

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT AUGUST 2017

The net issuance was HUF 1,062.5 billion; out of which net HUF-denominated issuance was HUF 1,333.8 billion and net foreign currency denominated redemption was HUF 271.2 billion in 2017.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2016		2017		Change	
	December	%	August	%	HUF billion	%
HUF denominated debt	18,430.9	72.5	19,764.6	75.8	1,333.8	7.2
Loans	865.0	3.4	877.1	3.4	12.0	1.4
Government bonds	11,601.6	45.6	11,716.9	44.9	115.3	1.0
Retail securities	5,067.9	19.9	6,358.9	24.4	1,291.0	25.5
Discount treasury bills	896.4	3.5	811.8	3.1	-84.6	-9.4
Foreign exchange denominated debt	6,256.5	24.6	5,891.5	22.6	-365.0	-5.8
Total	24,687.4	97.1	25,656.1	98.4	968.8	3.9
<i>Other obligations</i>	742.7	2.9	424.2	1.6	-318.4	-42.9
Total central government debt	25,430.0	100.0	26,080.4	100.0	650.3	2.6

The HUF denominated debt of the central government increased by HUF 1,333.8 billion in 2017. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 1,291.0 billion, the amount of discount Treasury bills decreased by HUF 84.6 billion and the net government bond issuance was HUF 115.3 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 decreased by HUF 365.0 billion in 2017. The Panda bond issue increased the debt by HUF 38.8 billion, the domestic P€MAK and residence bond issuance was HUF 202.3 billion, while the redemptions of foreign currency debt worth HUF 620.2 billion decreased the debt. The exchange rate revaluations totalling HUF 93.8 billion decreased the Hungarian Forint value of the foreign currency debt in 2017. The total amount of other liabilities decreased by HUF 318.4 billion in 2017.

BENCHMARK YIELDS

Maturity	30.12.2016	31.07.2017	31.08.2017	Change in August basis point
3-month	0.06	0.07	0.05	-2
6-month	0.08	0.11	0.11	0
1-year	0.15	0.10	0.07	-3
3-year	0.82	0.84	0.68	-16
5-year	1.67	1.83	1.64	-19
10-year	3.16	3.10	2.95	-15
15-year	3.66	3.67	3.58	-9

Monthly OTC turnover of government securities decreased by 7% to HUF 3,792.4 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 111.7 billion in August and amounted to HUF 3,486.3 billion at the end of the month. This volume represented 18.5% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 306.14 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: BBB- (Standard & Poor's); Baa3 (Moody's); BBB- (Fitch). Standard & Poor's revised Hungary's sovereign credit outlook to "positive" from "stable" in August.

GOVERNMENT SECURITIES MARKET

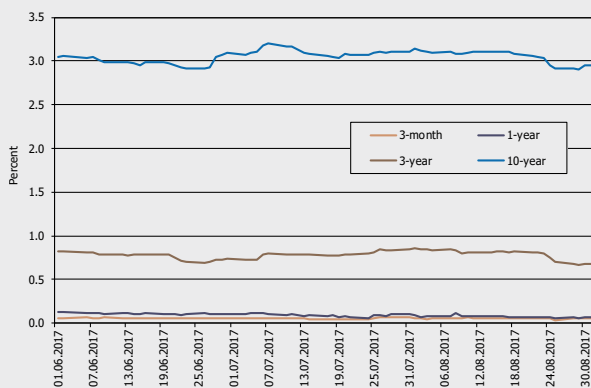
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

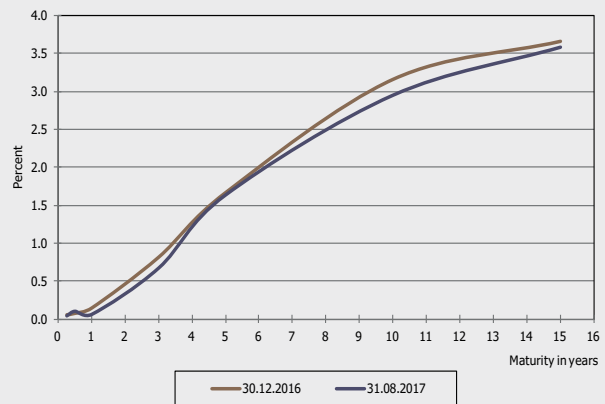
	2012	2013	2014	2015	2016	2017 June	2017 July	2017 August
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	19,592.4	19,596.2	19,764.6
1.1. Loans	566.8	603.6	623.3	694.1	865.0	877.1	877.1	877.1
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	18,715.3	18,719.1	18,887.6
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	18,676.1	18,679.9	18,848.4
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,542.4	11,499.0	11,677.7
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	918.2	822.4	811.8
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	6,215.5	6,358.6	6,358.9
1.2.2. Private placements	398.5	190.5	141.0	51.5	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	8,326.6	8,904.9	8,957.9	7,735.8	6,256.5	6,111.6	5,848.7	5,891.5
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	1,086.1	1,071.6	1,076.3
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	1,086.1	1,071.6	1,076.3
2.1.2. Domestic loans	83.5	335.4	274.4	82.6	4.0	0.0	0.0	0.0
2.2. Government securities	5,014.1	6,169.3	6,793.6	6,039.0	5,154.9	5,025.5	4,777.1	4,815.3
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,359.2	4,109.3	4,127.1
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	666.3	667.9	688.2
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	25,704.0	25,444.9	25,656.1
Other liabilities	351.10	117.30	311.20	756.00	742.70	606.1	461.2	424.2
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	26,310.1	25,906.1	26,080.4
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	10,489.1	10,684.2	11,577.6	11,996.5	12,498.0	12,499.8	12,360.6	12,528.7
Gross debt/GDP	72.3%	73.0%	73.7%	72.6%	72.6%			

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

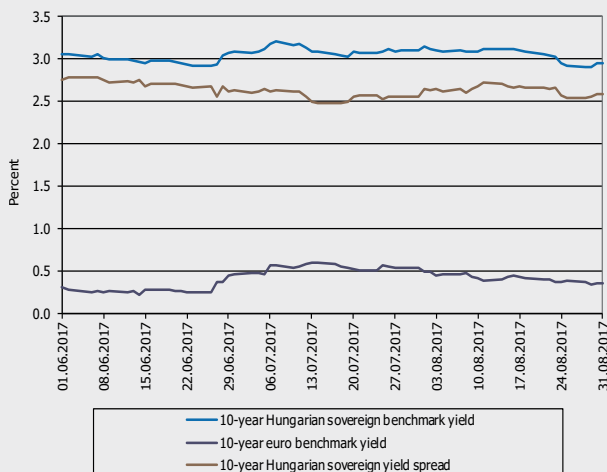
Benchmark yields



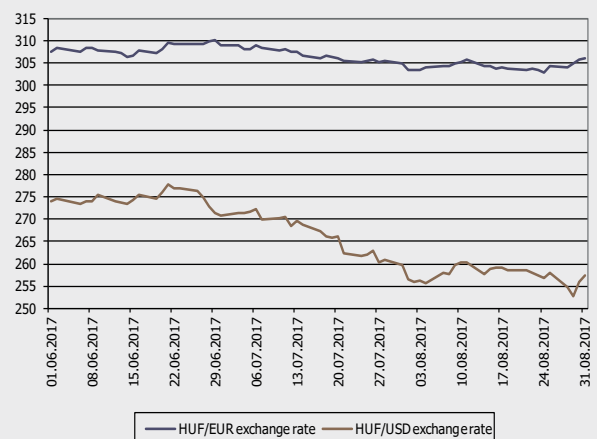
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



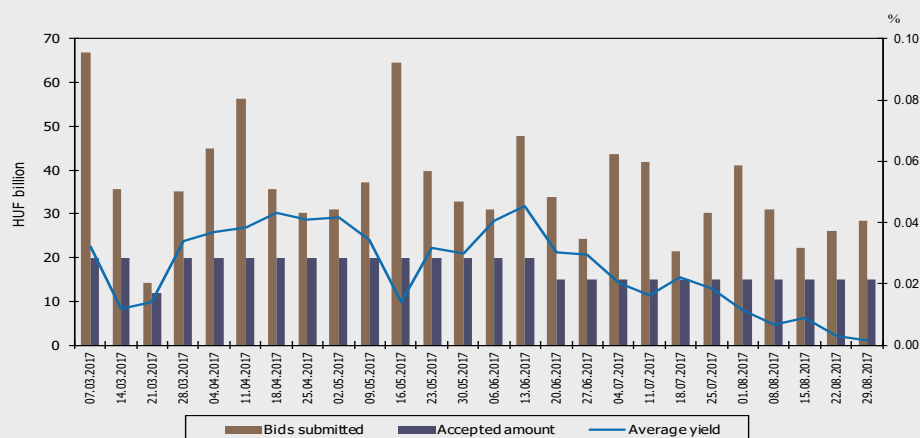
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

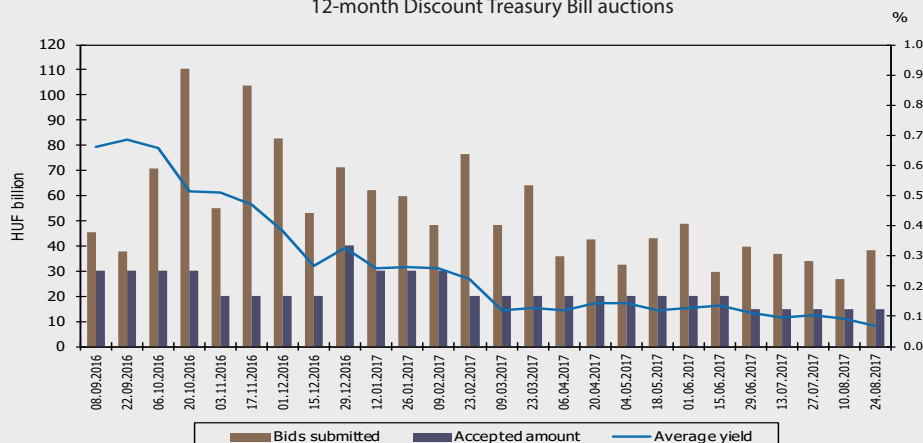
	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D171108	D171115	D171122	D171129	D171206	D180718	D180718
ISIN code	HU0000521661	HU0000521679	HU0000521695	HU0000521703	HU0000521711	HU0000521687	HU0000521687
Maturity in days	91	91	91	91	91	336	322
Date of auction	01.08.2017	08.08.2017	15.08.2017	22.08.2017	29.08.2017	10.08.2017	24.08.2017
Date of financial settlement	09.08.2017	16.08.2017	23.08.2017	30.08.2017	06.09.2017	16.08.2017	30.08.2017
Redemption date	08.11.2017	15.11.2017	22.11.2017	29.11.2017	06.12.2017	18.07.2018	18.07.2018
Maximum yield (%) - ISMA	0.02	0.01	0.01	0.01	0.00	0.10	0.08
Minimum yield (%) - ISMA	-0.01	0.00	0.01	0.00	0.00	0.09	0.06
Average yield (%) - ISMA	0.01	0.01	0.01	0.00	0.00	0.09	0.07
Maximum yield (%) - EHM	0.02	0.01	0.01	0.01	0.00	0.10	0.08
Minimum yield (%) - EHM	-0.01	0.00	0.01	0.00	0.00	0.09	0.06
Average yield (%) - EHM	0.01	0.01	0.01	0.00	0.00	0.09	0.07
Average selling price (%)	99.9971	99.9983	99.9978	99.9992	99.9996	99.9143	99.9380
Amount offered for sale (HUF million)	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Amount of bids submitted (HUF million)	41,112.00	31,075.00	22,150.00	25,987.50	28,500.00	26,770.00	38,300.00
Amount of bids accepted (HUF million)	15,000.00	14,999.99	14,999.99	15,000.00	15,000.00	15,000.00	15,000.00
Bid-to-cover ratio	2.74	2.07	1.48	1.73	1.90	1.78	2.55
Bids submitted (pcs)	24	21	21	21	21	37	51
Bids accepted (pcs)	14	16	14	13	13	28	18
Market sales* (HUF million)	15,000.00	14,999.99	14,999.99	15,000.00	15,000.00	15,000.00	15,000.00
Retained on ÁKK's own account (HUF million)	10,500.00	10,500.01	10,500.01	10,500.00	10,500.00	15,000.00	15,000.00
Total amount issued (HUF million)	25,500.00	25,500.00	25,500.00	25,500.00	25,500.00	30,000.00	30,000.00

* Without issuance onto ÁKK's own account

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



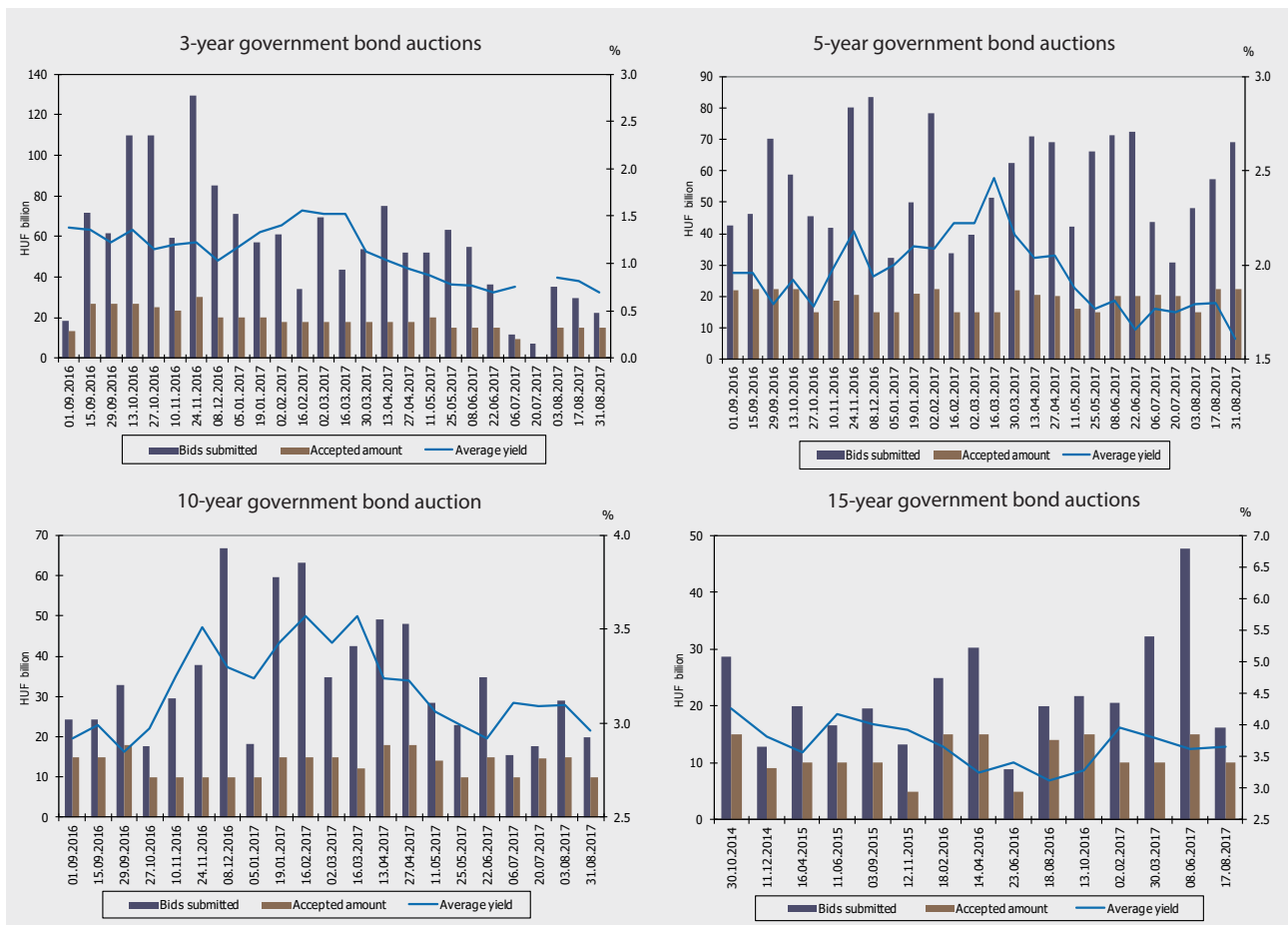
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2020/C	2022/B	2027/A	2021/A	2020/C	2022/B	2031/A	2021/A	2020/C	2022/B	2027/A
ISIN code	HU0000403258	HU0000403266	HU0000403118	HU0000402995	HU0000403258	HU0000403266	HU0000403001	HU0000402995	HU0000403258	HU0000403266	HU0000403118
Maturity (in years)	3	5	10	5	3	5	15	5	3	5	10
Coupon	1.00%	1.75%	3.00%	0.15%	1.00%	1.75%	3.25%	0.15%	1.00%	1.75%	3.00%
Auction	16th auction	16th auction	33rd auction	27th auction	17th auction	17th auction	13th auction	28th auction	18th auction	18th auction	34th auction
Date of auction	03.08.2017	03.08.2017	03.08.2017	10.08.2017	17.08.2017	17.08.2017	17.08.2017	24.08.2017	31.08.2017	31.08.2017	31.08.2017
Date of financial settlement	09.08.2017	09.08.2017	09.08.2017	16.08.2017	23.08.2017	23.08.2017	23.08.2017	30.08.2017	06.09.2017	06.09.2017	06.09.2017
Redemption date	23.09.2020	26.10.2022	27.10.2027	23.06.2021	23.09.2020	26.10.2022	22.10.2031	23.06.2021	23.09.2020	26.10.2022	27.10.2027
Maximum annual yield (%) - ISMA	0.87	1.80	3.10	-	0.83	1.81	3.68	-	0.70	1.64	2.96
Minimum annual yield (%) - ISMA	0.83	1.78	3.08	-	0.80	1.78	3.63	-	0.68	1.59	2.94
Average annual yield (%) - ISMA	0.85	1.79	3.10	-	0.82	1.80	3.66	-	0.69	1.61	2.96
Maximum annual yield (%) - EHM	0.87	1.80	3.10	-	0.83	1.81	3.68	-	0.70	1.64	2.96
Minimum annual yield (%) - EHM	0.83	1.78	3.08	-	0.80	1.78	3.63	-	0.68	1.59	2.94
Average annual yield (%) - EHM	0.85	1.79	3.10	-	0.82	1.80	3.66	-	0.69	1.61	2.96
Maximum price (%)	100.5263	99.8499	99.3016	98.5600	100.6098	99.8510	95.8420	98.6000	100.9644	100.7816	100.5158
Minimum price (%)	100.4016	99.7513	99.1279	98.5200	100.5050	99.7052	95.3121	98.5700	100.9025	100.5360	100.3408
Average price (%)	100.4481	99.7822	99.1472	98.5300	100.5396	99.7636	95.5479	98.5800	100.9251	100.6600	100.3563
Amount offered for sale (HUF million)	15,000.00	15,000.00	10,000.00	5,000.00	15,000.00	15,000.00	10,000.00	5,000.00	15,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	35,200.00	48,021.75	28,870.00	20,800.00	29,500.00	57,405.00	16,250.00	23,614.07	22,500.00	69,200.00	19,919.45
Amount of bids accepted (HUF million)	15,000.00	14,999.99	14,999.99	7,499.98	15,000.00	22,499.98	10,000.00	7,499.99	15,000.00	22,499.98	10,000.00
Bid-to-cover ratio	2.35	3.20	1.92	2.77	1.97	2.55	1.63	3.15	1.50	3.08	1.99
Bids submitted (pcs)	38	60	32	25	29	49	34	31	19	47	25
Bids accepted (pcs)	22	18	17	14	22	17	25	16	15	17	13
Tail (%) (average price - minimum price)	0.05	0.03	0.02	0.01	0.03	0.06	0.24	0.01	0.02	0.12	0.02
Market sales (HUF million)	15,000.00	14,999.99	14,999.99	7,499.98	15,000.00	22,499.98	10,000.00	7,499.99	15,000.00	22,499.98	10,000.00
Non-competitive offer (HUF million)	1,920.00	2,820.00	4,670.68	2,759.97	640.00	5,407.77	1,020.00	2,394.24	3,920.00	1,076.48	3,047.78
Total amount sales (HUF million)	16,920.00	17,819.99	19,670.67	10,259.95	15,640.00	27,907.75	11,020.00	9,894.23	18,920.00	23,576.46	13,047.78



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

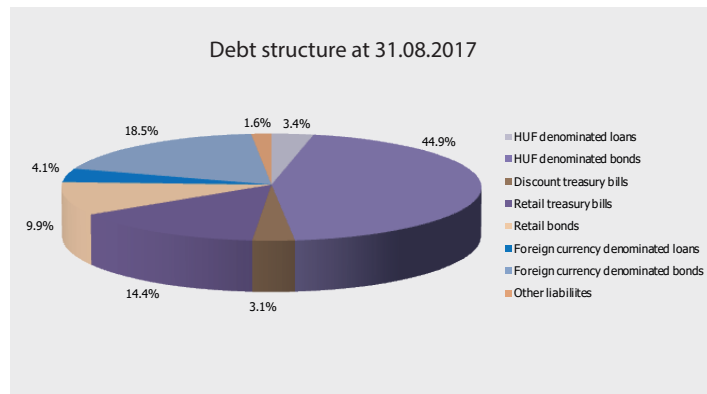
Government bond	2018/C	2019/C	2018/A	2019/A	2018/B	2019/A
ISIN code	HU0000402979	HU0000403092	HU0000402631	HU0000402433	HU0000402730	HU0000402433
Coupon (%)	2.50	2.00	5.50	6.50	4.00	6.50
Date of reverse auction	02.08.2017	02.08.2017	16.08.2017	16.08.2017	30.08.2017	30.08.2017
Date of financial settlement	09.08.2017	09.08.2017	23.08.2017	23.08.2017	06.09.2017	06.09.2017
Redemption date	22.06.2018	30.10.2019	20.12.2018	24.06.2019	25.04.2018	24.06.2019
Minimum annual yield (%)	0.07	0.03	0.05	0.10	0.00	0.00
Average annual yield- ISMA (%)	0.08	0.03	0.05	0.11	0.00	0.00
Average annual yield - EHM (%)	0.08	0.03	0.05	0.11	0.00	0.00
Amount of bids submitted (HUF million)	5,567.06	21,337.50	3,808.10	4,109.57	1,579.08	10,510.06
Amount of bids accepted (HUF million)	5,567.06	19,778.62	2,783.10	2,570.00	-	-

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN AUGUST 2017

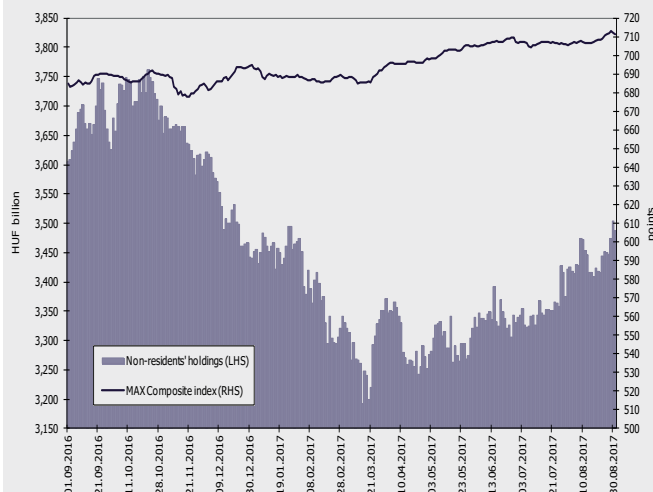
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2019/D	25.08.2017	28.08.2017	28.11.2017	28.11.2017	0.15%	0.04%
2020/J	24.08.2017	26.08.2017	26.08.2018	27.08.2018	3.90%	3.90%
2024/N	24.08.2017	26.08.2017	26.08.2018	27.08.2018	2.59%	2.63%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

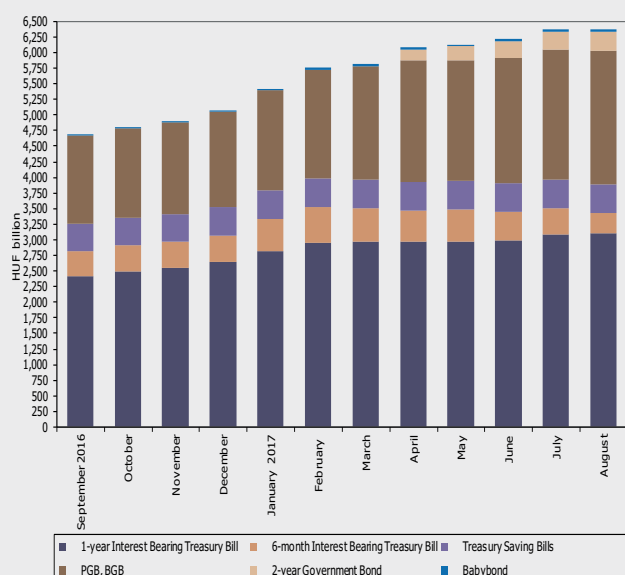
Retail securities	HUF billion		Change
	31.12.2016	31.08.2017	HUF billion
1-year Interest Bearing T-Bill	2,636.7	3,096.6	459.9
6-month Interest Bearing T-Bill	428.9	327.3	-101.6
Treasury Saving Bills	453.7	457.0	3.3
PGB, BGB	1,521.2	2,141.0	619.9
2-year Government Bond	0.0	303.3	303.3
Babybond	27.4	33.7	6.3
Total	5,067.9	6,358.8	1,291.0



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 31.08.2017	746.8750	551.4791	711.5876	535.2496
Changes compared to the end of the month before	6.0460	0.1838	5.2644	-0.0364
Annual yield earned on the index portfolio (%)	4.10	0.60	3.84	0.26

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.08.2017	736.7744	788.4224	559.7679	359.1305
Changes compared to the end of the month before	4.0579	8.4736	8.5476	4.6216
Reference yield (%)	0.68	1.64	2.95	3.58
Annual yield earned on the index portfolio (%)	4.96	4.48	2.00	-0.94

Government bonds with the highest secondary market turnover in August 2017

Government bond	Date of redemption	Turnover (HUF billion)
2025/B	24.06.2025	562.5
2027/A	27.10.2027	425.1
2022/A	24.06.2022	270.1
2026/D	22.12.2026	265.3
2022/B	26.10.2022	181.7
2020/B	24.06.2020	177.3
2020/A	12.11.2020	172.7
2018/B	25.04.2018	170.5
2019/C	30.10.2019	166.4
2021/B	27.10.2021	161.3

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

Government bond	HUF billion	
	31.07.2017	31.08.2017
2020/C	299.95	332.77
2022/B	341.75	387.94
2027/A	495.47	515.62
2031/A	168.79	179.94

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

Government bond	HUF billion
2025/B	1,137.23
2023/A	998.09
2022/A	951.46

