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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

OCTOBER 2011

The deficit of the central government amounted to HUF 1,334.8 billion in first ten months of 2011. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 130.9 billion, while the capital transfer to the National Bank of Hungary (NBH) by law increased net borrowing requirement by HUF 29.1 billion. Privatisation revenues amounted to HUF 36.7 billion, which decreased the financing requirement. Thus, the total net borrowing requirement amounted to HUF 1,196.3 billion in 2011. Net issuance was HUF 1,207.3 billion; out of which net HUF-denominated issuance was HUF 602.0 billion and net foreign currency denominated issuance was HUF 605.3 billion.

	2010		2011		Change	
HUF billion	December	%	October	%	HUF billion	%
Foreign exchange denominated debt	8,842.8	44.1	10,228.0	49.3	1,385.2	15.7
Government securities	4,550.0	22.7	5,513.5	26.5	963.5	21.2
Loans	4,292.8	21.4	4,714.5	22.7	421.7	9.8
HUF denominated debt	10,978.2	54.8	10,227.4	49.2	-750.8	-6.8
Government securities	10,437.4	52.1	9,686.6	46.6	-750.8	-7.2
Loans	540.8	2.7	540.8	2.6	0.0	0.0
Total	19,821.0	98.9	20,455.4	98.5	634.4	3.2
Other obligations	220.0	1.1	311.7	1.5	91.6	41.7
Total central government debt	20,041.0	100.0	20,767.0	100.0	726.0	3.6
Out of the international loan program was placed in NBH or in commercial banks	974.1		448.1		-526.0	

The HUF denominated debt of the central government decreased by HUF 750.8 billion in 2011. The difference between the net change in the debt stock and the net issuance was caused by withdrawing from the market HUF 1,352.4 bn of government securities that were handed over to the state by the Pension Reform and Debt Reduction Fund and also by the change in the volume of matured but unclaimed securities. The increase in domestic debt was the result of net government bond issuance of HUF 385.6 billion, the amount of discount Treasury bills increased by HUF 189.8 billion and the total amount of retail government securities increased by HUF 28.8 billion. The withdrawal from the market of government securities worth HUF 1,352.4 bn decreased the outstanding volume of government bonds by HUF 1,133.3 bn and the outstanding volume of discount T-bills by HUF 219.1 bn.

The foreign currency debt of the central government increased by HUF 1,385.2 billion in first ten months. The foreign currency bond issue increased the debt by HUF 1063.0 billion and the drawdown of foreign currency denominated loans worth HUF 157.9 increased, while redemptions of foreign currency debt worth HUF 615.6 billion decreased the debt, out of which EUR 7.4 million of Hungarian foreign currency government bonds were in the possession of the Pension Reform and Debt Reduction Fund. The exchange rate revaluations totalling HUF 781.7 billion increased the Hungarian Forint value of the foreign currency debt in 2011.

Out of the international loan program HUF 448.1 billion was placed in the National Bank of Hungary as foreign currency deposits or in commercial banks as loans. The total amount of other liabilities was HUF 311.7 billion in October 2011.

Secondary market yields in October:

Benchmark yields

Maturity	31.12.2010.	30.09.2011.	31.10.2011.	Change, basis points
3-month	5.76	6.00	6.10	10
6-month	6.15	6.05	6.20	15
1-year	6.33	6.15	6.35	20
3-year	7.72	7.09	7.08	-1
5-year	7.85	7.57	7.40	-17
10-year	7.95	8.14	7.79	-35
15-year	7.94	8.14	7.81	-33

Monthly OTC turnover of government securities was 15 % lower in October than a month before and reached HUF 4,708.1 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 42% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 108.6 billion in October, and amounted to HUF 3,851.9 billion at the end of the month. This volume represented 39.8% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 300.90 on the last working day of October.

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

GOVERNMENT SECURITIES MARKET

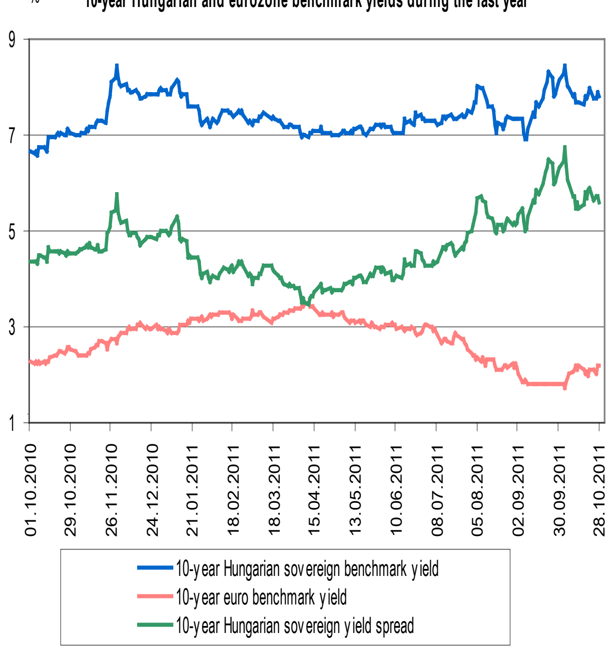
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

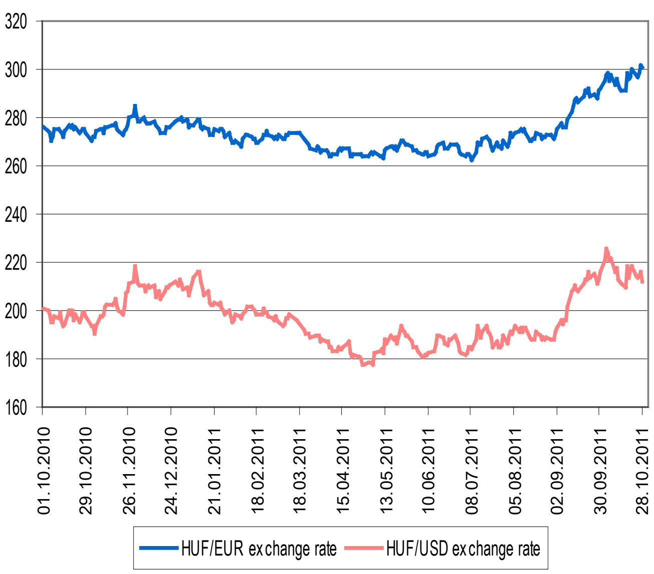
	2005	2006	2007	2008	2009	2010	August 2011	Sept 2011	Oct 2011
1. Forint denominated debt	9,153.5	10,552.3	11,103.8	11,250.6	10,476.2	10,978.2	10,374.5	10,423.5	10,227.4
1.1. Loans	0.8	356.4	145.7	219.9	438.7	540.8	540.8	540.8	540.8
1.2. Government securities	9,152.7	10,195.9	10,958.1	11,030.7	10,037.5	10,437.4	9,833.7	9,882.7	9,686.6
1.2.1. Public issues	8,418.8	9,667.5	10,465.4	10,599.7	9,613.2	10,019.6	9,417.5	9,467.4	9,271.3
1.2.1.1. Bonds	6,299.1	7,244.2	8,245.3	8,570.6	7,519.2	7,965.8	7,302.7	7,423.8	7,218.5
1.2.1.2. Discount T-bills	1,530.9	1,755.9	1,664.9	1,482.4	1,647.3	1,618.2	1,655.1	1,581.4	1,588.3
1.2.1.3. Retail securities	588.7	667.4	555.2	546.4	446.6	435.7	459.8	462.2	464.5
1.2.2. Private placements	733.9	528.4	492.7	431.0	424.3	417.8	416.2	415.3	415.3
2. Foreign currency denominated debt*	3,590.7	4,124.4	4,472.6	6,774.8	8,466.7	8,842.8	9,526.4	10,269.6	10,228.0
2.1. Loans	720.6	803.7	846.5	2,529.4	4,112.7	4,292.8	4,287.3	4,628.0	4,714.5
2.1.1. Foreign loans	616.9	700.1	838.8	2,529.4	4,112.7	4,292.8	4,287.3	4,628.0	4,714.5
2.1.2. Domestic loans	103.8	103.6	104.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2.1. Raised from National Bank of Hungary (NBH)	96.1	95.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	7.7	7.7	7.7	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	2,870.1	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,239.1	5,641.6	5,543.5
2.2.1. Issued abroad	2,870.1	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,239.1	5,641.6	5,513.5
2.2.1.1. Foreign currency bonds	2,870.0	3,320.6	3,626.1	4,245.4	4,354.0	4,550.0	5,239.1	5,641.5	5,513.5
2.2.1.2. Kingdom of Hungary 1924 issues	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	12,744.2	14,676.7	15,576.4	18,025.4	18,942.9	19,821.0	19,900.9	20,693.1	20,455.4
Other liabilities	21.4	29.0	9.1	78.5	20.1	220.01	200.7	375.5	311.7
Total central government debt	12,765.6	14,705.7	15,585.5	18,103.9	18,963.1	20,041.0	20,101.6	21,068.6	20,767.0
Foreign currency deposits from the international loan program placed at the NBH				*1,483.6*	*1,124.8*	*974.1*	*400.7*	*442.8*	*448.1*
Government debt adjusted with foreign currency deposits				16,620.3	17,838.3	19,066.9	19,700.9	20,625.8	20,319.0
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*8,563.9*	*9,528.4*	*10,402.9*	*10,484.0*	*9,623.3*	*10,001.8*	*9,373.9*	*9,420.5*	*9,222.1*
Gross debt/GDP	*57.9%*	*61.8%*	*61.3%*	*68.2%*	*72.7%*	*73.9%*			

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

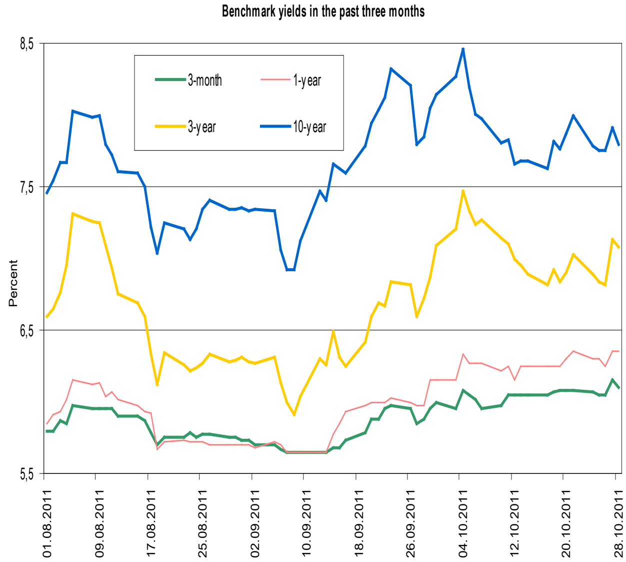
10-year Hungarian and eurozone benchmark yields during the last year



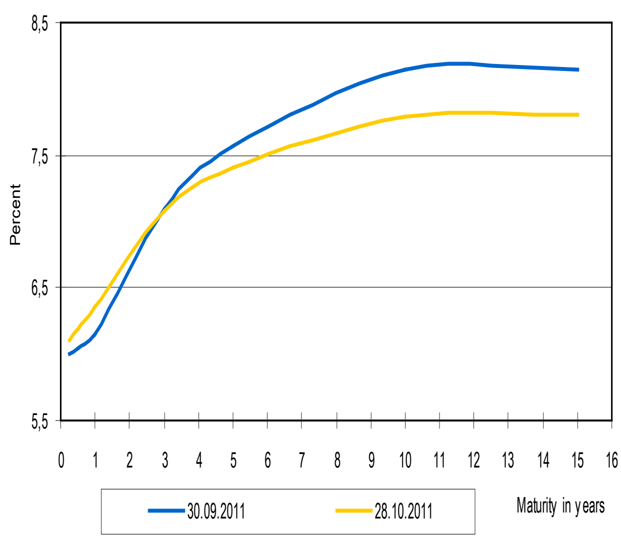
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months

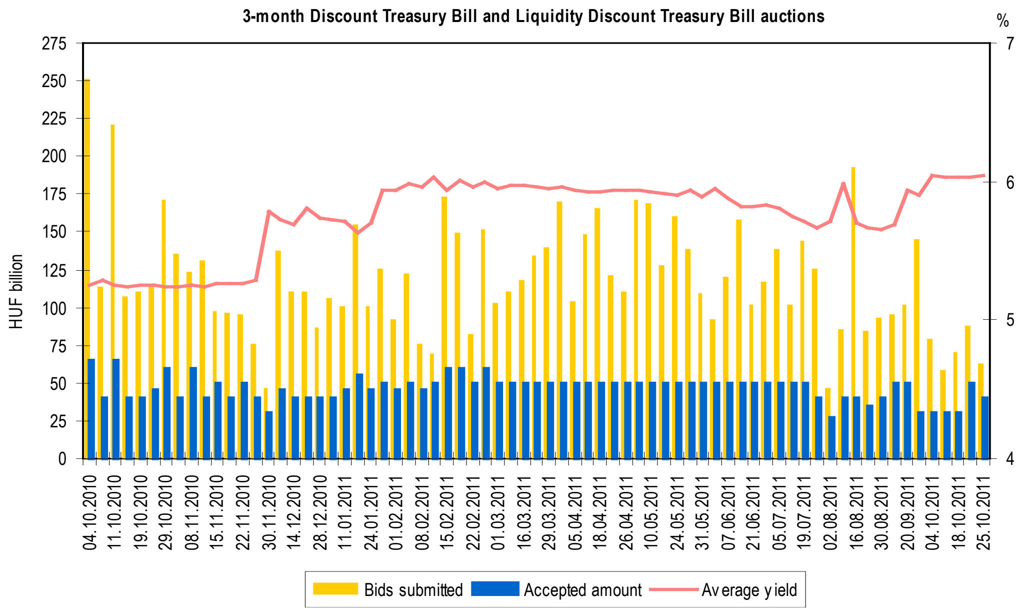


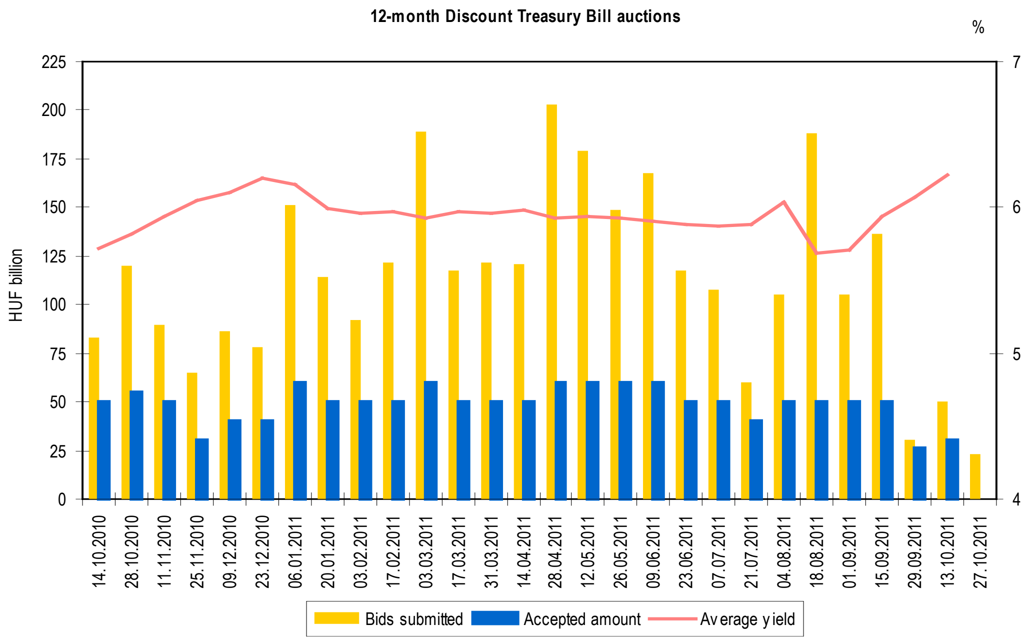
Benchmark yield curves



DISCOUNT TREASURY BILL AUCTION RESULTS

	Liquidity Discount T-bills	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D111221	D120111	D120118	D120125	D120201	D121017	D121017
ISIN code	HU0000518584	HU0000518253	HU0000518618	HU0000518634	HU0000518642	HU0000518626	HU0000518626
Maturity in days	56	91	91	91	91	364	350
Date of auction	24.10.2011	04.10.2011	11.10.2011	18.10.2011	25.10.2011	13.10.2011	27.10.2011
Date of financial settlement	26.10.2011	12.10.2011	19.10.2011	26.10.2011	02.11.2011	19.10.2011	02.11.2011
Redemption date	21.12.2011	11.01.2012	18.01.2012	25.01.2012	01.02.2012	17.10.2012	17.10.2012
Maximum yield, (%) - ISMA	6.05	6.15	6.08	6.05	6.08	6.28	0.00
Minimum yield (%) - ISMA	6.00	5.85	5.90	5.98	5.90	6.10	0.00
Average yield (%) - ISMA	6.03	6.04	6.03	6.03	6.05	6.22	0.00
Maximum yield, (%) - EHM	6.13	6.24	6.16	6.13	6.16	6.37	0.00
Minimum yield (%) - EHM	6.08	5.93	5.98	6.06	5.98	6.18	0.00
Average yield (%) - EHM	6.11	6.12	6.11	6.11	6.13	6.31	0.00
Average selling price (%)	99.0707	98.4962	98.4986	98.4986	98.4937	94.0830	0.0000
Amount offered for sale (HUF million)	50,000.00	30,000.00	30,000.00	30,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	87,703.38	79,554.21	58,870.05	69,870.51	62,751.74	50,200.00	22,819.78
Amount of bids accepted (HUF million)	49,999.96	29,999.99	29,999.96	29,999.96	39,999.96	29,999.99	0.00
Bid-to-cover ratio	1.75	2.65	1.96	2.33	1.57	1.67	-
Bids submitted (pcs)	66	75	94	106	99	106	81
Bids accepted (pcs)	42	35	59	44	79	88	0
Market sales* (HUF million)	49,999.96	29,999.99	29,999.96	29,999.96	39,999.96	29,999.99	0.00
Retained on ÁKK's own account	0.04	9,000.01	9,000.04	9,000.04	12,000.04	9,000.01	0.00
Total amount issued (HUF million)	50,000.00	39,000.00	39,000.00	39,000.00	52,000.00	39,000.00	0.00

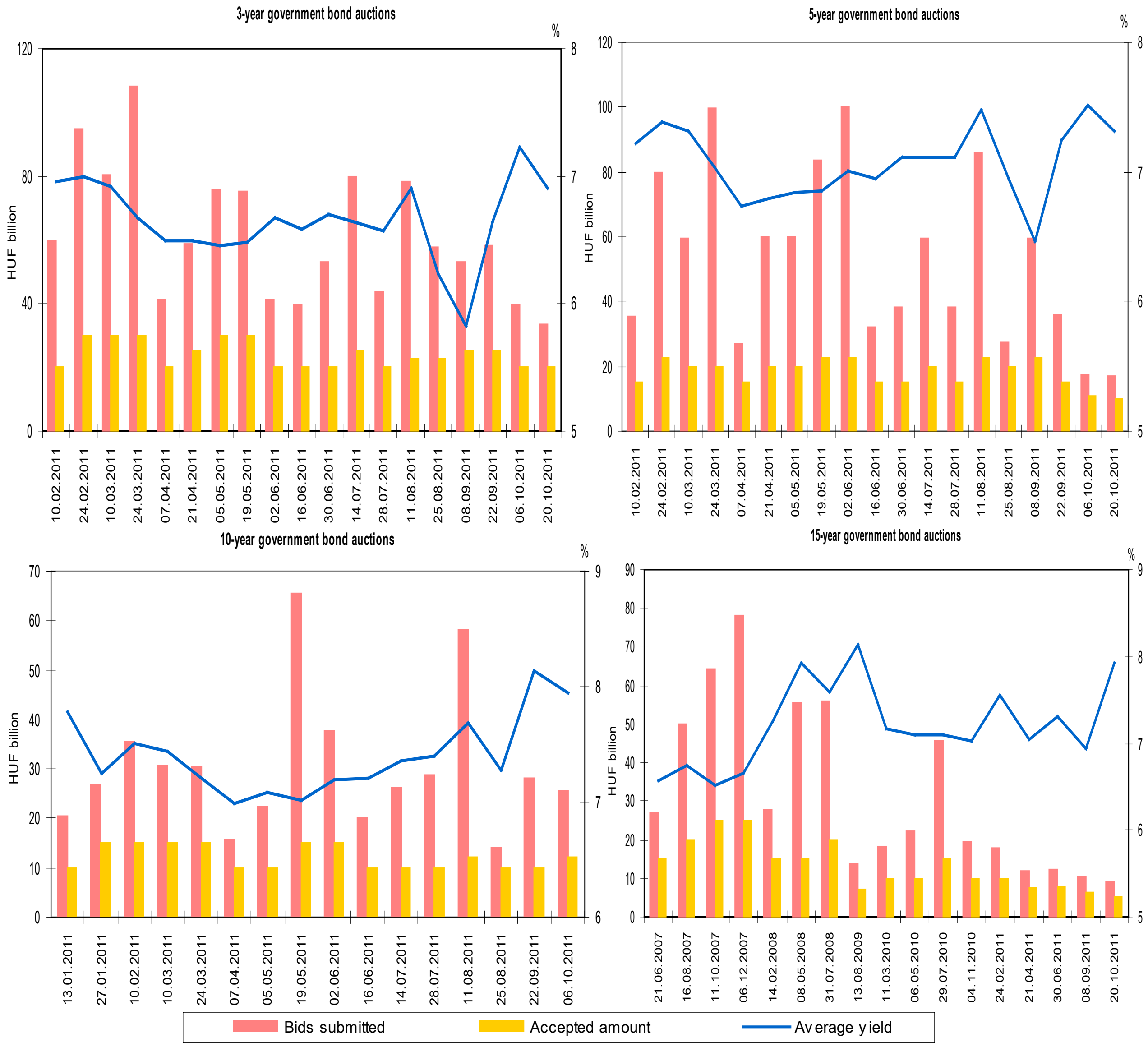


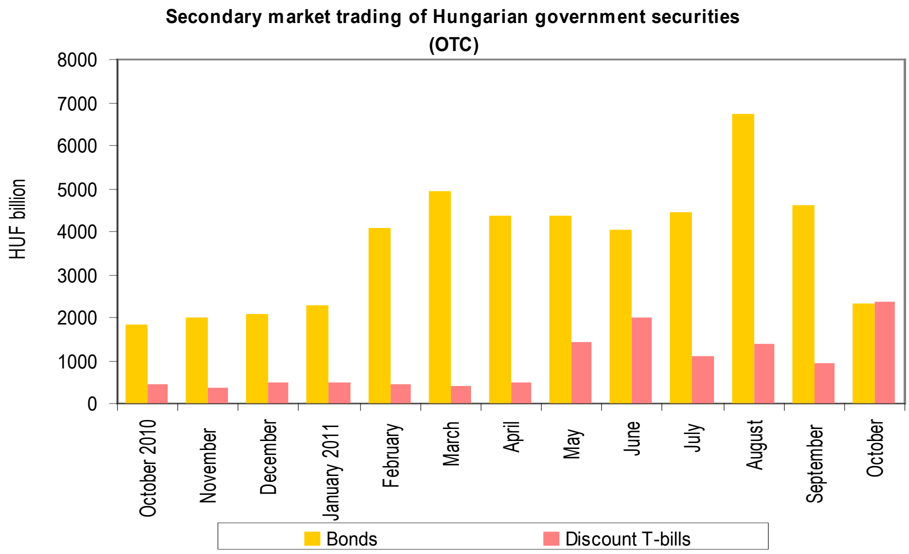


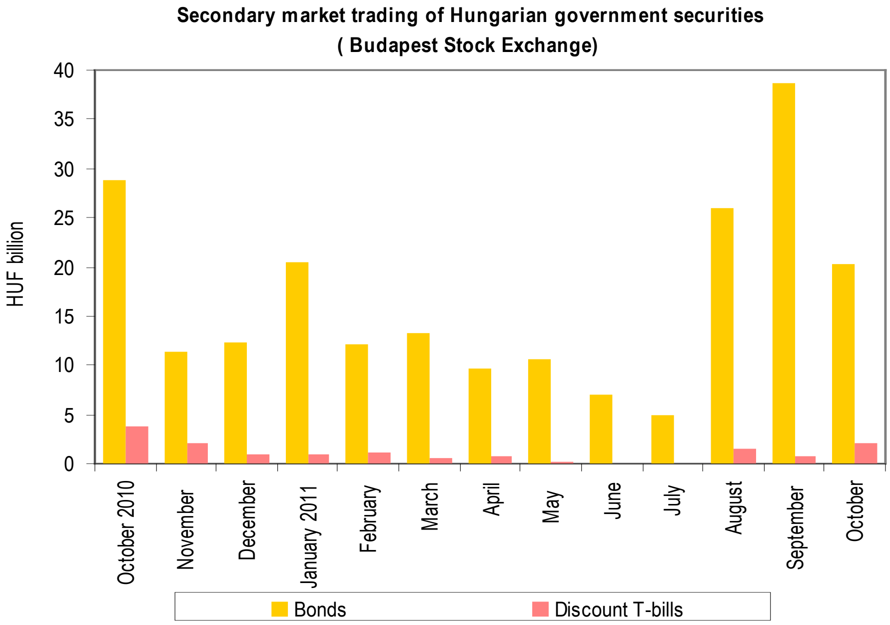
GOVERNMENT BOND AUCTION RESULTS

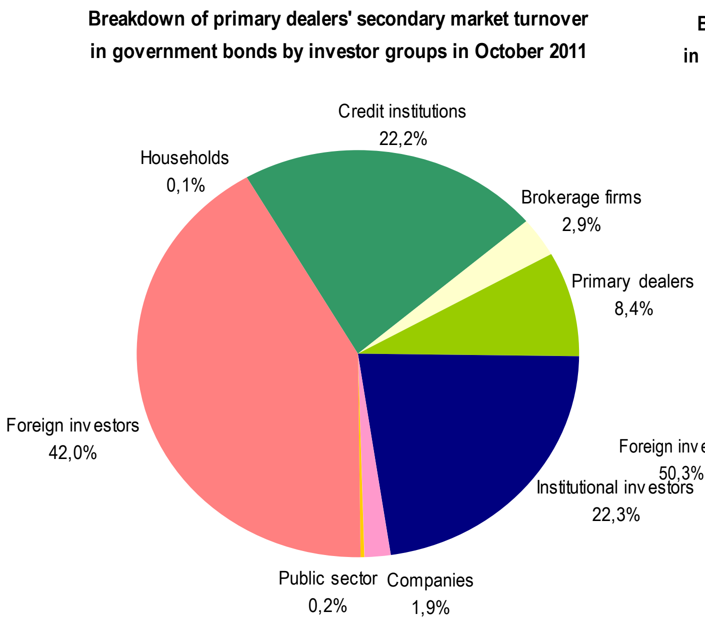
Government Bond	2014/D	2017/A	2022/A	2014/D	2017/A	2028/A	2015/B
ISIN code	HU0000402516	HU0000402037	HU0000402524	HU0000402516	HU0000402037	HU0000402532	HU0000402482
Maturity (in years)	3	5	10	3	5	15	5
Coupon (%)	6.75%	6.75%	7.00%	6.75%	6.75%	6.75%	5.44%
Auction	20th auction	20th auction	16th auction	21st auction	21st auction	5th auction	16th auction
Date of auction	06.10.2011	06.10.2011	06.10.2011	20.10.2011	20.10.2011	20.10.2011	27.10.2011
Date of financial settlement	12.10.2011	12.10.2011	12.10.2011	26.10.2011	26.10.2011	26.10.2011	02.11.2011
Redemption date	22.08.2014	24.11.2017	24.06.2022	22.08.2014	24.11.2017	22.10.2022	22.12.2015
Maximum annual yield (%) - ISMA	7.25	7.68	8.00	6.94	7.33	7.95	
Minimum annual yield (%) - ISMA	6.95	6.65	7.90	6.87	7.28	7.89	
Average annual yield (%) - ISMA	7.23	7.52	7.94	6.91	7.31	7.92	
Maximum annual yield (%) - EHM	7.24	7.67	7.99	6.93	7.32	7.94	
Minimum annual yield (%) - EHM	6.94	6.64	7.89	6.86	7.27	7.88	
Average annual yield (%) - EHM	7.22	7.51	7.94	6.90	7.30	7.92	
Maximum price (%)	99.4698	100.4668	93.6021	99.6688	97.4513	89.5251	96.6000
Minimum price (%)	98.7205	95.5650	92.9302	99.4948	97.2167	89.0181	96.1200
Average price (%)	98.7819	96.3025	93.3096	99.5804	97.3295	89.2337	96.3500
Amount offered for sale (HUF million)	20,000.00	15,000.00	8,000.00	20,000.00	15,000.00	8,000.00	5,000.00
Amount of bids submitted (HUF million)	39,615.87	17,620.00	25,620.00	33,300.00	16,899.87	9,250.00	7,200.00
Amount of bids accepted (HUF million)	19,999.97	11,000.00	11,999.99	19,999.98	10,000.00	4,999.99	5,000.00
Bid-to-cover ratio	1.98	1.60	2.14	1.67	1.69	1.85	1.44
Bids submitted (pcs)	50	32	31	60	34	31	20
Bids accepted (pcs)	34	23	11	41	16	17	16
Tail (average price - minimum price)	0.06	0.74	0.38	0.09	0.11	0.22	0.23
Market sales* (HUF million)	19,999.97	11,000.00	11,999.99	19,999.98	10,000.00	4,999.99	5,000.00
Non-competitive offer (HUF million)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total amount issued (HUF million)	20,000.00	11,000.00	12,000.00	20,000.00	14,000.00	10,000.00	5,000.00

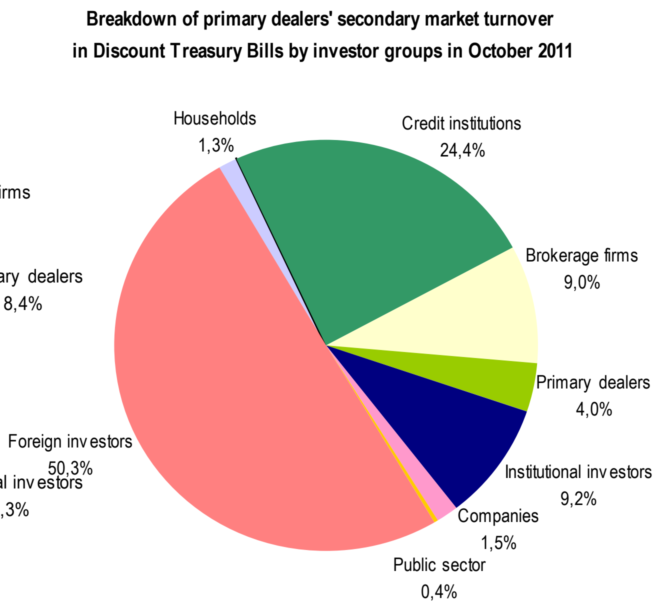
*Without issuance onto ÁKK's own account




Secondary market trading of Hungarian government securities
(OTC)
HUF billion
8000
7000
6000
5000
4000
3000
2000
1000
0
October 2010
November
December
January 2011
February
March
April
May
June
July
August
September
October
Bonds
Discount T-bills


Secondary market trading of Hungarian government securities
(Budapest Stock Exchange)
HUF billion
40
35
30
25
20
15
10
5
0
October 2010
November
December
January 2011
February
March
April
May
June
July
August
September
October
Bonds
Discount T-bills


Breakdown of primary dealers' secondary market turnover
in government bonds by investor groups in October 2011
Credit institutions
22,2%
Households
0,1%
Brokerage firms
2,9%
Primary dealers
8,4%
Foreign investors
42,0%
Institutional investors
22,3%
Public sector
0,2%
Companies
1,9%


Breakdown of primary dealers' secondary market turnover
in Discount Treasury Bills by investor groups in October 2011
Households
1,3%
Credit institutions
24,4%
Brokerage firms
9,0%
Primary dealers
4,0%
Foreign investors
50,3%
Institutional investors
9,2%
Companies
1,5%
Public sector
0,4%

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN OCTOBER 2011

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2026/C	24.10.2011	24.10.2011	24.04.2012	24.04.2012	5.78	2.94
2026/B	21.10.2011	24.10.2011	24.04.2012	24.04.2012	5.78	5.97

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 October 2011	457.8355	450.7723	453.4549	450.7472
Changes compared to the end of the month before	5.3406	1.6525	4.8628	2.0372
Annual yield earned on the index portfolio	4.96%	5.56%	5.17%	5.80%

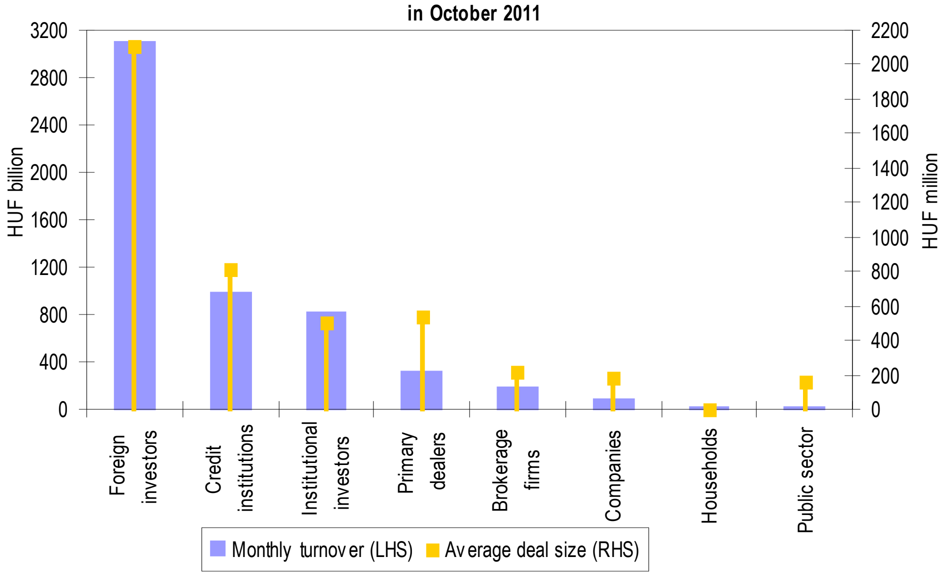
Government securities with the highest secondary market turnover in October 2011

Government security	Date of redemption	Turnover (HUF billion)
D120502	02.05.2012	1,423.2
2016/C	12.02.2016	416.7
2014/D	22.08.2014	403.7
2017/B	24.02.2017	377.9
2015/A	12.02.2015	330.5
2019/A	24.06.2019	323.9
D120627	27.06.2012	272.4
2017/A	24.11.2017	253.5
2014/C	12.02.2014	250.1
D120822	22.08.2012	228.1

The outstanding volume of government bonds with benchmark status at the end of October 2011

	HUF billion	
Government bond	30.09.2011	31.10.2011
2014/D	481.33	521.86
2017/A	323.43	343.51
2022/A	198.13	210.20
2028/A	31.38	36.39

Primary dealers' trading with different investor groups in October 2011



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