

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT SEPTEMBER 2016

The net issuance was HUF 645.7 billion; out of which net HUF-denominated issuance was HUF 1,858.5 billion and net foreign currency denominated redemption was HUF 1,212.9 billion in 2016.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2015		2016		Change	
	December	%	September	%	HUF billion	%
HUF denominated debt	16,207.9	65.6	18,066.5	71.9	1,858.5	11.5
Loans	694.1	2.8	844.5	3.4	150.4	21.7
Government bonds	11,094.9	44.9	11,437.0	45.5	342.1	3.1
Retail securities	3,517.4	14.2	4,691.1	18.7	1,173.7	33.4
Discount treasury bills	901.6	3.7	1,093.8	4.4	192.3	21.3
Foreign exchange denominated debt	7,735.8	31.3	6,446.1	25.7	-1,289.7	-16.7
Total	23,943.7	96.9	24,512.6	97.6	568.8	2.4
<i>Other obligations</i>	756.0	3.1	607.4	2.4	-148.6	-19.7
Total central government debt	24,699.7	100.0	25,119.9	100.0	420.2	1.7

The HUF denominated debt of the central government increased by HUF 1,858.5 billion in 2016. The increase in domestic debt was the result of net government bond issuance of HUF 353.7 billion, the amount of discount Treasury bills increased by HUF 192.3 billion and the total amount of retail government securities increased by HUF 1,173.7 billion. The stock of non-marketable government bonds decreased by HUF 11.5 billion. The volume of HUF loans increased by HUF 150.4 billion in 2016.

The foreign currency debt of the central government decreased by HUF 1,289.7 billion in 2016. The Dim Sum bond issue increased the debt by HUF 42.3 billion, the domestic PÉMAK and residence bond issuance was HUF 91.9 billion, while the redemptions of foreign currency debt worth HUF 1,347.0 billion decreased the debt. The exchange rate revaluations totalling HUF 76.9 billion decreased the Hungarian Forint value of the foreign currency debt in September. The total amount of other liabilities decreased by HUF 148.6 billion in 2016.

BENCHMARK YIELDS

Maturity	29.07.2016	31.08.2016	30.09.2016	Change in September basis point
3-month	0.50	0.47	0.54	7
6-month	0.51	0.51	0.60	9
1-year	0.61	0.61	0.60	-1
3-year	1.38	1.35	1.24	-11
5-year	1.95	1.94	1.80	-14
10-year	2.81	2.85	2.87	2
15-year	3.10	3.20	3.16	-4

Monthly OTC turnover of government securities increased by 70 % to HUF 6,051.7 billion in September. 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 57.9 billion in September and amounted to HUF 3,679.2 billion at the end of the month. This volume represented 21.4% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 309.15 on the last working day of September.

The credit rating of the long-term foreign currency debt of Hungary is as follows on the last working day of September: BBB- (Standard & Poor's); Ba1 (Moody's); BBB- (Fitch).

GOVERNMENT SECURITIES MARKET

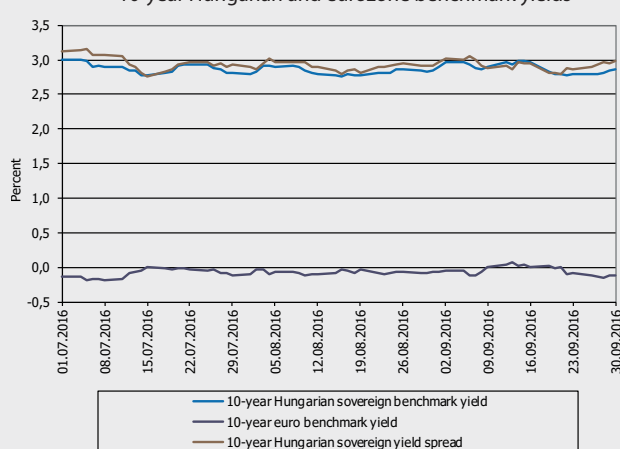
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

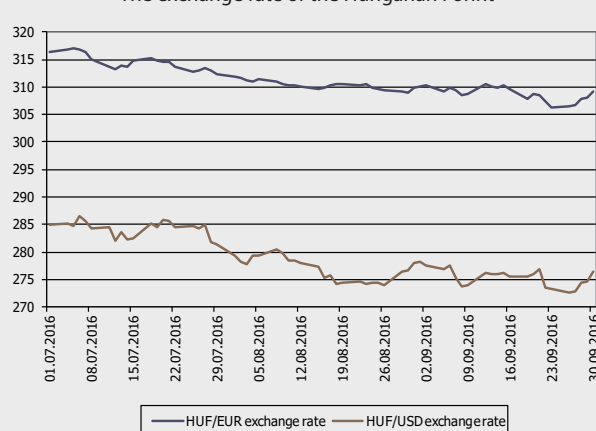
	2011	2012	2013	2014	2015	2016 July	2016 August	2016 September
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	17,927.1	17,797.9	18,066.5
1.1. Loans	590.8	566.8	603.6	623.3	694.1	844.5	844.5	844.5
1.2. Government securities	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	17,082.6	16,953.3	17,221.9
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	17,041.7	16,912.5	17,181.9
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	11,144.3	11,099.4	11,397.0
1.2.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	1,355.7	1,198.1	1,093.8
1.2.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	4,541.7	4,615.0	4,691.1
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	40.8	40.8	40.0
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	6,504.7	6,466.9	6,446.1
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,210.7	1,200.7	1,184.1
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,131.7	1,122.8	1,107.5
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	78.9	77.8	76.6
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,294.0	5,266.2	5,262.0
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	4,689.9	4,653.0	4,641.4
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	604.1	613.2	620.5
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,431.8	24,264.7	24,512.6
Other liabilities	422.89	351.10	117.30	311.20	756.00	703.40	593.60	607.40
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,135.2	24,858.4	25,119.9
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	12,540.8	12,338.3	12,530.8
Gross debt/GDP	74.4%	72.3%	73.0%	73.7%	72.6%			

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

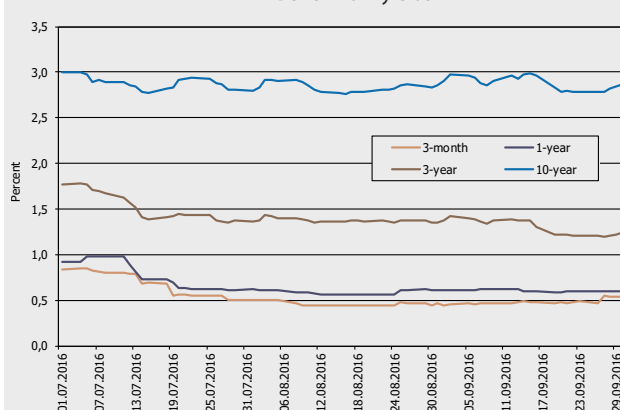
10-year Hungarian and eurozone benchmark yields



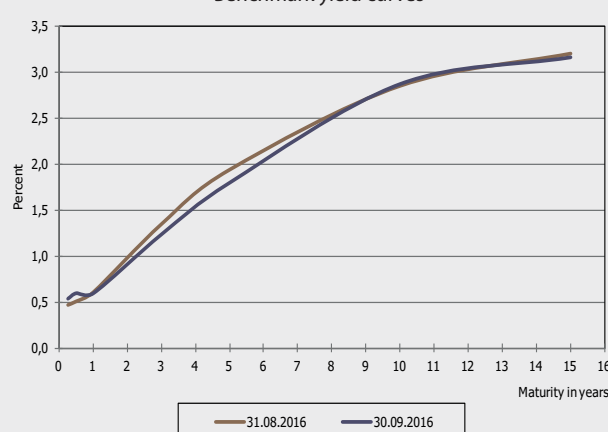
The exchange rate of the Hungarian Forint



Benchmark yields



Benchmark yield curves



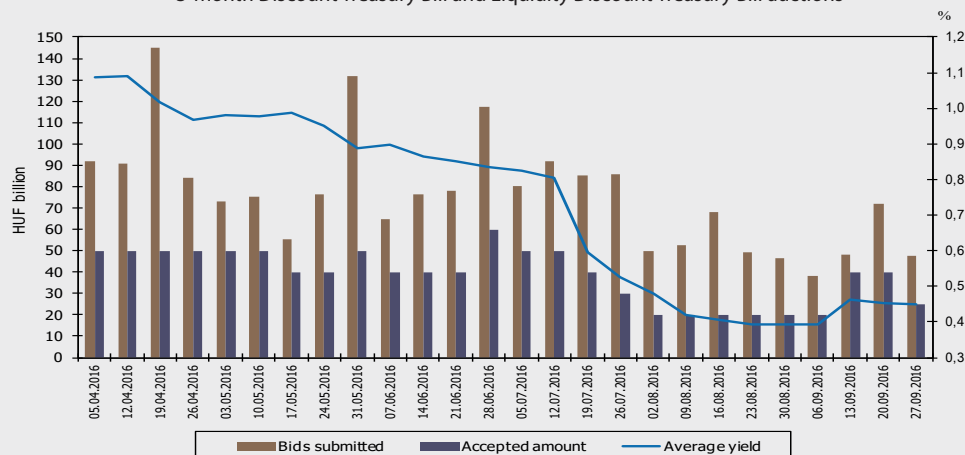
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

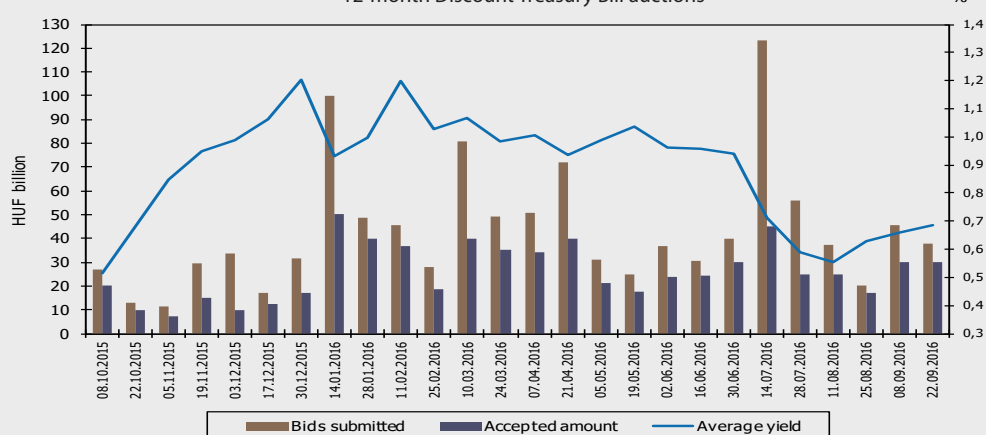
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D161214	D161221	D161228	D170104	D170913	D170913
ISIN code	HU0000521190	HU0000521216	HU0000520853	HU0000521224	HU0000521208	HU0000521208
Maturity in days	91	91	91	91	364	350
Date of auction	06.09.2016	13.09.2016	20.09.2016	27.09.2016	08.09.2016	22.09.2016
Date of financial settlement	14.09.2016	21.09.2016	28.09.2016	05.10.2016	14.09.2016	28.09.2016
Redemption date	14.12.2016	21.12.2016	28.12.2016	04.01.2017	13.09.2017	13.09.2017
Maximum yield (%) - ISMA	0.40	0.50	0.47	0.46	0.68	0.70
Minimum yield (%) - ISMA	0.38	0.43	0.43	0.43	0.60	0.62
Average yield (%) - ISMA	0.39	0.46	0.45	0.45	0.66	0.68
Maximum yield (%) - EHM	0.41	0.51	0.48	0.47	0.69	0.71
Minimum yield (%) - EHM	0.39	0.44	0.44	0.44	0.61	0.63
Average yield (%) - EHM	0.40	0.47	0.46	0.46	0.67	0.69
Average selling price (%)	99.9015	99.8839	99.8864	99.8864	99.3371	99.3432
Amount offered for sale (HUF million)	20,000.00	40,000.00	40,000.00	25,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	38,250.00	48,356.00	71,921.00	47,364.50	45,600.00	37,800.00
Amount of bids accepted (HUF million)	19,999.93	39,999.98	39,999.99	24,999.98	29,999.97	30,000.00
Bid-to-cover ratio	1.91	1.21	1.80	1.89	1.52	1.26
Bids submitted (pcs)	51	47	62	61	48	63
Bids accepted (pcs)	28	42	38	25	37	52
Market sales* (HUF million)	19,999.93	39,999.98	39,999.99	24,999.98	29,999.97	30,000.00
Retained on ÁKK's own account (HUF million)	10,000.07	12,000.02	12,000.01	10,000.02	30,000.03	30,000.00
Total amount issued (HUF million)	30,000.00	52,000.00	52,000.00	35,000.00	60,000.00	60,000.00

* Without issuance onto ÁKK's own account

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



12-month Discount Treasury Bill auctions

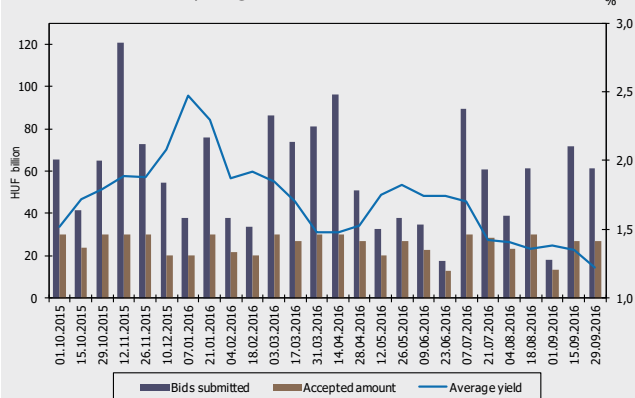


GOVERNMENT SECURITIES MARKET

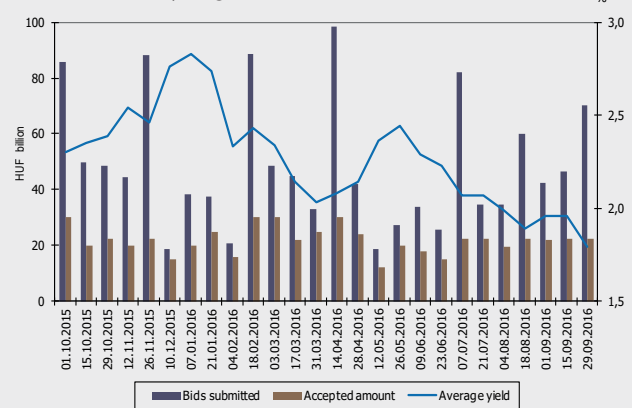
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/C	2021/B	2027/A	2019/C	2021/B	2027/A	2019/D	2019/C	2021/B	2027/A
ISIN code	HU0000403092	HU0000403100	HU0000403118	HU0000403092	HU0000403100	HU0000403118	HU0000403126	HU0000403092	HU0000403100	HU0000403118
Maturity (in years)	3	5	10	3	5	10	3	3	5	10
Coupon	2.00%	2.50%	3.00%	2.00%	2.50%	3.00%	0.88%	2.00%	2.50%	3.00%
Auction	18th auction	18th auction	14th auction	19th auction	19th auction	15th auction	11th auction	20th auction	20th auction	16th auction
Date of auction	01.09.2016	01.09.2016	01.09.2016	15.09.2016	15.09.2016	15.09.2016	22.09.2016	29.09.2016	29.09.2016	29.09.2016
Date of financial settlement	07.09.2016	07.09.2016	07.09.2016	21.09.2016	21.09.2016	21.09.2016	28.09.2016	05.10.2016	05.10.2016	05.10.2016
Redemption date	30.10.2019	27.10.2021	27.10.2027	30.10.2019	27.10.2021	27.10.2027	28.08.2019	30.10.2019	27.10.2021	27.10.2027
Maximum annual yield (%) - ISMA	1.39	1.97	2.93	1.36	1.97	3.00	-	1.24	1.81	2.86
Minimum annual yield (%) - ISMA	1.36	1.93	2.90	1.34	1.93	2.96	-	1.19	1.74	2.81
Average annual yield (%) - ISMA	1.38	1.96	2.92	1.35	1.96	2.99	-	1.22	1.79	2.85
Maximum annual yield (%) - EHM	1.39	1.97	2.93	1.36	1.97	3.00	-	1.24	1.81	2.86
Minimum annual yield (%) - EHM	1.36	1.93	2.90	1.34	1.93	2.96	-	1.19	1.74	2.81
Average annual yield (%) - EHM	1.38	1.96	2.92	1.35	1.96	2.99	-	1.22	1.79	2.85
Maximum price (%)	101.9563	102.7635	100.9370	101.9944	102.7442	100.3710	98.4000	102.4257	103.6531	101.7830
Minimum price (%)	101.8634	102.5666	100.6538	101.9331	102.5487	99.9972	98.3800	102.2737	103.3100	101.3096
Average price (%)	101.9092	102.6179	100.7739	101.9555	102.5854	100.1046	98.3800	102.3315	103.4033	101.4190
Amount offered for sale (HUF million)	20,000.00	15,000.00	10,000.00	18,000.00	15,000.00	10,000.00	5,000.00	18,000.00	15,000.00	12,000.00
Amount of bids submitted (HUF million)	18,100.00	42,500.00	24,230.00	71,900.00	46,300.00	24,400.00	18,650.00	61,578.00	70,060.00	32,950.00
Amount of bids accepted (HUF million)	13,499.98	21,999.93	14,999.95	26,999.93	22,499.95	15,000.00	7,500.00	26,999.93	22,499.93	17,999.95
Bid-to-cover ratio	1.34	1.93	1.62	2.66	2.06	1.63	2.49	2.28	3.11	1.83
Bids submitted (pcs)	29	46	46	65	59	40	32	53	55	44
Bids accepted (pcs)	22	31	24	31	38	28	7	32	34	25
Tail (%) (average price - minimum price)	0.05	0.05	0.12	0.02	0.04	0.11	0.00	0.06	0.09	0.11
Market sales (HUF million)	13,499.98	21,999.93	14,999.95	26,999.93	22,499.95	15,000.00	7,500.00	26,999.93	22,499.93	17,999.95
Non-competitive offer (HUF million)	0.00	7,251.13	5,129.08	5,857.23	5,792.23	686.40	2,760.00	10,159.94	8,279.92	6,639.96
Total amount sales (HUF million)	13,499.98	29,251.06	20,129.03	32,857.16	28,292.18	15,686.40	10,260.00	37,159.87	30,779.85	24,639.91

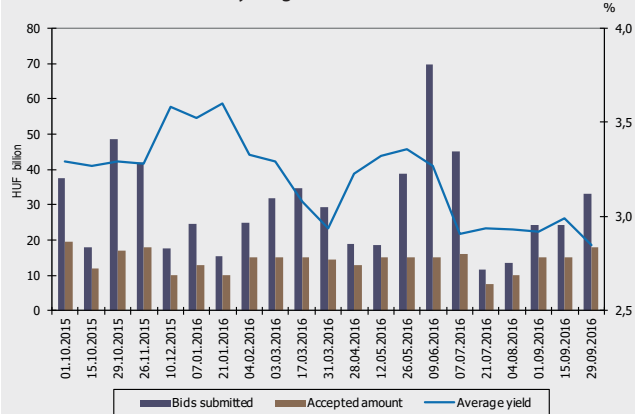
3-year government bond auctions



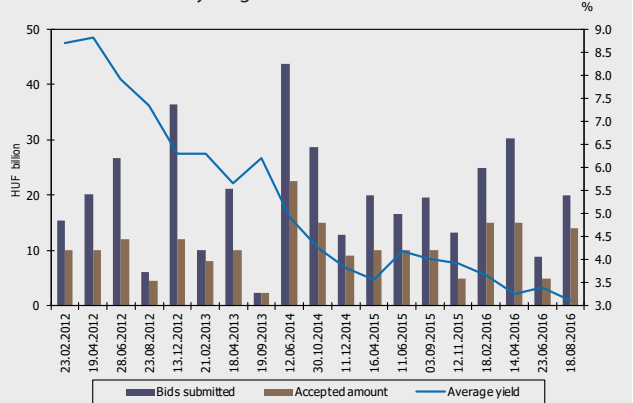
5-year government bond auctions



10-year government bond



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

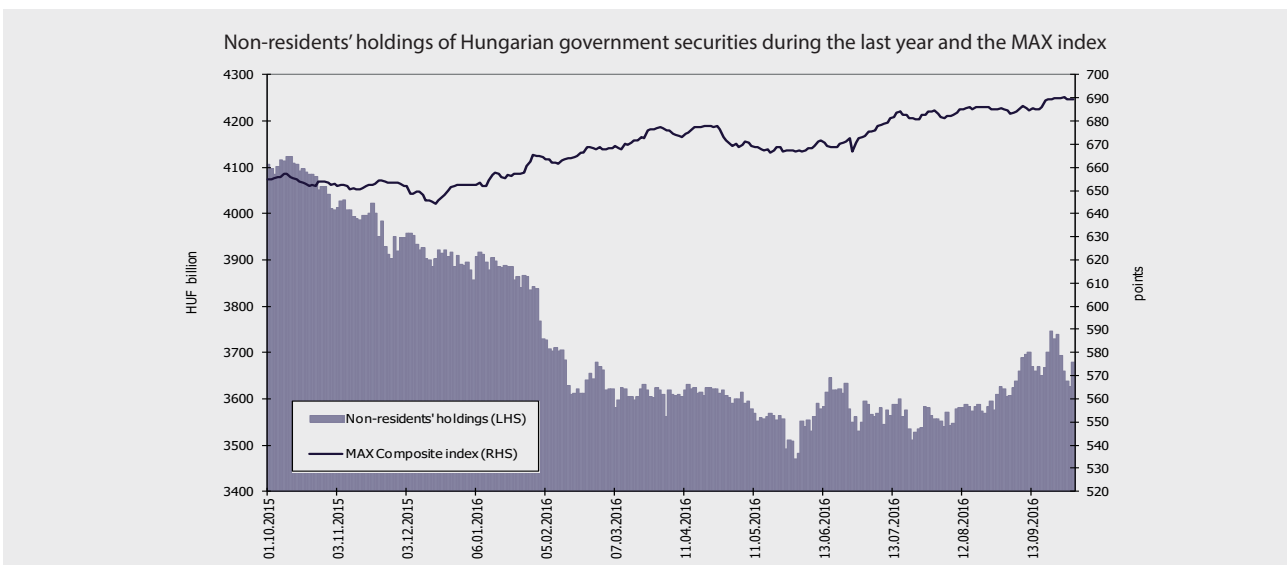
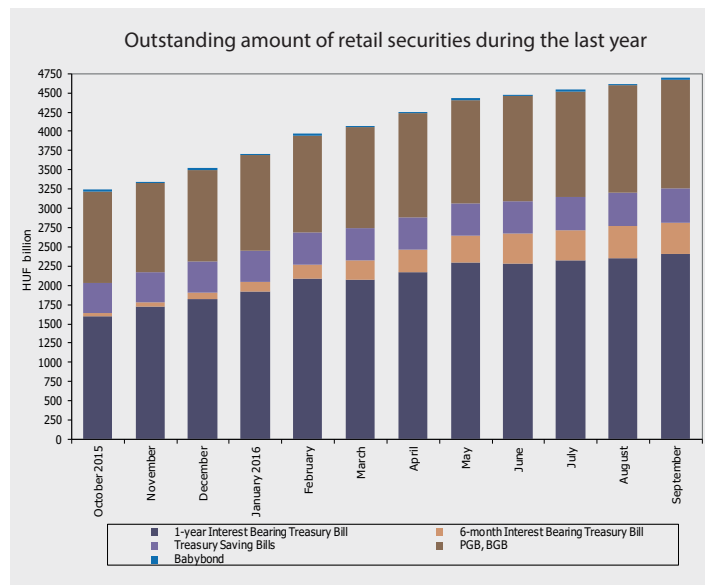
Government bond	2017/B	2017/C	2017/B	2017/A
ISIN code	HU0000402375	HU0000402821	HU0000402375	HU0000402037
Coupon (%)	6.75%	0.99%	6.75%	6.75%
Date of reverse auction	14.09.2016	14.09.2016	28.09.2016	28.09.2016
Date of financial settlement	21.09.2016	21.09.2016	05.10.2016	05.10.2016
Redemption date	24.02.2017	20.12.2017	24.02.2017	24.11.2017
Minimum annual yield (%)	0.50	-	0.50	0.51
Average annual yield- ISMA (%)	0.50	-	0.50	0.51
Average annual yield - EHM (%)	0.50	-	0.50	0.51
Amount of bids submitted (HUF million)	4,240.00	8,709.82	477.45	9,360.69
Amount of bids accepted (HUF million)	4,240.00	1,500.00	477.45	9,360.69

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN SEPTEMBER 2016

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2017/C	18.09.2016	20.09.2016	20.12.2016	20.12.2016	0.88%	0.22%
2020/Q	20.09.2016	22.09.2016	22.09.2017	22.09.2017	2.61%	2.65%
2021/A	20.09.2016	23.09.2016	23.12.2016	23.12.2016	0.88%	0.22%
2022/N	19.09.2016	20.09.2016	20.09.2017	20.09.2017	3.11%	3.15%
2026/N	20.09.2016	22.09.2016	22.09.2017	22.09.2017	3.36%	3.41%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2015	30.09.2016	HUF billion
1-year Interest Bearing T-Bill	1,816.0	2,407.0	591.1
6-month Interest Bearing T-Bill	81.0	406.4	325.4
Treasury Saving Bills	403.4	437.2	33.7
PGB, BGB	1,198.3	1,416.2	217.9
Babybond	18.6	24.3	5.7
Total	3,517.3	4,691.1	1,173.7



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30.09.2016	721.8895	548.4493	689.2255	534.0342
Changes compared to the end of the month before	4.4395	0.2416	3.9408	0.1808
Annual yield earned on the index portfolio	5.57%	0.76%	5.27%	0.73%

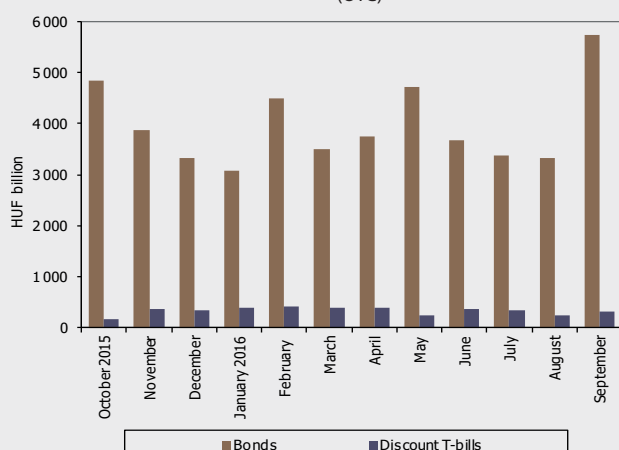
Government bonds with the highest secondary market turnover in September 2016

Government bond	Date of redemption	Turnover (HUF billion)
2025/B	24.06.2025	882.9
2018/C	22.06.2018	695.6
2024/B	26.06.2024	528.8
2021/B	27.10.2021	523.2
2022/A	24.06.2022	476.7
2018/B	25.04.2018	437.7
2020/B	24.06.2020	390.0
2023/A	24.11.2023	335.5
2019/A	24.06.2019	293.7
2020/A	12.11.2020	219.8

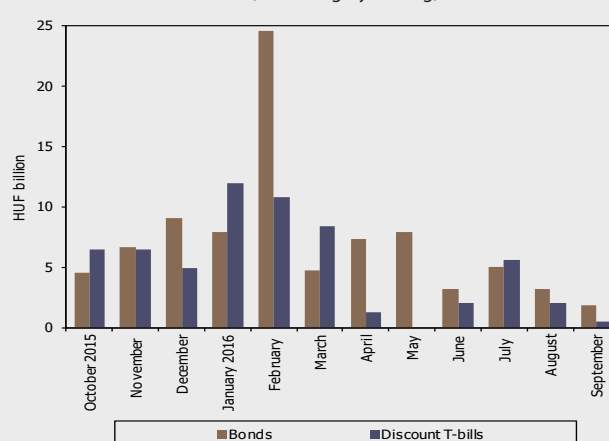
The outstanding volume of government bonds with benchmark status at the end of September 2016

Government bond	HUF billion	
	31.08.2016	30.09.2016
2019/C	516.17	562.43
2021/B	455.97	513.41
2027/A	192.12	227.86
2031/A	102.55	102.54

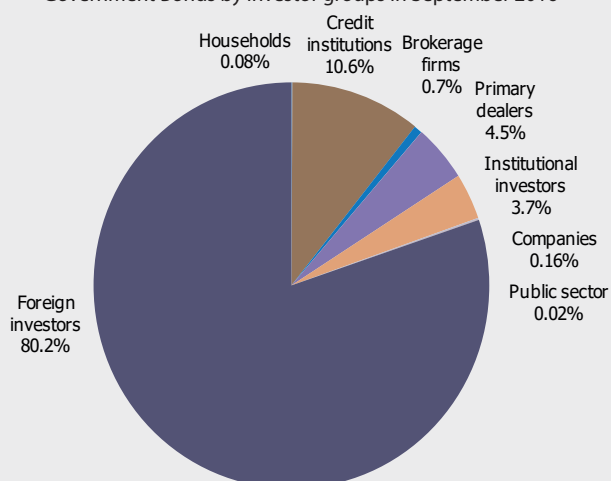
Secondary market trading of Hungarian government securities (OTC)



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



Breakdown of primary dealers' secondary market turnover in Government Bonds by investor groups in September 2016



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in September 2016

