

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT JUNE 2016

The net issuance was HUF 597.1 billion; out of which net HUF-denominated issuance was HUF 1,559.0 billion and net foreign currency denominated redemption was HUF 961.9 billion in 2016.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2015		2016		Change	
	December	%	June	%	HUF billion	%
HUF denominated debt	16,207.9	65.6	17,766.9	70.3	1,559.0	9.6
Loans	694.1	2.8	844.5	3.3	150.4	21.7
Government bonds	11,094.9	44.9	11,186.9	44.2	92.0	0.8
Retail securities	3,517.4	14.2	4,477.0	17.7	959.6	27.3
Discount treasury bills	901.6	3.7	1,258.5	5.0	357.0	39.6
Foreign exchange denominated debt	7,735.8	31.3	6,844.2	27.1	-891.6	-11.5
Total	23,943.7	96.9	24,611.1	97.3	667.4	2.8
<i>Other obligations</i>	756.0	3.1	679.4	2.7	-76.6	-10.1
Total central government debt	24,699.7	100.0	25,290.5	100.0	590.8	2.4

The HUF denominated debt of the central government increased by HUF 1,559.0 billion in 2016. The increase in domestic debt was the result of net government bond issuance of HUF 102.7 billion, the amount of discount Treasury bills increased by HUF 357.0 billion and the total amount of retail government securities increased by HUF 959.6 billion. The stock of non-marketable government bonds decreased by HUF 10.7 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 891.6 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 52.0 billion, while the redemptions of foreign currency debt worth HUF 1,056.2 billion decreased the debt. The exchange rate revaluations totalling HUF 70.3 billion increased the Hungarian Forint value of the foreign currency debt in June. The total amount of other liabilities decreased by HUF 76.6 billion in 2016.

BENCHMARK YIELDS

Maturity	29.04.2016	31.05.2016	30.06.2016	Change in March basis point
3-month	0.90	0.88	0.85	-3
6-month	0.90	0.93	0.92	-1
1-year	0.88	1.00	0.92	-8
3-year	1.63	1.84	1.81	-3
5-year	2.25	2.48	2.26	-22
10-year	3.32	3.41	3.12	-29
15-year	3.55	3.61	3.39	-22

Monthly OTC turnover of government securities decreased to HUF 4,049.1 billion in June. Primary dealers, who account for the decisive part of all secondary government securities trading, made 75% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 124.1 billion in June and amounted to HUF 3,594.7 billion at the end of the month. This volume represented 21.2% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 316.16 on the last working day of June.

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

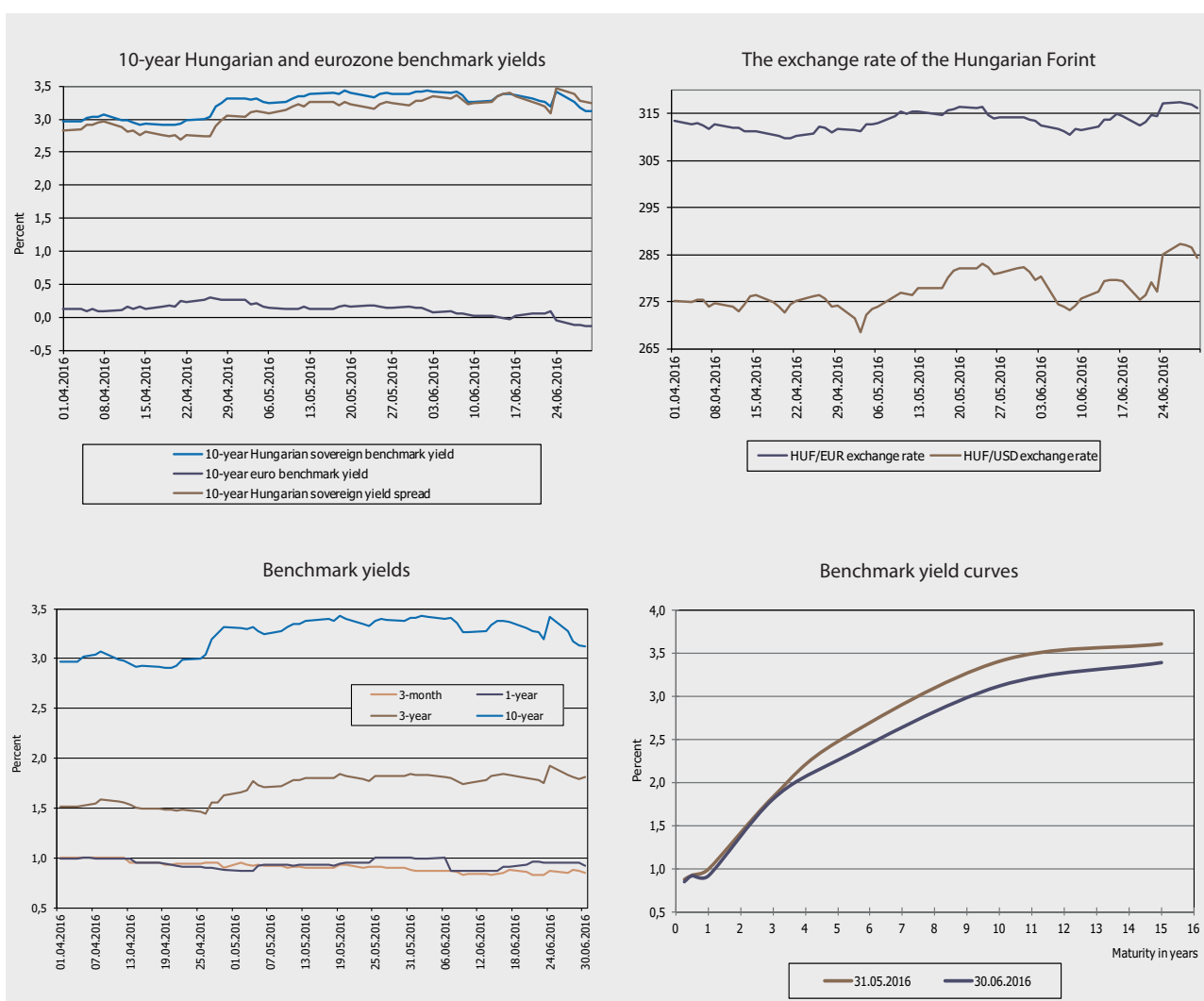
GOVERNMENT SECURITIES MARKET

CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

	2011	2012	2013	2014	2015	2016 April	2016 May	2016 June
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	17,533.4	17,559.0	17,766.9
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	16,688.9	16,714.5	16,922.4
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	16,647.2	16,672.8	16,881.6
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	11,122.2	10,912.5	11,146.0
1.2.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	1,275.2	1,335.7	1,258.5
1.2.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	4,249.8	4,424.6	4,477.0
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	41.7	41.7	40.8
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	7,084.7	6,803.5	6,844.2
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,218.3	1,221.1	1,226.2
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,137.9	1,140.5	1,146.3
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	80.4	80.6	79.9
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,866.4	5,582.5	5,618.0
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	4,996.6	4,990.5	5,021.7
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	869.8	591.9	596.3
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,618.1	24,362.6	24,611.1
Other liabilities	422.89	351.10	117.30	311.20	756.00	626.90	657.70	679.40
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,245.0	25,020.3	25,290.5
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	12,439.1	12,289.9	12,445.3
Gross debt/GDP	74.5%	72.4%	73.2%	74.2%	73.3%			

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



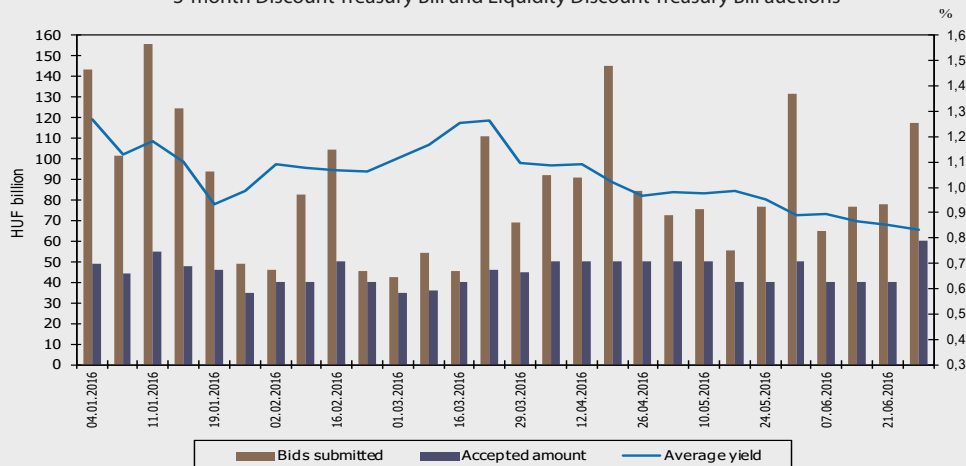
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

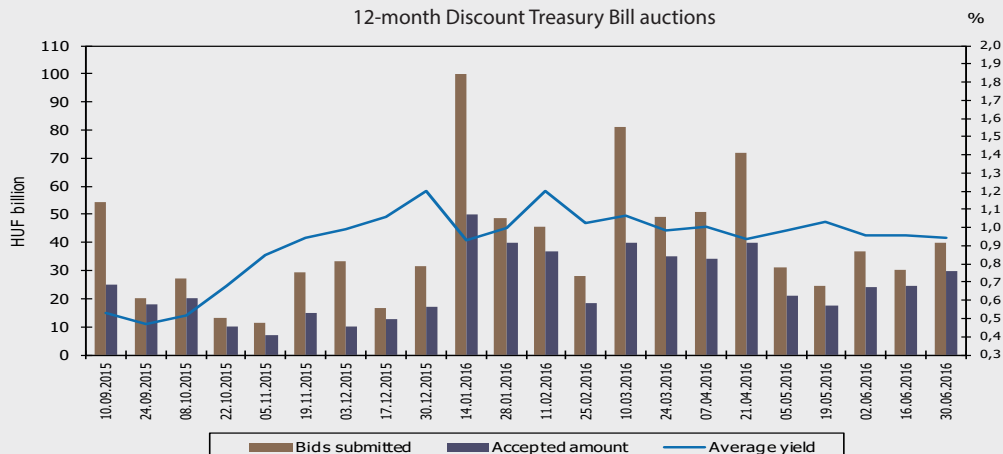
	3-month Discount T-bills				12-month Discount T-bills		
Code of T-bills	D160914	D160921	D160928	D161005	D170524	D170524	D170524
ISIN code	HU0000521026	HU0000521018	HU0000520705	HU0000521000	HU0000521059	HU0000521059	HU0000521059
Maturity in days	91	91	91	91	350	336	322
Date of auction	07.06.2016	14.06.2016	21.06.2016	28.06.2016	02.06.2016	16.06.2016	30.06.2016
Date of financial settlement	15.06.2016	22.06.2016	29.06.2016	06.07.2016	08.06.2016	22.06.2016	06.07.2016
Redemption date	14.09.2016	21.09.2016	28.09.2016	05.10.2016	24.05.2017	24.05.2017	24.05.2017
Maximum yield (%) - ISMA	0.92	0.88	0.86	0.84	0.98	0.99	0.98
Minimum yield (%) - ISMA	0.85	0.81	0.83	0.81	0.90	0.88	0.89
Average yield (%) - ISMA	0.90	0.87	0.85	0.83	0.96	0.96	0.94
Maximum yield (%) - EHM	0.93	0.89	0.87	0.85	0.99	1.00	0.99
Minimum yield (%) - EHM	0.86	0.82	0.84	0.82	0.91	0.89	0.90
Average yield (%) - EHM	0.91	0.88	0.86	0.84	0.97	0.97	0.95
Average selling price (%)	99.7730	99.7806	99.7856	99.7906	99.0753	99.1120	99.1662
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	30,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	65,000.00	76,458.00	77,790.00	117,250.00	36,750.00	30,411.89	39,800.00
Amount of bids accepted (HUF million)	39,999.96	39,999.93	39,999.95	59,999.94	23,999.94	24,499.98	29,999.98
Bid-to-cover ratio	1.63	1.91	1.94	1.95	1.53	1.24	1.33
Bids submitted (pcs)	75.00	85.00	89.00	94.00	70.00	61.00	71.00
Bids accepted (pcs)	63.00	64.00	42.00	41.00	52.00	52.00	61.00
Market sales* (HUF million)	39,999.96	39,999.93	39,999.95	59,999.94	23,999.94	24,499.98	29,999.98
Retained on ÁKK's own account (HUF mil-	12,000.04	12,000.07	12,000.05	18,000.06	24,000.06	7,350.02	30000.02
Total amount issued (HUF million)	52,000.00	52,000.00	52,000.00	78,000.00	48,000.00	31,850.00	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

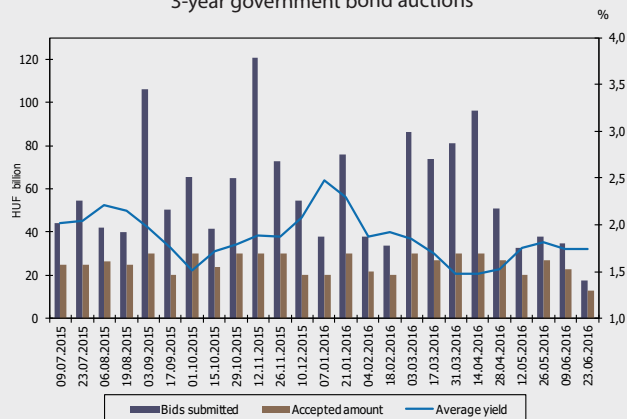


GOVERNMENT SECURITIES MARKET

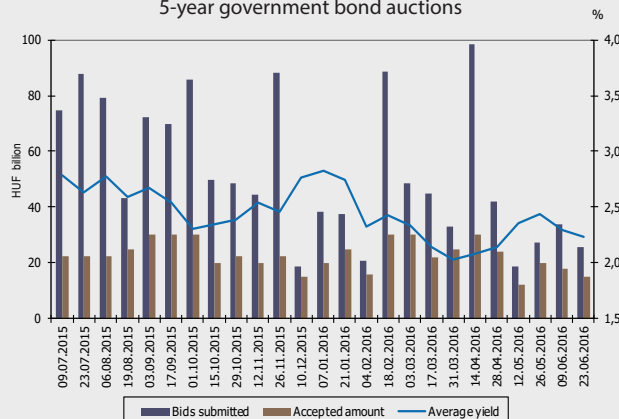
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/C	2021/B	2027/A	2019/C	2021/B	2031/A
ISIN code	HU0000403092	HU0000403100	HU0000403118	HU0000403092	HU0000403100	HU0000403001
Maturity (in years)	3	5	10	3	5	15
Coupon	2.00%	2.50%	3.00%	2.00%	2.50%	3.25%
Auction	12th auction	12th auction	10th auction	13th auction	13th auction	7th auction
Date of auction	09.06.2016	09.06.2016	09.06.2016	23.06.2016	23.06.2016	23.06.2016
Date of financial settlement	15.06.2016	15.06.2016	15.06.2016	29.06.2016	29.06.2016	29.06.2016
Redemption date	30.10.2019	27.10.2021	27.10.2027	30.10.2019	27.10.2021	22.10.2031
Maximum annual yield (%) - ISMA	1.76	2.31	3.27	1.76	2.25	3.43
Minimum annual yield (%) - ISMA	1.72	2.28	3.27	1.69	2.19	3.39
Average annual yield (%) - ISMA	1.74	2.29	3.27	1.74	2.23	3.41
Maximum annual yield (%) - EHM	1.76	2.31	3.27	1.76	2.25	3.43
Minimum annual yield (%) - EHM	1.72	2.28	3.27	1.69	2.19	3.39
Average annual yield (%) - EHM	1.74	2.29	3.27	1.74	2.23	3.41
Maximum price (%)	100.9088	101.1001	97.4665	100.9958	101.5437	98.3371
Minimum price (%)	100.7781	100.9492	97.4665	100.7694	101.2427	97.8713
Average price (%)	100.8279	101.0312	97.4665	100.8330	101.3323	98.0574
Amount offered for sale (HUF million)	20,000.00	15,000.00	10,000.00	10,000.00	10,000.00	5,000.00
Amount of bids submitted (HUF million)	34,810.00	33,900.00	69,600.00	17,400.00	25,581.00	8,900.00
Amount of bids accepted (HUF million)	22,999.95	17,999.97	15,000.00	12,999.99	14,999.97	5,000.00
Bid-to-cover ratio	1.51	1.88	4.64	1.34	1.71	1.78
Bids submitted (pcs)	48	46	76	30	44	25
Bids accepted (pcs)	32	25	14	23	35	16
Tail (%) (average price - minimum price)	0.05	0.08	0.00	0.06	0.09	0.19
Market sales (HUF million)	22,999.95	17,999.97	15,000.00	12,999.99	14,999.97	5,000.00
Non-competitive offer (HUF million)	4,979.62	5,352.63	5,120.00	1,571.00	1,354.72	1,200.00
Total amount sales (HUF million)	27,979.57	23,352.60	20,120.00	14,570.99	16,354.69	6,200.00

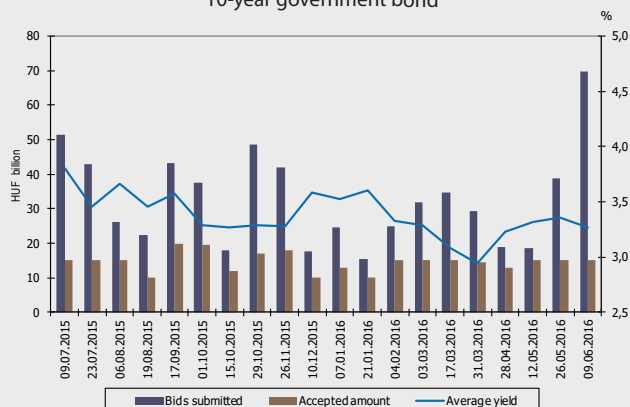
3-year government bond auctions



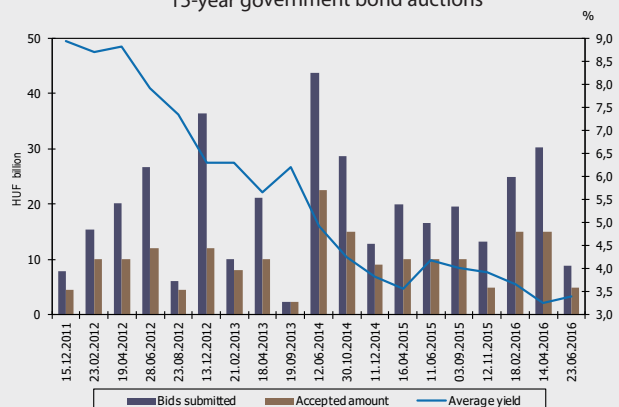
5-year government bond auctions



10-year government bond



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

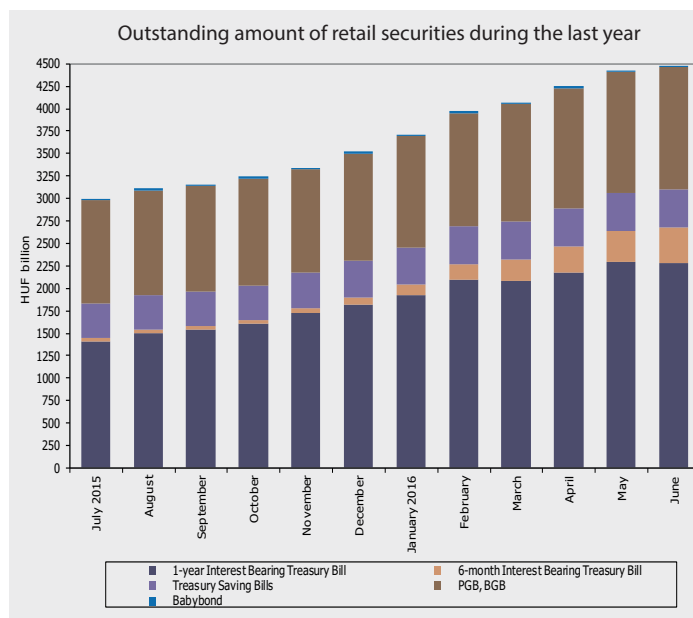
Government bond	2017/A	2017/C	2017/A	2017/C
ISIN code	HU0000402037	HU0000402821	HU0000402037	HU0000402821
Coupon (%)	6.75	1.34	6.75	0.99
Date of reverse auction	08.06.2016	08.06.2016	22.06.2016	22.06.2016
Date of financial settlement	15.06.2016	15.06.2016	29.06.2016	29.06.2016
Redemption date	24.11.2017	20.12.2017	24.11.2017	20.12.2017
Minimum annual yield (%)	0.90	99.70	0.00	99.85
Average annual yield- ISMA (%)	0.90	99.64	0.00	99.77
Average annual yield - EHM (%)	0.90	-	0.00	-
Amount of bids submitted (HUF million)	24,898.00	107,879.74	25.05	101,617.77
Amount of bids accepted (HUF million)	24,898.00	58,279.74	0.00	71,894.77

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JUNE 2016

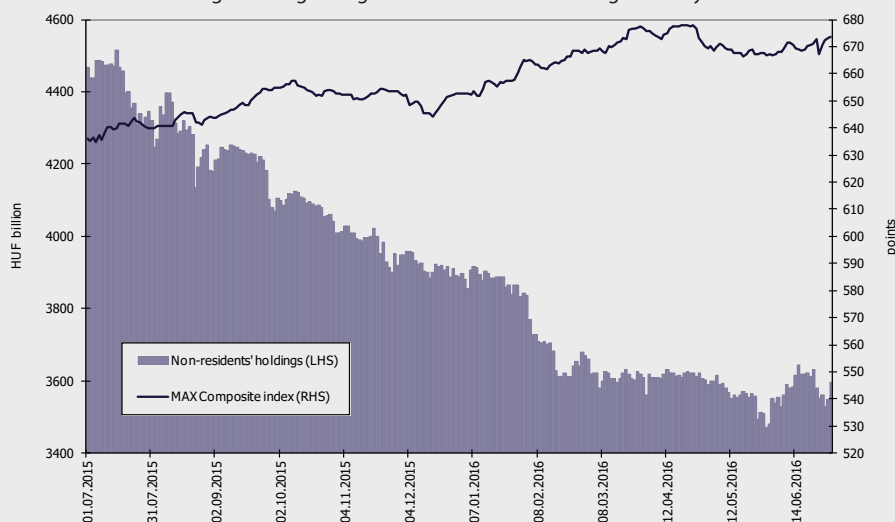
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2016/A	29.06.2016	30.06.2016	30.09.2016	30.09.2016	2.25%	0.28%
2017/C	18.06.2016	20.06.2016	20.09.2016	20.09.2016	0.99%	0.25%
2021/A	20.06.2016	23.06.2016	23.09.2016	23.09.2016	1.00%	0.26%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2015	30.06.2016	HUF billion
1-year Interest Bearing	1,816.0	2,281.1	465.2
6-month Interest Bearing	81.0	387.6	306.6
Treasury Saving Bills	403.4	426.4	23.0
PGB, BGB	1,198.3	1,359.2	160.9
Babybond	18.6	22.6	4.0
Total	3,517.3	4,476.9	959.6



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



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

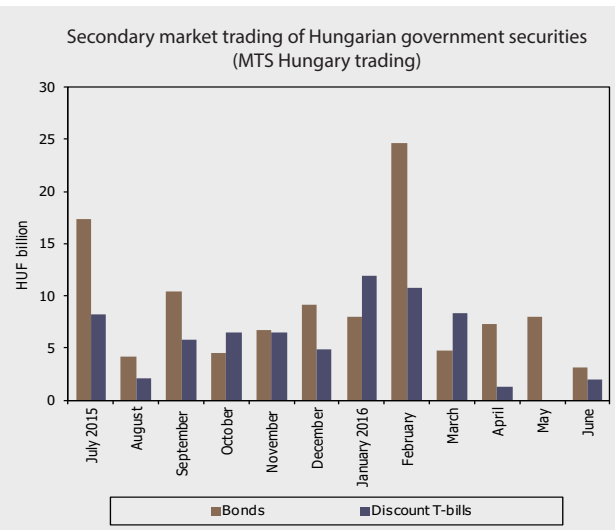
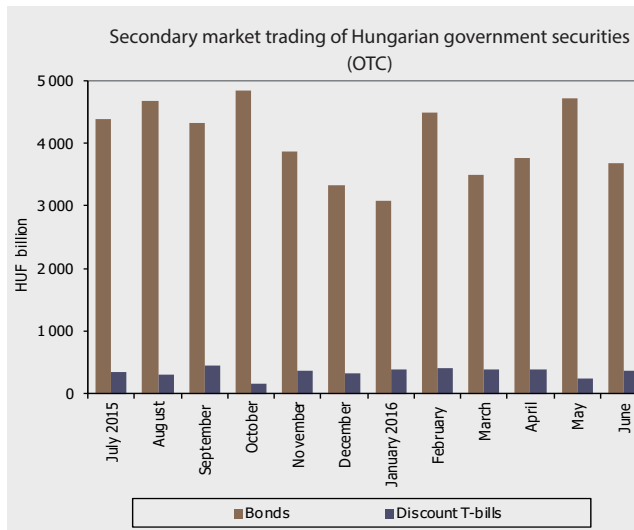
	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30.06.2016	704.2805	546.4777	673.5671	532.9338
Changes compared to the end of the month before	7.7475	0.5569	6.8527	0.4607
Annual yield earned on the index portfolio	6.40%	0.96%	6.03%	0.86%

Government bonds with the highest secondary market turnover in June 2016

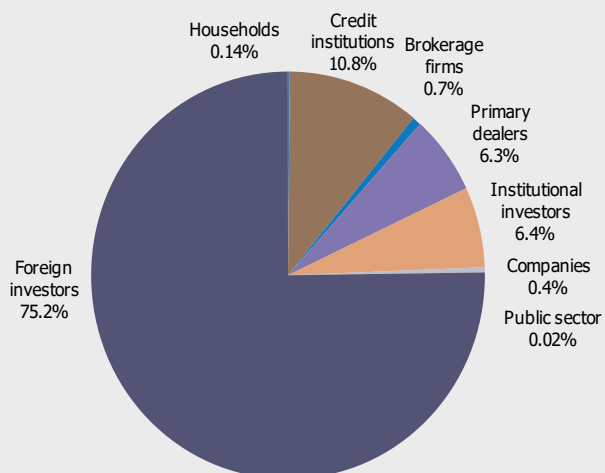
Government bond	Date of redemption	Turnover (HUF billion)
2018/C	22.06.2018	788,6
2018/B	25.04.2018	581,2
2025/B	24.06.2025	458,0
2020/B	24.06.2020	339,3
2024/B	26.06.2024	235,8
2021/B	27.10.2021	218,7
2022/A	24.06.2022	197,6
2017/C	20.12.2017	172,2
2027/A	27.10.2027	160,9
2023/A	24.11.2023	134,3

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

Government bond	HUF billion	
	31.05.2016	30.06.2016
2019/C	307.53	379.46
2021/B	286.74	346.54
2027/A	118.57	154.93
2031/A	81.54	87.72



Breakdown of primary dealers' secondary market turnover in Government Bonds by investor groups in June 2016



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in June 2016

