

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT OCTOBER 2017

The net issuance was HUF 1,591.3 billion; out of which net HUF-denominated issuance was HUF 1,955.6 billion and net foreign currency denominated redemption was HUF 364.4 billion in 2017.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2016		2017		Change	
	December	%	October	%	HUF billion	%
HUF denominated debt	18,430.9	72.5	20,386.5	76.6	1,955.6	10.6
Loans	865.0	3.4	901.1	3.4	36.0	4.2
Government bonds	11,601.6	45.6	12,108.9	45.5	507.4	4.4
Retail securities	5,067.9	19.9	6,665.0	25.1	1,597.1	31.5
Discount treasury bills	896.4	3.5	711.5	2.7	-184.9	-20.6
Foreign exchange denominated debt	6,256.5	24.6	5,899.7	22.2	-356.8	-5.7
Total	24,687.4	97.1	26,286.2	98.8	1,598.8	6.5
<i>Other obligations</i>	742.7	2.9	314.9	1.2	-427.8	-57.6
Total central government debt	25,430.0	100.0	26,601.1	100.0	1,171.0	4.6

The HUF denominated debt of the central government increased by HUF 1,955.6 billion in 2017. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 1,597.1 billion, the amount of discount Treasury bills decreased by HUF 184.9 billion and the net government bond issuance was HUF 507.4 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 36.0 billion in 2017.

The foreign currency debt of the central government decreased by HUF 356.8 billion in 2017. The Panda bond issue increased the debt by HUF 38.8 billion, the euro bond issued as a part of the International Bond Exchange transaction increased by HUF 312.4 billion. The domestic PÉMAK bond issuance was HUF 209.3 billion, while the redemptions of foreign currency debt worth HUF 1,032.7 billion decreased the debt. The exchange rate revaluations totalling HUF 7.5 billion increased the Hungarian Forint value of the foreign currency debt in 2017. The total amount of other liabilities decreased by HUF 427.8 billion in 2017.

In October 2017 Hungary executed its first ever International Bond Exchange transaction, where bought back USD 1.16 billion USD bonds and issued an EUR 1 billion 10 year euro bond.

BENCHMARK YIELDS

Maturity	30.12.2016	29.09.2017	31.10.2017	Change in October basis point
3-month	0.06	-0.04	-0.04	0
6-month	0.08	-0.03	-0.01	2
1-year	0.15	-0.04	0.00	4
3-year	0.82	0.51	0.51	0
5-year	1.67	1.21	1.22	1
10-year	3.16	2.58	2.48	-10
15-year	3.66	3.21	3.21	0

Monthly OTC turnover of government securities decreased by 7% to HUF 4,164.6 billion in October. 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 decreased altogether by HUF 15.3 billion in October and amounted to HUF 3,513.7 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 311.42 on the last working day of October.

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

GOVERNMENT SECURITIES MARKET

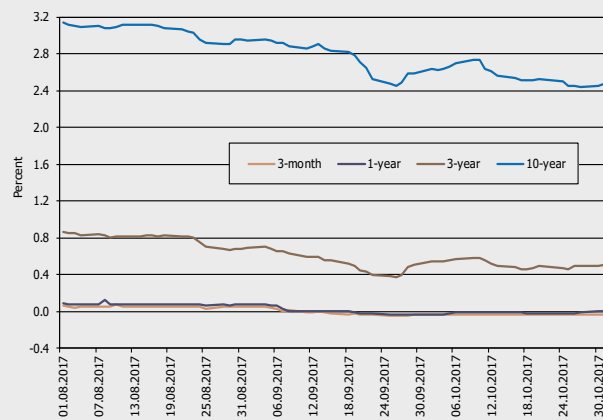
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

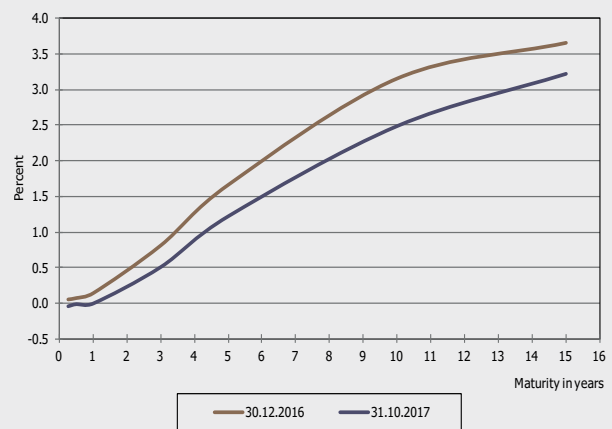
	2012	2013	2014	2015	2016	2017 August	2017 September	2017 October
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	19,764.6	20,051.3	20,386.5
1.1. Loans	566.8	603.6	623.3	694.1	865.0	877.1	877.1	901.1
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	18,887.6	19,174.2	19,485.4
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	18,848.4	19,135.1	19,446.3
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,677.7	11,875.3	12,069.8
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	811.8	746.1	711.5
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	6,358.9	6,513.7	6,665.0
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	5,891.5	5,925.6	5,899.7
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	1,076.3	1,024.7	992.2
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	1,076.3	1,024.7	992.2
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	4,815.3	4,901.0	4,907.5
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,127.1	4,195.7	4,200.5
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	688.2	705.3	707.0
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	25,656.1	25,976.9	26,286.2
Other liabilities	351.10	117.30	311.20	756.00	742.70	424.2	399.3	314.9
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	26,080.4	26,376.2	26,601.1
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	12,528.7	12,660.6	12,820.5
Gross debt/GDP	72.0%	72.7%	73.3%	72.0%	71.8%			

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

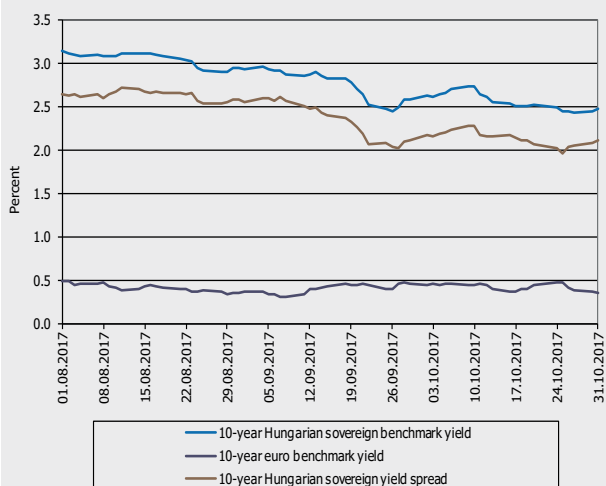
Benchmark yields



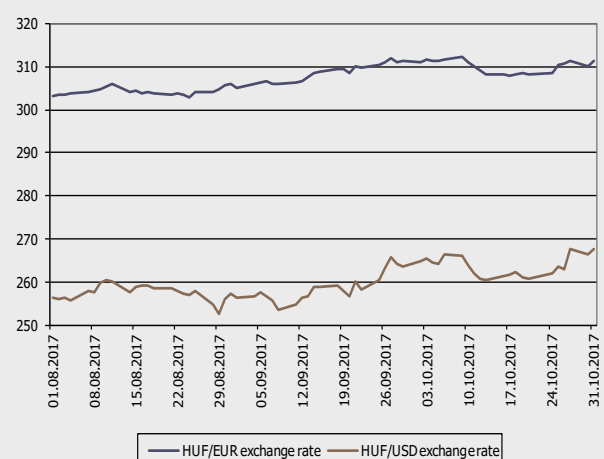
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



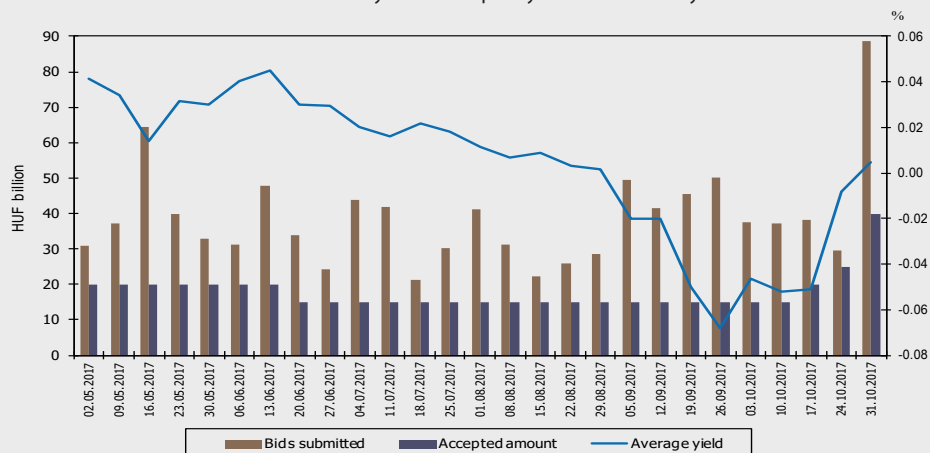
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

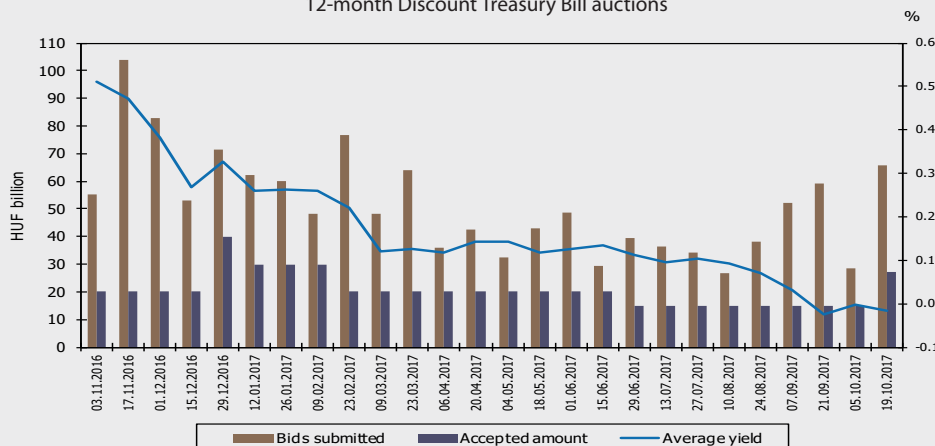
	Liquidity Disc T-bills	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D171227	D180110	D180117	D180124	D180131	D180207	D180926	D180926
ISIN code	HU00000521737	HU00000521760	HU00000521778	HU00000521786	HU00000521794	HU00000521802	HU00000521745	HU00000521745
Maturity in days	55	91	91	91	90	91	350	336
Date of auction	30.10.2017	03.10.2017	10.10.2017	17.10.2017	24.10.2017	31.10.2017	05.10.2017	19.10.2017
Date of financial settlement	02.11.2017	11.10.2017	18.10.2017	25.10.2017	02.11.2017	08.11.2017	11.10.2017	25.10.2017
Redemption date	27.12.2017	10.01.2018	17.01.2018	24.01.2018	31.01.2018	07.02.2018	26.09.2018	26.09.2018
Maximum yield (%) - ISMA	0.01	-0.04	-0.05	-0.04	0.00	0.01	0.00	-0.01
Minimum yield (%) - ISMA	-0.03	-0.05	-0.06	-0.07	-0.03	-0.01	-0.01	-0.05
Average yield (%) - ISMA	0.00	-0.05	-0.05	-0.05	-0.01	0.00	0.00	-0.02
Maximum yield (%) - EHM	0.01	-0.04	-0.05	-0.04	0.00	0.01	0.00	-0.01
Minimum yield (%) - EHM	-0.03	-0.05	-0.06	-0.07	-0.03	-0.01	-0.01	-0.05
Average yield (%) - EHM	0.00	-0.05	-0.05	-0.05	-0.01	0.00	0.00	-0.02
Average selling price (%)	100.0000	100.0117	100.0132	100.0129	100.0020	99.9988	100.0015	100.0143
Amount offered for sale (HUF million)	30,000.00	15,000.00	15,000.00	15,000.00	25,000.00	40,000.00	15,000.00	20,000.00
Amount of bids submitted (HUF million)	89,230.00	37,550.00	37,200.00	38,328.80	29,400.00	88,585.00	28,300.00	65,881.00
Amount of bids accepted (HUF million)	35,000.00	15,000.00	14,999.99	19,999.98	24,999.98	39,999.99	14,999.99	27,000.00
Bid-to-cover ratio	2.55	2.50	2.48	1.92	1.18	2.21	1.89	2.44
Bids submitted (pcs)	32	23	15	16	14	41	30	44
Bids accepted (pcs)	10	13	5	11	14	17	10	19
Market sales* (HUF million)	35,000.00	15,000.00	14,999.99	19,999.98	24,999.98	39,999.99	14,999.99	27,000.00
Retained on ÁKK's own account (HUF million)	-	10,500.00	10,500.01	10,000.02	12,500.02	12,000.01	15,000.01	27,000.00
Total amount issued (HUF million)	35,000.00	25,500.00	25,500.00	30,000.00	37,500.00	52,000.00	30,000.00	54,000.00

* Without issuance onto ÁKK's own account

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



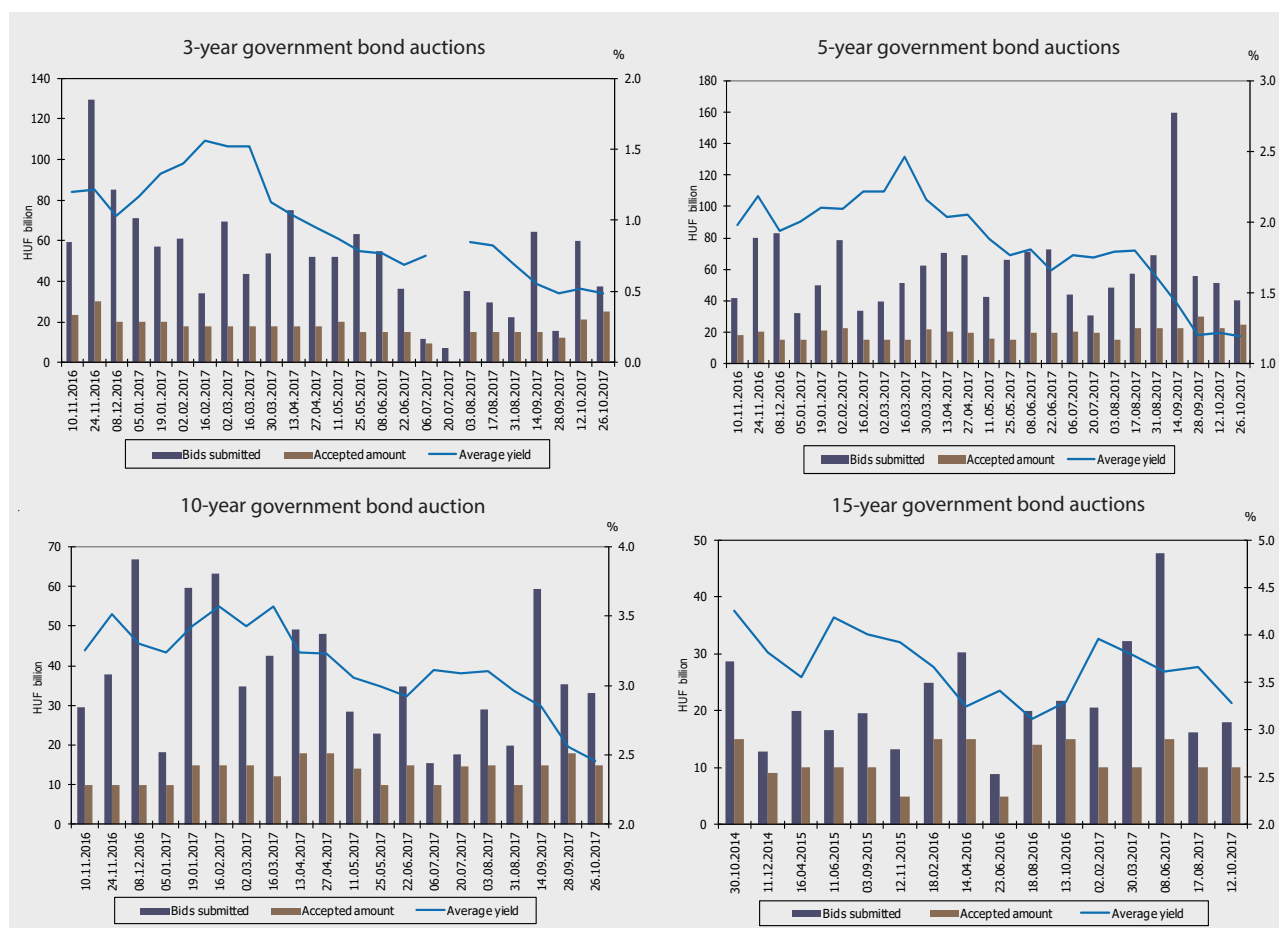
12-month Discount Treasury Bill auctions



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
ISIN code	HU0000402995	HU0000403258	HU0000403266	HU0000403001	HU0000402995	HU0000403258	HU0000403266	HU0000403118
Maturity (in years)	5	3	5	15	5	3	5	10
Coupon	0.06%	1.00%	1.75%	3.25%	0.06%	1.00%	1.75%	3.00%
Auction	31st auction	21st auction	21st auction	14th auction	32nd auction	22nd auction	22nd auction	37th auction
Date of auction	05.10.2017	12.10.2017	12.10.2017	12.10.2017	19.10.2017	26.10.2017	26.10.2017	26.10.2017
Date of financial settlement	11.10.2017	18.10.2017	18.10.2017	18.10.2017	25.10.2017	02.11.2017	02.11.2017	02.11.2017
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
Maximum annual yield (%) - ISMA	-	0.52	1.23	3.29	-	0.50	1.20	2.47
Minimum annual yield (%) - ISMA	-	0.50	1.20	3.25	-	0.47	1.17	2.45
Average annual yield (%) - ISMA	-	0.51	1.22	3.28	-	0.49	1.19	2.46
Maximum annual yield (%) - EHM	-	0.52	1.23	3.29	-	0.50	1.20	2.47
Minimum annual yield (%) - EHM	-	0.50	1.20	3.25	-	0.47	1.17	2.45
Average annual yield (%) - EHM	-	0.51	1.22	3.28	-	0.49	1.19	2.46
Maximum price (%)	99.3000	101.4528	102.6661	100.0009	99.3100	101.5178	102.7903	104.8200
Minimum price (%)	99.1800	101.3929	102.5165	99.5561	99.2400	101.4312	102.6438	104.6834
Average price (%)	99.2300	101.4077	102.5676	99.6812	99.2800	101.4579	102.7031	104.7266
Amount offered for sale (HUF million)	7,000.00	15,000.00	15,000.00	10,000.00	7,000.00	20,000.00	20,000.00	10,000.00
Amount of bids submitted (HUF million)	27,900.00	59,800.00	51,000.00	18,085.00	22,850.00	37,200.00	39,950.00	33,000.00
Amount of bids accepted (HUF million)	9,999.99	21,000.00	22,500.00	9,999.98	7,000.00	25,000.00	25,000.00	15,000.00
Bid-to-cover ratio	2.79	2.85	2.27	1.81	3.26	1.49	1.60	2.20
Bids submitted (pcs)	46	49	47	51	44	37	37	36
Bids accepted (pcs)	18	19	28	33	19	24	19	17
Tail (%) (average price - minimum price)	0.05	0.01	0.05	0.13	0.04	0.03	0.06	0.04
Market sales (HUF million)	9,999.99	21,000.00	22,500.00	9,999.98	7,000.00	25,000.00	25,000.00	15,000.00
Non-competitive offer (HUF million)	3,393.84	4,880.00	2,960.00	2,151.76	1,080.00	2,600.00	4,500.00	4,960.00
Total amount sales (HUF million)	13,393.83	25,880.00	25,460.00	12,151.74	8,080.00	27,600.00	29,500.00	19,960.00



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

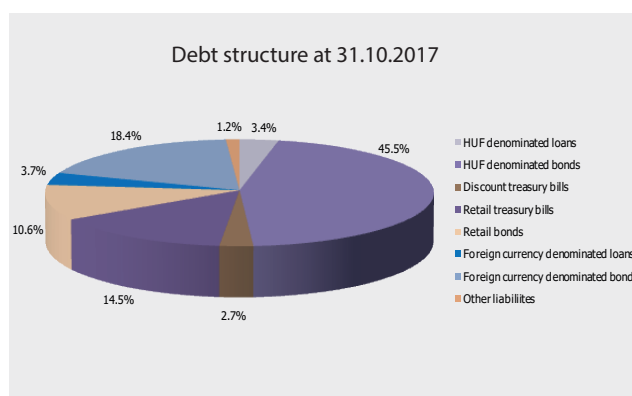
Government securities were not bought back before maturity in October 2017.

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN OCTOBER 2017

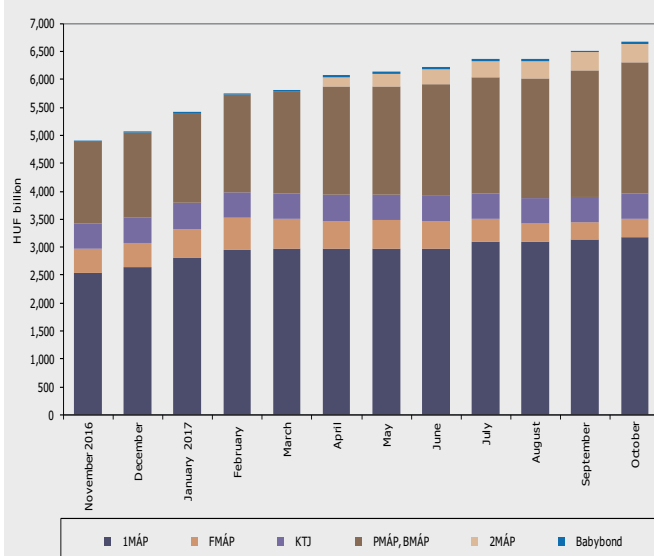
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2018/D	21.10.2017	24.10.2017	24.01.2018	24.01.2018	0.03%	0.01%
2019/L	19.10.2017	21.10.2017	21.10.2018	22.10.2018	3.15%	3.15%
2021/J	03.10.2017	03.10.2017	26.05.2018	28.05.2018	3.55%	2.29%
2021/I	18.10.2017	20.10.2017	20.10.2018	22.10.2018	3.65%	3.65%
2022/O	03.10.2017	03.10.2017	27.04.2018	27.04.2018	2.29%	1.31%
2023/I	03.10.2017	03.10.2017	22.03.2018	22.03.2018	3.80%	1.77%
2024/O	03.10.2017	03.10.2017	24.04.2017	24.04.2017	2.79%	1.57%
2026/B	24.10.2017	24.10.2017	24.04.2018	24.04.2018	0.01%	0.01%
2028/N	03.10.2017	03.10.2017	22.03.2018	22.03.2018	3.04%	1.44%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

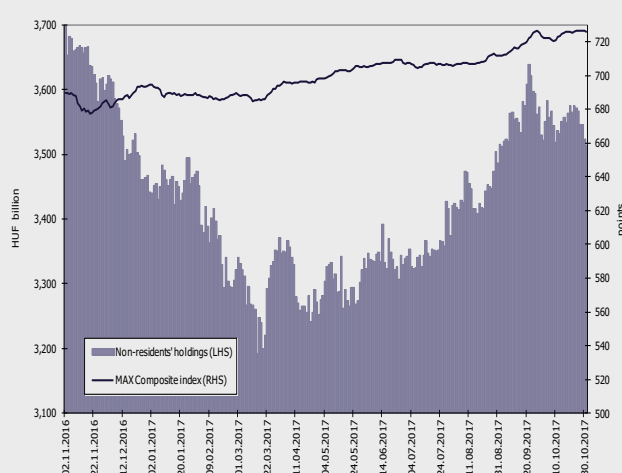
Retail securities	HUF billion		Change
	31.12.2016	31.10.2017	HUF billion
1-year Hungarian Government Security / 1MÁP	2,636.7	3,170.6	533.9
Half-year Hungarian Government Security / FMÁP	428.9	325.1	-103.8
Treasury Saving Bills / KTJ	453.7	462.2	8.5
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	1,521.2	2,338.1	817.0
2-year Hungarian Government Security / 2MÁP	0.0	333.9	333.9
Babybond	27.4	35.0	7.6
Total	5,067.9	6,665.0	1,597.1



Outstanding amount of retail securities during the last year



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



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31.10.2017	763.1906	551.6661	725.8477	535.4738
Changes compared to the end of the month before	2.5506	-0.0301	2.2280	0.0110
Annual yield earned on the index portfolio (%)	5.56	0.47	5.15	0.19

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.10.2017	741.1297	806.2014	584.8053	375.8117
Changes compared to the end of the month before	0.3198	0.4251	6.0675	1.0444
Reference yield (%)	0.51	1.22	2.48	3.21
Annual yield earned on the index portfolio (%)	4.83	5.90	7.57	4.45

Government bonds with the highest secondary market turnover in October 2017

Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	448.9
2026/D	22.12.2026	340.1
2025/B	24.06.2025	312.4
2018/B	25.04.2018	262.9
2022/B	26.10.2022	253.1
2023/A	24.11.2023	246.1
2024/B	26.06.2024	162.0
2020/A	12.11.2020	155.9
2020/C	23.09.2020	114.5
2022/A	24.06.2022	93.7

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

Government bond	HUF billion	
	30.09.2017	31.10.2017
2020/C	372.07	410.22
2022/B	442.45	504.59
2027/A	549.13	571.50
2031/A	179.99	192.19

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

Government bond	HUF billion
2025/B	1,137.24
2023/A	998.07
2022/A	971.65

