

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT JUNE 2019

The net issuance was HUF 102.2 billion; out of which net HUF-denominated issuance was HUF 553.3 billion and net foreign currency denominated redemption was HUF 451.1 billion in 2019.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2018		2019		Change	
	December	%	June	%	HUF billion	%
HUF denominated debt	22,796.0	79.5	23,349.2	80.9	553.3	2.4
Loans	1,167.7	4.1	1,173.5	4.1	5.8	0.5
Government bonds	12,875.2	44.9	13,074.2	45.3	198.9	1.5
Retail securities	7,515.7	26.2	8,067.9	28.0	552.2	7.3
Discount treasury bills	1,237.3	4.3	1,033.6	3.6	-203.7	-16.5
Foreign exchange denominated debt	5,724.8	20.0	5,305.1	18.4	-419.6	-7.3
Total	28,520.7	99.4	28,654.3	99.3	133.6	0.5
<i>Other obligations</i>	167.4	0.6	199.7	0.7	32.2	19.2
Total central government debt	28,688.2	100.0	28,854.0	100.0	165.9	0.6

The HUF denominated debt of the central government increased by HUF 553.3 billion in 2019. The increase in domestic debt was the result of the net government bond issuance of HUF 198.9 billion and the total amount of retail government securities increased by HUF 552.2 billion. The significant increase of the retail government securities portfolio was mainly due to the new introduced 5-year long government security, the Hungarian Government Security Plus. The amount of discount Treasury bills decreased by HUF 203.7 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 5.8 billion in 2019.

The foreign currency debt of the central government decreased by HUF 419.6 billion in 2019. The domestic PÉMAK bond issuance was HUF 27.0 billion and the drawdown from foreign currency credit line was HUF 7.8 billion. The redemptions of foreign currency bonds worth HUF 485.0 billion and the repayment of the foreign currency was HUF 1.0 billion. The exchange rate revaluations totalling HUF 31.5 billion increased the Hungarian Forint value of the foreign currency debt in 2019. The total amount of other liabilities increased by HUF 32.2 billion in 2019.

BENCHMARK YIELDS

Maturity	28.12.2018	31.05.2019	28.06.2019	Change in June basis point
3-month	0.00	0.05	0.21	16
6-month	0.12	0.07	0.13	6
1-year	0.39	0.21	0.23	2
3-year	1.21	1.09	0.91	-18
5-year	2.46	1.82	1.61	-21
10-year	3.01	2.95	2.63	-32
15-year	3.78	3.57	3.33	-24

Monthly OTC turnover of government securities increased by 3% to HUF 5,643.8 billion in June. Primary dealers, who account for the decisive part of all secondary government securities trading, made 75% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 97.4 billion in June and amounted to HUF 4,433.9 billion at the end of the month. This volume represented 20.0% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 323.54 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

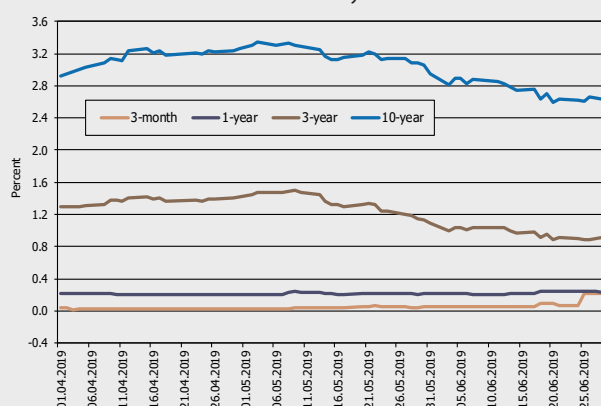
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

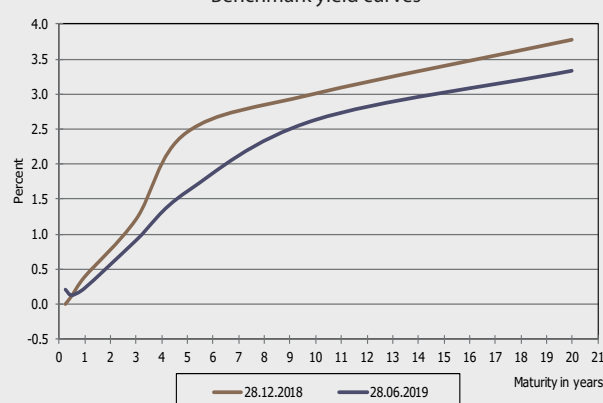
	2014	2015	2016	2017	2018	2019 April	2019 May	2019 June
1. Forint denominated debt	14,612.0	16,207.9	18,430.9	20,689.4	22,796.0	23,390.6	23,377.8	23,349.2
1.1. Loans	623.3	694.1	865.0	1,041.1	1,167.7	1,173.5	1,173.5	1,173.5
1.2. Government securities	13,988.7	15,513.8	17,565.8	19,648.3	21,628.3	22,217.1	22,204.3	22,175.7
1.2.1. Public issues	13,847.7	15,462.3	17,526.7	19,609.2	21,589.1	22,177.9	22,165.1	22,136.5
1.2.1.1. Bonds	9,848.0	11,043.4	11,562.4	11,767.1	12,836.1	13,675.4	13,739.8	13,035.0
1.2.1.2. Discount T-bills	1,588.6	901.6	896.4	1,039.2	1,237.3	1,030.8	972.3	1,033.6
1.2.1.3. Retail securities	2,411.1	3,517.4	5,067.9	6,802.9	7,515.7	7,471.6	7,453.0	8,067.9
1.2.2. Private placements	141.0	51.5	39.2	39.2	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	8,957.9	7,735.8	6,256.5	5,782.5	5,724.8	5,307.7	5,343.1	5,305.1
2.1. Loans	2,164.3	1,696.8	1,101.6	929.1	795.0	805.8	811.1	807.1
2.1.1. Foreign loans	1,889.9	1,614.2	1,097.6	929.1	795.0	805.8	811.1	807.1
2.1.2. Domestic loans	274.4	82.6	4.0	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	6,793.6	6,039.0	5,154.9	4,853.5	4,929.8	4,501.9	4,532.1	4,498.1
2.2.1. Issued abroad	5,844.6	5,198.9	4,618.9	4,145.9	4,246.2	3,795.8	3,819.9	3,784.4
2.2.2. Issued domestically	948.9	840.1	536.0	707.6	683.6	706.1	712.1	713.7
Total	23,569.9	23,943.7	24,687.4	26,472.0	28,520.7	28,698.3	28,720.9	28,654.3
Other liabilities	311.20	756.00	742.70	274.20	167.40	171.5	184.3	199.7
Total central government debt	23,881.1	24,699.7	25,430.0	26,746.2	28,688.2	28,869.7	28,905.2	28,854.0
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	11,577.6	11,996.5	12,498.0	12,845.5	14,112.6	14,745.4	14,751.3	14,107.8
Gross debt/GDP	73.3%	71.8%	71.7%	69.7%	68.2%			

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

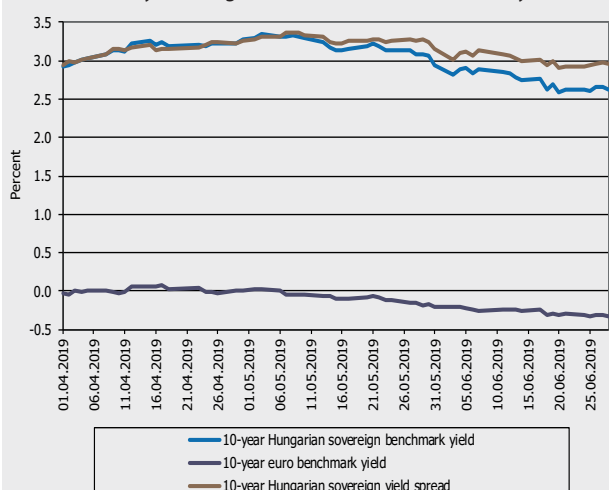
Benchmark yields



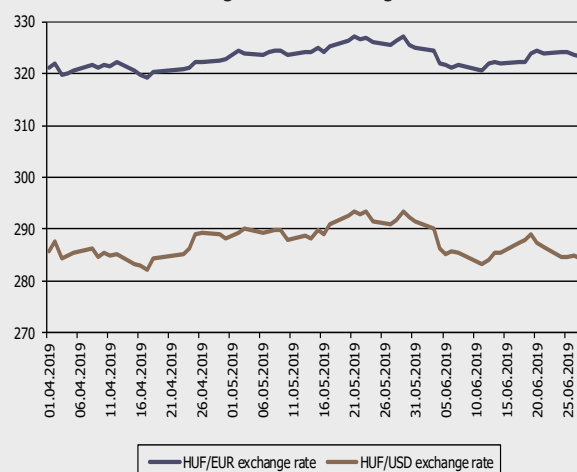
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint

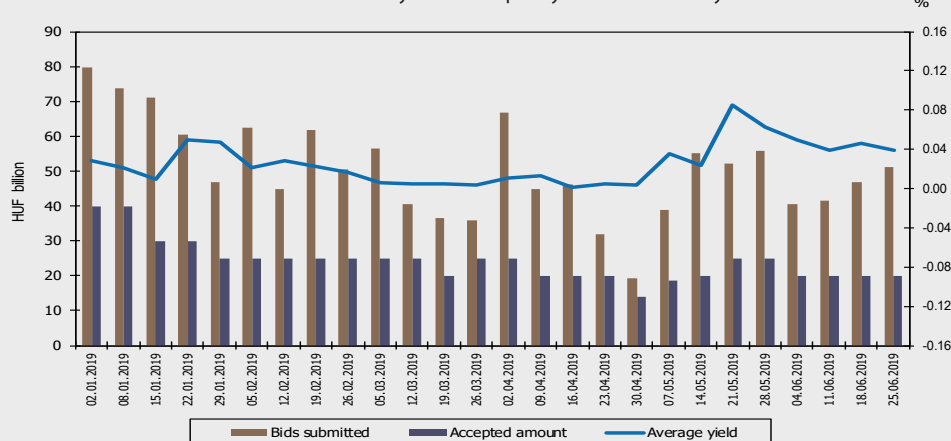


GOVERNMENT SECURITIES MARKET

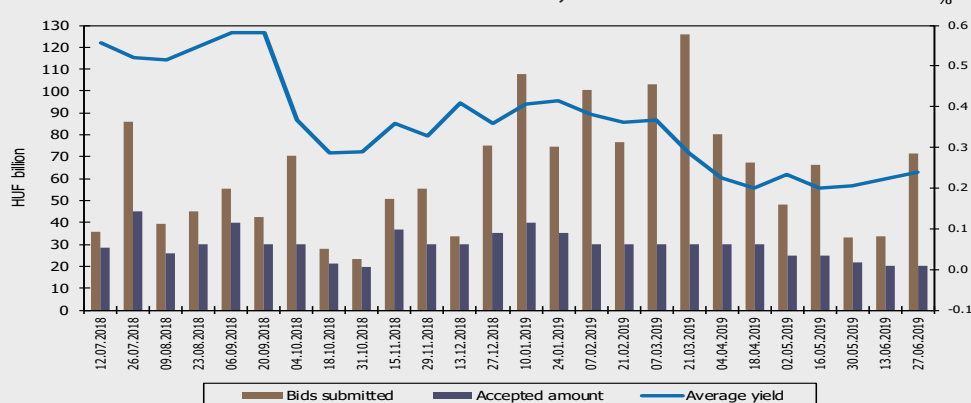
DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D190911	D190918	D190925	D191002	D200429	D200624
ISIN code	HU0000522628	HU0000522651	HU0000522255	HU0000522636	HU0000522578	HU0000522644
Maturity in days	91	91	91	91	315	357
Date of auction	04.06.2019	11.06.2019	18.06.2019	25.06.2019	13.06.2019	27.06.2019
Date of financial settlement	12.06.2019	19.06.2019	26.06.2019	03.07.2019	19.06.2019	03.07.2019
Redemption date	11.09.2019	18.09.2019	25.09.2019	02.10.2019	29.04.2020	24.06.2020
Maximum yield (%) - ISMA	0.05	0.05	0.05	0.04	0.24	0.25
Minimum yield (%) - ISMA	0.04	0.03	0.04	0.03	0.20	0.22
Average yield (%) - ISMA	0.05	0.04	0.05	0.04	0.22	0.24
Maximum yield (%) - EHM	0.05	0.05	0.05	0.04	0.24	0.25
Minimum yield (%) - EHM	0.04	0.03	0.04	0.03	0.20	0.22
Average yield (%) - EHM	0.05	0.04	0.05	0.04	0.23	0.24
Average selling price (%)	99.9876	99.9901	99.9884	99.9901	99.8061	99.7646
Amount offered for sale (HUF million)	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Amount of bids submitted (HUF million)	40,536.59	41,543.22	46,938.40	51,009.00	33,557.70	71,273.00
Amount of bids accepted (HUF million)	19,999.98	19,999.98	20,000.00	20,000.00	20,000.00	20,000.00
Bid-to-cover ratio	2.03	2.08	2.35	2.55	1.68	3.56
Bids submitted (pcs)	32	27	28	21	42	71
Bids accepted (pcs)	11	18	9	6	30	26
Market sales* (HUF million)	19,999.98	19,999.98	20,000.00	20,000.00	20,000.00	20,000.00
Retained on ÁKK's own account (HUF million)	6,000.02	6,000.02	6000.00	6,000.00	20,000.00	20,000.00
Total amount issued (HUF million)	26,000.00	26,000.00	26,000.00	26,000.00	40,000.00	40,000.00
* Without issuance onto ÁKK's own account						

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



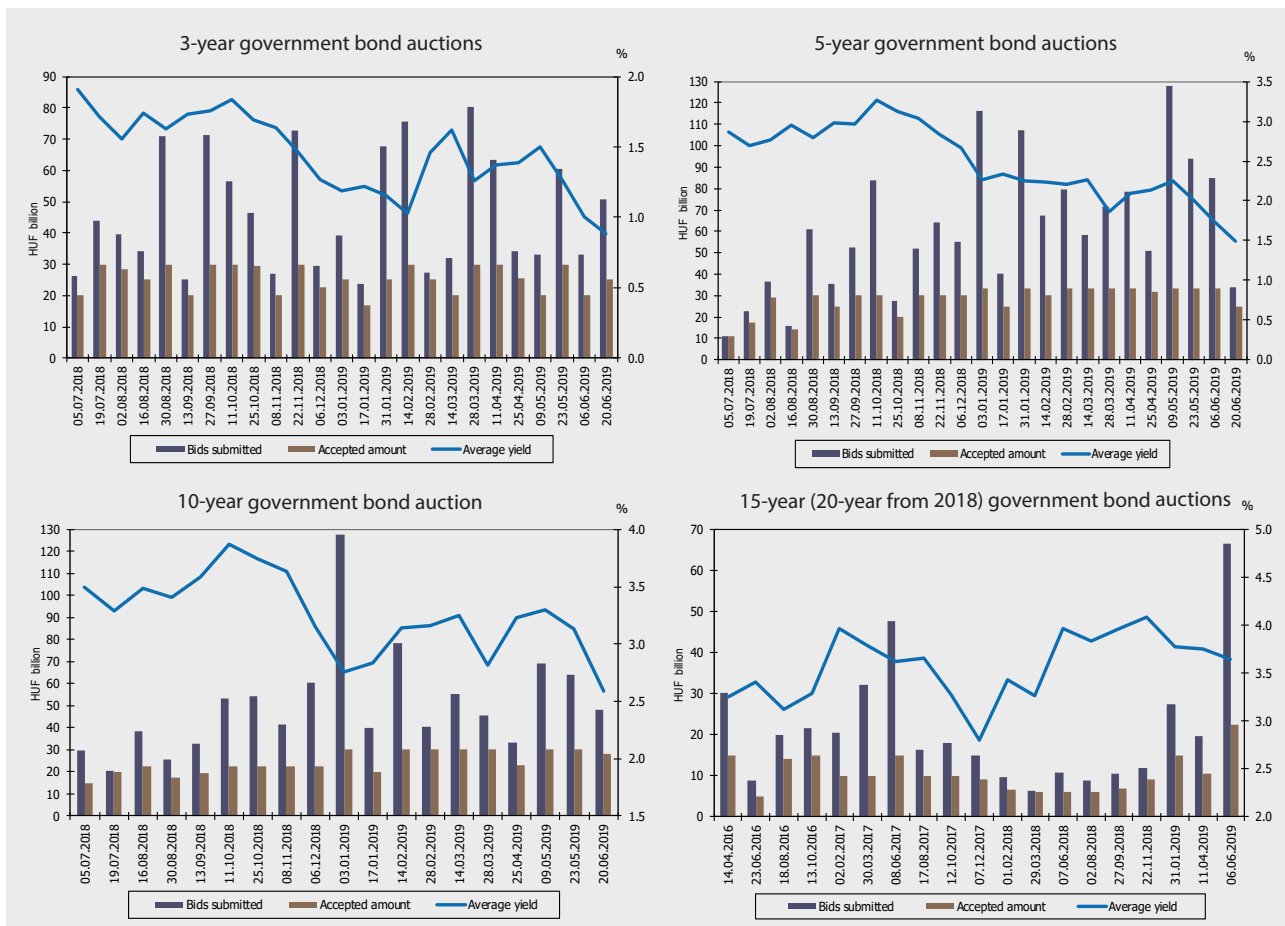
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2022/C	2024/C	2038/A	2023/B	2022/C	2024/C	2030/A	2023/B
ISIN code	HU0000403704	HU0000403571	HU0000403555	HU0000403456	HU0000403704	HU0000403571	HU0000403696	HU0000403456
Maturity (in years)	3	5	15	5	3	5	10	5
Coupon	1.50%	2.50%	3.00%	0.16%	1.50%	2.50%	3.00%	0.16%
Auction	8th auction	25th auction	9th auction	36th auction	9th auction	26th auction	8th auction	37th auction
Date of auction	06.06.2019	06.06.2019	06.06.2019	13.06.2019	20.06.2019	20.06.2019	20.06.2019	27.06.2019
Date of financial settlement	12.06.2019	12.06.2019	12.06.2019	19.06.2019	26.06.2019	26.06.2019	26.06.2019	03.07.2019
Redemption date	24.08.2022	24.10.2024	27.10.2038	26.07.2023	24.08.2022	24.10.2024	21.08.2030	26.07.2023
Maximum annual yield (%) - ISMA	1.02	1.75	3.65	-	0.89	1.51	2.60	-
Minimum annual yield (%) - ISMA	0.97	1.71	3.62	-	0.86	1.47	2.56	-
Average annual yield (%) - ISMA	1.01	1.73	3.64	-	0.88	1.49	2.59	-
Maximum annual yield (%) - EHM	1.02	1.75	3.65	-	0.89	1.51	2.60	-
Minimum annual yield (%) - EHM	0.97	1.71	3.62	-	0.86	1.47	2.56	-
Average annual yield (%) - EHM	1.00	1.73	3.64	-	0.88	1.48	2.58	-
Maximum price (%)	101.6597	104.0134	91.4631	98.2500	101.9852	105.2416	104.2295	98.1700
Minimum price (%)	101.5014	103.8050	91.0703	98.1100	101.8909	105.0340	103.8350	98.1200
Average price (%)	101.5481	103.9002	91.1726	98.1500	101.9142	105.1533	103.9801	98.1500
Amount offered for sale (HUF million)	20,000.00	25,000.00	15,000.00	6,000.00	20,000.00	25,000.00	20,000.00	6,000.00
Amount of bids submitted (HUF million)	33,256.00	85,020.00	66,420.00	17,600.00	50,710.00	33,975.00	47,906.00	12,200.00
Amount of bids accepted (HUF million)	20,000.00	33,499.98	22,499.96	5,999.98	25,000.00	25,000.00	28,000.00	5,999.98
Bid-to-cover ratio	1.66	2.54	2.95	2.93	2.03	1.36	1.71	2.03
Bids submitted (pcs)	28	59	73	24	36	37	47	30
Bids accepted (pcs)	20	27	33	17	19	28	34	13
Tail (%) (average price - minimum price)	0.05	0.10	0.10	0.04	0.02	0.12	0.15	0.03
Market sales (HUF million)	20,000.00	33,499.98	22,499.96	5,999.98	25,000.00	25,000.00	28,000.00	5,999.98
Non-competitive offer (HUF million)	5,971.60	8,279.99	7,914.44	637.79	2,384.00	2,670.00	6,391.60	0.00
Total amount sales (HUF million)	25,971.60	41,779.97	30,414.40	6,637.77	27,384.00	27,670.00	34,391.60	5,999.98



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

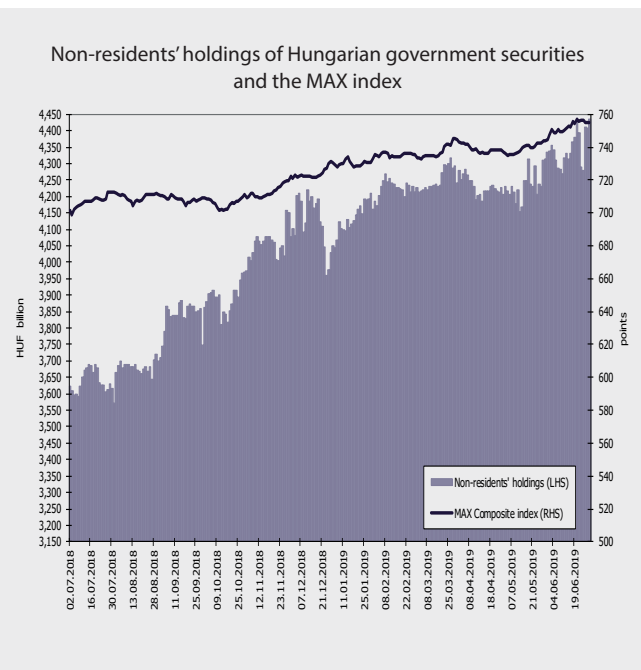
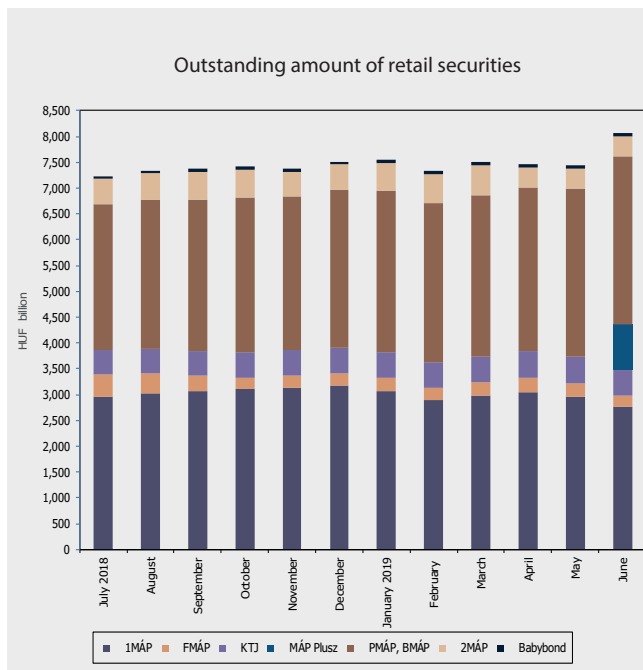
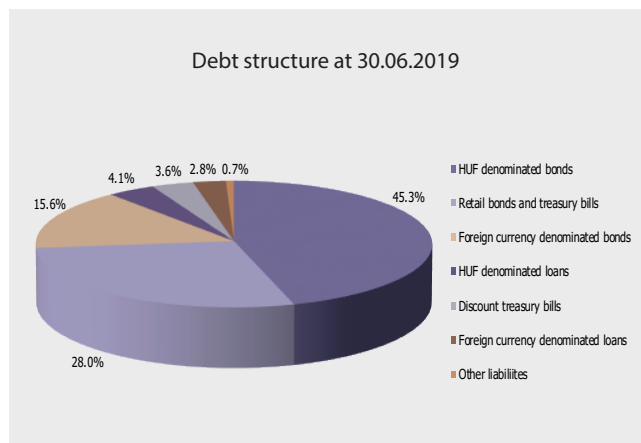
Government bond	2019/A	2020/B	2019/C	2020/B
ISIN code	HU0000402433	HU0000402953	HU0000403092	HU0000402953
Coupon (%)	6.50	3.50	2.00	3.50
Date of reverse auction	05.06.2019	05.06.2019	19.06.2019	19.06.2019
Date of financial settlement	12.06.2019	12.06.2019	26.06.2019	26.06.2019
Redemption date	24.06.2019	24.06.2020	30.10.2019	24.06.2020
Minimum annual yield (%)	0.01	0.03	0.03	0.03
Average annual yield- ISMA (%)	0.01	0.04	0.04	0.05
Average annual yield - EHM (%)	0.01	0.04	0.04	0.05
Amount of bids submitted (HUF million)	5,270.53	58,334.47	2,484.14	13,297.26
Amount of bids accepted (HUF million)	5,270.53	41,460.12	2,484.14	12,297.26

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JUNE 2019

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2021/A	20.06.2019	23.06.2019	23.09.2019	23.09.2019	0.24%	0.06%
2022/L	04.06.2019	04.06.2019	21.09.2019	23.09.2019	4.20%	1.25%
2024/J	04.06.2019	04.06.2019	25.09.2019	25.09.2019	4.50%	1.39%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2018	30.06.2019	HUF billion
1-year Hungarian Government Security / 1MÁP	3,169.8	2,773.7	-396.2
Half-year Hungarian Government Security / FMÁP	253.8	213.4	-40.4
Treasury Saving Bills / KTI	495.9	498.5	2.5
Hungarian Government Security Plus / MÁP Plusz	0.0	882.7	882.7
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	3,041.1	3,238.8	197.7
2-year Hungarian Government Security / 2MÁP	500.2	394.2	-106.0
Babybond	54.8	66.7	11.9
Total	7,515.7	8,067.8	552.2



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 28.06.2019	797.8918	554.2831	755.2514	535.8409
Changes compared to the end of the month before	8.7043	-0.0640	7.7791	-0.0583
Annual yield earned on the index portfolio (%)	7.91	0.65	7.20	0.07

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 28.06.2019	766.1117	843.5557	632.4193	412.2323
Changes compared to the end of the month before	4.8286	9.7003	19.8850	14.6708
Reference yield (%)	0.91	1.61	2.63	3.33
Annual yield earned on the index portfolio (%)	5.88	8.30	15.75	16.51

Government bonds with the highest secondary market turnover in June 2019

Government bond	Date of redemption	Turnover (HUF billion)
2024/C	24.10.2024	355.1
2026/D	22.12.2026	323.3
2030/A	21.08.2030	317.9
2027/A	27.10.2027	264.1
2023/A	24.11.2023	252.6
2022/B	26.10.2022	234.6
2021/C	21.04.2021	219.3
2022/C	24.08.2022	217.7
2021/A	23.06.2021	214.2
2024/B	26.06.2024	211.0

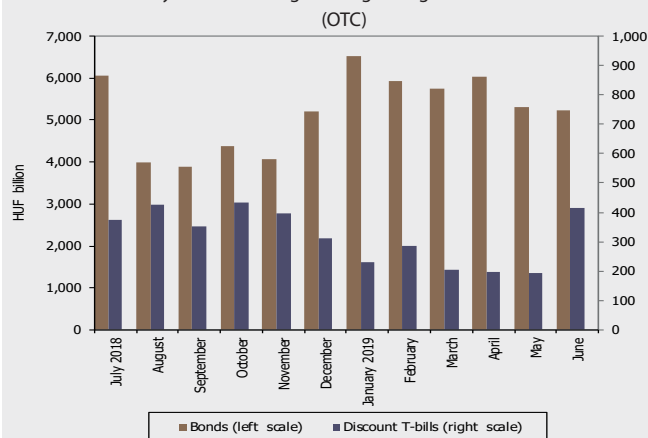
The outstanding volume of government bonds with benchmark status at the end of June 2019

Government bond	HUF billion	
	31.05.2019	30.06.2019
2022/C	204.87	258.50
2024/C	806.83	877.04
2030/A	252.97	287.70
2038/A	69.15	99.62

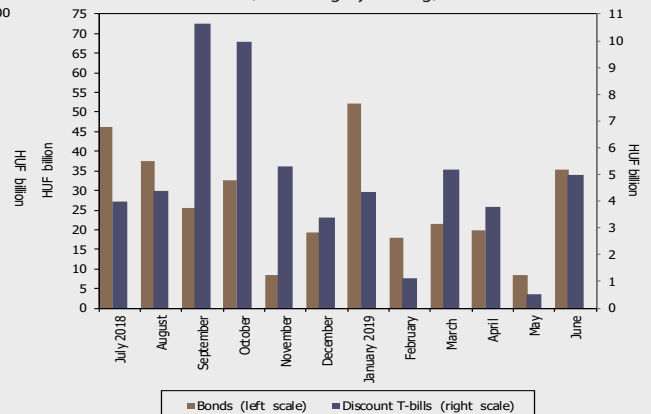
The outstanding volume of the three largest government bonds at the end of June 2019

Government bond	HUF billion
2027/A	1,201.92
2025/B	1,194.58
2022/B	1,131.53

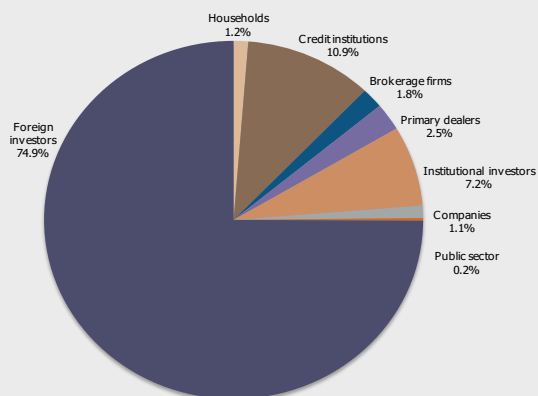
Secondary market trading of Hungarian government securities (OTC)



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 2019



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in June 2019

