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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

SEPTEMBER 2011

GOVERNMENT SECURITIES MARKET

The deficit of the central government amounted to HUF 1,575.6 billion in first nine months of 2011. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 277.7 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 1,290.3 billion in 2011. Net issuance was HUF 1,727.6 billion; out of which net HUF-denominated issuance was HUF 797.6 billion and net foreign currency denominated issuance was HUF 930.0 billion.

	2010		2011		Change	
HUF billion	December	%	September	%	HUF billion	%
Foreign exchange denominated debt	8,842.8	44.1	10,269.6	48.7	1,426.8	16.1
Government securities	4,550.0	22.7	5,641.6	26.8	1,091.5	24.0
Loans	4,292.8	21.4	4,628.0	22.0	335.3	7.8
HUF denominated debt	10,978.2	54.8	10,423.5	49.5	-554.7	-5.1
Government securities	10,437.4	52.1	9,882.7	46.9	-554.7	-5.3
Loans	540.8	2.7	540.8	2.6	0.0	0.0
Total	19,821.0	98.9	20,693.1	98.2	872.1	4.4
Other obligations	220.0	1.1	375.5	1.8	155.5	70.7
Total central government debt	20,041.0	100.0	21,068.6	100.0	1,027.6	5.1
Out of the international loan program was placed in NBH or in commercial banks	974.1		442.8		-531.3	

The HUF denominated debt of the central government decreased by HUF 554.7 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 591.4 billion, the amount of discount Treasury bills increased by HUF 181.1 billion and the total amount of retail government securities increased by HUF 26.5 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 1,426.8 billion in first nine 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 290.9 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 498.5 billion increased the Hungarian Forint value of the foreign currency debt in 2011.

Out of the international loan program HUF 442.8 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 375.5 billion in September 2011. Secondary market yields in September:

Benchmark yields

Maturity	31.12.2010.	31.08.2011.	30.09.2011.	Change, basis points
3-month	5.76	5.73	6.00	27
6-month	6.15	5.73	6.05	32
1-year	6.33	5.70	6.15	45
3-year	7.72	6.31	7.09	78
5-year	7.85	7.04	7.57	53
10-year	7.95	7.35	8.14	79
15-year	7.94	7.35	8.14	79

Monthly OTC turnover of government securities was 32 % lower in September than a month before and reached HUF 5,524.2 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 50% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 65.6 billion in September, and amounted to HUF 3,960.5 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 292.12 on the last working day of September.

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

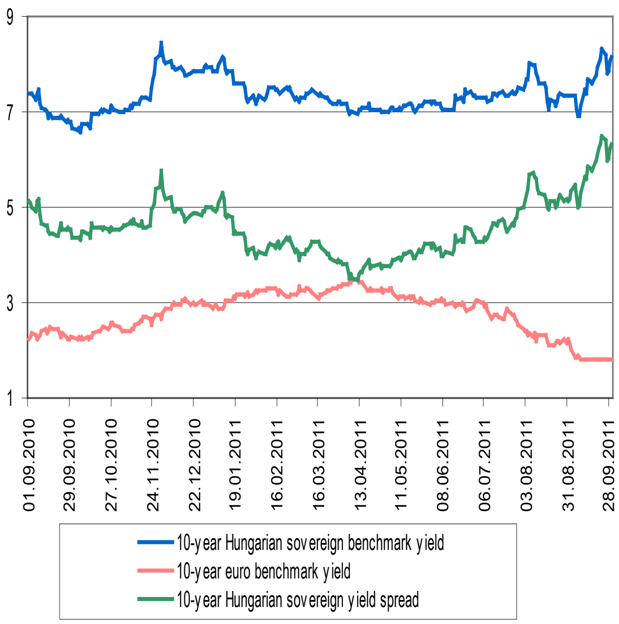
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

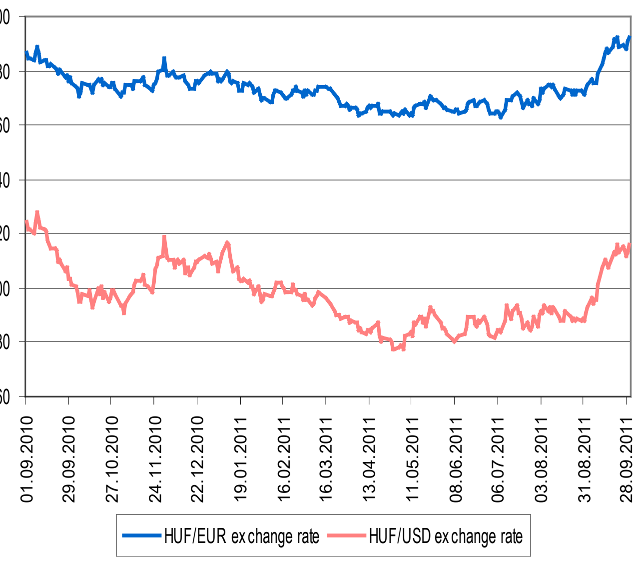
	2005	2006	2007	2008	2009	2010	July 2011	August 2011	Sept 2011
1. Forint denominated debt	9,153.5	10,552.3	11,103.8	11,250.6	10,476.2	10,978.2	10,231.1	10,374.5	10,423.5
1.1. Loans	0.8	356.4	145.7	219.9	438.7	540.8	540.8	540.8	540.8
1.2. Government securities	9,152.7	10,195.9	10,958.1	11,030.7	10,037.5	10,437.4	9,690.3	9,833.7	9,882.7
1.2.1. Public issues	8,418.8	9,667.5	10,465.4	10,599.7	9,613.2	10,019.6	9,274.1	9,417.5	9,467.4
1.2.1.1. Bonds	6,299.1	7,244.2	8,245.3	8,570.6	7,519.2	7,965.8	7,154.8	7,302.7	7,423.8
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	1,662.3	1,655.1	1,581.4
1.2.1.3. Retail securities	588.7	667.4	555.2	546.4	446.6	435.7	457.0	459.8	462.2
1.2.2. Private placements	733.9	528.4	492.7	431.0	424.3	417.8	416.2	416.2	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	9,361.2	9,526.4	10,269.6
2.1. Loans	720.6	803.7	846.5	2,529.4	4,112.7	4,292.8	4,142.9	4,287.3	4,628.0
2.1.1. Foreign loans	616.9	700.1	838.8	2,529.4	4,112.7	4,292.8	4,142.9	4,287.3	4,628.0
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	5,218.2	5,239.1	5,641.6
2.2.1. Issued abroad	2,870.1	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,218.2	5,239.1	5,641.6
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	5,218.2	5,239.1	5,641.5
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	19,592.2	19,900.9	20,693.1
Other liabilities	21.4	29.0	9.1	78.5	20.1	220.01	146.0	200.7	375.5
Total central government debt	12,765.6	14,705.7	15,585.5	18,103.9	18,963.1	20,041.0	19,738.3	20,101.6	21,068.6
Foreign currency deposits from the international loan program placed at the NBH				*1,483.6*	*1,124.8*	*974.1*	*401.0*	*400.7*	*442.8*
Government debt adjusted with foreign currency deposits				16,620.3	17,838.3	19,066.9	19,337.3	19,700.9	20,625.8
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*	*9,233.3*	*9,373.9*	*9,420.5*
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.

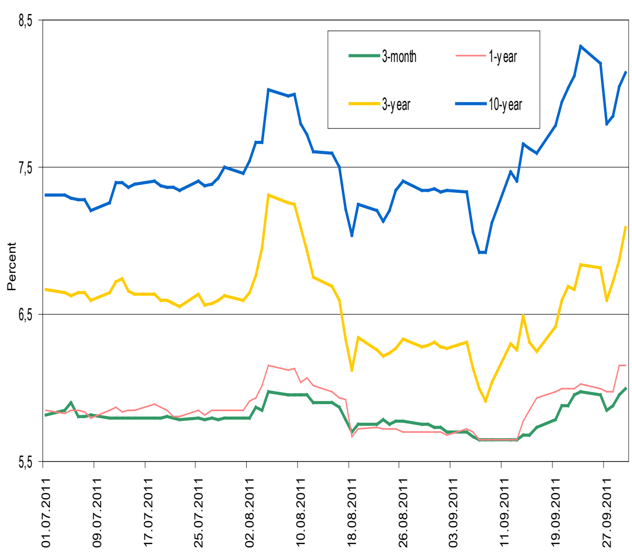
10-year Hungarian and eurozone benchmark yields during the last year



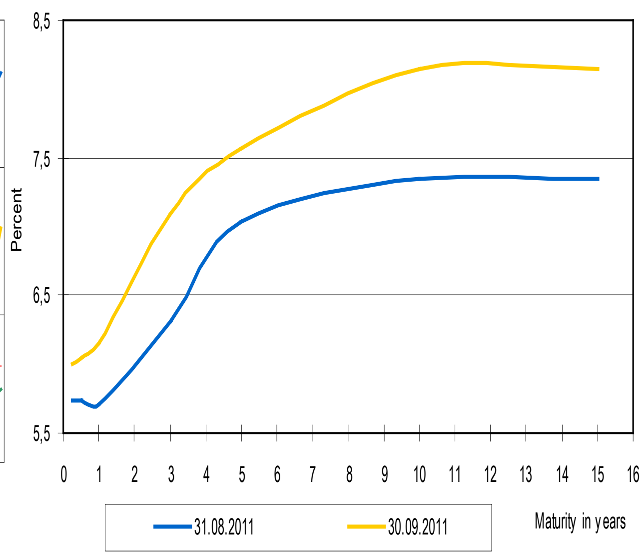
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months



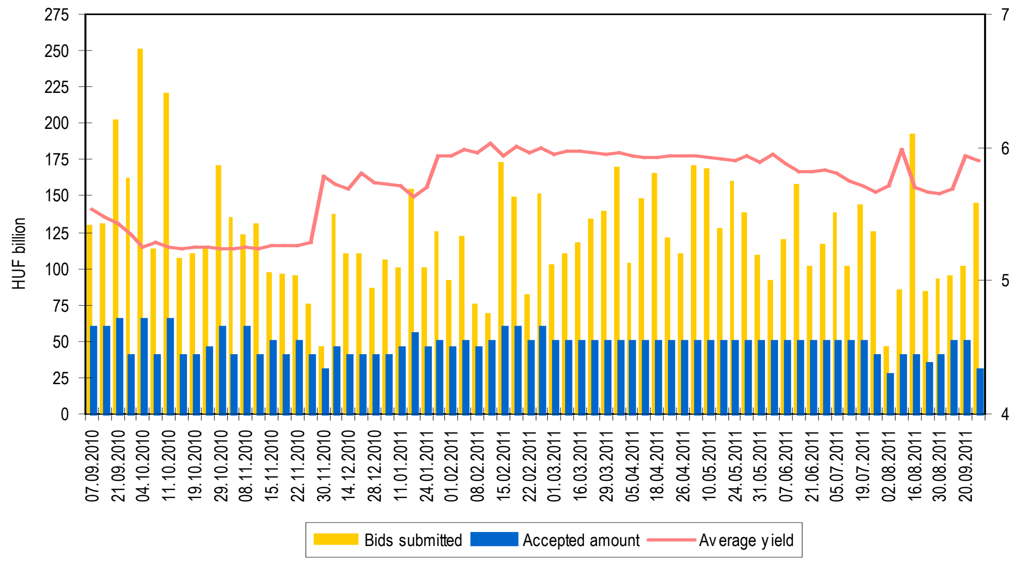
Benchmark yield curves



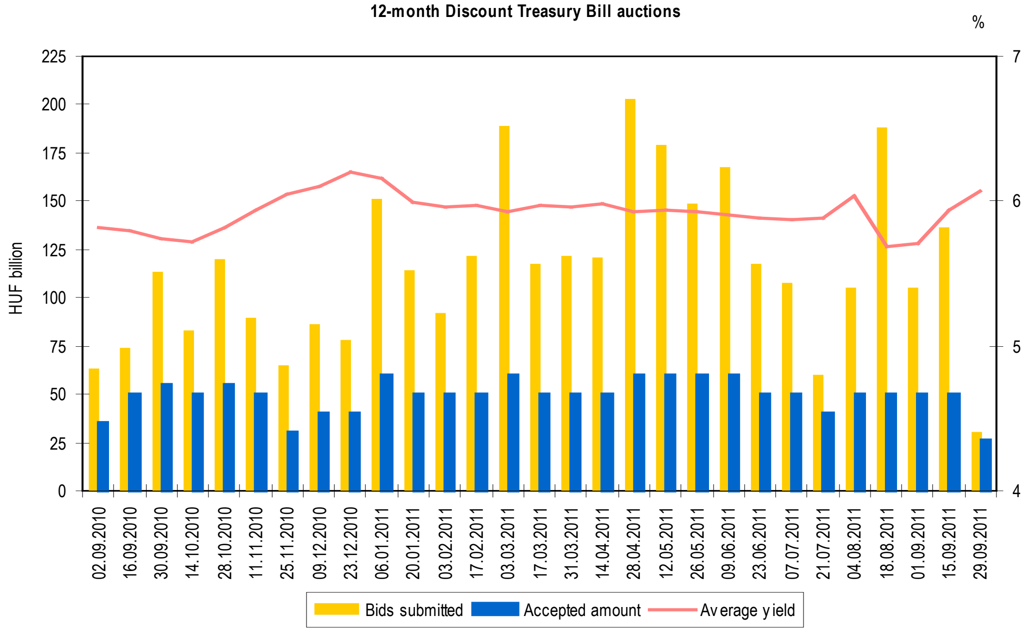
DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills				12-month Discount T-bills		
Code of T-bills	D111214	D111221	D111228	D120104	D120822	D120822	D120822
ISIN code	HU0000518576	HU0000518584	HU0000518592	HU0000518600	HU0000518543	HU0000518543	HU0000518543
Maturity in days	91	91	91	91	350	336	322
Date of auction	06.09.2011	13.09.2011	20.09.2011	27.09.2011	01.09.2011	15.09.2011	29.09.2011
Date of financial settlement	14.09.2011	21.09.2011	28.09.2011	05.10.2011	07.09.2011	21.09.2011	05.10.2011
Redemption date	14.12.2011	21.12.2011	28.12.2011	04.01.2012	22.08.2012	22.08.2012	22.08.2012
Maximum yield, (%) - ISMA	5.64	5.85	6.00	5.95	5.75	5.99	6.18
Minimum yield (%) - ISMA	5.60	5.59	5.69	5.78	5.68	5.82	5.96
Average yield (%) - ISMA	5.63	5.69	5.94	5.91	5.71	5.94	6.07
Maximum yield, (%) - EHM	5.72	5.93	6.08	6.03	5.83	6.07	6.27
Minimum yield (%) - EHM	5.68	5.67	5.77	5.86	5.76	5.90	6.04
Average yield (%) - EHM	5.71	5.77	6.02	5.99	5.79	6.02	6.15
Average selling price (%)	98.5968	98.5821	98.5207	98.5281	94.7406	94.7472	94.8503
Amount offered for sale (HUF million)	50,000.00	60,000.00	50,000.00	30,000.00	50,000.00	50,000.00	40,000.00
Amount of bids submitted (HUF million)	104,706.89	95,282.24	101,759.34	145,160.69	104,986.77	136,440.00	30,160.00
Amount of bids accepted (HUF million)	49,999.98	50,000.00	49,999.93	29,999.96	49,999.99	49,999.94	26,400.00
Bid-to-cover ratio	2.09	1.91	2.04	4.84	2.10	2.73	1.14
Bids submitted (pcs)	70	85	98	118	94	130	51
Bids accepted (pcs)	19	66	78	42	36	68	44
Market sales* (HUF million)	49,999.98	50,000.00	49,999.93	29,999.96	49,999.99	49,999.94	26,400.00
Retained on ÁKK's own account	15,000.02	15,000.00	15,000.07	9,000.04	15,000.01	15,000.06	7,920.00
Total amount issued (HUF million)	65,000.00	65,000.00	65,000.00	39,000.00	65,000.00	65,000.00	34,320.00

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



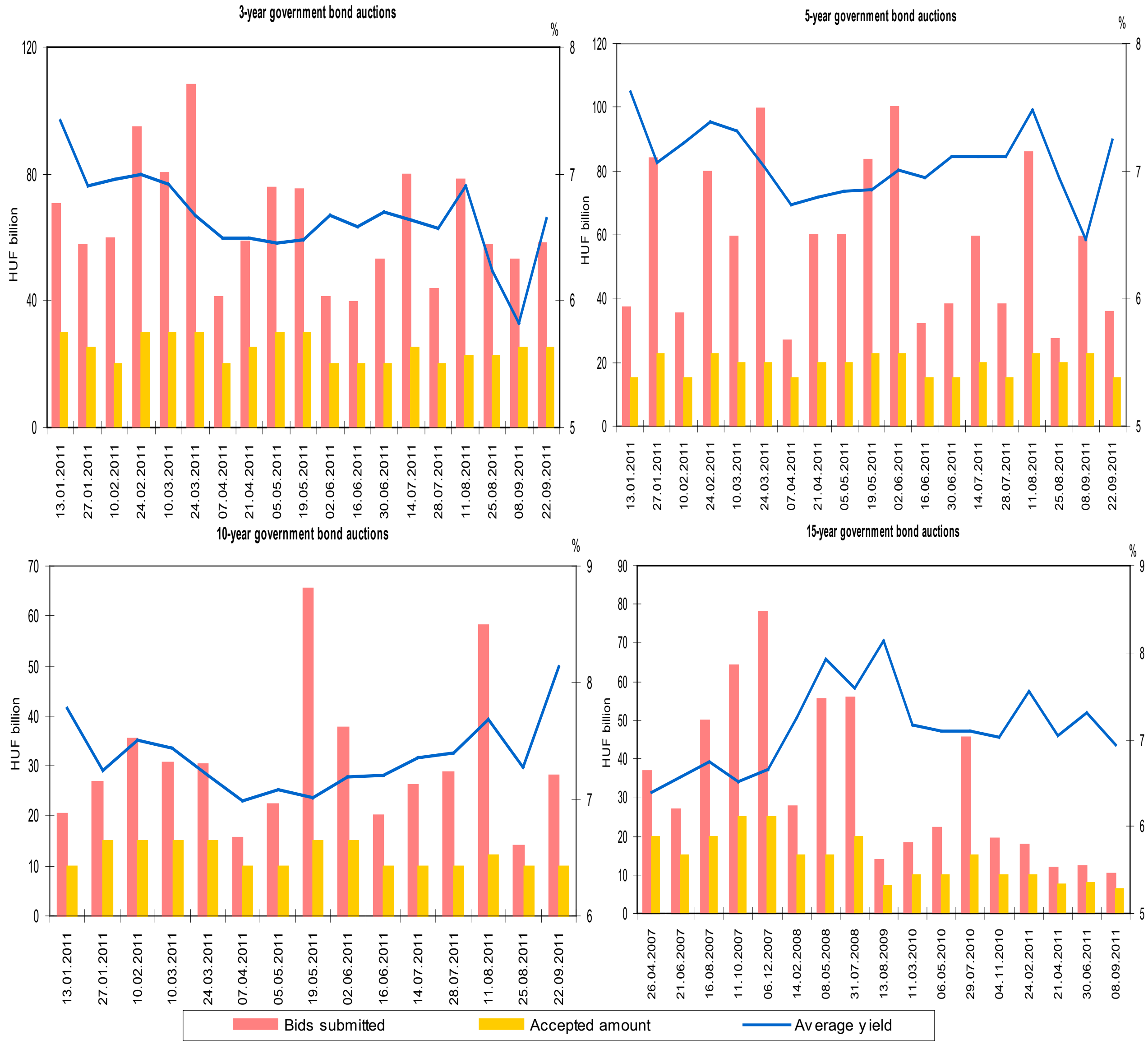
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2015/B	2014/D	2017/A	2028/A	2014/D	2017/A	2022/A	2015/B
ISIN code	HU0000402482	HU0000402516	HU0000402037	HU0000402532	HU0000402516	HU0000402037	HU0000402524	HU0000402482
Maturity (in years)	5	3	5	15	3	5	10	5
Coupon (%)	5.44%	6.75%	6.75%	6.75%	6.75%	6.75%	7.00%	5.44%
Auction	13th auction	18th auction	18th auction	4th auction	19th auction	19th auction	15th auction	14th auction
Date of auction	01.09.2011	08.09.2011	08.09.2011	08.09.2011	22.09.2011	22.09.2011	22.09.2011	29.09.2011
Date of financial settlement	07.09.2011	14.09.2011	14.09.2011	14.09.2011	28.09.2011	28.09.2011	28.09.2011	05.10.2011
Redemption date	22.12.2015	22.08.2014	24.11.2017	22.10.2022	22.08.2014	24.11.2017	24.06.2022	22.12.2015
Maximum annual yield (%) - ISMA		5.85	6.47	6.96	6.65	7.25	8.18	
Minimum annual yield (%) - ISMA		5.82	6.45	6.85	6.65	7.25	8.10	
Average annual yield (%) - ISMA		5.83	6.46	6.93	6.65	7.25	8.14	
Maximum annual yield (%) - EHM		5.84	6.46	6.95	6.64	7.24	8.17	
Minimum annual yield (%) - EHM		5.81	6.44	6.84	6.64	7.24	8.09	
Average annual yield (%) - EHM		5.82	6.46	6.92	6.64	7.24	8.13	
Maximum price (%)	96.8000	102.4350	101.4599	99.0084	100.2364	97.5544	92.2516	96.7000
Minimum price (%)	96.6500	102.3547	101.3594	97.9354	100.2364	97.5544	91.7227	96.5100
Average price (%)	96.6800	102.4140	101.3849	98.2625	100.2364	97.5544	92.0163	96.6000
Amount offered for sale (HUF million)	5,000.00	20,000.00	15,000.00	10,000.00	20,000.00	15,000.00	8,000.00	5,000.00
Amount of bids submitted (HUF million)	16,365.88	53,100.00	59,383.00	10,300.00	58,450.00	35,892.26	28,114.00	12,650.00
Amount of bids accepted (HUF million)	7,499.97	25,000.00	22,499.97	6,500.00	25,000.00	15,000.00	10,000.00	5,000.00
Bid-to-cover ratio	2.18	2.12	2.64	1.58	2.34	2.39	2.81	2.53
Bids submitted (pcs)	31	66	54	40	56	38	48	25
Bids accepted (pcs)	18	23	17	31	10	10	15	12
Tail (average price - minimum price)	0.03	0.06	0.03	0.33	0.00	0.00	0.29	0.09
Market sales* (HUF million)	7,499.97	25,000.00	22,499.97	6,500.00	25,000.00	15,000.00	10,000.00	5,000.00
Non-competitive offer (HUF million)	2 360.00	700.00	8,280.00	0.00	9,360.00	5,360.00	1,906.00	1 020.00
Total amount issued (HUF million)	10,500.00	25,000.00	22,500.00	13,000.00	35,000.00	21,000.00	14,000.00	7,000.00

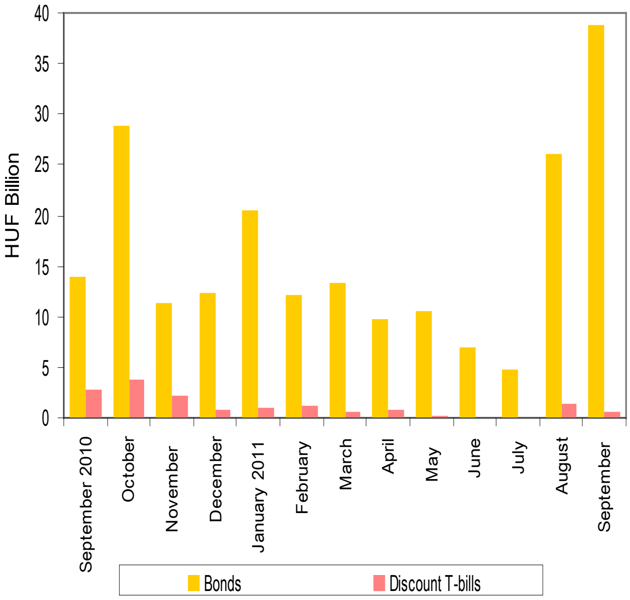
*Without issuance onto ÁKK's own account



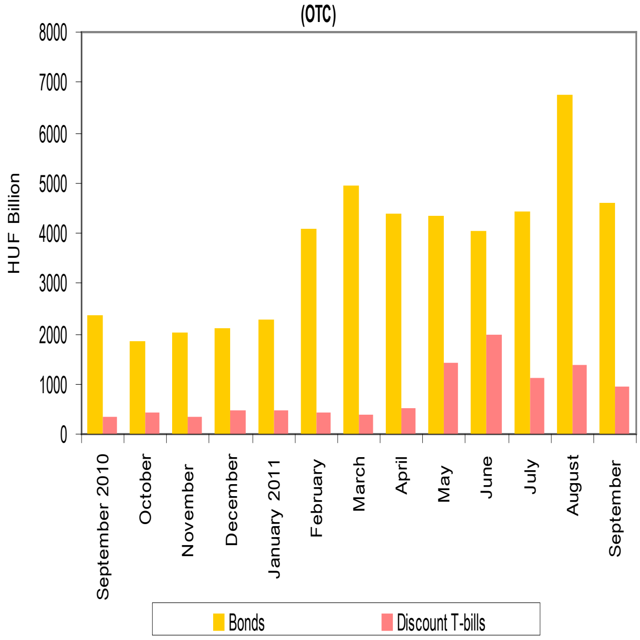
GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2012/B	2012/C	2012/B	2012/C
ISIN code	HU0000402367	HU0000402417	HU0000402367	HU0000402417
Coupon (%)	7.25	6.00	7.25	6.00
Date of reverse auction	07.09.2011	07.09.2011	21.09.2011	21.09.2011
Date of financial settlement	14.09.2011	14.09.2011	28.09.2011	28.09.2011
Redemption date	12.06.2012	24.10.2012	12.06.2012	24.10.2012
Minimum annual yield (%)	0.00	5.60	5.75	5.83
Average annual yield - ISMA (%)	0.00	5.63	5.76	5.85
Average annual yield - EHM (%)	0.00	5.62	5.70	5.83
Amount of bids submitted (HUF million)	69.00	1,264.00	3,271.10	27,653.88
Amount of bids accepted (HUF million)	0.00	1,200.00	1,021.10	8,452.82

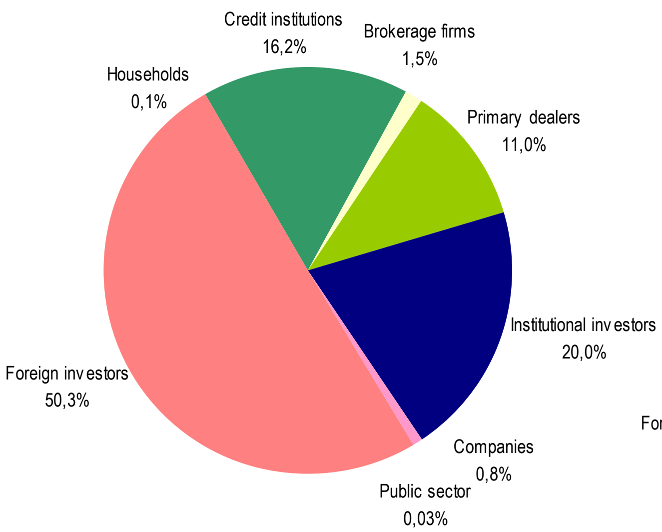
Secondary market trading of Hungarian government securities
(Budapest Stock Exchange)



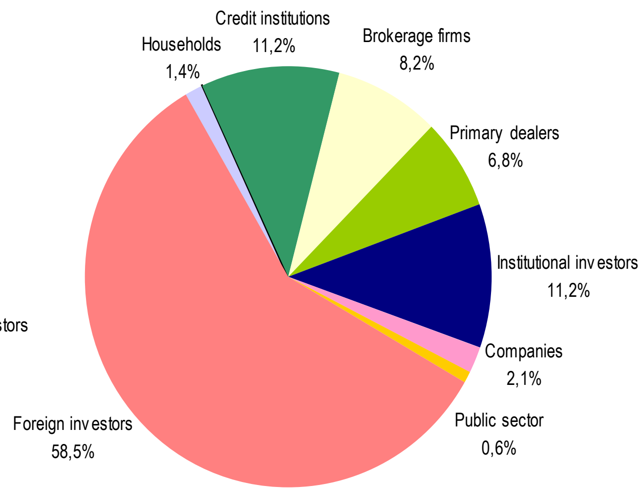
Secondary market trading of Hungarian government securities
(OTC)



Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in September 2011



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in September 2011



INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN SEPTEMBER 2011

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2013/A	19.09.2011	20.09.2011	20.03.2012	20.03.2012	5.79	3.00
2016/A	29.09.2011	30.09.2011	31.12.2011	02.01.2012	5.25	1.32

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 September 2011	452.4949	449.1198	448.5921	448.7100
Changes compared to the end of the month before	-8.9931	1.4053	-7.3464	2.0706
Annual yield earned on the index portfolio	3.36%	5.64%	3.80%	5.78%

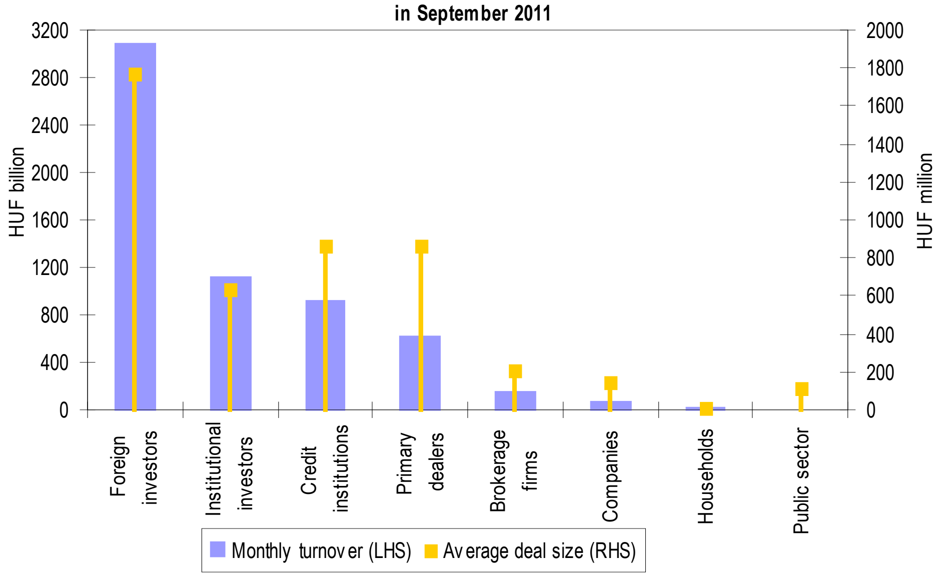
Government securities with the highest secondary market turnover in September 2011

Government security	Date of redemption	Turnover (HUF billion)
2016/C	12.02.2016	746.9
2014/C	12.02.2014	593.3
2014/D	22.08.2014	575.4
2017/A	24.11.2017	452.1
2019/A	24.06.2019	445.8
2017/B	24.02.2017	417.5
2022/A	24.06.2022	363.3
2015/A	12.02.2015	357.9
2012/B	12.06.2012	313.1
D120502	02.05.2012	213.8

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

	HUF billion	
Government bond	31.08.2011	30.09.2011
2014/D	421.25	481.33
2017/A	272.33	323.43
2022/A	186.16	198.13
2028/A	24.86	31.38

Primary dealers' trading with different investor groups in September 2011



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