

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT MAY 2017

The net issuance was HUF 665.3 billion; out of which net HUF-denominated issuance was HUF 800.1 billion and net foreign currency denominated redemption was HUF 134.8 billion in 2017.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2016		2017		Change	
	December	%	May	%	HUF billion	%
HUF denominated debt	18,430.9	72.5	19,231.0	74.3	800.1	4.3
Loans	865.0	3.4	877.1	3.4	12.0	1.4
Government bonds	11,601.6	45.6	11,421.4	44.1	-180.2	-1.6
Retail securities	5,067.9	19.9	6,126.2	23.7	1,058.3	20.9
Discount treasury bills	896.4	3.5	806.3	3.1	-90.1	-10.0
Foreign exchange denominated debt	6,256.5	24.6	6,059.2	23.4	-197.3	-3.2
Total	24,687.4	97.1	25,290.2	97.7	602.8	2.4
<i>Other obligations</i>	742.7	2.9	604.8	2.3	-137.8	-18.6
Total central government debt	25,430.0	100.0	25,895.0	100.0	465.0	1.8

The HUF denominated debt of the central government increased by HUF 800.1 billion in 2017. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 1,058.3 billion, the amount of discount Treasury bills decreased by HUF 90.1 billion and the net government bond redemption of HUF 180.2 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 12.0 billion in 2017.

The foreign currency debt of the central government decreased by HUF 197.3 billion in 2017. The domestic PÉMAK and residence bond issuance was HUF 141.9 billion, while the redemptions of foreign currency debt worth HUF 276.7 billion decreased the debt. The exchange rate revaluations totalling HUF 62.5 billion decreased the Hungarian Forint value of the foreign currency debt in May. The total amount of other liabilities decreased by HUF 137.8 billion in 2017.

BENCHMARK YIELDS

Maturity	30.12.2016	28.04.2017	31.05.2017	Change in May basis point
3-month	0.06	0.08	0.07	-1
6-month	0.08	0.08	0.09	1
1-year	0.15	0.12	0.12	0
3-year	0.82	0.98	0.80	-18
5-year	1.67	2.05	1.82	-23
10-year	3.16	3.24	3.04	-20
15-year	3.66	3.73	3.65	-8

Monthly OTC turnover of government securities increased by 33% to HUF 6,215.3 billion in May. Primary dealers, who account for the decisive part of all secondary government securities trading, made 80% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 86.9 billion in May and amounted to HUF 3,339.2 billion at the end of the month. This volume represented 18.2% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 307.78 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: BBB- (Standard & Poor's); Baa3 (Moody's); BBB- (Fitch).

GOVERNMENT SECURITIES MARKET

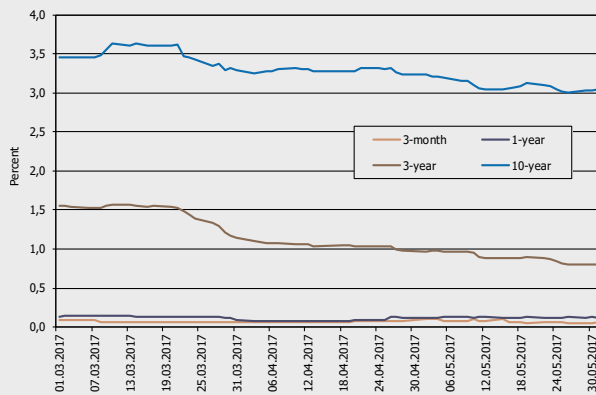
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

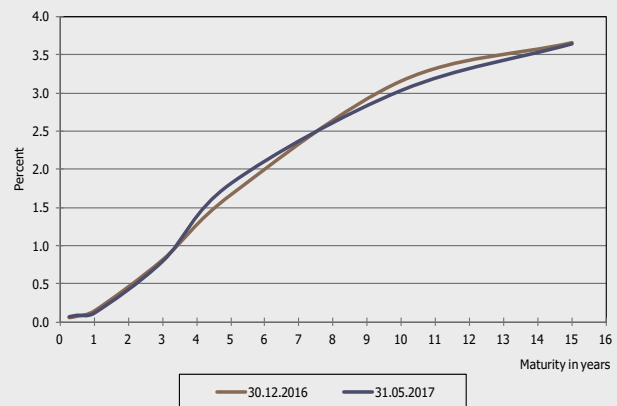
	2012	2013	2014	2015	2016	2017 March	2017 April	2017 May
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	19,037.4	19,109.1	19,231.0
1.1. Loans	566.8	603.6	623.3	694.1	865.0	877.1	877.1	877.1
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	18,160.4	18,232.0	18,353.9
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	18,121.2	18,192.9	18,314.7
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,369.7	11,271.6	11,382.2
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	939.9	850.9	806.3
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	5,811.6	6,070.4	6,126.2
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	6,256.8	6,323.5	6,059.2
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	1,086.8	1,096.8	1,083.5
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	1,086.8	1,096.8	1,083.5
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	5,170.1	5,226.7	4,975.7
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,584.5	4,626.8	4,343.8
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	585.6	599.8	631.9
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	25,294.3	25,432.6	25,290.2
Other liabilities	351.10	117.30	311.20	756.00	742.70	663.6	692.1	604.8
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	25,957.9	26,124.7	25,895.0
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	12,348.8	12,161.7	12,227.7
Gross debt/GDP	72.3%	73.0%	73.7%	72.6%	72.6%			

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

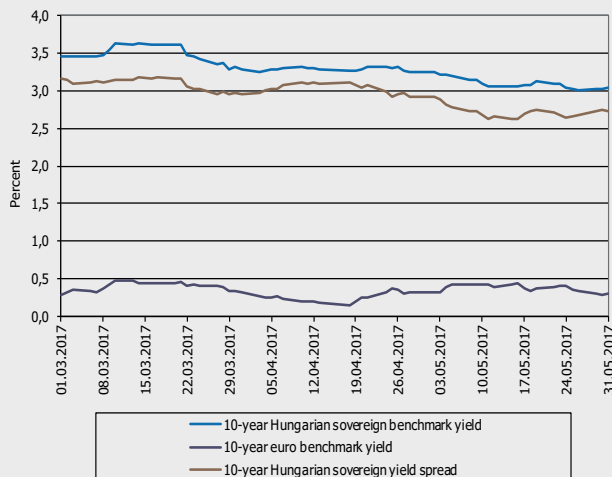
Benchmark yields



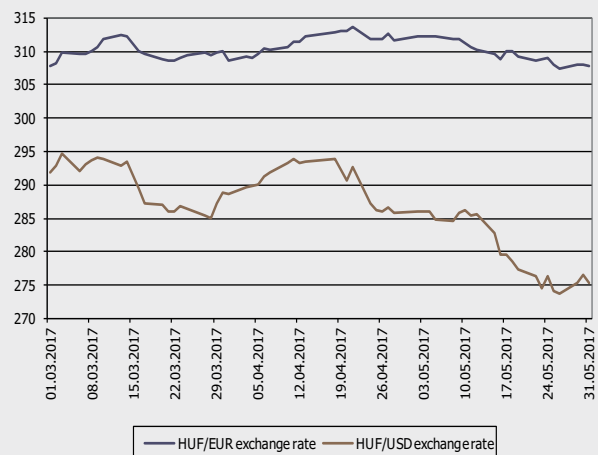
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



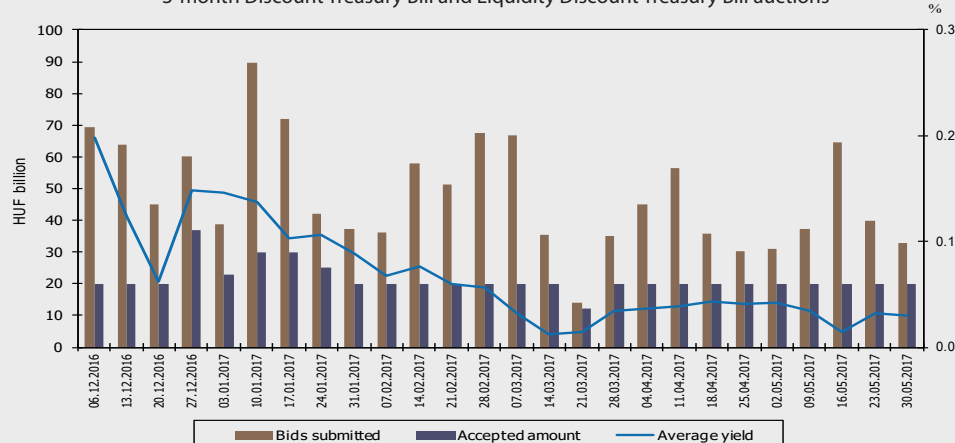
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

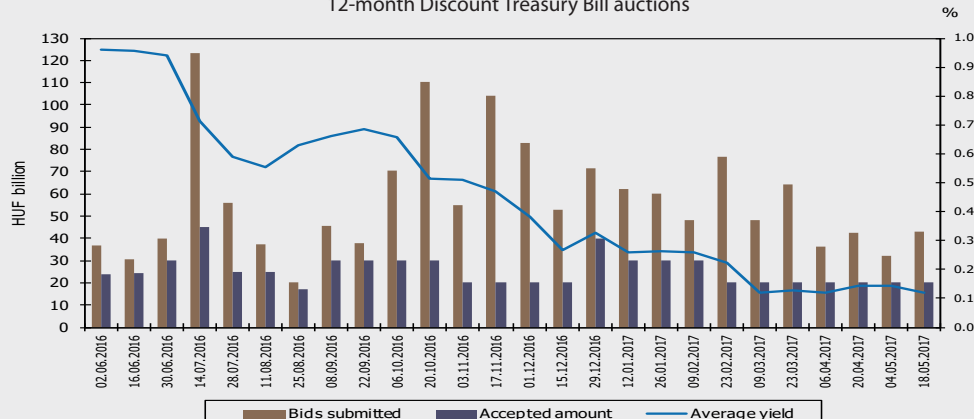
	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D170809	D170816	D170823	D170830	D170906	D180411	D180411
ISIN code	HU0000521547	HU0000521554	HU0000521562	HU0000521570	HU0000521588	HU0000521521	HU0000521521
Maturity in days	91	91	91	91	91	336	322
Date of auction	02.05.2017	09.05.2017	16.05.2017	23.05.2017	30.05.2017	04.05.2017	18.05.2017
Date of financial settlement	10.05.2017	17.05.2017	24.05.2017	31.05.2017	07.06.2017	10.05.2017	24.05.2017
Redemption date	09.08.2017	16.08.2017	23.08.2017	30.08.2017	06.09.2017	11.04.2018	11.04.2018
Maximum yield (%) - ISMA	0.05	0.04	0.02	0.04	0.04	0.15	0.13
Minimum yield (%) - ISMA	0.04	0.03	0.01	0.01	0.01	0.12	0.10
Average yield (%) - ISMA	0.04	0.03	0.01	0.03	0.03	0.14	0.12
Maximum yield (%) - EHM	0.05	0.04	0.02	0.04	0.04	0.15	0.13
Minimum yield (%) - EHM	0.04	0.03	0.01	0.01	0.01	0.12	0.10
Average yield (%) - EHM	0.04	0.03	0.01	0.03	0.03	0.15	0.12
Average selling price (%)	99.9895	99.9914	99.9964	99.9920	99.9924	99.8663	99.8939
Amount offered for sale (HUF million)	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Amount of bids submitted (HUF million)	30,900.00	37,250.00	64,504.67	39,789.70	32,900.00	32,300.00	42,863.92
Amount of bids accepted (HUF million)	19,999.96	20,000.00	19,999.96	19,999.98	19,999.97	19,999.92	19,999.97
Bid-to-cover ratio	1.55	1.86	3.23	1.99	1.65	1.62	2.14
Bids submitted (pcs)	30	26	41	27	25	64	58
Bids accepted (pcs)	21	13	19	20	18	40	32
Market sales* (HUF million)	19,999.96	20,000.00	19,999.96	19,999.98	19,999.97	19,999.92	19,999.97
Retained on ÁKK's own account (HUF million)	10,000.04	10,000.00	10,000.04	10,000.02	20,000.03	20,000.08	20,000.03
Total amount issued (HUF million)	30,000.00	30,000.00	30,000.00	30,000.00	40,000.00	40,000.00	40,000.00

* Without issuance onto ÁKK's own account

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



12-month Discount Treasury Bill auctions

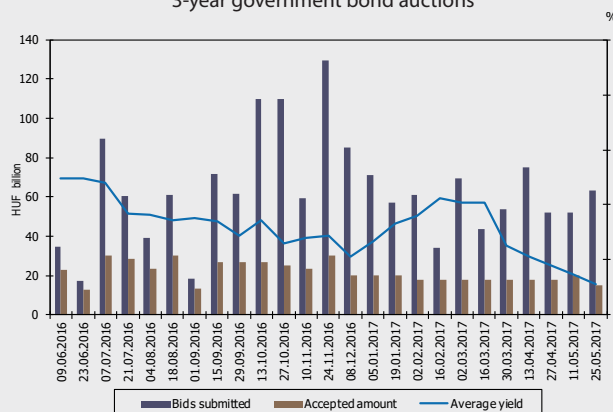


GOVERNMENT SECURITIES MARKET

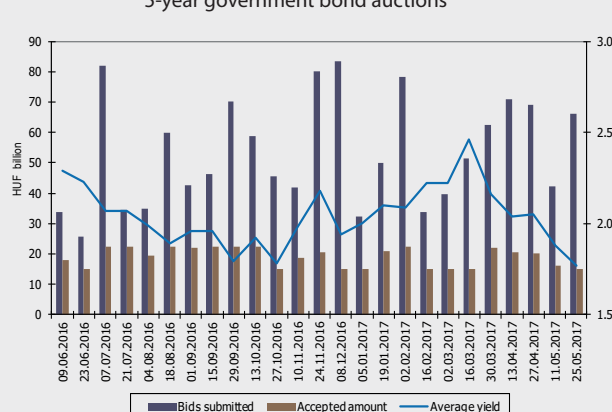
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2021/A	2020/C	2022/B	2027/A	2021/A	2020/C	2022/B	2027/A
ISIN code	HU0000402995	HU0000403258	HU0000403266	HU0000403118	HU0000402995	HU0000403258	HU0000403266	HU0000403118
Maturity (in years)	5	3	5	10	5	3	5	10
Coupon	0.23%	1.00%	1.75%	3.00%	0.23%	1.00%	1.75%	3.00%
Auction	20th auction	10th auction	10th auction	28th auction	21st auction	11th auction	11th auction	29th auction
Date of auction	04.05.2017	11.05.2017	11.05.2017	11.05.2017	18.05.2017	25.05.2017	25.05.2017	25.05.2017
Date of financial settlement	10.05.2017	17.05.2017	17.05.2017	17.05.2017	24.05.2017	31.05.2017	31.05.2017	31.05.2017
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
Maximum annual yield (%) - ISMA	-	0.87	1.89	3.06	-	0.79	1.77	3.00
Minimum annual yield (%) - ISMA	-	0.86	1.87	3.05	-	0.77	1.75	2.97
Average annual yield (%) - ISMA	-	0.87	1.88	3.06	-	0.78	1.76	2.99
Maximum annual yield (%) - EHM	-	0.87	1.89	3.06	-	0.79	1.77	3.00
Minimum annual yield (%) - EHM	-	0.86	1.87	3.05	-	0.77	1.75	2.97
Average annual yield (%) - EHM	-	0.87	1.88	3.06	-	0.78	1.76	2.99
Maximum price (%)	98.4700	100.4633	99.3838	99.5492	98.4000	100.7512	99.9993	100.2559
Minimum price (%)	98.4300	100.4291	99.2559	99.4592	98.4000	100.6857	99.9000	99.9893
Average price (%)	98.4500	100.4388	99.3449	99.4837	98.4000	100.7292	99.9221	100.0432
Amount offered for sale (HUF million)	5,000.00	18,000.00	15,000.00	12,000.00	5,000.00	15,000.00	12,000.00	10,000.00
Amount of bids submitted (HUF million)	19,000.00	51,859.12	42,340.00	28,425.00	20,800.00	63,300.00	66,025.90	22,800.00
Amount of bids accepted (HUF million)	7,000.00	19,999.99	16,000.00	13,999.99	4,999.99	15,000.00	15,000.00	9,999.99
Bid-to-cover ratio	2.71	2.59	2.65	2.03	4.16	4.22	4.40	2.28
Bids submitted (pcs)	25	34	49	34	36	37	44	38
Bids accepted (pcs)	14	11	21	15	7	14	14	20
Tail (%) (average price - minimum price)	0.02	0.01	0.09	0.02	0.00	0.04	0.02	0.05
Market sales (HUF million)	7,000.00	19,999.99	16,000.00	13,999.99	4,999.99	15,000.00	15,000.00	9,999.99
Non-competitive offer (HUF million)	2,395.00	7,519.99	5,696.00	5,199.99	1,647.04	4,320.00	4,480.00	3,186.89
Total amount sales (HUF million)	9,395.00	27,519.98	21,696.00	19,199.98	6,647.03	19,320.00	19,480.00	13,186.88

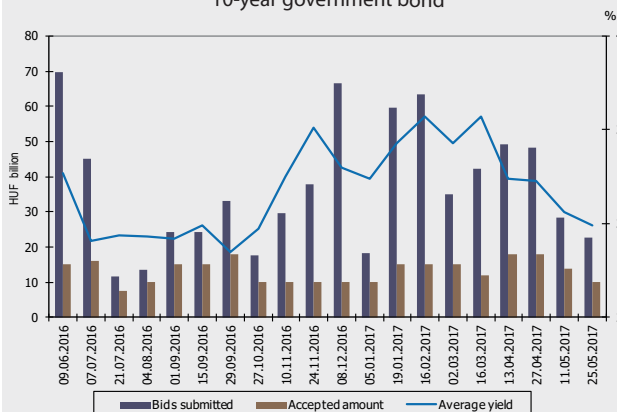
3-year government bond auctions



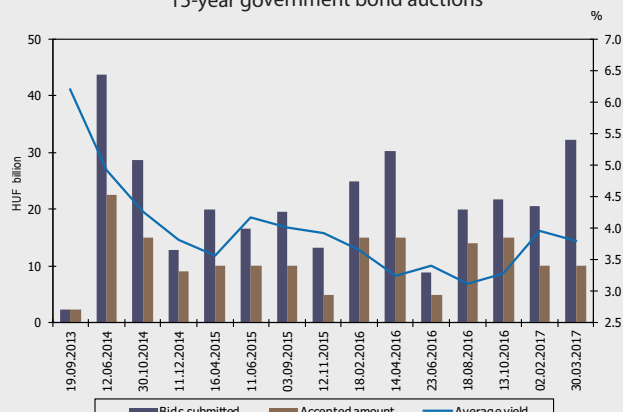
5-year government bond auctions



10-year government bond



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2018/A	2019/A	2018/C	2018/A
ISIN code	HU0000402631	HU0000402433	HU0000402979	HU0000402631
Coupon (%)	5.50	6.50	2.50	5.50
Date of reverse auction	10.05.2017	10.05.2017	24.05.2017	24.05.2017
Date of financial settlement	17.05.2017	17.05.2017	31.05.2017	31.05.2017
Redemption date	20.12.2018	24.06.2019	22.06.2018	20.12.2018
Minimum annual yield (%)	0.14	0.28	0.11	0.12
Average annual yield- ISMA (%)	0.14	0.29	0.11	0.12
Average annual yield - EHM (%)	0.14	0.29	0.11	0.12
Amount of bids submitted (HUF million)	28,091.37	51,056.63	12,934.51	8,981.94
Amount of bids accepted (HUF million)	28,091.37	37,991.76	11,934.51	7,203.29

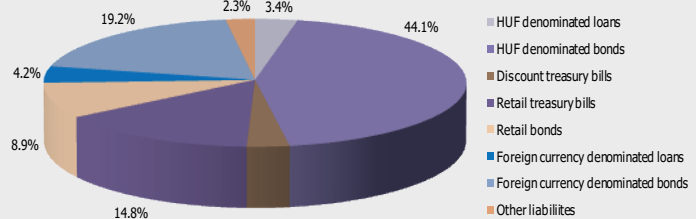
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MAY 2017

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/B	17.05.2017	20.05.2017	20.11.2017	20.11.2017	0.03%	0.02%
2019/D	25.05.2017	28.05.2017	28.08.2017	28.08.2017	0.16%	0.04%
2020/N	17.05.2017	20.05.2017	20.05.2018	21.05.2018	2.63%	2.67%
2020/O	18.05.2017	20.05.2017	20.05.2018	21.05.2018	2.63%	2.67%
2022/J	16.05.2017	16.05.2017	22.11.2018	22.11.2018	3.80%	5.78%

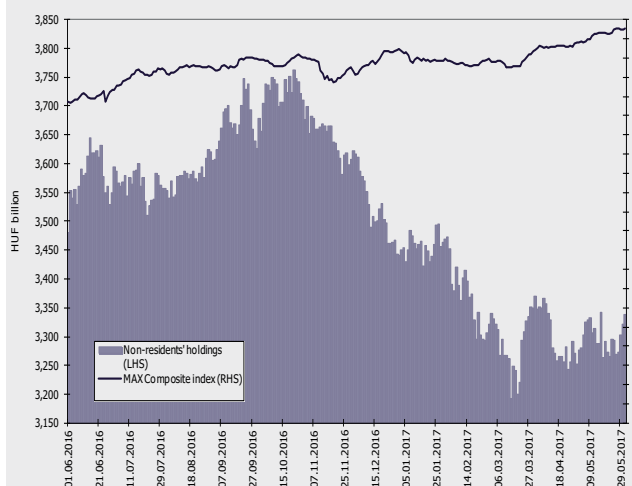
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2016	31.05.2017	HUF billion
1-year Interest Bearing T-Bill	2,636.7	2,974.3	337.6
6-month Interest Bearing T-Bill	428.9	502.8	73.9
Treasury Saving Bills	453.7	456.5	2.8
PGB, BGB	1,521.2	1,934.9	413.7
2-year Government Bond	0.0	225.8	225.8
Babybond	27.4	31.9	4.5
Total	5,067.9	6,126.2	1,058.3

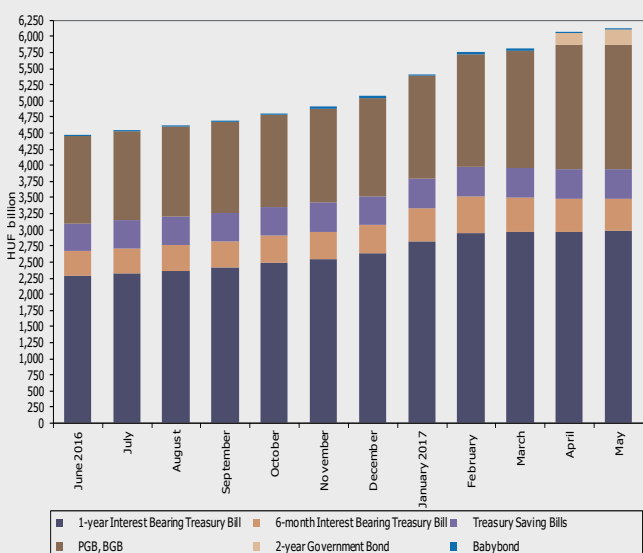
Debt structure at 31.05.2017



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



Outstanding amount of retail securities during the last year



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31.05.2017	739.6732	551.1226	705.2685	535.1443
Changes compared to the end of the month before	8.1084	-0.0484	7.0092	0.0606
Annual yield earned on the index portfolio (%)	6.19	0.95	5.78	0.50

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.05.2017	732.6395	777.9832	551.2722	353.1564
Changes compared to the end of the month before	4.8322	10.2930	10.8733	4.1464
Reference yield (%)	0.8	1.82	3.04	3.65
Annual yield earned on the index portfolio (%)	6.41	6.41	6.64	3.01

Government bonds with the highest secondary market turnover in May 2017

Government bond	Date of redemption	Turnover (HUF billion)
2025/B	24.06.2025	753.6
2024/B	26.06.2024	484.4
2023/A	24.11.2023	466.0
2027/A	27.10.2027	438.9
2020/A	12.11.2020	393.3
2021/B	27.10.2021	387.8
2022/A	24.06.2022	339.0
2019/A	24.06.2019	291.9
2020/B	24.06.2020	289.4
2022/B	26.10.2022	278.2

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

Government bond	HUF billion	
	30.04.2017	31.05.2017
2020/C	182.13	252.72
2022/B	179.88	243.71
2027/A	394.89	452.02
2031/A	148.71	148.88

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

Government bond	HUF billion
2025/B	1,116.69
2023/A	997.90
2022/A	931.23

