GOVERNMENT SECURITIES MARKET

MONTHLY REPORT
JANUARY 2016

The net issuance was HUF 450.6 billion; out of which net HUF-denominated issuance was HUF 441.9 billion and net foreign currency denominated issuance was HUF 8.7 billion in 2016.

	2015		2016		Change	
(HUF billion)	December	%	January	%	HUF billion	%
HUF denominated debt	16,207.9	65.6%	16,649.8	66.1%	441.9	2.7%
Loans	694.1	2.8%	736.6	2.9%	42.5	6.1%
Government bonds	11,094.9	44.9%	11,001.9	43.7%	-93.0	-0.8%
Retail securities	3,517.4	14.2%	3,707.0	14.7%	189.6	5.4%
Discount treasury bills	901.6	3.7%	1,204.2	4.8%	302.7	33.6%
Foreign exchange denominated debt	7,735.8	31.3%	7,727.1	30.7%	-8.7	-0.1%
Total	23,943.7	96.9%	24,376.9	96.8%	433.2	1.8%
Other obligations	756.0	3.1%	803.4	3.2%	47.4	6.3%
Total central government debt	24,699.7	100.0%	25,180.3	100.0%	480.6	1.9%

The HUF denominated debt of the central government increased by HUF 441.9 billion in 2016. The increase in domestic debt was the result of net government bond redemption of HUF 84.0 billion, the amount of discount Treasury bills increased by HUF 302.7 billion and the total amount of retail government securities increased by HUF 189.6 billion. The stock of non-marketable government bonds decreased by HUF 9.0 billion. The volume of HUF loans increased by HUF 42.5 billion in 2016.

The foreign currency debt of the central government decreased by HUF 8.7 billion in 2016. The domestic P€MAK and residence bond issuance was HUF 9.4 billion, while the redemptions of foreign currency debt worth HUF 0.7 billion decreased the debt. The exchange rate revaluations totalling HUF 17.4 billion decreased the Hungarian Forint value of the foreign currency debt in January. The total amount of other liabilities increased by HUF 47.4 billion in 2016.

BENCHMARK YIELDS

Maturity	30.11.2015	30.12.2015	29.01.2016	Change in December basis point
3-month	0.79	0.80	0.93	13
6-month	0.8	0.87	0.95	8
1-year	0.95	0.93	0.96	3
3-year	1.91	2.11	1.93	-18
5-year	2.47	2.55	2.44	-11
10-year	3.29	3.33	3.48	15
15-year	3.87	3.88	3.71	-17

Monthly OTC turnover of government securities decreased to HUF 3,458.7 billion in January. Primary dealers, who account for the decisive part of all secondary government securities trading, made 79% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 61.8 billion in January and amounted to HUF 3,834.3 billion at the end of the month. This volume represented 24.1% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 312.42 on the last working day of January.

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

GOVERNMENT SECURITIES MARKET

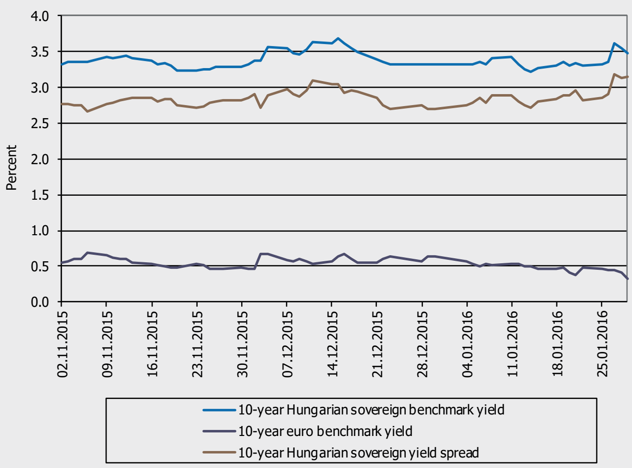
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

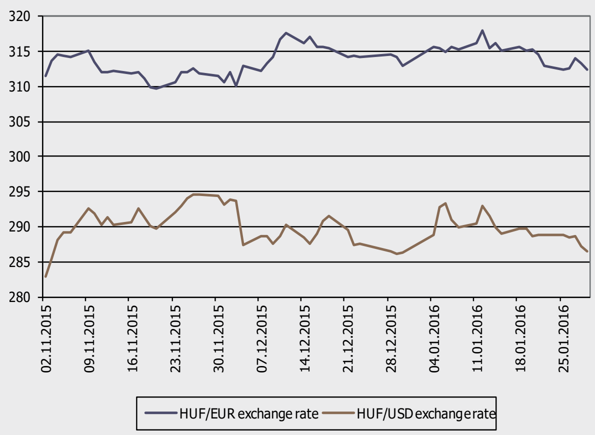
	2010	2011	2012	2013	2014	2015 November	2015 December	2016 January
1. Forint denominated debt	10,978.2	10,362.2	12,042.4	12,976.4	14,612.0	16,372.2	16,207.9	16,649.8
1.1. Loans	540.8	590.8	566.8	603.6	623.3	697.1	694.1	736.6
1.2. Government securities	10,437.4	9,771.4	11,475.6	12,372.8	13,988.7	15,675.1	15,513.8	15,913.2
1.2.1. Public issues	10,019.6	9,368.1	11,077.1	12,182.3	13,847.7	15,536.6	15,462.3	15,870.7
1.2.1.1. Bonds	7,965.8	7,353.4	8,184.1	8,588.8	9,848.0	10,965.4	11,043.4	10,959.4
1.2.1.2. Discount T-bills	1,618.2	1,540.9	1,906.5	1,904.9	1,588.6	1,234.9	901.6	1,204.2
1.2.1.3. Retail securities	435.7	473.8	986.6	1,688.5	2,411.1	3,336.3	3,517.4	3,707.0
1.2.2. Private placements	417.8	403.2	398.5	190.5	141.0	138.5	51.5	42.5
2. Foreign currency denominated debt*	8,842.8	10,170.4	8,326.6	8,904.9	8,957.9	8,219.2	7,735.8	7,727.1
2.1. Loans	4,292.8	4,458.1	3,312.5	2,735.6	2,164.3	1,719.7	1,696.8	1,692.3
2.1.1. Foreign loans	4,292.8	4,337.9	3,229.0	2,400.2	1,889.9	1,636.3	1,614.2	1,610.0
2.1.2. Domestic loans	3,526.9	0.0	83.5	335.4	274.4	83.3	82.6	82.3
2.2. Government securities	4,550.0	5,712.3	5,014.1	6,169.3	6,793.6	6,499.5	6,039.0	6,034.9
2.2.1. Issued abroad	4,550.0	5,712.3	4,924.2	5,736.9	5,844.6	5,385.1	5,198.9	5,187.4
2.2.2. Issued domestically	0.0	0.0	89.9	432.5	948.9	1,114.4	840.1	847.5
Total	19,821.0	20,532.6	20,369.0	21,881.4	23,569.9	24,591.4	23,943.7	24,376.9
Other liabilities	220.01	422.89	351.10	117.30	311.20	913.70	756.00	803.40
Total central government debt	20,041.0	20,955.5	20,720.1	21,998.6	23,881.1	25,505.1	24,699.7	25,180.3
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	10,001.8	9,297.6	10,489.1	10,684.2	11,577.6	12,338.8	11,996.5	12,206.1
Gross debt/GDP	74.4%	74.7%	72.6%	73.7%	74.9%			

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

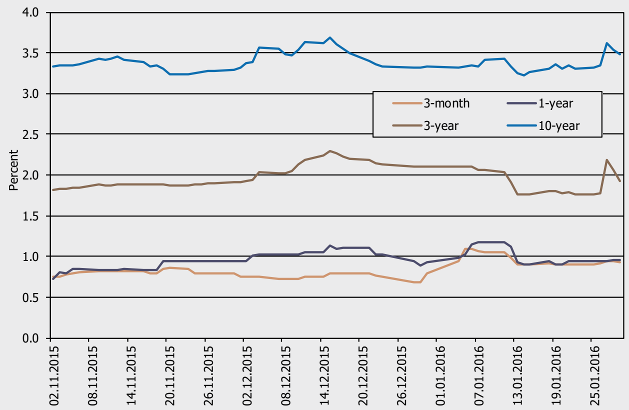
10-year Hungarian and eurozone benchmark yields



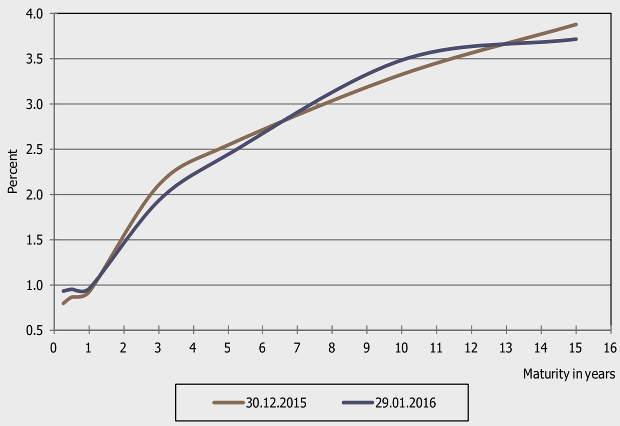
The exchange rate of the Hungarian Forint



Benchmark yields



Benchmark yield curves



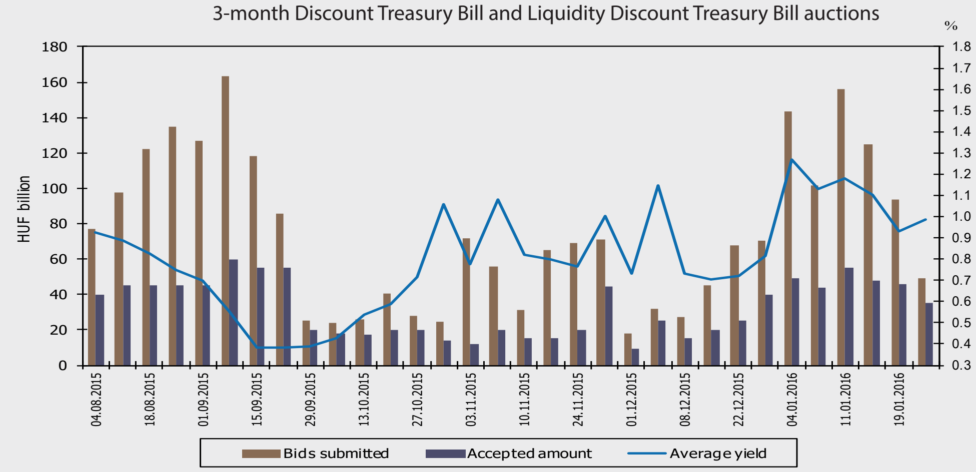
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

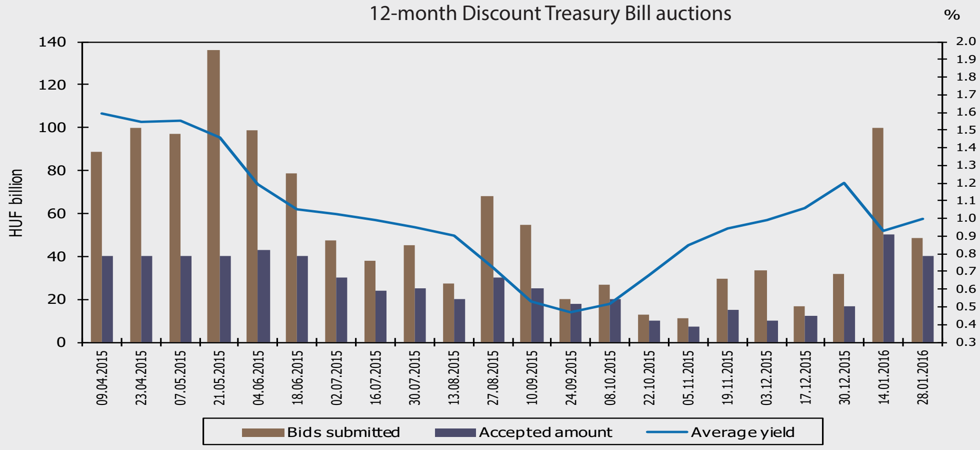
	Liuquidity Discount T-bills		3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D160224	D160224	D160413	D160420	D160427	D160504	D161228	D161228
ISIN code	HU0000520770	HU0000520770	HU0000520572	HU0000520861	HU0000520879	HU0000520887	HU0000520853	HU0000520853
Maturity in days	49	42	91	91	91	91	343	329
Date of auction	04.01.2016	11.01.2016	05.01.2016	12.01.2016	19.01.2016	26.01.2016	14.01.2016	28.01.2016
Date of financial settlement	06.01.2016	13.01.2016	13.01.2016	20.01.2016	27.01.2016	03.02.2016	20.01.2016	03.02.2016
Redemption date	24.02.2016	24.02.2016	13.04.2016	20.04.2016	27.04.2016	04.05.2016	28.12.2016	28.12.2016
Maximum yield (%) - ISMA	1.30	1.20	1.17	1.13	0.95	1.04	0.96	1.05
Minimum yield (%) - ISMA	0.98	1.15	1.03	1.04	0.82	0.89	0.85	0.94
Average yield (%) - ISMA	1.27	1.18	1.13	1.10	0.93	0.98	0.93	1.00
Maximum yield (%) - EHM	1.32	1.22	1.19	1.15	0.96	1.05	0.97	1.06
Minimum yield (%) - EHM	0.99	1.17	1.04	1.05	0.83	0.90	0.86	0.95
Average yield (%) - EHM	1.29	1.20	1.15	1.12	0.94	0.99	0.94	1.01
Average selling price (%)	99.8274	99.8625	99.7152	99.7227	99.7655	99.7529	99.1217	99.0944
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	143,672.00	155,780.00	101,454.00	124,790.00	93,790.00	48,900.00	100,040.00	48,670.00
Amount of bids accepted (HUF million)	48,999.96	54,999.98	43,999.97	47,999.92	45,999.93	34,999.98	49,999.95	39,999.97
Bid-to-cover ratio	2.93	2.83	2.31	2.60	2.04	1.40	2.00	1.22
Bids submitted (pcs)	115.00	107.00	121.00	126.00	126.00	74.00	122.00	78.00
Bids accepted (pcs)	50.00	45.00	60.00	62.00	65.00	66.00	94.00	69.00
Market sales* (HUF million)	48,999.96	54,999.98	43,999.97	47,999.92	45,999.93	34,999.98	49,999.95	39,999.97
Retained on ÁKK's own account (HUF mil-	0.04	0.02	13,200.03	14,400.08	13,800.07	10,500.02	50,000.05	12,000.03
Total amount issued (HUF million)	49,000.00	55,000.00	57,200.00	62,400.00	59,800.00	45,500.00	100,000.00	52,000.00

* Without issuance onto ÁKK's own account

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



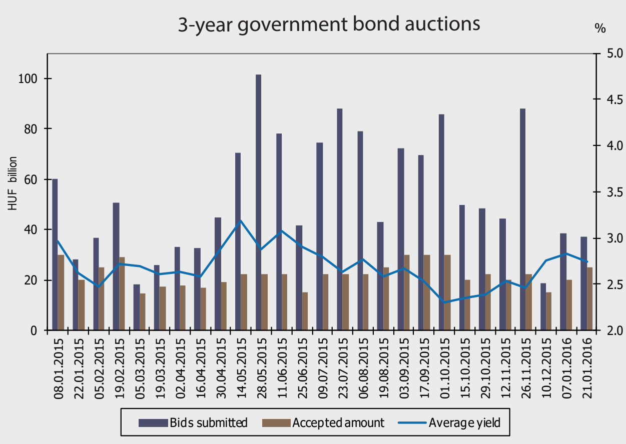
12-month Discount Treasury Bill auctions

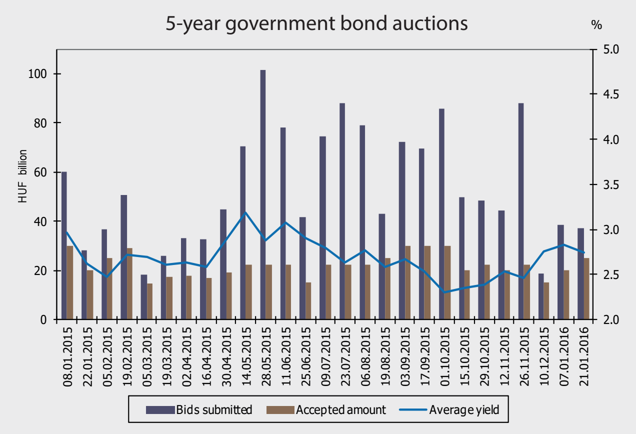


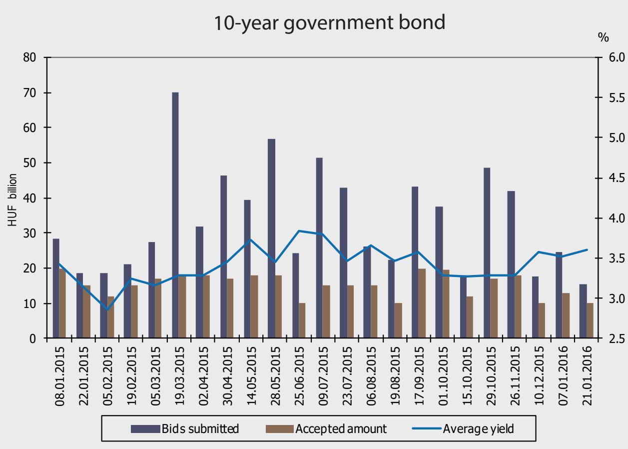
GOVERNMENT SECURITIES MARKET

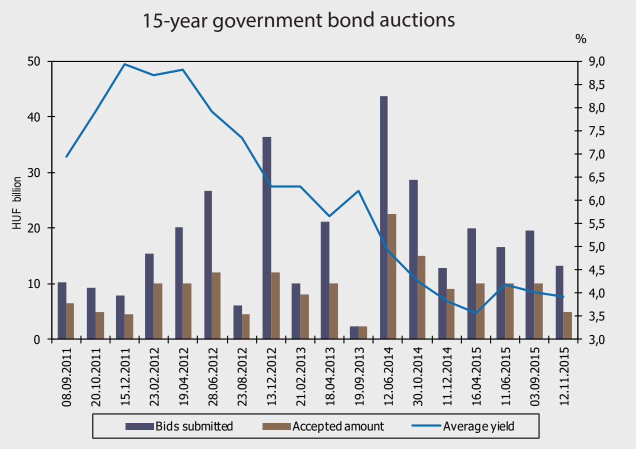
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/C	2021/B	2027/A	2019/D	2019/C	2021/B	2027/A	2021/A
ISIN code	HU0000403092	HU0000403100	HU0000403118	HU0000403126	HU0000403092	HU0000403100	HU0000403118	HU0000402995
Maturity (in years)	3	5	10	3	3	5	10	5
Coupon (%)	2.00%	2.50%	3.00%	1.35%	2.00%	2.50%	3.00%	1.35%
Auction	1. auction	1. auction	1. auction	1. auction	2. auction	2. auction	2. auction	12.auction
Date of auction	07.01.2016	07.01.2016	07.01.2016	14.01.2016	21.01.2016	21.01.2016	21.01.2016	28.01.2016
Date of financial settlement	13.01.2016	13.01.2016	13.01.2016	20.01.2016	27.01.2016	27.01.2016	27.01.2016	03.02.2016
Redemption date	30.10.2019	27.10.2021	27.10.2027	28.08.2019	30.10.2019	27.10.2021	27.10.2027	23.06.2021
Maximum annual yield (%) - ISMA	2.51	2.86	3.54		2.32	2.77	3.64	
Minimum annual yield (%) - ISMA	2.44	2.79	3.48		2.27	2.70	3.55	
Average annual yield (%) - ISMA	2.47	2.83	3.52		2.30	2.74	3.60	
Maximum annual yield (%) - EHM	2.51	2.86	3.54		2.32	2.77	3.64	
Minimum annual yield (%) - EHM	2.44	2.79	3.48		2.27	2.70	3.55	
Average annual yield (%) - EHM	2.47	2.83	3.51		2.30	2.74	3.60	
Maximum price (%)	98.4271	98.4782	95.4308	99.7100	99.0407	98.9552	94.7965	98.6600
Minimum price (%)	98.1794	98.1133	94.8767	99.4000	98.8640	98.5903	93.9756	98.2500
Average price (%)	98.3038	98.2701	95.0867	99.5500	98.9293	98.7452	94.3396	98.4400
Amount offered for sale (HUF million)	20,000.00	20,000.00	12,000.00	10,000.00	20,000.00	20,000.00	10,000.00	8,000.00
Amount of bids submitted (HUF million)	37,650.00	38,400.00	24,670.00	23,400.00	75,935.00	37,395.00	15,595.00	11,700.00
Amount of bids accepted (HUF million)	19,999.99	20,000.00	12,999.99	9,999.99	30,000.00	24,999.97	9,999.99	7,999.99
Bid-to-cover ratio	1.88	1.92	1.90	2.34	2.53	1.50	1.56	1.46
Bids submitted (pcs)	52	50	49	48	73	54	44	18
Bids accepted (pcs)	24	24	30	18	31	30	35	13
Tail (average price - minimum price)	0.12	0.16	0.21	0.15	0,07	0.15	0.36	0.19
Market sales (HUF million)	19,999.99	20,000.00	12,999.99	9,999.99	30,000.00	24,999.97	9,999.99	7,999.99
Non-competitive offer (HUF million)	20,000.01	20,000.00	13,000.01	10,000.01	30,000.00	25,000.03	10,000.01	3,200.01
Total amount sales (HUF million)	40,000.00	40,000.00	26,000.00	20,000.00	60,000.00	50,000.00	20,000.00	11,200.00









GOVERNMENT SECURITIES MARKET

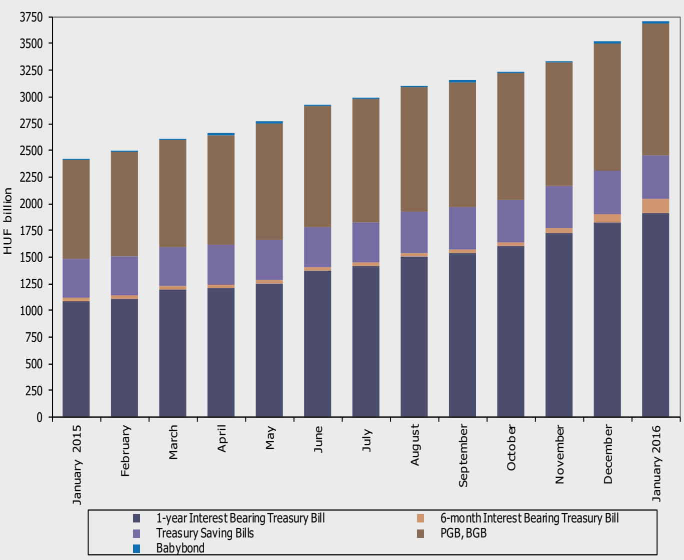
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JANUARY 2016

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2018/D	21.01.2016	24.01.2016	24.04.2016	25.04.2016	1.35%	0.34%
2033/S	29.01.2016	01.02.2016	01.02.2017	01.02.2017	3.00%	3.00%
2034/S	29.01.2016	01.02.2016	01.02.2017	01.02.2017	3.00%	3.00%
2035/S	29.01.2016	01.02.2016	01.02.2017	01.02.2017	3.00%	3.00%

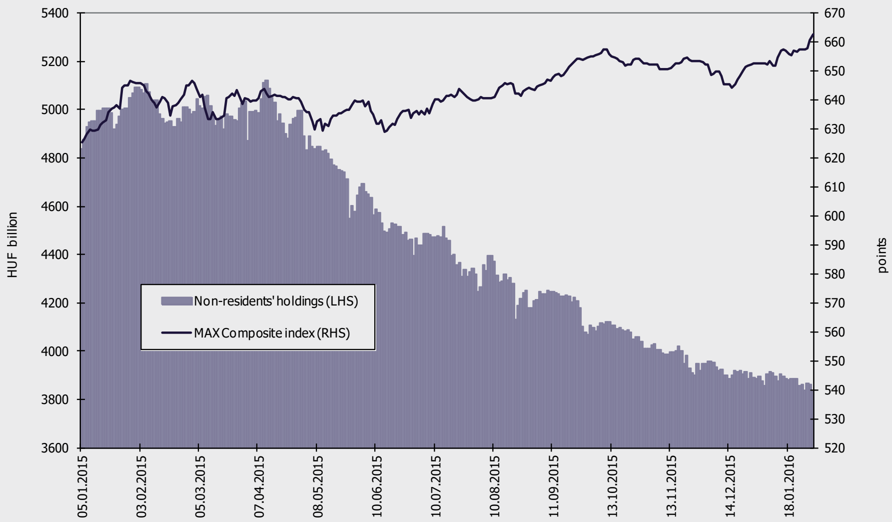
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2015	31.01.2016	HUF billion
1-year Interest Bearing	1,816.0	1,914.2	98.2
6-month Interest Bearing	81.0	126.8	45.8
Treasury Saving Bills	403.4	409.2	5.7
PGB, BGB	1,198.3	1,237.4	39.1
Babybond	18.6	19.4	0.7
Total	3,517.3	3,707.0	189.6

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 29 January 2016	692.3458	544.1729	662.6575	530.8365
Changes compared to the end of the month before	11.0760	0.1291	10.1044	0.1635
Annual yield earned on the index portfolio	2.44%	1.44%	2.54%	1.22%

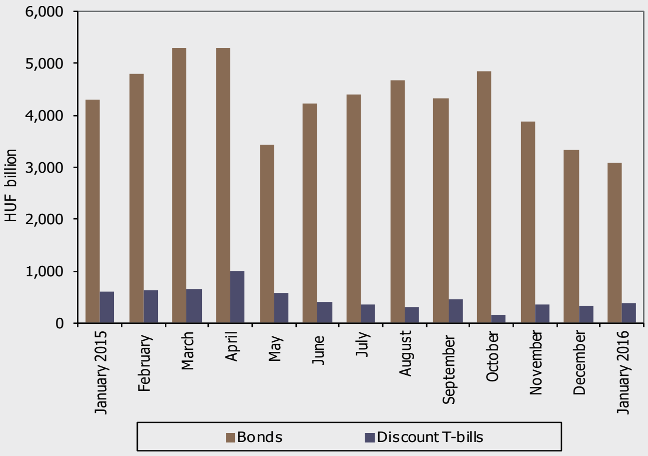
Government bonds with the highest secondary market turnover in January 2016

Government bond	Date of redemption	Turnover (HUF billion)
2018/B	25.04.2018	676.6
2025/B	24.06.2025	386.1
2018/C	22.06.2018	344.2
2022/A	24.06.2022	329.6
2017/A	24.11.2017	321.8
2019/A	24.06.2019	311.8
2020/B	24.06.2020	284.3
2023/A	24.11.2023	251.0
2020/A	12.11.2020	157.6
2018/A	20.12.2018	149.5

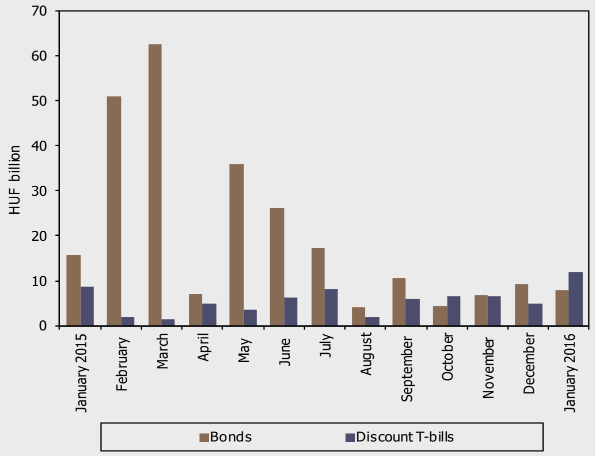
The outstanding volume of government bonds with benchmark status at the end of January 2016

Government bond	HUF billion	
	31.12.2015	31.01.2016
2019/C	0.00	59.74
2021/B	0.00	54.25
2027/A	0.00	24.15
2031/A	43.16	43.17

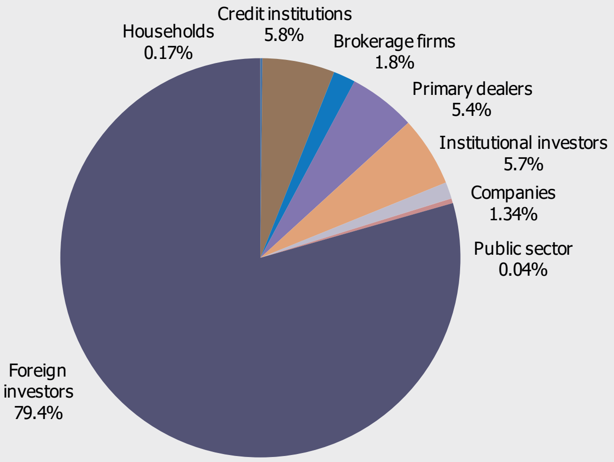
Secondary market trading of Hungarian government securities (OTC)



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



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



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