

■ GOVERNMENT SECURITIES MARKET ■

MONTHLY REPORT JANUARY 2015

The deficit of the central government amounted to HUF 53.8 billion in January. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 145.4 billion. Thus, the total net financing requirement amounted to HUF -91.6 billion in January. Net issuance was HUF 516.5 billion; out of which net HUF-denominated issuance was HUF 510.9 billion and net foreign currency denominated issuance was HUF 5.6 billion.

HUF billion	2014		2015		Change	
	December	%	January	%	HUF billion	%
HUF denominated debt	14,612.0	61.2	15,123.0	61.1	510.9	3.5
Loans	623.3	2.6	728.4	2.9	105.1	16.9
Government bonds	9,989.0	41.8	10,205.7	41.3	216.7	2.2
Retail securities	2,411.1	10.1	2,418.4	9.8	7.3	0.3
Discount treasury bills	1,588.6	6.7	1,770.5	7.2	181.9	11.4
Foreign exchange denominated debt	8,957.9	37.5	8,863.0	35.8	-94.9	-1.1
Total	23,569.9	98.7	23,985.9	97.0	416.0	1.8
Other obligations	311.2	1.3	749.4	3.0	438.2	140.8
Total central government debt	23,881.1	100.0	24,735.3	100.0	854.2	3.6

The HUF denominated debt of the central government increased by HUF 510.9 billion in January. The increase in domestic debt was the result of net government bond issuance of HUF 216.7 billion, the amount of discount Treasury bills increased by HUF 181.9 billion and the total amount of retail government securities increased by HUF 7.3 billion. The volume of HUF loans increased by HUF 105.1 billion in 2015.

The foreign currency debt of the central government decreased by HUF 94.9 billion in January. The domestic P€MAK and residence bond issuance was HUF 6.5 billion, while the redemptions of foreign currency debt worth HUF 1.0 billion decreased the debt. The exchange rate revaluations totalling HUF 100.5 billion decreased the Hungarian Forint value of the foreign currency debt in January. The total amount of other liabilities increased by HUF 438.2 in January.

Benchmark yields

Maturity	30.11.2014.	30.12.2014.	30.01.2015.	Change in January, basis points
3-month	1.64	1.43	1.70	27
6-month	1.64	1.54	1.54	0
1-year	1.68	1.80	1.60	-20
3-year	2.54	2.72	2.09	-63
5-year	2.97	3.15	2.38	-77
10-year	3.52	3.60	2.79	-81
15-year	3.83	3.83	2.99	-84

Monthly OTC turnover of government securities decreased in January and reached HUF 4,900.6 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 52% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 220.9 billion in January, and amounted to HUF 5,094.2 billion at the end of the month. This volume represented 35.4% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 311.03 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).

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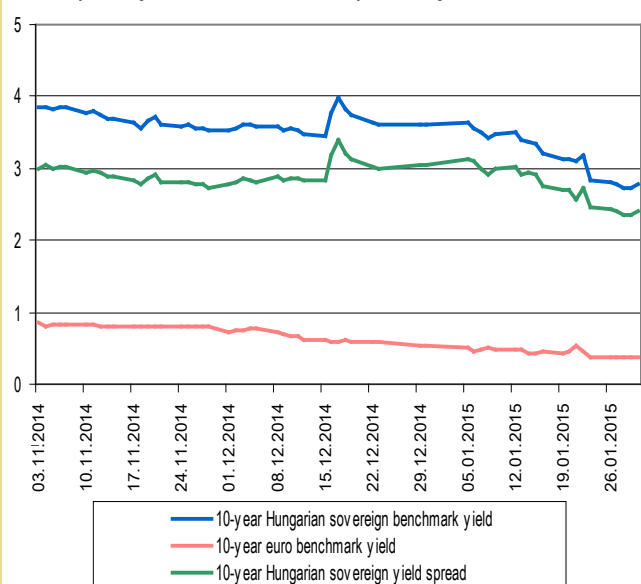
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

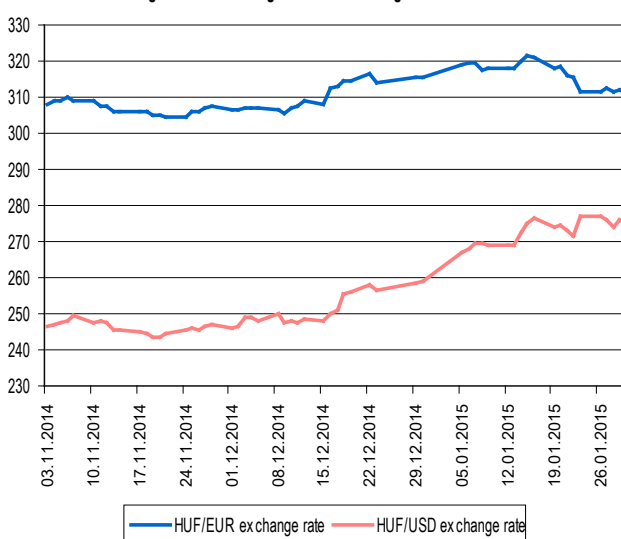
	2010	2011	2012	2013	November 2014	December 2014	January 2015
1. Forint denominated debt	10,978.2	10,362.2	12,042.4	12,976.4	14,817.5	14,612.0	15,123.0
1.1. Loans	540.8	590.8	566.8	603.6	658.1	623.3	728.4
1.2. Government securities	10,437.4	9,771.4	11,475.6	12,372.8	14,159.4	13,988.7	14,394.6
1.2.1. Public issues	10,019.6	9,378.1	11,077.1	12,182.3	14,000.9	13,847.7	14,253.6
1.2.1.1. Bonds	7,965.8	7,353.4	8,184.1	8,588.8	9,789.9	9,848.0	10,064.7
1.2.1.2. Discount T-bills	1,618.2	1,540.9	1,906.5	1,904.9	1,833.0	1,588.6	1,770.5
1.2.1.3. Retail securities	435.7	473.8	986.6	1,688.5	2,378.1	2,411.1	2,418.4
1.2.2. Private placements	417.8	403.2	398.5	190.5	158.4	141.0	141.0
2. Foreign currency denominated debt*	8,842.8	10,170.4	8,326.6	8,904.9	8,866.1	8,957.9	8,863.0
2.1. Loans	4,292.8	4,458.1	3,312.5	2,735.6	2,227.9	2,164.3	2,146.3
2.1.1. Foreign loans	4,292.8	4,361.9	3,229.0	2,400.2	1,901.6	1,889.9	1,868.7
2.1.2. Domestic loans	0.0	96.2	83.5	335.4	326.3	274.4	277.6
2.2. Government securities	4,550.0	5,712.3	5,014.1	6,169.3	6,638.2	6,793.6	6,716.7
2.2.1. Issued abroad	4,550.0	5,712.3	4,924.2	5,736.9	5,733.5	5,844.6	5,773.0
2.2.2. Issued domestically	0.0	0.0	89.9	432.5	904.7	948.9	943.7
Total	19,821.0	20,532.6	20,369.0	21,881.4	23,683.7	23,569.9	23,985.9
Other liabilities	220.01	422.9	351.1	117.3	230.9	311.2	749.4
Total central government debt	20,041.0	20,955.5	20,720.1	21,998.6	23,914.5	23,881.1	24,735.3
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	11,781.3	11,577.6	11,976.2
Gross debt/GDP	74.4%	74.7%	72.6%	73.7%			

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

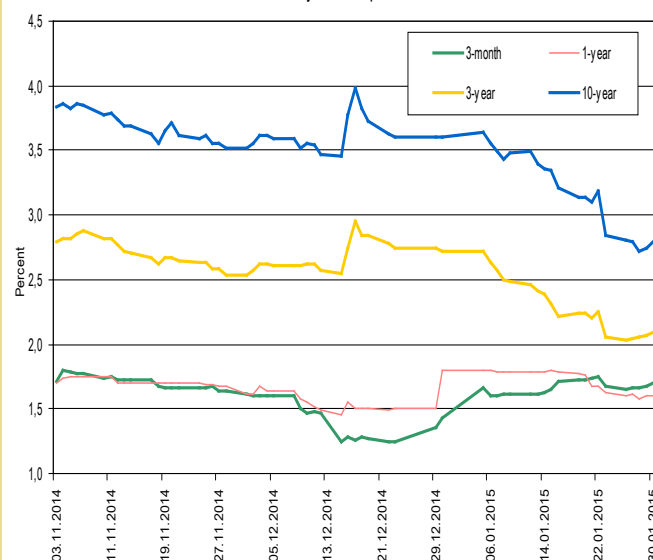
% 10-year Hungarian and eurozone benchmark yields during the last three months



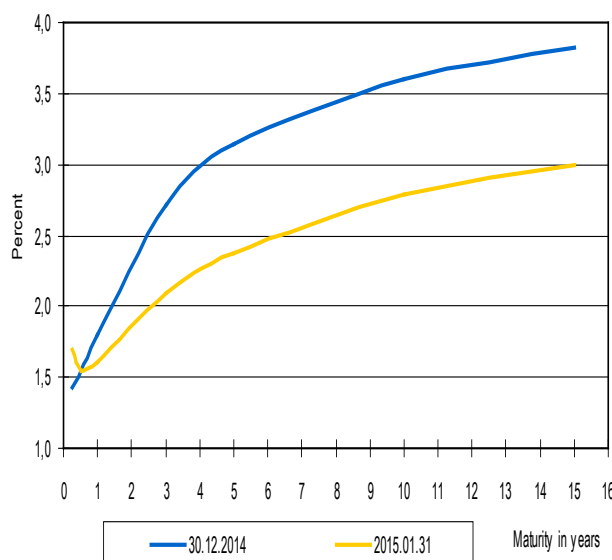
The exchange rate of the Hungarian Forint during the last three months



Benchmark yields in the past three months



Benchmark yield curves

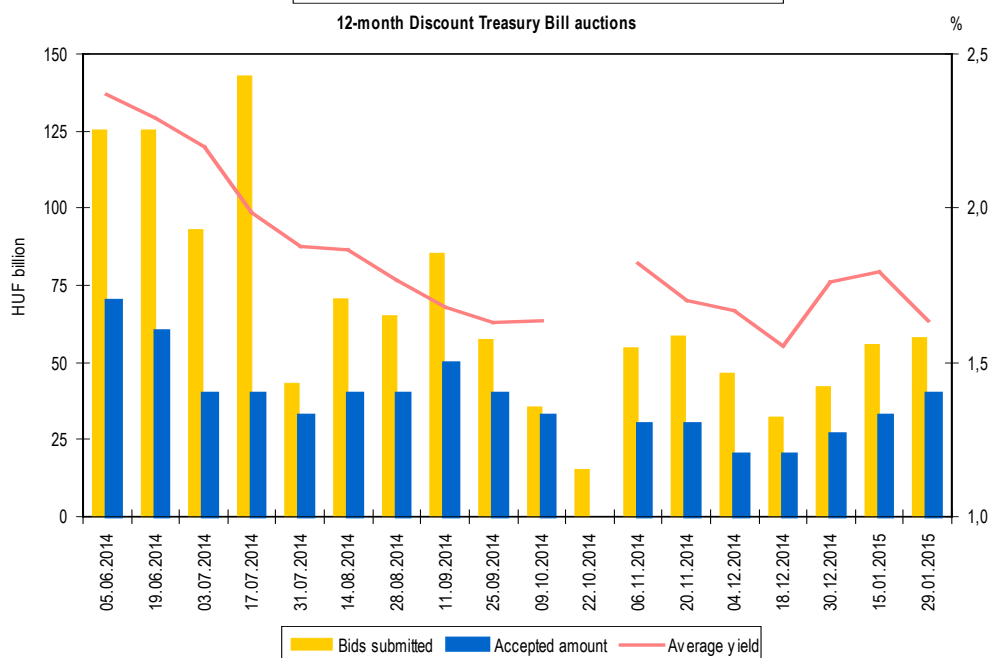
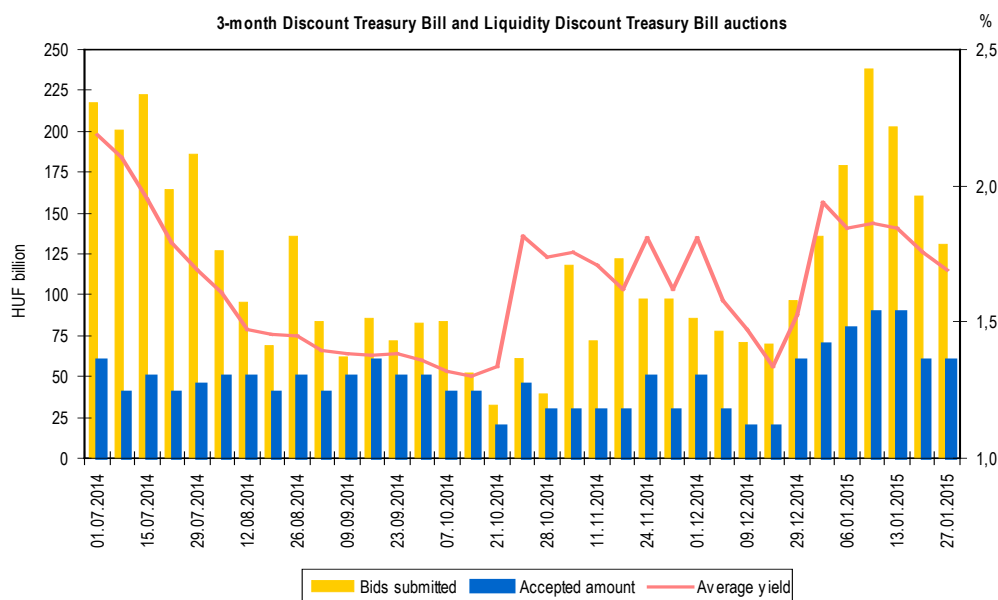


■ GOVERNMENT SECURITIES MARKET ■

DISCOUNT TREASURY BILL AUCTION RESULTS

	Liquidity Discount T.Bills		3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D150318	D150318	D150415	D150422	D150429	D150506	D151223	D151223
ISIN code	HU0000520291	HU0000520291	HU0000520333	HU0000520341	HU0000520358	HU0000520366	HU0000520317	HU0000520317
Maturity in days	70	63	91	91	91	91	336	322
Date of auction	05.01.2015	12.01.2015	06.01.2015	13.01.2015	20.01.2015	27.01.2015	15.01.2015	29.01.2015
Date of financial settlement	07.01.2015	14.01.2015	14.01.2015	21.01.2015	28.01.2015	04.02.2015	21.01.2015	04.02.2015
Redemption date	18.03.2015	18.03.2015	15.04.2015	22.04.2015	29.04.2015	06.05.2015	23.12.2015	23.12.2015
Maximum yield (%) - ISMA	1.98	1.90	1.90	1.87	1.78	1.72	1.85	1.70
Minimum yield (%) - ISMA	1.75	1.81	1.55	1.70	1.69	1.65	1.67	1.55
Average yield (%) - ISMA	1.94	1.86	1.84	1.84	1.75	1.69	1.79	1.63
Maximum yield (%) - EHM	2.01	1.93	1.93	1.90	1.80	1.74	1.88	1.72
Minimum yield (%) - EHM	1.77	1.83	1.57	1.72	1.71	1.67	1.69	1.57
Average yield (%) - EHM	1.97	1.89	1.87	1.87	1.77	1.71	1.81	1.65
Average selling price (%)	99.6242	99.6756	99.5370	99.5370	99.5596	99.5746	98.3568	98.5630
Amount offered for sale (HUF million)	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	40,000.00
Amount of bids submitted (HUF million)	135,510.00	238,400.00	178,935.00	202,450.57	159,977.46	130,420.00	56,101.85	57,995.00
Amount of bids accepted (HUF million)	69,999.98	89,999.95	79,999.91	89,999.87	59,999.94	59,999.91	32,999.99	39,999.98
Bid-to-cover ratio	1.94	2.65	2.24	2.25	2.67	2.17	1.70	1.45
Bids submitted (pcs)	116	133	179	169	140	101	51	66
Bids accepted (pcs)	89	51	116	99	59	82	36	55
Market sales* (HUF million)	69,999.98	89,999.95	79,999.91	89,999.87	59,999.94	59,999.91	32,999.99	39,999.98
Retained on ÁKK's own account	0.02	0.05	24,000.09	27,000.13	18,000.06	18,000.09	33,000.01	0.02
Total amount issued (HUF million)	70,000.00	90,000.00	104,000.00	117,000.00	78,000.00	78,000.00	66,000.00	40,000.00

*Without issuance onto ÁKK's own account

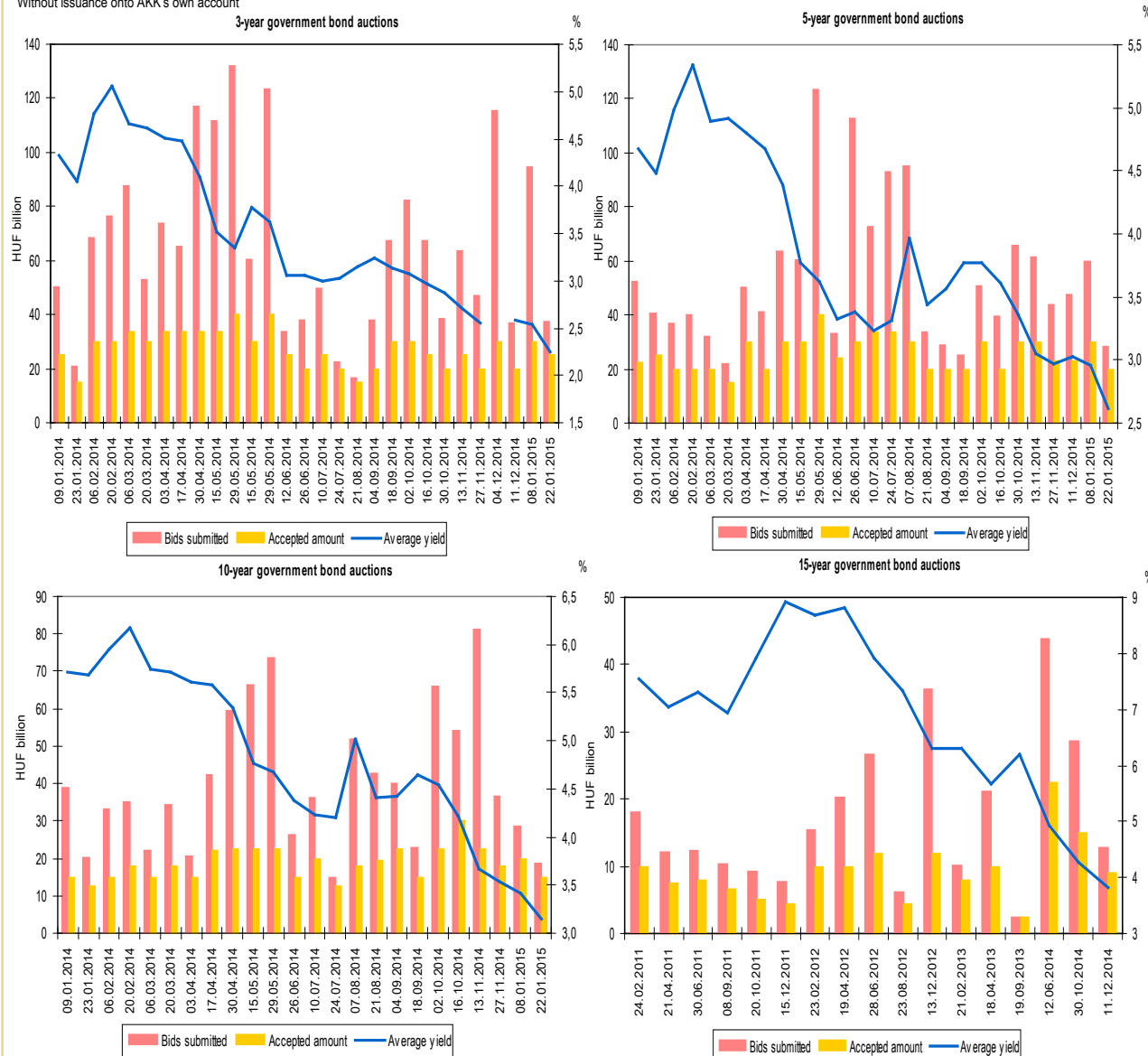


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GOVERNMENT BOND AUCTION RESULTS

Government Bond	2018/C	2020/B	2025/B	2018D	2018/C	2020/B	2025/B	2021/A
ISIN code	HU0000402979	HU0000402953	HU0000402748	HU0000402987	HU0000402979	HU0000402953	HU0000402748	HU0000402995
Maturity (in years)	3	5	10	3	3	5	10	5
Coupon (%)	2.50%	3.50%	5.50%	2.10%	2.50%	3.50%	5.50%	2.10%
Auction	1st auction	8th auction	23rd auction	1st auction	2nd auction	9th auction	24th auction	1st auction
Date of auction	08.01.2015	08.01.2015	08.01.2015	15.01.2015	22.01.2015	22.01.2015	22.01.2015	29.01.2015
Date of financial settlement	14.01.2015	14.01.2015	14.01.2015	21.01.2015	28.01.2015	28.01.2015	28.01.2015	04.02.2015
Redemption date	22.06.2018	24.06.2020	24.06.2025	24.10.2018	22.06.2018	24.06.2020	24.06.2025	23.06.2021
Maximum annual yield (%) - ISMA	2.55	2.97	3.45		2.26	2.65	3.17	
Minimum annual yield (%) - ISMA	2.52	2.93	3.37		2.21	2.57	3.13	
Average annual yield (%) - ISMA	2.54	2.96	3.42		2.25	2.62	3.15	
Maximum annual yield (%) - EHM	2.55	2.97	3.45		2.26	2.65	3.17	
Minimum annual yield (%) - EHM	2.52	2.93	3.37		2.21	2.57	3.13	
Average annual yield (%) - EHM	2.53	2.95	3.41		2.25	2.61	3.15	
Maximum price (%)	99.9435	102.8296	118.4670	99.5600	100.9458	104.6365	120.7490	98.8000
Minimum price (%)	99.8461	102.6279	117.6976	99.2500	100.7831	104.2273	120.3553	98.1100
Average price (%)	99.8913	102.6962	118.0210	99.3200	100.8172	104.3968	120.5193	98.3700
Amount offered for sale (HUF million)	20,000.00	20,000.00	15,000.00	20,000.00	20,000.00	20,000.00	18,000.00	20,000.00
Amount of bids submitted (HUF million)	94,505.00	59,995.00	28,432.00	69,250.00	37,510.00	28,382.62	18,550.00	72,040.00
Amount of bids accepted (HUF million)	29,999.98	29,999.97	19,999.94	29,999.98	24,999.97	19,999.95	14,999.97	29,999.99
Bid-to-cover ratio	3.15	2.00	1.42	2.31	1.50	1.42	1.24	2.40
Bids submitted (pcs)	83	62	77	66	57	65	56	126
Bids accepted (pcs)	25	25	71	22	34	53	45	45
Tail (average price - minimum price)	0.05	0.07	0.32	0.07	0.03	0.17	0.16	0.26
Market sales* (HUF million)	29,999.98	29,999.97	19,999.94	29,999.98	24,999.97	19,999.95	14,999.97	29,999.99
Non-competitive offer (HUF million)	10,199.98	11,359.97	6,002.63	11,279.99	224.29	100.00	-	30,000.01
Total amount issued (HUF million)	60,000.00	30,000.00	20,000.00	60,000.00	50,000.00	28,000.00	15,000.00	60,000.00

*Without issuance onto ÁKK's own account



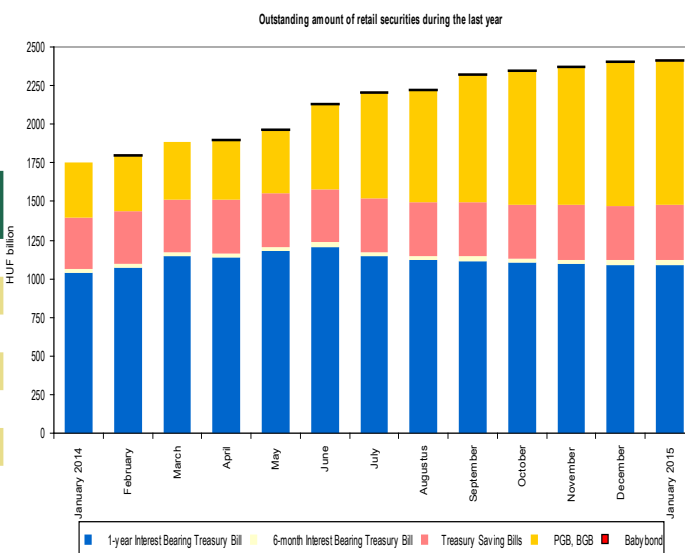
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INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JANUARY 2015

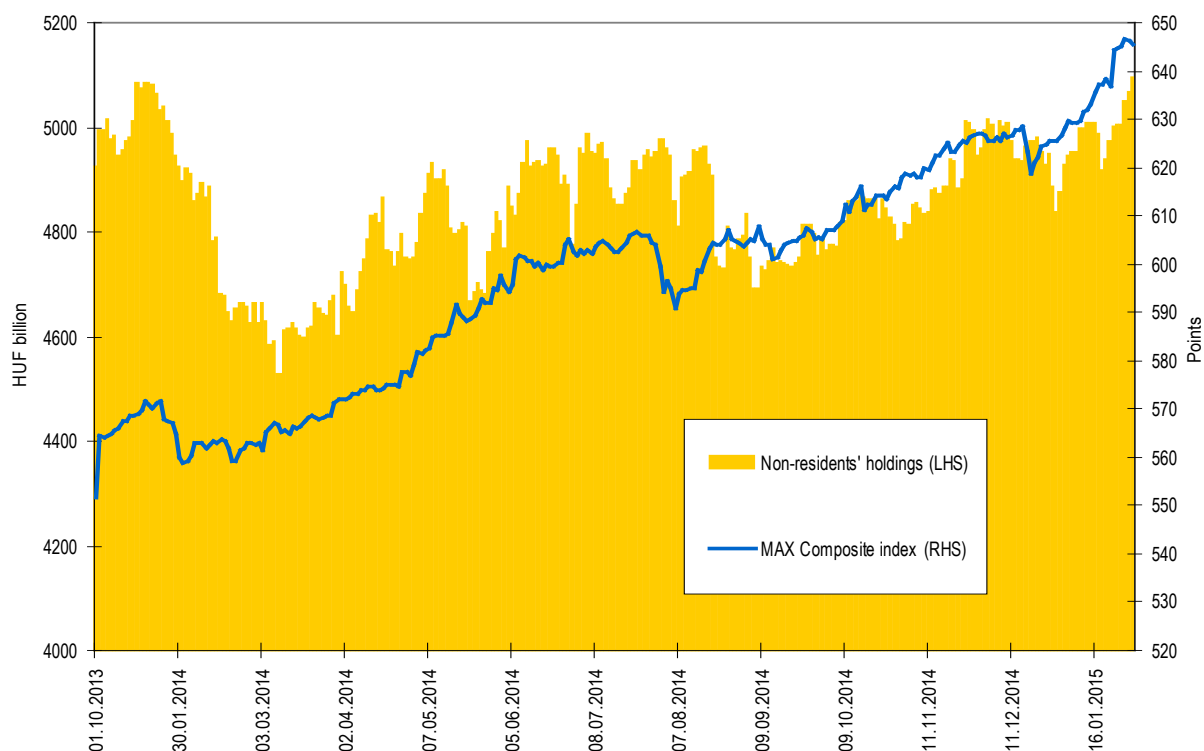
Government Bond	Date of interest rate reset		Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2018/J	13.01.2015	13.02.2015	05.07.2015	06.07.2015	06.07.2015	4.70	2.23
2018/D	21.01.2015	21.01.2015	24.04.2015	24.04.2015	24.04.2015	2.10	0.54
2019/I	30.01.2015	03.02.2015	03.02.2016	03.02.2016	03.02.2016	3.00	3.00
2019/J	30.01.2015	03.02.2015	03.02.2016	03.02.2016	03.02.2016	3.00	3.00
2019/K	30.01.2015	03.02.2015	03.02.2016	03.02.2016	03.02.2016	3.00	3.00
2033/S	30.01.2015	01.02.2015	01.02.2016	01.02.2016	01.02.2016	3.00	3.00
2034/S	30.01.2015	02.02.2015	01.02.2016	01.02.2016	01.02.2016	3.00	2.99

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2014	31.01.2015	HUF billion
1-year Interest Bearing T-bill	1,089.0	1,084.2	-4.7
6-month Interest Bearing T-bill	28.8	33.1	4.3
Treasury Saving Bills	355.1	357.6	2.5
PGB, BGB	927.8	932.2	4.4
Babybond	10.3	11.1	0.8
Total	2,411.0	2,418.3	7.3



Non-residents' holdings of Hungarian government securities during the last year and the MAX index



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HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 January 2015	675.1396	536.4164	645.6251	524.4689
Changes compared to the end of the month before	23.0927	0.3898	20.2303	0.3341
Annual yield earned on the index portfolio	17.68%	3.26%	15.34%	2.32%

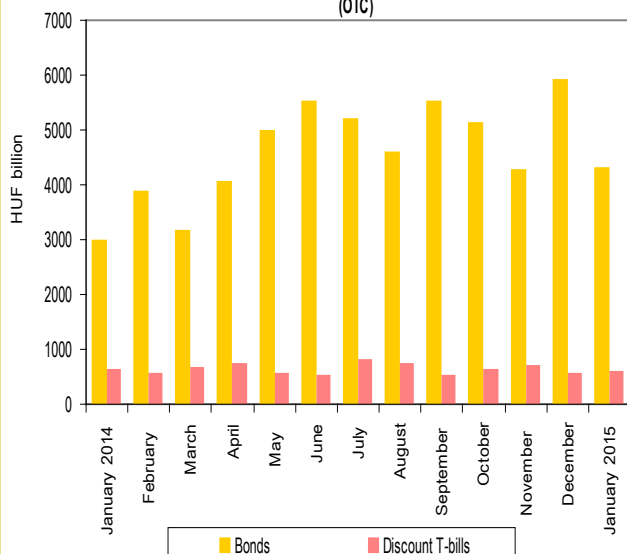
Government securities with the highest secondary market turnover in January 2015

Government security	Date of redemption	Turnover (HUF billion)
2019/A	24.06.2019	1,062.1
2023/A	24.11.2023	841.2
2015/A	12.02.2015	809.1
2022/A	24.06.2022	594.5
2018/B	25.04.2018	581.3
2020/A	12.11.2020	565.9
2016/D	22.12.2016	495.7
2017/A	24.11.2017	311.0
2025/B	24.06.2025	309.4
2017/B	24.02.2017	283.5

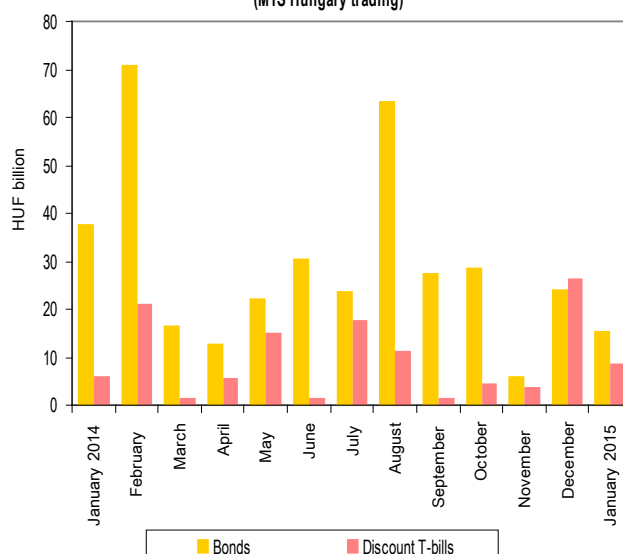
The outstanding volume of government bonds with benchmark status at the end of January 2015

Government bond	30.12.2014	31.01.2015
2018/C	0.00	65.44
2020/B	205.19	266.93
2025/B	473.52	514.84
2028/A	179.90	180.03

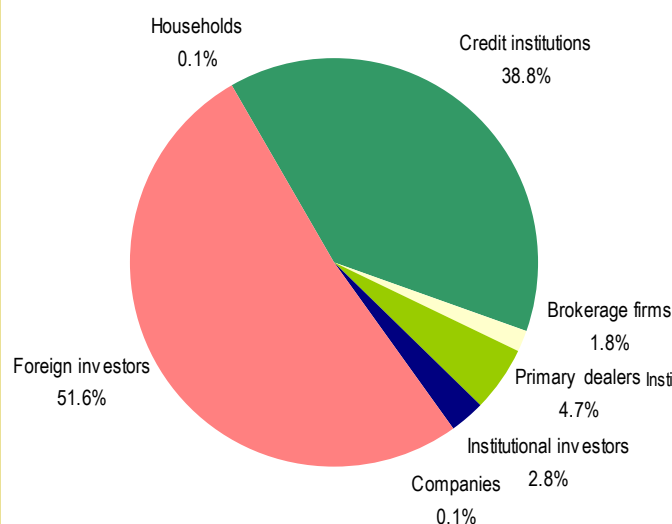
Secondary market trading of Hungarian government securities (OTC)



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 2015



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in January 2015

