

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT JUNE 2017

The net issuance was HUF 1 057.6 billion; out of which net HUF-denominated issuance was HUF 1 161.5 billion and net foreign currency denominated redemption was HUF 103.9 billion in 2017.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2016		2017		Change	
	December	%	June	%	HUF billion	%
HUF denominated debt	18,430.9	72.5	19,592.4	74.5	1,161.5	6.3
Loans	865.0	3.4	877.1	3.3	12.0	1.4
Government bonds	11,601.6	45.6	11,581.6	44.0	-19.9	-0.2
Retail securities	5,067.9	19.9	6,215.5	23.6	1,147.6	22.6
Discount treasury bills	896.4	3.5	918.2	3.5	21.8	2.4
Foreign exchange denominated debt	6,256.5	24.6	6,111.6	23.2	-144.9	-2.3
Total	24,687.4	97.1	25,704.0	97.7	1,016.6	4.1
<i>Other obligations</i>	742.7	2.9	606.1	2.3	-136.6	-18.4
Total central government debt	25,430.0	100.0	26,310.1	100.0	880.0	3.5

The HUF denominated debt of the central government increased by HUF 1 161.5 billion in 2017. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 1,147.6 billion, the amount of discount Treasury bills increased by HUF 21.8 billion and the net government bond redemption was HUF 19.9 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 144.9 billion in 2017. The domestic PÉMAK and residence bond issuance was HUF 174.2 billion, while the redemptions of foreign currency debt worth HUF 278.1 billion decreased the debt. The exchange rate revaluations totalling HUF 41.0 billion decreased the Hungarian Forint value of the foreign currency debt in 2017. The total amount of other liabilities decreased by HUF 136.6 billion in 2017.

BENCHMARK YIELDS

Maturity	30.12.2016	31.05.2017	30.06.2017	Change in June basis point
3-month	0.06	0.07	0.05	-2
6-month	0.08	0.09	0.09	0
1-year	0.15	0.12	0.10	-2
3-year	0.82	0.80	0.74	-6
5-year	1.67	1.82	1.76	-6
10-year	3.16	3.04	3.09	5
15-year	3.66	3.65	3.62	-3

Monthly OTC turnover of government securities increased by 5% to HUF 6,545.4 billion in June. Primary dealers, who account for the decisive part of all secondary government securities trading, made 82% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 3.5 billion in June and amounted to HUF 3,342.7 billion at the end of the month. This volume represented 17.9% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 308.87 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

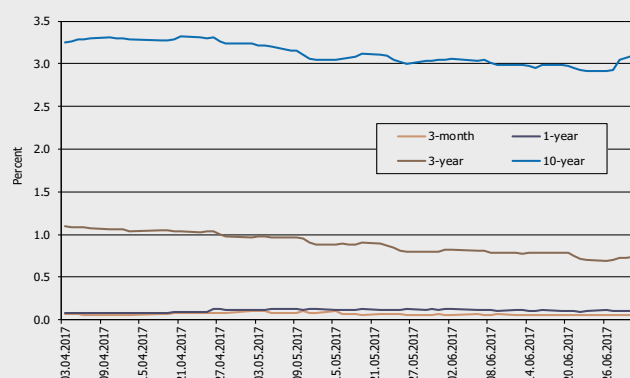
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

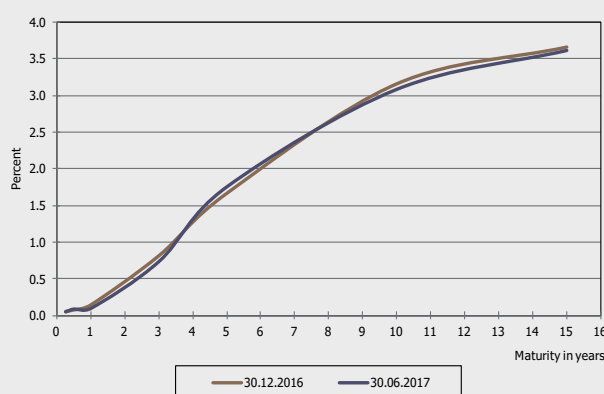
	2012	2013	2014	2015	2016	2017 April	2017 May	2017 June
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	19,109.1	19,231.0	19,592.4
1.1. Loans	566.8	603.6	623.3	694.1	865.0	877.1	877.1	877.1
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	18,232.0	18,353.9	18,715.3
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	18,192.9	18,314.7	18,676.1
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,271.6	11,382.2	11,542.4
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	850.9	806.3	918.2
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	6,070.4	6,126.2	6,215.5
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	6,323.5	6,059.2	6,111.6
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	1,096.8	1,083.5	1,086.1
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	1,096.8	1,083.5	1,086.1
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	5,226.7	4,975.7	5,025.5
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,626.8	4,343.8	4,359.2
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	599.8	631.9	666.3
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	25,432.6	25,290.2	25,704.0
Other liabilities	351.10	117.30	311.20	756.00	742.70	692.1	604.8	606.1
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	26,124.7	25,895.0	26,310.1
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	12,161.7	12,227.7	12,499.8
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.

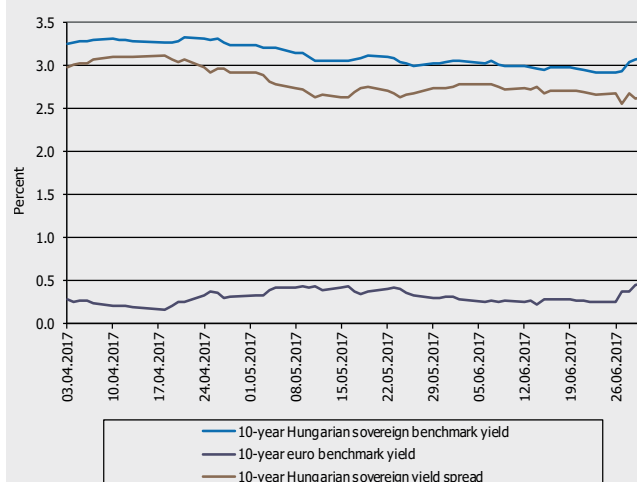
Benchmark yields



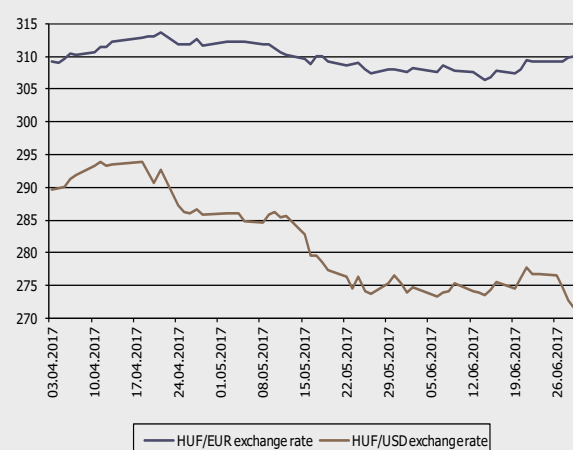
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



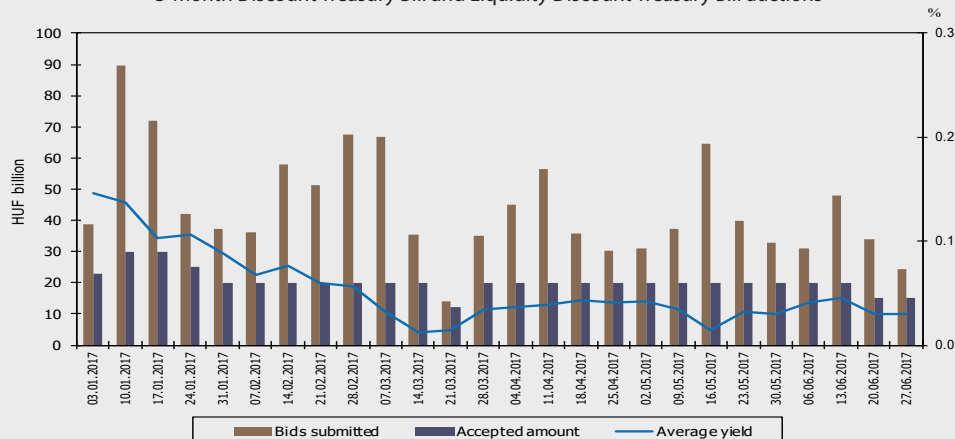
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

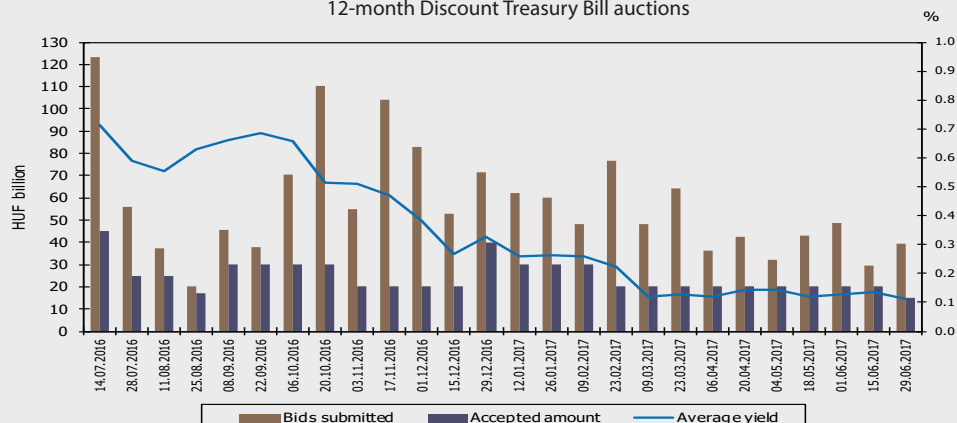
	3-month Discount T-bills				12-month Discount T-bills		
Code of T-bills	D170913	D170920	D170927	D171004	D180523	D180523	D180523
ISIN code	HU0000521208	HU0000521604	HU0000521612	HU0000521620	HU0000521596	HU0000521596	HU0000521596
Maturity in days	91	91	91	91	350	336	322
Date of auction	06.06.2017	13.06.2017	20.06.2017	27.06.2017	01.06.2017	15.06.2017	29.06.2017
Date of financial settlement	14.06.2017	21.06.2017	28.06.2017	05.07.2017	07.06.2017	21.06.2017	05.07.2017
Redemption date	13.09.2017	20.09.2017	27.09.2017	04.10.2017	23.05.2018	23.05.2018	23.05.2018
Maximum yield (%) - ISMA	0.05	0.05	0.04	0.04	0.14	0.14	0.12
Minimum yield (%) - ISMA	0.01	0.03	0.01	0.02	0.11	0.10	0.09
Average yield (%) - ISMA	0.04	0.05	0.03	0.03	0.13	0.13	0.11
Maximum yield (%) - EHM	0.05	0.05	0.04	0.04	0.14	0.14	0.12
Minimum yield (%) - EHM	0.01	0.03	0.01	0.02	0.11	0.10	0.09
Average yield (%) - EHM	0.04	0.05	0.03	0.03	0.13	0.14	0.11
Average selling price (%)	99.9898	99.9886	99.9924	99.9925	99.8770	99.8754	99.8997
Amount offered for sale (HUF million)	20,000.00	20,000.00	15,000.00	15,000.00	20,000.00	20,000.00	15,000.00
Amount of bids submitted (HUF million)	31,054.00	47,900.00	33,900.00	24,300.00	48,750.00	29,551.75	39,614.57
Amount of bids accepted (HUF million)	20,000.00	19,999.96	14,999.98	15,000.00	20,000.00	19,999.88	14,999.98
Bid-to-cover ratio	1.55	2.40	2.26	1.62	2.44	1.48	2.64
Bids submitted (pcs)	29	33	39	29	69	51	33
Bids accepted (pcs)	19	20	16	16	27	42	18
Market sales* (HUF million)	20,000.00	19,999.96	14,999.98	15,000.00	20,000.00	19,999.88	14,999.98
Retained on ÁKK's own account (HUF million)	10,000.00	10,000.04	10,500.02	10,500.00	20,000.00	20,000.12	15,000.02
Total amount issued (HUF million)	30,000.00	30,000.00	25,500.00	25,500.00	40,000.00	40,000.00	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

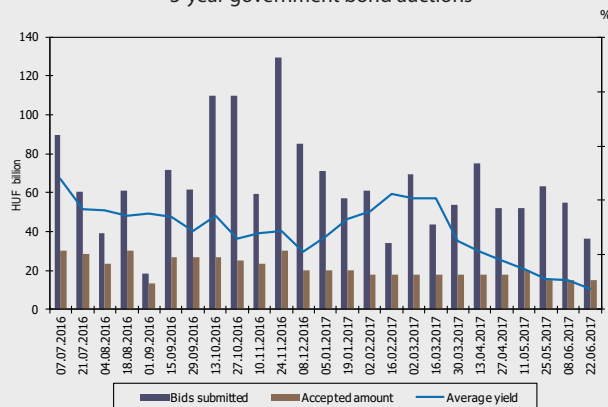


GOVERNMENT SECURITIES MARKET

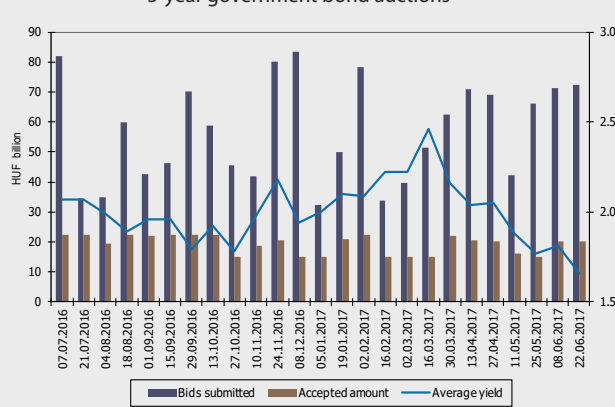
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/A	2020/C	2022/B	2031/A	2021/A	2020/C	2022/B	2027/A	2021/A
ISIN code	HU0000402995	HU0000403258	HU0000403266	HU0000403001	HU0000402995	HU0000403258	HU0000403266	HU0000403118	HU0000402995
Maturity (in years)	5	3	5	15	5	3	5	10	5
Coupon	0.23%	1.00%	1.75%	3.25%	0.23%	1.00%	1.75%	3.00%	0.15%
Auction	22nd	12th	12th	12th	23rd	13th	13th	30th	24th
Date of auction	01.06.2017	08.06.2017	08.06.2017	08.06.2017	15.06.2017	22.06.2017	22.06.2017	22.06.2017	29.06.2017
Date of financial settlement	07.06.2017	14.06.2017	14.06.2017	14.06.2017	21.06.2017	28.06.2017	28.06.2017	28.06.2017	05.07.2017
Redemption date	23.06.2021	23.09.2020	26.10.2022	22.10.2031	23.06.2021	23.09.2020	26.10.2022	27.10.2027	23.06.2021
Maximum annual yield (%) - ISMA	-	0.78	1.81	3.62	-	0.70	1.67	2.93	-
Minimum annual yield (%) - ISMA	-	0.77	1.80	3.62	-	0.67	1.64	2.91	-
Average annual yield (%) - ISMA	-	0.77	1.81	3.62	-	0.69	1.66	2.92	-
Maximum annual yield (%) - EHM	-	0.78	1.81	3.62	-	0.70	1.67	2.93	-
Minimum annual yield (%) - EHM	-	0.77	1.80	3.62	-	0.67	1.64	2.91	-
Average annual yield (%) - EHM	-	0.77	1.81	3.62	-	0.69	1.66	2.92	-
Maximum price (%)	98.4200	100.7500	99.7443	95.9017	98.4600	101.0601	100.5549	100.7852	98.5500
Minimum price (%)	98.3700	100.7122	99.6936	95.9002	98.4200	100.9585	100.4026	100.6067	98.4700
Average price (%)	98.3900	100.7312	99.7081	95.9005	98.4500	101.0014	100.4636	100.6790	98.5000
Amount offered for sale (HUF million)	5,000.00	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)	14,200.00	55,115.61	71,400.00	47,650.00	28,250.00	36,400.00	72,450.00	34,860.00	24,200.00
Amount of bids accepted (HUF million)	4,999.99	15,000.00	19,999.99	15,000.00	5,000.00	14,999.99	20,000.00	14,999.98	7,500.00
Bid-to-cover ratio	2.84	3.67	3.57	3.18	5.65	2.43	3.62	2.32	3.23
Bids submitted (pcs)	30	38	47	42	28	23	63	49	35
Bids accepted (pcs)	8	14	12	10	11	11	21	29	16
Tail (%) (average price - minimum price)	0.02	0.02	0.01	0.00	0.03	0.04	0.06	0.07	0.03
Market sales (HUF million)	4,999.99	15,000.00	19,999.99	15,000.00	5,000.00	14,999.99	20,000.00	14,999.98	7,500.00
Non-competitive offer (HUF million)	1,000.00	1,680.00	3,359.99	4,700.00	1,560.00	5,679.98	5,040.00	2,479.99	1,712.00
Total amount sales (HUF million)	5,999.99	16,680.00	23,359.98	19,700.00	6,560.00	20,679.97	25,040.00	17,479.97	9,212.00

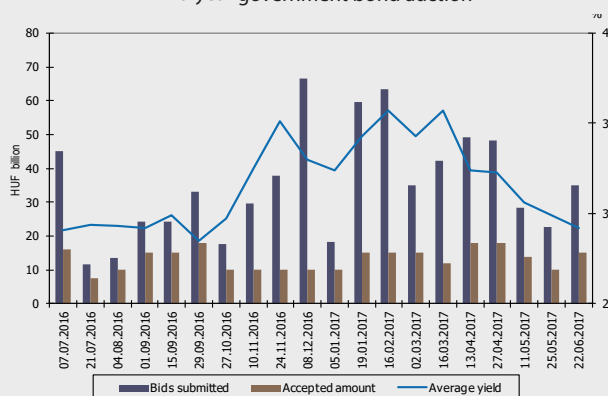
3-year government bond auctions



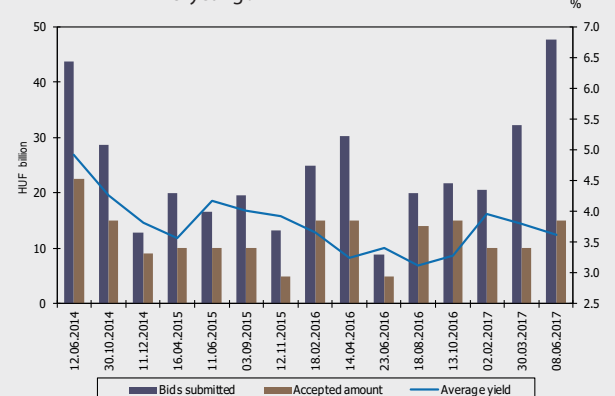
5-year government bond auctions



10-year government bond auction



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

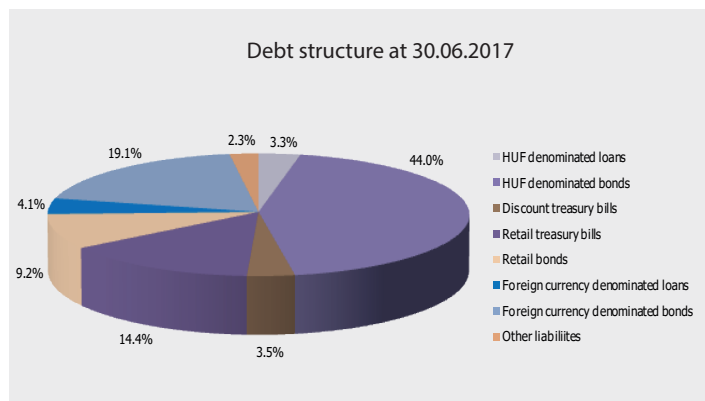
Government bond	2018/B	2019/B	2018/C	2019/C
ISIN code	HU0000402730	HU0000402649	HU0000402979	HU0000403092
Coupon (%)	4.00%	0.03%	2.50%	2.00%
Date of reverse auction	07.06.2017	07.06.2017	21.06.2017	21.06.2017
Date of financial settlement	14.06.2017	14.06.2017	28.06.2017	28.06.2017
Redemption date	25.04.2018	20.05.2019	22.06.2018	30.10.2019
Minimum annual yield (%)	0.09	-	0.10	0.29
Average annual yield- ISMA (%)	0.10	-	0.11	0.30
Average annual yield - EHM (%)	0.10	-	0.11	0.30
Amount of bids submitted (HUF million)	16,893.31	71,827.10	29,512.80	102,019.46
Amount of bids accepted (HUF million)	14,943.31	32,600.00	20,412.80	89,161.12

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JUNE 2017

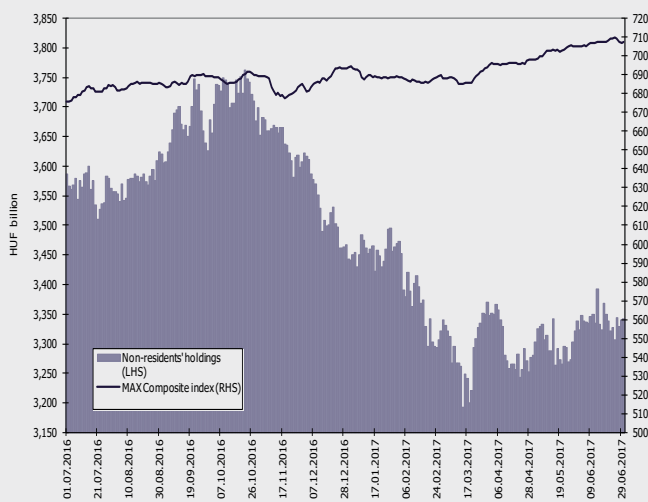
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2017/C	18.06.2017	20.06.2017	20.09.2017	20.09.2017	0.15%	0.04%
2021/A	20.06.2017	23.06.2017	23.09.2017	25.09.2017	0.15%	0.04%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

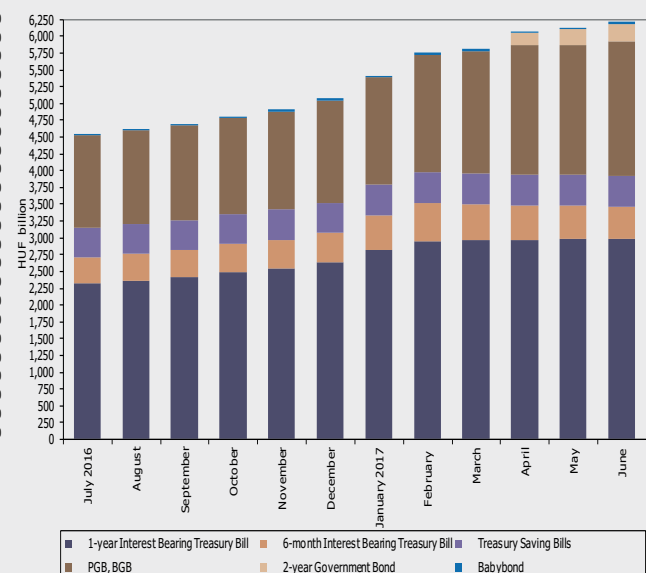
Retail securities	HUF billion		Change
	31.12.2016	30.06.2017	HUF billion
1-year Interest Bearing T-Bill	2,636.7	2,977.0	340.3
6-month Interest Bearing T-Bill	428.9	475.1	46.1
Treasury Saving Bills	453.7	456.1	2.5
PGB, BGB	1,521.2	2,008.3	487.2
2-year Government Bond	0.0	266.4	266.4
Babybond	27.4	32.5	5.1
Total	5,067.9	6,215.4	1,147.6



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 30.06.2017	741.9742	551.2825	707.2970	535.2211
Changes compared to the end of the month before	2.3010	0.1599	2.0285	0.0768
Annual yield earned on the index portfolio (%)	5.35	0.88	5.01	0.43

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 30.06.2017	734.5373	781.5502	550.3560	355.4321
Changes compared to the end of the month before	1.8978	3.5670	-0.9162	2.2757
Reference yield (%)	0.74	1.76	3.09	3.62
Annual yield earned on the index portfolio (%)	6.41	5.53	3.33	0.75

Government bonds with the highest secondary market turnover in June 2017

Government bond	Date of redemption	Turnover (HUF billion)
2025/B	24.06.2025	713.1
2027/A	27.10.2027	577.5
2024/B	26.06.2024	476.1
2021/B	27.10.2021	401.4
2022/A	24.06.2022	353.3
2022/B	26.10.2022	293.0
2020/A	12.11.2020	287.1
2026/D	22.12.2026	272.4
2023/A	24.11.2023	250.4
2019/A	24.06.2019	204.4

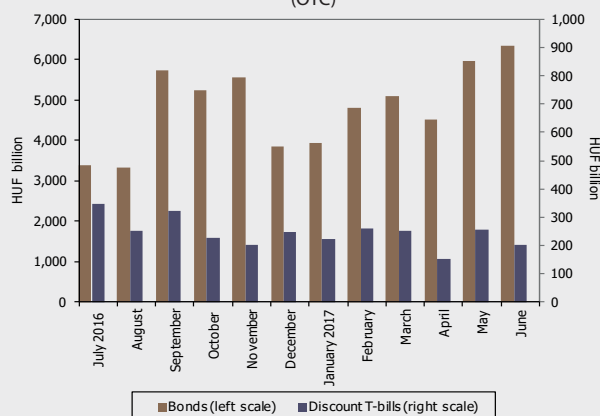
The outstanding volume of government bonds with benchmark status at the end of June 2017

Government bond	HUF billion	
	31.05.2017	30.06.2017
2020/C	252.72	290.17
2022/B	243.71	292.17
2027/A	452.02	469.32
2031/A	148.88	168.62

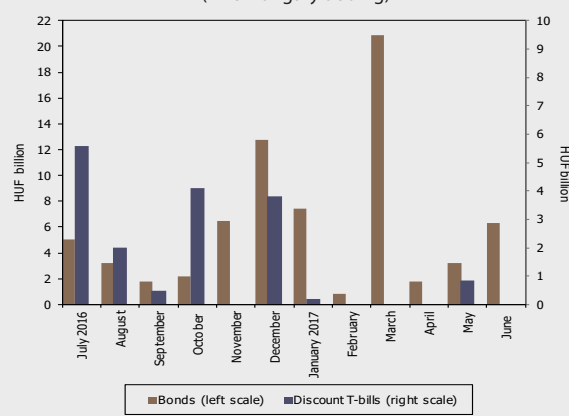
The outstanding volume of the three largest government bonds at the end of June 2017

Government bond	HUF billion
2025/B	1,135.75
2023/A	996.86
2022/A	930.29

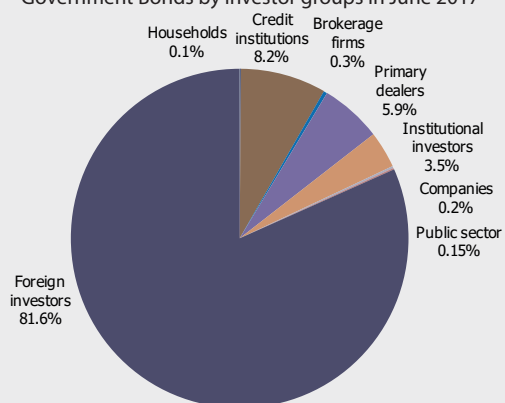
Secondary market trading of Hungarian government securities (OTC)



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 2017



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

