

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT DECEMBER 2015

The net issuance, including the debt assumptions was HUF 410.5 billion; out of which net HUF-denominated issuance was HUF 1,595.9 billion and net foreign currency denominated issuance was HUF -1,185.4 billion in 2015.

(HUF billion)	2014		2015		Change	
	December	%	December	%	HUF billion	%
HUF denominated debt	14 612.0	61.2%	16 207.9	65.6%	1 595.9	10.9%
Loans	623.3	2.6%	694.1	2.8%	70.8	11.4%
Government bonds	9 989.0	41.8%	11 094.9	44.9%	1 105.9	11.1%
Retail securities	2 411.1	10.1%	3 517.4	14.2%	1 106.3	45.9%
Discount treasury bills	1 588.6	6.7%	901.6	3.7%	-687.1	-43.2%
Foreign exchange denominated debt	8 957.9	37.5%	7 735.8	31.3%	-1 222.1	-13.6%
Total	23 569.9	98.7%	23 943.7	96.9%	373.8	1.6%
<i>Other obligations</i>	311.2	1.3%	756.0	3.1%	444.8	143.0%
Total central government debt	23 881.1	100.0%	24 699.7	100.0%	818.6	3.4%

The HUF denominated debt of the central government increased by HUF 1,595.9 billion in 2015. The increase in domestic debt was the result of net government bond issuance of HUF 1,195.3 billion, the amount of discount Treasury bills decreased by HUF 687.1 billion and the total amount of retail government securities increased by HUF 1,106.3 billion. The stock of non-marketable government bonds decreased by HUF 89.5 billion. The volume of HUF loans increased by HUF 70.8 billion in 2015.

The foreign currency debt of the central government decreased by HUF 1,222.1 billion in 2015. The domestic PÉMAK and residence bond issuance was HUF 206.6 billion, the debt assumptions was HUF 1.1 billion, while the redemptions of foreign currency debt worth HUF 1,393.1 billion decreased the debt. The exchange rate revaluations totalling HUF 36.7 billion decreased the Hungarian Forint value of the foreign currency debt in December. The total amount of other liabilities increased by HUF 444.8 billion in 2015.

BENCHMARK YIELDS

Maturity	30.12.2014	30.11.2015	30.12.2015	Change in December basis point
3-month	1.43	0.79	0.80	1
6-month	1.54	0.8	0.87	7
1-year	1.80	0.95	0.93	-2
3-year	2.72	1.91	2.11	20
5-year	3.15	2.47	2.55	8
10-year	3.60	3.29	3.33	4
15-year	3.83	3.87	3.88	1

Monthly OTC turnover of government securities decreased to HUF 3,654.6 billion in December. Primary dealers, who account for the decisive part of all secondary government securities trading, made 53% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 23.6 billion in December and amounted to HUF 3,896.0 billion at the end of the month. This volume represented 25.1% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 313.12 on the last working day of December.

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

GOVERNMENT SECURITIES MARKET

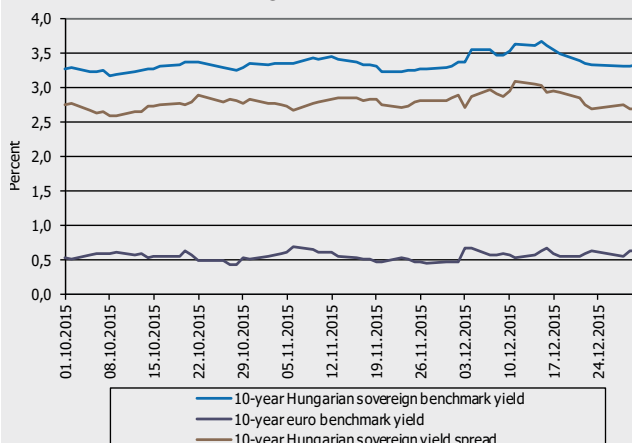
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

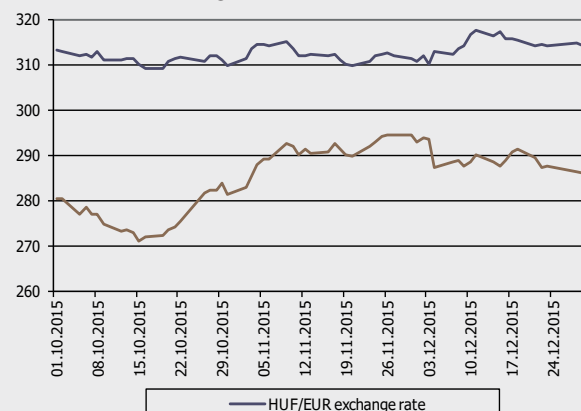
	2010	2011	2012	2013	2014	2015. October	2015. November	2015. December
1. Forint denominated debt	10,978.2	10,362.2	12,042.4	12,976.4	14,612.0	16 118.4	16 372.2	16 207.9
1.1. Loans	540.8	590.8	566.8	603.6	623.3	679.9	697.1	694.1
1.2. Government securities	10,437.4	9,771.4	11,475.6	12,372.8	13,988.7	15 438.6	15 675.1	15 513.8
1.2.1. Public issues	10,019.6	9,368.1	11,077.1	12,182.3	13,847.7	15 300.1	15 536.6	15 462.3
1.2.1.1. Bonds	7,965.8	7,353.4	8,184.1	8,588.8	9,848.0	10 701.0	10 965.4	11 043.4
1.2.1.2. Discount T-bills	1,618.2	1,540.9	1,906.5	1,904.9	1,588.6	1 361.7	1 234.9	901.6
1.2.1.3. Retail securities	435.7	473.8	986.6	1,688.5	2,411.1	3 237.4	3 336.3	3 517.4
1.2.2. Private placements	417.8	403.2	398.5	190.5	141.0	138.5	138.5	51.5
2. Foreign currency denominated debt*	8,842.8	10,170.4	8,326.6	8,904.9	8,957.9	8 235.3	8 219.2	7 735.8
2.1. Loans	4,292.8	4,458.1	3,312.5	2,735.6	2,164.3	1 768.9	1 719.7	1 696.8
2.1.1. Foreign loans	4,292.8	4,337.9	3,229.0	2,400.2	1,889.9	1 685.5	1 636.3	1 614.2
2.1.2. Domestic loans	3,526.9	0.0	83.5	335.4	274.4	83.3	83.3	82.6
2.2. Government securities	4,550.0	5,712.3	5,014.1	6,169.3	6,793.6	6 466.4	6 499.5	6 039.0
2.2.1. Issued abroad	4,550.0	5,712.3	4,924.2	5,736.9	5,844.6	5 361.7	5 385.1	5 198.9
2.2.2. Issued domestically	0.0	0.0	89.9	432.5	948.9	1 104.8	1 114.4	840.1
Total	19,821.0	20,532.6	20,369.0	21,881.4	23,569.9	24 353.7	24 591.4	23 943.7
Other liabilities	220.01	422.89	351.10	117.30	311.20	745.80	913.70	756.00
Total central government debt	20,041.0	20,955.5	20,720.1	21,998.6	23,881.1	25 099.5	25 505.1	24 699.7
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	12 201.2	12 338.8	11 996.5
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.

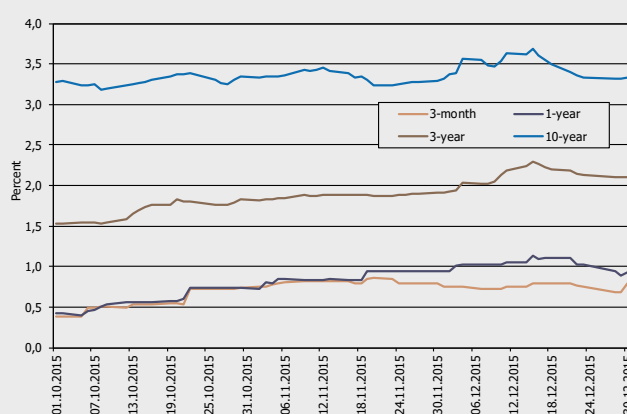
10-year Hungarian and eurozone benchmark yields during the last three months



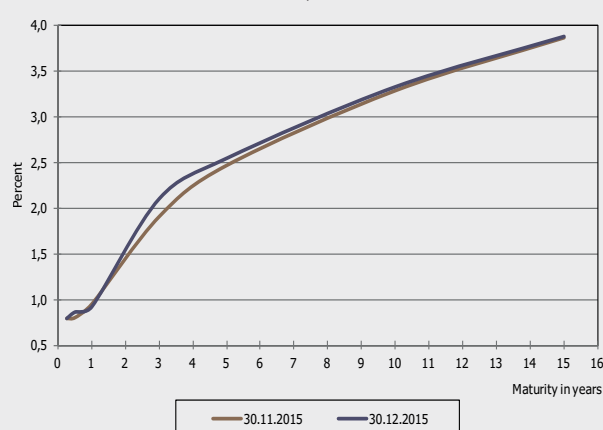
The exchange rate of the Hungarian Forint during the last three months



Benchmark yields in the past three months



Benchmark yield curves



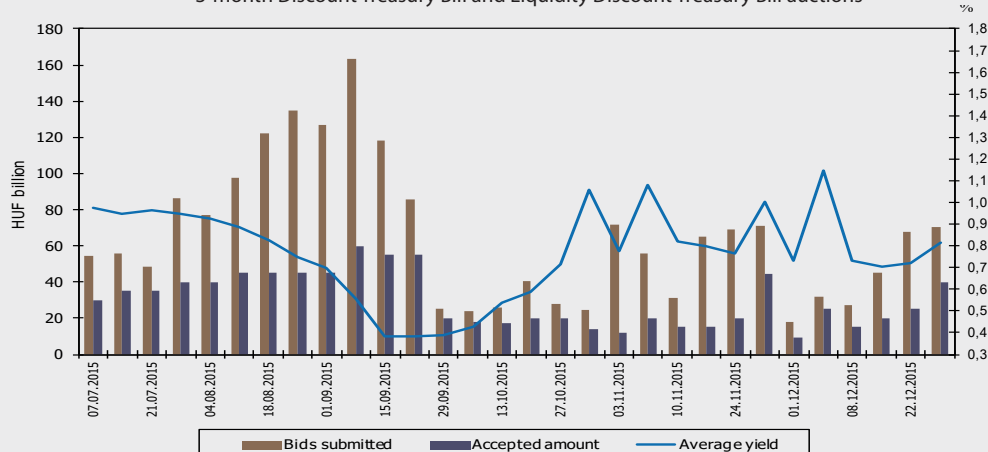
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

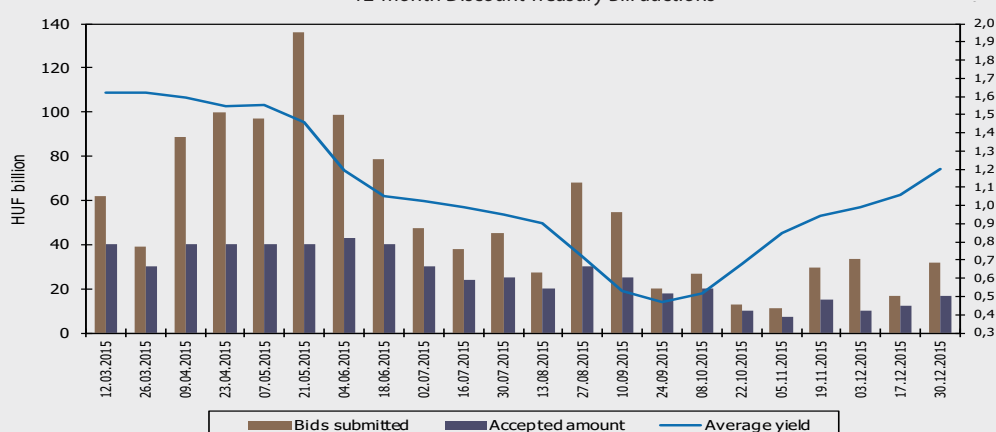
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D160309	D160316	D160323	D160330	D160928	D160928
ISIN code	HU0000520804	HU0000520812	HU0000520820	HU0000520838	HU0000520705	HU0000520705
Maturity in days	91	91	91	91	294	280
Date of auction	01.12.2015	08.12.2015	15.12.2015	22.12.2015	03.12.2015	17.12.2015
Date of financial settlement	09.12.2015	16.12.2015	23.12.2015	30.12.2015	09.12.2015	23.12.2015
Redemption date	09.03.2016	16.03.2016	23.03.2016	30.03.2016	28.09.2016	28.09.2016
Maximum yield (%) - ISMA	0.75	0.75	0.73	0.73	1.01	1.08
Minimum yield (%) - ISMA	0.70	0.70	0.65	0.70	0.96	1.02
Average yield (%) - ISMA	0.73	0.73	0.71	0.72	0.99	1.06
Maximum yield (%) - EHM	0.76	0.76	0.74	0.74	1.02	1.10
Minimum yield (%) - EHM	0.71	0.71	0.66	0.71	0.97	1.03
Average yield (%) - EHM	0.74	0.74	0.72	0.73	1.00	1.07
Average selling price (%)	99.8158	99.8158	99.8208	99.8183	99.1980	99.1823
Amount offered for sale (HUF million)	15 000.00	15 000.00	15 000.00	20 000.00	20 000.00	20 000.00
Amount of bids submitted (HUF million)	17 801.00	27 415.00	45 366.20	67 826.00	33 500.00	16 862.00
Amount of bids accepted (HUF million)	8 999.99	14 999.96	19 999.98	24 999.96	9 999.98	12 499.96
Bid-to-cover ratio	1.98	1.83	2.27	2.71	3.35	1.35
Bids submitted (pcs)	32.00	36.00	61.00	58.00	44.00	37.00
Bids accepted (pcs)	20.00	17.00	31.00	22.00	23.00	20.00
Market sales* (HUF million)	8 999.99	14 999.96	19 999.98	24 999.96	9 999.98	12 499.96
Retained on ÁKK's own account (HUF million)	9 000.01	10 000.04	10 000.02	10 000.04	10 000.02	0.04
Total amount issued (HUF million)	18 000.00	25 000.00	30 000.00	35 000.00	20 000.00	12 500.00

* Without issuance onto ÁKK's own account

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



12-month Discount Treasury Bill auctions

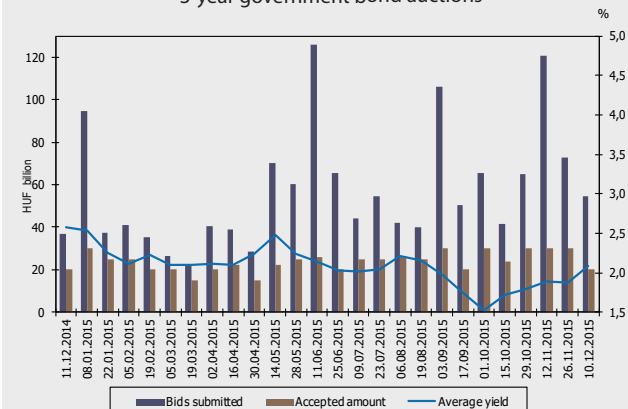


GOVERNMENT SECURITIES MARKET

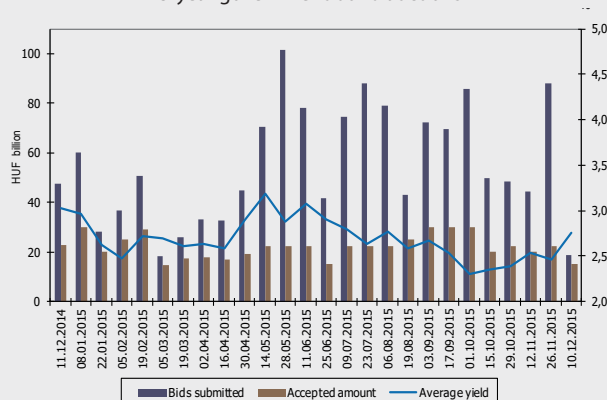
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2018/D	2018/C	2020/B	2025/B	2018/D
ISIN code	HU0000402987	HU0000402979	HU0000402953	HU0000402748	HU0000402987
Maturity (in years)	3	3	5	10	3
Coupon (%)	1.35%	2.50%	3.50%	5.50%	1.35%
Auction	13. auction	25. auction	32. auction	43. auction	14. auction
Date of auction	03.12.2015	10.12.2015	10.12.2015	10.12.2015	17.12.2015
Date of financial settlement	09.12.2015	16.12.2015	16.12.2015	16.12.2015	23.12.2015
Redemption date	24.10.2018	22.06.2018	24.06.2020	24.06.2025	24.10.2018
Maximum annual yield (%) - ISMA		2.13	2.80	3.60	
Minimum annual yield (%) - ISMA		2.05	2.73	3.53	
Average annual yield (%) - ISMA		2.08	2.76	3.58	
Maximum annual yield (%) - EHM		2.13	2.80	3.60	
Minimum annual yield (%) - EHM		2.05	2.73	3.53	
Average annual yield (%) - EHM		2.08	2.76	3.58	
Maximum price (%)	99.9600	101.0865	103.2224	115.6753	99.8200
Minimum price (%)	99.7500	100.8907	102.9227	115.0660	99.6000
Average price (%)	99.8100	101.0118	103.1040	115.2504	99.7200
Amount offered for sale (HUF million)	8 000.00	20 000.00	15 000.00	10 000.00	8 000.00
Amount of bids submitted (HUF million)	24 800.00	54 400.00	18 800.00	17 550.00	13 250.00
Amount of bids accepted (HUF million)	8 000.00	19 999.99	15 000.00	9 999.98	4 000.00
Bid-to-cover ratio	3.10	2.72	1.25	1.76	3.31
Bids submitted (pcs)	23	36	17	36	17
Bids accepted (pcs)	14	13	16	26	14
Tail (average price - minimum price)	0.06	0.12	0.18	0.18	0.12
Market sales (HUF million)	8 000.00	19 999.99	15 000.00	9 999.98	4 000.00
Non-competitive offer (HUF million)	0.00	0.01	0.00	0.02	0.00
Total amount sales (HUF million)	8 000.00	20 000.00	15 000.00	10 000.00	4 000.00

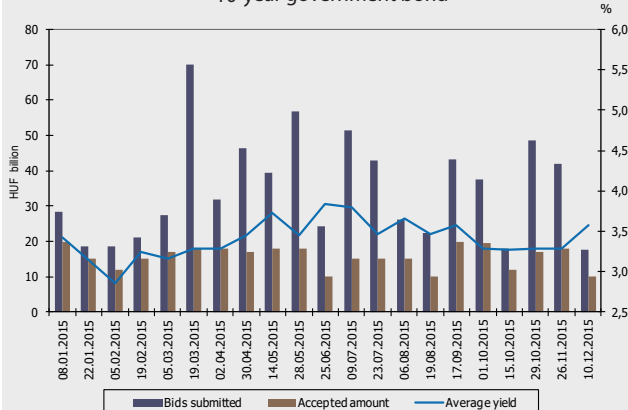
3-year government bond auctions



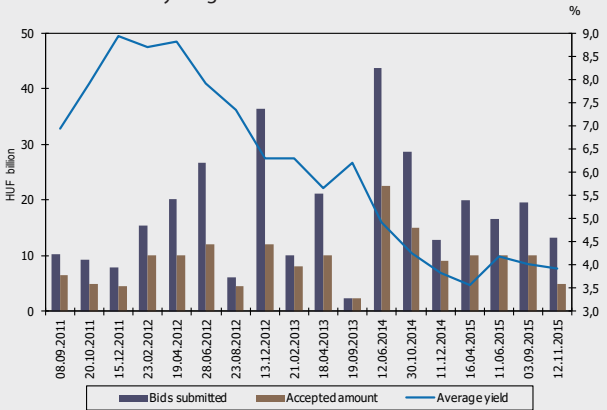
5-year government bond auctions



10-year government bond



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

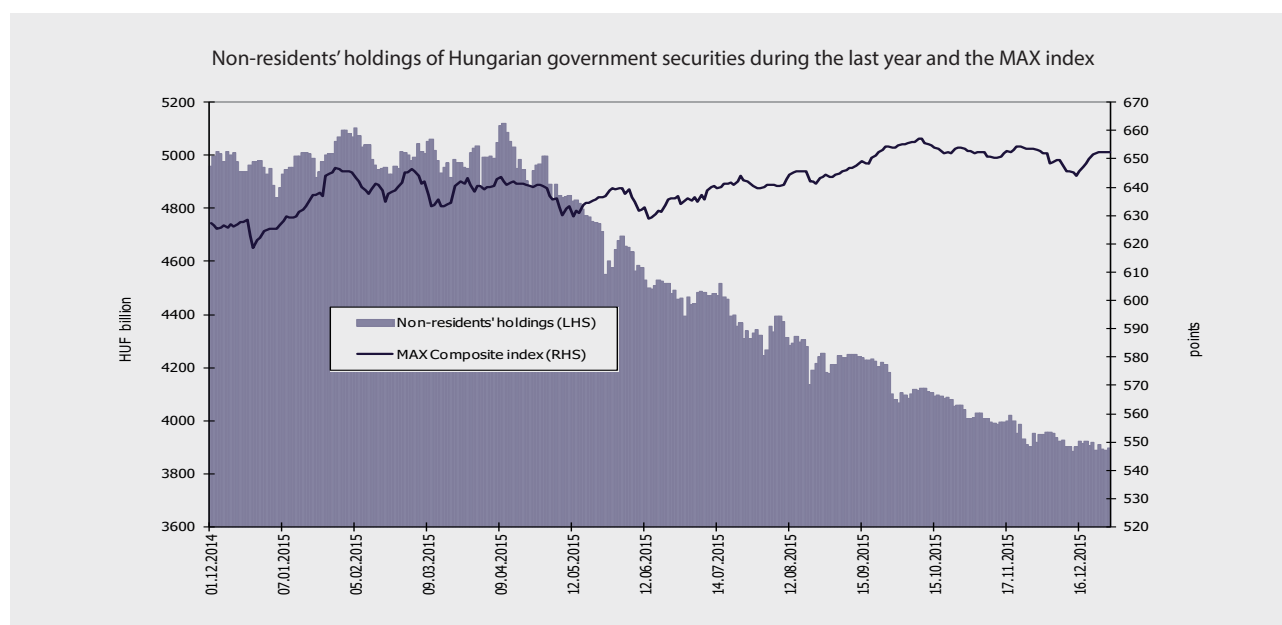
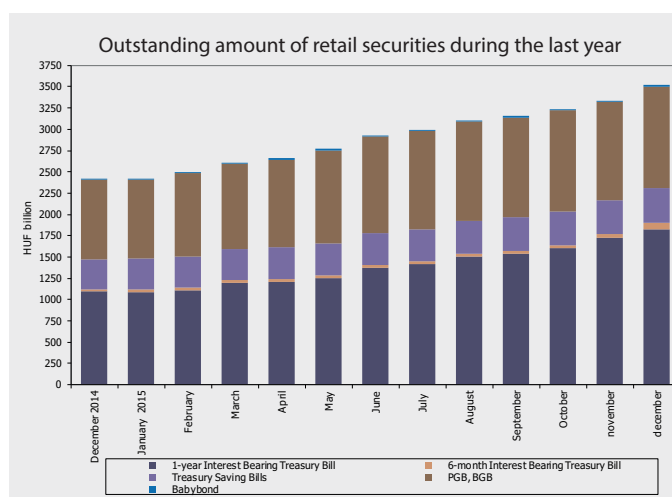
Government bond	2016/D	2017/B
ISIN code	HU0000402623	HU0000402375
Coupon (%)	5.5%	6.75%
Date of reverse auction	09.12.2015	09.12.2015
Date of financial settlement	16.12.2015	16.12.2015
Redemption date	22.12.2016	24.02.2017
Minimum annual yield (%)	0.00	0.97
Average annual yield- ISMA (%)	0.00	0.99
Average annual yield - EHM (%)	0.00	0.99
Amount of bids submitted (HUF million)	434.07	25,224.71
Amount of bids accepted (HUF million)	0.00	19,512.77

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN DECEMBER 2015

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2017/C	2015.12.18	2015.12.20	2016.03.20	2016.03.21	1.35	0.34
2021/A	2015.12.20	2015.12.23	2016.03.23	2016.03.23	1.35	0.34

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2014	31.12.2015	HUF billion
1-year Interest Bearing T-Bill	1,089.0	1,816.0	727.0
6-month Interest Bearing	28.8	81.0	52.2
Treasury Saving Bills	355.1	403.4	48.3
PGB, BGB	927.8	1,198.3	270.5
Babybond	10.3	18.6	8.3
Total	2,411.0	3,517.3	1,106.3



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite	ZMAX index
Value as at 30 December 2015	681.2698	544.0438	652.5531	530.6730
Changes compared to the end of the month before	-0.8884	0.3891	-0.7990	0.3870
Annual yield earned on the index portfolio	4.48%	1.50%	4.34%	1.25%

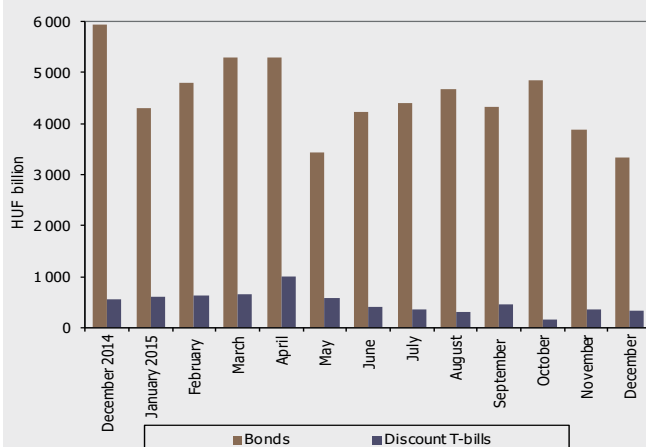
Government bonds with the highest secondary market turnover in December 2015

Government bond	Date of redemption	Turnover (HUF billion)
2018/B	25.04.2018	1 360.4
2019/A	24.06.2019	794.8
2020/B	24.06.2020	576.5
2025/B	24.06.2025	544.0
2022/A	24.06.2022	517.2
2018/C	22.06.2018	334.7
2023/A	24.11.2023	318.4
2017/B	24.02.2017	312.3
2017/A	24.11.2017	280.2
2018/A	20.12.2018	228.3

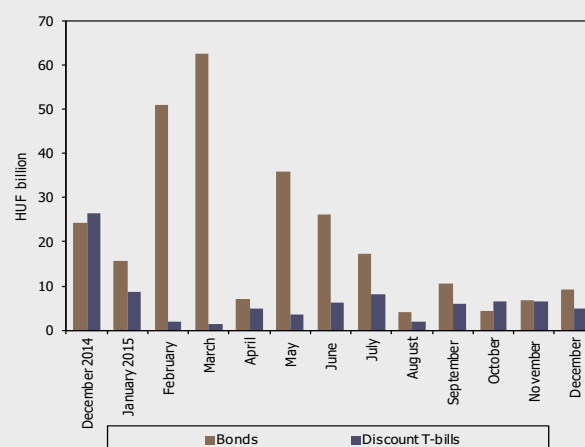
The outstanding volume of government bonds with benchmark status at the end of December 2015

Government bond	HUF billion	
	30.11.2015	31.12.2015
2018/C	667.29	721.10
2020/B	857.87	901.35
2025/B	838.29	868.47
2031/A	43.15	43.16

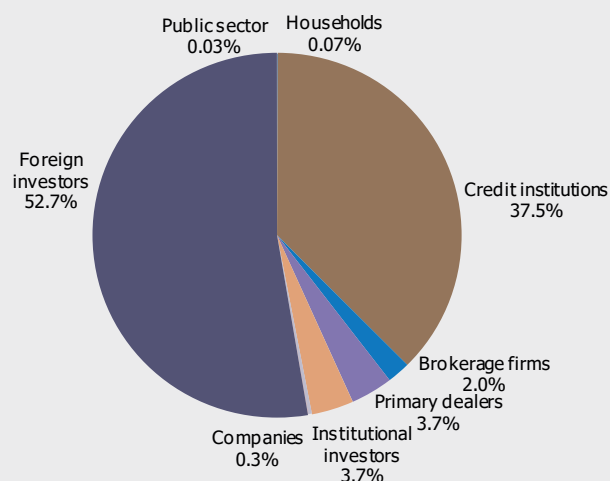
Secondary market trading of Hungarian government securities (OTC)



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



Breakdown of primary dealers' secondary market turnover in Government Bonds by investor groups in December 2015



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

