

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT MAY 2016

The net issuance was HUF 391.1 billion; out of which net HUF-denominated issuance was HUF 1,351.1 billion and net foreign currency denominated redemption was HUF 960.0 billion in 2016.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2015		2016		Change	
	December	%	May	%	HUF billion	%
HUF denominated debt	16,207.9	65.6	17,559.0	70.2	1,351.1	8.3
Loans	694.1	2.8	844.5	3.4	150.4	21.7
Government bonds	11,094.9	44.9	10,954.2	43.8	-140.7	-1.3
Retail securities	3,517.4	14.2	4,424.6	17.7	907.2	25.8
Discount treasury bills	901.6	3.7	1,335.7	5.3	434.2	48.2
Foreign exchange denominated debt	7,735.8	31.3	6,803.5	27.2	-932.3	-12.1
Total	23,943.7	96.9	24,362.6	97.4	418.8	1.7
<i>Other obligations</i>	756.0	3.1	657.7	2.6	-98.3	-13.0
Total central government debt	24,699.7	100.0	25,020.3	100.0	320.6	1.3

The HUF denominated debt of the central government increased by HUF 1,351.1 billion in 2016. The increase in domestic debt was the result of net government bond redemption of HUF 130.9 billion, the amount of discount Treasury bills increased by HUF 434.2 billion and the total amount of retail government securities increased by HUF 907.2 billion. The stock of non-marketable government bonds decreased by HUF 9.8 billion. The volume of HUF loans increased by HUF 150.4 billion in 2016.

The foreign currency debt of the central government decreased by HUF 932.3 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 46.8 billion, while the redemptions of foreign currency debt worth HUF 1,049.2 billion decreased the debt. The exchange rate revaluations totalling HUF 27.8 billion increased the Hungarian Forint value of the foreign currency debt in May. The total amount of other liabilities decreased by HUF 98.3 billion in 2016.

BENCHMARK YIELDS

Maturity	31.03.2016	29.04.2016	31.05.2016	Change in March basis point
3-month	1.00	0.90	0.88	-2
6-month	0.99	0.90	0.93	3
1-year	0.99	0.88	1.00	12
3-year	1.51	1.63	1.84	21
5-year	2.05	2.25	2.48	23
10-year	2.94	3.32	3.41	9
15-year	3.23	3.55	3.61	6

Monthly OTC turnover of government securities increased to HUF 4,959.0 billion in May. Primary dealers, who account for the decisive part of all secondary government securities trading, made 87% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 132.7 billion in May and amounted to HUF 3,470.6 billion at the end of the month. This volume represented 20.8% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 314.20 on the last working day of May.

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

GOVERNMENT SECURITIES MARKET

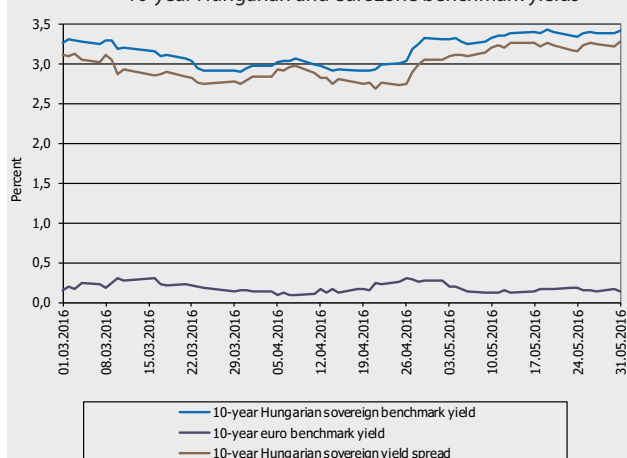
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

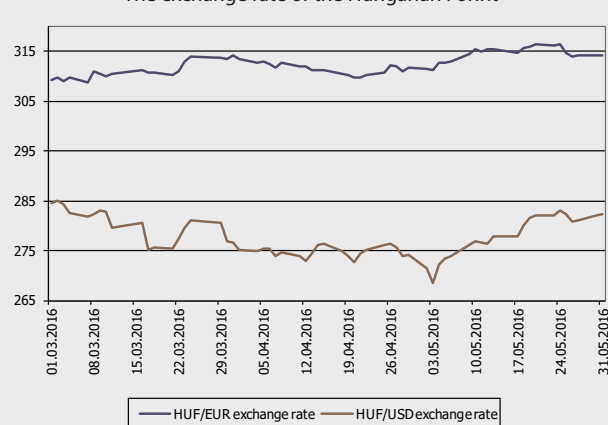
	2011	2012	2013	2014	2015	2016 March	2016 April	2016 May
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	17,286.1	17,533.4	17,559.0
1.1. Loans	590.8	566.8	603.6	623.3	694.1	844.5	844.5	844.5
1.2. Government securities	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	16,441.5	16,688.9	16,714.5
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	16,399.8	16,647.2	16,672.8
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	10,990.1	11,122.2	10,912.5
1.2.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	1,343.0	1,275.2	1,335.7
1.2.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	4,066.8	4,249.8	4,424.6
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	41.7	41.7	41.7
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	7,554.5	7,084.7	6,803.5
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,698.9	1,218.3	1,221.1
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,617.9	1,137.9	1,140.5
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	81.0	80.4	80.6
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,855.6	5,866.4	5,582.5
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	4,992.1	4,996.6	4,990.5
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	863.5	869.8	591.9
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,840.6	24,618.1	24,362.6
Other liabilities	422.89	351.10	117.30	311.20	756.00	632.40	626.90	657.70
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,473.0	25,245.0	25,020.3
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	12,374.8	12,439.1	12,289.9
Gross debt/GDP	74.7%	72.6%	73.7%	74.2%	73.3%			

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

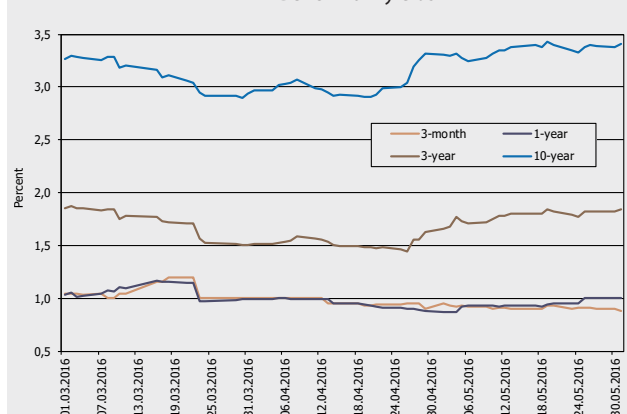
10-year Hungarian and eurozone benchmark yields



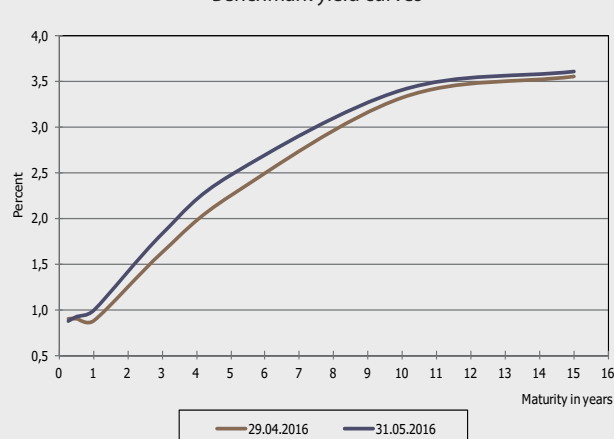
The exchange rate of the Hungarian Forint



Benchmark yields



Benchmark yield curves



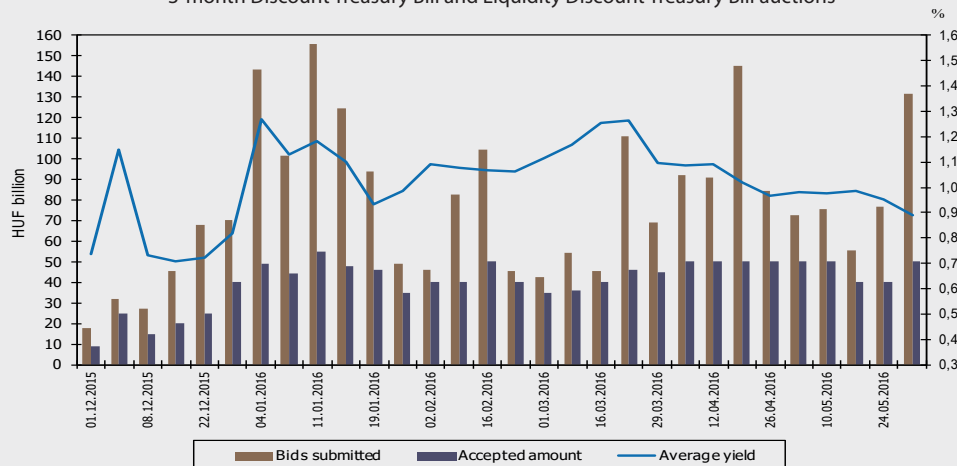
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

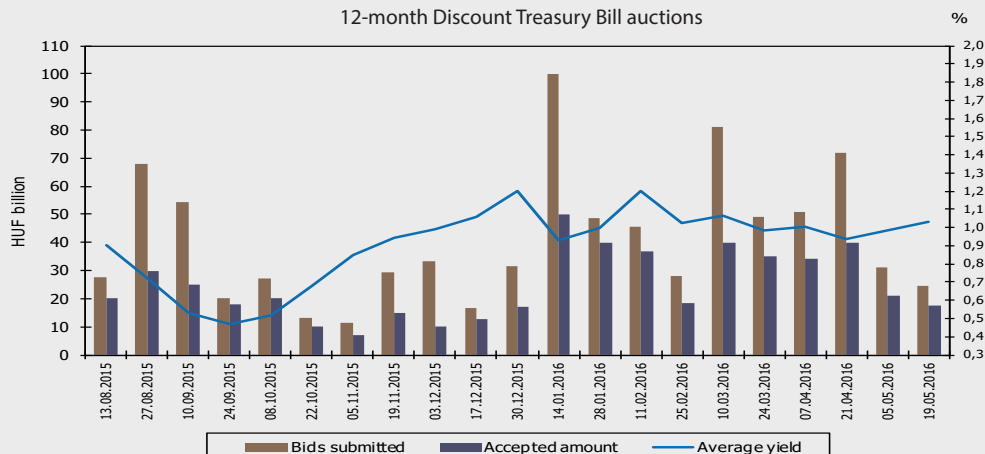
	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D160810	D160817	D160824	D160831	D160907	D170316	D170524
ISIN code	HU0000521083	HU0000521075	HU0000521067	HU0000521042	HU0000521034	HU0000520945	HU0000521059
Maturity in days	91	91	91	91	91	309	364
Date of auction	03.05.2016	10.05.2016	17.05.2016	24.05.2016	31.05.2016	05.05.2016	19.05.2016
Date of financial settlement	11.05.2016	18.05.2016	25.05.2016	01.06.2016	08.06.2016	11.05.2016	25.05.2016
Redemption date	10.08.2016	17.08.2016	24.08.2016	31.08.2016	07.09.2016	16.03.2017	24.05.2017
Maximum yield (%) - ISMA	1.00	1.00	1.00	0.97	0.90	1.02	1.05
Minimum yield (%) - ISMA	0.92	0.94	0.93	0.91	0.87	0.93	0.97
Average yield (%) - ISMA	0.98	0.98	0.99	0.95	0.89	0.99	1.03
Maximum yield (%) - EHM	1.01	1.01	1.01	0.98	0.91	1.03	1.06
Minimum yield (%) - EHM	0.93	0.95	0.94	0.92	0.88	0.94	0.98
Average yield (%) - EHM	0.99	0.99	1.00	0.96	0.90	1.00	1.04
Average selling price (%)	99.7529	99.7529	99.7504	99.7604	99.7755	99.1574	98.9693
Amount offered for sale (HUF million)	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)	72,800.00	75,432.88	55,318.99	76,550.00	131,856.78	31,100.00	24,730.00
Amount of bids accepted (HUF million)	49,999.93	49,999.88	39,999.89	39,999.99	49,999.96	20,999.99	17,499.93
Bid-to-cover ratio	1.46	1.51	1.38	1.91	2.64	1.48	1.41
Bids submitted (pcs)	89.00	108.00	86.00	97.00	105.00	64.00	72.00
Bids accepted (pcs)	66.00	90.00	69.00	44.00	28.00	55.00	52.00
Market sales* (HUF million)	49,999.93	49,999.88	39,999.89	39,999.99	49,999.96	20,999.99	17,499.93
Retained on ÁKK's own account (HUF mil-	15,000.07	15,000.12	12,000.11	12,000.01	15,000.04	6,300.01	17500.07
Total amount issued (HUF million)	65,000.00	65,000.00	52,000.00	52,000.00	65,000.00	27,300.00	35,000.00

* Without issuance onto ÁKK's own account

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



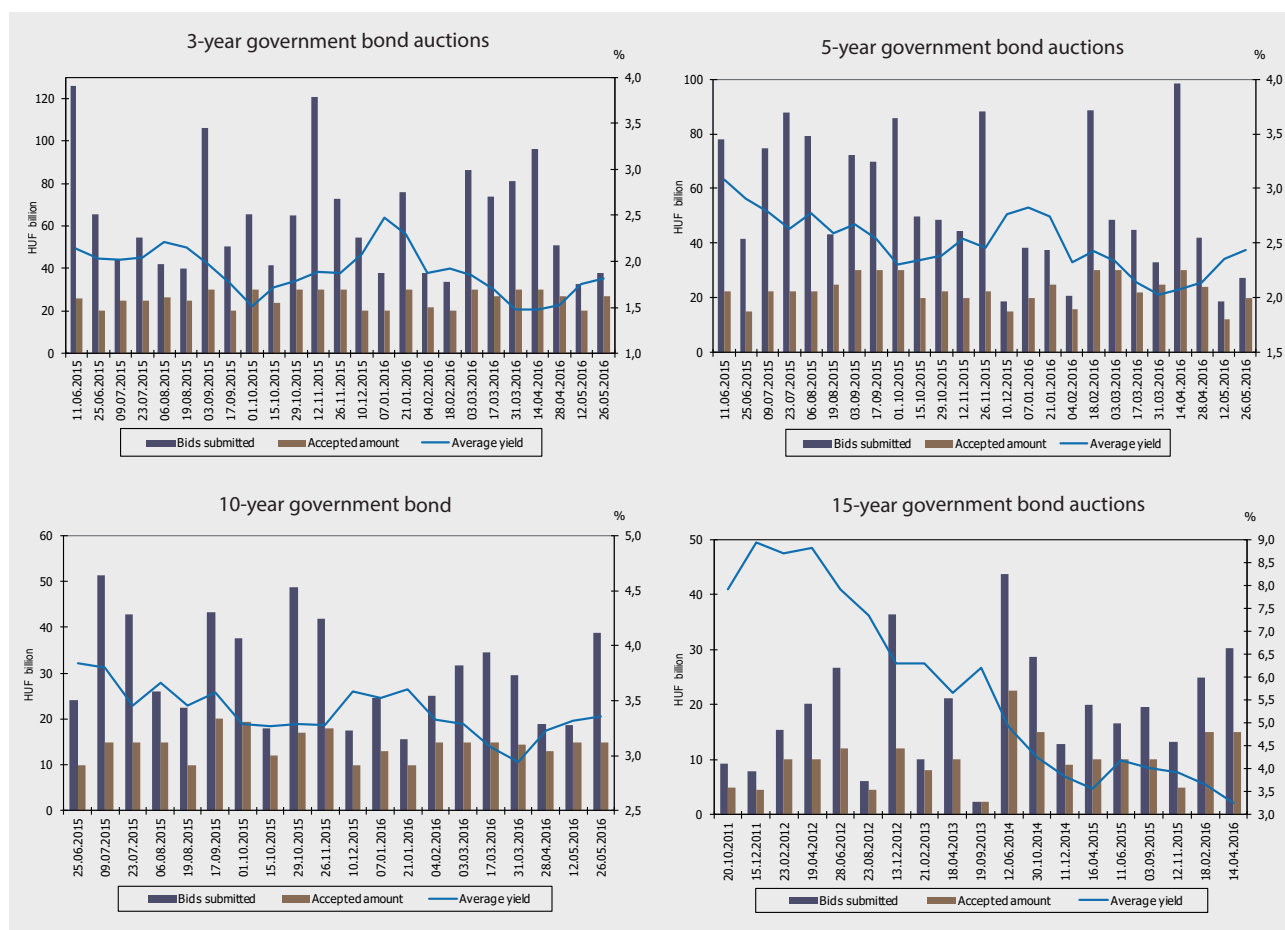
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/C	2021/B	2027/A	2019/C	2021/B	2027/A
ISIN code	HU0000403092	HU0000403100	HU0000403118	HU0000403092	HU0000403100	HU0000403118
Maturity (in years)	3	5	10	3	5	10
Coupon	2.00%	2.50%	3.00%	2.00%	2.50%	3.00%
Auction	10. auction	10. auction	8. auction	11. auction	11. auction	9. auction
Date of auction	12.05.2016	12.05.2016	12.05.2016	26.05.2016	26.05.2016	26.05.2016
Date of financial settlement	18.05.2016	18.05.2016	18.05.2016	01.06.2016	01.06.2016	01.06.2016
Redemption date	30.10.2019	27.10.2021	27.10.2027	30.10.2019	27.10.2021	27.10.2027
Maximum annual yield (%) - ISMA	1.77	2.37	3.33	1.84	2.45	3.38
Minimum annual yield (%) - ISMA	1.71	2.34	3.27	1.78	2.40	3.35
Average annual yield (%) - ISMA	1.75	2.36	3.32	1.82	2.44	3.36
Maximum annual yield (%) - EHM	1.77	2.37	3.33	1.84	2.45	3.38
Minimum annual yield (%) - EHM	1.71	2.34	3.27	1.78	2.40	3.35
Average annual yield (%) - EHM	1.75	2.36	3.32	1.82	2.43	3.36
Maximum price (%)	100.9626	100.8098	97.4533	100.7208	100.5019	96.7232
Minimum price (%)	100.7621	100.6575	96.8986	100.5231	100.2509	96.4486
Average price (%)	100.8399	100.7167	96.9992	100.5973	100.3215	96.6434
Amount offered for sale (HUF million)	20,000.00	15,000.00	10,000.00	20,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	32,600.00	18,600.00	18,630.00	37,925.76	27,355.00	38,800.00
Amount of bids accepted (HUF million)	19,999.97	11,999.99	14,999.97	26,999.95	19,999.93	14,999.94
Bid-to-cover ratio	1.63	1.55	1.24	1.40	1.37	2.59
Bids submitted (pcs)	44	25	29	48	48	54
Bids accepted (pcs)	31	14	22	40	34	30
Tail (average price - minimum price)	0.08	0.06	0.10	0.07	0.07	0.19
Market sales (HUF million)	19,999.97	11,999.99	14,999.97	26,999.95	19,999.93	14,999.94
Non-competitive offer (HUF million)	0.00	0.00	0.00	2,316.25	77.26	1,170.35
Total amount sales (HUF million)	19,999.97	11,999.99	14,999.97	29,316.20	20,077.19	16,170.29



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

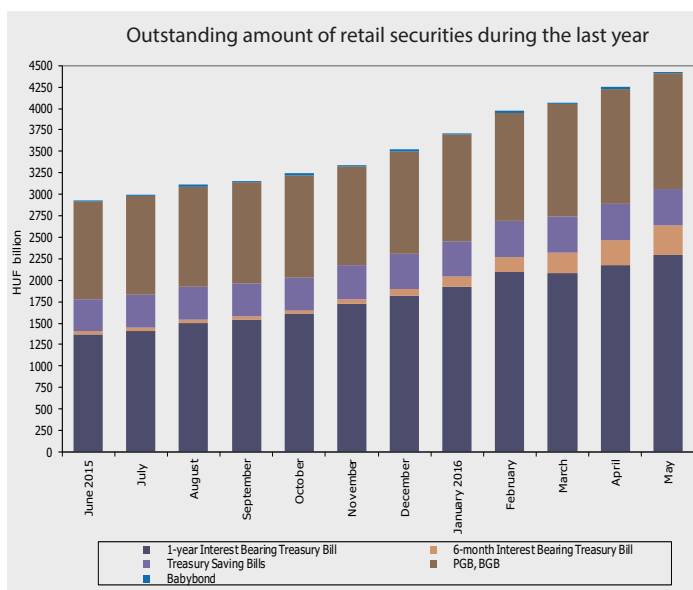
Government bond	2017/B	2017/A	2017/B	2017/A
ISIN code	HU0000402375	HU0000402037	HU0000402375	HU0000402037
Coupon (%)	6.75	6.75	6.75	6.75
Date of reverse auction	2016.05.11	2016.05.11	2016.05.25	2016.05.25
Date of financial settlement	2016.05.18	2016.05.18	2016.06.01	2016.06.01
Redemption date	2017.02.24	2017.11.24	2017.02.24	2017.11.24
Minimum annual yield (%)	0.83	0.85	0.87	0.89
Average annual yield- ISMA (%)	0.85	0.89	0.87	0.89
Average annual yield - EHM (%)	0.85	0.89	0.87	0.89
Amount of bids submitted (HUF million)	1,173.70	22,905.34	3,061.59	7,213.10
Amount of bids accepted (HUF million)	1,173.70	17,905.34	1,561.59	3,463.10

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MAY 2016

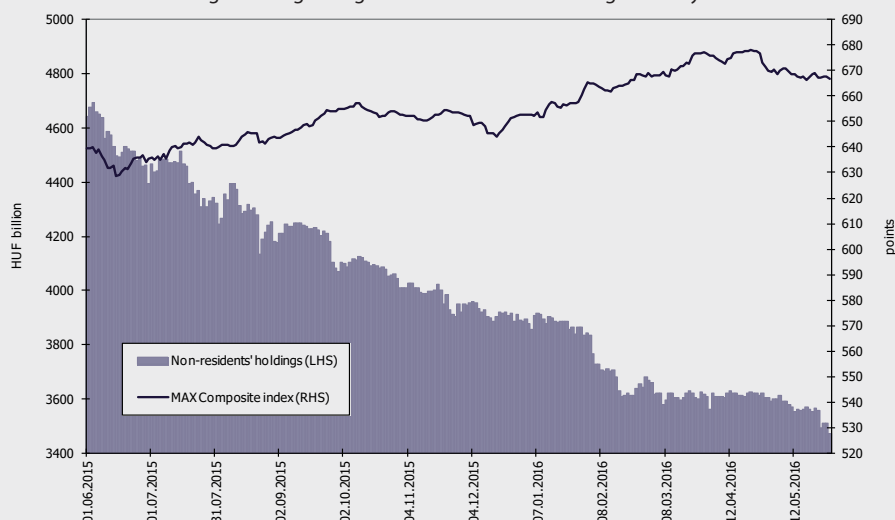
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2017/J	06.05.2016	10.05.2016	10.05.2017	10.05.2017	3.00%	3.00%
2017/K	06.05.2016	10.05.2017	10.05.2017	10.05.2017	3.00%	3.00%
2017/L	06.05.2016	10.05.2017	10.05.2017	10.05.2017	3.00%	3.00%
2019/B	17.05.2016	20.05.2016	20.11.2016	21.11.2016	0.98%	0.50%
2019/D	25.05.2016	28.05.2016	28.08.2016	29.08.2016	1.00%	0.26%
2020/N	17.05.2016	20.05.2016	20.05.2017	22.05.2017	3.48%	3.53%
2020/O	18.05.2016	20.05.2016	20.05.2017	22.05.2017	3.48%	3.53%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2015	31.05.2016	HUF billion
1-year Interest Bearing	1,816.0	2,286.7	470.8
6-month Interest Bearing	81.0	353.2	272.2
Treasury Saving Bills	403.4	423.0	19.6
PGB, BGB	1,198.3	1,339.4	141.1
Babybond	18.6	22.1	3.5
Total	3,517.3	4,424.5	907.2



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 31.05.2016	696.5330	545.9208	666.7144	532.4731
Changes compared to the end of the month before	-3.7576	0.2941	-3.2675	0.4011
Annual yield earned on the index portfolio	4.35%	1.15%	4.19%	0.91%

Government bonds with the highest secondary market turnover in May 2016

Government bond	Date of redemption	Turnover (HUF billion)
2020/B	24.06.2020	918.8
2018/C	22.06.2018	846.7
2018/B	25.04.2018	586.2
2025/B	24.06.2025	559.5
2021/B	27.10.2021	345.6
2019/A	24.06.2019	260.3
2022/A	24.06.2022	253.5
2027/A	27.10.2027	250.0
2019/C	30.10.2019	154.8
2024/B	26.06.2024	125.0

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

Government bond	HUF billion	
	30.04.2016	31.05.2016
2019/C	256.95	307.53
2021/B	249.06	286.74
2027/A	90.47	118.57
2031/A	81.43	81.54

