

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT FEBRUARY 2017

The net issuance was HUF 484.6 billion; out of which net HUF-denominated issuance was HUF 456.6 billion and net foreign currency denominated issuance was HUF 28.0 billion in 2017.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2016		2017		Change	
	December	%	February	%	HUF billion	%
HUF denominated debt	18,430.9	72.5	18,887.5	73.1	456.6	2.5
Loans	865.0	3.4	877.1	3.4	12.0	1.4
Government bonds	11,601.6	45.6	11,223.1	43.5	-378.5	-3.3
Retail securities	5,067.9	19.9	5,751.7	22.3	683.8	13.5
Discount treasury bills	896.4	3.5	1,035.6	4.0	139.2	15.5
Foreign exchange denominated debt	6,256.5	24.6	6,217.9	24.1	-38.6	-0.6
Total	24,687.4	97.1	25,105.4	97.2	418.0	1.7
<i>Other obligations</i>	742.7	2.9	718.1	2.8	-24.6	-3.3
Total central government debt	25,430.0	100.0	25,823.5	100.0	393.4	1.5

The HUF denominated debt of the central government increased by HUF 456.6 billion in 2017. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 683.8 billion, the amount of discount Treasury bills increased by HUF 139.2 billion and the net government bond redemption of HUF 378.5 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 38.6 billion in 2017. The domestic PÉMAK and residence bond issuance was HUF 29.5 billion, while the redemptions of foreign currency debt worth HUF 1.4 billion decreased the debt. The exchange rate revaluations totalling HUF 66.7 billion decreased the Hungarian Forint value of the foreign currency debt in February. The total amount of other liabilities decreased by HUF 24.6 billion in 2017.

BENCHMARK YIELDS

Maturity	30.12.2016	31.01.2017	28.02.2017	Change in February basis point
3-month	0.06	0.06	0.09	3
6-month	0.08	0.09	0.10	1
1-year	0.15	0.23	0.21	-2
3-year	0.82	1.39	1.51	12
5-year	1.67	2.11	2.17	6
10-year	3.16	3.47	3.41	-6
15-year	3.66	3.93	3.91	-2

Monthly OTC turnover of government securities increased by 22% to HUF 5,066.5 billion in February. Primary dealers, who account for the decisive part of all secondary government securities trading, made 81% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 147.3 billion in February and amounted to HUF 3,321.2 billion at the end of the month. This volume represented 18.4% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 307.71 on the last working day of February.

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

GOVERNMENT SECURITIES MARKET

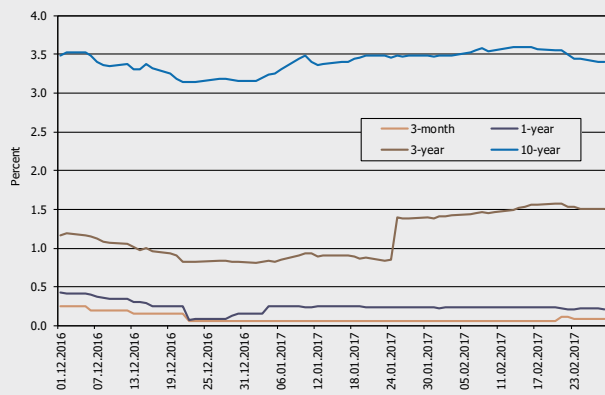
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

	2011	2012	2013	2014	2015	2016 December	2017 January	2017 February
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	18,852.6	18,887.5
1.1. Loans	590.8	566.8	603.6	623.3	694.1	865.0	877.1	877.1
1.2. Government securities	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	17,975.5	18,010.4
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	17,936.3	17,971.2
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,528.8	11,183.9
1.2.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	896.4	994.1	1,035.6
1.2.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	5,067.9	5,413.5	5,751.7
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	39.2	39.2	39.2
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	6,256.5	6,270.7	6,217.9
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	1,100.9	1,088.7
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	1,096.9	1,084.7
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	4.0	4.0	4.0
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,154.9	5,169.7	5,129.2
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,618.7	4,569.8
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	536.0	551.1	559.4
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	25,123.2	25,105.4
Other liabilities	422.89	351.10	117.30	311.20	756.00	742.70	683.10	718.10
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	25,806.3	25,823.5
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	9,297.6	10,489.1	10,684.2	11,577.6	11,996.5	12,498.0	12,562.1	12,258.7
Gross debt/GDP	74.4%	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.

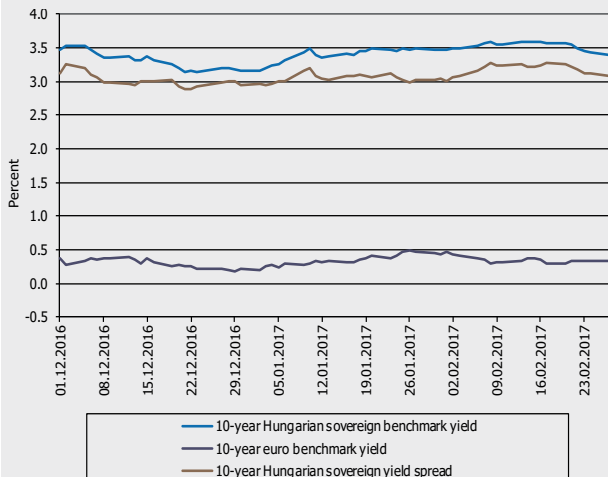
Benchmark yields



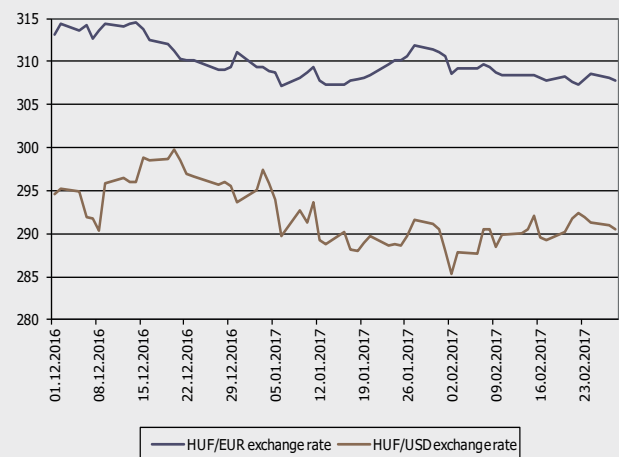
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



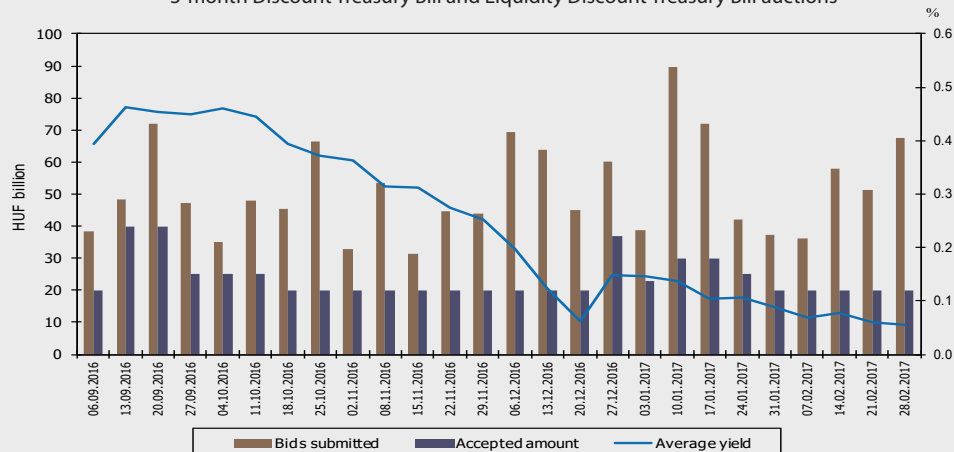
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

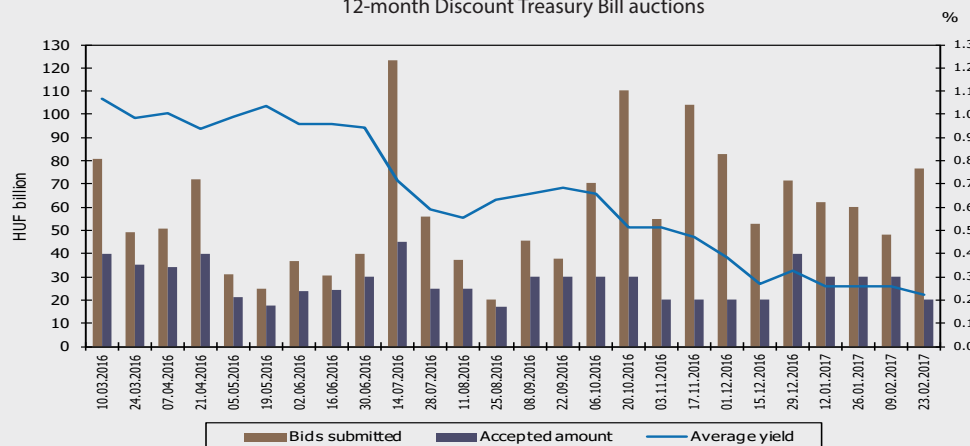
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D170517	D170524	D170531	D170607	D171220	D180228
ISIN code	HU0000521422	HU0000521059	HU0000521430	HU0000521455	HU0000521414	HU0000521448
Maturity in days	91	91	91	91	308	364
Date of auction	07.02.2017	14.02.2017	21.02.2017	28.02.2017	09.02.2017	23.02.2017
Date of financial settlement	15.02.2017	22.02.2017	01.03.2017	08.03.2017	15.02.2017	01.03.2017
Redemption date	17.05.2017	24.05.2017	31.05.2017	07.06.2017	20.12.2017	28.02.2018
Maximum yield (%) - ISMA	0.10	0.08	0.07	0.06	0.28	0.23
Minimum yield (%) - ISMA	0.05	0.06	0.05	0.04	0.20	0.19
Average yield (%) - ISMA	0.07	0.08	0.06	0.06	0.26	0.22
Maximum yield (%) - EHM	0.10	0.08	0.07	0.06	0.28	0.23
Minimum yield (%) - EHM	0.05	0.06	0.05	0.04	0.20	0.19
Average yield (%) - EHM	0.07	0.08	0.06	0.06	0.26	0.22
Average selling price (%)	99.9823	99.9798	99.9848	99.9848	99.7780	99.7780
Amount offered for sale (HUF million)	20,000.00	20,000.00	20,000.00	20,000.00	30,000.00	20,000.00
Amount of bids submitted (HUF million)	36,150.00	57,854.69	51,400.00	67,400.00	48,379.86	76,570.00
Amount of bids accepted (HUF million)	19,999.95	19,999.96	19,999.96	19,999.95	29,999.92	19,999.96
Bid-to-cover ratio	1.81	2.89	2.57	3.37	1.61	3.83
Bids submitted (pcs)	46	47	44	47	79	86
Bids accepted (pcs)	30	24	23	26	54	27
Market sales* (HUF million)	19,999.95	19,999.96	19,999.96	19,999.95	29,999.92	19,999.96
Retained on ÁKK's own account (HUF million)	10,000.05	0.04	10,000.04	10,000.05	0.08	20,000.04
Total amount issued (HUF million)	30,000.00	20,000.00	30,000.00	30,000.00	30,000.00	40,000.00

* Without issuance onto ÁKK's own account

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



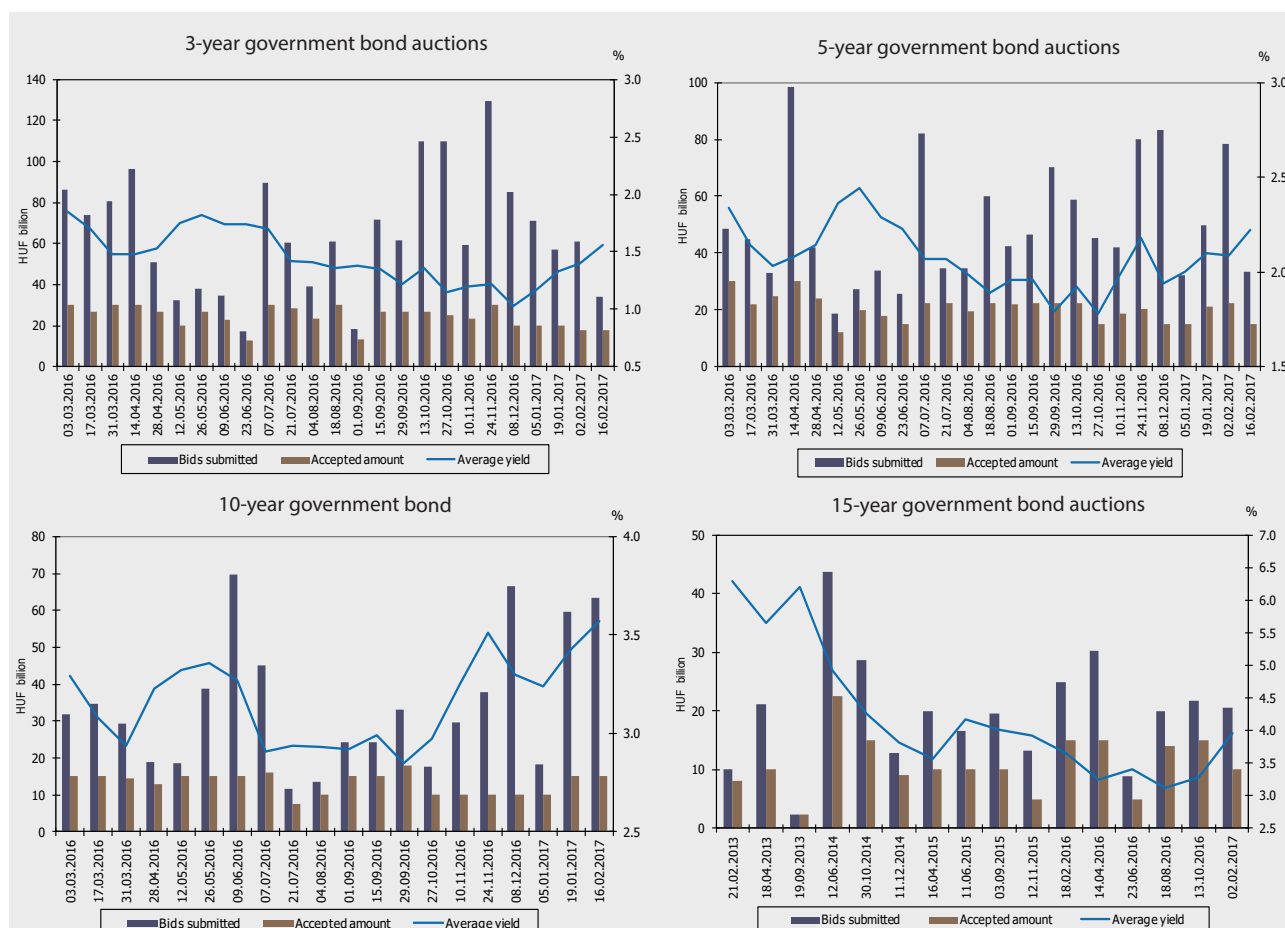
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2020/C	2022/B	2031/A	2019/D	2020/C	2022/B	2027/A	2021/A
ISIN code	HU0000403258	HU0000403266	HU0000403001	HU0000403126	HU0000403258	HU0000403266	HU0000403118	HU0000402995
Maturity (in years)	3	5	15	3	3	5	10	5
Coupon	1.00%	1.75%	3.25%	0.64%	1.00%	1.75%	3.00%	0.39%
Auction	3rd auction	3rd auction	10th auction	17th auction	4th auction	4th auction	23rd auction	15th auction
Date of auction	02.02.2017	02.02.2017	02.02.2017	09.02.2017	16.02.2017	16.02.2017	16.02.2017	23.02.2017
Date of financial settlement	08.02.2017	08.02.2017	08.02.2017	15.02.2017	22.02.2017	22.02.2017	22.02.2017	01.03.2017
Redemption date	23.09.2020	26.10.2022	28.10.2031	28.08.2019	23.09.2020	26.10.2022	27.10.2027	23.06.2021
Maximum annual yield (%) - ISMA	1.41	2.10	3.99	-	1.58	2.23	3.58	-
Minimum annual yield (%) - ISMA	1.37	2.08	3.93	-	1.52	2.20	3.56	-
Average annual yield (%) - ISMA	1.40	2.09	3.96	-	1.56	2.22	3.57	-
Maximum annual yield (%) - EHM	1.41	2.10	3.99	-	1.58	2.23	3.58	-
Minimum annual yield (%) - EHM	1.37	2.08	3.93	-	1.52	2.20	3.56	-
Average annual yield (%) - EHM	1.40	2.09	3.96	-	1.56	2.22	3.57	-
Maximum price (%)	98.7036	98.2407	92.5017	99.5500	98.2018	97.6244	95.0859	98.3700
Minimum price (%)	98.5645	98.1353	91.8746	99.5000	97.9968	97.4685	94.9161	98.3700
Average price (%)	98.6067	98.1653	92.1697	99.5300	98.0534	97.5271	94.9906	98.3700
Amount offered for sale (HUF million)	18,000.00	15,000.00	10,000.00	5,000.00	18,000.00	15,000.00	10,000.00	5,000.00
Amount of bids submitted (HUF million)	61,250.00	78,200.00	20,500.00	15,700.00	34,200.00	33,600.00	63,250.00	24,192.88
Amount of bids accepted (HUF million)	17,999.96	22,499.98	10,000.00	4,999.99	17,999.98	14,999.98	14,999.97	7,500.00
Bid-to-cover ratio	3.40	3.48	2.05	3.14	1.90	2.24	4.22	3.23
Bids submitted (pcs)	60	68	45	14	49	45	55	27
Bids accepted (pcs)	34	18	34	5	30	21	22	7
Tail (%) (average price - minimum price)	0.04	0.03	0.30	0.03	0.06	0.06	0.07	0.00
Market sales (HUF million)	17,999.96	22,499.98	10,000.00	4,999.99	17,999.98	14,999.98	14,999.97	7,500.00
Non-competitive offer (HUF million)	1,097.61	3,461.82	1,840.00	1,200.00	1,342.46	3,249.08	5,199.96	2,760.00
Total amount sales (HUF million)	19,097.57	25,961.80	11,840.00	6,199.99	19,342.44	18,249.06	20,199.93	10,260.00



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

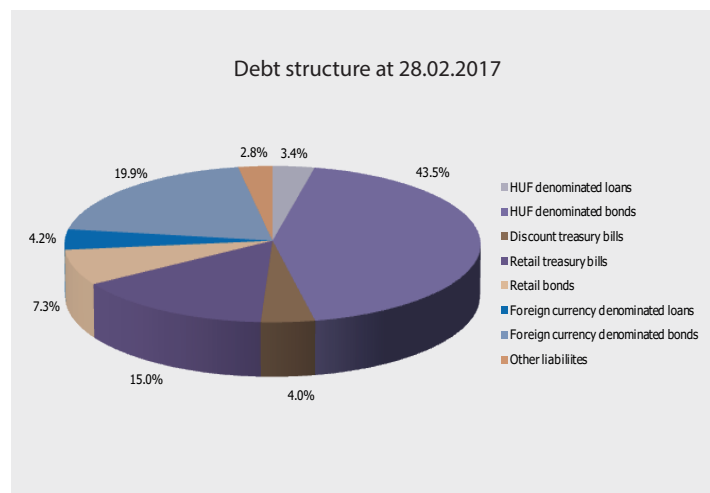
Government bond	2018/B	2018/C	2018/B	2018/C
ISIN code	HU0000402730	HU0000402979	HU0000402730	HU0000402979
Coupon (%)	4.00%	2.50%	4.00%	2.50%
Date of reverse auction	01.02.2017	01.02.2017	15.02.2017	15.02.2017
Date of financial settlement	08.02.2017	08.02.2017	22.02.2017	22.02.2017
Redemption date	25.04.2018	22.06.2018	25.04.2018	22.06.2018
Minimum annual yield (%)	0.16	0.17	0.18	0.18
Average annual yield- ISMA (%)	0.17	0.18	0.19	0.19
Average annual yield - EHM (%)	0.17	0.18	0.19	0.19
Amount of bids submitted (HUF million)	6,257.00	14,106.12	5,493.25	3,704.08
Amount of bids accepted (HUF million)	4,072.00	12,753.72	4,445.00	2,078.08

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN FEBRUARY 2017

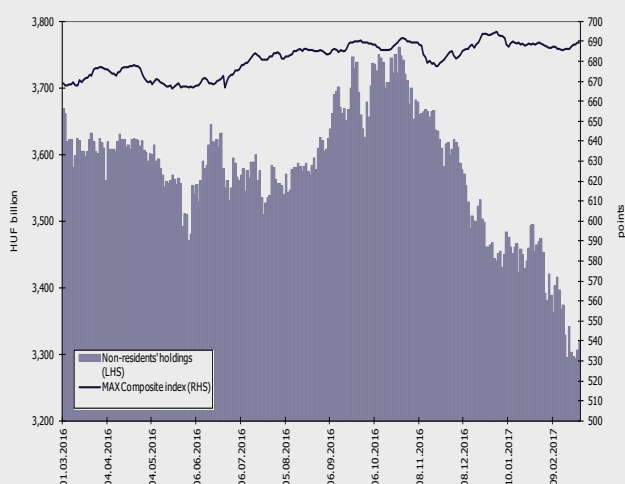
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/I	01.02.2017	03.02.2017	03.02.2018	03.02.2018	3.40%	3.40%
2019/J	01.02.2017	03.02.2017	03.02.2018	03.02.2018	3.40%	3.40%
2019/K	01.02.2017	03.02.2017	03.02.2018	03.02.2018	3.40%	3.40%
2019/D	25.02.2017	28.02.2017	28.05.2017	28.05.2017	0.24%	0.06%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

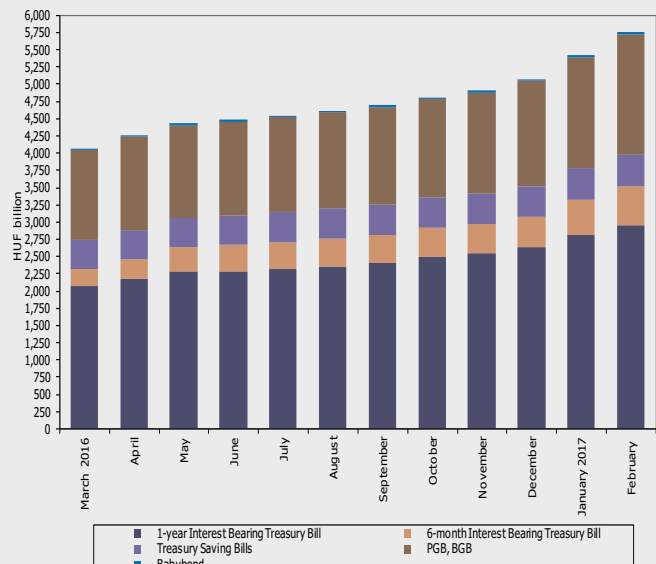
Retail securities	HUF billion		Change
	31.12.2016	28.02.2017	HUF billion
1-year Interest Bearing T-Bill	2,636.7	2,947.1	310.5
6-month Interest Bearing T-Bill	428.9	567.6	138.6
Treasury Saving Bills	453.7	460.1	6.4
PGB, BGB	1,521.2	1,747.8	226.6
Babybond	27.4	29.1	1.7
Total	5,067.9	5,751.7	683.8



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 28.02.2017	722.0042	550.7946	689.6926	535.0139
Changes compared to the end of the month before	0.3070	0.1841	0.3091	0.0245
Annual yield earned on the index portfolio	3.34%	1.10%	3.18%	0.72%

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 28.02.2017	713.3697	760.1959	529.4418	339.9212
Changes compared to the end of the month before	-2.2110	-1.2012	4.1786	1.7601
Reference yield	1.51	2.17	3.41	3.91
Annual yield earned on the index portfolio	4.2	3.75	1.9	-0.56

Government bonds with the highest secondary market turnover in February 2017

Government bond	Date of redemption	Turnover (HUF billion)
2024/B	26.06.2024	686.3
2025/B	24.06.2025	554.0
2027/A	27.10.2027	468.4
2020/A	12.11.2020	410.2
2022/A	24.06.2022	340.7
2020/B	24.06.2020	285.2
2021/B	27.10.2021	268.4
2023/A	24.11.2023	265.8
2018/C	22.06.2018	260.4
2019/C	30.10.2019	241.6

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

Government bond	HUF billion	
	31.01.2017	28.02.2017
2019/C	748.94	749.11
2021/B	651.37	651.52
2027/A	321.97	342.36
2031/A	123.13	135.04

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

Government bond	HUF billion
2019/A	1,097.75
2025/B	1,037.87
2023/A	997.82

