

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT JULY 2016

The net issuance was HUF 497.6 billion; out of which net HUF-denominated issuance was HUF 1,719.2 billion and net foreign currency denominated redemption was HUF 1,221.5 billion in 2016.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2015		2016		Change	
	December	%	July	%	HUF billion	%
HUF denominated debt	16,207.9	65.6	17,927.1	71.3	1,719.2	10.6
Loans	694.1	2.8	844.5	3.4	150.4	21.7
Government bonds	11,094.9	44.9	11,185.1	44.5	90.2	0.8
Retail securities	3,517.4	14.2	4,541.7	18.1	1,024.4	29.1
Discount treasury bills	901.6	3.7	1,355.7	5.4	454.1	50.4
Foreign exchange denominated debt	7,735.8	31.3	6,504.7	25.9	-1,231.1	-15.9
Total	23,943.7	96.9	24,431.8	97.2	488.1	2.0
<i>Other obligations</i>	756.0	3.1	703.4	2.8	-52.5	-7.0
Total central government debt	24,699.7	100.0	25,135.2	100.0	435.5	1.8

The HUF denominated debt of the central government increased by HUF 1,719.2 billion in 2016. The increase in domestic debt was the result of net government bond issuance of HUF 100.9 billion, the amount of discount Treasury bills increased by HUF 454.1 billion and the total amount of retail government securities increased by HUF 1,024.4 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 1,231.1 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 67.0 billion, while the redemptions of foreign currency debt worth HUF 1,330.8 billion decreased the debt. The exchange rate revaluations totalling HUF 9.6 billion decreased the Hungarian Forint value of the foreign currency debt in July. The total amount of other liabilities decreased by HUF 52.5 billion in 2016.

BENCHMARK YIELDS

Maturity	31.05.2016	30.06.2016	29.07.2016	Change in July basis point
3-month	0.88	0.85	0.50	-35
6-month	0.93	0.92	0.51	-41
1-year	1.00	0.92	0.61	-31
3-year	1.84	1.81	1.38	-43
5-year	2.48	2.26	1.95	-31
10-year	3.41	3.12	2.81	-31
15-year	3.61	3.39	3.10	-29

Monthly OTC turnover of government securities decreased to HUF 3,732.5 billion in July. Primary dealers, who account for the decisive part of all secondary government securities trading, made 78% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 32.0 billion in July and amounted to HUF 3,562.7 billion at the end of the month. This volume represented 20.9% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 312.38 on the last working day of July.

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

GOVERNMENT SECURITIES MARKET

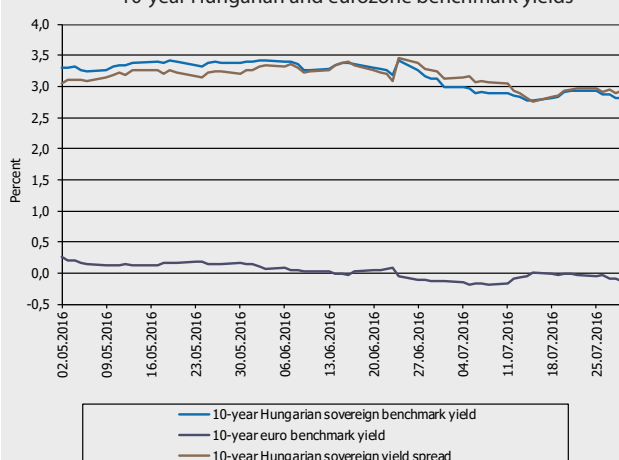
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

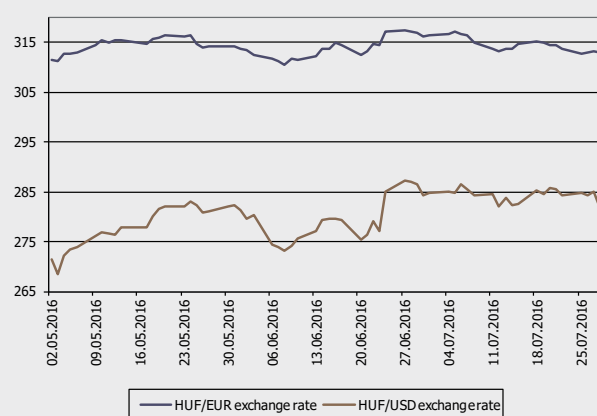
	2011	2012	2013	2014	2015	2016 May	2016 June	2016 July
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	17,559.0	17,766.9	17,927.1
1.1. Loans	590.8	566.8	603.6	623.3	694.1	844.5	844.5	844.5
1.2. Government securities	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	16,714.5	16,922.4	17,082.6
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	16,672.8	16,881.6	17,041.7
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	10,912.5	11,146.0	11,144.3
1.2.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	1,335.7	1,258.5	1,355.7
1.2.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	4,424.6	4,477.0	4,541.7
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	41.7	40.8	40.8
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	6,803.5	6,844.2	6,504.7
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,221.1	1,226.2	1,210.7
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,140.5	1,146.3	1,131.7
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	80.6	79.9	78.9
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,582.5	5,618.0	5,294.0
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	4,990.5	5,021.7	4,689.9
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	591.9	596.3	604.1
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,362.6	24,611.1	24,431.8
Other liabilities	422.89	351.10	117.30	311.20	756.00	657.70	679.40	703.40
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,020.3	25,290.5	25,135.2
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	12,289.9	12,445.3	12,540.8
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.

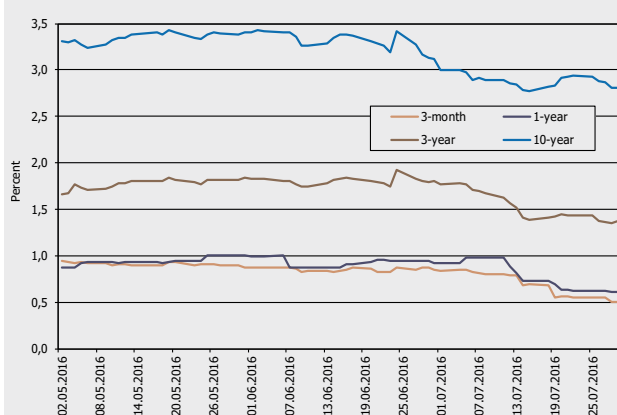
10-year Hungarian and eurozone benchmark yields



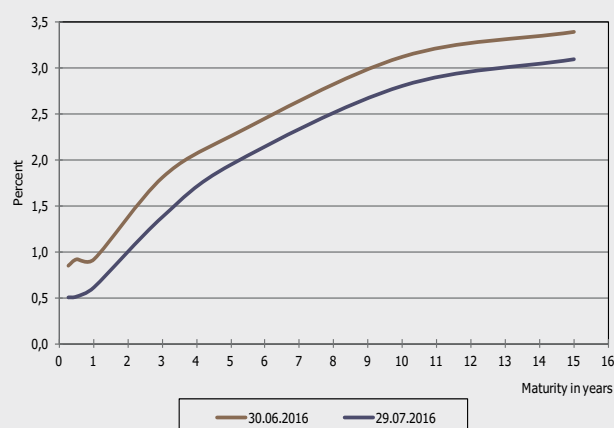
The exchange rate of the Hungarian Forint



Benchmark yields



Benchmark yield curves



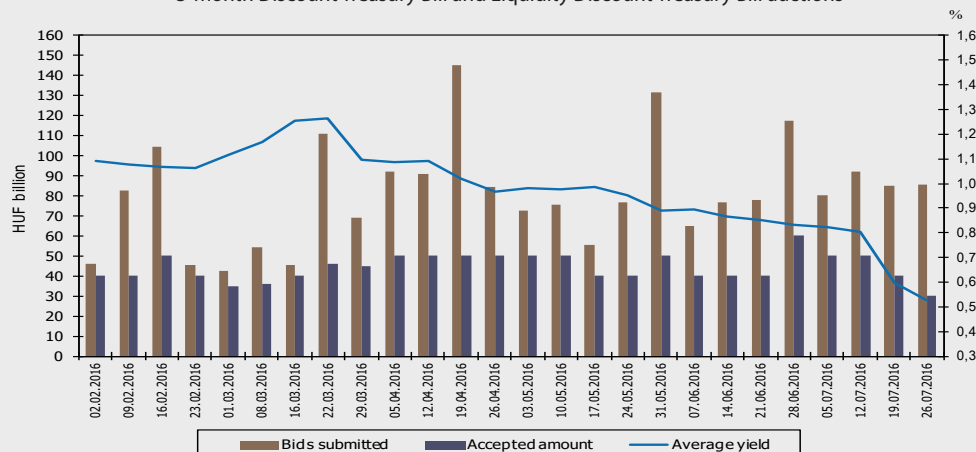
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

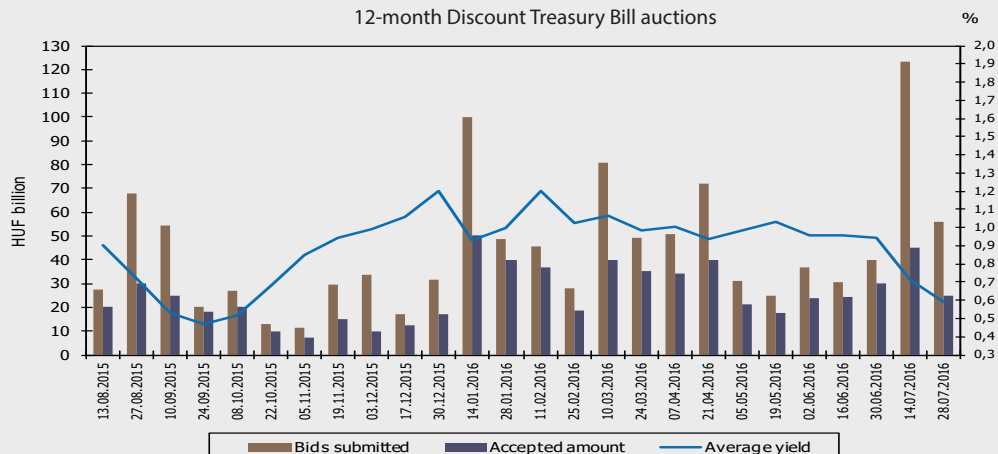
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D161012	D161019	D161026	D161102	D170719	D170719
ISIN code	HU0000520994	HU0000520986	HU0000521133	HU0000521141	HU0000521125	HU0000521125
Maturity in days	91	91	91	91	364	350
Date of auction	05.07.2016	12.07.2016	19.07.2016	26.07.2016	14.07.2016	28.07.2016
Date of financial settlement	13.07.2016	20.07.2016	27.07.2016	03.08.2016	20.07.2016	03.08.2016
Redemption date	12.10.2016	19.10.2016	26.10.2016	02.11.2016	19.07.2017	19.07.2017
Maximum yield (%) - ISMA	0.83	0.82	0.61	0.54	0.73	0.60
Minimum yield (%) - ISMA	0.80	0.77	0.52	0.50	0.68	0.54
Average yield (%) - ISMA	0.82	0.80	0.60	0.53	0.71	0.59
Maximum yield (%) - EHM	0.84	0.83	0.62	0.55	0.74	0.61
Minimum yield (%) - EHM	0.81	0.78	0.53	0.51	0.69	0.55
Average yield (%) - EHM	0.83	0.81	0.61	0.54	0.72	0.60
Average selling price (%)	99.7932	99.7982	99.8486	99.8662	99.2872	99.4297
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	30,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	80,535.00	91,880.00	85,000.00	85,715.11	123,200.00	55,912.00
Amount of bids accepted (HUF million)	49,999.84	49,999.90	39,999.95	29,999.91	45,000.00	24,999.88
Bid-to-cover ratio	1.61	1.84	2.13	2.86	2.74	2.24
Bids submitted (pcs)	101.00	114.00	115.00	123.00	129.00	97.00
Bids accepted (pcs)	55.00	76.00	48.00	60.00	54.00	63.00
Market sales* (HUF million)	49,999.84	49,999.90	39,999.95	29,999.91	45,000.00	24,999.88
Retained on ÁKK's own account (HUF mil-	15,000.16	15,000.10	12,000.05	9,000.09	45,000.00	25,000.12
Total amount issued (HUF million)	65,000.00	65,000.00	52,000.00	39,000.00	90,000.00	50,000.00

* Without issuance onto ÁKK's own account

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



12-month Discount Treasury Bill auctions

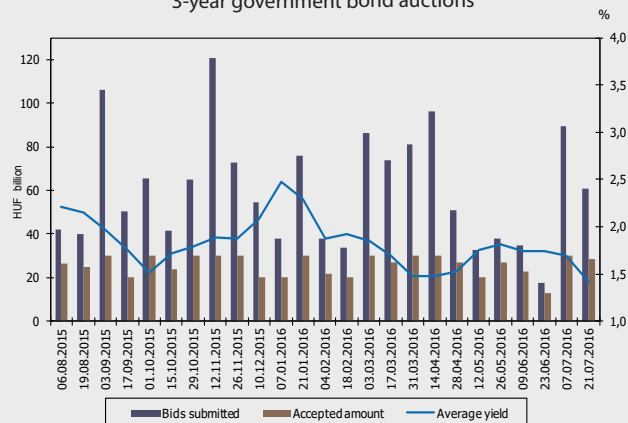


GOVERNMENT SECURITIES MARKET

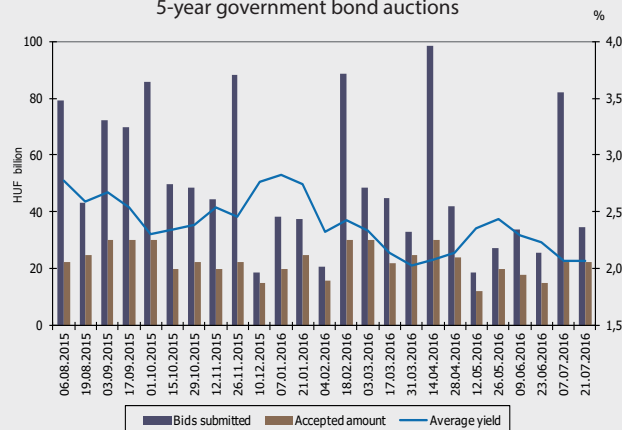
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/C	2021/B	2027/A	2019/C	2021/B	2027/A
ISIN code	HU0000403092	HU0000403100	HU0000403118	HU0000403092	HU0000403100	HU0000403118
Maturity (in years)	3	5	10	3	5	10
Coupon	2.00%	2.50%	3.00%	2.00%	2.50%	3.00%
Auction	14. auction	14. auction	11. auction	15. auction	15. auction	12. auction
Date of auction	07.07.2016	07.07.2016	07.07.2016	21.07.2016	21.07.2016	21.07.2016
Date of financial settlement	13.07.2016	13.07.2016	13.07.2016	27.07.2016	27.07.2016	27.07.2016
Redemption date	30.10.2019	27.10.2021	27.10.2027	30.10.2019	27.10.2021	27.10.2027
Maximum annual yield (%) - ISMA	1.71	2.09	2.93	1.44	2.08	2.96
Minimum annual yield (%) - ISMA	1.67	2.05	2.88	1.39	2.02	2.89
Average annual yield (%) - ISMA	1.70	2.07	2.91	1.42	2.07	2.94
Maximum annual yield (%) - EHM	1.71	2.09	2.93	1.44	2.08	2.96
Minimum annual yield (%) - EHM	1.67	2.05	2.88	1.39	2.02	2.89
Average annual yield (%) - EHM	1.70	2.07	2.91	1.42	2.07	2.94
Maximum price (%)	101.0488	102.2348	101.1385	101.9296	102.3697	101.0397
Minimum price (%)	100.9206	102.0337	100.6604	101.7694	102.0698	100.3738
Average price (%)	100.9514	102.1445	100.8060	101.8189	102.1261	100.5622
Amount offered for sale (HUF million)	20,000.00	15,000.00	12,000.00	20,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	89,618.50	82,100.00	45,025.00	60,700.00	34,500.00	11,800.00
Amount of bids accepted (HUF million)	29,999.95	22,499.99	15,999.99	28,500.00	22,499.98	7,499.99
Bid-to-cover ratio	2.99	3.65	2.81	2.13	1.53	1.57
Bids submitted (pcs)	56	53	36	54	51	29
Bids accepted (pcs)	24	15	23	28	33	20
Tail (%) (average price - minimum price)	0.03	0.11	0.15	0.05	0.06	0.19
Market sales (HUF million)	29,999.95	22,499.99	15,999.99	28,500.00	22,499.98	7,499.99
Non-competitive offer (HUF million)	7,301.78	8,359.99	3,439.35	4,440.00	5,395.54	0.00
Total amount sales (HUF million)	37,301.73	30,859.98	19,439.34	32,940.00	27,895.52	7,499.99

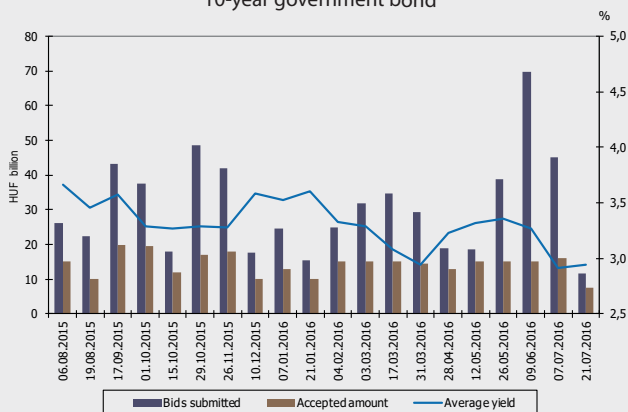
3-year government bond auctions



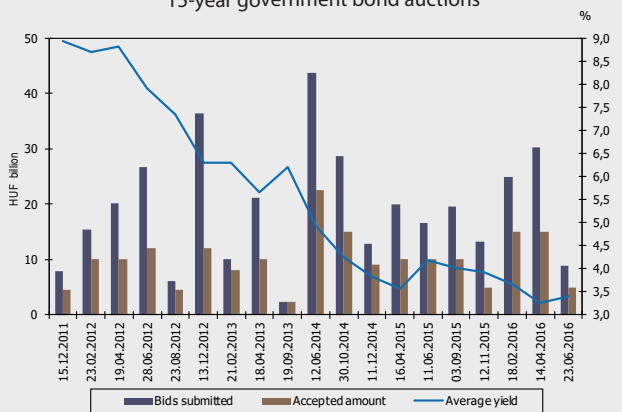
5-year government bond auctions



10-year government bond



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

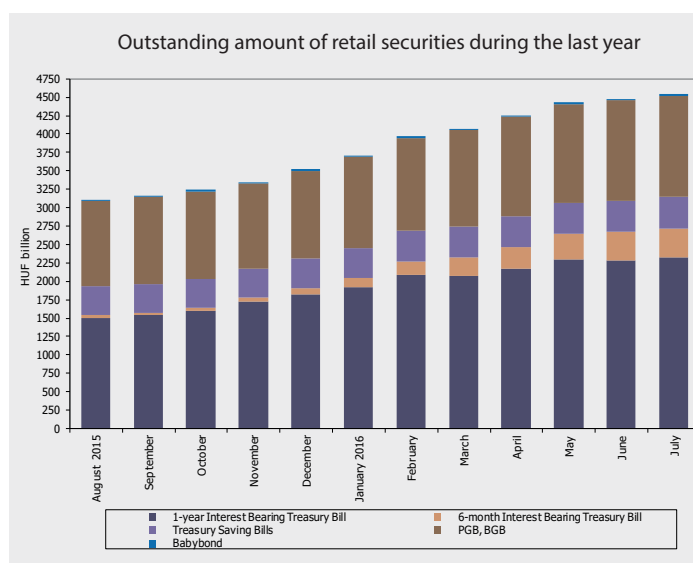
Government bond	2017/A	2017/C	2017/A	2017/C
ISIN code	HU0000402037	HU0000402821	HU0000402037	HU0000402821
Coupon (%)	6.75%	0.99%	6.75%	0.99%
Date of reverse auction	06.07.2016	06.07.2016	20.07.2016	20.07.2016
Date of financial settlement	13.07.2016	13.07.2016	27.07.2016	27.07.2016
Redemption date	24.11.2017	20.12.2017	24.11.2017	20.12.2017
Minimum annual yield (%)	0.00	-	0.00	-
Average annual yield- ISMA (%)	0.00	-	0.00	-
Average annual yield - EHM (%)	0.00	-	0.00	-
Amount of bids submitted (HUF million)	6.70	38,719.82	2134.01	41,399.77
Amount of bids accepted (HUF million)	0.00	15,919.82	0.00	29,449.77

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JULY 2016

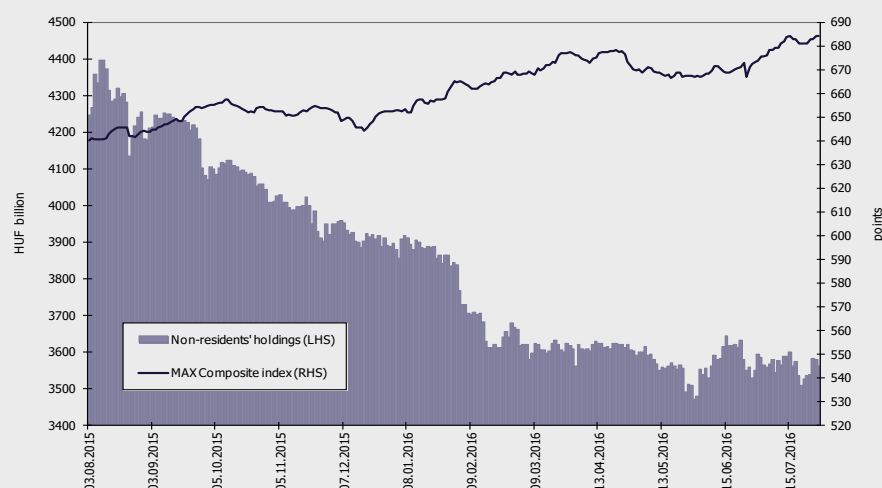
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2018/D	21.07.2016	24.07.2016	24.10.2016	24.10.2016	0.95%	0.24%
2018/J	01.07.2016	05.07.2016	05.07.2017	05.07.2017	3.00%	3.00%
2018/P	21.07.2016	23.07.2016	23.07.2017	24.07.2017	2.11%	2.14%
2020/P	19.07.2016	22.07.2016	22.07.2017	24.07.2017	3.36%	3.41%
2020/R	21.07.2016	23.07.2016	23.07.2017	24.07.2017	2.86%	2.90%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2015	31.07.2016	HUF billion
1-year Interest Bearing	1,816.0	2,315.5	499.6
6-month Interest Bearing	81.0	395.2	314.2
Treasury Saving Bills	403.4	430.3	26.9
PGB, BGB	1,198.3	1,377.5	179.2
Babybond	18.6	23.1	4.5
Total	3,517.3	4,541.7	1,024.4



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 29.07.2016	716.1147	547.7965	684.0806	533.6724
Changes compared to the end of the month before	11.8342	1.3188	10.5135	0.7386
Annual yield earned on the index portfolio	7.27%	1.05%	6.84%	0.89%

Government bonds with the highest secondary market turnover in July 2016

Government bond	Date of redemption	Turnover (HUF billion)
2018/B	25.04.2018	595.9
2018/C	22.06.2018	568.2
2025/B	24.06.2025	490.4
2020/B	24.06.2020	414.6
2021/B	27.10.2021	330.1
2022/A	24.06.2022	221.5
2019/A	24.06.2019	218.1
2019/C	30.10.2019	216.3
2023/A	24.11.2023	215.5
2024/B	26.06.2024	203.9

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

Government bond	HUF billion	
	30.06.2016	31.07.2016
2019/C	379.46	450.03
2021/B	346.54	405.59
2027/A	154.93	182.00
2031/A	87.72	87.79

