

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT MAY 2018

The net issuance was HUF 1,454.9 billion; out of which net HUF-denominated issuance was HUF 1,493.8 billion and net foreign currency denominated redemption was HUF 38.9 billion in 2018.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2017		2018		Change	
	December	%	May	%	HUF billion	%
HUF denominated debt	20,689.4	77.4	22,183.2	78.3	1,493.8	7.2
Loans	1,041.1	3.9	1,083.4	3.8	42.3	4.1
Government bonds	11,806.3	44.1	12,442.4	43.9	636.1	5.4
Retail securities	6,802.9	25.4	7,166.4	25.3	363.6	5.3
Discount treasury bills	1,039.2	3.9	1,491.0	5.3	451.9	43.5
Foreign exchange denominated debt	5,782.5	21.6	5,905.6	20.8	123.1	2.1
Total	26,472.0	99.0	28,088.8	99.1	1,616.9	6.1
<i>Other obligations</i>	274.2	1.0	254.1	0.9	-20.1	-7.3
Total central government debt	26,746.2	100.0	28,342.9	100.0	1,596.7	6.0

The HUF denominated debt of the central government increased by HUF 1,493.8 billion in 2018. The increase in domestic debt was the result of the net government bond issuance was HUF 636.1 billion, the amount of discount Treasury bills increased by HUF 451.9 billion and the total amount of retail government securities increased by HUF 363.6 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 42.3 billion in 2018.

The foreign currency debt of the central government increased by HUF 123.1 billion in 2018. The three-year samurai bond issue increased the debt by HUF 71.3 billion, the domestic PÉMAK bond issuance was HUF 6.9 billion, while the redemptions of foreign currency bonds worth HUF 91.4 billion and the HUF 26.0 billion foreign currency loan repayment decreased the debt. The exchange rate revaluations totalling HUF 162.0 billion increased the Hungarian Forint value of the foreign currency debt in 2018. The total amount of other liabilities decreased by HUF 20.1 billion in 2018.

BENCHMARK YIELDS

Maturity	29.12.2017	27.04.2018	31.05.2018	Change in May basis point
3-month	-0.01	0.01	0.15	14
6-month	0.01	0.03	0.13	10
1-year	0.02	0.04	0.24	20
3-year	0.51	0.73	1.16	43
5-year	1.09	1.27	1.65	38
10-year	2.02	2.52	3.15	63
15-year	2.72	3.56	3.92	36

Monthly OTC turnover of government securities increased by 9% to HUF 5,386.0 billion in May. Primary dealers, who account for the decisive part of all secondary government securities trading, made 73% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 46.3 billion in May and amounted to HUF 3,687.8 billion at the end of the month. This volume represented 17.5% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 318.88 on the last working day of May.

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

GOVERNMENT SECURITIES MARKET

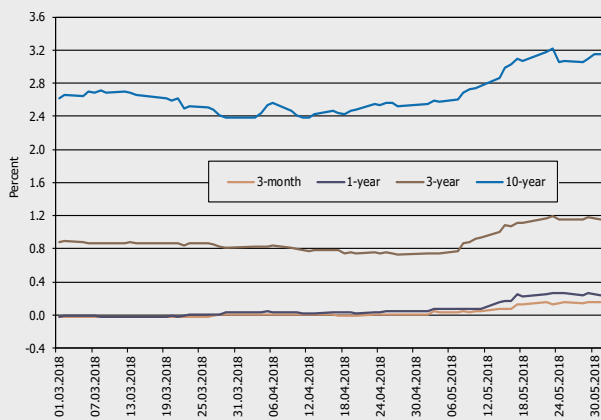
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

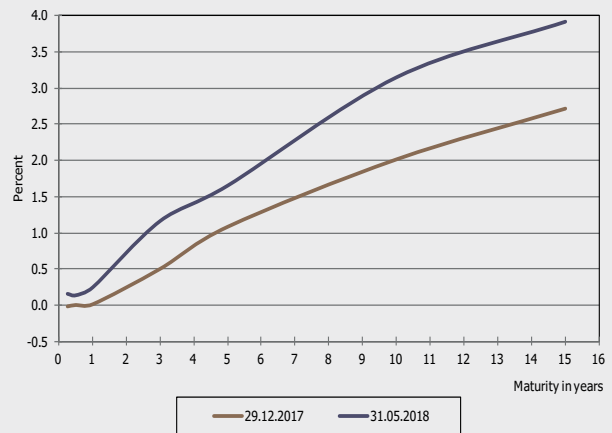
	2013	2014	2015	2016	2017	2018 March	2018 April	2018 May
1. Forint denominated debt	12,976.4	14,612.0	16,207.9	18,430.9	20,689.4	21,710.6	21,709.1	22,183.2
1.1. Loans	603.6	623.3	694.1	865.0	1,041.1	1,080.8	1,080.8	1,083.4
1.2. Government securities	12,372.8	13,988.7	15,513.8	17,565.8	19,648.3	20,629.9	20,628.4	21,099.9
1.2.1. Public issues	12,182.3	13,847.7	15,462.3	17,526.7	19,609.2	20,590.7	20,589.2	21,060.7
1.2.1.1. Bonds	8,588.8	9,848.0	11,043.4	11,562.4	11,767.1	12,299.9	12,187.2	12,403.2
1.2.1.2. Discount T-bills	1,904.9	1,588.6	901.6	896.4	1,039.2	1,183.2	1,254.0	1,491.0
1.2.1.3. Retail securities	1,688.5	2,411.1	3,517.4	5,067.9	6,802.9	7,107.5	7,148.0	7,166.4
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	5,810.5	5,812.6	5,905.6
2.1. Loans	2,735.6	2,164.3	1,696.8	1,101.6	929.1	934.9	935.1	928.8
2.1.1. Foreign loans	2,400.2	1,889.9	1,614.2	1,097.6	929.1	934.9	935.1	928.8
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	4,875.6	4,877.5	4,976.8
2.2.1. Issued abroad	5,736.9	5,844.6	5,198.9	4,618.9	4,145.9	4,167.5	4,168.5	4,251.9
2.2.2. Issued domestically	432.5	948.9	840.1	536.0	707.6	708.1	709.0	724.8
Total	21,881.4	23,569.9	23,943.7	24,687.4	26,472.0	27,521.1	27,521.7	28,088.8
Other liabilities	117.30	311.20	756.00	742.70	274.20	129.5	122.9	254.1
Total central government debt	21,998.6	23,881.1	24,699.7	25,430.0	26,746.2	27,650.6	27,644.5	28,342.9
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	13,522.3	13,480.4	13,933.4
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.

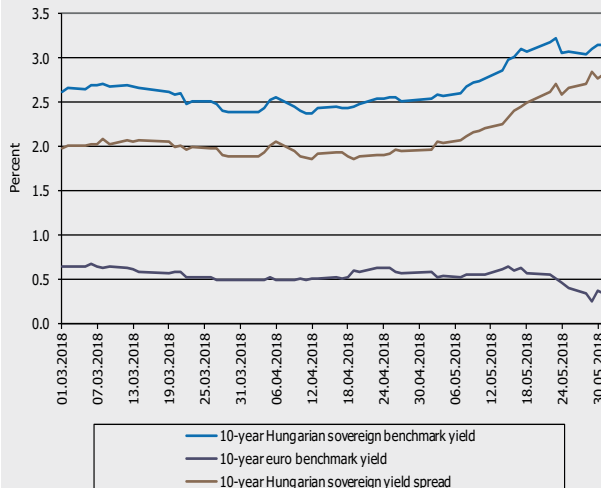
Benchmark yields



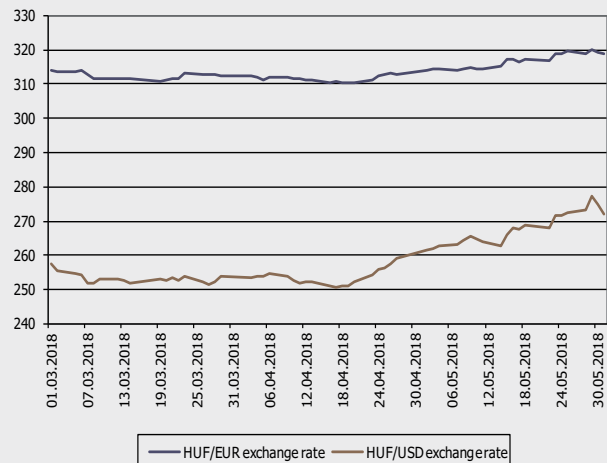
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



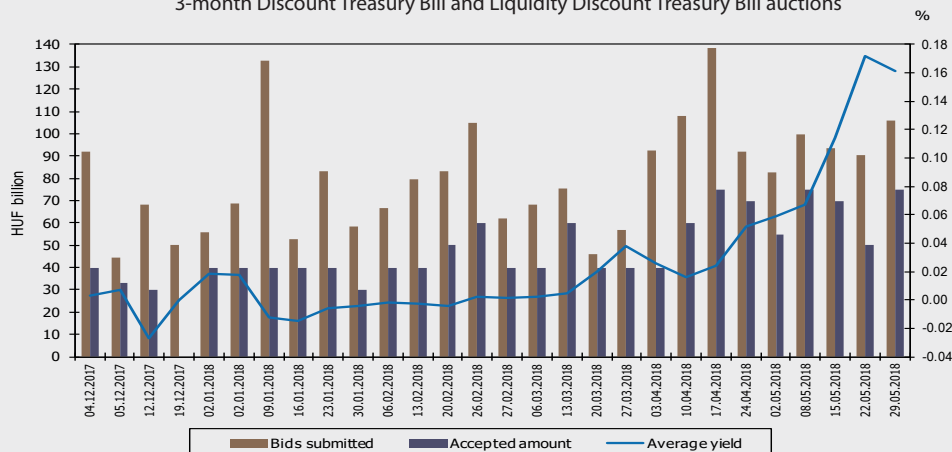
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

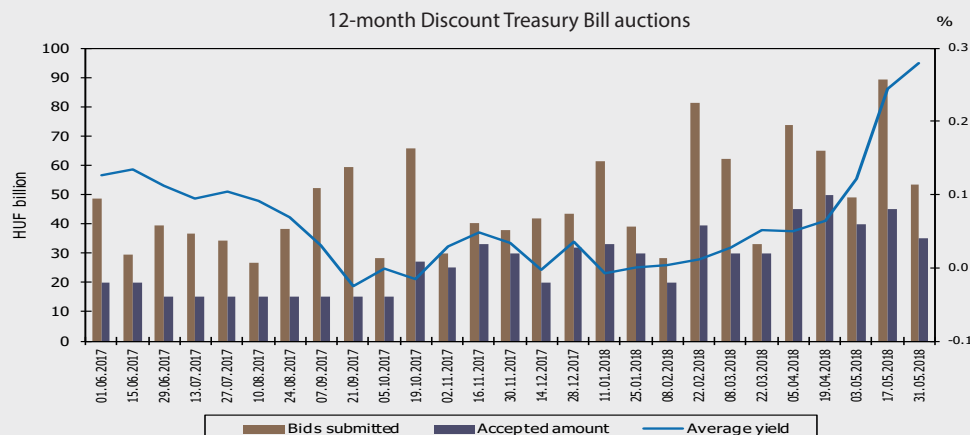
	Liquidity Discount T-bills			3-month Discount T-bills					12-month Discount T-bills		
Code of T-bills	D180627	D180725	D180725	D180808	D180815	D180822	D180829	D180905	D190424	D190424	D190522
ISIN code	HU0000521992	HU0000522024	HU0000522024	HU0000522057	HU0000522065	HU0000522073	HU0000522081	HU0000522099	HU0000522032	HU0000522032	HU0000522107
Maturity in days	49	63	56	91	91	91	91	91	350	336	350
Date of auction	07.05.2018	18.05.2018	28.05.2018	02.05.2018	08.05.2018	15.05.2018	22.05.2018	29.05.2018	03.05.2018	17.05.2018	31.05.2018
Date of financial settlement	09.05.2018	23.05.2018	30.05.2018	09.05.2018	16.05.2018	23.05.2018	30.05.2018	06.06.2018	09.05.2018	23.05.2018	06.06.2018
Redemption date	27.06.2018	25.07.2018	25.07.2018	08.08.2018	15.08.2018	22.08.2018	29.08.2018	05.09.2018	24.04.2019	24.04.2019	22.05.2019
Maximum yield (%) - ISMA	0.07	0.20	0.19	0.07	0.08	0.13	0.19	0.18	0.15	0.26	0.31
Minimum yield (%) - ISMA	0.03	0.09	0.09	0.04	0.05	0.08	0.13	0.13	0.09	0.10	0.22
Average yield (%) - ISMA	0.05	0.16	0.16	0.06	0.07	0.11	0.17	0.16	0.12	0.24	0.28
Maximum yield (%) - EHM	0.07	0.20	0.19	0.07	0.08	0.13	0.19	0.18	0.15	0.26	0.31
Minimum yield (%) - EHM	0.03	0.09	0.09	0.04	0.05	0.08	0.13	0.13	0.09	0.10	0.22
Average yield (%) - EHM	0.05	0.16	0.16	0.06	0.07	0.12	0.17	0.16	0.12	0.25	0.28
Average selling price (%)	99.9938	99.9721	99.9749	99.9850	99.9831	99.9712	99.9566	99.9593	99.8823	99.7727	99.7297
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	127,450.00	85,742.50	112,660.00	82,799.00	99,502.60	93,344.44	90,648.66	105,852.48	49,096.17	89,441.12	53,450.00
Amount of bids accepted (HUF million)	32,000.00	49,999.99	75,000.00	54,999.91	74,999.96	69,999.96	49,999.95	74,999.95	39,999.97	45,000.00	34,999.99
Bid-to-cover ratio	3.98	1.71	1.50	1.51	1.33	1.33	1.81	1.41	1.23	1.99	1.53
Bids submitted (pcs)	62	53	44	56	81	76	68	68	43	53	64
Bids accepted (pcs)	10	32	30	32	50	53	37	48	40	41	53
Market sales* (HUF million)	32,000.00	49,999.99	75,000.00	54,999.91	74,999.96	69,999.96	49,999.95	74,999.95	39,999.97	45,000.00	34,999.99
Retained on ÁKK's own account (HUF million)	-	0.01	-	11,000.09	7,500.04	7,000.04	5,000.05	7,500.05	20,000.03	22,500.00	35,000.01
Total amount issued (HUF million)	32,000.00	50,000.00	75,000.00	66,000.00	82,500.00	77,000.00	55,000.00	82,500.00	60,000.00	67,500.00	70,000.00

* Without issuance onto ÁKK's own account

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



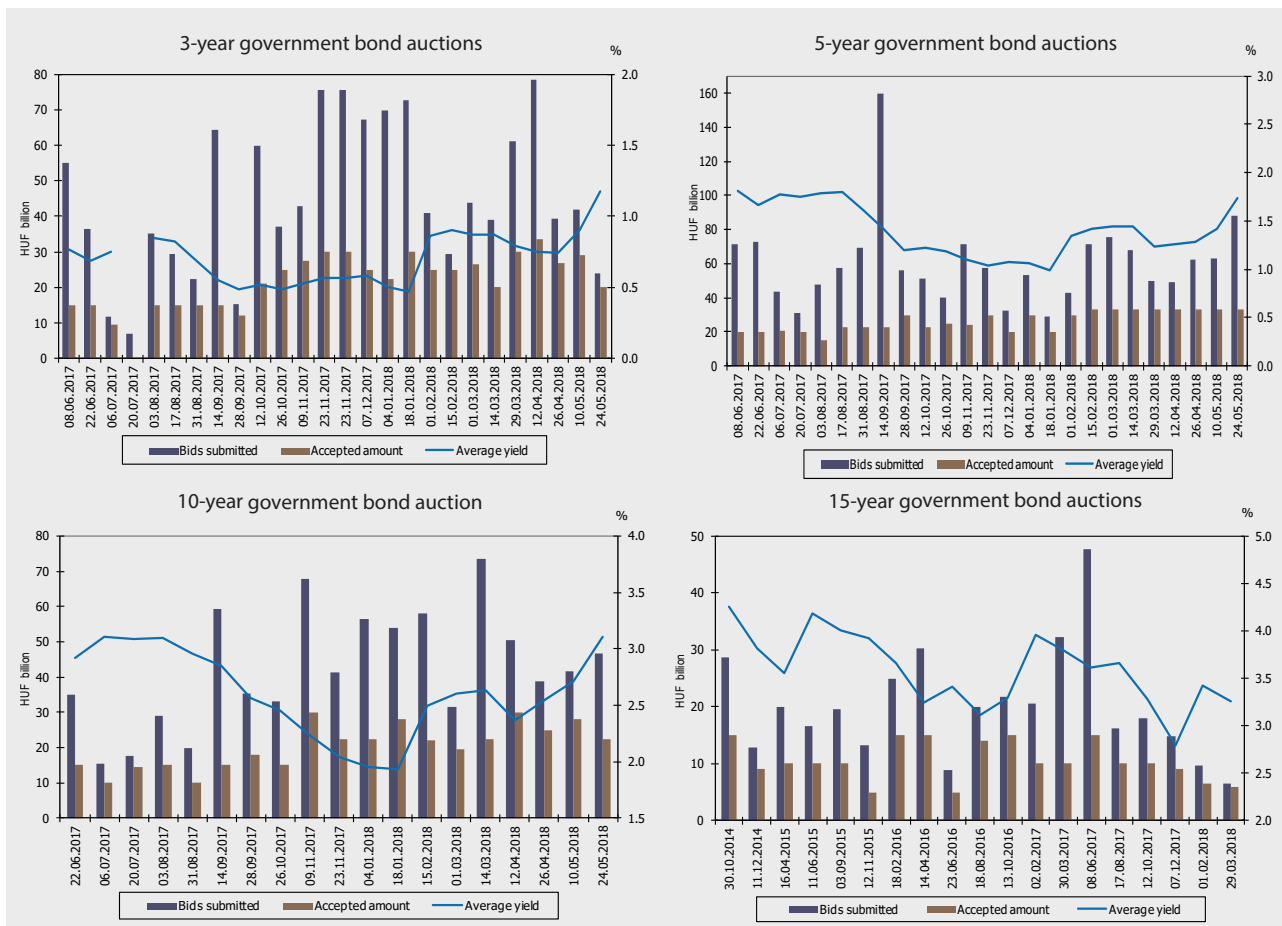
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2023/B	2021/C	2022/B	2027/A	2023/B	2021/C	2022/B	2027/A	2023/B
ISIN code	HU0000403456	HU0000403464	HU0000403266	HU0000403118	HU0000403456	HU0000403464	HU0000403266	HU0000403118	HU0000403456
Maturity (in years)	5	3	5	10	5	3	5	10	5
Coupon	0.03%	0.50%	1.75%	3.00%	0.03%	0.50%	1.75%	3.00%	0.03%
Auction	8th auction	8th auction	35th auction	47th auction	9th auction	9th auction	36th auction	48th auction	10th auction
Date of auction	03.05.2018	10.05.2018	10.05.2018	10.05.2018	17.05.2018	24.05.2018	24.05.2018	24.05.2018	31.05.2018
Date of financial settlement	09.05.2018	16.05.2018	16.05.2018	16.05.2018	23.05.2018	30.05.2018	30.05.2018	30.05.2018	06.06.2018
Redemption date	26.07.2023	21.04.2021	26.10.2022	27.10.2027	26.07.2023	21.04.2021	26.10.2022	27.10.2027	26.07.2023
Maximum annual yield (%) - ISMA	-	0.91	1.44	2.73	-	1.20	1.75	3.12	-
Minimum annual yield (%) - ISMA	-	0.88	1.40	2.70	-	1.14	1.73	3.09	-
Average annual yield (%) - ISMA	-	0.90	1.42	2.71	-	1.18	1.74	3.11	-
Maximum annual yield (%) - EHM	-	0.91	1.44	2.73	-	1.20	1.75	3.12	-
Minimum annual yield (%) - EHM	-	0.88	1.40	2.69	-	1.14	1.73	3.09	-
Average annual yield (%) - EHM	-	0.90	1.42	2.71	-	1.18	1.74	3.11	-
Maximum price (%)	98.2500	98.9056	101.4957	102.5050	97.9500	98.1890	100.0820	99.2701	97.7500
Minimum price (%)	98.1000	98.8183	101.3229	102.3412	97.6000	98.0200	99.9983	99.0300	97.2000
Average price (%)	98.1900	98.8589	101.4144	102.2123	97.6900	98.0782	100.0353	99.0938	97.4100
Amount offered for sale (HUF million)	8,000.00	25,000.00	25,000.00	20,000.00	8,000.00	25,000.00	25,000.00	15,000.00	5,000.00
Amount of bids submitted (HUF million)	20,450.00	42,070.00	62,800.00	41,601.92	4,500.00	24,029.50	87,910.00	46,755.54	5,982.49
Amount of bids accepted (HUF million)	10,000.00	28,999.99	33,499.99	27,999.97	4,500.00	20,000.00	33,499.99	22,500.00	5,000.00
Bid-to-cover ratio	2.05	1.45	1.87	1.49	1.00	1.20	2.62	2.08	1.20
Bids submitted (pcs)	32	45	37	44	6	29	68	61	14
Bids accepted (pcs)	17	34	23	31	6	29	26	15	14
Tail (%) (average price - minimum price)	0.09	0.04	0.09	-0.13	0.09	0.06	0.04	0.06	0.21
Market sales (HUF million)	10,000.00	28,999.99	33,499.99	27,999.97	4,500.00	20,000.00	33,499.99	22,500.00	5,000.00
Non-competitive offer (HUF million)	2,540.00	900.00	7,300.00	4,420.40	-	-	12,679.99	8,499.99	-
Total amount sales (HUF million)	12,540.00	29,899.99	40,799.99	32,420.37	4,500.00	20,000.00	46,179.98	30,999.99	5,000.00



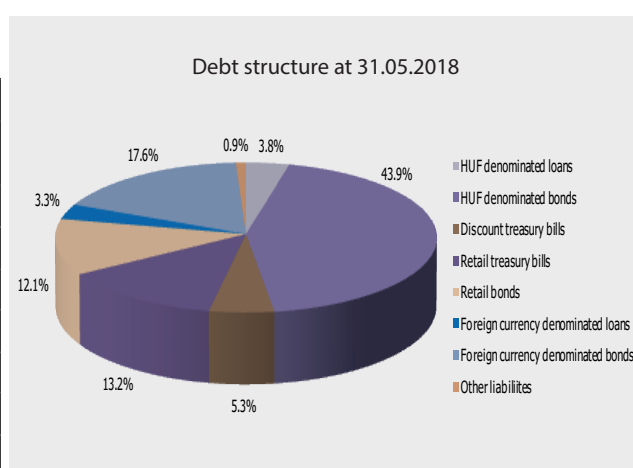
GOVERNMENT SECURITIES MARKET

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MAY 2018

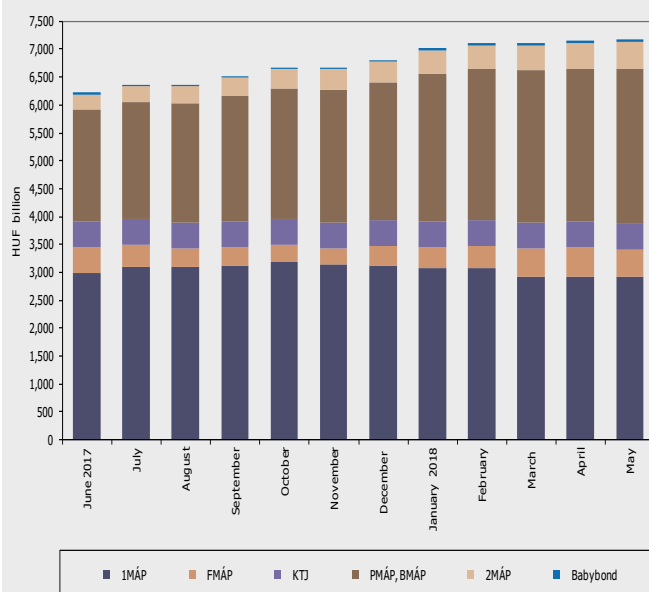
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/B	17.05.2018	20.05.2018	20.11.2018	20.11.2018	0.08%	0.04%
2019/D	25.05.2018	28.05.2018	28.08.2018	28.08.2018	0.12%	0.03%
2020/N	17.05.2018	20.05.2018	20.05.2019	20.05.2019	2.62%	2.66%
2020/O	18.05.2018	20.05.2018	20.05.2019	20.05.2019	2.62%	2.66%
2021/J	22.05.2018	26.05.2018	26.05.2019	27.05.2019	3.65%	3.65%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

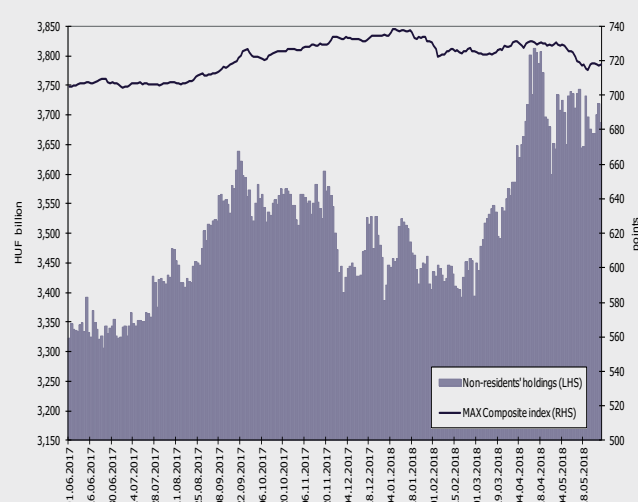
Retail securities	HUF billion		Change
	31.12.2017	31.05.2018	HUF billion
1-year Hungarian Government Security / 1MÁP	3,109.7	2,904.5	-205.2
Half-year Hungarian Government Security / FMÁP	351.8	488.4	136.6
Treasury Saving Bills / KTJ	468.7	472.2	3.5
Premium and Bonus Hungarian Government	2,457.5	2,781.3	323.8
2-year Hungarian Government Security / 2MÁP	376.8	475.2	98.4
Babybond	38.2	44.8	6.6
Total	6,802.9	7,166.4	363.6



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 31.05.2018	754.3735	551.0373	717.8459	535.3691
Changes compared to the end of the month before	-13.9262	-0.6380	-12.4900	-0.0642
Annual yield earned on the index portfolio (%)	1.99	-0.02	1.78	0.04

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.05.2018	736.7539	797.5076	562.3774	364.0397
Changes compared to the end of the month before	-8.5633	-11.8301	-27.6607	-18.3622
Reference yield (%)	1.16	1.65	3.15	3.92
Annual yield earned on the index portfolio (%)	0.56	2.51	2.01	3.08

Government bonds with the highest secondary market turnover in May 2018

Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	602.7
2025/B	24.06.2025	601.1
2022/B	26.10.2022	509.4
2020/C	23.09.2020	188.2
2019/A	24.06.2019	187.7
2023/A	24.11.2023	176.5
2022/A	24.06.2022	168.5
2026/D	22.12.2026	158.8
2020/A	12.11.2020	147.1
2024/B	26.06.2024	120.6

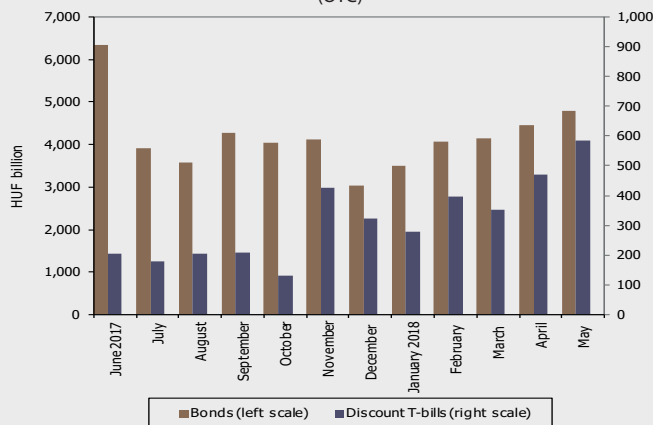
The outstanding volume of government bonds with benchmark status at the end of May 2018

Government bond	HUF billion	
	30.04.2018	31.05.2018
2021/C	195.09	277.61
2022/B	929.82	1,060.05
2027/A	819.13	911.10
2038/A	12.78	12.87

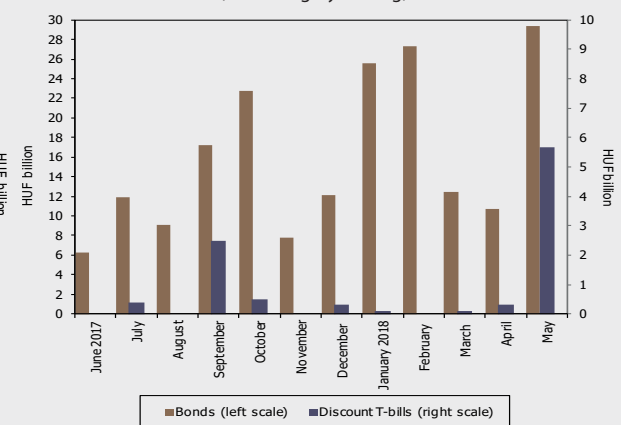
The outstanding volume of the three largest government bonds at the end of May 2018

Government bond	HUF billion
2025/B	1,197.57
2022/B	1,060.05
2023/A	998.49

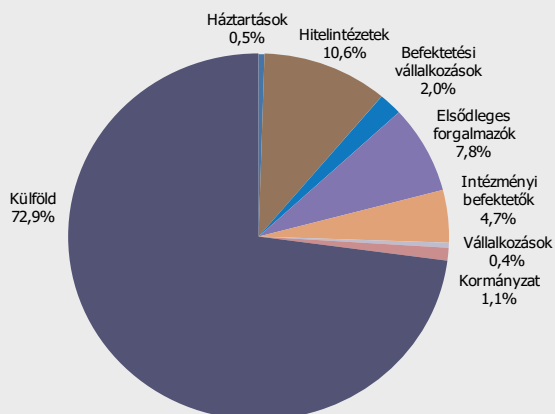
Secondary market trading of Hungarian government securities (OTC)



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



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



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

