

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT SEPTEMBER 2017

The net issuance was HUF 1,286.0 billion; out of which net HUF-denominated issuance was HUF 1,620.4 billion and net foreign currency denominated redemption was HUF 334.5 billion in 2017.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2016		2017		Change	
	December	%	September	%	HUF billion	%
HUF denominated debt	18,430.9	72.5	20,051.3	76.0	1,620.4	8.8
Loans	865.0	3.4	877.1	3.3	12.0	1.4
Government bonds	11,601.6	45.6	11,914.5	45.2	312.9	2.7
Retail securities	5,067.9	19.9	6,513.7	24.7	1,445.8	28.5
Discount treasury bills	896.4	3.5	746.1	2.8	-150.3	-16.8
Foreign exchange denominated debt	6,256.5	24.6	5,925.6	22.5	-330.9	-5.3
Total	24,687.4	97.1	25,976.9	98.5	1,289.5	5.2
<i>Other obligations</i>	742.7	2.9	399.3	1.5	-343.4	-46.2
Total central government debt	25,430.0	100.0	26,376.2	100.0	946.2	3.7

The HUF denominated debt of the central government increased by HUF 1,620.4 billion in 2017. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 1,445.8 billion, the amount of discount Treasury bills decreased by HUF 150.3 billion and the net government bond issuance was HUF 312.9 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 330.9 billion in 2017. The Panda bond issue increased the debt by HUF 38.8 billion, the domestic P€MAK and residence bond issuance was HUF 208.0 billion, while the redemptions of foreign currency debt worth HUF 689.1 billion decreased the debt. The exchange rate revaluations totalling HUF 3.6 billion increased the Hungarian Forint value of the foreign currency debt in 2017. The total amount of other liabilities decreased by HUF 343.4 billion in 2017.

BENCHMARK YIELDS

Maturity	30.12.2016	31.08.2017	29.09.2017	Change in September basis point
3-month	0.06	0.05	-0.04	-9
6-month	0.08	0.11	-0.03	-14
1-year	0.15	0.07	-0.04	-11
3-year	0.82	0.68	0.51	-17
5-year	1.67	1.64	1.21	-43
10-year	3.16	2.95	2.58	-37
15-year	3.66	3.58	3.21	-37

Monthly OTC turnover of government securities increased by 18% to HUF 4,477.8 billion in September. Primary dealers, who account for the decisive part of all secondary government securities trading, made 77% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 42.8 billion in September and amounted to HUF 3,529.0 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 311.23 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); Baa3 (Moody's); BBB- (Fitch).

GOVERNMENT SECURITIES MARKET

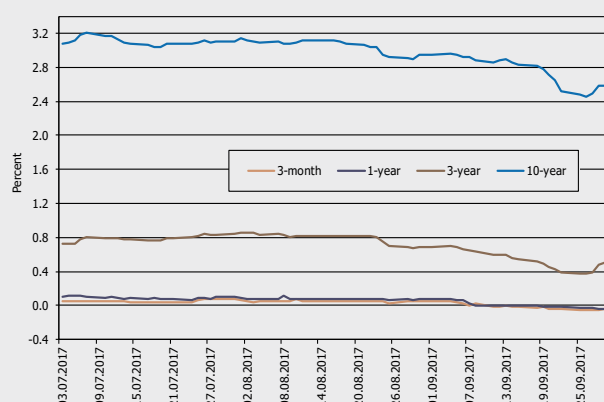
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

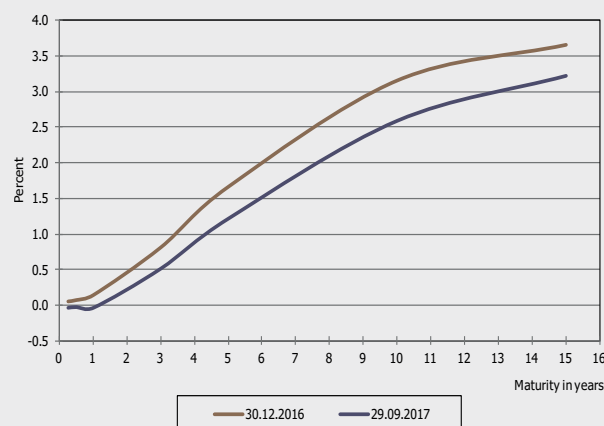
	2012	2013	2014	2015	2016	2017 July	2017 August	2017 September
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	19,596.2	19,764.6	20,051.3
1.1. Loans	566.8	603.6	623.3	694.1	865.0	877.1	877.1	877.1
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	18,719.1	18,887.6	19,174.2
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	18,679.9	18,848.4	19,135.1
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,499.0	11,677.7	11,875.3
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	822.4	811.8	746.1
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	6,358.6	6,358.9	6,513.7
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	5,848.7	5,891.5	5,925.6
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	1,071.6	1,076.3	1,024.7
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	1,071.6	1,076.3	1,024.7
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	4,777.1	4,815.3	4,901.0
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,109.3	4,127.1	4,195.7
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	667.9	688.2	705.3
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	25,444.9	25,656.1	25,976.9
Other liabilities	351.10	117.30	311.20	756.00	742.70	461.2	424.2	399.3
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	25,906.1	26,080.4	26,376.2
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	12,360.6	12,528.7	12,660.6
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.

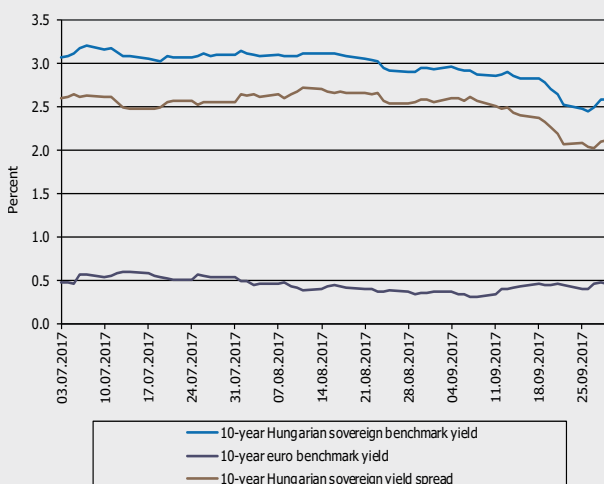
Benchmark yields



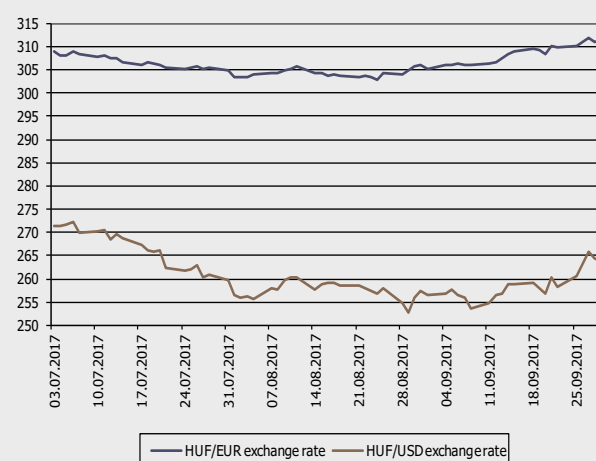
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



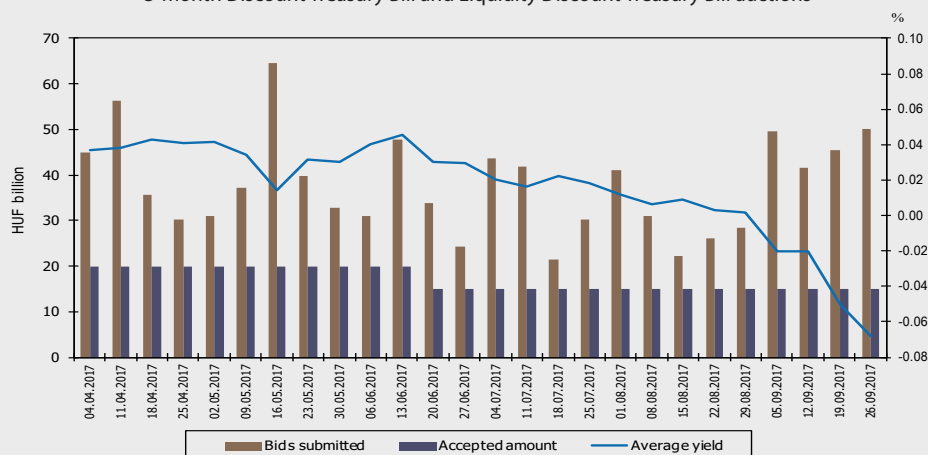
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

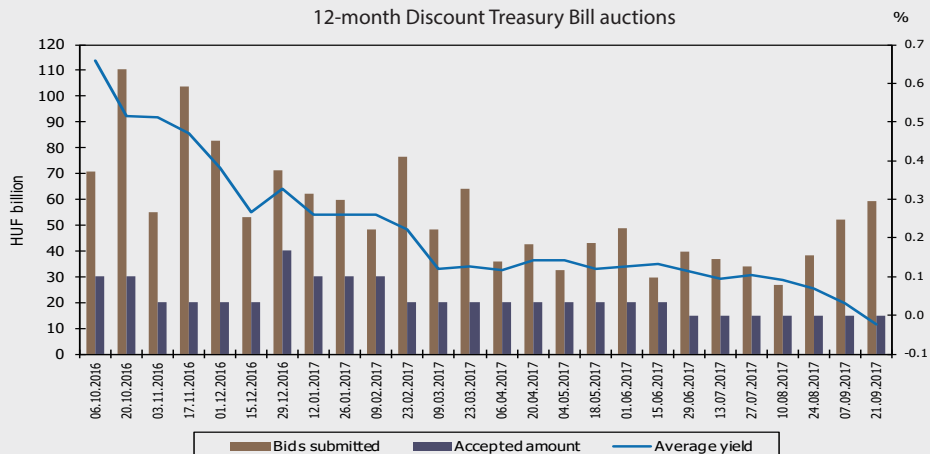
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D171213	D171220	D171227	D180103	D180718	D180926
ISIN code	HU0000521729	HU0000521414	HU0000521737	HU0000521752	HU0000521687	HU0000521745
Maturity in days	91	91	91	91	308	364
Date of auction	05.09.2017	12.09.2017	19.09.2017	26.09.2017	07.09.2017	21.09.2017
Date of financial settlement	13.09.2017	20.09.2017	27.09.2017	04.10.2017	13.09.2017	27.09.2017
Redemption date	13.12.2017	20.12.2017	27.12.2017	03.01.2018	18.07.2018	26.09.2018
Maximum yield (%) - ISMA	-0.02	-0.02	-0.05	-0.06	0.04	-0.02
Minimum yield (%) - ISMA	-0.02	-0.02	-0.05	-0.09	0.03	-0.05
Average yield (%) - ISMA	-0.02	-0.02	-0.05	-0.07	0.03	-0.02
Maximum yield (%) - EHM	-0.02	-0.02	-0.05	-0.06	0.04	-0.02
Minimum yield (%) - EHM	-0.02	-0.02	-0.05	-0.09	0.03	-0.05
Average yield (%) - EHM	-0.02	-0.02	-0.05	-0.07	0.03	-0.03
Average selling price (%)	100.0051	100.0051	100.0126	100.0172	99.9740	100.0252
Amount offered for sale (HUF million)	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Amount of bids submitted (HUF million)	49,600.00	41,600.00	45,500.00	50,000.00	52,160.51	59,379.51
Amount of bids accepted (HUF million)	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Bid-to-cover ratio	3.31	2.77	3.03	3.33	3.48	3.96
Bids submitted (pcs)	32	26	23	26	69	38
Bids accepted (pcs)	12	10	10	14	16	11
Market sales* (HUF million)	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Retained on ÁKK's own account (HUF million)	10,500.00	10,500.00	10,500.00	10,500.00	15,000.00	15,000.00
Total amount issued (HUF million)	25,500.00	25,500.00	25,500.00	25,500.00	30,000.00	30,000.00

* Without issuance onto ÁKK's own account

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



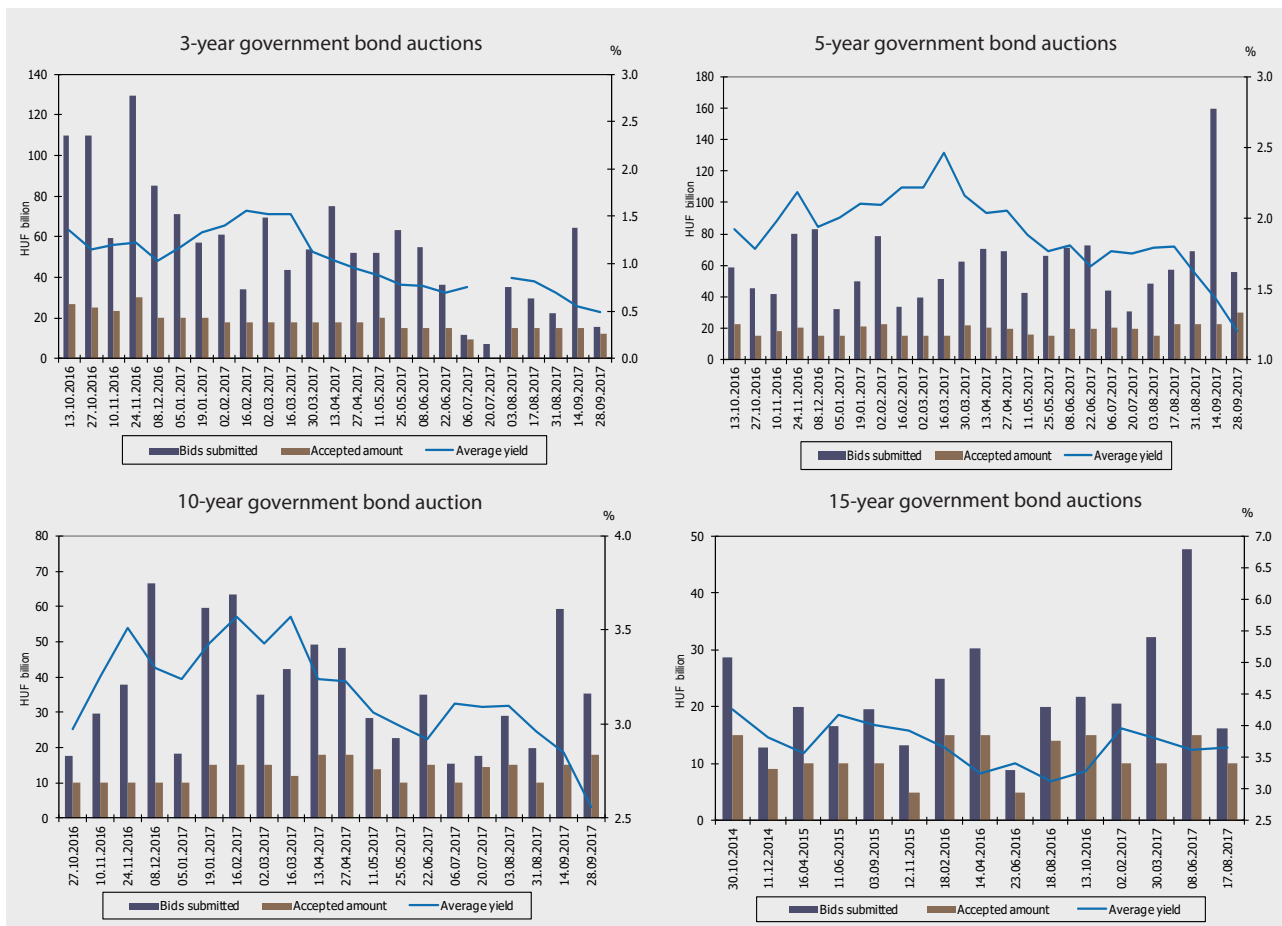
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/A	2020/C	2022/B	2027/A	2021/A	2020/C	2022/B	2027/A
ISIN code	HU0000402995	HU0000403258	HU0000403266	HU0000403118	HU0000402995	HU0000403258	HU0000403266	HU0000403118
Maturity (in years)	5	3	5	10	5	3	5	10
Coupon	0.15%	1.00%	1.75%	3.00%	0.15%	1.00%	1.75%	3.00%
Auction	29th auction	19th auction	19th auction	35th auction	30th auction	20th auction	20th auction	36th auction
Date of auction	07.09.2017	14.09.2017	14.09.2017	14.09.2017	21.09.2017	28.09.2017	28.09.2017	28.09.2017
Date of financial settlement	13.09.2017	20.09.2017	20.09.2017	20.09.2017	27.09.2017	04.10.2017	04.10.2017	04.10.2017
Redemption date	23.06.2021	23.09.2020	26.10.2022	27.10.2027	23.06.2021	23.09.2020	26.10.2022	27.10.2027
Maximum annual yield (%) - ISMA	-	0.57	1.43	2.85	-	0.52	1.21	2.57
Minimum annual yield (%) - ISMA	-	0.54	1.41	2.84	-	0.44	1.17	2.53
Average annual yield (%) - ISMA	-	0.55	1.42	2.85	-	0.49	1.20	2.56
Maximum annual yield (%) - EHM	-	0.57	1.43	2.85	-	0.52	1.21	2.57
Minimum annual yield (%) - EHM	-	0.54	1.41	2.84	-	0.44	1.17	2.53
Average annual yield (%) - EHM	-	0.55	1.42	2.85	-	0.49	1.20	2.56
Maximum price (%)	98.6500	101.3703	101.6600	101.3930	99.0900	101.6487	102.8350	104.1295
Minimum price (%)	98.6200	101.2818	101.5663	101.2980	98.9300	101.4109	102.6345	103.7683
Average price (%)	98.6300	101.3450	101.5980	101.3126	99.0300	101.4928	102.6997	103.8562
Amount offered for sale (HUF million)	5,000.00	15,000.00	15,000.00	10,000.00	7,000.00	15,000.00	20,000.00	12,000.00
Amount of bids submitted (HUF million)	29,150.00	64,450.00	159,610.66	59,264.10	30,051.50	15,360.00	56,050.00	35,405.21
Amount of bids accepted (HUF million)	7,499.99	15,000.00	22,500.00	14,999.99	9,999.99	11,999.98	30,000.00	17,999.97
Bid-to-cover ratio	3.89	4.30	7.09	3.95	3.01	1.28	1.87	1.97
Bids submitted (pcs)	36	47	79	59	37	24	44	46
Bids accepted (pcs)	16	20	18	16	16	23	25	24
Tail (%) (average price - minimum price)	0.01	0.06	0.03	0.01	0.10	0.08	0.07	0.09
Market sales (HUF million)	7,499.99	15,000.00	22,500.00	14,999.99	9,999.99	11,999.98	30,000.00	17,999.97
Non-competitive offer (HUF million)	2,439.99	5,280.00	8,280.00	5,471.19	3,679.99	0.00	6,320.00	4,091.03
Total amount sales (HUF million)	9,939.98	20,280.00	30,780.00	20,471.18	13,679.98	11,999.98	36,320.00	22,091.00



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

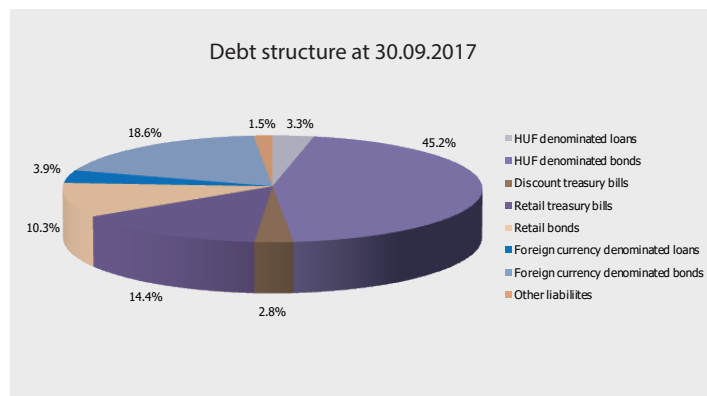
Government bond	2018/B	2019/C
ISIN code	HU0000402730	HU0000403092
Coupon (%)	4.00	2.00
Date of reverse auction	13.09.2017	13.09.2017
Date of financial settlement	20.09.2017	20.09.2017
Redemption date	25.04.2018	30.10.2019
Minimum annual yield (%)	-	-
Average annual yield- ISMA (%)	-	-
Average annual yield - EHM (%)	-	-
Amount of bids submitted (HUF million)	0.00	1,847.60
Amount of bids accepted (HUF million)	0.00	0.00

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN SEPTEMBER 2017

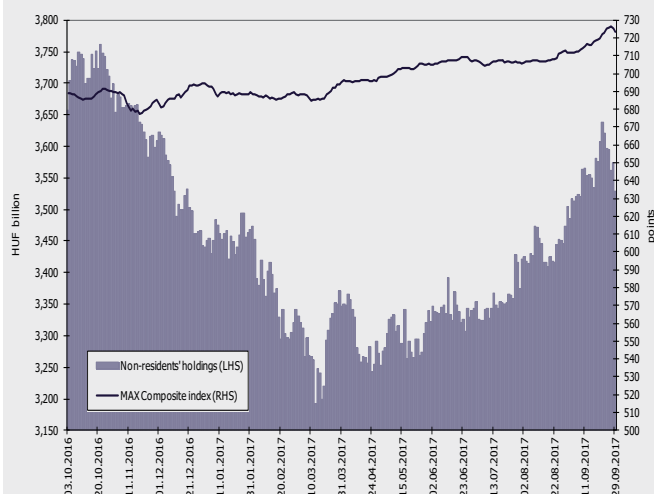
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2017/C	18.09.2017	20.09.2017	20.12.2017	20.12.2017	0.12%	0.03%
2020/Q	20.09.2017	22.09.2017	22.09.2018	24.09.2018	2.07%	2.10%
2021/A	20.09.2017	23.09.2017	23.12.2017	27.12.2017	0.06%	0.02%
2022/N	18.09.2017	20.09.2017	20.09.2018	20.09.2018	2.57%	2.61%
2026/N	20.09.2017	22.09.2017	22.09.2018	24.09.2018	2.82%	2.86%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

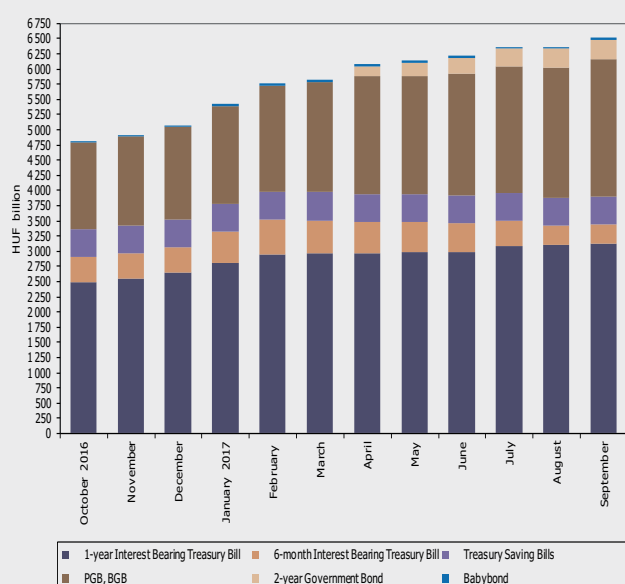
Retail securities	HUF billion		Change
	31.12.2016	30.09.2017	HUF billion
1-year Interest Bearing T-Bill	2,636.7	3,122.8	486.2
6-month Interest Bearing T-Bill	428.9	318.6	-110.4
Treasury Saving Bills	453.7	459.2	5.6
PGB, BGB	1,521.2	2,261.3	740.1
2-year Government Bond	0.0	317.4	317.4
Babybond	27.4	34.3	6.9
Total	5,067.9	6,513.6	1,445.8



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 29.09.2017	760.6400	551.6962	723.6197	535.4628
Changes compared to the end of the month before	13.7650	0.2171	12.0321	0.2132
Annual yield earned on the index portfolio (%)	5.32	0.59	4.94	0.27

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 29.09.2017	740.8099	805.7763	578.7378	374.7673
Changes compared to the end of the month before	4.0355	17.3539	18.9699	15.6368
Reference yield (%)	0.51	1.21	2.58	3.21
Annual yield earned on the index portfolio (%)	5.02	5.81	5.11	2.52

Government bonds with the highest secondary market turnover in September 2017

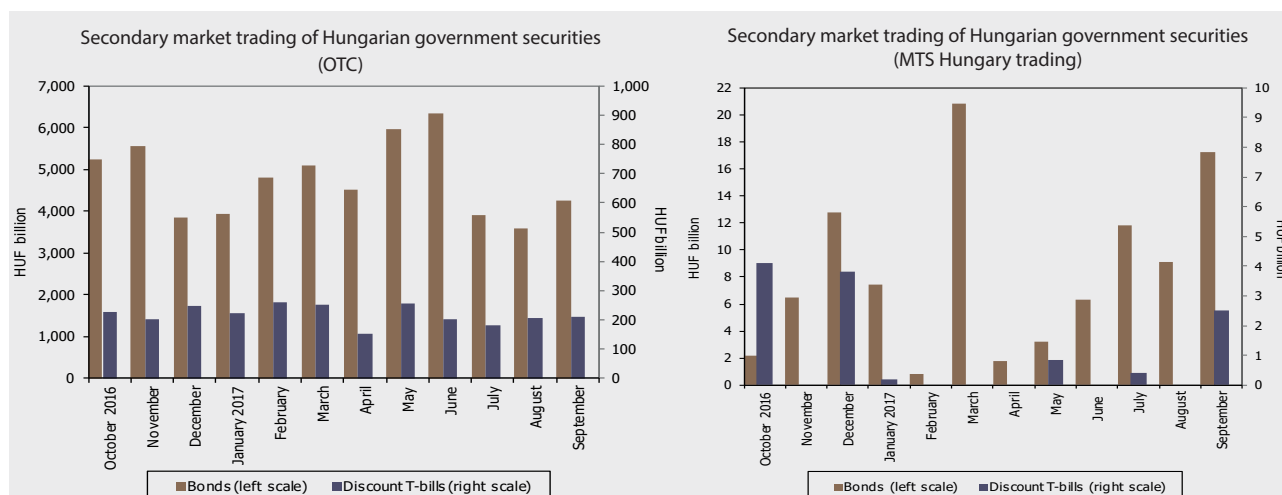
Government bond	Date of redemption	Turnover (HUF billion)
2025/B	24.06.2025	553.5
2027/A	27.10.2027	475.4
2026/D	22.12.2026	429.5
2024/B	26.06.2024	402.1
2022/B	26.10.2022	321.8
2023/A	24.11.2023	282.9
2020/A	12.11.2020	252.6
2022/A	24.06.2022	234.0
2018/B	25.04.2018	166.5
2020/C	23.09.2020	150.5

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

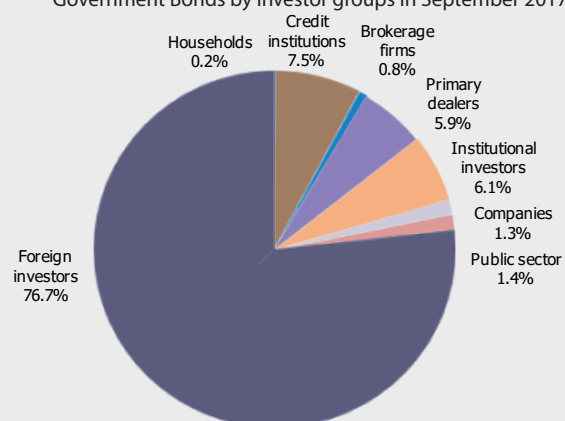
Government bond	HUF billion	
	31.08.2017	30.09.2017
2020/C	332.77	372.07
2022/B	387.94	442.45
2027/A	515.62	549.13
2031/A	179.94	179.99

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

Government bond	HUF billion
2025/B	1,137.00
2023/A	997.86
2022/A	971.35



Breakdown of primary dealers' secondary market turnover in Government Bonds by investor groups in September 2017



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

