

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT AUGUST 2016

The net issuance was HUF 381.9 billion; out of which net HUF-denominated issuance was HUF 1,589.9 billion and net foreign currency denominated redemption was HUF 1,208.1 billion in 2016.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2015		2016		Change	
	December	%	August	%	HUF billion	%
HUF denominated debt	16,207.9	65.6	17,797.9	71.6	1,589.9	9.8
Loans	694.1	2.8	844.5	3.4	150.4	21.7
Government bonds	11,094.9	44.9	11,140.2	44.8	45.4	0.4
Retail securities	3,517.4	14.2	4,615.0	18.6	1,097.6	31.2
Discount treasury bills	901.6	3.7	1,198.1	4.8	296.5	32.9
Foreign exchange denominated debt	7,735.8	31.3	6,466.9	26.0	-1,268.9	-16.4
Total	23,943.7	96.9	24,264.7	97.6	321.0	1.3
<i>Other obligations</i>	756.0	3.1	593.6	2.4	-162.4	-21.5
Total central government debt	24,699.7	100.0	24,858.4	100.0	158.6	0.6

The HUF denominated debt of the central government increased by HUF 1,589.9 billion in 2016. The increase in domestic debt was the result of net government bond issuance of HUF 56.0 billion, the amount of discount Treasury bills increased by HUF 296.5 billion and the total amount of retail government securities increased by HUF 1,097.6 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 1,268.9 billion in 2016. The Dim Sum bond issue increased the debt by HUF 42.3 billion, the domestic P€MAK and residence bond issuance was HUF 83.0 billion, while the redemptions of foreign currency debt worth HUF 1,333.4 billion decreased the debt. The exchange rate revaluations totalling HUF 60.9 billion decreased the Hungarian Forint value of the foreign currency debt in August. The total amount of other liabilities decreased by HUF 162.4 billion in 2016.

BENCHMARK YIELDS

Maturity	30.06.2016	29.07.2016	31.08.2016	Change in August basis point
3-month	0.85	0.50	0.47	-3
6-month	0.92	0.51	0.51	0
1-year	0.92	0.61	0.61	0
3-year	1.81	1.38	1.35	-3
5-year	2.26	1.95	1.94	-1
10-year	3.12	2.81	2.85	4
15-year	3.39	3.10	3.20	10

Monthly OTC turnover of government securities decreased by 4 % to HUF 3,565.7 billion in August. 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 58.6 billion in August and amounted to HUF 3,621.3 billion at the end of the month. This volume represented 21.4% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 309.9 on the last working day of August.

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

GOVERNMENT SECURITIES MARKET

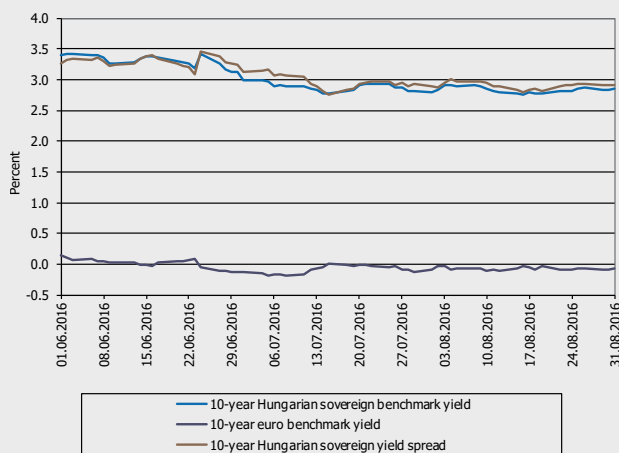
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

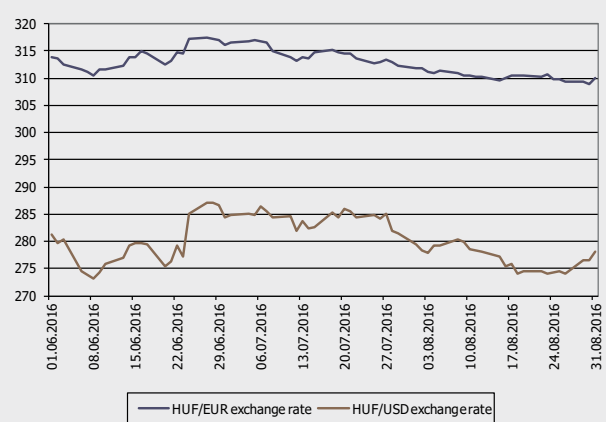
	2011	2012	2013	2014	2015	2016 June	2016 July	2016 August
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	17,766.9	17,927.1	17,797.9
1.1. Loans	590.8	566.8	603.6	623.3	694.1	844.5	844.5	844.5
1.2. Government securities	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	16,922.4	17,082.6	16,953.3
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	16,881.6	17,041.7	16,912.5
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	11,146.0	11,144.3	11,099.4
1.2.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	1,258.5	1,355.7	1,198.1
1.2.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	4,477.0	4,541.7	4,615.0
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	40.8	40.8	40.8
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	6,844.2	6,504.7	6,466.9
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,226.2	1,210.7	1,200.7
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,146.3	1,131.7	1,122.8
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	79.9	78.9	77.8
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,618.0	5,294.0	5,266.2
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	5,021.7	4,689.9	4,653.0
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	596.3	604.1	613.2
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,611.1	24,431.8	24,264.7
Other liabilities	422.89	351.10	117.30	311.20	756.00	679.40	703.40	593.60
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,290.5	25,135.2	24,858.4
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	12,445.3	12,540.8	12,338.3
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.

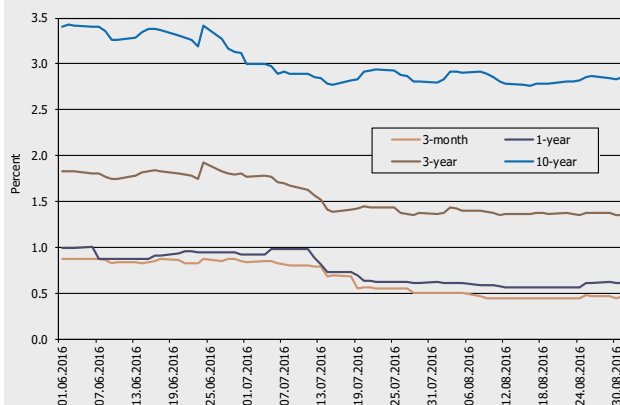
10-year Hungarian and eurozone benchmark yields



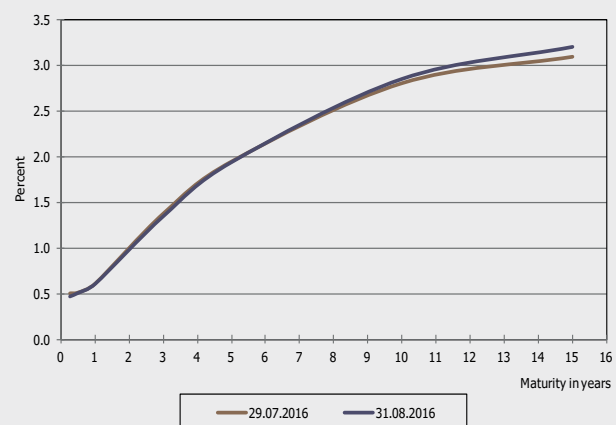
The exchange rate of the Hungarian Forint



Benchmark yields



Benchmark yield curves



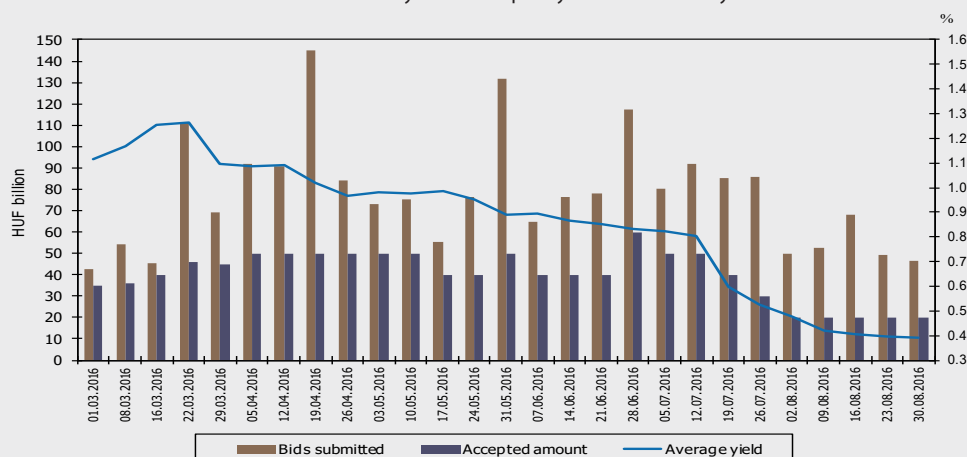
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

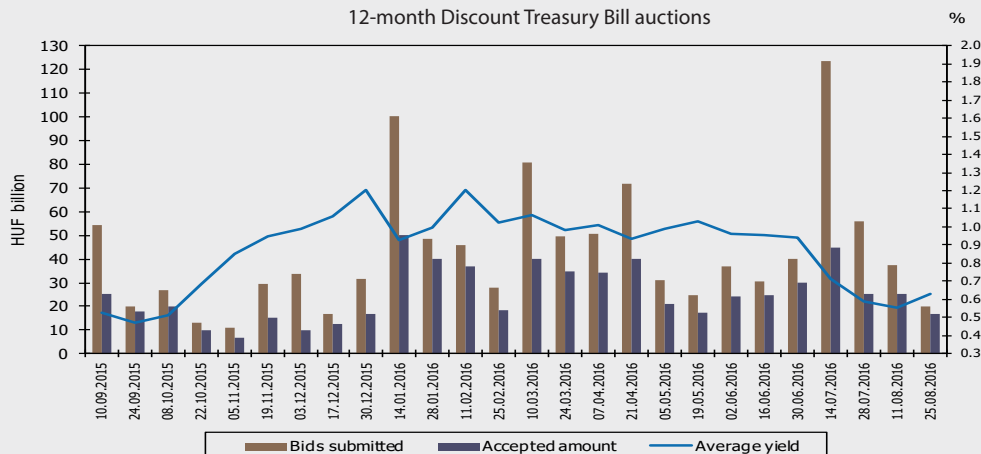
	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D161109	D161116	D161123	D161130	D161207	D170719	D170719
ISIN code	HU0000521158	HU0000521166	HU0000520788	HU0000521174	HU0000521182	HU0000521125	HU0000521125
Maturity in days	91	91	91	91	91	336	322
Date of auction	02.08.2016	09.08.2016	16.08.2016	23.08.2016	30.08.2016	11.08.2016	25.08.2016
Date of financial settlement	10.08.2016	17.08.2016	24.08.2016	31.08.2016	07.09.2016	17.08.2016	31.08.2016
Redemption date	09.11.2016	16.11.2016	23.11.2016	30.11.2016	07.12.2016	19.07.2017	19.07.2017
Maximum yield (%) - ISMA	0.49	0.45	0.41	0.40	0.40	0.58	0.65
Minimum yield (%) - ISMA	0.45	0.40	0.39	0.38	0.38	0.50	0.60
Average yield (%) - ISMA	0.48	0.42	0.41	0.39	0.39	0.55	0.63
Maximum yield (%) - EHM	0.50	0.46	0.42	0.41	0.41	0.59	0.66
Minimum yield (%) - EHM	0.46	0.41	0.40	0.39	0.39	0.51	0.61
Average yield (%) - EHM	0.49	0.43	0.42	0.40	0.40	0.56	0.64
Average selling price (%)	99.8788	99.8939	99.8965	99.9015	99.9015	99.4893	99.4397
Amount offered for sale (HUF million)	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	49,675.00	52,646.00	68,300.00	49,070.00	46,475.84	37,150.00	20,244.44
Amount of bids accepted (HUF million)	19,999.94	19,999.97	19,999.98	19,999.95	19,999.96	25,000.00	16,999.99
Bid-to-cover ratio	2.48	2.63	3.42	2.45	2.32	1.49	1.19
Bids submitted (pcs)	84	73	79	75	64	47	33
Bids accepted (pcs)	43	27	20	33	22	34	28
Market sales* (HUF million)	19,999.94	19,999.97	19,999.98	19,999.95	19,999.96	25,000.00	16,999.99
Retained on ÁKK's own account (HUF mil-	10,000.06	10,000.03	10,000.02	10,000.05	10,000.04	25,000.00	5100.01
Total amount issued (HUF million)	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	50,000.00	22,100.00

* Without issuance onto ÁKK's own account

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



12-month Discount Treasury Bill auctions

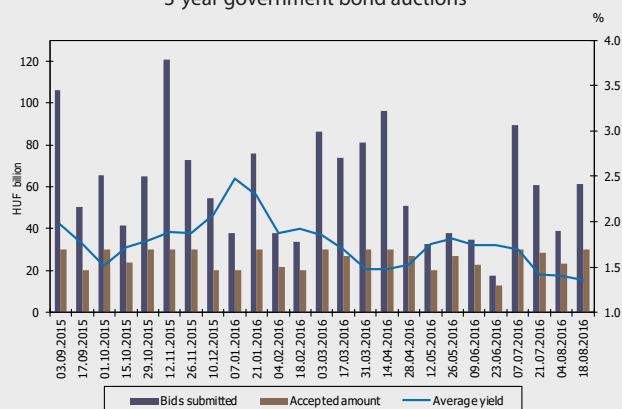


GOVERNMENT SECURITIES MARKET

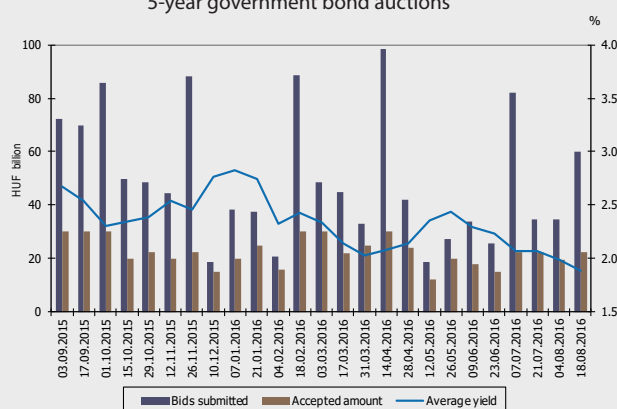
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/C	2021/B	2027/A	2019/C	2021/B	2031/A	2019/D
ISIN code	HU0000403092	HU0000403100	HU0000403118	HU0000403092	HU0000403100	HU0000403001	HU0000403126
Maturity (in years)	3	5	10	3	5	15	3
Coupon	2.00%	2.50%	3.00%	2.00%	2.50%	3.25%	0.88%
Auction	16. auction	16. auction	13. auction	17. auction	17. auction	8. auction	9. auction
Date of auction	04.08.2016	04.08.2016	04.08.2016	18.08.2016	18.08.2016	18.08.2016	25.08.2016
Date of financial settlement	10.08.2016	10.08.2016	10.08.2016	24.08.2016	24.08.2016	24.08.2016	31.08.2016
Redemption date	30.10.2019	27.10.2021	27.10.2027	30.10.2019	27.10.2021	22.10.2031	28.08.2019
Maximum annual yield (%) - ISMA	1.43	2.00	2.96	1.37	1.90	3.13	-
Minimum annual yield (%) - ISMA	1.40	1.97	2.89	1.34	1.87	3.08	-
Average annual yield (%) - ISMA	1.41	1.99	2.93	1.36	1.89	3.12	-
Maximum annual yield (%) - EHM	1.43	2.00	2.96	1.37	1.90	3.13	-
Minimum annual yield (%) - EHM	1.40	1.97	2.89	1.34	1.87	3.08	-
Average annual yield (%) - EHM	1.41	1.98	2.92	1.36	1.89	3.12	-
Maximum price (%)	101.8758	102.6025	101.0369	102.0422	103.0812	102.0281	98.1500
Minimum price (%)	101.7808	102.4530	100.3730	101.9481	102.9318	101.4243	98.1200
Average price (%)	101.8420	102.5244	100.6900	101.9929	102.9622	101.4894	98.1400
Amount offered for sale (HUF million)	20,000.00	15,000.00	10,000.00	20,000.00	15,000.00	10,000.00	8,000.00
Amount of bids submitted (HUF million)	39,000.00	34,700.00	13,450.00	61,178.78	59,942.94	19,900.00	28,400.00
Amount of bids accepted (HUF million)	23,499.97	19,500.00	9,999.99	29,999.99	22,499.93	13,999.96	11,999.99
Bid-to-cover ratio	1.66	1.78	1.35	2.04	2.66	1.42	2.37
Bids submitted (pcs)	33	44	35	37	51	44	27
Bids accepted (pcs)	18	23	34	19	25	27	13
Tail (%) (average price - minimum price)	0.06	0.07	0.32	0.04	0.03	0.07	0.02
Market sales (HUF million)	23,499.97	19,500.00	9,999.99	29,999.99	22,499.93	13,999.96	11,999.99
Non-competitive offer (HUF million)	8,184.52	3,016.00	-	4,150.16	5,100.55	735.75	4,159.99
Total amount sales (HUF million)	31,684.49	22,516.00	9,999.99	34,150.15	27,600.48	14,735.71	16,159.98

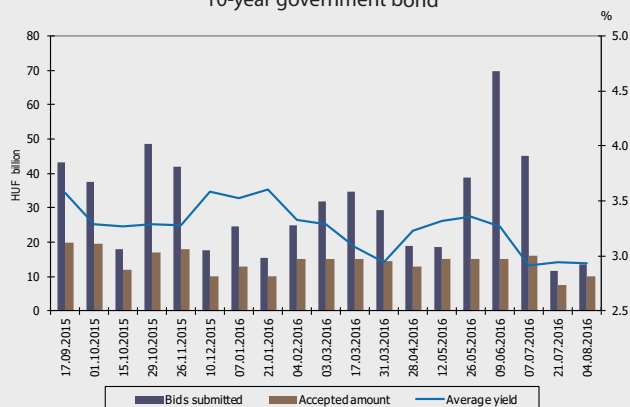
3-year government bond auctions



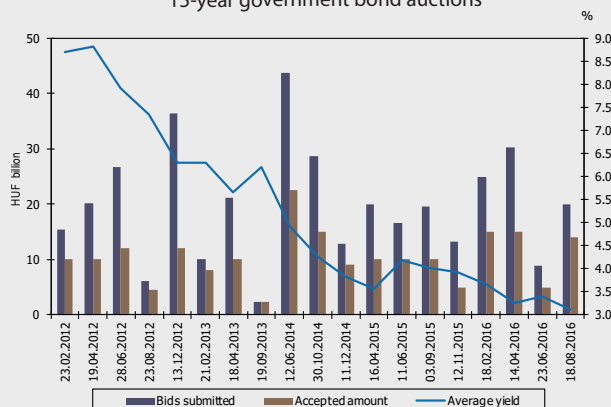
5-year government bond auctions



10-year government bond



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

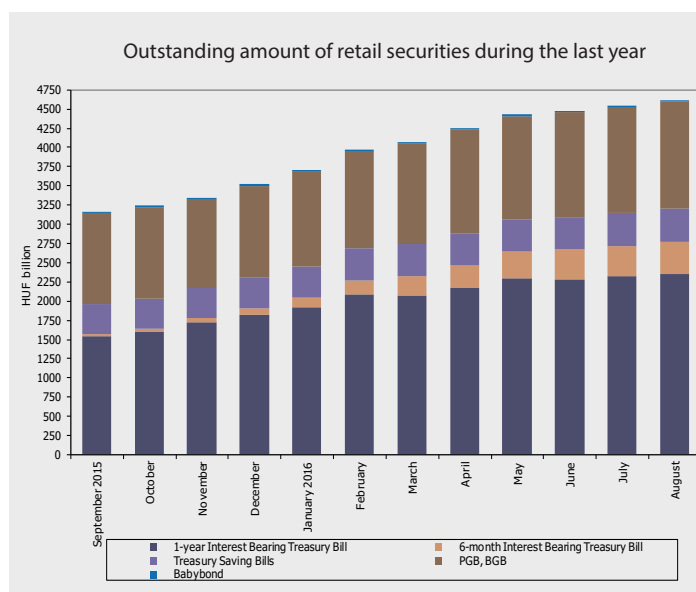
Government bond	2017/A	2017/C	2017/B	2017/C	2017/B	2017/C
ISIN code	HU0000402037	HU0000402821	HU0000402375	HU0000402821	HU0000402375	HU0000402821
Coupon (%)	6.75%	0.99%	6.75%	0.99%	6.75%	0.99%
Date of reverse auction	03.08.2016	03.08.2016	17.08.2016	17.08.2016	31.08.2016	31.08.2016
Date of financial settlement	10.08.2016	10.08.2016	24.08.2016	24.08.2016	07.09.2016	07.09.2016
Redemption date	24.11.2017	20.12.2017	24.02.2017	20.12.2017	24.02.2017	20.12.2017
Minimum annual yield (%)	0.00	-	0.51	-	0.49	-
Average annual yield- ISMA (%)	0.00	-	0.52	-	0.51	-
Average annual yield- EHM (%)	0.00	-	0.52	-	0.51	-
Amount of bids submitted (HUF million)	37.41	18,750.00	16746.20	13,700.00	9954.46	11,148.65
Amount of bids accepted (HUF million)	0.00	3,700.00	9746.20	12,950.00	9954.46	7,148.65

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN AUGUST 2016

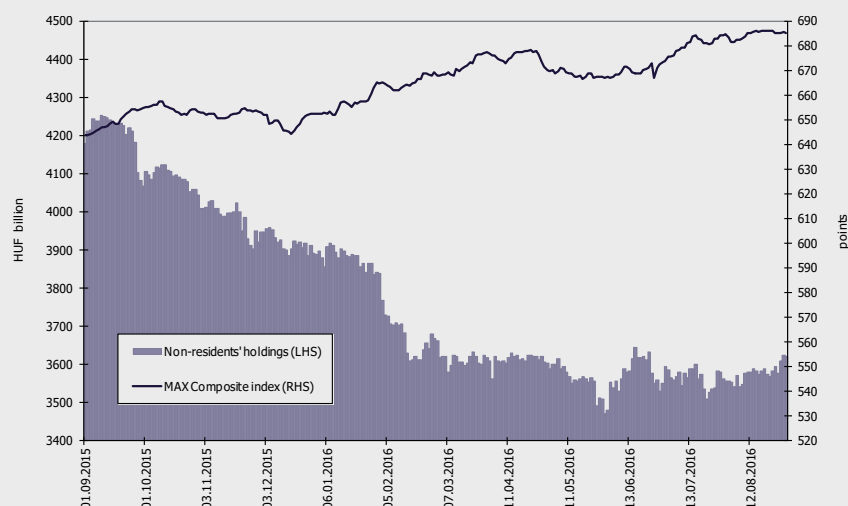
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/D	25.08.2016	28.08.2016	28.11.2016	28.11.2016	0.88%	0.22%
2020/J	24.08.2016	26.08.2016	26.08.2017	28.08.2017	3.50%	3.50%
2024/N	24.08.2016	26.08.2016	26.08.2017	28.08.2017	3.21%	3.25%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2015	31.08.2016	HUF billion
1-year Interest Bearing	1,816.0	2,355.3	539.3
6-month Interest Bearing	81.0	406.7	325.7
Treasury Saving Bills	403.4	433.3	29.8
PGB, BGB	1,198.3	1,396.0	197.7
Babybond	18.6	23.7	5.1
Total	3,517.3	4,615.0	1,097.6



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 31.08.2016	717.4500	548.2077	685.2847	533.8534
Changes compared to the end of the month before	1.3353	0.4112	1.2041	0.1810
Annual yield earned on the index portfolio	6.76%	0.96%	6.37%	0.82%

Government bonds with the highest secondary market turnover in August 2016

Government bond	Date of redemption	Turnover (HUF billion)
2018/C	22.06.2018	524.2
2018/B	25.04.2018	521.7
2025/B	24.06.2025	514.6
2021/B	27.10.2021	427.5
2024/B	26.06.2024	359.3
2020/B	24.06.2020	270.1
2023/A	24.11.2023	188.5
2022/A	24.06.2022	168.7
2027/A	27.10.2027	161.6
2019/C	30.10.2019	151.6

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

Government bond	HUF billion	
	31.07.2016	31.08.2016
2019/C	450.03	516.17
2021/B	405.59	455.97
2027/A	182.00	192.12
2031/A	87.79	102.55

