

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT OCTOBER 2016

The net issuance was HUF 704.3 billion; out of which net HUF-denominated issuance was HUF 2,076.8 billion and net foreign currency denominated redemption was HUF 1,372.5 billion in 2016.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2015		2016		Change	
	December	%	October	%	HUF billion	%
HUF denominated debt	16,207.9	65.6	18,284.8	72.4	2,076.8	12.8
Loans	694.1	2.8	865.0	3.4	170.9	24.6
Government bonds	11,094.9	44.9	11,533.6	45.6	438.7	4.0
Retail securities	3,517.4	14.2	4,807.7	19.0	1,290.3	36.7
Discount treasury bills	901.6	3.7	1,078.4	4.3	176.9	19.6
Foreign exchange denominated debt	7,735.8	31.3	6,286.9	24.9	-1,448.9	-18.7
Total	23,943.7	96.9	24,571.7	97.3	628.0	2.6
<i>Other obligations</i>	756.0	3.1	694.7	2.7	-61.2	-8.1
Total central government debt	24,699.7	100.0	25,266.4	100.0	566.7	2.3

The HUF denominated debt of the central government increased by HUF 2,076.8 billion in 2016. The increase in domestic debt was the result of net government bond issuance of HUF 450.3 billion, the amount of discount Treasury bills increased by HUF 176.9 billion and the total amount of retail government securities increased by HUF 1,290.3 billion. The stock of non-marketable government bonds decreased by HUF 11.5 billion. The volume of HUF loans increased by HUF 170.9 billion in 2016.

The foreign currency debt of the central government decreased by HUF 1,448.9 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 107.4 billion, while the redemptions of foreign currency debt worth HUF 1,522.2 billion decreased the debt. The exchange rate revaluations totalling HUF 76.3 billion decreased the Hungarian Forint value of the foreign currency debt in October. The total amount of other liabilities decreased by HUF 61.2 billion in 2016.

BENCHMARK YIELDS

Maturity	31.08.2016	30.09.2016	28.10.2016	Change in October basis point
3-month	0.47	0.54	0.40	-14
6-month	0.51	0.60	0.31	-29
1-year	0.61	0.60	0.47	-13
3-year	1.35	1.24	1.17	-7
5-year	1.94	1.80	1.80	0
10-year	2.85	2.87	2.98	11
15-year	3.20	3.16	3.31	15

Monthly OTC turnover of government securities decreased by 10 % to HUF 5,454.6 billion in October. Primary dealers, who account for the decisive part of all secondary government securities trading, made 83% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 3.4 billion in October and amounted to HUF 3,675.8 billion at the end of the month. This volume represented 21.1% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 309.2 on the last working day of October.

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

GOVERNMENT SECURITIES MARKET

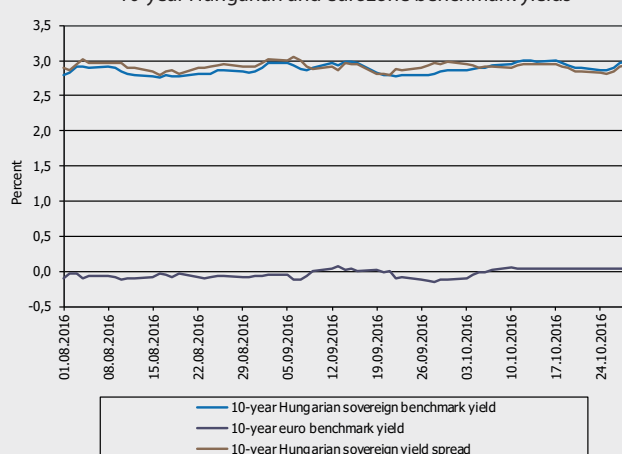
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

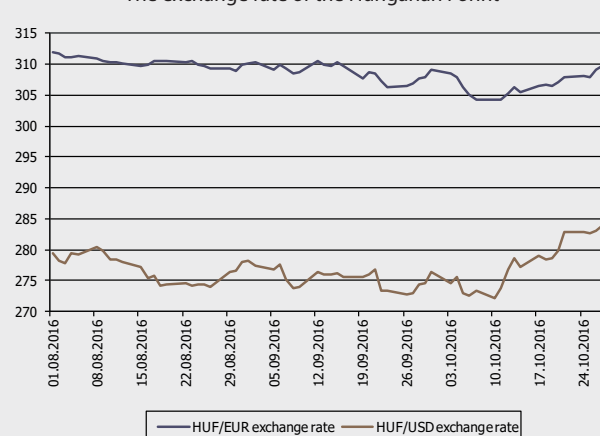
	2011	2012	2013	2014	2015	2016 August	2016 September	2016 October
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	17,797.9	18,066.5	18,284.8
1.1. Loans	590.8	566.8	603.6	623.3	694.1	844.5	844.5	865.0
1.2. Government securities	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	16,953.3	17,221.9	17,419.7
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	16,912.5	17,181.9	17,379.7
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	11,099.4	11,397.0	11,493.6
1.2.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	1,198.1	1,093.8	1,078.4
1.2.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	4,615.0	4,691.1	4,807.7
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	40.8	40.0	40.0
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	6,466.9	6,446.1	6,286.9
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,200.7	1,184.1	1,184.3
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,122.8	1,107.5	1,107.7
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	77.8	76.6	76.6
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,266.2	5,262.0	5,102.6
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	4,653.0	4,641.4	4,642.2
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	613.2	620.5	460.5
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,264.7	24,512.6	24,571.7
Other liabilities	422.89	351.10	117.30	311.20	756.00	593.60	607.40	694.70
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	24,858.4	25,119.9	25,266.4
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	12,338.3	12,530.8	12,612.0
Gross debt/GDP	74.4%	72.3%	73.0%	73.7%	72.6%			

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

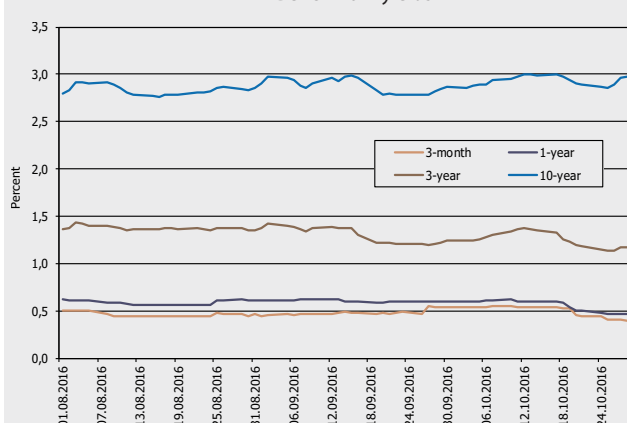
10-year Hungarian and eurozone benchmark yields



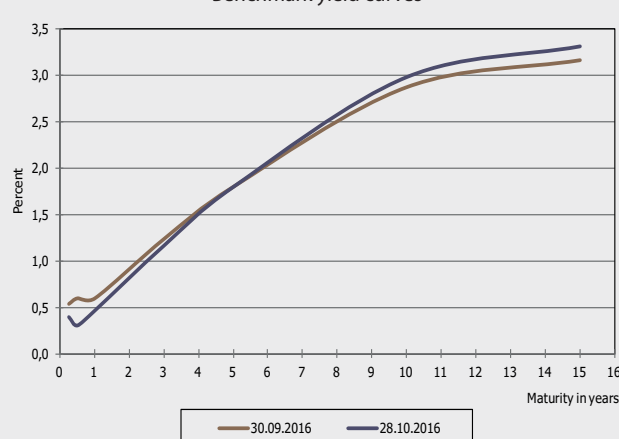
The exchange rate of the Hungarian Forint



Benchmark yields



Benchmark yield curves

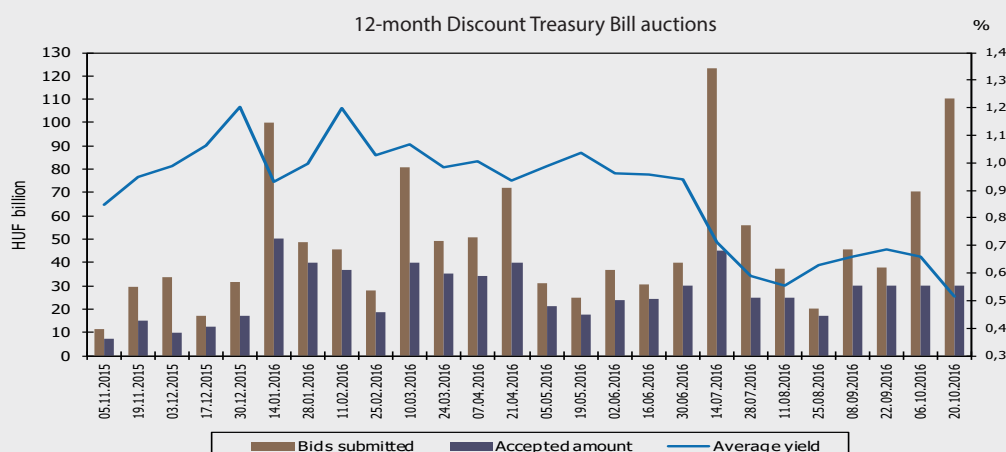
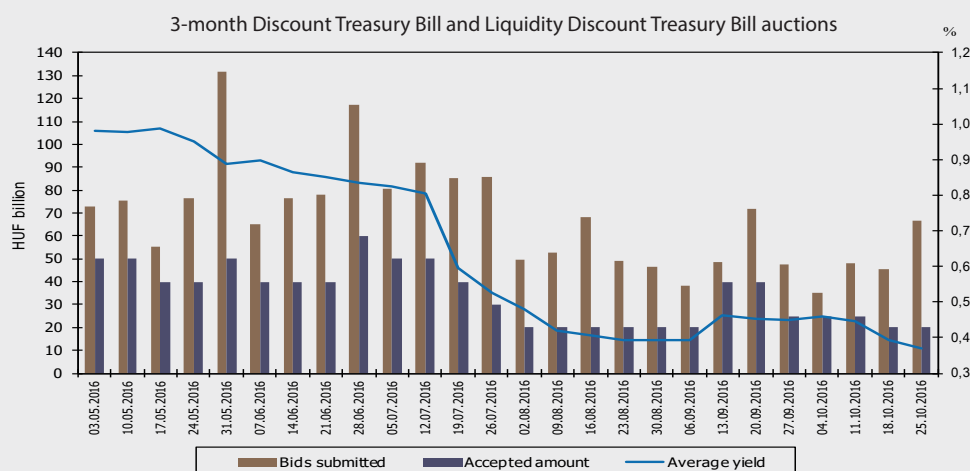


GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D170111	D170118	D170125	D170201	D170913	D170913
ISIN code	HU0000521232	HU0000521240	HU0000521257	HU0000521265	HU0000521208	HU0000521208
Maturity in days	91	91	91	91	336	322
Date of auction	04.10.2016	11.10.2016	18.10.2016	25.10.2016	06.10.2016	20.10.2016
Date of financial settlement	12.10.2016	19.10.2016	26.10.2016	02.11.2016	12.10.2016	26.10.2016
Redemption date	11.01.2017	18.01.2017	25.01.2017	01.02.2017	13.09.2017	13.09.2017
Maximum yield (%) - ISMA	0.48	0.45	0.40	0.38	0.67	0.53
Minimum yield (%) - ISMA	0.42	0.44	0.38	0.33	0.63	0.49
Average yield (%) - ISMA	0.46	0.45	0.39	0.37	0.66	0.51
Maximum yield (%) - EHM	0.49	0.46	0.41	0.39	0.68	0.54
Minimum yield (%) - EHM	0.43	0.45	0.39	0.33	0.64	0.50
Average yield (%) - EHM	0.47	0.46	0.40	0.38	0.67	0.52
Average selling price (%)	99.8839	99.8864	99.9015	99.9066	99.3878	99.5459
Amount offered for sale (HUF million)	25,000.00	25,000.00	20,000.00	20,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	35,170.00	48,000.00	45,390.00	66,385.79	70,635.00	110,350.00
Amount of bids accepted (HUF million)	24,999.94	24,999.94	19,999.96	19,999.96	29,999.97	29,999.97
Bid-to-cover ratio	1.41	1.92	2.27	3.32	2.35	3.68
Bids submitted (pcs)	59	66	60	75	57	87
Bids accepted (pcs)	50	19	23	37	29	28
Market sales* (HUF million)	24,999.94	24,999.94	19,999.96	19,999.96	29,999.97	29,999.97
Retained on ÁKK's own account (HUF million)	10,000.06	10,000.06	10,000.04	10,000.04	9,000.03	30,000.03
Total amount issued (HUF million)	35,000.00	35,000.00	30,000.00	30,000.00	39,000.00	60,000.00

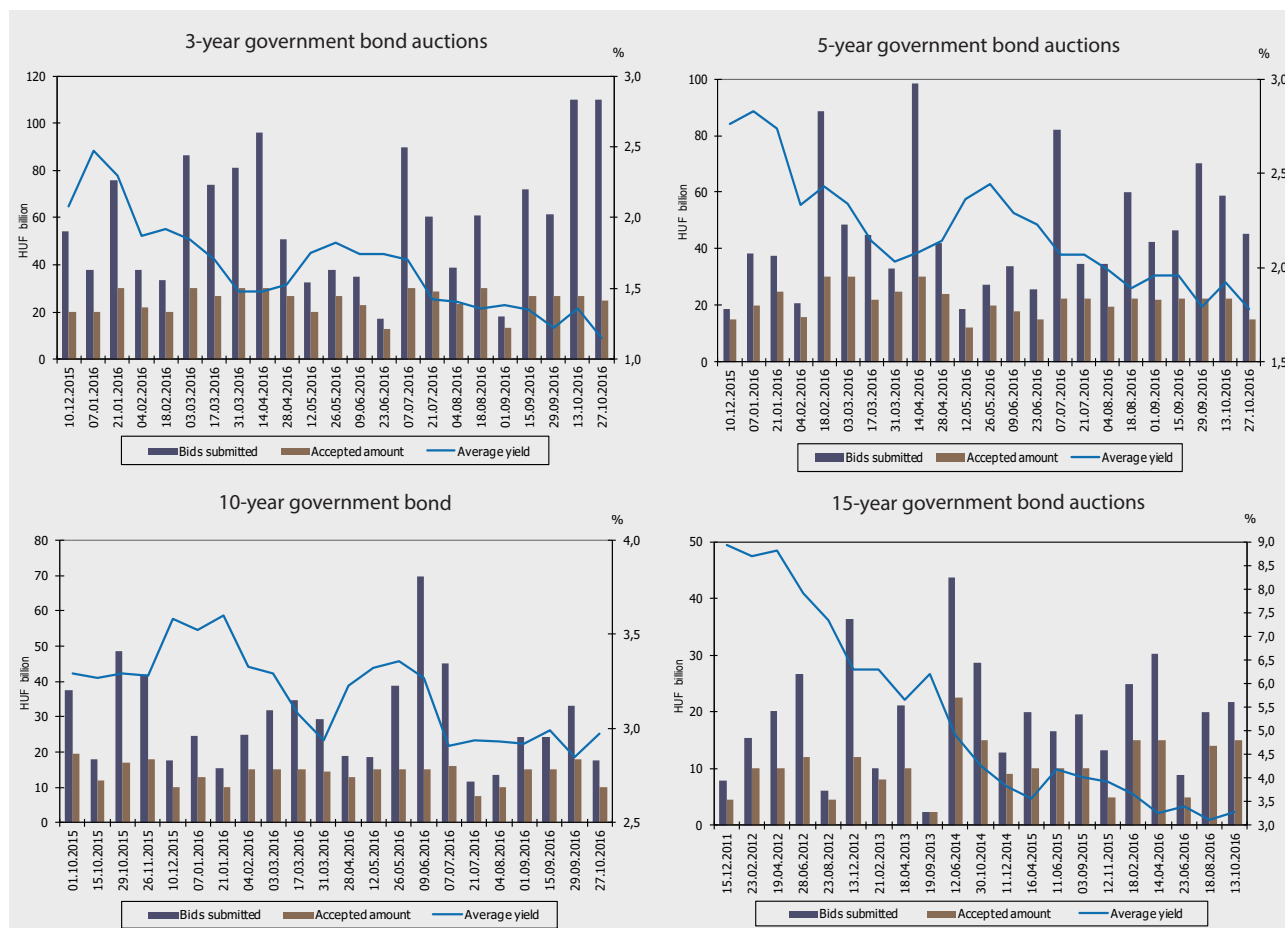
* Without issuance onto ÁKK's own account



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/C	2021/B	2031/A	2019/D	2019/C	2021/B	2027/A
ISIN code	HU0000403092	HU0000403100	HU0000403001	HU0000403126	HU0000403092	HU0000403100	HU0000403118
Maturity (in years)	3	5	15	3	3	5	10
Coupon	2.00%	2.50%	3.25%	0.88%	2.00%	2.50%	3.00%
Auction	21st auction	21st auction	9th auction	12th auction	22nd auction	22nd auction	17th auction
Date of auction	13.10.2016	13.10.2016	13.10.2016	20.10.2016	27.10.2016	27.10.2016	27.10.2016
Date of financial settlement	19.10.2016	19.10.2016	19.10.2016	26.10.2016	02.11.2016	02.11.2016	02.11.2016
Redemption date	30.10.2019	27.10.2021	22.10.2031	28.08.2019	30.10.2019	27.10.2021	27.10.2027
Maximum annual yield (%) - ISMA	1.36	1.94	3.31	-	1.16	1.79	2.97
Minimum annual yield (%) - ISMA	1.34	1.89	3.27	-	1.14	1.75	2.94
Average annual yield (%) - ISMA	1.36	1.92	3.29	-	1.15	1.78	2.97
Maximum annual yield (%) - EHM	1.36	1.94	3.31	-	1.16	1.79	2.97
Minimum annual yield (%) - EHM	1.34	1.89	3.27	-	1.14	1.75	2.94
Average annual yield (%) - EHM	1.36	1.92	3.29	-	1.15	1.78	2.96
Maximum price (%)	101.9466	102.8989	99.7653	98.8000	102.5154	103.5493	100.5556
Minimum price (%)	101.8868	102.6576	99.2988	98.6400	102.4560	103.3561	100.2770
Average price (%)	101.9014	102.7389	99.4833	98.7100	102.4831	103.4140	100.3224
Amount offered for sale (HUF million)	18,000.00	15,000.00	10,000.00	10,000.00	18,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	110,100.00	58,600.00	21,695.00	39,500.00	110,020.00	45,379.32	17,610.00
Amount of bids accepted (HUF million)	26,999.95	22,499.94	14,999.98	12,000.00	24,999.99	14,999.97	10,000.00
Bid-to-cover ratio	4.08	2.60	1.45	3.29	4.40	3.03	1.76
Bids submitted (pcs)	66	61	41	45	62	54	36
Bids accepted (pcs)	18	32	30	15	18	26	22
Tail (%) (average price - minimum price)	0.01	0.08	0.18	0.07	0.03	0.06	0.05
Market sales (HUF million)	26,999.95	22,499.94	14,999.98	12,000.00	24,999.99	14,999.97	10,000.00
Non-competitive offer (HUF million)	10,146.25	6,162.70	5,076.78	4,240.00	0.00	0.00	0.00
Total amount sales (HUF million)	37,146.20	28,662.64	20,076.76	16,240.00	24,999.99	14,999.97	10,000.00



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

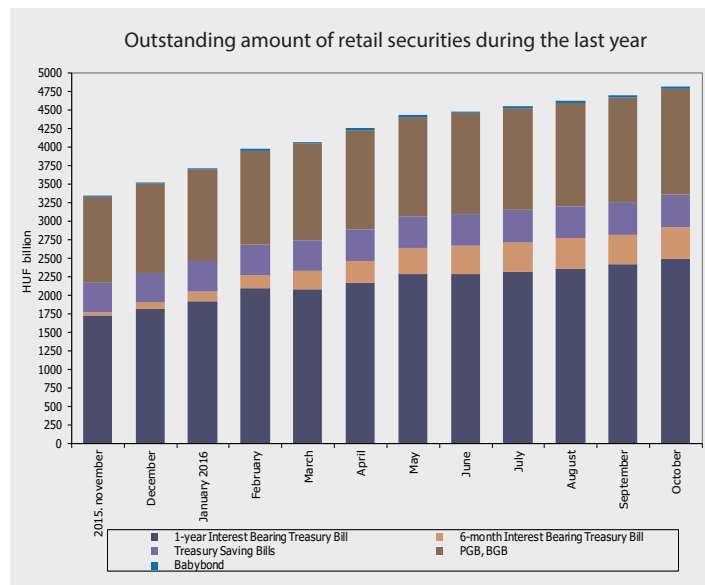
Government bond	2017/B	2017/C	2017/A	2018/B
ISIN code	HU0000402375	HU0000402821	HU0000402037	HU0000402730
Coupon (%)	6.75%	0.88%	6.75%	4.00%
Date of reverse auction	12.10.2016	12.10.2016	26.10.2016	26.10.2016
Date of financial settlement	19.10.2016	19.10.2016	02.11.2016	02.11.2016
Redemption date	24.02.2017	20.12.2017	24.11.2017	25.04.2018
Minimum annual yield (%)	0.50	-	0.39	0.36
Average annual yield- ISMA (%)	0.50	-	0.39	0.36
Average annual yield - EHM (%)	0.50	-	0.39	0.36
Amount of bids submitted (HUF million)	5,010.32	18,266.61	17,991.21	19,971.53
Amount of bids accepted (HUF million)	1,750.32	8,156.62	17,391.21	14,100.00

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN OCTOBER 2016

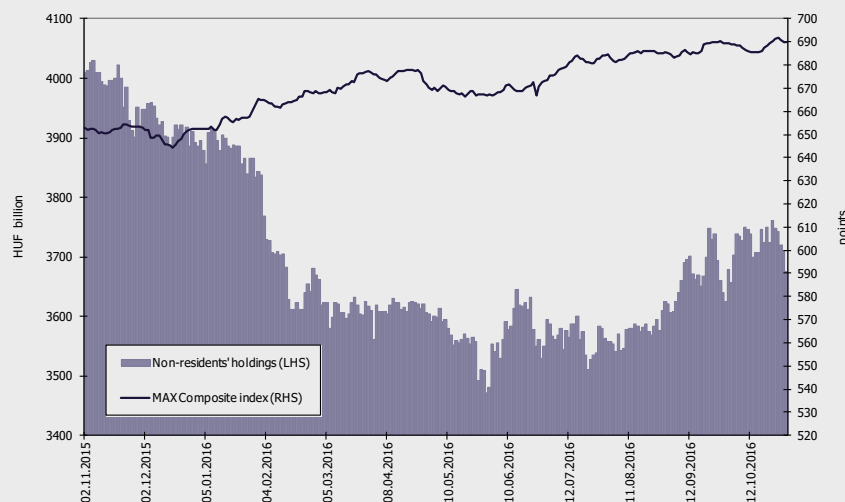
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2018/D	21.10.2016	24.10.2016	24.01.2017	24.01.2017	0.81%	0.21%
2019/L	19.10.2016	21.10.2016	21.10.2017	23.10.2017	2.75%	2.75%
2021/I	18.10.2016	20.10.2016	20.10.2017	20.10.2017	3.25%	3.25%
2026/B	24.10.2016	24.10.2016	24.04.2017	24.04.2017	0.44%	0.22%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2015	31.10.2016	HUF billion
1-year Interest Bearing T-Bill	1,816.0	2,484.4	668.4
6-month Interest Bearing T-Bill	81.0	423.7	342.7
Treasury Saving Bills	403.4	439.4	36.0
PGB, BGB	1,198.3	1,435.3	237.0
Babybond	18.6	24.8	6.2
Total	3,517.3	4,807.6	1,290.3



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 28.10.2016	722.7029	549.0748	689.9966	534.4440
Changes compared to the end of the month before	0.8134	0.6255	0.7711	0.4098
Annual yield earned on the index portfolio	5.81%	0.96%	5.50%	0.83%

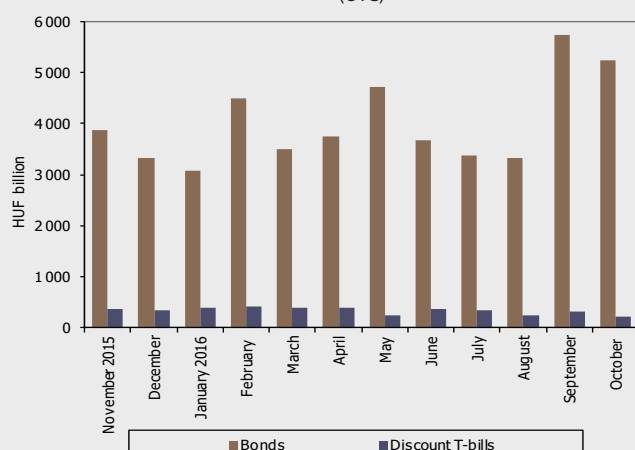
Government bonds with the highest secondary market turnover in October 2016

Government bond	Date of redemption	Turnover (HUF billion)
2019/A	24.06.2019	895.9
2025/B	24.06.2025	696.4
2021/B	27.10.2021	574.7
2024/B	26.06.2024	541.8
2018/C	22.06.2018	506.4
2018/B	25.04.2018	408.0
2022/A	24.06.2022	406.4
2023/A	24.11.2023	366.3
2019/C	30.10.2019	287.7
2020/A	12.11.2020	239.2

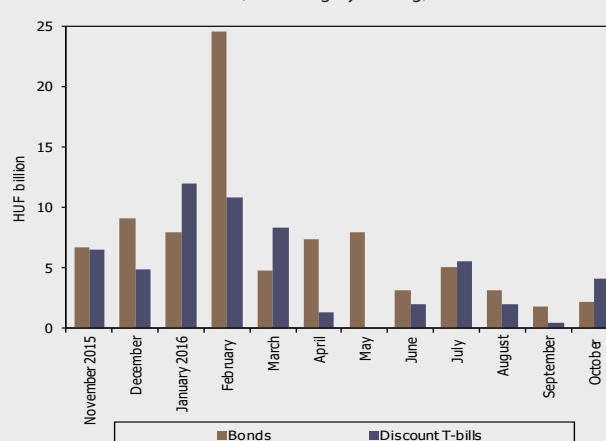
The outstanding volume of government bonds with benchmark status at the end of October 2016

Government bond	HUF billion	
	30.09.2016	31.10.2016
2019/C	562.43	637.11
2021/B	513.41	573.21
2027/A	227.86	252.69
2031/A	102.54	122.66

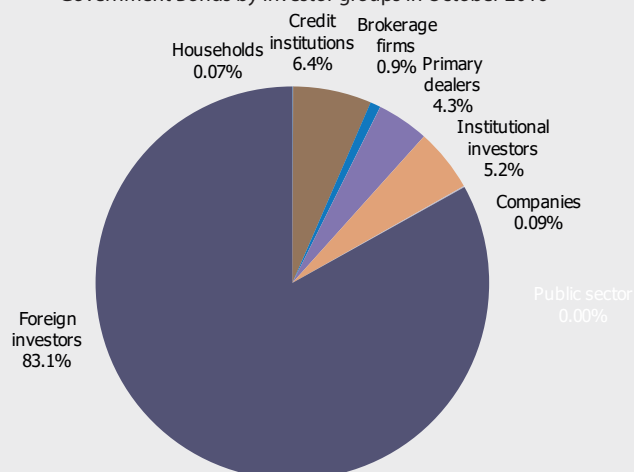
Secondary market trading of Hungarian government securities (OTC)



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



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



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

