

■ GOVERNMENT SECURITIES MARKET ■

MONTHLY REPORT FEBRUARY 2015

The net issuance was HUF 301.6 billion; out of which net HUF-denominated issuance was HUF 612.0 billion and net foreign currency denominated issuance was HUF -310.4 billion in 2015.

HUF billion	2014		2015		Change	
	December	%	February	%	HUF billion	%
HUF denominated debt	14,612.0	61.2	15,224.0	63.0	612.0	4.2
Loans	623.3	2.6	726.4	3.0	103.1	16.5
Government bonds	9,989.0	41.8	10,083.2	41.8	94.2	0.9
Retail securities	2,411.1	10.1	2,490.6	10.3	79.5	3.3
Discount treasury bills	1,588.6	6.7	1,923.7	8.0	335.1	21.1
Foreign exchange denominated debt	8,957.9	37.5	8,324.0	34.5	-633.9	-7.1
Total	23,569.9	98.7	23,548.0	97.5	-22.0	-0.1
Other obligations	311.2	1.3	599.5	2.5	288.4	92.7
Total central government debt	23,881.1	100.0	24,147.5	100.0	266.4	1.1

The HUF denominated debt of the central government increased by HUF 612.0 billion in February. The increase in domestic debt was the result of net government bond issuance of HUF 94.2 billion, the amount of discount Treasury bills increased by HUF 335.1 billion and the total amount of retail government securities increased by HUF 79.5 billion. The volume of HUF loans increased by HUF 103.1 billion in 2015.

The foreign currency debt of the central government decreased by HUF 633.9 billion in February. The domestic P€MAK and residence bond issuance was HUF 49.6 billion, while the redemptions of foreign currency debt worth HUF 360.0 billion decreased the debt. The exchange rate revaluations totalling HUF 323.6 billion decreased the Hungarian Forint value of the foreign currency debt in February. The total amount of other liabilities increased by HUF 288.4 billion in February.

Benchmark yields

Maturity	30.12.2014.	30.01.2015.	27.02.2015.	Change in February, basis points
3-month	1.43	1.70	1.58	-12
6-month	1.54	1.54	1.60	6
1-year	1.80	1.60	1.63	3
3-year	2.72	2.09	2.01	-8
5-year	3.15	2.38	2.47	9
10-year	3.60	2.79	2.91	12
15-year	3.83	2.99	3.12	13

Monthly OTC turnover of government securities increased in February and reached HUF 5,409.4 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 61% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 91.5 billion in February, and amounted to HUF 5,002.7 billion at the end of the month. This volume represented 34.5% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 302.93 on the last working day of February.

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

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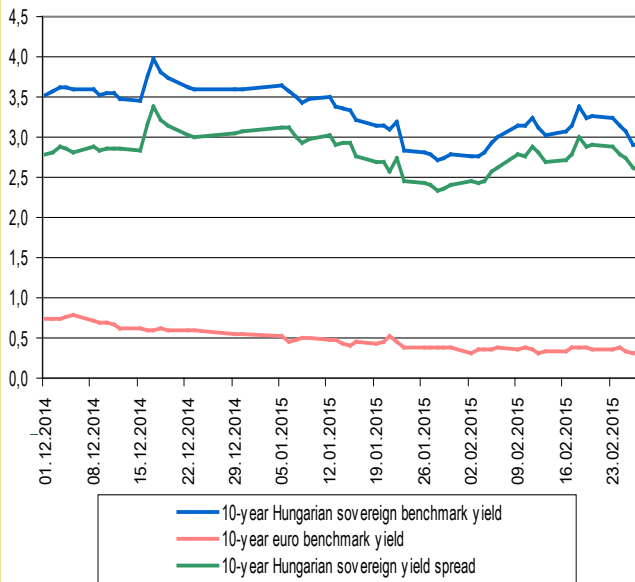
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

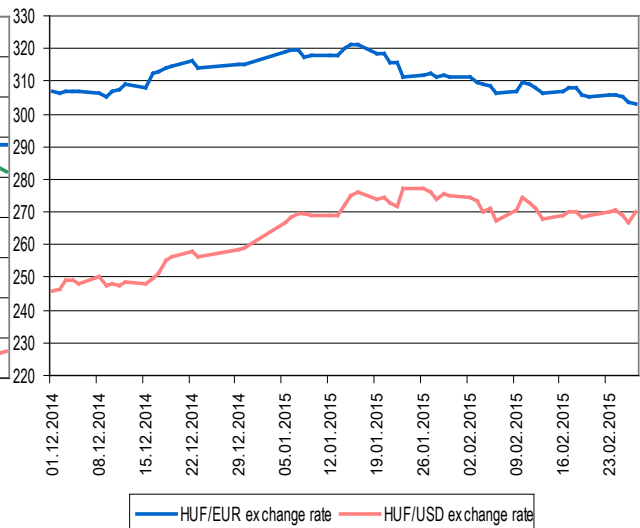
	2010	2011	2012	2013	December 2014	January 2015	February 2015
1. Forint denominated debt	10,978.2	10,362.2	12,042.4	12,976.4	14,612.0	15,123.0	15,224.0
1.1. Loans	540.8	590.8	566.8	603.6	623.3	728.4	726.4
1.2. Government securities	10,437.4	9,771.4	11,475.6	12,372.8	13,988.7	14,394.6	14,497.6
1.2.1. Public issues	10,019.6	9,378.1	11,077.1	12,182.3	13,847.7	14,253.6	14,356.6
1.2.1.1. Bonds	7,965.8	7,353.4	8,184.1	8,588.8	9,848.0	10,064.7	9,942.2
1.2.1.2. Discount T-bills	1,618.2	1,540.9	1,906.5	1,904.9	1,588.6	1,770.5	1,923.7
1.2.1.3. Retail securities	435.7	473.8	986.6	1,688.5	2,411.1	2,418.4	2,490.6
1.2.2. Private placements	417.8	403.2	398.5	190.5	141.0	141.0	141.0
2. Foreign currency denominated debt*	8,842.8	10,170.4	8,326.6	8,904.9	8,957.9	8,863.0	8,324.0
2.1. Loans	4,292.8	4,458.1	3,312.5	2,735.6	2,164.3	2,146.3	2,086.4
2.1.1. Foreign loans	4,292.8	4,361.9	3,229.0	2,400.2	1,889.9	1,868.7	1,819.4
2.1.2. Domestic loans	0.0	96.2	83.5	335.4	274.4	277.6	267.0
2.2. Government securities	4,550.0	5,712.3	5,014.1	6,169.3	6,793.6	6,716.7	6,237.5
2.2.1. Issued abroad	4,550.0	5,712.3	4,924.2	5,736.9	5,844.6	5,773.0	5,275.9
2.2.2. Issued domestically	0.0	0.0	89.9	432.5	948.9	943.7	961.6
Total	19,821.0	20,532.6	20,369.0	21,881.4	23,569.9	23,985.9	23,548.0
Other liabilities	220.01	422.9	351.1	117.3	311.2	749.4	599.5
Total central government debt	20,041.0	20,955.5	20,720.1	21,998.6	23,881.1	24,735.3	24,147.5
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2.2.)	10,001.8	9,297.6	10,489.1	10,684.2	11,577.6	11,976.2	12,006.9
Gross debt/GDP	74.4%	74.7%	72.6%	73.7%			

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

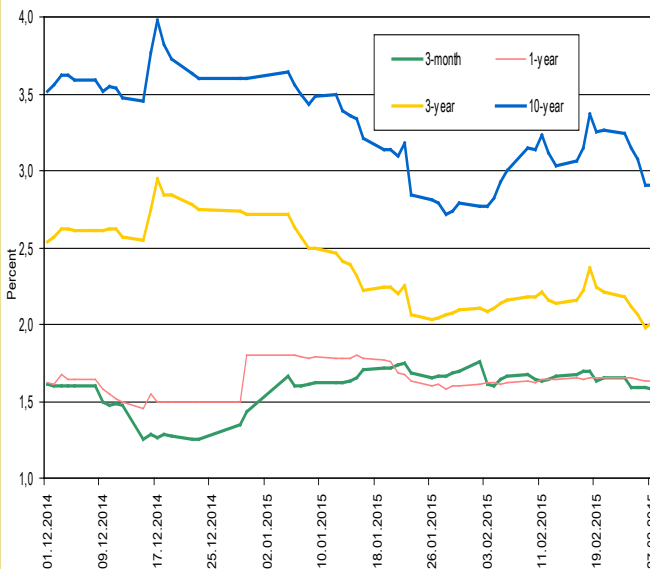
10-year Hungarian and eurozone benchmark yields during the last three months



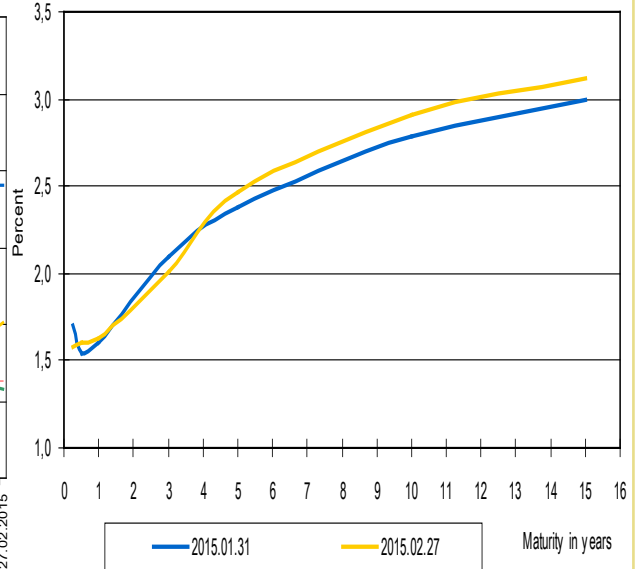
The exchange rate of the Hungarian Forint during the last three months



Benchmark yields in the past three months



Benchmark yield curves

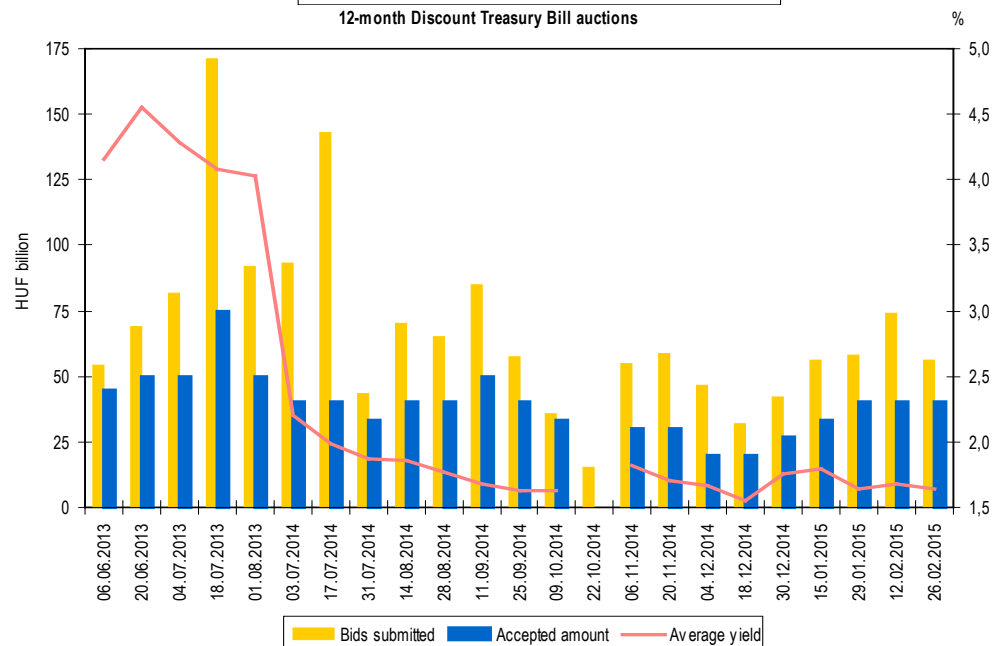
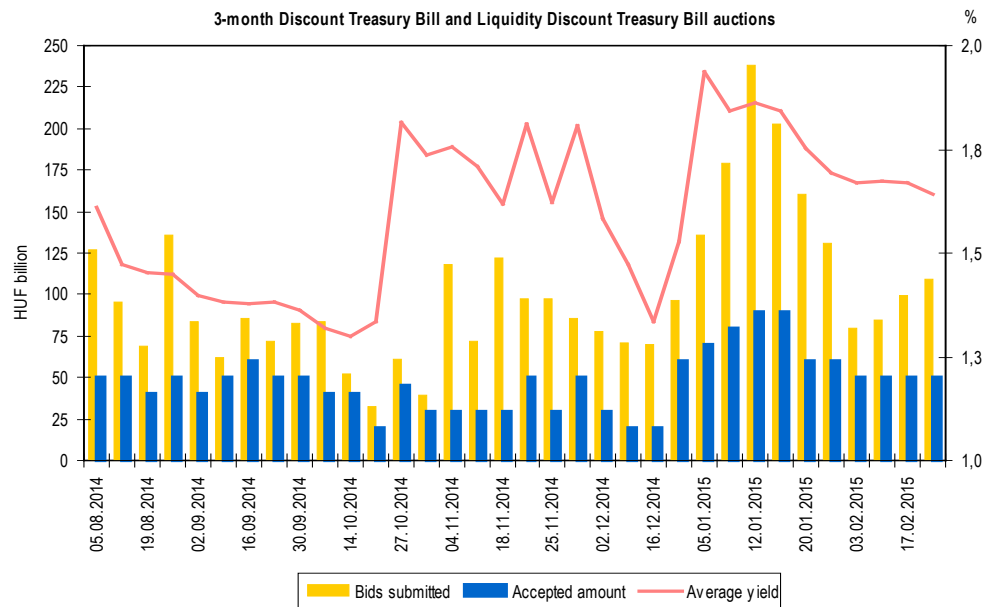


■ GOVERNMENT SECURITIES MARKET ■

DISCOUNT TREASURY BILL AUCTION RESULTS

Code of T-bills	3-month Discount T-bills				12-month Discount T-bills	
	D150513	D150520	D150527	D150603	D160217	D160217
ISIN code	HU0000520374	HU0000520382	HU0000520002	HU0000520416	HU0000520390	HU0000520390
Maturity in days	91	91	91	91	364	350
Date of auction	03.02.2015	10.02.2015	17.02.2015	24.02.2015	12.02.2015	26.02.2015
Date of financial settlement	11.02.2015	18.02.2015	25.02.2015	04.03.2015	18.02.2015	04.03.2015
Redemption date	13.05.2015	20.05.2015	27.05.2015	03.06.2015	17.02.2016	17.02.2016
Maximum yield (%) - ISMA	1.70	1.68	1.69	1.67	1.70	1.68
Minimum yield (%) - ISMA	1.60	1.60	1.60	1.59	1.60	1.59
Average yield (%) - ISMA	1.67	1.67	1.67	1.64	1.67	1.64
Maximum yield (%) - EHM	1.72	1.70	1.71	1.69	1.72	1.70
Minimum yield (%) - EHM	1.62	1.62	1.62	1.61	1.62	1.61
Average yield (%) - EHM	1.69	1.69	1.69	1.66	1.69	1.66
Average selling price (%)	99.5796	99.5796	99.5796	99.5872	98.3395	98.4306
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	50,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	80,000.31	84,165.00	98,960.00	109,400.00	74,105.00	56,050.00
Amount of bids accepted (HUF million)	49,999.98	49,999.91	49,999.93	49,999.92	39,999.92	39,999.95
Bid-to-cover ratio	1.60	1.68	1.98	2.19	1.85	1.40
Bids submitted (pcs)	93	59	86	100	94	64
Bids accepted (pcs)	50	39	58	55	56	51
Market sales* (HUF million)	49,999.98	49,999.91	49,999.93	49,999.92	39,999.92	39,999.95
Retained on ÁKK's own account	15,000.02	15,000.09	15,000.07	15,000.08	40,000.08	40,000.05
Total amount issued (HUF million)	65,000.00	65,000.00	65,000.00	65,000.00	80,000.00	80,000.00

*Without issuance onto ÁKK's own account

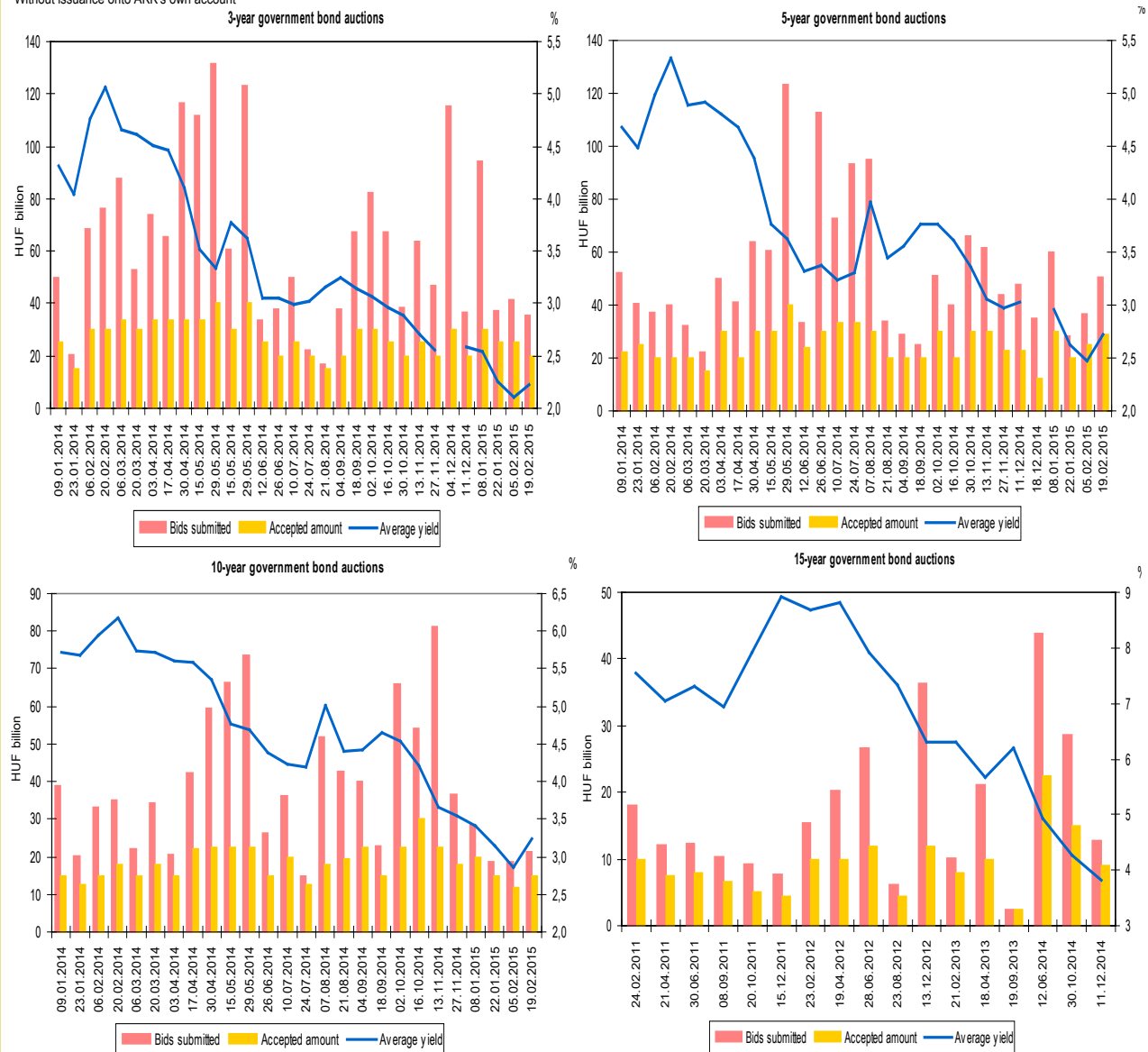


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GOVERNMENT BOND AUCTION RESULTS

Government Bond	2018/C	2020/B	2025/B	2018D	2018/C	2020/B	2025/B	2021/A
ISIN code	HU0000402979	HU0000402953	HU0000402748	HU0000402987	HU0000402979	HU0000402953	HU0000402748	HU0000402995
Maturity (in years)	3	5	10	3	3	5	10	5
Coupon (%)	2.50%	3.50%	5.50%	2.10%	2.50%	3.50%	5.50%	2.10%
Auction	3rd auction	10th auction	25th auction	2nd auction	4th auction	11th auction	26th auction	2nd auction
Date of auction	05.02.2015	05.02.2015	05.02.2015	12.02.2015	19.02.2015	19.02.2015	19.02.2015	26.02.2015
Date of financial settlement	11.02.2015	11.02.2015	11.02.2015	18.02.2015	25.02.2015	25.02.2015	25.02.2015	04.03.2015
Redemption date	22.06.2018	24.06.2020	24.06.2025	24.10.2018	22.06.2018	24.06.2020	24.06.2025	23.06.2021
Maximum annual yield (%) - ISMA	2.13	2.50	2.88		2.25	2.74	3.27	
Minimum annual yield (%) - ISMA	2.08	2.40	2.80		2.18	2.70	3.20	
Average annual yield (%) - ISMA	2.11	2.47	2.86		2.23	2.72	3.24	
Maximum annual yield (%) - EHM	2.13	2.50	2.88		2.25	2.74	3.27	
Minimum annual yield (%) - EHM	2.08	2.40	2.80		2.18	2.70	3.20	
Average annual yield (%) - EHM	2.11	2.46	2.85		2.23	2.72	3.24	
Maximum price (%)	101.3545	105.4755	123.9833	99.6600	101.0192	103.9192	119.9376	98.5600
Minimum price (%)	101.1927	104.9625	123.1734	99.5900	100.7962	103.7187	119.2593	98.4500
Average price (%)	101.2602	105.1319	123.4060	99.6100	100.8686	103.8048	119.5511	98.4600
Amount offered for sale (HUF million)	20,000.00	20,000.00	15,000.00	20,000.00	20,000.00	20,000.00	15,000.00	20,000.00
Amount of bids submitted (HUF million)	41,236.00	36,600.00	18,750.00	71,450.00	35,550.00	50,550.00	21,260.00	67,400.00
Amount of bids accepted (HUF million)	24,999.94	24,999.96	12,000.00	29,999.98	19,999.95	28,999.95	14,999.96	29,999.95
Bid-to-cover ratio	1.65	1.46	1.56	2.38	1.78	1.74	1.42	2.25
Bids submitted (pcs)	68	61	73	86	55	70	76	87
Bids accepted (pcs)	48	45	52	32	41	37	60	37
Tail (average price - minimum price)	0.07	0.17	0.23	0.02	0.07	0.09	0.29	0.01
Market sales* (HUF million)	24,999.94	24,999.96	12,000.00	29,999.98	19,999.95	28,999.95	14,999.96	29,999.95
Non-competitive offer (HUF million)	2,584.90	1,880.00	-	11,279.32	4,495.19	8,675.98	3,118.79	10,585.32
Total amount issued (HUF million)	50,000.00	35,000.00	12,000.00	60,000.00	40,000.00	29,000.00	15,000.00	60,000.00

* Without issuance onto ÁKK's own account



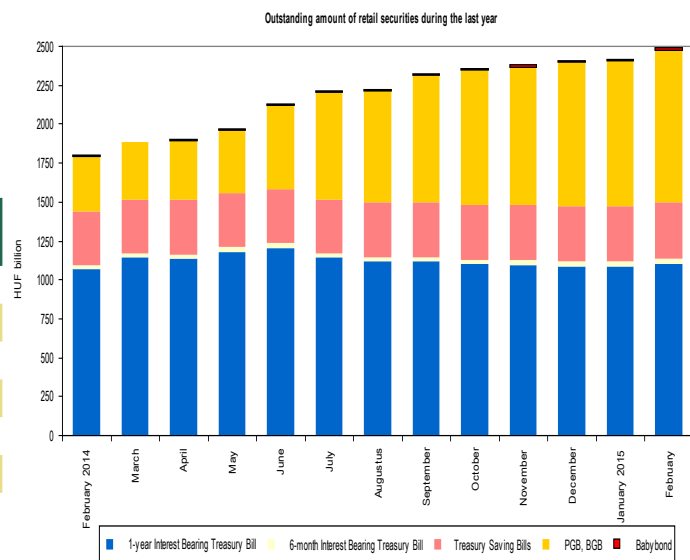
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INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN FEBRUARY 2015

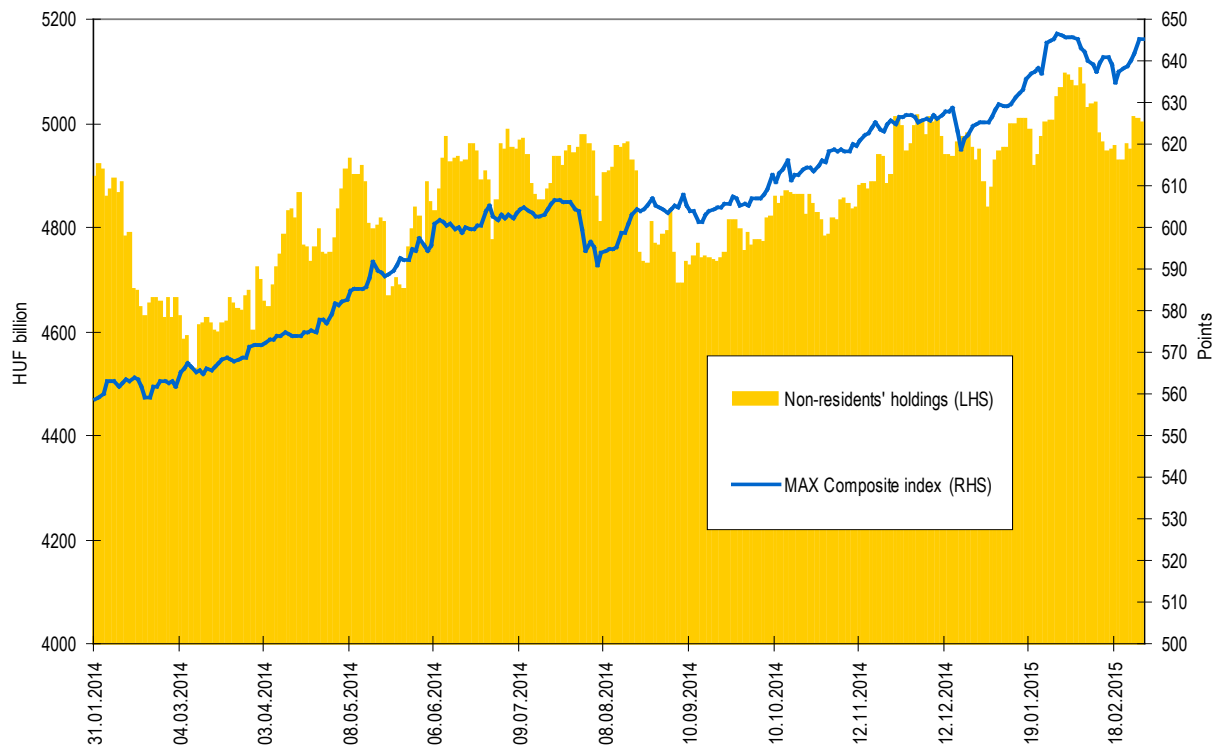
Government Bond	Date of interest rate reset	Interest period	Date of interest payment	Reset interest rate (%)	Interest payable (%)	
2021/A	04.02.2015	04.02.2015	23.03.2015	23.03.2015	2.10	0.27
2020/I	12.02.2015	12.02.2015	24.04.2015	24.04.2015	4.00	0.78
2026/A	27.02.2015	28.02.2015	28.08.2015	28.08.2015	1.79	0.90

OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		Change HUF billion
	31.12.2014	27.02.2015	
1-year Interest Bearing T-bill	1,089.0	1,105.3	16.3
6-month Interest Bearing T-bill	28.8	33.5	4.7
Treasury Saving Bills	355.1	359.5	4.4
PGB, BGB	927.8	980.5	52.7
Babybond	10.3	11.8	1.5
Total	2,411.0	2,490.6	79.5



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



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HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 27 February 2015	674.2745	537.1479	645.1335	525.1920
Changes compared to the end of the month before	-0.8651	0.7315	-0.4916	0.7231
Annual yield earned on the index portfolio	16.95%	3.06%	14.71%	2.16%

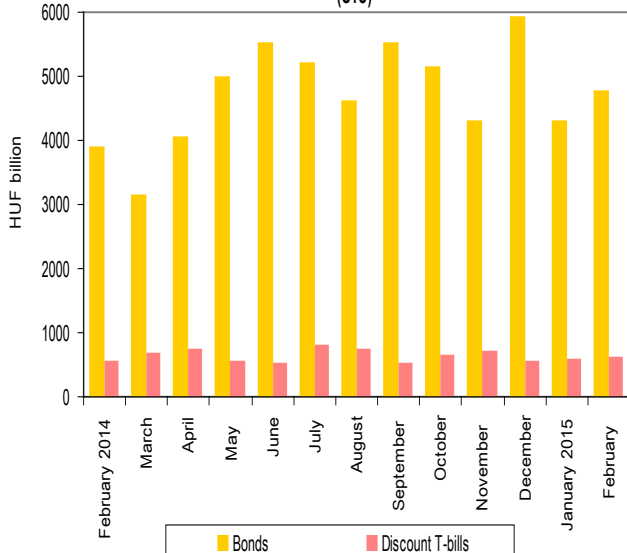
Government securities with the highest secondary market turnover in February 2015

Government security	Date of redemption	Turnover (HUF billion)
2019/A	24.06.2019	972.9
2023/A	24.11.2023	816.7
2020/A	12.11.2020	444.6
2017/A	24.11.2017	386.6
2018/B	25.04.2018	377.5
2017/B	24.02.2017	317.1
2015/A	12.02.2015	315.0
2020/B	24.06.2020	307.7
2025/B	24.06.2025	277.7
2019/B	20.05.2019	274.9

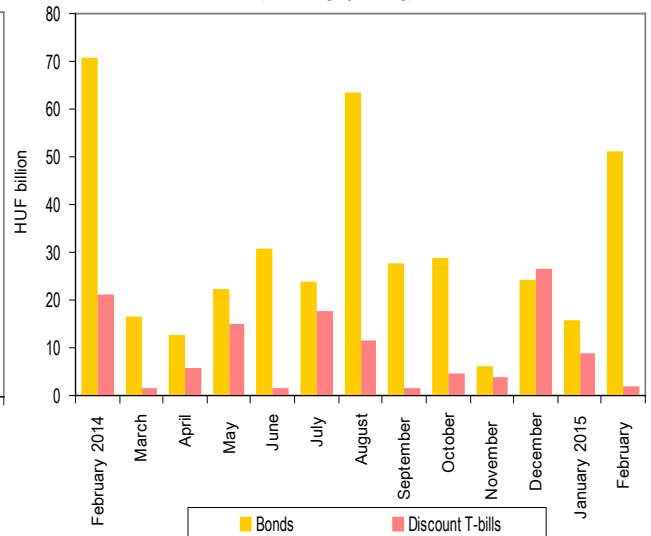
The outstanding volume of government bonds with benchmark status at the end of February 2015

Government bond	HUF billion	
	31.01.2015	27.02.2015
2018/C	65.44	117.73
2020/B	266.93	331.79
2025/B	514.84	545.28
2028/A	180.03	195.07

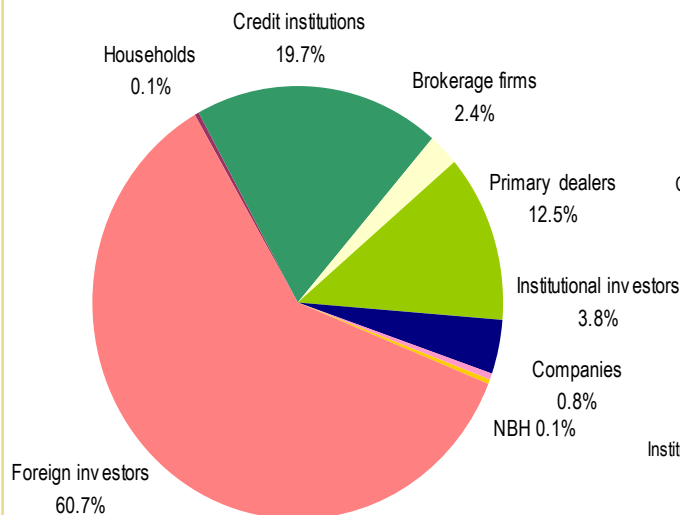
Secondary market trading of Hungarian government securities (OTC)



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



Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in February 2015



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in February 2015

