

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT NOVEMBER 2016

The net issuance was HUF 848.6 billion; out of which net HUF-denominated issuance was HUF 2,213.2 billion and net foreign currency denominated redemption was HUF 1,364.7 billion in 2016.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2015		2016		Change	
	December	%	November	%	HUF billion	%
HUF denominated debt	16,207.9	65.6	18,421.2	72.3	2,213.2	13.7
Loans	694.1	2.8	865.0	3.4	170.9	24.6
Government bonds	11,094.9	44.9	11,576.0	45.4	481.1	4.3
Retail securities	3,517.4	14.2	4,901.3	19.2	1,383.9	39.3
Discount treasury bills	901.6	3.7	1,078.8	4.2	177.3	19.7
Foreign exchange denominated debt	7,735.8	31.3	6,331.4	24.8	-1,404.4	-18.2
Total	23,943.7	96.9	24,752.6	97.1	808.9	3.4
<i>Other obligations</i>	756.0	3.1	737.3	2.9	-18.6	-2.5
Total central government debt	24,699.7	100.0	25,489.9	100.0	790.2	3.2

The HUF denominated debt of the central government increased by HUF 2,213.2 billion in 2016. The increase in domestic debt was the result of net government bond issuance of HUF 492.6 billion, the amount of discount Treasury bills increased by HUF 177.3 billion and the total amount of retail government securities increased by HUF 1,383.9 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 1,404.4 billion in 2016. The Dim Sum bond issue increased the debt by HUF 42.3 billion, the domestic P€MAK and residence bond issuance was HUF 134.4 billion, while the redemptions of foreign currency debt worth HUF 1,541.4 billion decreased the debt. The exchange rate revaluations totalling HUF 39.7 billion decreased the Hungarian Forint value of the foreign currency debt in November. The total amount of other liabilities decreased by HUF 18.6 billion in 2016.

BENCHMARK YIELDS

Maturity	30.09.2016	28.10.2016	30.11.2016	Change in November basis point
3-month	0.54	0.40	0.25	-15
6-month	0.60	0.31	0.30	-1
1-year	0.60	0.47	0.45	-2
3-year	1.24	1.17	1.11	-6
5-year	1.80	1.80	2.04	24
10-year	2.87	2.98	3.38	40
15-year	3.16	3.31	3.72	41

Monthly OTC turnover of government securities increased by 6% to HUF 5,773.6 billion in November. Primary dealers, who account for the decisive part of all secondary government securities trading, made 76% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 67.6 billion in November and amounted to HUF 3,608.3 billion at the end of the month. This volume represented 20.6% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 310.99 on the last working day of November.

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

GOVERNMENT SECURITIES MARKET

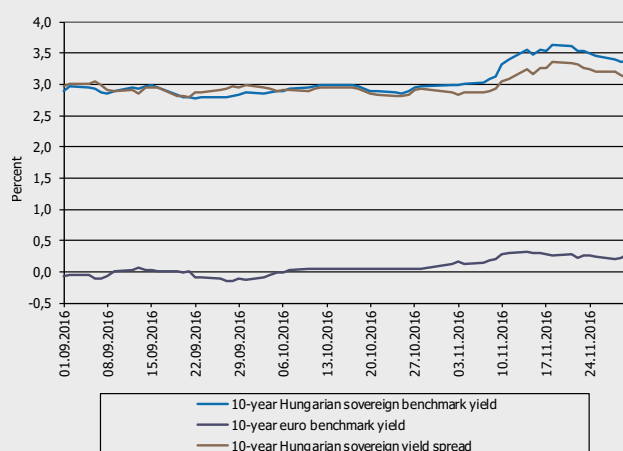
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

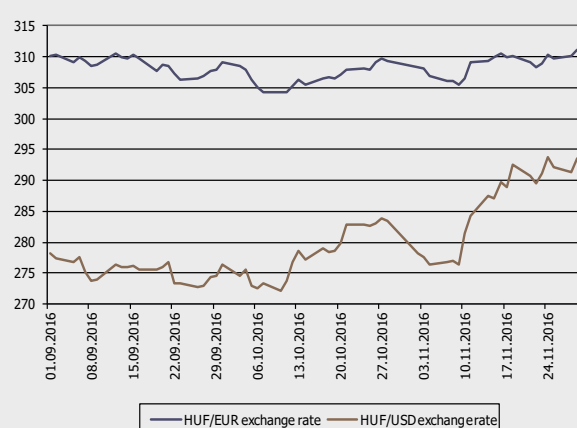
	2011	2012	2013	2014	2015	2016 September	2016 October	2016 November
1. Forint denominated debt	10,362.2	12,042.4	12,976.4	14,612.0	16,207.9	18,066.5	18,284.8	18,421.2
1.1. Loans	590.8	566.8	603.6	623.3	694.1	844.5	865.0	865.0
1.2. Government securities	9,771.4	11,475.6	12,372.8	13,988.7	15,513.8	17,221.9	17,419.7	17,556.2
1.2.1. Public issues	9,368.1	11,077.1	12,182.3	13,847.7	15,462.3	17,181.9	17,379.7	17,516.1
1.2.1.1. Bonds	7,353.4	8,184.1	8,588.8	9,848.0	11,043.4	11,397.0	11,493.6	11,536.0
1.2.1.2. Discount T-bills	1,540.9	1,906.5	1,904.9	1,588.6	901.6	1,093.8	1,078.4	1,078.8
1.2.1.3. Retail securities	473.8	986.6	1,688.5	2,411.1	3,517.4	4,691.1	4,807.7	4,901.3
1.2.2. Private placements	403.2	398.5	190.5	141.0	51.5	40.0	40.0	40.0
2. Foreign currency denominated debt*	10,170.4	8,326.6	8,904.9	8,957.9	7,735.8	6,446.1	6,286.9	6,331.4
2.1. Loans	4,458.1	3,312.5	2,735.6	2,164.3	1,696.8	1,184.1	1,184.3	1,172.5
2.1.1. Foreign loans	4,337.9	3,229.0	2,400.2	1,889.9	1,614.2	1,107.5	1,107.7	1,114.1
2.1.2. Domestic loans	0.0	83.5	335.4	274.4	82.6	76.6	76.6	58.4
2.2. Government securities	5,712.3	5,014.1	6,169.3	6,793.6	6,039.0	5,262.0	5,102.6	5,158.9
2.2.1. Issued abroad	5,712.3	4,924.2	5,736.9	5,844.6	5,198.9	4,641.4	4,642.2	4,669.0
2.2.2. Issued domestically	0.0	89.9	432.5	948.9	840.1	620.5	460.5	489.9
Total	20,532.6	20,369.0	21,881.4	23,569.9	23,943.7	24,512.6	24,571.7	24,752.6
Other liabilities	422.89	351.10	117.30	311.20	756.00	607.40	694.70	737.30
Total central government debt	20,955.5	20,720.1	21,998.6	23,881.1	24,699.7	25,119.9	25,266.4	25,489.9
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	12,530.8	12,612.0	12,654.8
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.

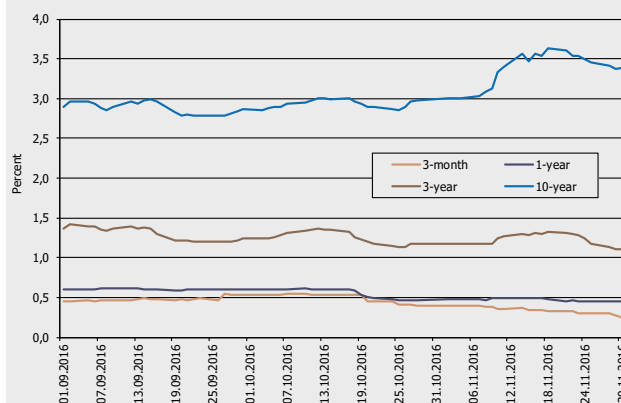
10-year Hungarian and eurozone benchmark yields



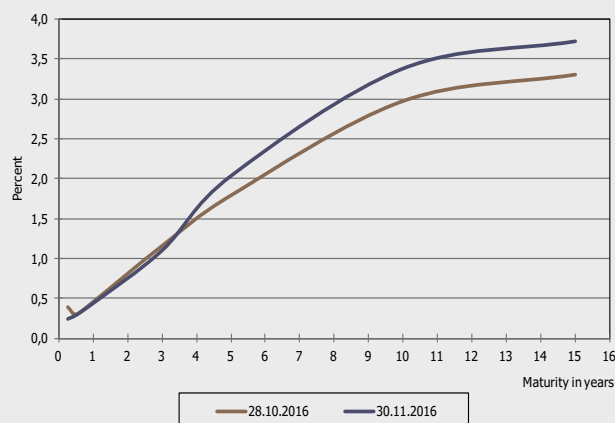
The exchange rate of the Hungarian Forint



Benchmark yields



Benchmark yield curves



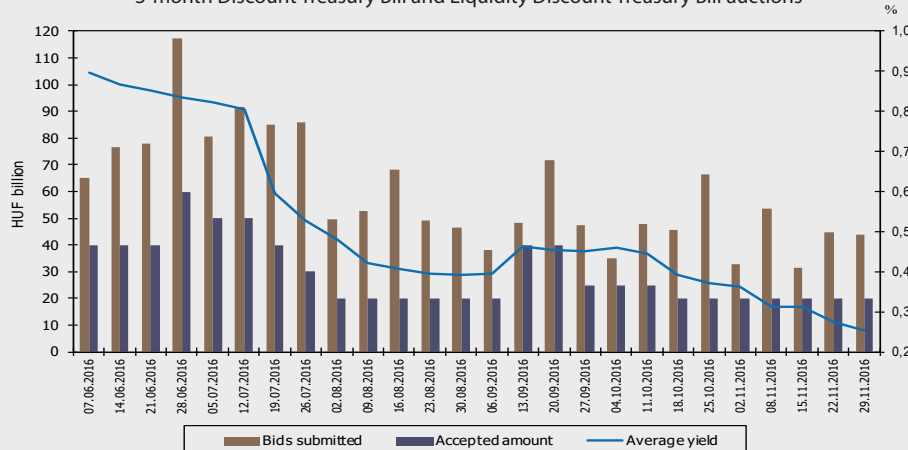
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

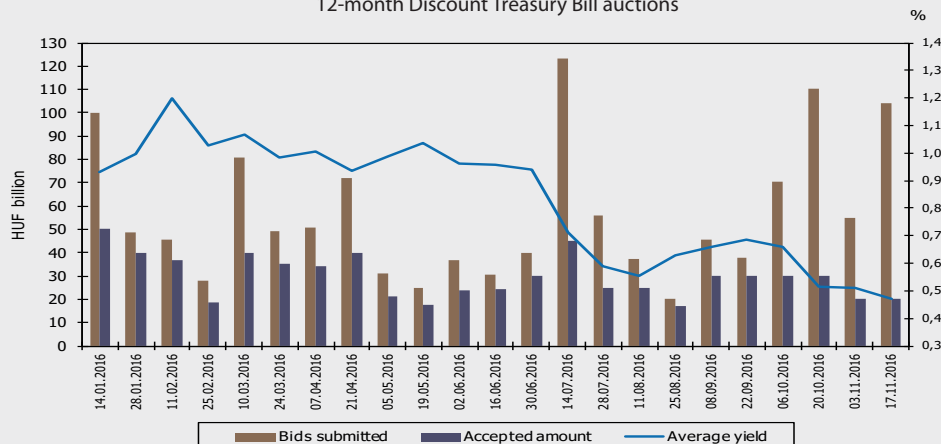
	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D170208	D170215	D170222	D170301	D170308	D171025	D171025
ISIN code	HU0000521273	HU0000521299	HU0000521307	HU0000521315	HU0000521323	HU0000521281	HU0000521281
Maturity in days	91	91	91	91	91	350	336
Date of auction	02.11.2016	08.11.2016	15.11.2016	22.11.2016	29.11.2016	03.11.2016	17.11.2016
Date of financial settlement	09.11.2016	16.11.2016	23.11.2016	30.11.2016	07.12.2016	09.11.2016	23.11.2016
Redemption date	08.02.2017	15.02.2017	22.02.2017	01.03.2017	08.03.2017	25.10.2017	25.10.2017
Maximum yield (%) - ISMA	0.38	0.34	0.33	0.29	0.26	0.52	0.49
Minimum yield (%) - ISMA	0.34	0.30	0.30	0.26	0.24	0.47	0.44
Average yield (%) - ISMA	0.36	0.31	0.31	0.27	0.25	0.51	0.47
Maximum yield (%) - EHM	0.39	0.34	0.33	0.29	0.26	0.53	0.50
Minimum yield (%) - EHM	0.34	0.30	0.30	0.26	0.24	0.48	0.45
Average yield (%) - EHM	0.36	0.31	0.31	0.27	0.25	0.52	0.48
Average selling price (%)	99.9091	99.9217	99.9217	99.9318	99.9368	99.5066	99.5632
Amount offered for sale (HUF million)	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Amount of bids submitted (HUF million)	32,881.11	53,570.99	31,244.77	44,638.43	44,000.00	55,150.00	103,880.00
Amount of bids accepted (HUF million)	19,999.94	19,999.95	19,999.97	19,999.95	19,999.99	19,999.97	19,999.97
Bid-to-cover ratio	1.64	2.68	1.56	2.23	2.20	2.76	5.19
Bids submitted (pcs)	46	70	39	58	38	69	59
Bids accepted (pcs)	43	28	28	26	18	36	30
Market sales* (HUF million)	19,999.94	19,999.95	19,999.97	19,999.95	19,999.99	19,999.97	19,999.97
Retained on ÁKK's own account (HUF million)	10,000.06	6,000.05	10,000.03	6,000.05	10,000.01	20,000.03	20,000.03
Total amount issued (HUF million)	30,000.00	26,000.00	30,000.00	26,000.00	30,000.00	40,000.00	40,000.00

* Without issuance onto ÁKK's own account

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



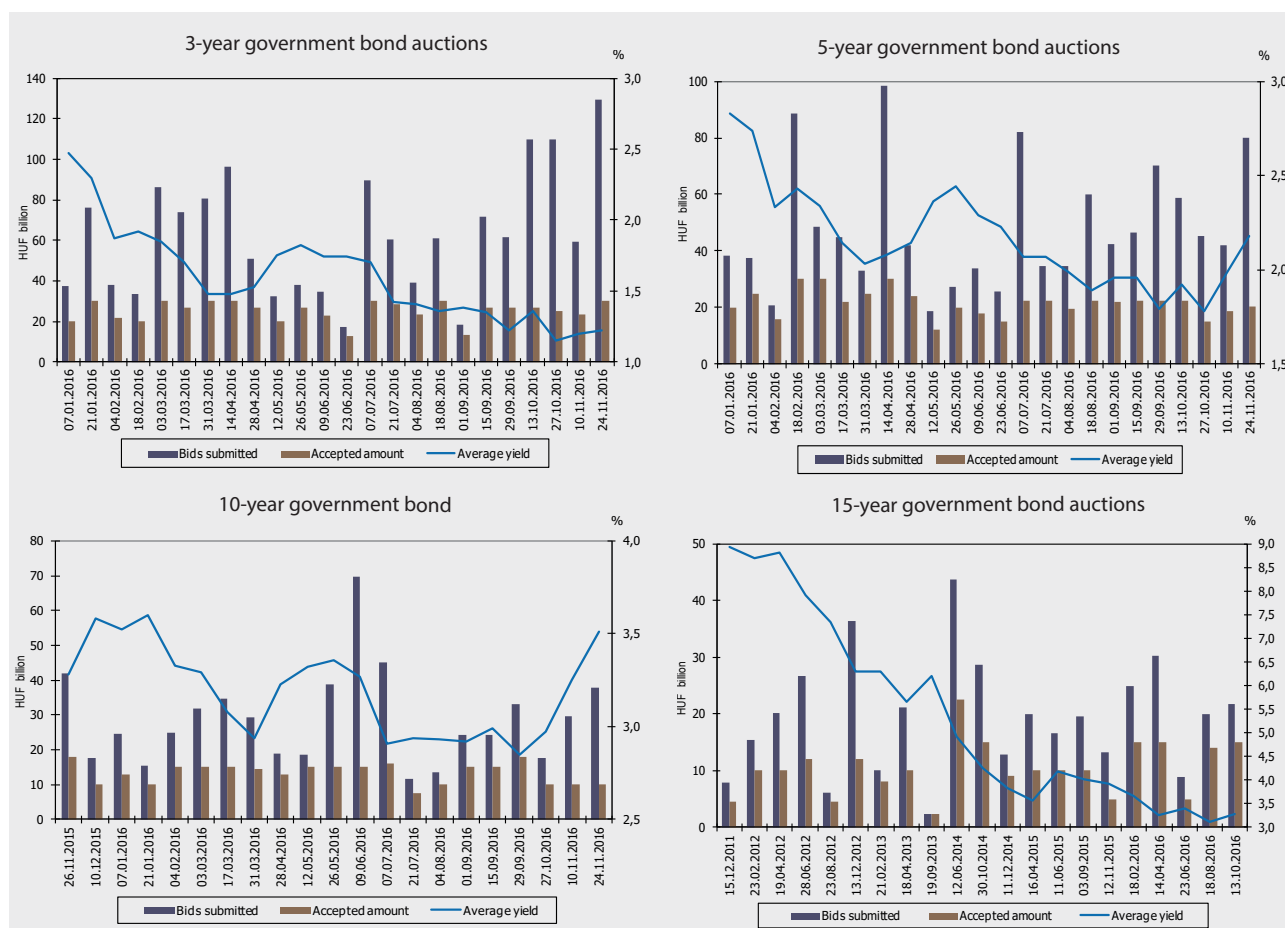
12-month Discount Treasury Bill auctions



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	23rd auction	23rd auction	18th auction	24th auction	24th auction	19th auction
Date of auction	10.11.2016	10.11.2016	10.11.2016	24.11.2016	24.11.2016	24.11.2016
Date of financial settlement	16.11.2016	16.11.2016	16.11.2016	30.11.2016	30.11.2016	30.11.2016
Redemption date	30.10.2019	27.10.2021	27.10.2027	30.10.2019	27.10.2021	27.10.2027
Maximum annual yield (%) - ISMA	1.21	2.00	3.26	1.23	2.19	3.52
Minimum annual yield (%) - ISMA	1.18	1.96	3.23	1.20	2.17	3.50
Average annual yield (%) - ISMA	1.20	1.98	3.25	1.22	2.18	3.51
Maximum annual yield (%) - EHM	1.21	2.00	3.26	1.23	2.19	3.52
Minimum annual yield (%) - EHM	1.18	1.96	3.23	1.20	2.17	3.50
Average annual yield (%) - EHM	1.20	1.98	3.25	1.22	2.18	3.51
Maximum price (%)	102.3658	102.5204	97.9050	102.2774	101.5182	95.5262
Minimum price (%)	102.2779	102.3309	97.6361	102.1906	101.4252	95.3525
Average price (%)	102.3018	102.4036	97.7236	102.2190	101.4517	95.4200
Amount offered for sale (HUF million)	20,000.00	15,000.00	10,000.00	20,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	59,150.00	41,820.00	29,650.00	129,480.00	80,095.00	37,900.00
Amount of bids accepted (HUF million)	23,499.97	18,499.94	10,000.00	29,999.96	20,499.98	9,999.99
Bid-to-cover ratio	2.52	2.26	2.97	4.32	3.91	3.79
Bids submitted (pcs)	60	61	44	75	65	40
Bids accepted (pcs)	27	27	15	22	15	9
Tail (%) (average price - minimum price)	0.02	0.07	0.09	0.03	0.03	0.07
Market sales (HUF million)	23,499.97	18,499.94	10,000.00	29,999.96	20,499.98	9,999.99
Non-competitive offer (HUF million)	400.00	0.00	0.00	11,207.95	7,711.97	2,076.18
Total amount sales (HUF million)	23,899.97	18,499.94	10,000.00	41,207.91	28,211.95	12,076.17



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

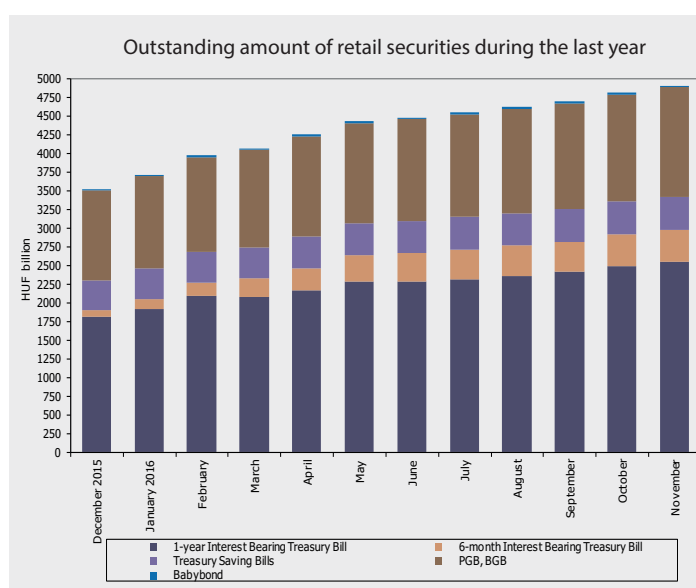
Government bond	2018/C	2018/A	2018/B	2018/D
ISIN code	HU0000402979	HU0000402631	HU0000402730	HU0000402987
Coupon (%)	2.50%	5.50%	4.00%	0.81%
Date of reverse auction	09.11.2016	09.11.2016	23.11.2016	23.11.2016
Date of financial settlement	16.11.2016	16.11.2016	30.11.2016	30.11.2016
Redemption date	22.06.2018	20.12.2018	25.04.2018	24.10.2018
Minimum annual yield (%)	0.50	0.69	0.40	-
Average annual yield- ISMA (%)	0.50	0.69	0.42	-
Average annual yield - EHM (%)	0.50	0.69	0.42	-
Amount of bids submitted (HUF million)	112,608.51	43,983.92	18,537.73	35,711.64
Amount of bids accepted (HUF million)	102,672.04	40,213.92	17,869.50	10,050.22

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN NOVEMBER 2016

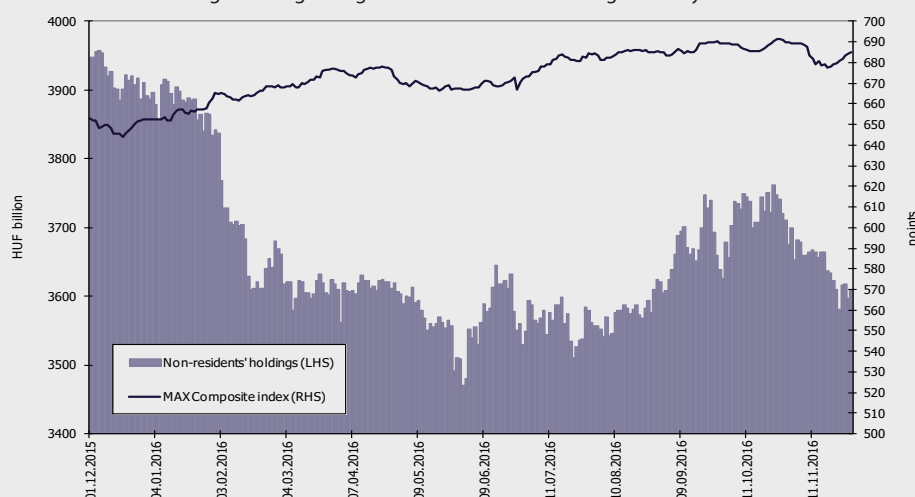
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2018/K	18.11.2016	21.11.2016	21.11.2017	21.11.2017	3.00%	3.00%
2019/B	17.11.2016	20.11.2016	20.05.2017	22.05.2017	0.33%	0.17%
2019/D	25.11.2016	28.11.2016	28.02.2017	28.02.2017	0.64%	0.16%
2032/S	30.11.2016	02.12.2016	02.12.2017	04.12.2017	3.00%	3.00%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change
	31.12.2015	30.11.2016	HUF billion
1-year Interest Bearing T-Bill	1,816.0	2,540.6	724.6
6-month Interest Bearing T-Bill	81.0	428.9	347.9
Treasury Saving Bills	403.4	444.5	41.1
PGB, BGB	1,198.3	1,461.8	263.4
Babybond	18.6	25.5	6.9
Total	3,517.3	4,901.3	1,383.9



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 30.11.2016	717.0551	549.4028	685.1541	534.6221
Changes compared to the end of the month before	-5.6478	0.3280	-4.8425	0.1781
Annual yield earned on the index portfolio	5.12%	1.06%	4.87%	0.82%

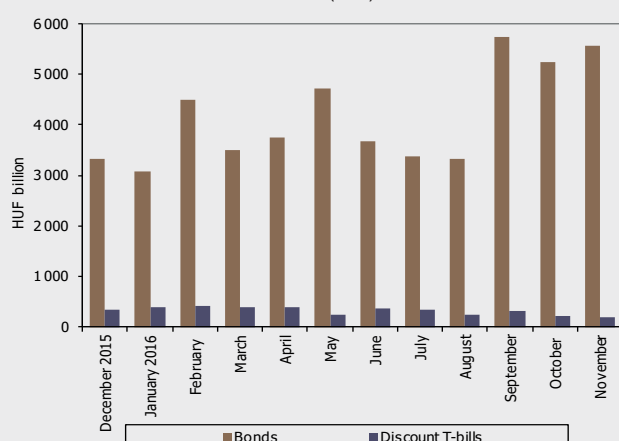
Government bonds with the highest secondary market turnover in November 2016

Government bond	Date of redemption	Turnover (HUF billion)
2019/A	24.06.2019	530.6
2025/B	24.06.2025	507.1
2018/B	25.04.2018	506.9
2018/C	22.06.2018	502.8
2021/B	27.10.2021	488.8
2024/B	26.06.2024	438.9
2022/A	24.06.2022	410.8
2027/A	27.10.2027	380.3
2023/A	24.11.2023	351.0
2020/A	12.11.2020	275.6

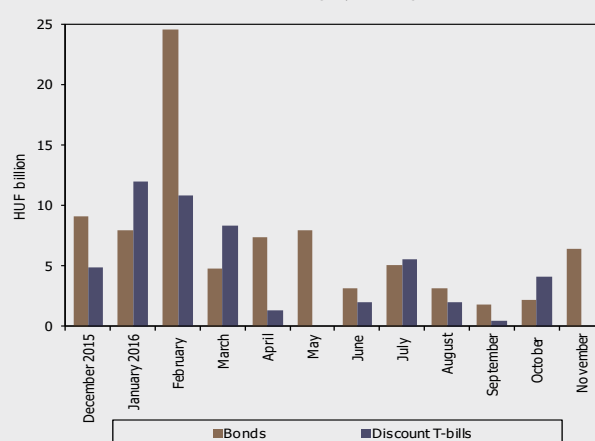
The outstanding volume of government bonds with benchmark status at the end of November 2016

Government bond	HUF billion	
	31.10.2016	30.11.2016
2019/C	637.11	728.24
2021/B	573.21	635.83
2027/A	252.69	285.14
2031/A	122.66	122.85

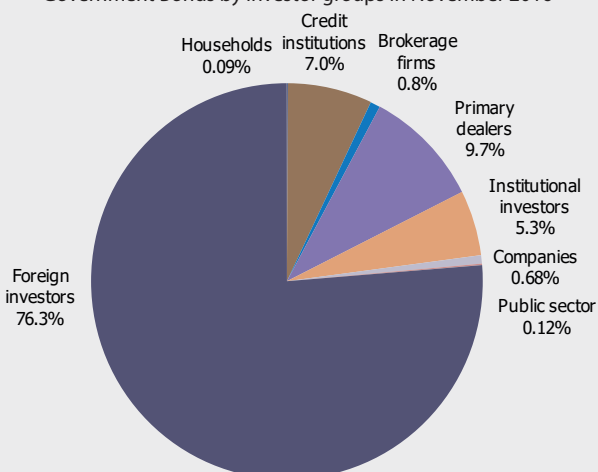
Secondary market trading of Hungarian government securities (OTC)



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



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



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

