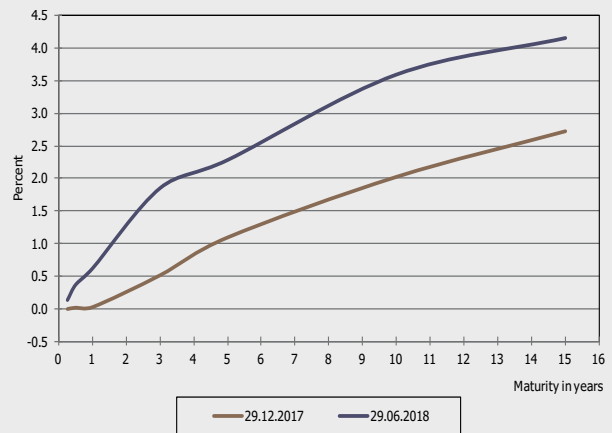
	2013	2014	2015	2016	2017	2018 April	2018 May	2018 June
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	21,709.1	22,183.2	22,411.2
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,080.8	1,083.4	1,135.1
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	20,628.4	21,099.9	21,276.1
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	20,589.2	21,060.7	21,236.9
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,187.2	12,403.2	12,294.9
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,254.0	1,491.0	1,738.5
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,148.0	7,166.4	7,203.6
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	5,812.6	5,905.6	5,629.4
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	935.1	928.8	922.9
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	935.1	928.8	922.9
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	4,877.5	4,976.8	4,706.5
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	4,168.5	4,251.9	3,958.3
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	709.0	724.8	748.2
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	27,521.7	28,088.8	28,040.6
Other liabilities	117.30	311.20	756.00	742.70	274.20	122.9	254.1	293.1
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	27,644.5	28,342.9	28,333.7
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	13,480.4	13,933.4	14,072.6
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.

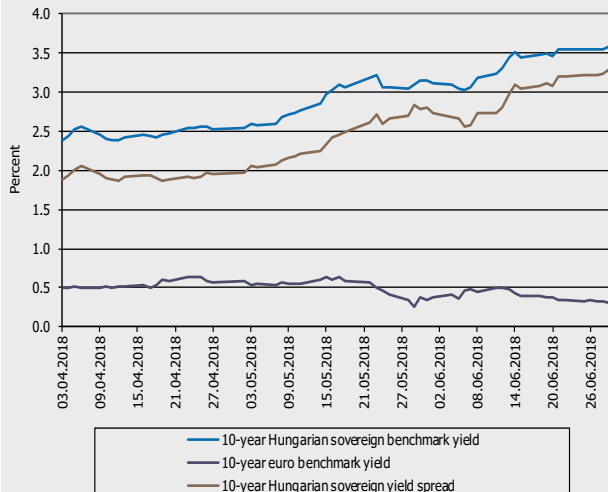
Benchmark yields



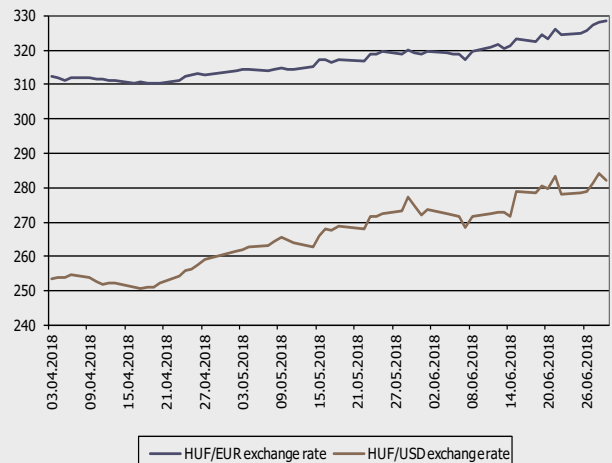
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



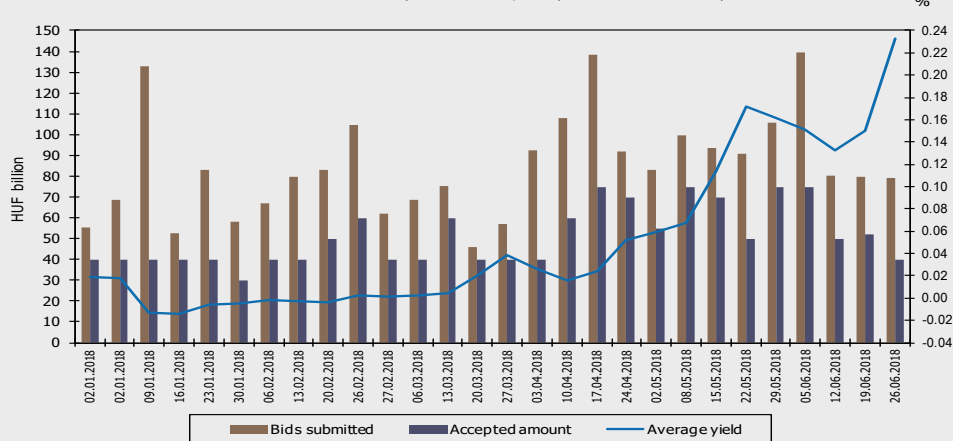
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

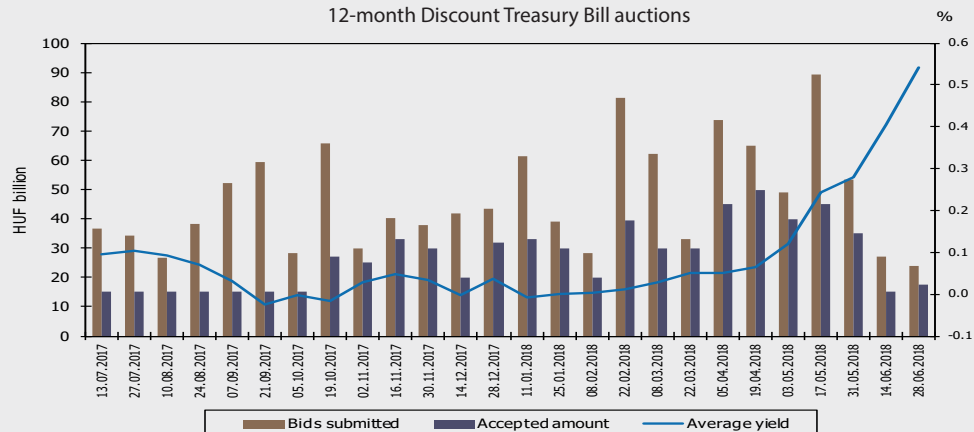
	Liquidity Discount T-bills		3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D180725	D180725	D180912	D180919	D180926	D181003	D190522	D190522
ISIN code	HU0000522024	HU0000522024	HU0000522115	HU0000522123	HU0000521745	HU0000522149	HU0000522107	HU0000522107
Maturity in days	49	42	91	91	91	91	336	322
Date of auction	04.06.2018	11.06.2018	05.06.2018	12.06.2018	19.06.2018	26.06.2018	14.06.2018	28.06.2018
Date of financial settlement	06.06.2018	13.06.2018	13.06.2018	20.06.2018	27.06.2018	04.07.2018	20.06.2018	04.07.2018
Redemption date	25.07.2018	25.07.2018	12.09.2018	19.09.2018	26.09.2018	03.10.2018	22.05.2019	22.05.2019
Maximum yield (%) - ISMA	0.17	0.15	0.16	0.16	0.17	0.26	0.46	0.65
Minimum yield (%) - ISMA	0.13	0.11	0.13	0.11	0.13	0.17	0.37	0.42
Average yield (%) - ISMA	0.16	0.13	0.15	0.13	0.15	0.23	0.40	0.54
Maximum yield (%) - EHM	0.17	0.15	0.16	0.16	0.17	0.26	0.47	0.66
Minimum yield (%) - EHM	0.13	0.11	0.13	0.11	0.13	0.17	0.38	0.43
Average yield (%) - EHM	0.16	0.13	0.15	0.13	0.15	0.24	0.41	0.55
Average selling price (%)	99.9788	99.9846	99.9617	99.9666	99.9620	99.9413	99.6242	99.5178
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	50,000.00	40,000.00	40,000.00	40,000.00	30,000.00
Amount of bids submitted (HUF million)	102,953.96	97,967.04	139,640.00	80,140.00	79,770.00	78,876.00	26,938.00	23,918.50
Amount of bids accepted (HUF million)	49,999.99	49,999.95	74,999.91	50,000.00	52,000.00	40,000.00	15,000.00	17,500.00
Bid-to-cover ratio	2.06	1.96	1.86	1.60	1.53	1.97	1.80	1.37
Bids submitted (pcs)	39	52	93	61	67	59	56	45
Bids accepted (pcs)	15	21	46	36	14	39	42	41
Market sales* (HUF million)	49,999.99	49,999.95	74,999.91	50,000.00	52,000.00	40,000.00	15,000.00	17,500.00
Retained on ÁKK's own account (HUF million)	0.01	0.05	22,500.09	5,000.00	-	12,000.00	15,000.00	5,250.00
Total amount issued (HUF million)	50,000.00	50,000.00	97,500.00	55,000.00	52,000.00	52,000.00	30,000.00	22,750.00

* Without issuance onto ÁKK's own account

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



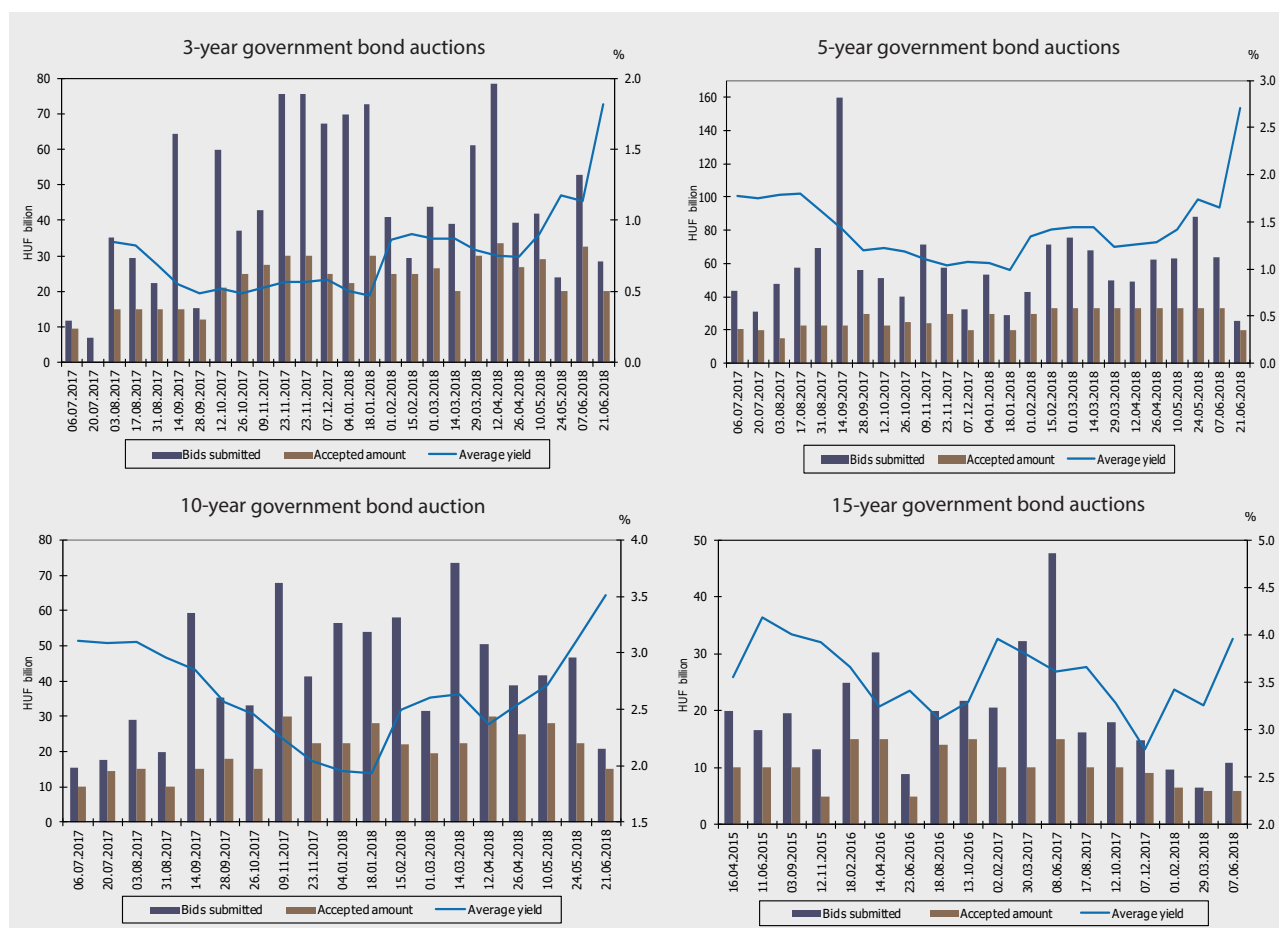
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/C	2022/B	2038/A	2023/B	2021/C	2024/C	2027/A	2023/B
ISIN code	HU0000403464	HU0000403266	HU0000403555	HU0000403456	HU0000403464	HU0000403571	HU0000403118	HU0000403456
Maturity (in years)	3	5	15	5	3	5	10	5
Coupon	0.50%	1.75%	3.00%	0.03%	0.50%	2.50%	3.00%	0.03%
Auction	10th auction	37th auction	3rd auction	11th auction	11th auction	1st auction	49th auction	12th auction
Date of auction	07.06.2018	07.06.2018	07.06.2018	14.06.2018	21.06.2018	21.06.2018	21.06.2018	28.06.2018
Date of financial settlement	13.06.2018	13.06.2018	13.06.2018	20.06.2018	27.06.2018	27.06.2018	27.06.2018	04.07.2018
Redemption date	21.04.2021	26.10.2022	27.10.2038	26.07.2023	21.04.2021	24.10.2024	27.10.2027	26.07.2023
Maximum annual yield (%) - ISMA	1.17	1.67	3.96	-	1.84	2.76	3.54	-
Minimum annual yield (%) - ISMA	1.12	1.64	3.94	-	1.81	2.66	3.50	-
Average annual yield (%) - ISMA	1.14	1.65	3.96	-	1.82	2.71	3.51	-
Maximum annual yield (%) - EHM	1.17	1.67	3.96	-	1.84	2.76	3.54	-
Minimum annual yield (%) - EHM	1.12	1.64	3.94	-	1.81	2.66	3.50	-
Average annual yield (%) - EHM	1.14	1.65	3.96	-	1.82	2.71	3.51	-
Maximum price (%)	98.2665	100.4580	86.9947	97.6000	96.4321	99.0706	96.0651	97.5000
Minimum price (%)	98.1283	100.3311	86.7419	97.3500	96.3525	98.5002	95.7588	97.3000
Average price (%)	98.2009	100.3988	86.7684	97.4700	96.3938	98.7573	95.9610	97.4000
Amount offered for sale (HUF million)	25,000.00	25,000.00	7,000.00	5,000.00	20,000.00	20,000.00	10,000.00	5,000.00
Amount of bids submitted (HUF million)	52,900.00	63,906.00	10,800.00	9,535.00	28,430.00	25,410.00	20,959.97	7,000.00
Amount of bids accepted (HUF million)	32,499.99	33,499.99	6,000.00	6,000.00	19,999.99	20,000.00	15,000.00	5,000.00
Bid-to-cover ratio	1.63	1.91	1.80	1.59	1.42	1.27	1.40	1.40
Bids submitted (pcs)	39	57	28	15	19	24	26	11
Bids accepted (pcs)	27	31	12	6	16	16	17	9
Tail (%) (average price - minimum price)	0.07	0.07	0.03	0.12	0.04	0.26	0.20	0.10
Market sales (HUF million)	32,499.99	33,499.99	6,000.00	6,000.00	19,999.99	20,000.00	15,000.00	5,000.00
Non-competitive offer (HUF million)	3,999.99	7,932.87	0.00	2,240.00	0.00	2,524.00	1,219.99	0.00
Total amount sales (HUF million)	36,499.98	41,432.86	6,000.00	8,240.00	19,999.99	22,524.00	16,219.99	5,000.00



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

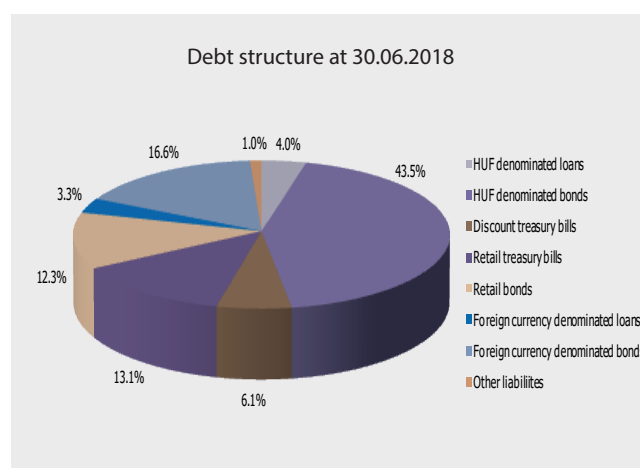
Government bond	2019/A	2019/C
ISIN code	HU0000402433	HU0000403092
Coupon (%)	6.50	2.00
Date of reverse auction	20.06.2018	20.06.2018
Date of financial settlement	27.06.2018	27.06.2018
Redemption date	24.06.2019	30.10.2019
Minimum annual yield (%)	0.46	0.53
Average annual yield- ISMA (%)	0.49	0.53
Average annual yield - EHM (%)	0.49	0.53
Amount of bids submitted (HUF million)	32,340.37	24,304.04
Amount of bids accepted (HUF million)	13,053.17	8,329.99

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JUNE 2018

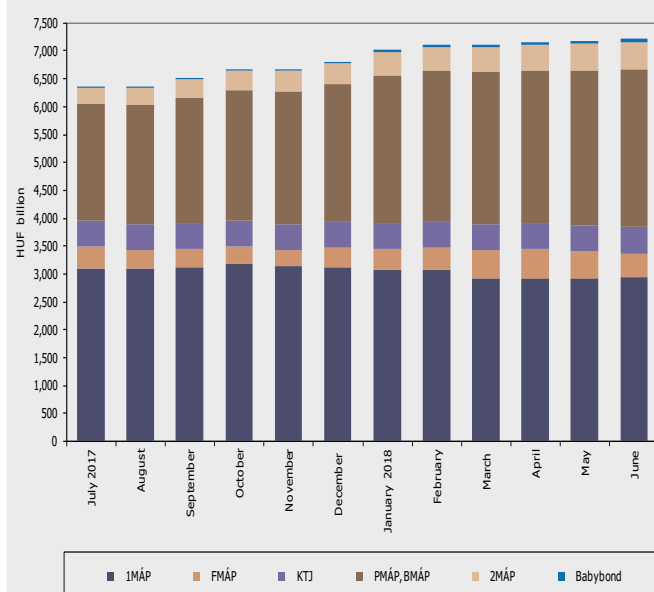
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2021/A	20.06.2018	23.06.2018	23.09.2018	24.09.2018	0.20%	0.05%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

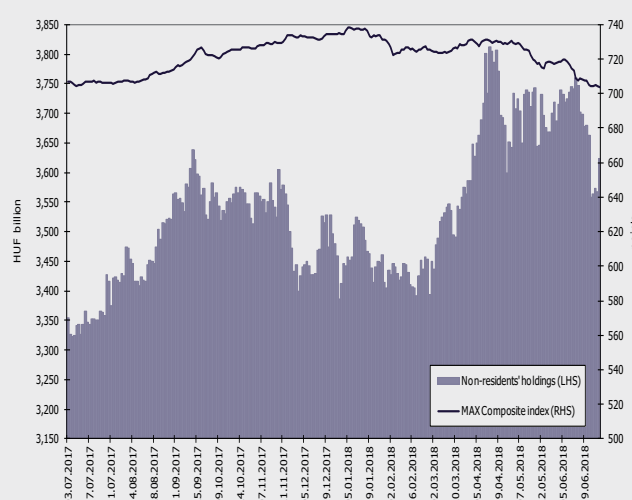
Retail securities	HUF billion		Change
	31.12.2017	30.06.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	2,926.8	-182.9
Half-year Hungarian Government Security / FMÁP	351.8	438.9	87.1
Treasury Saving Bills / KTJ	468.7	473.8	5.1
Premium and Bonus Hungarian Government	2,457.5	2,833.5	376.0
2-year Hungarian Government Security / 2MÁP	376.8	484.9	108.0
Babybond	38.2	45.6	7.4
Total	6,802.9	7,203.5	400.7



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 29.06.2018	738.5706	550.6696	703.7837	535.4832
Changes compared to the end of the month before	-15.8029	-0.3677	-14.0622	0.1141
Annual yield earned on the index portfolio (%)	-0.36	-0.10	-0.41	0.05

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 29.06.2018	723.6100	778.3546	544.7027	353.3617
Changes compared to the end of the month before	-13.1439	-19.1530	-17.6747	-10.6780
Reference yield (%)	1.85	2.28	3.59	4.15
Annual yield earned on the index portfolio (%)	-1.52	-0.30	-1.19	-0.46

Government bonds with the highest secondary market turnover in June 2018

Government bond	Date of redemption	Turnover (HUF billion)
2022/B	26.10.2022	652.8
2027/A	27.10.2027	460.5
2025/B	24.06.2025	431.5
2026/D	22.12.2026	412.1
2019/A	24.06.2019	299.1
2021/C	21.04.2021	247.7
2020/A	12.11.2020	237.2
2023/A	24.11.2023	226.6
2020/C	23.09.2020	202.2
2024/B	26.06.2024	199.2

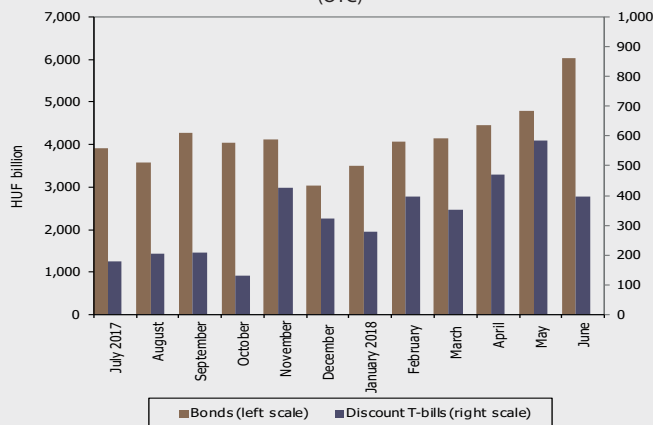
The outstanding volume of government bonds with benchmark status at the end of June 2018

Government bond	HUF billion	
	31.05.2018	30.06.2018
2021/C	277.61	333.70
2022/B	1,060.05	1,099.39
2027/A	911.10	925.43
2038/A	12.87	18.85

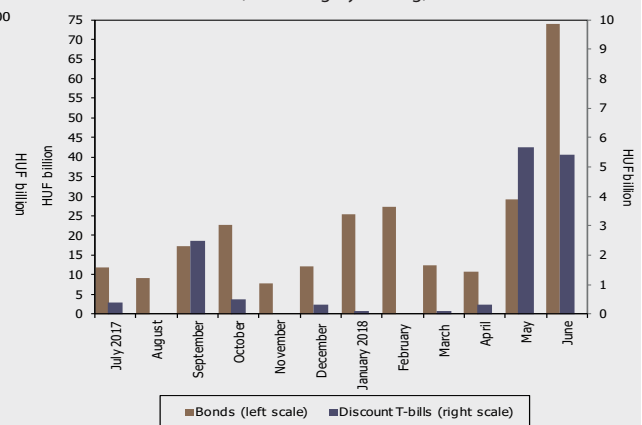
The outstanding volume of the three largest government bonds at the end of June 2018

Government bond	HUF billion
2025/B	1,194.63
2022/B	1,099.39
2023/A	996.02

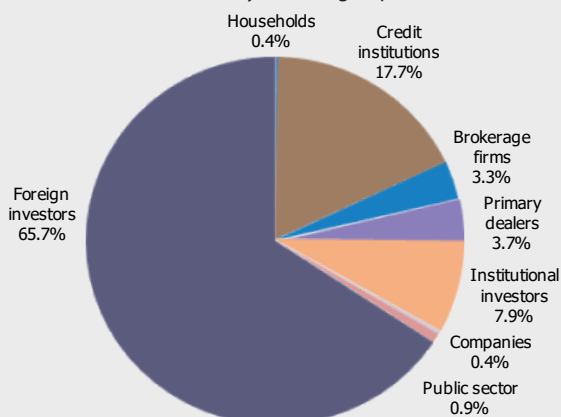
Secondary market trading of Hungarian government securities (OTC)



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



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



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

