

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT AUGUST 2018

The net issuance was HUF 1,529.0 billion; out of which net HUF-denominated issuance was HUF 2,034.5 billion and net foreign currency denominated redemption was HUF 505.5 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	August	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	22,723.9	79.5	2,034.5	9.8
Loans	1,041.1	3.9	1,118.0	3.9	76.9	7.4
Government bonds	11,806.3	44.1	12,627.6	44.2	821.3	7.0
Retail securities	6,802.9	25.4	7,343.7	25.7	540.8	8.0
Discount treasury bills	1,039.2	3.9	1,634.6	5.7	595.4	57.3
Foreign exchange denominated debt	5,782.5	21.6	5,571.6	19.5	-211.0	-3.6
Total	26,472.0	99.0	28,295.4	99.0	1,823.5	6.9
<i>Other obligations</i>	274.2	1.0	296.6	1.0	22.4	8.2
Total central government debt	26,746.2	100.0	28,592.1	100.0	1,845.9	6.9

The HUF denominated debt of the central government increased by HUF 2,034.5 billion in 2018. The increase in domestic debt was the result of the net government bond issuance of HUF 821.3 billion, the amount of discount Treasury bills increased by HUF 595.4 billion and the total amount of retail government securities increased by HUF 540.8 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 211.0 billion in 2018. The three-year samurai bond issue increased the debt by HUF 71.3 billion, the domestic PÉMAK bond issuance was HUF 10.2 billion, while the redemptions of foreign currency bonds worth HUF 510.9 billion and the HUF 74.9 billion foreign currency loan repayment decreased the debt. The exchange rate revaluations totalling HUF 294.5 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities increased by HUF 22.4 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	31.07.2018	31.08.2018	Change in August basis point
3-month	-0.01	0.11	0.13	2
6-month	0.01	0.32	0.33	1
1-year	0.02	0.47	0.53	6
3-year	0.51	1.54	1.65	11
5-year	1.09	2.65	2.84	19
10-year	2.02	3.23	3.46	23
15-year	2.72	3.73	3.88	15

Monthly OTC turnover of government securities decreased by 31% to HUF 4,420.6 billion in August. Primary dealers, who account for the decisive part of all secondary government securities trading, made 62% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 137.4 billion in August and amounted to HUF 3,709.7 billion at the end of the month. This volume represented 17.2% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 326.45 on the last working day of August.

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

GOVERNMENT SECURITIES MARKET

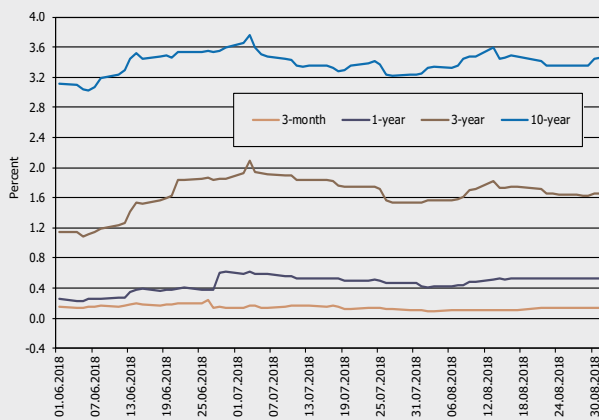
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

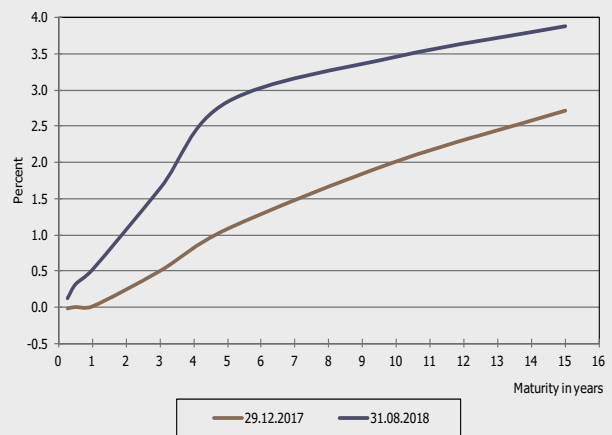
	2013	2014	2015	2016	2017	2018 June	2018 July	2018 August
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	22,411.2	22,314.2	22,723.9
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,135.1	1,118.0	1,118.0
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	21,276.1	21,196.1	21,605.9
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	21,236.9	21,157.0	21,566.7
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,294.9	12,423.3	12,588.4
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,738.5	1,500.7	1,634.6
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,203.6	7,232.9	7,343.7
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	5,629.4	5,482.9	5,571.6
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	922.9	887.2	901.4
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	922.9	887.2	901.4
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	4,706.5	4,595.7	4,670.1
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	3,958.3	3,870.5	3,932.4
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	748.2	725.2	737.8
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	28,040.6	27,797.1	28,295.4
Other liabilities	117.30	311.20	756.00	742.70	274.20	293.1	275.8	296.6
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	28,333.7	28,072.9	28,592.1
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	14,072.6	13,963.2	14,262.2
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.

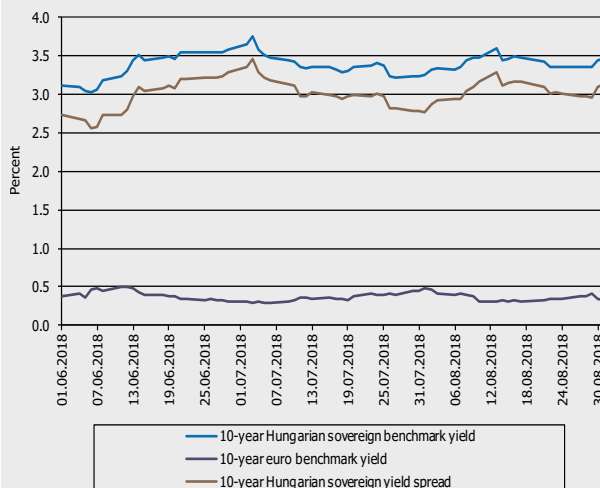
Benchmark yields



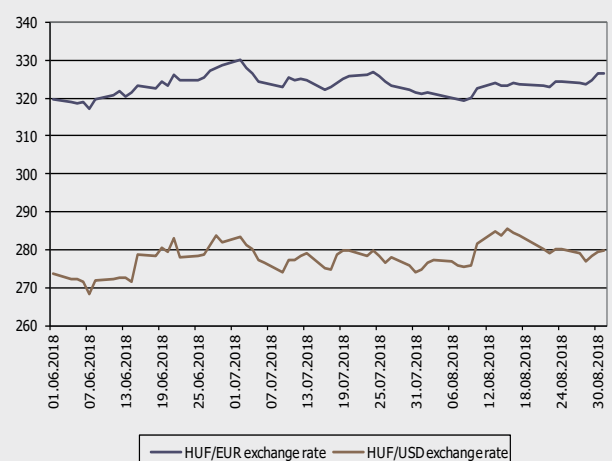
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



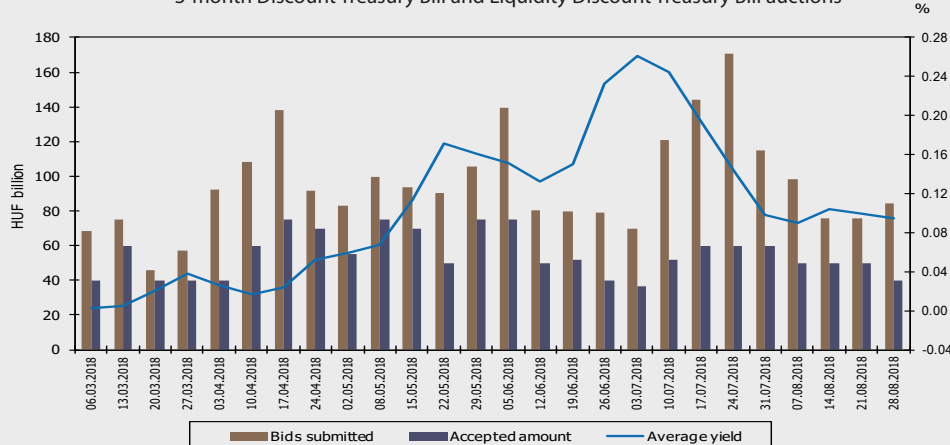
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

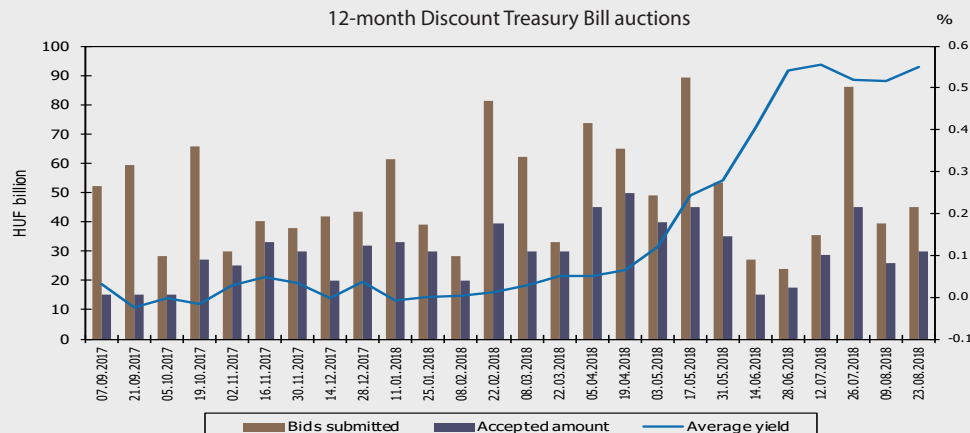
	Liquidity Discount T-bills	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D180926	D181114	D181121	D181128	D181205	D190731	D190731
ISIN code	HU0000521745	HU0000522206	HU0000521844	HU0000522214	HU0000522222	HU0000522180	HU0000522180
Maturity in days	49	91	91	91	91	350	336
Date of auction	06.08.2018	07.08.2018	14.08.2018	21.08.2018	28.08.2018	09.08.2018	23.08.2018
Date of financial settlement	08.08.2018	15.08.2018	22.08.2018	29.08.2018	05.09.2018	15.08.2018	29.08.2018
Redemption date	26.09.2018	14.11.2018	21.11.2018	28.11.2018	05.12.2018	31.07.2019	31.07.2019
Maximum yield (%) - ISMA	0.09	0.10	0.12	0.12	0.10	0.55	0.57
Minimum yield (%) - ISMA	0.04	0.07	0.07	0.08	0.07	0.44	0.51
Average yield (%) - ISMA	0.07	0.09	0.10	0.10	0.09	0.52	0.55
Maximum yield (%) - EHM	0.09	0.10	0.12	0.12	0.10	0.56	0.58
Minimum yield (%) - EHM	0.04	0.07	0.07	0.08	0.07	0.45	0.52
Average yield (%) - EHM	0.07	0.09	0.11	0.10	0.10	0.52	0.56
Average selling price (%)	99.9901	99.9773	99.9738	99.9749	99.9761	99.5018	99.4895
Amount offered for sale (HUF million)	50,000.00	40,000.00	40,000.00	40,000.00	40,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	85,620.00	98,015.60	75,729.19	75,577.96	84,275.00	39,361.00	45,115.00
Amount of bids accepted (HUF million)	49,999.97	49,999.97	49,999.95	49,999.96	39,999.93	25,999.92	30,000.00
Bid-to-cover ratio	1.71	1.96	1.51	1.51	2.11	1.51	1.50
Bids submitted (pcs)	39	60	66	47	56	60	43
Bids accepted (pcs)	21	36	46	41	35	54	37
Market sales* (HUF million)	49,999.97	49,999.97	49,999.95	49,999.96	39,999.93	25,999.92	30,000.00
Retained on ÁKK's own account (HUF million)	0.03	15,000.03	15,000.05	15,000.04	12,000.07	26,000.08	30,000.00
Total amount issued (HUF million)	50,000.00	65,000.00	65,000.00	65,000.00	52,000.00	52,000.00	60,000.00

* Without issuance onto ÁKK's own account

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



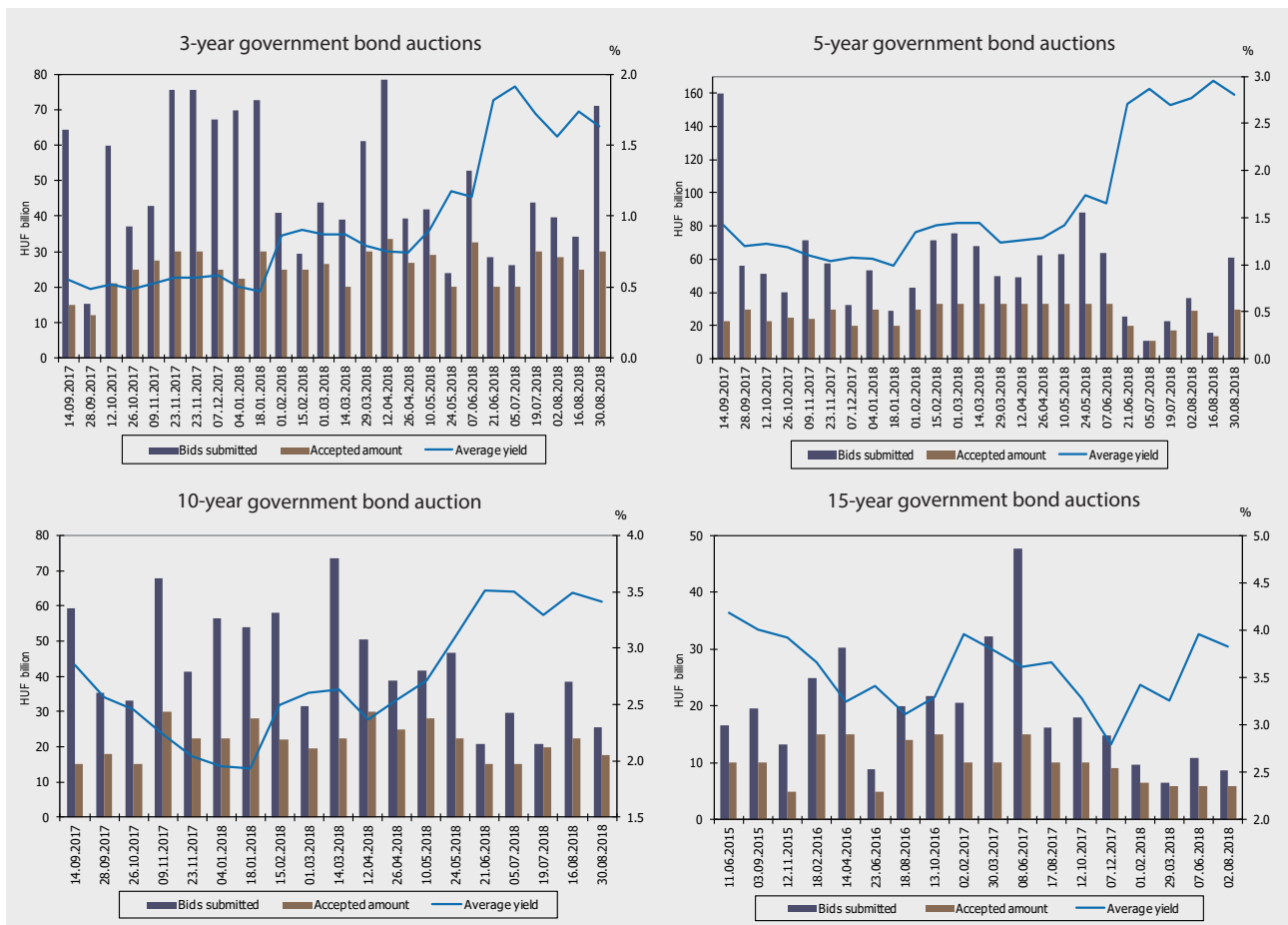
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/C	2024/C	2038/A	2023/B	2021/C	2024/C	2027/A	2023/B	2021/C	2024/C	2027/A
ISIN code	HU0000403464	HU0000403571	HU0000403555	HU0000403456	HU0000403464	HU0000403571	HU0000403118	HU0000403456	HU0000403464	HU0000403571	HU0000403118
Maturity (in years)	3	5	15	5	3	5	10	5	3	5	10
Coupon	0.50%	2.50%	3.00%	0.25%	0.50%	2.50%	3.00%	0.25%	0.50%	2.50%	3.00%
Auction	14th auction	4th auction	4th auction	15th auction	15th auction	5th auction	52nd auction	16th auction	16th auction	6th auction	53rd auction
Date of auction	02.08.2018	02.08.2018	02.08.2018	09.08.2018	16.08.2018	16.08.2018	16.08.2018	23.08.2018	30.08.2018	30.08.2018	30.08.2018
Date of financial settlement	08.08.2018	08.08.2018	08.08.2018	15.08.2018	22.08.2018	22.08.2018	22.08.2018	29.08.2018	05.09.2018	05.09.2018	05.09.2018
Redemption date	21.04.2021	24.10.2024	27.10.2038	26.07.2023	21.04.2021	24.10.2024	27.10.2027	26.07.2023	21.04.2021	24.10.2024	27.10.2027
Maximum annual yield (%) - ISMA	1.58	2.79	3.84	-	1.77	2.98	3.50	-	1.64	2.81	3.43
Minimum annual yield (%) - ISMA	1.53	2.74	3.81	-	1.70	2.88	3.45	-	1.62	2.77	3.39
Average annual yield (%) - ISMA	1.56	2.77	3.83	-	1.74	2.95	3.49	-	1.63	2.80	3.41
Maximum annual yield (%) - EHM	1.58	2.79	3.84	-	1.77	2.98	3.50	-	1.64	2.81	3.43
Minimum annual yield (%) - EHM	1.53	2.74	3.81	-	1.70	2.88	3.45	-	1.62	2.77	3.39
Average annual yield (%) - EHM	1.56	2.77	3.83	-	1.74	2.95	3.49	-	1.63	2.80	3.41
Maximum price (%)	97.2931	98.6400	88.7180	97.5500	96.8993	97.8640	96.5031	98.5700	97.1436	98.4824	96.9729
Minimum price (%)	97.1639	98.3538	88.3298	97.4800	96.7225	97.3143	96.1237	98.4800	97.0932	98.2605	96.6676
Average price (%)	97.2039	98.4636	88.4364	97.5100	96.8054	97.4898	96.2017	98.5200	97.1233	98.3259	96.8252
Amount offered for sale (HUF million)	20,000.00	20,000.00	10,000.00	6,000.00	20,000.00	20,000.00	15,000.00	6,000.00	20,000.00	20,000.00	15,000.00
Amount of bids submitted (HUF million)	39,670.00	36,725.00	8,711.40	14,798.83	34,200.00	16,000.00	38,522.20	15,027.40	70,954.55	60,950.00	25,500.00
Amount of bids accepted (HUF million)	28,500.00	28,999.96	5,999.98	8,500.00	24,999.98	14,000.00	22,500.00	7,000.00	30,000.00	30,000.00	17,499.98
Bid-to-cover ratio	1.39	1.27	1.45	1.74	1.37	1.14	1.71	2.15	2.37	2.03	1.46
Bids submitted (pcs)	40	48	30	23	43	35	30	26	46	56	35
Bids accepted (pcs)	31	43	24	16	33	33	13	14	19	25	26
Tail (%) (average price - minimum price)	0.04	0.11	0.11	0.03	0.08	0.18	0.08	0.04	0.03	0.07	0.16
Market sales (HUF million)	28,500.00	28,999.96	5,999.98	8,500.00	24,999.98	14,000.00	22,500.00	7,000.00	30,000.00	30,000.00	17,499.98
Non-competitive offer (HUF million)	5,080.00	740.00	0.00	0.00	5,679.98	0.00	8,600.00	0.00	4,520.00	1,680.00	3,378.56
Total amount sales (HUF million)	33,580.00	29,739.96	5,999.98	8,500.00	30,679.96	14,000.00	31,100.00	7,000.00	34,520.00	31,680.00	20,878.54



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

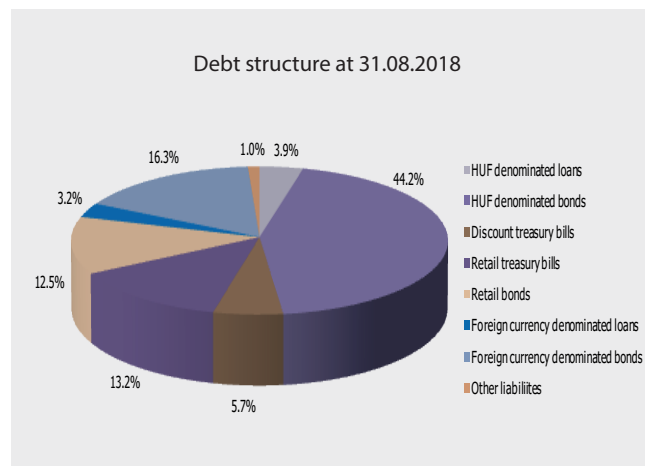
Government bond	2019/A	2019/B
ISIN code	HU0000402433	HU0000402649
Coupon (%)	6.50	5.47
Date of reverse auction	29.08.2018	29.08.2018
Date of financial settlement	05.09.2018	05.09.2018
Redemption date	24.06.2019	20.05.2019
Minimum annual yield (%)	0.33	99.97
Average annual yield- ISMA (%)	0.33	99.95
Average annual yield - EHM (%)	0.33	-
Amount of bids submitted (HUF million)	37,217.67	94,525.09
Amount of bids accepted (HUF million)	2,417.67	10,399.17

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN AUGUST 2018

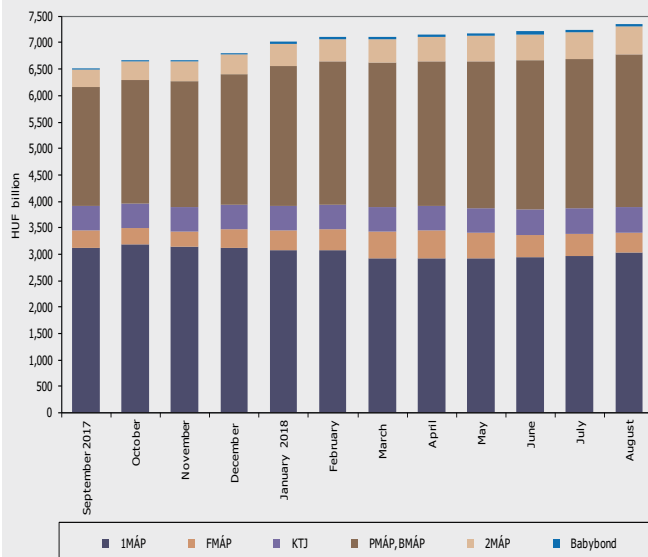
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/D	23.08.2018	28.08.2018	28.11.2018	28.11.2018	0.18%	0.05%
2020/J	24.08.2018	26.08.2018	26.08.2019	26.08.2019	5.90%	5.90%
2021/K	22.08.2018	26.08.2018	26.08.2019	26.08.2019	3.50%	3.50%
2024/N	24.08.2018	26.08.2018	26.08.2019	26.08.2019	3.04%	3.08%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

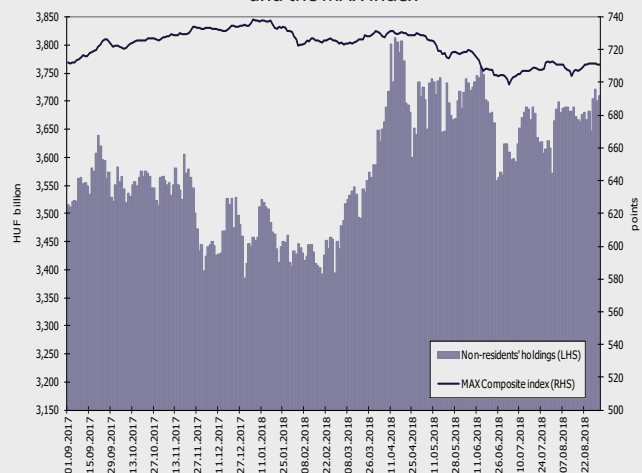
Retail securities	HUF billion		Change
	31.12.2017	31.08.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	3,030.1	-79.7
Half-year Hungarian Government Security / FMÁP	351.8	377.6	25.8
Treasury Saving Bills / KTJ	468.7	481.7	13.0
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	2,457.5	2,880.5	423.0
2-year Hungarian Government Security / 2MÁP	376.8	526.1	149.2
Babybond	38.2	47.7	9.4
Total	6,802.9	7,343.6	540.8



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 31.08.2018	746.7646	551.8468	710.7052	535.6404
Changes compared to the end of the month before	-2.3543	0.3368	-1.8907	0.0537
Annual yield earned on the index portfolio (%)	-0.01	0.07	-0.12	0.07

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.08.2018	729.6374	776.8703	553.4917	369.6769
Changes compared to the end of the month before	-1.0545	-6.4395	-8.2132	-6.7331
Reference yield (%)	1.65	2.84	3.46	3.88
Annual yield earned on the index portfolio (%)	-0.97	-1.47	-1.12	2.94

Government bonds with the highest secondary market turnover in August 2018

Government bond	Date of redemption	Turnover (HUF billion)
2022/B	26.10.2022	463.8
2023/A	24.11.2023	356.5
2027/A	27.10.2027	309.0
2021/C	21.04.2021	224.8
2025/B	24.06.2025	212.0
2019/A	24.06.2019	181.0
2024/C	24.10.2024	142.9
2026/D	22.12.2026	121.7
2020/A	12.11.2020	119.4
2021/B	27.10.2021	105.7

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

Government bond	HUF billion	
	31.07.2018	31.08.2018
2021/C	387.48	452.01
2024/C	50.97	94.79
2027/A	968.41	999.61
2038/A	18.95	24.95

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

Government bond	HUF billion
2025/B	1,194.63
2022/B	1,099.72
2027/A	999.61

