

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT FEBRUARY 2016

The net issuance was HUF 358.7 billion; out of which net HUF-denominated issuance was HUF 346.4 billion and net foreign currency denominated issuance was HUF 12.3 billion in 2016.

(HUF billion)	2015		2016		Change	
	December	%	February	%	HUF billion	%
HUF denominated debt	16,207.9	65.6%	16,554.3	66.3%	346.4	2.1%
Loans	694.1	2.8%	736.6	3.0%	42.5	6.1%
Government bonds	11,094.9	44.9%	10,709.8	42.9%	-385.1	-3.5%
Retail securities	3,517.4	14.2%	3,967.1	15.9%	449.7	12.8%
Discount treasury bills	901.6	3.7%	1,140.8	4.6%	239.2	26.5%
Foreign exchange denominated debt	7,735.8	31.3%	7,689.7	30.8%	-46.1	-0.6%
Total	23,943.7	96.9%	24,244.0	97.2%	300.2	1.3%
<i>Other obligations</i>	756.0	3.1%	707.1	2.8%	-48.9	-6.5%
Total central government debt	24,699.7	100.0%	24,951.1	100.0%	251.4	1.0%

The HUF denominated debt of the central government increased by HUF 346.4 billion in 2016. The increase in domestic debt was the result of net government bond redemption of HUF 376.1 billion, the amount of discount Treasury bills increased by HUF 239.2 billion and the total amount of retail government securities increased by HUF 449.7 billion. The stock of non-marketable government bonds decreased by HUF 9.0 billion. The volume of HUF loans increased by HUF 42.5 billion in 2016.

The foreign currency debt of the central government decreased by HUF 46.1 billion in 2016. The domestic PÉMAK and residence bond issuance was HUF 13.5 billion, while the redemptions of foreign currency debt worth HUF 1.2 billion decreased the debt. The exchange rate revaluations totalling HUF 58.5 billion decreased the Hungarian Forint value of the foreign currency debt in February. The total amount of other liabilities decreased by HUF 48.9 billion in 2016.

BENCHMARK YIELDS

Maturity	30.12.2015	29.01.2016	29.02.2016	Change in February basis point
3-month	0.80	0.93	0.94	1
6-month	0.87	0.95	0.99	4
1-year	0.93	0.96	1.00	4
3-year	2.11	1.93	1.87	-6
5-year	2.55	2.44	2.32	-12
10-year	3.33	3.48	3.27	-21
15-year	3.88	3.71	3.56	-15

Monthly OTC turnover of government securities increased to HUF 4,886.9 billion in February. Primary dealers, who account for the decisive part of all secondary government securities trading, made 74% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 154.3 billion in February and amounted to HUF 3,680.0 billion at the end of the month. This volume represented 23.3% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 310.75 on the last working day of February.

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

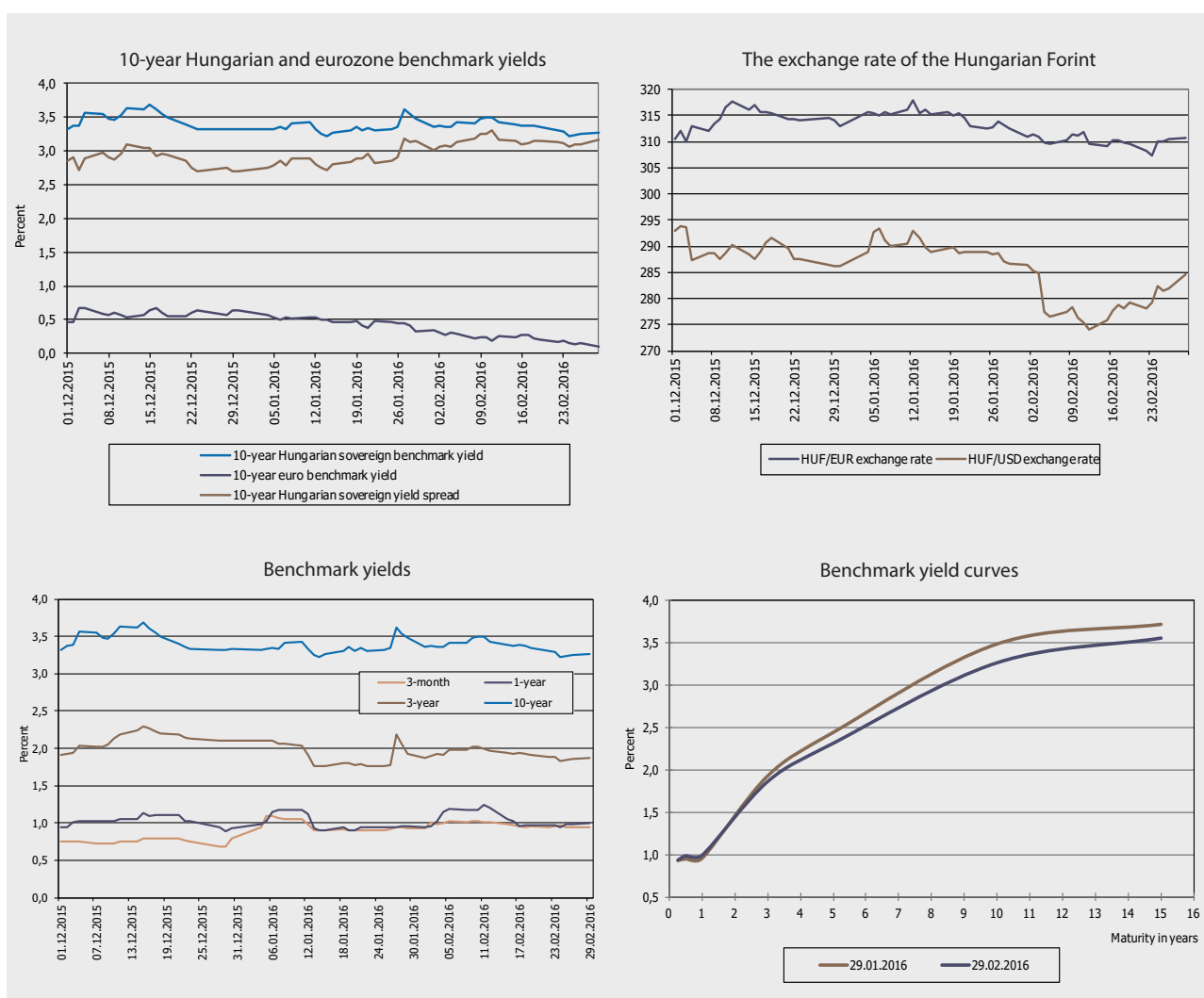
GOVERNMENT SECURITIES MARKET

CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

	2010	2011	2012	2013	2014	2015 December	2016 January	2016 February
1. Forint denominated debt	10,978.2	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	16,649.8	16,554.3
1.1. Loans	540.8	590.8	566.8	603.6	623.3	694.1	736.6	736.6
1.2. Government securities	10,437.4	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	15,913.2	15,817.7
1.2.1. Public issues	10,019.6	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	15,870.7	15,775.2
1.2.1.1. Bonds	7,965.8	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	10,959.4	10,667.3
1.2.1.2. Discount T-bills	1,618.2	1,540.9	1,906.5	1,904.9	1,588.6	901.6	1,204.2	1,140.8
1.2.1.3. Retail securities	435.7	473.8	986.6	1,688.5	2,411.1	3,517.4	3,707.0	3,967.1
1.2.2. Private placements	417.8	403.2	398.5	190.5	141.0	51.5	42.5	42.5
2. Foreign currency denominated debt*	8,842.8	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	7,727.1	7,689.7
2.1. Loans	4,292.8	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,692.3	1,682.9
2.1.1. Foreign loans	4,292.8	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,610.0	1,601.4
2.1.2. Domestic loans	3,526.9	0.0	83.5	335.4	274.4	82.6	82.3	81.5
2.2. Government securities	4,550.0	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	6,034.9	6,006.8
2.2.1. Issued abroad	4,550.0	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	5,187.4	5,159.8
2.2.2. Issued domestically	0.0	0.0	89.9	432.5	948.9	840.1	847.5	847.1
Total	19,821.0	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,376.9	24,244.0
Other liabilities	220.01	422.89	351.10	117.30	311.20	756.00	803.40	707.10
Total central government debt	20,041.0	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,180.3	24,951.1
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	11,996.5	12,206.1	11,850.6
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.



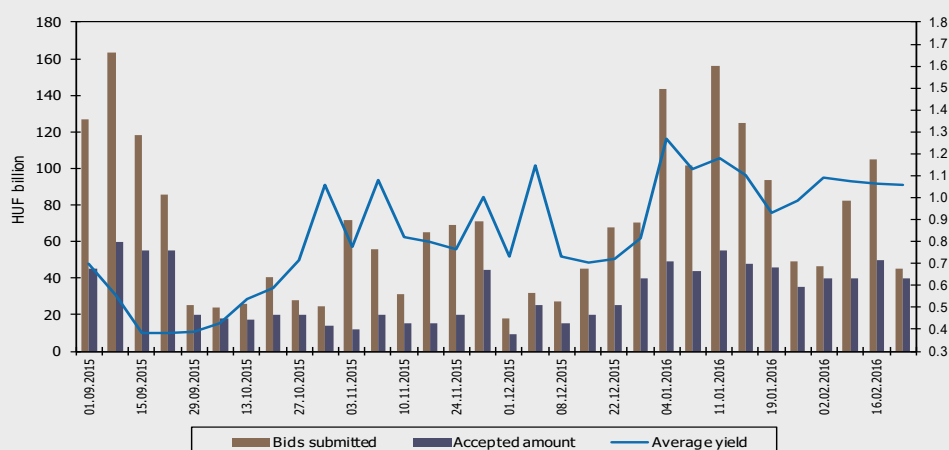
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

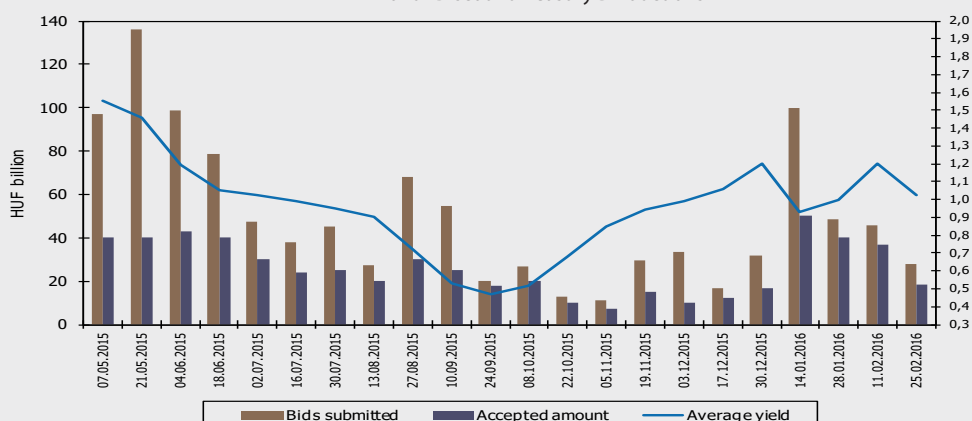
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D160511	D160518	D160525	D160601	D161228	D161228
ISIN code	HU0000520895	HU0000520903	HU0000520911	HU0000520929	HU0000520853	HU0000520853
Maturity in days	91	91	91	91	315	301
Date of auction	02.02.2016	09.02.2016	16.02.2016	23.02.2016	11.02.2016	25.02.2016
Date of financial settlement	10.02.2016	17.02.2016	24.02.2016	02.03.2016	17.02.2016	02.03.2016
Redemption date	11.05.2016	18.05.2016	25.05.2016	01.06.2016	28.12.2016	28.12.2016
Maximum yield (%) - ISMA	1.14	1.10	1.09	1.09	1.24	1.05
Minimum yield (%) - ISMA	0.95	1.00	1.00	0.99	1.08	1.00
Average yield (%) - ISMA	1.09	1.08	1.07	1.06	1.20	1.03
Maximum yield (%) - EHM	1.16	1.12	1.11	1.11	1.26	1.06
Minimum yield (%) - EHM	0.96	1.01	1.01	1.00	1.10	1.01
Average yield (%) - EHM	1.11	1.10	1.08	1.07	1.22	1.04
Average selling price (%)	99.7252	99.7277	99.7303	99.7328	98.9609	99.1462
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	46,261.78	82,480.00	104,619.48	45,376.00	45,725.00	28,100.00
Amount of bids accepted (HUF million)	39,999.99	39,999.91	49,999.93	39,999.96	37,000.00	18,500.00
Bid-to-cover ratio	1.16	2.06	2.09	1.13	1.24	1.52
Bids submitted (pcs)	71.00	112.00	151.00	81.00	80.00	35.00
Bids accepted (pcs)	64.00	62.00	99.00	75.00	71.00	30.00
Market sales* (HUF million)	39,999.99	39,999.91	49,999.93	39,999.96	37,000.00	18,500.00
Retained on ÁKK's own account (HUF mil-	12,000.01	12,000.09	15,000.07	12,000.04	11,100.00	0.00
Total amount issued (HUF million)	52,000.00	52,000.00	65,000.00	52,000.00	48,100.00	18,500.00

* Without issuance onto ÁKK's own account

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



12-month Discount Treasury Bill auctions

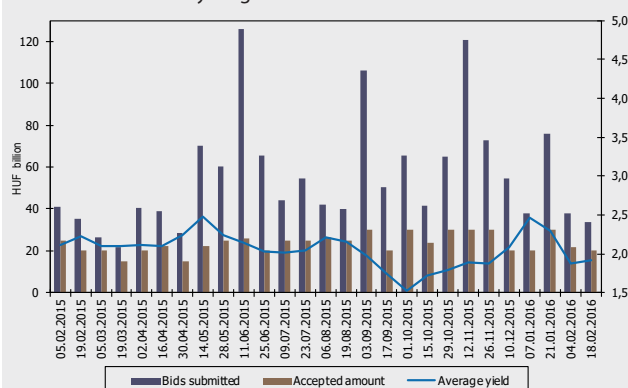


GOVERNMENT SECURITIES MARKET

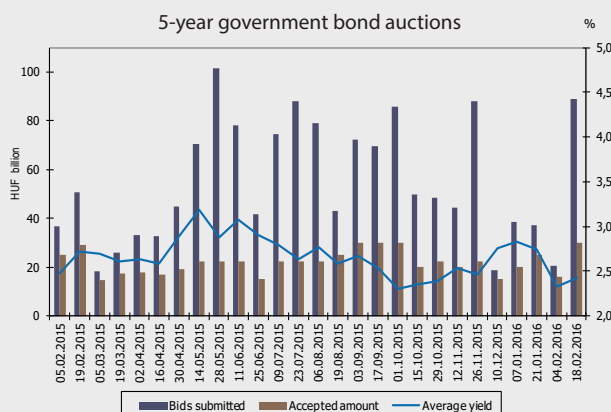
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/C	2021/B	2027/A	2019/D	2019/C	2021/B	2031/A	2021/A
ISIN code	HU0000403092	HU0000403100	HU0000403118	HU0000403126	HU0000403092	HU0000403100	HU0000403001	HU0000402995
Maturity (in years)	3	5	10	3	3	5	15	5
Coupon (%)	2.00%	2.50%	3.00%	1.35%	2.00%	2.50%	3.25%	1.35%
Auction	3. auction	3. auction	3. auction	2. auction	4. auction	4. auction	5. auction	13.auction
Date of auction	02.04.16	02.04.16	02.04.16	02.11.16	02.18.16	02.18.16	02.18.16	02.25.16
Date of financial settlement	02.10.16	02.10.16	02.10.16	02.17.16	02.24.16	02.24.16	02.24.16	03.02.16
Redemption date	10.30.19	10.27.21	10.27.27	08.28.19	10.30.19	10.27.21	10.22.31	06.23.21
Maximum annual yield (%) - ISMA	1.90	2.37	3.35		1.94	2.45	3.67	
Minimum annual yield (%) - ISMA	1.84	2.28	3.28		1.89	2.42	3.63	
Average annual yield (%) - ISMA	1.87	2.33	3.33		1.92	2.43	3.66	
Maximum annual yield (%) - EHM	1.90	2.37	3.35		1.94	2.45	3.67	
Minimum annual yield (%) - EHM	1.84	2.28	3.28		1.89	2.42	3.63	
Average annual yield (%) - EHM	1.87	2.33	3.32		1.92	2.43	3.65	
Maximum price (%)	100.5715	101.1709	97.3172	99.1000	100.3885	100.4239	95.5082	98.0600
Minimum price (%)	100.3573	100.6922	96.6593	98.8600	100.2121	100.2665	95.0512	97.7000
Average price (%)	100.4539	100.9190	96.8851	99.0000	100.2737	100.3640	95.2112	97.9100
Amount offered for sale (HUF million)	20,000.00	20,000.00	10,000.00	8,000.00	20,000.00	20,000.00	10,000.00	8,000.00
Amount of bids submitted (HUF million)	37,800.00	20,754.00	25,045.00	4,750.00	33,725.00	88,790.00	24,890.00	8,000.00
Amount of bids accepted (HUF million)	22,000.00	15,999.98	14,999.94	4,000.00	20,000.00	29,999.96	14,999.93	4,000.00
Bid-to-cover ratio	1.72	1.30	1.67	1.19	1.69	2.96	1.66	2.00
Bids submitted (pcs)	46	52	55	23	35	74	73	13
Bids accepted (pcs)	27	37	43	21	27	32	45	9
Tail (average price - minimum price)	0.10	0.23	0.23	0.14	0.06	0.10	0.16	0.21
Market sales (HUF million)	22,000.00	15,999.98	14,999.94	4,000.00	20,000.00	29,999.96	14,999.93	4,000.00
Non-competitive offer (HUF million)	22,000.00	16,000.02	15,000.06	4,000.00	20,000.00	30,000.04	15,000.07	0.00
Total amount sales (HUF million)	44,000.00	32,000.00	30,000.00	8,000.00	40,000.00	60,000.00	30,000.00	4,000.00

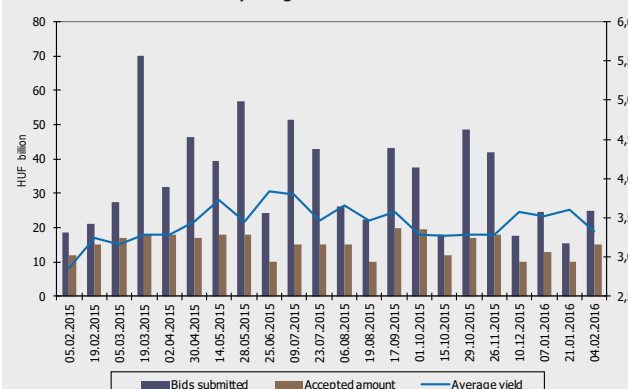
3-year government bond auctions



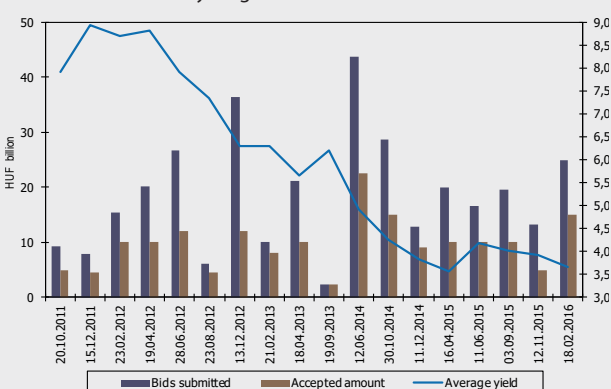
5-year government bond auctions



10-year government bond



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

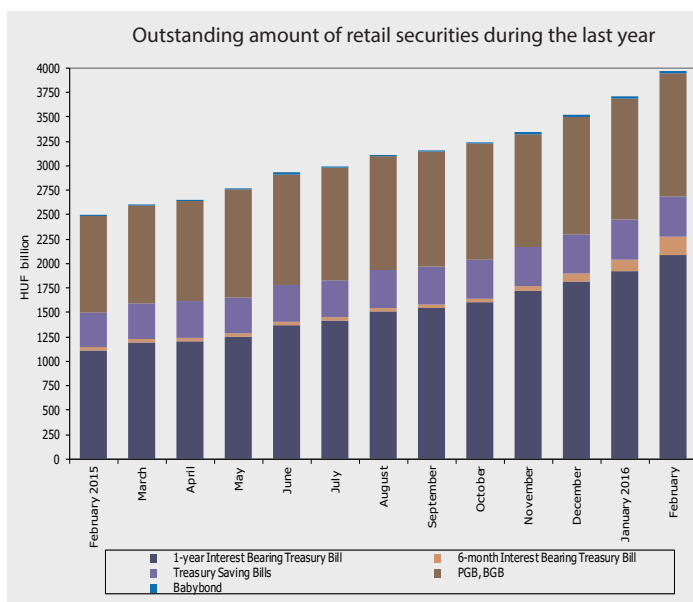
Government bond	2016/D	2017/B
ISIN code	HU0000402623	HU0000402375
Coupon (%)	0.06	0.07
Date of reverse auction	17.02.2016	17.02.2016
Date of financial settlement	24.02.2016	24.02.2016
Redemption date	22.12.2016	24.02.2017
Minimum annual yield (%)	0.00	0.93
Average annual yield- ISMA (%)	0.00	0.94
Average annual yield - EHM (%)	0.00	0.94
Amount of bids submitted (HUF million)	15,560.62	25,113.56
Amount of bids accepted (HUF million)	0.00	16,509.32

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN FEBRUARY 2016

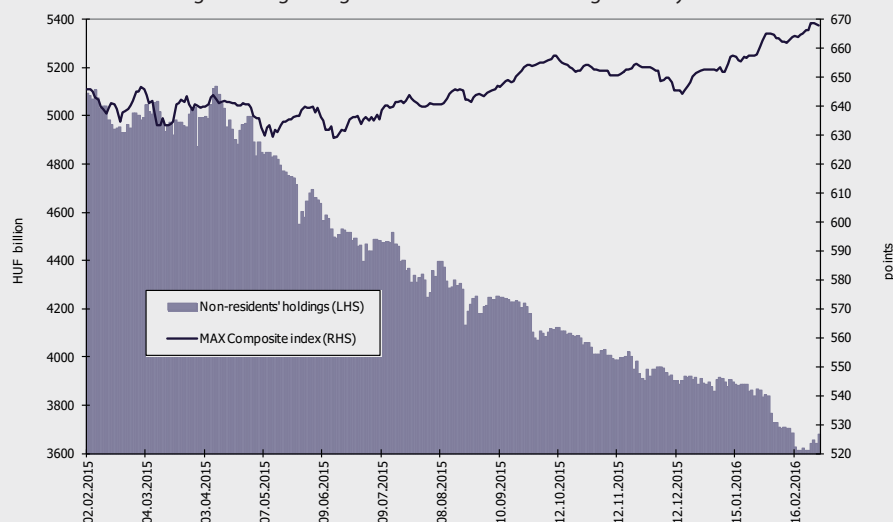
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/I	2016.02.01	2016.02.03	2017.02.03	2017.02.03	3.00%	3.00%
2019/J	2016.02.01	2016.02.03	2017.02.03	2017.02.03	3.00%	3.00%
2019/K	2016.02.01	2016.02.03	2017.02.03	2017.02.03	3.00%	3.00%
2020/Q	2016.02.25	2016.03.02	2016.09.22	2016.09.22	3.05%	1.73%
2022/N	2016.02.25	2016.03.02	2016.09.20	2016.09.20	3.55%	1.99%
2026/N	2016.02.25	2016.03.02	2016.09.22	2016.09.22	3.80%	2.15%
2026/A	2016.02.26	2016.02.28	2016.08.28	2016.08.29	1.04%	0.53%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2015	29.02.2016	HUF billion
1-year Interest Bearing	1,816.0	2,087.5	271.6
6-month Interest Bearing	81.0	180.0	98.9
Treasury Saving Bills	403.4	414.8	11.3
PGB, BGB	1,198.3	1,264.7	66.4
Babybond	18.6	20.1	1.4
Total	3,517.3	3,967.1	449.7



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 29 February 2016	698.0127	544.7313	667.8296	531.1884
Changes compared to the end of the month before	5.6669	0.5584	5.1721	0.3519
Annual yield earned on the index portfolio	3.50%	1.40%	3.50%	1.14%

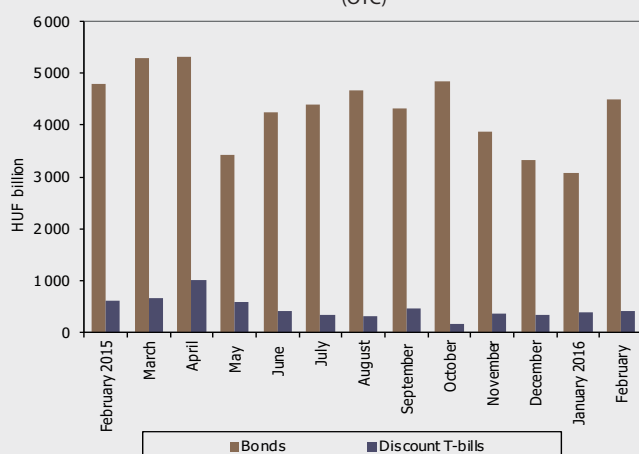
Government bonds with the highest secondary market turnover in February 2016

Government bond	Date of redemption	Turnover (HUF billion)
2018/B	25.04.2018	577.9
2017/A	24.11.2017	406.1
2025/B	24.06.2025	349.7
2019/A	24.06.2019	297.7
2018/A	20.12.2018	244.0
2024/B	26.06.2024	235.7
2022/A	24.06.2022	212.6
2018/C	22.06.2018	201.0
2023/A	24.11.2023	198.8
2020/B	24.06.2020	185.0

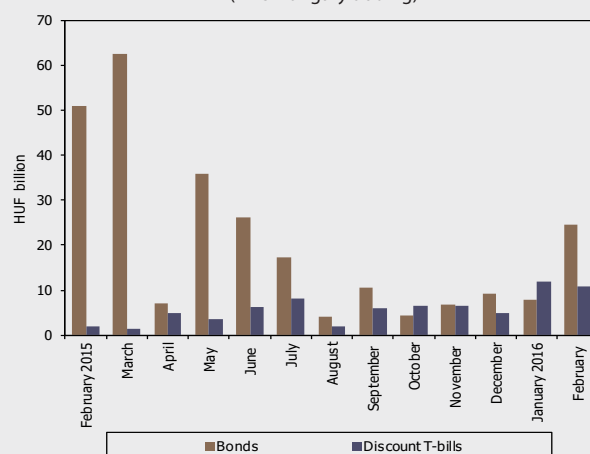
The outstanding volume of government bonds with benchmark status at the end of February 2016

Government bond	HUF billion	
	31.01.2016	29.02.2016
2019/C	59.74	106.22
2021/B	54.25	111.41
2027/A	24.15	39.22
2031/A	43.17	61.85

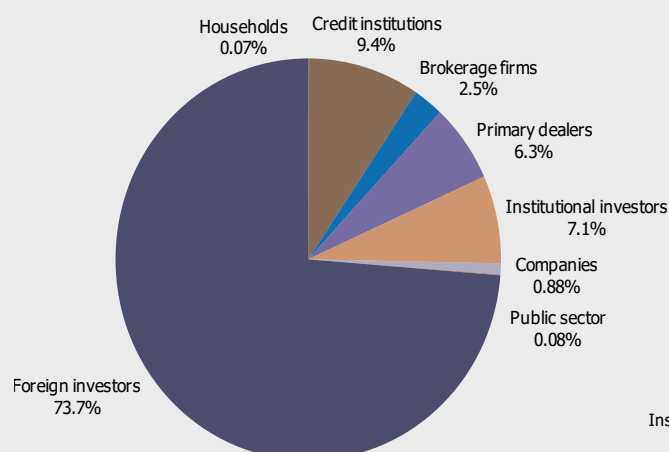
Secondary market trading of Hungarian government securities (OTC)



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



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



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

