

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT NOVEMBER 2017

The net issuance was HUF 1,934.0 billion; out of which net HUF-denominated issuance was HUF 2,290.2 billion and net foreign currency denominated redemption was HUF 356.3 billion in 2017.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2016		2017		Change	
	December	%	November	%	HUF billion	%
HUF denominated debt	18,430.9	72.5	20,721.1	76.9	2,290.2	12.4
Loans	865.0	3.4	1,012.9	3.8	147.9	17.1
Government bonds	11,601.6	45.6	11,946.0	44.4	344.4	3.0
Retail securities	5,067.9	19.9	6,667.6	24.8	1,599.7	31.6
Discount treasury bills	896.4	3.5	1,094.6	4.1	198.2	22.1
Foreign exchange denominated debt	6,256.5	24.6	5,931.5	22.0	-325.0	-5.2
Total	24,687.4	97.1	26,652.6	99.0	1,965.3	8.0
<i>Other obligations</i>	742.7	2.9	281.8	1.0	-460.8	-62.1
Total central government debt	25,430.0	100.0	26,934.5	100.0	1,504.4	5.9

The HUF denominated debt of the central government increased by HUF 2,290.2 billion in 2017. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 1,599.7 billion, the amount of discount Treasury bills increased by HUF 198.2 billion and the net government bond issuance was HUF 344.4 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 147.9 billion in 2017.

The foreign currency debt of the central government decreased by HUF 325.0 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 P€MAK and residence bond issuance was HUF 210.4 billion, while the redemptions of foreign currency debt worth HUF 1,050.2 billion decreased the debt. The exchange rate revaluations totalling HUF 31.3 billion increased the Hungarian Forint value of the foreign currency debt in 2017. The total amount of other liabilities decreased by HUF 460.8 billion in 2017.

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

BENCHMARK YIELDS

Maturity	30.12.2016	31.10.2017	30.11.2017	Change in November basis point
3-month	0.06	-0.04	-0.01	3
6-month	0.08	-0.01	0.00	1
1-year	0.15	0.00	-0.01	-1
3-year	0.82	0.51	0.57	6
5-year	1.67	1.22	1.09	-13
10-year	3.16	2.48	2.13	-35
15-year	3.66	3.21	2.82	-39

Monthly OTC turnover of government securities increased by 9% to HUF 4,534.4 billion in November. 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 115.2 billion in November and amounted to HUF 3,398.5 billion at the end of the month. This volume represented 17.2% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 312.68 on the last working day of November.

The credit rating of the long-term foreign currency debt of Hungary is as follows on the last working day of November: BBB- (Standard & Poor's); Baa3 (Moody's); BBB- (Fitch). Fitch Ratings revised Hungary's sovereign credit outlook to "positive" from "stable" in November.

GOVERNMENT SECURITIES MARKET

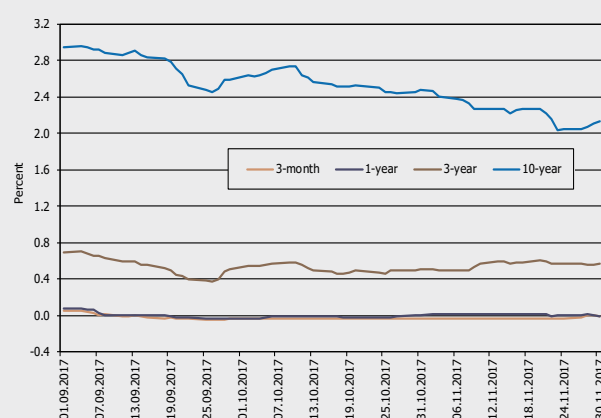
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

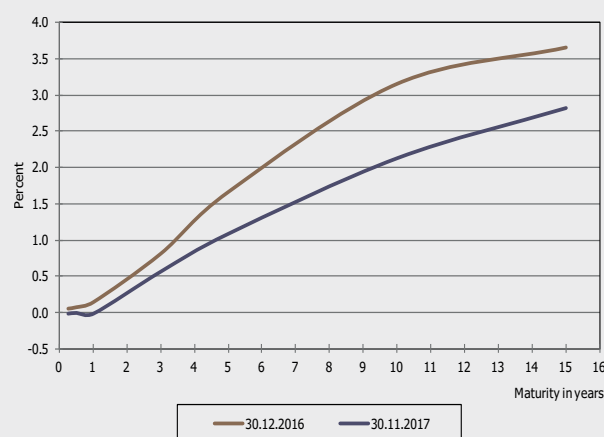
	2012	2013	2014	2015	2016	2017 September	2017 October	2017 November
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	20,051.3	20,386.5	20,721.1
1.1. Loans	566.8	603.6	623.3	694.1	865.0	877.1	901.1	1,012.9
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	19,174.2	19,485.4	19,708.2
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	19,135.1	19,446.3	19,669.0
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,875.3	12,069.8	11,906.8
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	746.1	711.5	1,094.6
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	6,513.7	6,665.0	6,667.6
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	5,925.6	5,899.7	5,931.5
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	1,024.7	992.2	1,003.1
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	1,024.7	992.2	1,003.1
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	4,901.0	4,907.5	4,928.4
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,195.7	4,200.5	4,217.5
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	705.3	707.0	710.9
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	25,976.9	26,286.2	26,652.6
Other liabilities	351.10	117.30	311.20	756.00	742.70	399.3	314.9	281.8
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	26,376.2	26,601.1	26,934.5
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	12,660.6	12,820.5	13,040.6
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.

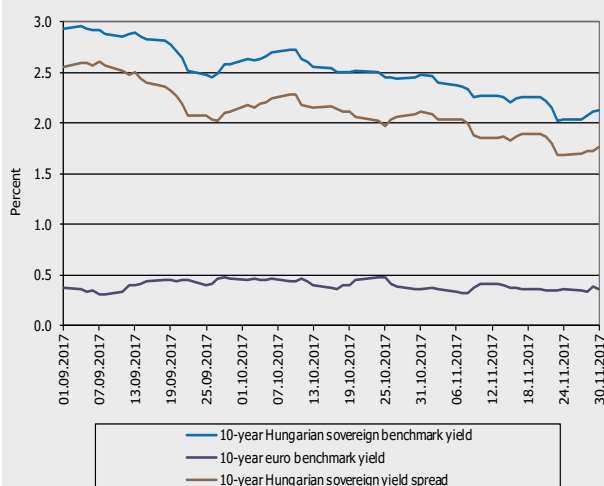
Benchmark yields



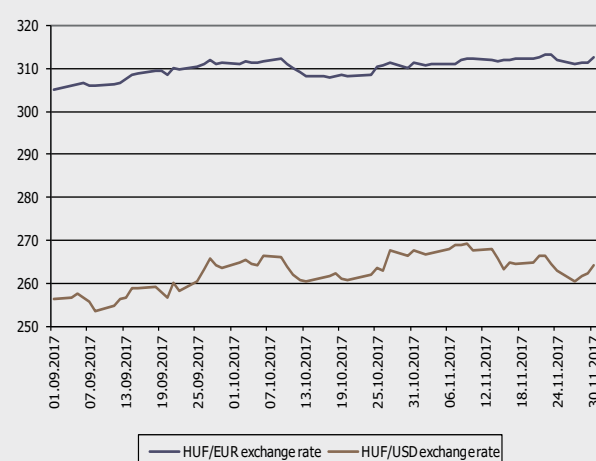
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



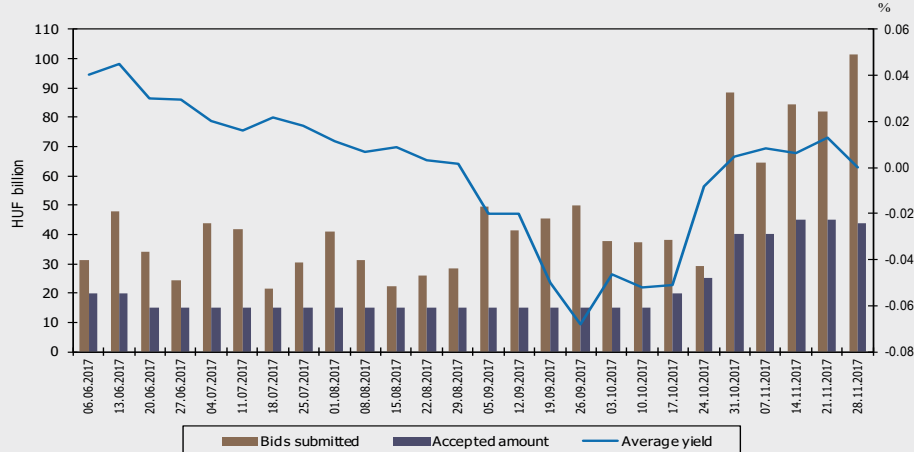
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

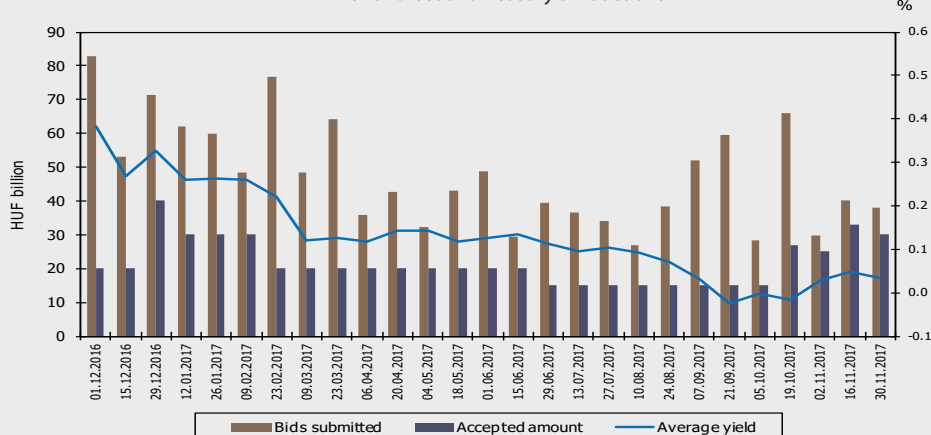
	Liquidity Disc T-bills				3-month Discount T-bills				12-month Discount T-bills		
Code of T-bills	D171227	D180117	D180117	D180124	D180214	D180221	D180228	D180307	D180926	D181121	D181121
ISIN code	HU0000521737	HU0000521778	HU0000521778	HU0000521786	HU0000521810	HU0000521828	HU0000521448	HU0000521836	HU0000521745	HU0000521844	HU0000521844
Maturity in days	49	63	56	56	91	91	91	91	322	364	350
Date of auction	06.11.2017	13.11.2017	20.11.2017	27.11.2017	07.11.2017	14.11.2017	21.11.2017	28.11.2017	02.11.2017	16.11.2017	30.11.2017
Date of financial settlement	08.11.2017	15.11.2017	22.11.2017	29.11.2017	15.11.2017	22.11.2017	29.11.2017	06.12.2017	08.11.2017	22.11.2017	06.12.2017
Redemption date	27.12.2017	17.01.2018	17.01.2018	24.01.2018	14.02.2018	21.02.2018	28.02.2018	07.03.2018	26.09.2018	21.11.2018	21.11.2018
Maximum yield (%) - ISMA	0.02	0.01	0.03	0.03	0.02	0.01	0.02	0.00	0.05	0.05	0.04
Minimum yield (%) - ISMA	0.00	0.00	-0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.03	0.01
Average yield (%) - ISMA	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.00	0.03	0.05	0.03
Maximum yield (%) - EHM	0.02	0.01	0.03	0.04	0.02	0.01	0.02	0.00	0.05	0.06	0.04
Minimum yield (%) - EHM	0.00	0.00	-0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.03	0.01
Average yield (%) - EHM	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.00	0.03	0.05	0.03
Average selling price (%)	99.9985	99.9988	99.9983	99.9974	99.9979	99.9984	99.9967	100.0000	99.9744	99.9519	99.9667
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	40,000.00	40,000.00	30,000.00
Amount of bids submitted (HUF million)	108,640.00	91,268.30	65,311.02	75,648.00	64,453.00	84,520.00	82,163.71	101,317.00	29,800.00	40,076.00	38,030.00
Amount of bids accepted (HUF million)	49,999.99	49,999.97	49,999.98	40,000.00	40,000.00	45,000.00	45,000.00	43,999.97	24,999.98	33,000.00	29,999.98
Bid-to-cover ratio	2.17	1.83	1.31	1.89	1.61	1.88	1.83	2.30	1.19	1.21	1.27
Bids submitted (pcs)	35	26	33	24	32	31	55	43	31	48	41
Bids accepted (pcs)	18	12	30	14	21	19	31	8	27	35	31
Market sales* (HUF million)	49,999.99	49,999.97	49,999.98	40,000.00	40,000.00	45,000.00	45,000.00	43,999.97	24,999.98	33,000.00	29,999.98
Retained on ÁKK's own account (HUF million)	0.01	0.03	0.02	-	10,000.00	13,500.00	11,250.00	13,200.03	7,500.02	33,000.00	30,000.02
Total amount issued (HUF million)	50,000.00	50,000.00	50,000.00	40,000.00	50,000.00	58,500.00	56,250.00	57,200.00	32,500.00	66,000.00	60,000.00

* Without issuance onto ÁKK's own account

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



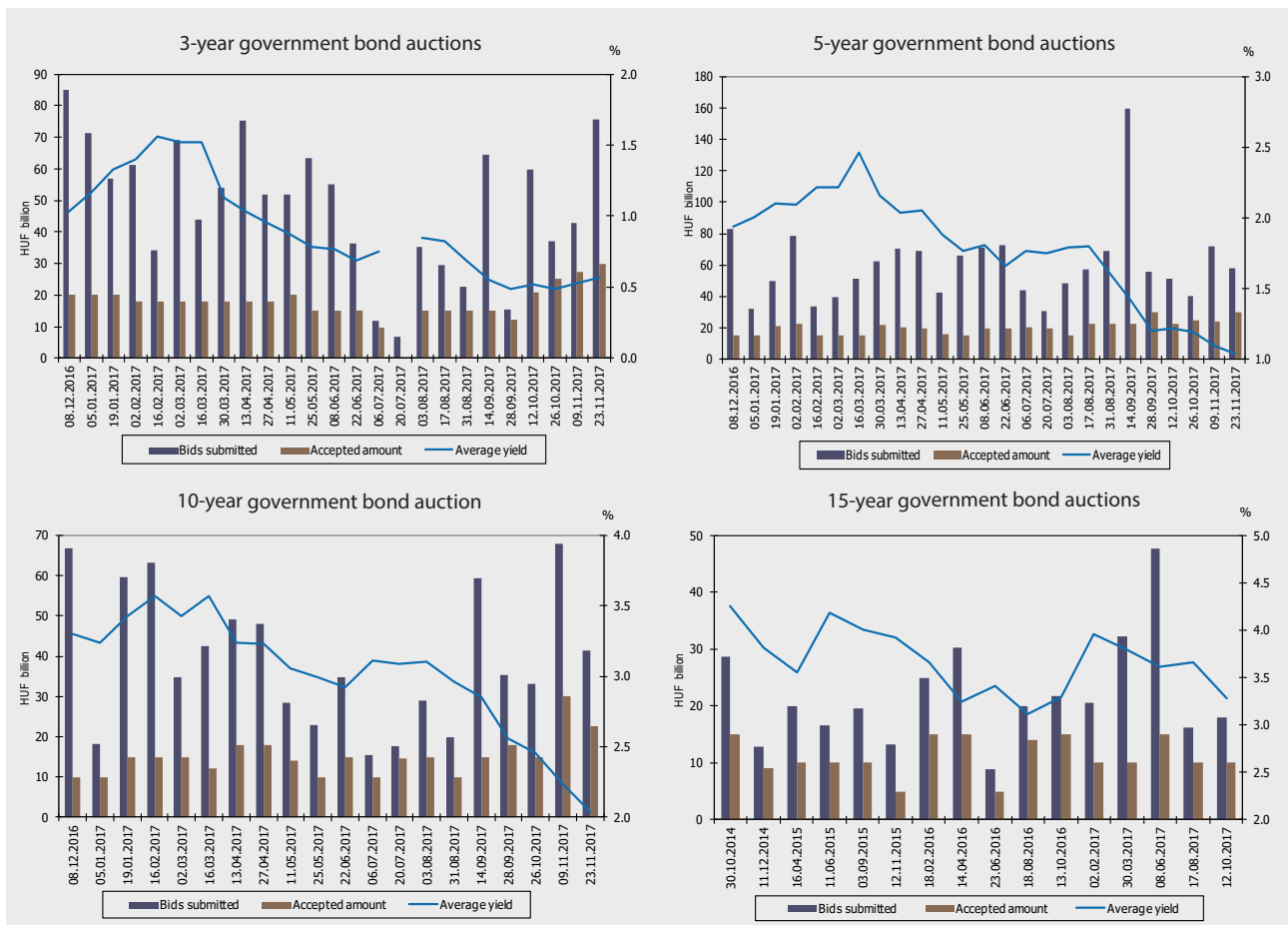
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/A	2020/C	2022/B	2027/A	2021/A	2020/C	2022/B	2027/A	2021/A
ISIN code	HU0000402995	HU0000403258	HU0000403266	HU0000403118	HU0000402995	HU0000403258	HU0000403266	HU0000403118	HU0000402995
Maturity (in years)	5	3	5	10	5	3	5	10	5
Coupon	0.06%	1.00%	1.75%	3.00%	0.06%	1.00%	1.75%	3.00%	0.06%
Auction	33rd	23rd	23rd	38th	34th	24th	24th	39th	35th
Date of auction	02.11.2017	09.11.2017	09.11.2017	09.11.2017	16.11.2017	23.11.2017	23.11.2017	23.11.2017	30.11.2017
Date of financial settlement	08.11.2017	15.11.2017	15.11.2017	15.11.2017	22.11.2017	29.11.2017	29.11.2017	29.11.2017	06.12.2017
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	23.06.2021
Maximum annual yield (%) - ISMA	-	0.54	1.11	2.24	-	0.58	1.05	2.05	-
Minimum annual yield (%) - ISMA	-	0.52	1.08	2.22	-	0.55	1.03	2.00	-
Average annual yield (%) - ISMA	-	0.53	1.10	2.23	-	0.57	1.04	2.04	-
Maximum annual yield (%) - EHM	-	0.54	1.11	2.24	-	0.58	1.05	2.05	-
Minimum annual yield (%) - EHM	-	0.52	1.08	2.22	-	0.55	1.03	2.00	-
Average annual yield (%) - EHM	-	0.53	1.10	2.23	-	0.57	1.04	2.03	-
Maximum price (%)	99.3000	101.3579	103.2001	106.8940	99.2400	101.2553	103.4303	108.9081	99.2400
Minimum price (%)	99.1700	101.2993	103.0626	106.7200	99.1500	101.1704	103.3300	108.4392	99.1600
Average price (%)	99.2300	101.3238	103.1116	106.7563	99.2000	101.2001	103.3731	108.5694	99.1800
Amount offered for sale (HUF million)	7,000.00	20,000.00	20,000.00	20,000.00	7,000.00	20,000.00	20,000.00	15,000.00	7,000.00
Amount of bids submitted (HUF million)	14,200.00	42,935.00	71,600.00	67,751.75	13,608.08	75,499.30	57,580.00	41,300.00	12,959.43
Amount of bids accepted (HUF million)	6,999.99	27,500.00	23,999.98	30,000.00	8,000.00	30,000.00	29,999.99	22,499.97	7,999.98
Bid-to-cover ratio	2.03	1.56	2.98	2.26	1.70	2.52	1.92	1.84	1.62
Bids submitted (pcs)	24	24	54	54	33	45	55	53	24
Bids accepted (pcs)	12	16	24	19	25	21	34	34	18
Tail (%) (average price - minimum price)	0.06	0.02	0.05	0.04	0.05	0.03	0.04	0.13	0.02
Market sales (HUF million)	6,999.99	27,500.00	23,999.98	30,000.00	8,000.00	30,000.00	29,999.99	22,499.97	7,999.98
Non-competitive offer (HUF million)	1,098.18	360.00	120.00	640.00	1,276.76	5,920.00	8,235.14	2,491.52	1,652.48
Total amount sales (HUF million)	8,098.17	27,860.00	24,119.98	30,640.00	9,276.76	35,920.00	38,235.13	24,991.49	9,652.46



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

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

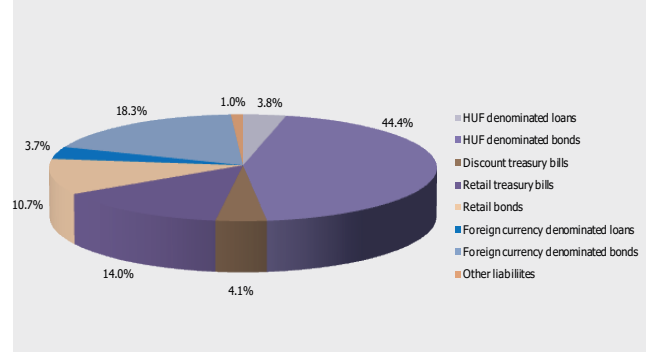
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN NOVEMBER 2017

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2018/K	17.11.2017	21.11.2017	21.11.2018	21.11.2018	3.40%	3.40%
2019/B	17.11.2017	20.11.2017	20.05.2018	21.05.2018	0.01%	0.01%
2019/D	25.11.2017	28.11.2017	28.02.2018	28.02.2018	0.03%	0.01%
2032/S	30.11.2017	02.12.2017	02.12.2018	03.12.2018	3.40%	3.40%

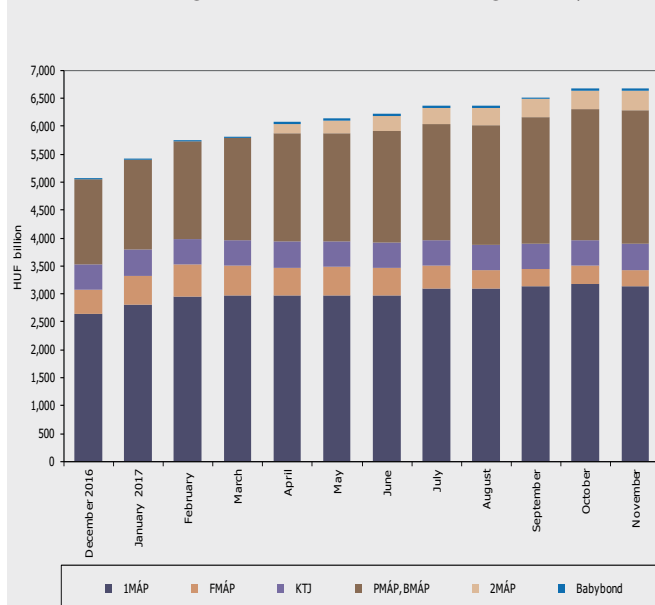
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2016	30.11.2017	HUF billion
1-year Hungarian Government Security / 1MÁP	2,636.7	3,135.7	499.1
Half-year Hungarian Government Security / FMÁP	428.9	291.1	-137.8
Treasury Saving Bills / KTJ	453.7	463.4	9.8
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	1,521.2	2,384.9	863.8
2-year Hungarian Government Security / 2MÁP	0.0	356.4	356.4
Babybond	27.4	35.9	8.5
Total	5,067.9	6,667.5	1,599.7

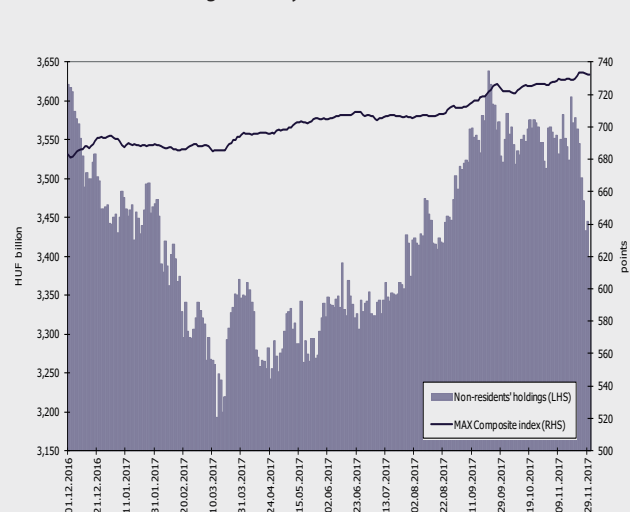
Debt structure at 30.11.2017



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 30.11.2017	770.6581	551.6443	732.3580	535.4869
Changes compared to the end of the month before	7.4675	-0.0218	6.5103	0.0131
Annual yield earned on the index portfolio (%)	7.48	0.41	6.89	0.16

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 30.11.2017	740.2238	811.9495	603.7786	393.4228
Changes compared to the end of the month before	-0.9059	5.7481	18.9733	17.6111
Reference yield (%)	0.57	1.09	2.13	2.82
Annual yield earned on the index portfolio (%)	4.40	7.60	14.67	14.33

Government bonds with the highest secondary market turnover in November 2017

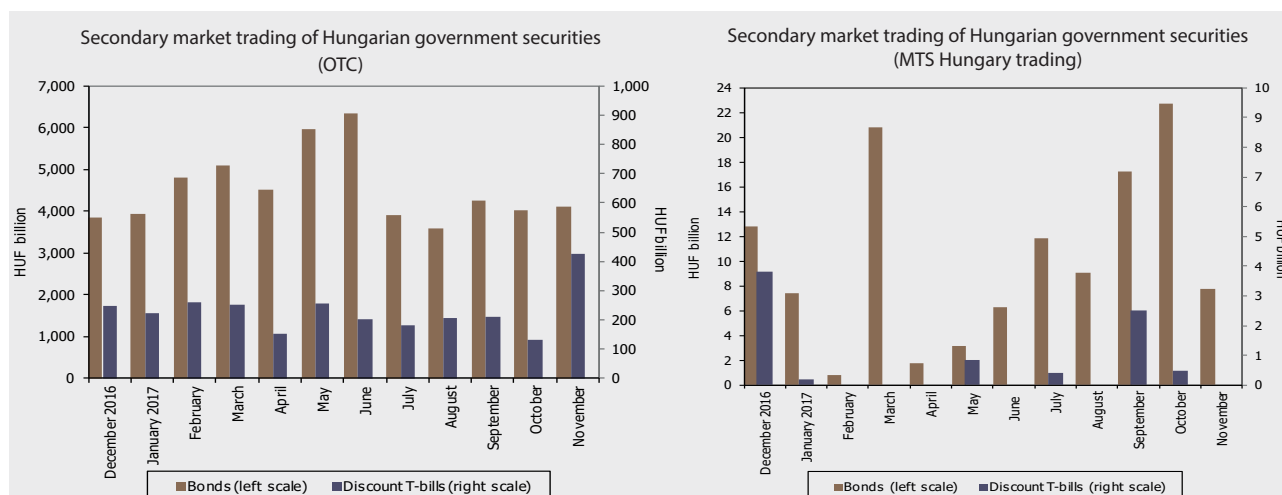
Government bond	Date of redemption	Turnover (HUF billion)
2027/A	27.10.2027	754.2
2025/B	24.06.2025	372.5
2026/D	22.12.2026	302.3
2018/B	25.04.2018	286.8
2022/B	26.10.2022	199.7
2020/C	23.09.2020	193.2
2022/A	24.06.2022	175.6
2023/A	24.11.2023	169.6
2020/A	12.11.2020	158.3
2024/B	26.06.2024	148.4

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

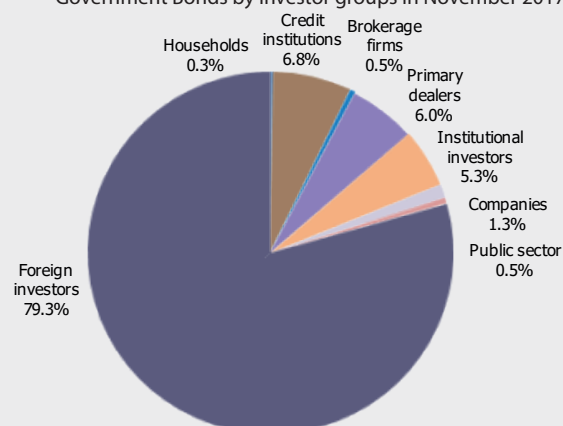
Government bond	HUF billion	
	31.10.2017	30.11.2017
2020/C	410.22	502.00
2022/B	504.59	597.01
2027/A	571.50	647.40
2031/A	192.19	192.29

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

Government bond	HUF billion
2025/B	1,137.43
2023/A	998.24
2022/A	971.85



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



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

