

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT JULY 2017

The net issuance was HUF 876.8 billion; out of which net HUF-denominated issuance was HUF 1,165.3 billion and net foreign currency denominated redemption was HUF 288.5 billion in 2017.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2016		2017		Change	
	December	%	July	%	HUF billion	%
HUF denominated debt	18,430.9	72.5	19,596.2	75.6	1,165.3	6.3
Loans	865.0	3.4	877.1	3.4	12.0	1.4
Government bonds	11,601.6	45.6	11,538.2	44.5	-63.4	-0.5
Retail securities	5,067.9	19.9	6,358.6	24.5	1,290.6	25.5
Discount treasury bills	896.4	3.5	822.4	3.2	-74.0	-8.3
Foreign exchange denominated debt	6,256.5	24.6	5,848.7	22.6	-407.8	-6.5
Total	24,687.4	97.1	25,444.9	98.2	757.5	3.1
<i>Other obligations</i>	742.7	2.9	461.2	1.8	-281.5	-37.9
Total central government debt	25,430.0	100.0	25,906.1	100.0	476.1	1.9

The HUF denominated debt of the central government increased by HUF 1,165.3 billion in 2017. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 1,290.6 billion, the amount of discount Treasury bills decreased by HUF 74.0 billion and the net government bond redemption was HUF 63.4 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 12.0 billion in 2017.

The foreign currency debt of the central government decreased by HUF 407.8 billion in 2017. The Panda bond issue increased the debt by HUF 38.8 billion, the domestic P€MAK and residence bond issuance was HUF 184.7 billion, while the redemptions of foreign currency debt worth HUF 619.9 billion decreased the debt. The drawdown of foreign currency denominated revolving loans worth HUF 107.8 billion in July, this amount was repaid in that month. The exchange rate revaluations totalling HUF 119.2 billion decreased the Hungarian Forint value of the foreign currency debt in 2017. The total amount of other liabilities decreased by HUF 281.5 billion in 2017.

BENCHMARK YIELDS

Maturity	30.12.2016	30.06.2017	31.07.2017	Change in July basis point
3-month	0.06	0.05	0.07	2
6-month	0.08	0.09	0.11	2
1-year	0.15	0.10	0.10	0
3-year	0.82	0.74	0.84	10
5-year	1.67	1.76	1.83	7
10-year	3.16	3.09	3.10	1
15-year	3.66	3.62	3.67	5

Monthly OTC turnover of government securities decreased by 37% to HUF 4,094.9 billion in July. Primary dealers, who account for the decisive part of all secondary government securities trading, made 80% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 31.9 billion in July and amounted to HUF 3,374.6 billion at the end of the month. This volume represented 18.0% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 304.82 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

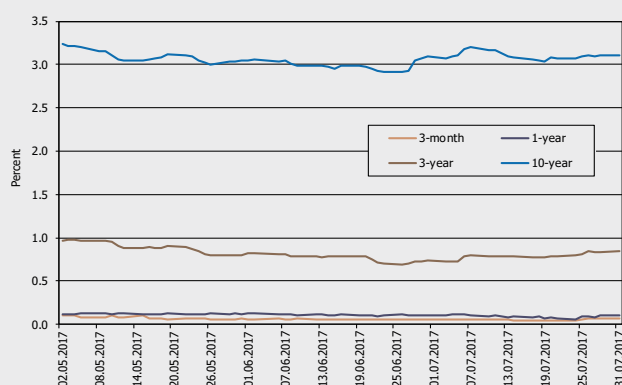
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

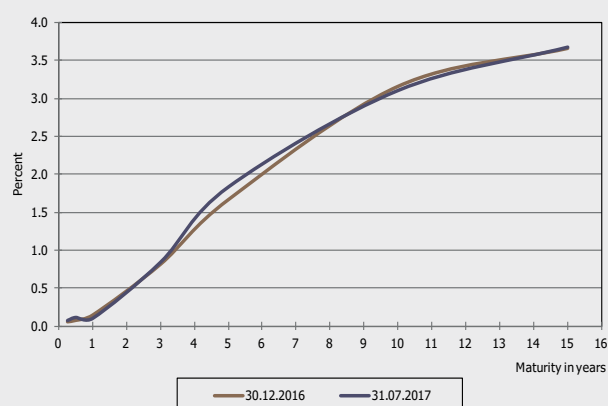
	2012	2013	2014	2015	2016	2017 May	2017 June	2017 July
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	19,231.0	19,592.4	19,596.2
1.1. Loans	566.8	603.6	623.3	694.1	865.0	877.1	877.1	877.1
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	18,353.9	18,715.3	18,719.1
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	18,314.7	18,676.1	18,679.9
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,382.2	11,542.4	11,499.0
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	806.3	918.2	822.4
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	6,126.2	6,215.5	6,358.6
1.2.2. Private placements	398.5	190.5	141.0	51.5	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	8,326.6	8,904.9	8,957.9	7,735.8	6,256.5	6,059.2	6,111.6	5,848.7
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	1,083.5	1,086.1	1,071.6
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	1,083.5	1,086.1	1,071.6
2.1.2. Domestic loans	83.5	335.4	274.4	82.6	4.0	0.0	0.0	0.0
2.2. Government securities	5,014.1	6,169.3	6,793.6	6,039.0	5,154.9	4,975.7	5,025.5	4,777.1
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,343.8	4,359.2	4,109.3
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	631.9	666.3	667.9
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	25,290.2	25,704.0	25,444.9
Other liabilities	351.10	117.30	311.20	756.00	742.70	604.8	606.1	461.2
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	25,895.0	26,310.1	25,906.1
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	10,489.1	10,684.2	11,577.6	11,996.5	12,498.0	12,227.7	12,499.8	12,360.6
Gross debt/GDP	72.3%	73.0%	73.7%	72.6%	72.6%			

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

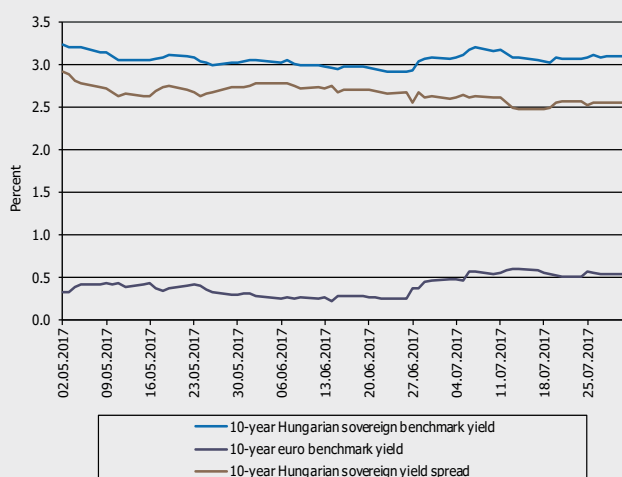
Benchmark yields



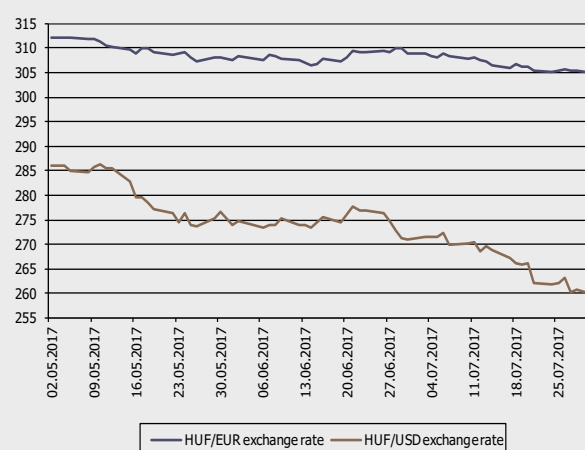
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



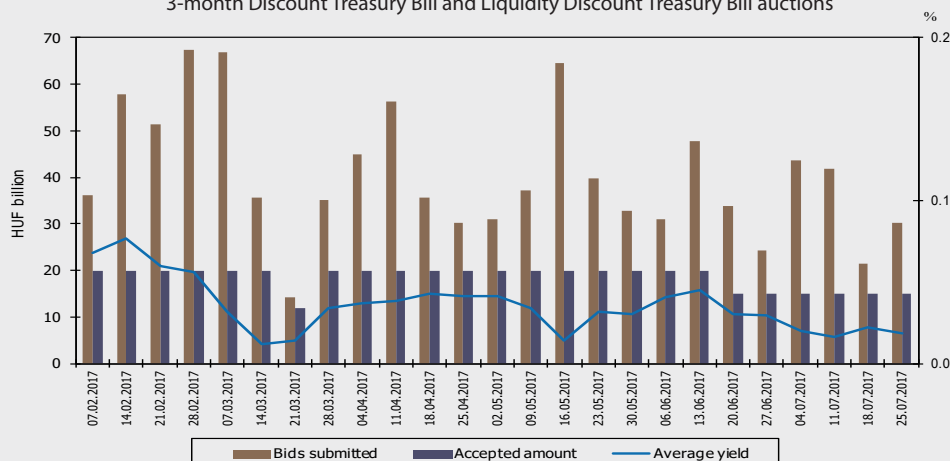
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

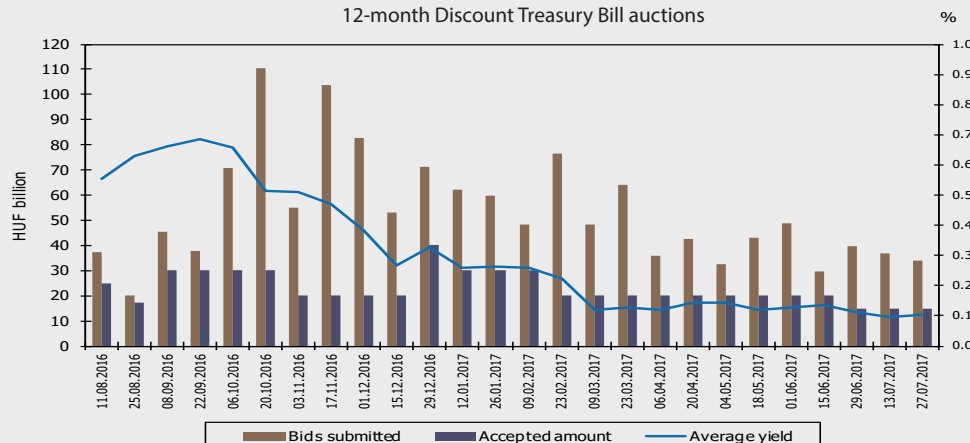
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D171011	D171018	D171025	D171102	D180523	D180718
ISIN code	HU0000521638	HU0000521646	HU0000521281	HU0000521653	HU0000521596	HU0000521687
Maturity in days	91	91	91	92	308	350
Date of auction	04.07.2017	11.07.2017	18.07.2017	25.07.2017	13.07.2017	27.07.2017
Date of financial settlement	12.07.2017	19.07.2017	26.07.2017	02.08.2017	19.07.2017	02.08.2017
Redemption date	11.10.2017	18.10.2017	25.10.2017	02.11.2017	23.05.2018	18.07.2018
Maximum yield (%) - ISMA	0.02	0.02	0.03	0.02	0.10	0.11
Minimum yield (%) - ISMA	0.02	0.00	0.01	0.01	0.09	0.09
Average yield (%) - ISMA	0.02	0.02	0.02	0.02	0.09	0.10
Maximum yield (%) - EHM	0.02	0.02	0.03	0.02	0.10	0.11
Minimum yield (%) - EHM	0.02	0.00	0.01	0.01	0.09	0.10
Average yield (%) - EHM	0.02	0.02	0.02	0.02	0.10	0.10
Average selling price (%)	99.9949	99.9959	99.9944	99.9953	99.9197	99.8995
Amount offered for sale (HUF million)	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Amount of bids submitted (HUF million)	43,700.00	41,750.00	21,357.00	30,300.00	36,578.18	34,100.00
Amount of bids accepted (HUF million)	14,999.97	14,999.98	14,999.97	14,999.97	14,999.97	14,999.99
Bid-to-cover ratio	2.91	2.78	1.42	2.02	2.44	2.27
Bids submitted (pcs)	33	36	29	16	39	52
Bids accepted (pcs)	15	18	20	10	20	19
Market sales* (HUF million)	14,999.97	14,999.98	14,999.97	14,999.97	14,999.97	14,999.99
Retained on ÁKK's own account (HUF million)	10,500.03	10,500.02	10,500.03	10,500.03	15,000.03	15,000.01
Total amount issued (HUF million)	25,500.00	25,500.00	25,500.00	25,500.00	30,000.00	30,000.00

* Without issuance onto ÁKK's own account

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



12-month Discount Treasury Bill auctions

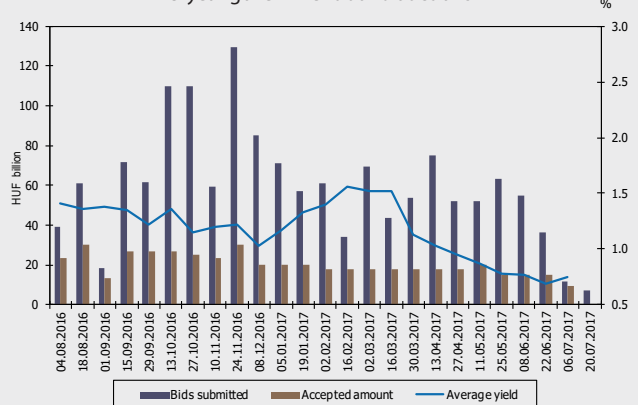


GOVERNMENT SECURITIES MARKET

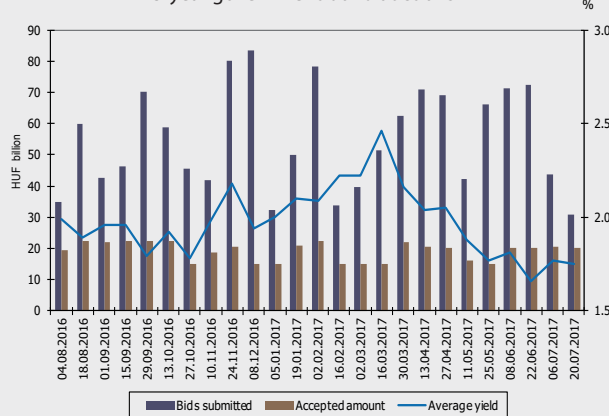
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2020/C	2022/B	2027/A	2021/A	2020/C	2022/B	2027/A	2021/A
ISIN code	HU0000403258	HU0000403266	HU0000403118	HU0000402995	HU0000403258	HU0000403266	HU0000403118	HU0000402995
Maturity (in years)	3	5	10	5	3	5	10	5
Coupon	1.00%	1.75%	3.00%	0.15%	1.00%	1.75%	3.00%	0.15%
Auction	14th auction	14th auction	31st auction	25th auction	15th auction	15th auction	32nd	26th auction
Date of auction	06.07.2017	06.07.2017	06.07.2017	13.07.2017	20.07.2017	20.07.2017	20.07.2017	27.07.2017
Date of financial settlement	12.07.2017	12.07.2017	12.07.2017	19.07.2017	26.07.2017	26.07.2017	26.07.2017	02.08.2017
Redemption date	23.09.2020	26.10.2022	27.10.2027	23.06.2021	23.09.2020	26.10.2022	27.10.2027	23.06.2021
Maximum annual yield (%) - ISMA	0.76	1.78	3.14	-	-	1.79	3.10	-
Minimum annual yield (%) - ISMA	0.72	1.75	3.09	-	-	1.71	3.06	-
Average annual yield (%) - ISMA	0.75	1.77	3.11	-	-	1.75	3.09	-
Maximum annual yield (%) - EHM	0.76	1.78	3.14	-	-	1.79	3.10	-
Minimum annual yield (%) - EHM	0.72	1.75	3.09	-	-	1.71	3.06	-
Average annual yield (%) - EHM	0.75	1.77	3.11	-	-	1.75	3.09	-
Maximum price (%)	100.8854	99.9979	99.2088	98.5500	-	100.1973	99.4701	98.5800
Minimum price (%)	100.7572	99.8477	98.7751	98.5200	-	99.7991	99.1242	98.5100
Average price (%)	100.7914	99.9128	99.0077	98.5300	-	100.0000	99.2280	98.5400
Amount offered for sale (HUF million)	15,000.00	15,000.00	10,000.00	5,000.00	15,000.00	15,000.00	10,000.00	5,000.00
Amount of bids submitted (HUF million)	11,700.00	43,600.00	15,506.00	24,400.00	6,900.00	30,970.00	17,550.00	10,100.00
Amount of bids accepted (HUF million)	9,499.99	20,500.00	9,999.98	6,499.97	0.00	19,999.99	14,500.00	5,000.00
Bid-to-cover ratio	1.23	2.13	1.55	3.75	-	1.55	1.21	2.02
Bids submitted (pcs)	21	42	32	45	16	29	27	24
Bids accepted (pcs)	17	17	23	21	0	18	20	16
Tail (%) (average price - minimum price)	0.03	0.07	0.23	0.01	0.00	0.20	0.10	0.03
Market sales (HUF million)	9,499.99	20,500.00	9,999.98	6,499.97	0.00	19,999.99	14,500.00	5,000.00
Non-competitive offer (HUF million)	0.00	4,000.00	0.00	1,725.38	0.00	4,699.53	1,351.25	960.00
Total amount sales (HUF million)	9,499.99	24,500.00	9,999.98	8,225.35	0.00	24,699.52	15,851.25	5,960.00

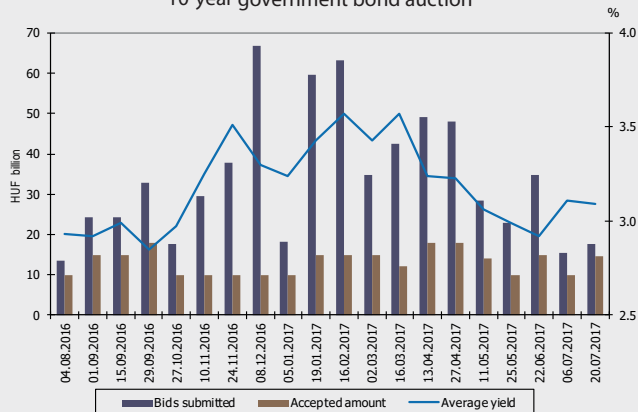
3-year government bond auctions



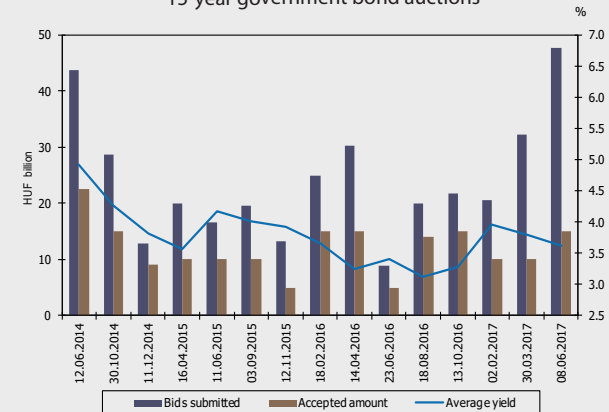
5-year government bond auctions



10-year government bond auction



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2018/A	2019/A	2018/B	2019/A
ISIN code	HU0000402631	HU0000402433	HU0000402730	HU0000402433
Coupon (%)	5.50	6.50	4.00	6.50
Date of reverse auction	05.07.2017	05.07.2017	19.07.2017	19.07.2017
Date of financial settlement	12.07.2017	12.07.2017	26.07.2017	26.07.2017
Redemption date	20.12.2018	24.06.2019	25.04.2018	24.06.2019
Minimum annual yield (%)	0.10	0.21	0.08	0.19
Average annual yield- ISMA (%)	0.10	0.21	0.08	0.20
Average annual yield - EHM (%)	0.10	0.21	0.08	0.20
Amount of bids submitted (HUF million)	14,087.85	85,307.75	2,511.04	18,650.22
Amount of bids accepted (HUF million)	14,087.08	66,671.48	2,481.45	16,650.22

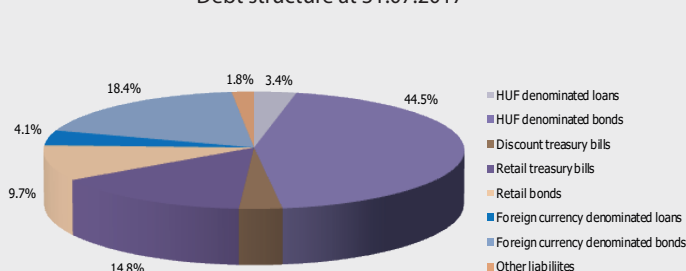
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JULY 2017

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2018/J	03.07.2017	05.07.2017	05.07.2018	05.07.2018	3.40%	3.40%
2018/P	21.07.2017	23.07.2017	23.07.2018	23.07.2018	1.37%	1.39%
2018/D	21.07.2017	24.07.2017	24.10.2017	24.10.2017	0.15%	0.04%
2020/P	19.07.2017	22.07.2017	22.07.2018	23.07.2018	2.62%	2.66%
2020/R	21.07.2017	23.07.2017	23.07.2018	23.07.2018	2.12%	2.15%

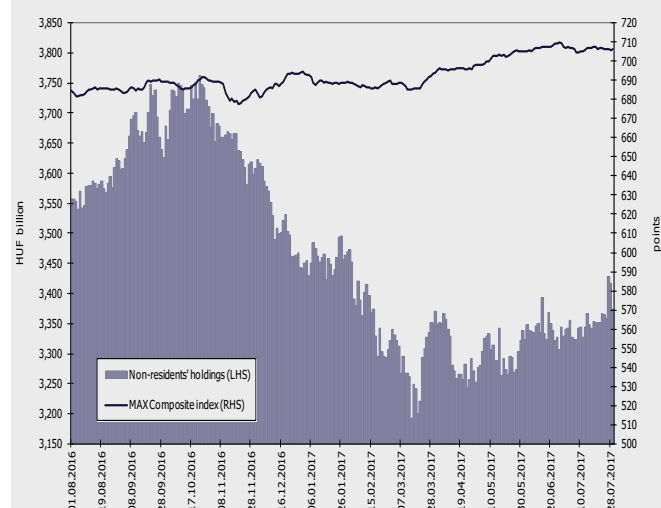
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2016	31.07.2017	HUF billion
1-year Interest Bearing T-Bill	2,636.7	3,088.3	451.6
6-month Interest Bearing T-Bill	428.9	409.1	-19.8
Treasury Saving Bills	453.7	457.1	3.5
PGB, BGB	1,521.2	2,088.2	567.1
2-year Government Bond	0.0	282.7	282.7
Babybond	27.4	33.1	5.7
Total	5,067.9	6,358.5	1,290.6

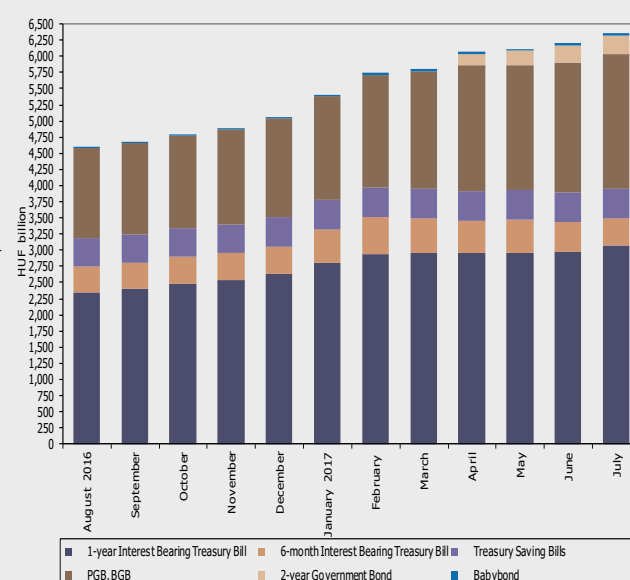
Debt structure at 31.07.2017



Non-residents' holdings of Hungarian government securities during the last year and the MAX index



Outstanding amount of retail securities during the last year



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31.07.2017	740.8290	551.2953	706.3232	535.2860
Changes compared to the end of the month before	-1.1452	0.0128	-0.9738	0.0649
Annual yield earned on the index portfolio (%)	3.43	0.64	3.23	0.30

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.07.2017	732.7165	779.9488	551.2203	354.5089
Changes compared to the end of the month before	-1.8208	-1.6014	0.8643	-0.9232
Reference yield (%)	0.84	1.83	3.1	3.67
Annual yield earned on the index portfolio (%)	4.54	3.48	0.21	-3.32

Government bonds with the highest secondary market turnover in July 2017

Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	431.4
2025/B	24.06.2025	354.0
2022/A	24.06.2022	278.2
2023/A	24.11.2023	249.0
2026/D	22.12.2026	180.1
2022/B	26.10.2022	175.4
2019/C	30.10.2019	147.0
2018/B	25.04.2018	146.0
2024/B	26.06.2024	144.5
2020/A	12.11.2020	126.8

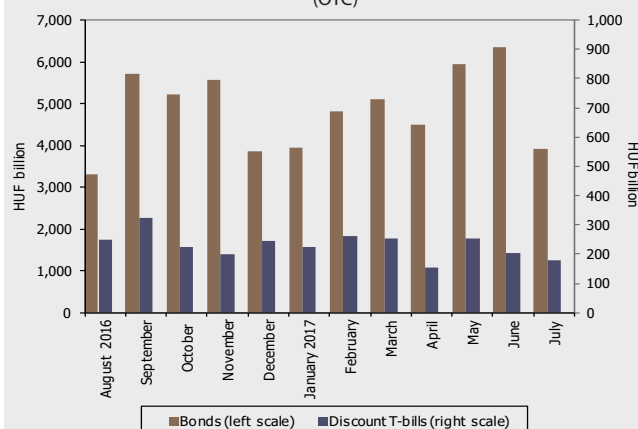
The outstanding volume of government bonds with benchmark status at the end of July 2017

Government bond	HUF billion	
	30.06.2017	31.07.2017
2020/C	290.17	299.95
2022/B	292.17	341.75
2027/A	469.32	495.47
2031/A	168.62	168.79

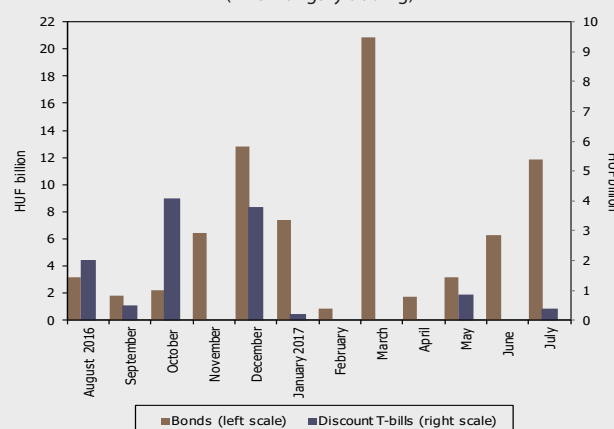
The outstanding volume of the three largest government bonds at the end of July 2017

Government bond	HUF billion
2025/B	1,136.39
2023/A	997.35
2022/A	930.75

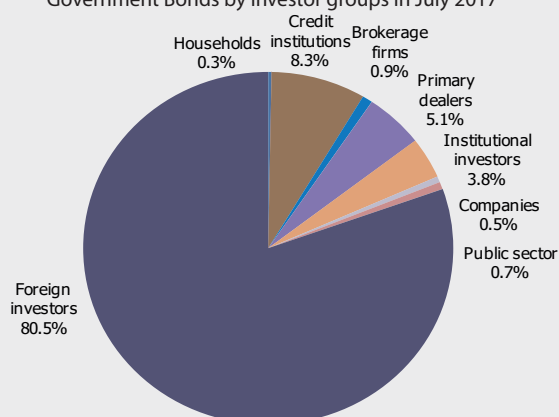
Secondary market trading of Hungarian government securities (OTC)



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 2017



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in July 2017

