

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT DECEMBER 2016

The net issuance was HUF 782.0 billion; out of which net HUF-denominated issuance was HUF 2,222.9 billion and net foreign currency denominated redemption was HUF 1,440.9 billion in 2016.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2015		2016		Change	
	December	%	December	%	HUF billion	%
HUF denominated debt	16,207.9	65.6	18,430.9	72.5	2,222.9	13.7
Loans	694.1	2.8	865.0	3.4	170.9	24.6
Government bonds	11,094.9	44.9	11,601.6	45.6	506.7	4.6
Retail securities	3,517.4	14.2	5,067.9	19.9	1,550.5	44.1
Discount treasury bills	901.6	3.7	896.4	3.5	-5.2	-0.6
Foreign exchange denominated debt	7,735.8	31.3	6,256.5	24.6	-1,479.3	-19.1
Total	23,943.7	96.9	24,687.4	97.1	743.6	3.1
<i>Other obligations</i>	756.0	3.1	742.7	2.9	-13.3	-1.8
Total central government debt	24,699.7	100.0	25,430.0	100.0	730.3	3.0

The HUF denominated debt of the central government increased by HUF 2,222.9 billion in 2016. The increase in domestic debt was the result of net government bond issuance of HUF 519.0 billion, the amount of discount Treasury bills decreased by HUF 5.2 billion and the total amount of retail government securities increased by HUF 1,550.5 billion. The stock of non-marketable government bonds decreased by HUF 12.3 billion. The volume of HUF loans increased by HUF 170.9 billion in 2016.

The foreign currency debt of the central government decreased by HUF 1,479.3 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 180.6 billion, while the redemptions of foreign currency debt worth HUF 1,663.8 billion decreased the debt. The exchange rate revaluations totalling HUF 38.4 billion decreased the Hungarian Forint value of the foreign currency debt in December. The total amount of other liabilities decreased by HUF 13.3 billion in 2016.

BENCHMARK YIELDS

Maturity	28.10.2016	30.11.2016	30.12.2016	Change in November basis point
3-month	0.40	0.25	0.06	-19
6-month	0.31	0.30	0.08	-22
1-year	0.47	0.45	0.15	-30
3-year	1.17	1.11	0.82	-29
5-year	1.80	2.04	1.67	-37
10-year	2.98	3.38	3.16	-22
15-year	3.31	3.72	3.66	-6

Monthly OTC turnover of government securities decreased by 29% to HUF 4,106.4 billion in December. Primary dealers, who account for the decisive part of all secondary government securities trading, made 68% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 165,8 billion in December and amounted to HUF 3,442.4 billion at the end of the month. This volume represented 19.6% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 311.02 on the last working day of December.

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

GOVERNMENT SECURITIES MARKET

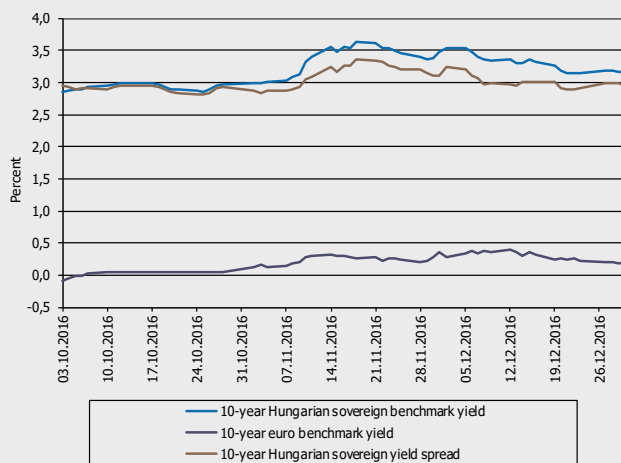
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

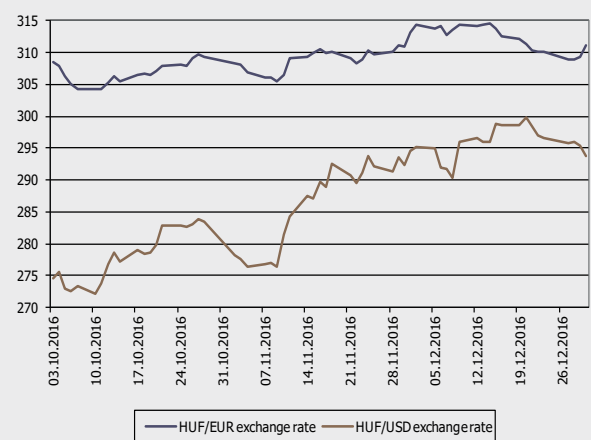
	2011	2012	2013	2014	2015	2016 October	2016 November	2016 December
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	18,284.8	18,421.2	18,430.9
1.1. Loans	590.8	566.8	603.6	623.3	694.1	865.0	865.0	865.0
1.2. Government securities	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	17,419.7	17,556.2	17,565.8
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	17,379.7	17,516.1	17,526.7
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	11,493.6	11,536.0	11,562.4
1.2.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	1,078.4	1,078.8	896.4
1.2.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	4,807.7	4,901.3	5,067.9
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	40.0	40.0	39.2
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	6,286.9	6,331.4	6,256.5
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,184.3	1,172.5	1,101.6
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,107.7	1,114.1	1,097.6
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	76.6	58.4	4.0
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,102.6	5,158.9	5,154.9
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	4,642.2	4,669.0	4,618.9
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	460.5	489.9	536.0
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,571.7	24,752.6	24,687.4
Other liabilities	422.89	351.10	117.30	311.20	756.00	694.70	737.30	742.70
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,266.4	25,489.9	25,430.0
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	12,612.0	12,654.8	12,498.0
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.

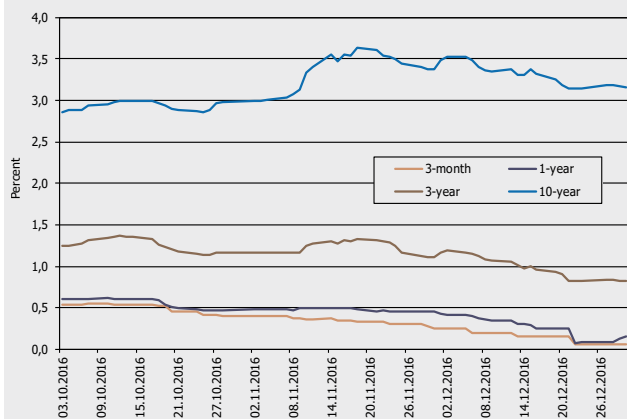
10-year Hungarian and eurozone benchmark yields



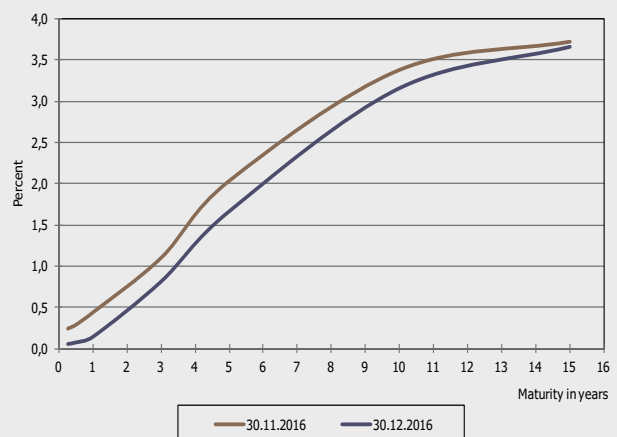
The exchange rate of the Hungarian Forint



Benchmark yields



Benchmark yield curves



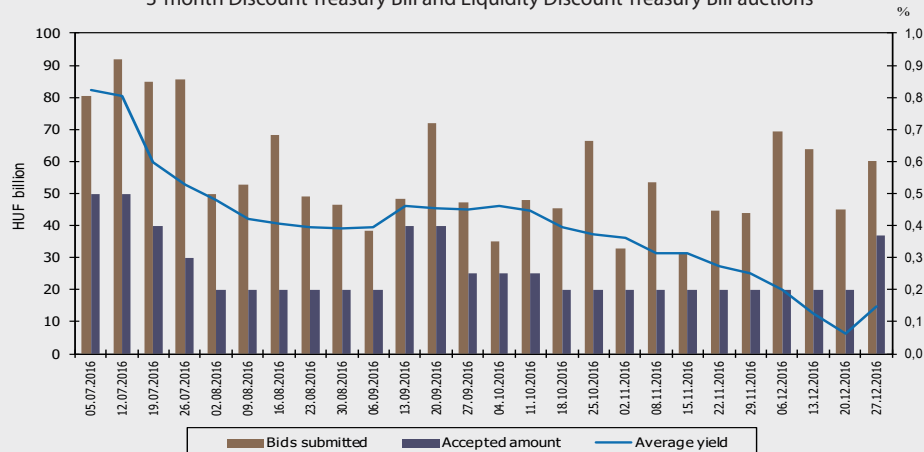
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

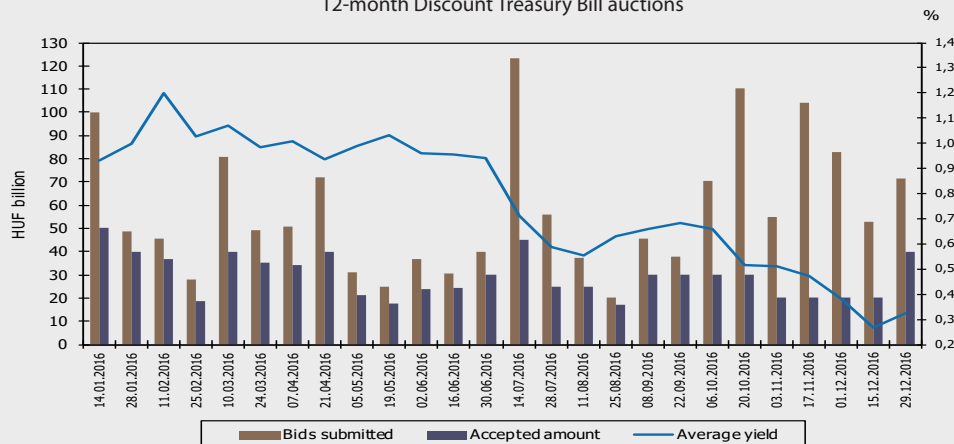
	3-month Discount T-bills				12-month Discount T-bills		
Code of T-bills	D170316	D170322	D170329	D170405	D171025	D171025	D171220
ISIN code	HU00000520945	HU00000521331	HU00000521349	HU00000521356	HU00000521281	HU00000521281	HU00000521414
Maturity in days	92	91	91	91	322	308	350
Date of auction	06.12.2016	13.12.2016	20.12.2016	27.12.2016	01.12.2016	15.12.2016	29.12.2016
Date of financial settlement	14.12.2016	21.12.2016	28.12.2016	04.01.2017	07.12.2016	21.12.2016	04.01.2017
Redemption date	16.03.2017	22.03.2017	29.03.2017	05.04.2017	25.10.2017	25.10.2017	20.12.2017
Maximum yield (%) - ISMA	0.20	0.14	0.08	0.20	0.39	0.27	0.37
Minimum yield (%) - ISMA	0.18	0.10	0.05	0.05	0.36	0.24	0.22
Average yield (%) - ISMA	0.20	0.12	0.06	0.15	0.38	0.27	0.33
Maximum yield (%) - EHM	0.20	0.14	0.08	0.20	0.40	0.27	0.38
Minimum yield (%) - EHM	0.18	0.10	0.05	0.05	0.37	0.24	0.22
Average yield (%) - EHM	0.20	0.12	0.06	0.15	0.39	0.27	0.33
Average selling price (%)	99.9489	99.9697	99.9848	99.9621	99.6613	99.7695	99.6802
Amount offered for sale (HUF million)	20,000.00	20,000.00	20,000.00	40,000.00	20,000.00	20,000.00	40,000.00
Amount of bids submitted (HUF million)	69,350.00	63,905.00	44,921.17	60,085.00	82,900.00	52,900.00	71,450.00
Amount of bids accepted (HUF million)	19,999.95	19,999.97	19,999.96	37,000.00	19,999.97	19,999.97	39,999.98
Bid-to-cover ratio	3.47	3.20	2.25	1.62	4.15	2.65	1.79
Bids submitted (pcs)	67	61	47	45	72	56	88
Bids accepted (pcs)	23	21	20	36	19	21	65
Market sales* (HUF million)	19,999.95	19,999.97	19,999.96	37,000.00	19,999.97	19,999.97	39,999.98
Retained on ÁKK's own account (HUF million)	10,000.05	10,000.03	10,000.04	11,100.00	20,000.03	20,000.03	40,000.02
Total amount issued (HUF million)	30,000.00	30,000.00	30,000.00	48,100.00	40,000.00	40,000.00	80,000.00

* Without issuance onto ÁKK's own account

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



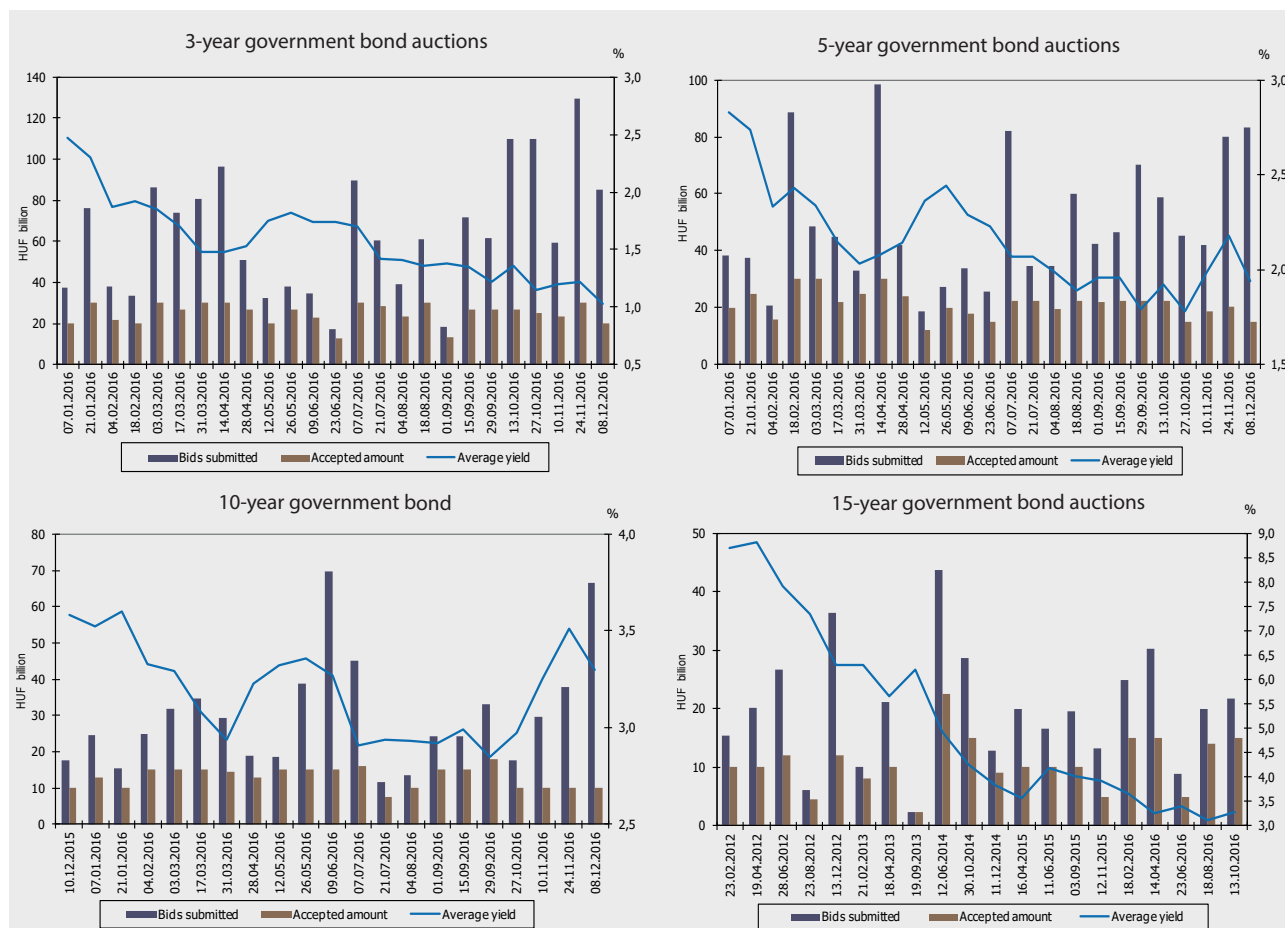
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/C	2021/B	2027/A	2019/D
ISIN code	HU0000403092	HU0000403100	HU0000403118	HU0000403126
Maturity (in years)	3	5	10	3
Coupon	2.00%	2.50%	3.00%	0.64%
Auction	25th auction	25th auction	20th auction	14th auction
Date of auction	08.12.2016	08.12.2016	08.12.2016	29.12.2016
Date of financial settlement	14.12.2016	14.12.2016	14.12.2016	04.01.2017
Redemption date	30.10.2019	27.10.2021	27.10.2027	28.08.2019
Maximum annual yield (%) - ISMA	1.04	1.95	3.32	-
Minimum annual yield (%) - ISMA	1.03	1.94	3.28	-
Average annual yield (%) - ISMA	1.03	1.94	3.30	-
Maximum annual yield (%) - EHM	1.04	1.95	3.32	-
Minimum annual yield (%) - EHM	1.03	1.94	3.28	-
Average annual yield (%) - EHM	1.03	1.94	3.30	-
Maximum price (%)	102.7345	102.5750	97.4690	99.5600
Minimum price (%)	102.7058	102.5283	97.1144	99.3900
Average price (%)	102.7219	102.5653	97.3004	99.4600
Amount offered for sale (HUF million)	20,000.00	15,000.00	10,000.00	10,000.00
Amount of bids submitted (HUF million)	85,000.00	83,300.00	66,700.00	48,650.00
Amount of bids accepted (HUF million)	19,999.99	15,000.00	9,999.99	12,500.00
Bid-to-cover ratio	4.25	5.55	6.67	4.87
Bids submitted (pcs)	66	52	57	55
Bids accepted (pcs)	16	13	17	27
Tail (%) (average price - minimum price)	0.02	0.04	0.19	0.07
Market sales (HUF million)	19,999.99	15,000.00	9,999.99	12,500.00
Non-competitive offer (HUF million)	0.00	0.00	0.00	4,460.00
Total amount sales (HUF million)	19,999.99	15,000.00	9,999.99	16,960.00



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

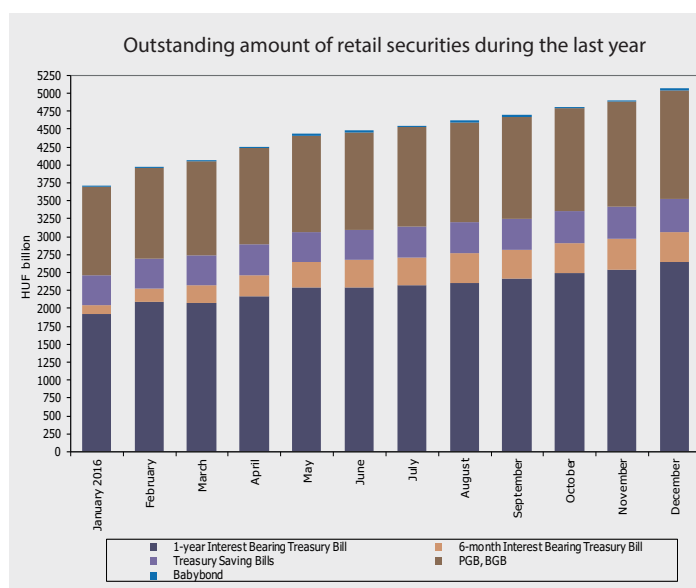
Government bond	2018/B	2018/C	2018/B	2018/C	2018/B	2018/C
ISIN code	HU0000402730	HU0000402979	HU0000402730	HU0000402979	HU0000402730	HU0000402979
Coupon (%)	4.00%	2.50%	4.00%	2.50%	4.00%	2.50%
Date of reverse auction	07.12.2016	07.12.2016	14.12.2016	14.12.2016	21.12.2016	21.12.2016
Date of financial settlement	14.12.2016	14.12.2016	21.12.2016	21.12.2016	28.12.2016	28.12.2016
Redemption date	25.04.2018	22.06.2018	25.04.2018	22.06.2018	25.04.2018	22.06.2018
Minimum annual yield (%)	0.35	0.34	0.21	0.22	0.00	0.00
Average annual yield- ISMA (%)	0.36	0.37	0.22	0.24	0.00	0.00
Average annual yield - EHM (%)	0.36	0.37	0.22	0.24	0.00	0.00
Amount of bids submitted (HUF million)	11,157.11	76,044.49	19,175.28	40,790.42	17,015.00	30,882.74
Amount of bids accepted (HUF million)	8,532.13	75,572.48	18,757.78	37,565.92	-	-

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN DECEMBER 2016

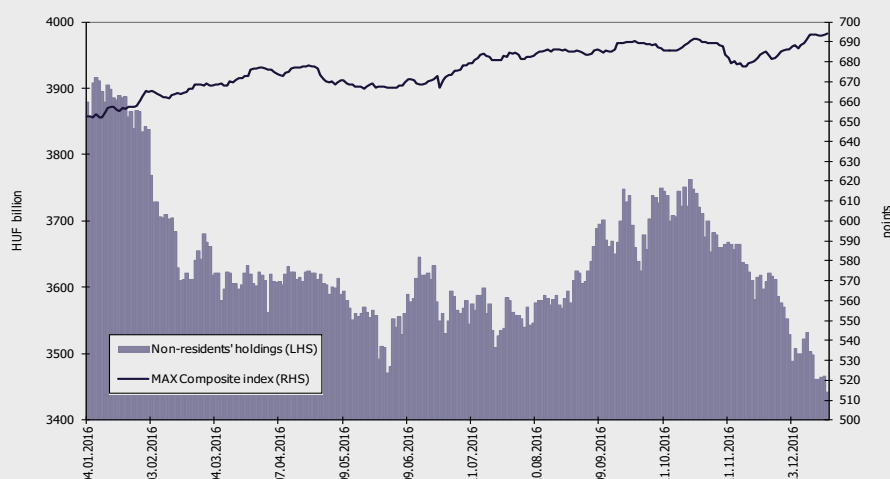
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2017/C	18.12.2016	20.12.2016	20.03.2017	20.03.2017	0.39%	0.10%
2021/A	20.12.2016	23.12.2016	23.03.2017	23.03.2017	0.39%	0.10%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2015	31.12.2016	HUF billion
1-year Interest Bearing T-Bill	1,816.0	2,636.7	820.7
6-month Interest Bearing T-Bill	81.0	428.9	347.9
Treasury Saving Bills	403.4	453.7	50.2
PGB, BGB	1,198.3	1,521.2	322.9
Babybond	18.6	27.4	8.8
Total	3,517.3	5,067.9	1,550.5



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 30.12.2016	727.0946	550.6814	694.2234	534.9583
Changes compared to the end of the month before	10.0395	1.2786	9.0693	0.3362
Annual yield earned on the index portfolio	6.73%	1.22%	6.39%	0.81%

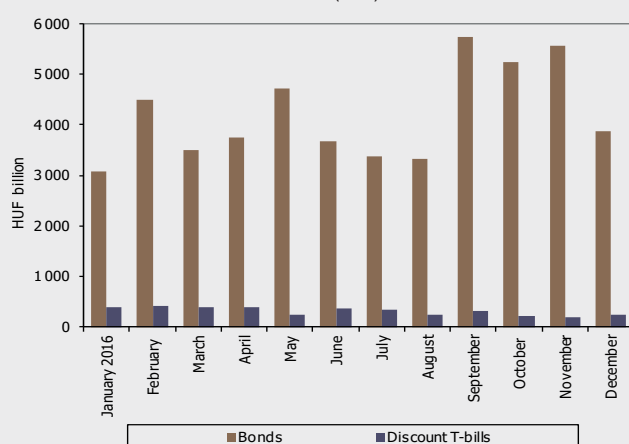
Government bonds with the highest secondary market turnover in December 2016

Government bond	Date of redemption	Turnover (HUF billion)
2025/B	24.06.2025	460.4
2019/A	24.06.2019	364.4
2021/B	27.10.2021	355.8
2023/A	24.11.2023	352.6
2024/B	26.06.2024	319.9
2018/B	25.04.2018	314.7
2022/A	24.06.2022	313.3
2027/A	27.10.2027	311.0
2020/A	12.11.2020	304.8
2018/C	22.06.2018	292.6

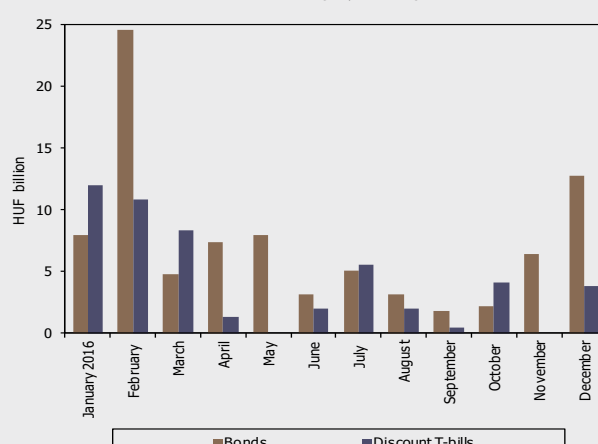
The outstanding volume of government bonds with benchmark status at the end of December 2016

Government bond	HUF billion	
	30.11.2016	31.12.2016
2019/C	728.24	748.47
2021/B	635.83	650.96
2027/A	285.14	295.20
2031/A	122.85	123.06

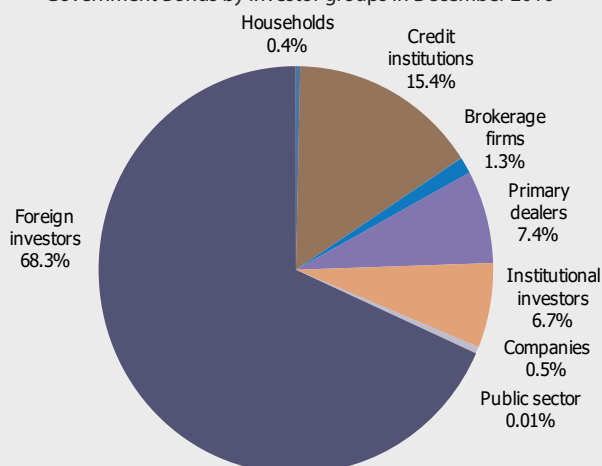
Secondary market trading of Hungarian government securities (OTC)



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



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



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

