

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT JANUARY 2017

The net issuance was HUF 436.2 billion; out of which net HUF-denominated issuance was HUF 421.7 billion and net foreign currency denominated issuance was HUF 14.4 billion in 2017.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2016		2017		Change	
	December	%	January	%	HUF billion	%
HUF denominated debt	18,430.9	72.5	18,852.6	73.1	421.7	2.3
Loans	865.0	3.4	877.1	3.4	12.0	1.4
Government bonds	11,601.6	45.6	11,568.0	44.8	-33.6	-0.3
Retail securities	5,067.9	19.9	5,413.5	21.0	345.6	6.8
Discount treasury bills	896.4	3.5	994.1	3.9	97.7	10.9
Foreign exchange denominated debt	6,256.5	24.6	6,270.7	24.3	14.1	0.2
Total	24,687.4	97.1	25,123.2	97.4	435.9	1.8
<i>Other obligations</i>	742.7	2.9	683.1	2.6	-59.6	-8.0
Total central government debt	25,430.0	100.0	25,806.3	100.0	376.2	1.5

The HUF denominated debt of the central government increased by HUF 421.7 billion in 2017. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 345.6 billion, the amount of discount Treasury bills increased by HUF 97.7 billion and the net government bond redemption of HUF 33.6 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 12.0 billion in 2017.

The foreign currency debt of the central government increased by HUF 14.1 billion in 2017. The domestic PÉMAK and residence bond issuance was HUF 15.2 billion, while the redemptions of foreign currency debt worth HUF 0.7 billion decreased the debt. The exchange rate revaluations totalling HUF 0.3 billion decreased the Hungarian Forint value of the foreign currency debt in January. The total amount of other liabilities decreased by HUF 59.6 billion in 2017.

BENCHMARK YIELDS

Maturity	30.11.2016	30.12.2016	31.01.2017	Change in January basis point
3-month	0.25	0.06	0.06	0
6-month	0.30	0.08	0.09	1
1-year	0.45	0.15	0.23	8
3-year	1.11	0.82	1.39	57
5-year	2.04	1.67	2.11	44
10-year	3.38	3.16	3.47	31
15-year	3.72	3.66	3.93	27

Monthly OTC turnover of government securities increased by 2% to HUF 4,168.1 billion in January. Primary dealers, who account for the decisive part of all secondary government securities trading, made 82% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 26.0 billion in January and amounted to HUF 3,468.4 billion at the end of the month. This volume represented 19.3% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 311.00 on the last working day of January.

The credit rating of the long-term foreign currency debt of Hungary is as follows on the last working day of January: BBB- (Standard & Poor's); Baa3 (Moody's); BBB- (Fitch).

GOVERNMENT SECURITIES MARKET

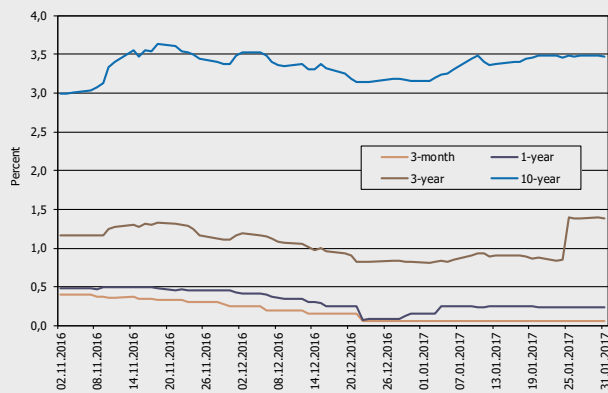
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

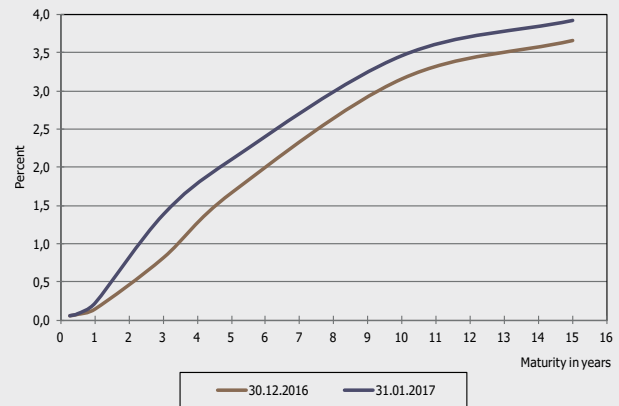
	2011	2012	2013	2014	2015	2016 November	2016 December	2017 January
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	18,421.2	18,430.9	18,852.6
1.1. Loans	590.8	566.8	603.6	623.3	694.1	865.0	865.0	877.1
1.2. Government securities	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	17,556.2	17,565.8	17,975.5
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	17,516.1	17,526.7	17,936.3
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	11,536.0	11,562.4	11,528.8
1.2.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	1,078.8	896.4	994.1
1.2.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	4,901.3	5,067.9	5,413.5
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	40.0	39.2	39.2
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	6,331.4	6,256.5	6,270.7
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,172.5	1,101.6	1,100.9
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,114.1	1,097.6	1,096.9
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	58.4	4.0	4.0
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,158.9	5,154.9	5,169.7
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	4,669.0	4,618.9	4,618.7
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	489.9	536.0	551.1
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,752.6	24,687.4	25,123.2
Other liabilities	422.89	351.10	117.30	311.20	756.00	737.30	742.70	683.10
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,489.9	25,430.0	25,806.3
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	12,654.8	12,498.0	12,562.1
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.

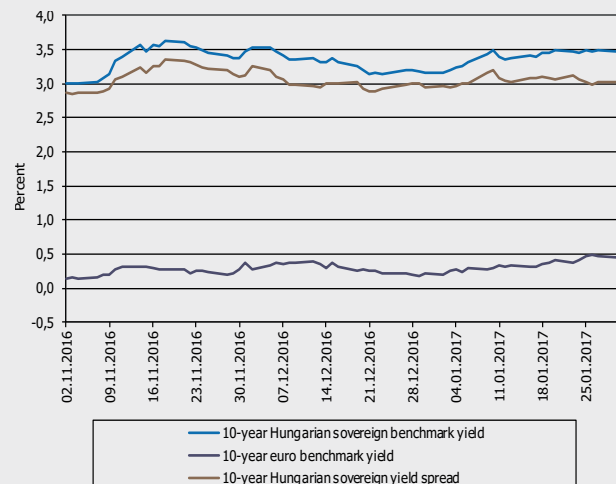
Benchmark yields



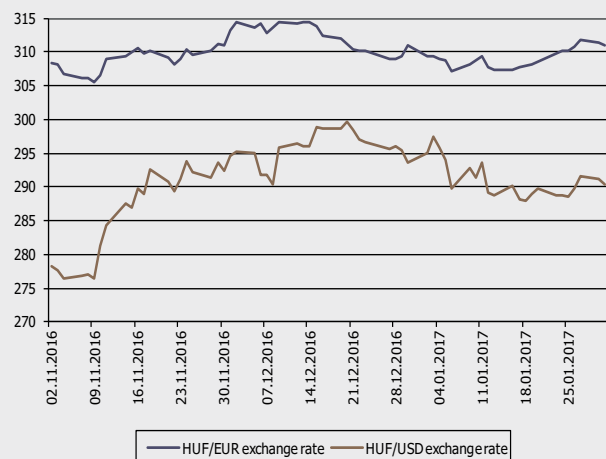
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



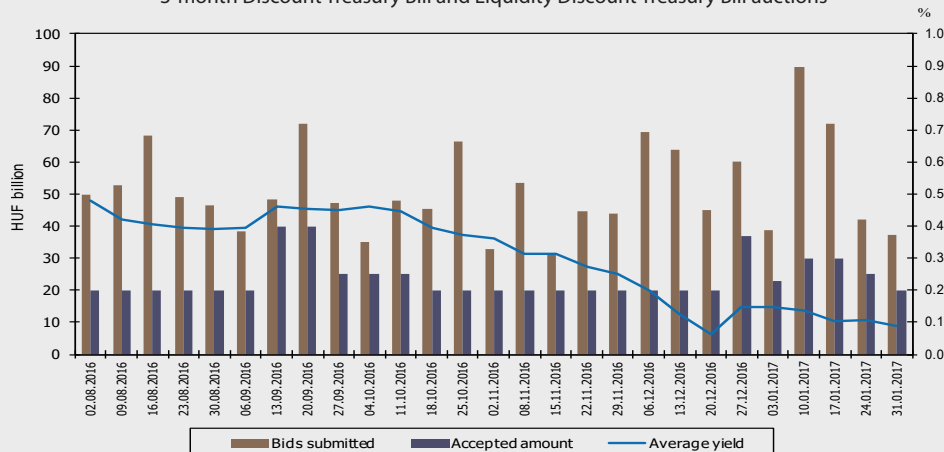
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

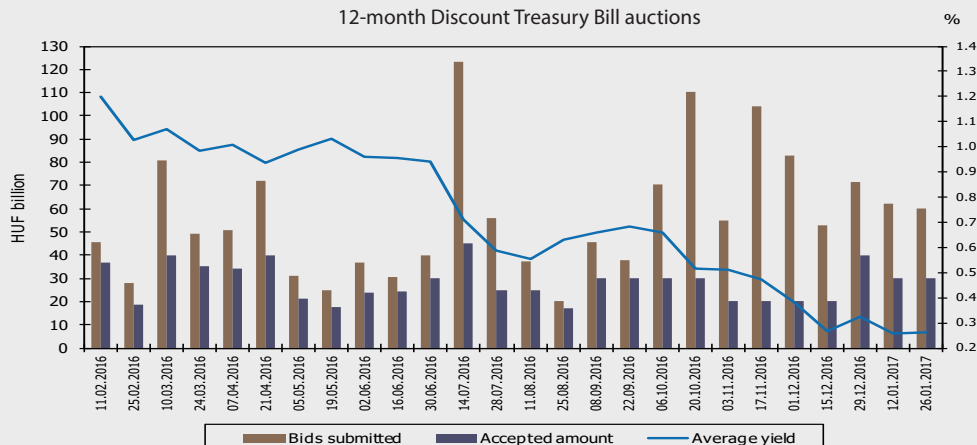
	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D170412	D170419	D170426	D170503	D170510	D171220	D171220
ISIN code	HU0000521364	HU0000521372	HU0000521380	HU0000521398	HU0000521406	HU0000521414	HU0000521414
Maturity in days	91	91	91	91	91	336	322
Date of auction	03.01.2017	10.01.2017	17.01.2017	24.01.2017	31.01.2017	12.01.2017	26.01.2017
Date of financial settlement	11.01.2017	18.01.2017	25.01.2017	01.02.2017	08.02.2017	18.01.2017	01.02.2017
Redemption date	12.04.2017	19.04.2017	26.04.2017	03.05.2017	10.05.2017	20.12.2017	20.12.2017
Maximum yield (%) - ISMA	0.16	0.14	0.11	0.12	0.10	0.29	0.28
Minimum yield (%) - ISMA	0.08	0.12	0.07	0.03	0.08	0.24	0.21
Average yield (%) - ISMA	0.15	0.14	0.10	0.11	0.09	0.26	0.26
Maximum yield (%) - EHM	0.16	0.14	0.11	0.12	0.10	0.29	0.28
Minimum yield (%) - EHM	0.08	0.12	0.07	0.03	0.08	0.24	0.21
Average yield (%) - EHM	0.15	0.14	0.10	0.11	0.09	0.26	0.26
Average selling price (%)	99.9621	99.9646	99.9747	99.9722	99.9773	99.7579	99.7680
Amount offered for sale (HUF million)	30,000.00	30,000.00	30,000.00	25,000.00	20,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	38,899.00	89,491.49	71,894.91	42,019.00	37,300.00	62,198.00	59,900.00
Amount of bids accepted (HUF million)	22,999.95	29,999.94	29,999.95	24,999.97	19,999.96	29,999.98	29,999.95
Bid-to-cover ratio	1.69	2.98	2.40	1.68	1.87	2.07	2.00
Bids submitted (pcs)	60	64	79	52	48	80	74
Bids accepted (pcs)	39	24	32	43	26	40	46
Market sales* (HUF million)	22,999.95	29,999.94	29,999.95	24,999.97	19,999.96	29,999.98	29,999.95
Retained on ÁKK's own account (HUF million)	11,500.05	15,000.06	9,000.05	7,500.03	6,000.04	15,000.02	9,000.05
Total amount issued (HUF million)	34,500.00	45,000.00	39,000.00	32,500.00	26,000.00	45,000.00	39,000.00

* Without issuance onto ÁKK's own account

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



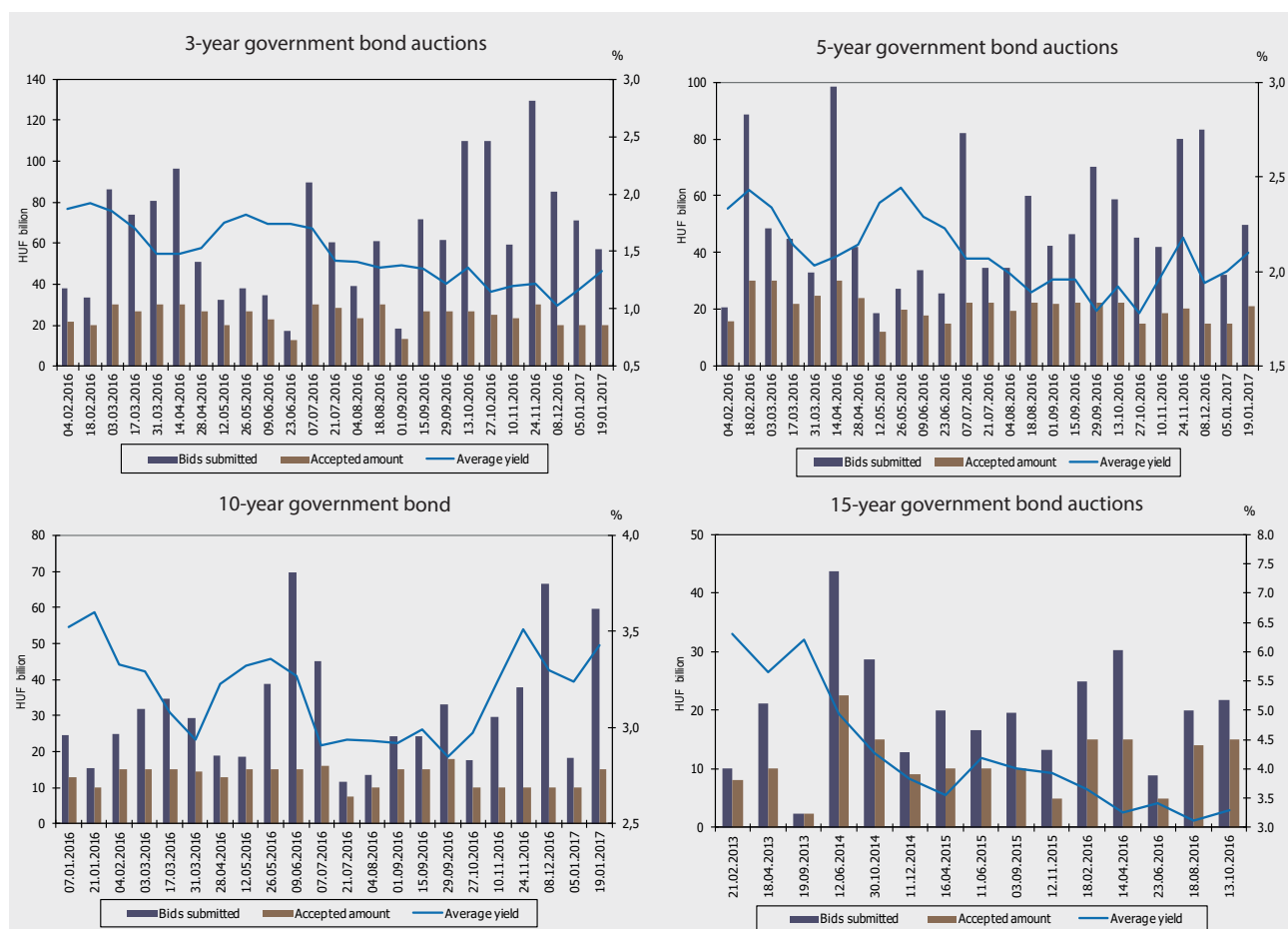
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2020/C	2022/B	2027/A	2019/D	2020/C	2022/B	2027/A	2019/D
ISIN code	HU0000403258	HU0000403266	HU0000403118	HU0000403126	HU0000403258	HU0000403266	HU0000403118	HU0000403126
Maturity (in years)	3	5	10	3	3	5	10	3
Coupon	1.00%	1.75%	3.00%	0.64%	1.00%	1.75%	3.00%	0.64%
Auction	1st auction	1st auction	21st auction	15th auction	2nd auction	2nd auction	22nd auction	16th auction
Date of auction	05.01.2017	05.01.2017	05.01.2017	12.01.2017	19.01.2017	19.01.2017	19.01.2017	26.01.2017
Date of financial settlement	11.01.2017	11.01.2017	11.01.2017	18.01.2017	25.01.2017	25.01.2017	25.01.2017	01.02.2017
Redemption date	23.09.2020	26.10.2022	27.10.2027	28.08.2019	23.09.2020	26.10.2022	27.10.2027	28.08.2019
Maximum annual yield (%) - ISMA	1.20	2.02	3.26	-	1.35	2.11	3.44	-
Minimum annual yield (%) - ISMA	1.13	1.95	3.21	-	1.31	2.09	3.42	-
Average annual yield (%) - ISMA	1.17	2.00	3.24	-	1.33	2.10	3.43	-
Maximum annual yield (%) - EHM	1.20	2.02	3.26	-	1.35	2.11	3.44	-
Minimum annual yield (%) - EHM	1.13	1.95	3.21	-	1.31	2.09	3.42	-
Average annual yield (%) - EHM	1.17	2.00	3.24	-	1.33	2.10	3.43	-
Maximum price (%)	99.5342	98.9171	98.1020	99.6100	98.9015	98.1771	96.2641	99.7200
Minimum price (%)	99.2833	98.5408	97.6582	99.5100	98.7607	98.0711	96.0909	99.4500
Average price (%)	99.3843	98.6525	97.8305	99.5600	98.8339	98.1249	96.1632	99.5800
Amount offered for sale (HUF million)	20,000.00	15,000.00	10,000.00	10,000.00	20,000.00	15,000.00	10,000.00	5,000.00
Amount of bids submitted (HUF million)	71,300.00	32,200.00	18,300.00	68,620.00	56,850.00	49,850.00	59,600.00	7,150.00
Amount of bids accepted (HUF million)	19,999.97	14,999.99	9,999.98	10,000.00	19,999.98	21,000.00	15,000.00	4,999.98
Bid-to-cover ratio	3.57	2.15	1.83	6.86	2.84	2.37	3.97	1.43
Bids submitted (pcs)	57	52	31	55	54	50	68	19
Bids accepted (pcs)	27	32	20	21	22	9	13	13
Tail (%) (average price - minimum price)	0.10	0.11	0.17	0.05	0.07	0.05	0.07	0.13
Market sales (HUF million)	19,999.97	14,999.99	9,999.98	10,000.00	19,999.98	21,000.00	15,000.00	4,999.98
Non-competitive offer (HUF million)	4,460.40	1,935.55	0.00	3,440.00	4,895.98	7,880.00	1,560.00	344.11
Total amount sales (HUF million)	24,460.37	16,935.54	9,999.98	13,440.00	24,895.96	28,880.00	16,560.00	5,344.09



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

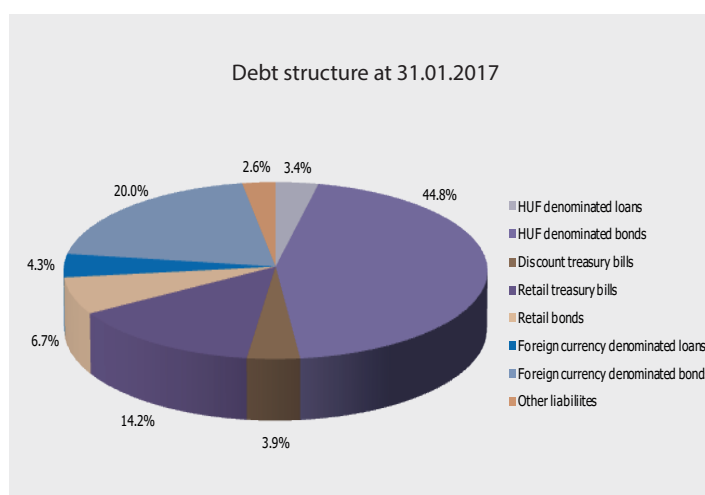
Government bond	2018/B	2018/C
ISIN code	HU0000402730	HU0000402979
Coupon (%)	4.00%	2.50%
Date of reverse auction	18.01.2017	18.01.2017
Date of financial settlement	25.01.2017	25.01.2017
Redemption date	25.04.2018	22.06.2018
Minimum annual yield (%)	0.23	0.24
Average annual yield- ISMA (%)	0.26	0.26
Average annual yield - EHM (%)	0.26	0.26
Amount of bids submitted (HUF million)	7,322.13	35,524.21
Amount of bids accepted (HUF million)	7,322.13	35,524.21

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JANUARY 2017

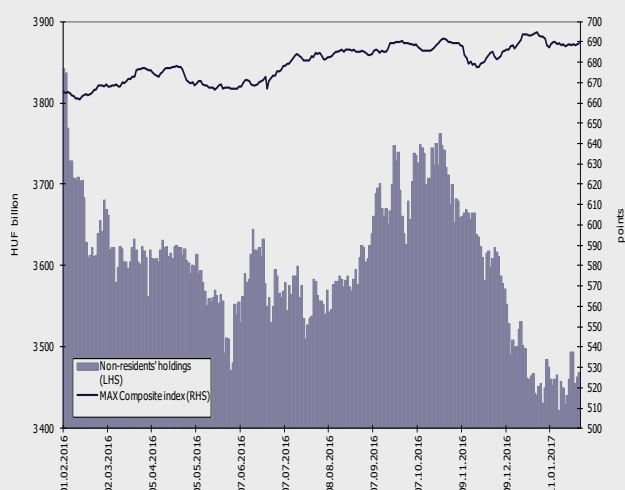
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2018/D	21.01.2017	24.01.2017	24.04.2017	24.04.2017	0.29%	0.07%
2033/S	30.01.2017	01.02.2017	01.02.2018	01.02.2018	3.40%	3.40%
2034/S	30.01.2017	01.02.2017	01.02.2018	01.02.2018	3.40%	3.40%
2035/S	30.01.2017	01.02.2017	01.02.2018	01.02.2018	3.40%	3.40%
2036/S	30.01.2017	01.02.2017	01.02.2018	01.02.2018	3.40%	3.40%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

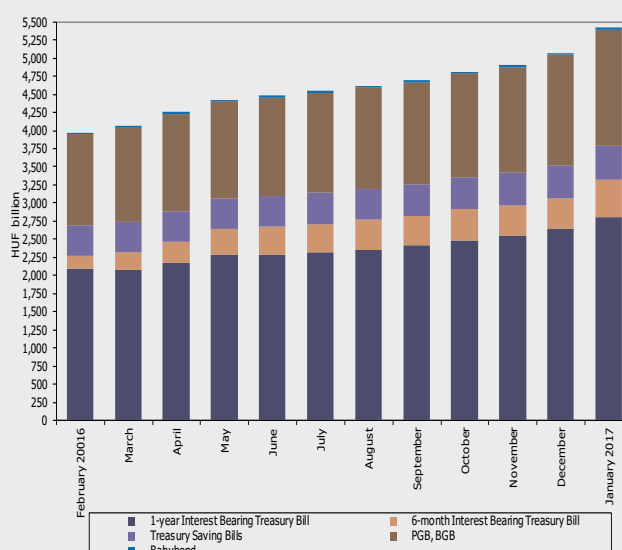
Retail securities	HUF billion		Change
	31.12.2016	31.01.2017	HUF billion
1-year Interest Bearing T-Bill	2,636.7	2,805.7	169.0
6-month Interest Bearing T-Bill	428.9	515.9	87.0
Treasury Saving Bills	453.7	459.6	5.9
PGB, BGB	1,521.2	1,603.9	82.8
Babybond	27.4	28.3	0.9
Total	5,067.9	5,413.5	345.6



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



Outstanding amount of retail securities during the last year



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31.01.2017	721.6972	550.6105	689.3835	534.9894
Changes compared to the end of the month before	-5.3974	-0.0709	-4.8399	0.0311
Annual yield earned on the index portfolio	4.22%	1.18%	4.01%	0.78%

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.01.2017	715.5807	761.3971	525.2632	338.1611
Changes compared to the end of the month before	0.2272	-7.2386	-13.3811	-9.4339
Reference yield	1.39	2.11	3.47	3.93
Annual yield earned on the index portfolio	4.67	4.15	2.23	-0.21

Government bonds with the highest secondary market turnover in January 2017

Government bond	Date of redemption	Turnover (HUF billion)
2025/B	2025.06.24	609.2
2021/B	2021.10.27	498.2
2018/B	2018.04.25	473.7
2020/A	2020.11.12	386.5
2027/A	2027.10.27	381.0
2018/C	2018.06.22	354.6
2022/A	2022.06.24	335.7
2019/A	2019.06.24	333.0
2024/B	2024.06.26	318.1
2020/B	2020.06.24	258.5

The outstanding volume of government bonds with benchmark status at the end of January 2017

Government bond	HUF billion	
	31.12.2016	31.01.2017
2019/C	748.47	748.94
2021/B	650.96	651.37
2027/A	295.20	321.97
2031/A	123.06	123.13

The outstanding volume of the three largest government bonds at the end of January 2017

Government bond	HUF billion
2019/A	1,132.92
2025/B	1,024.52
2023/A	997.61

