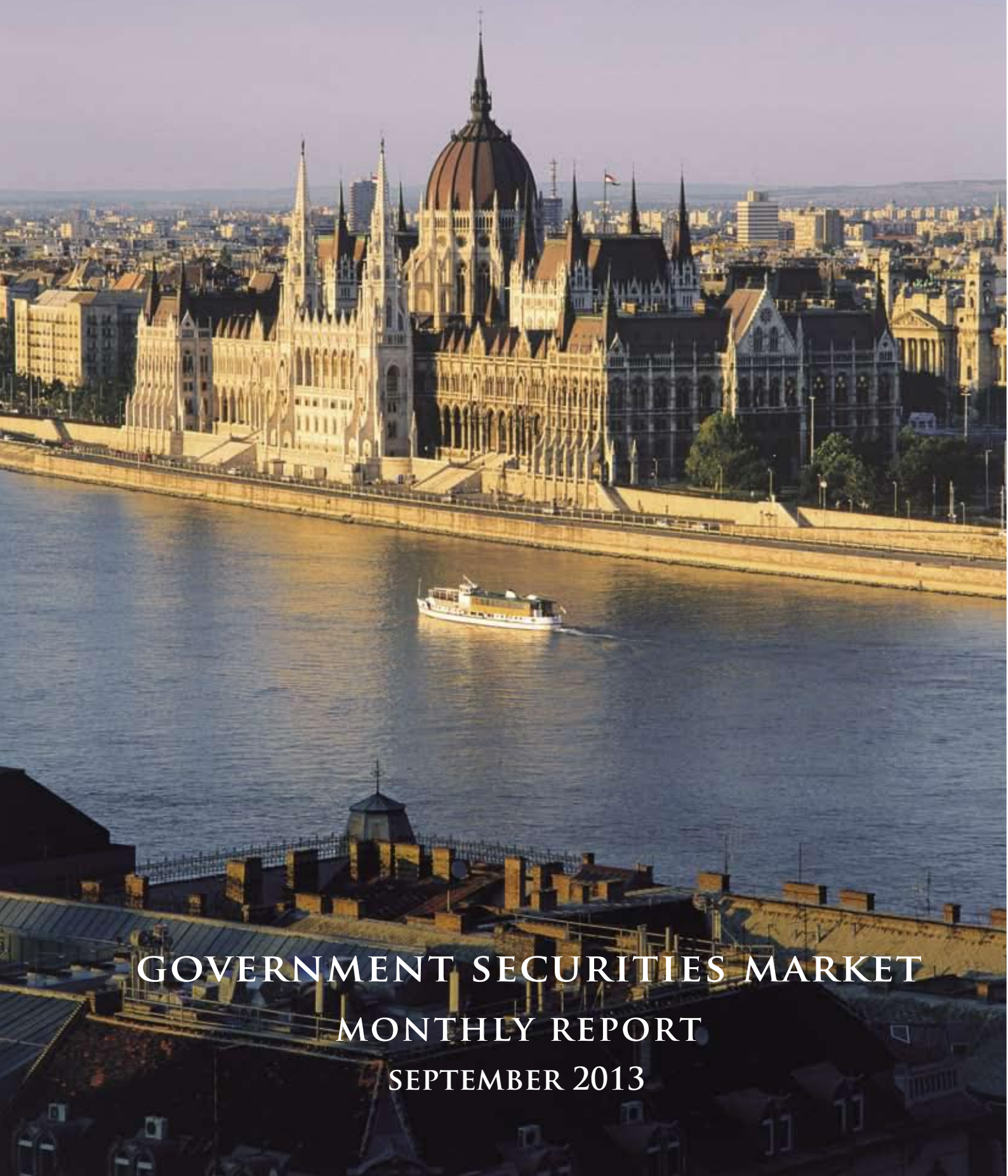




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GOVERNMENT DEBT MANAGEMENT AGENCY FTÉ LTD.



GOVERNMENT SECURITIES MARKET
MONTHLY REPORT
SEPTEMBER 2013

■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 949.0 billion in the first 9 months of 2013. The net prefinancing of cash transfers from the European Union increased the net borrowing requirement by HUF 161.0 billion. Thus, the total net financing requirement amounted to HUF 1,110.0 billion in September. Net issuance was HUF 1,373.9 billion, including the sum of debt assumptions HUF 590.7 billion; out of which net HUF-denominated issuance was HUF 1,310.3 billion and net foreign currency denominated issuance was HUF 63.5 billion. Without debt assumptions net issuance was HUF 872.3 billion, out of which net HUF-denominated issuance was HUF 1,196.5 billion and net foreign currency denominated issuance was HUF -324.2 billion.

HUF billion	2012		2013		Change	
	December	%	September	%	HUF billion	%
Foreign exchange denominated debt	8,326.6	40.2	8,608.2	39.0	281.6	3.4
Government securities	5,014.1	24.2	5,881.9	26.6	867.8	17.3
Loans	3,312.5	16.0	2,726.9	12.3	-586.2	-17.7
HUF denominated debt	12,042.4	58.1	13,347.7	60.4	1,305.3	10.8
Government securities	11,475.6	55.4	12,685.5	57.4	1,210.0	10.5
Loans	566.8	2.7	662.2	3.0	95.4	16.8
Total	20,369.0	98.3	21,955.9	99.4	1,587.0	7.8
Other obligations	351.1	1.7	129.5	0.6	-221.6	-63.1
Total central government debt	20,720.1	100.0	22,085.4	100.0	1,365.4	6.6

The HUF denominated debt of the central government increased by HUF 1,305.3 billion in the first 9 months of 2013 (the difference between the total net change and the net issuance was caused 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 574.0 billion, the amount of discount Treasury bills increased by HUF 134.2 billion and the total amount of retail government securities increased by HUF 580.8 billion. The stock of non-marketable government bonds decreased by HUF 79.2 billion because of redemption. The volume of HUF loans increased by HUF 95.4 billion in the first 9 months of the year.

The foreign currency debt of the central government increased by HUF 281.6 billion in the first 9 months of 2013. The foreign currency bond issuance was HUF 712.4 billion, the gross PÉMAK and residence bond issuance was HUF 594.9 billion. The drawdown of foreign currency denominated loans worth HUF 170.9 billion increased, the debt assumptions worth HUF 418.0 billion increased, while the redemptions of foreign currency debt worth HUF 1,832.7 billion decreased the debt. The exchange rate revaluations totalling HUF 218.1 billion increased the Hungarian Forint value of the foreign currency debt in 2013.

Benchmark yields

Maturity	28.12.2012.	31.08.2013.	30.09.2013.	Change, basis points
3-month	5.33	3.80	3.55	-25
6-month	5.28	3.86	3.62	-24
1-year	5.40	3.95	3.60	-35
3-year	5.61	5.19	4.55	-64
5-year	5.89	5.79	5.08	-71
10-year	6.11	6.58	5.83	-75
15-year	6.11	7.03	6.42	-61

Monthly OTC turnover of government securities was 17 % higher in September than a month before and reached HUF 3,242.7 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 62% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 43.7 billion in September, and amounted to HUF 4,902.5 billion at the end of the month. This volume represented 38.6% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 298.48 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: BB (Standard & Poor's); Ba1 (Moody's); BB+ (Fitch).

■ GOVERNMENT SECURITIES MARKET ■

CENTRAL GOVERNMENT GROSS DEBT

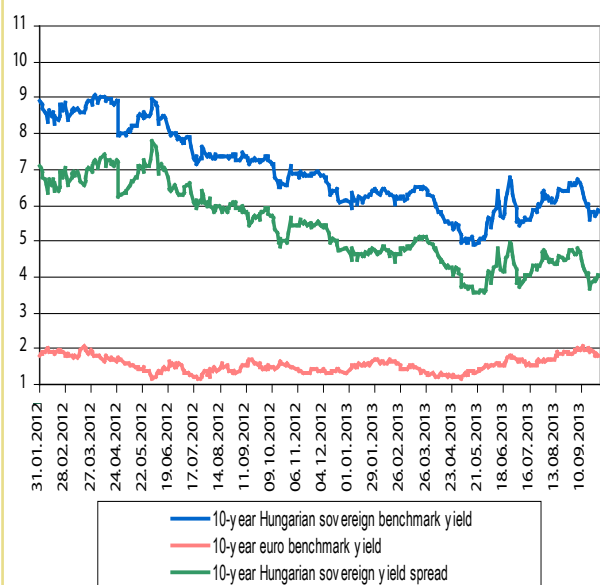
HUF BILLION

	2007	2008	2009	2010	2011	2012	July 2013	August 2013	September 2013
1. Forint denominated debt	11,103.8	11,250.6	10,476.2	10,978.2	10,362.2	12,042.4	13,113.9	13,370.0	13,347.7
1.1. Loans	145.7	219.9	438.7	540.8	590.8	566.8	694.0	693.7	662.2
1.2. Government securities	10,958.1	11,030.7	10,037.5	10,437.4	9,771.4	11,475.6	12,419.9	12,676.3	12,685.5
1.2.1. Public issues	10,465.4	10,599.7	9,613.2	10,019.6	9,378.1	11,077.1	12,099.8	12,356.2	12,366.3
1.2.1.1. Bonds	8,245.3	8,570.6	7,519.2	7,965.8	7,353.4	8,184.1	8,646.1	8,720.1	8,758.1
1.2.1.2. Discount T-bills	1,664.9	1,482.4	1,647.3	1,618.2	1,540.9	1,906.5	2,041.6	2,177.1	2,040.7
1.2.1.3. Retail securities	555.2	546.4	446.6	435.7	473.8	986.6	1,412.1	1,459.0	1,567.4
1.2.2. Private placements	492.7	431.0	424.3	417.8	403.2	398.5	320.1	320.1	319.3
2. Foreign currency denominated debt*	4,472.6	6,774.8	8,466.7	8,842.8	10,170.4	8,326.6	9,189.9	8,628.0	8,608.2
2.1. Loans	846.5	2,529.4	4,112.7	4,292.8	4,458.1	3,312.5	3,314.1	2,721.7	2,726.3
2.1.1. Foreign loans	838.8	2,529.4	4,112.7	4,292.8	4,361.9	3,229.0	2,962.5	2,369.7	2,383.3
2.1.2. Domestic loans	104.0	0.0	0.0	0.0	96.2	83.5	351.6	352.1	342.9
2.1.2.1. Raised from National Bank of Hungary (NBH)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	7.7	0.0	0.0	0.0	96.2	83.5	351.6	352.1	342.9
2.2. Government securities	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	5,014.1	5,875.8	5,906.3	5,881.9
2.2.1. Issued abroad	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	4,924.2	5,362.3	5,371.4	5,334.2
2.2.1.1. Foreign currency bonds	3,626.1	4,245.4	4,354.0	4,550.0	5,712.3	4,924.2	5,362.3	5,371.4	5,334.2
2.2.1.2. Kingdom of Hungary 1924 issues	0.0	0.0	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	89.9	513.5	534.8	547.7
Total	15,576.4	18,025.4	18,942.9	19,821.0	20,532.6	20,369.0	22,303.8	21,998.0	21,955.9
Other liabilities	9.1	78.5	20.1	220.01	422.9	351.1	170.4	132.8	129.5
Total central government debt	15,585.5	18,103.9	18,963.1	20,041.0	20,955.5	20,720.1	22,474.2	22,130.8	22,085.4
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2.2.)	10,402.9	10,484.0	9,623.3	10,001.8	9,297.6	10,489.1	11,007.8	11,217.3	11,118.1
Gross debt/GDP	61.3%	68.2%	74.0%	75.6%**	75.8%**	73.9%**			

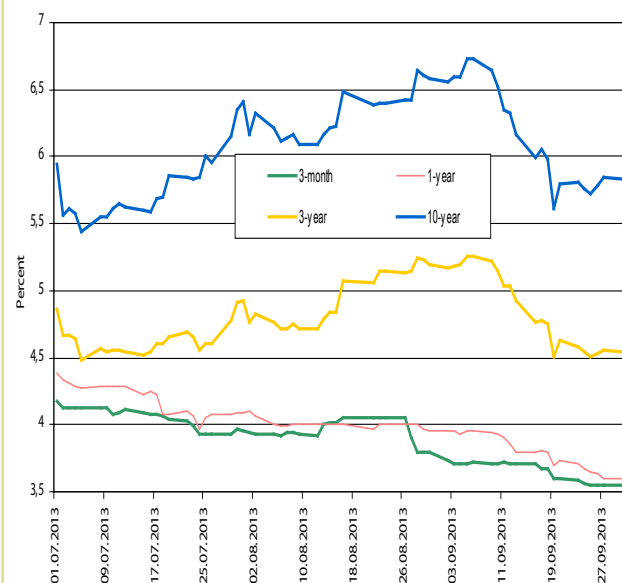
*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

**With revised GDP data.

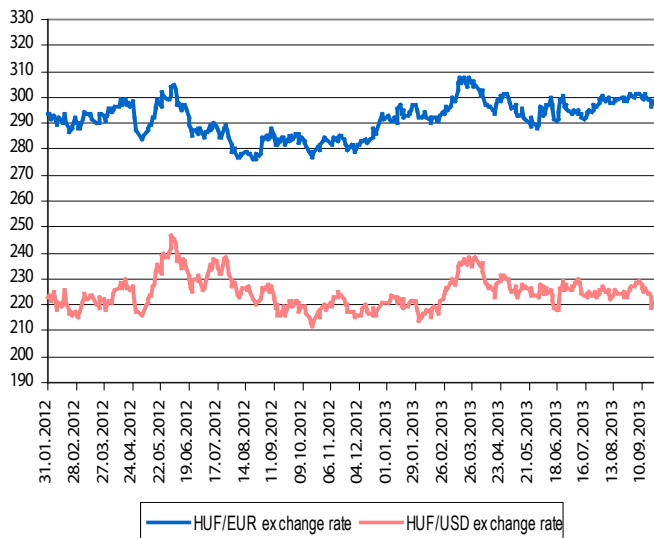
% 10-year Hungarian and eurozone benchmark yields during the last year



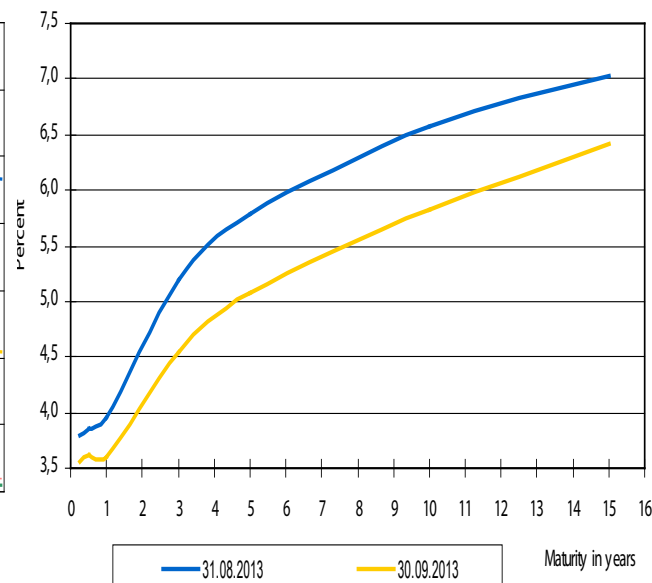
Benchmark yields in the past three months



The exchange rate of the Hungarian Forint during the last year



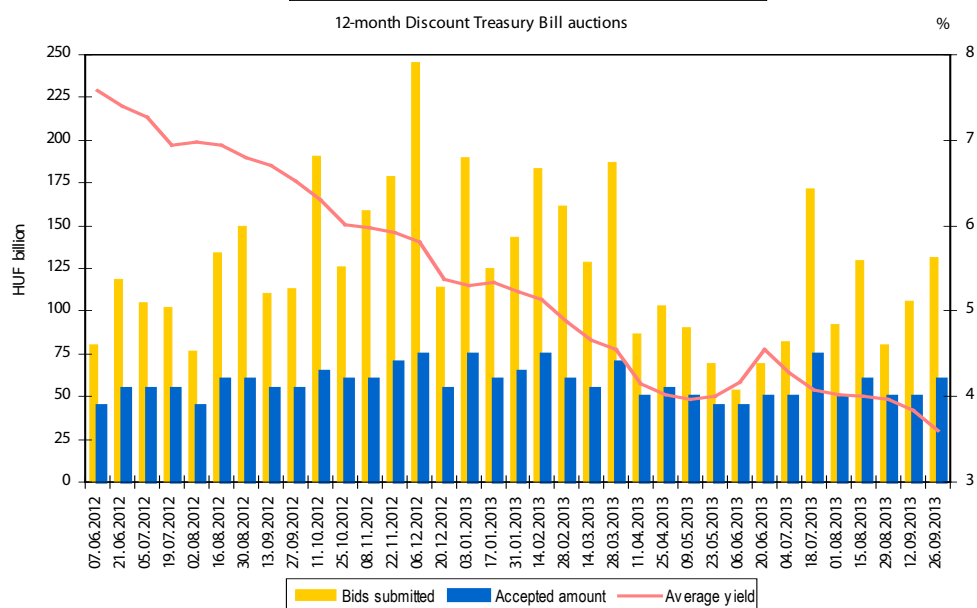
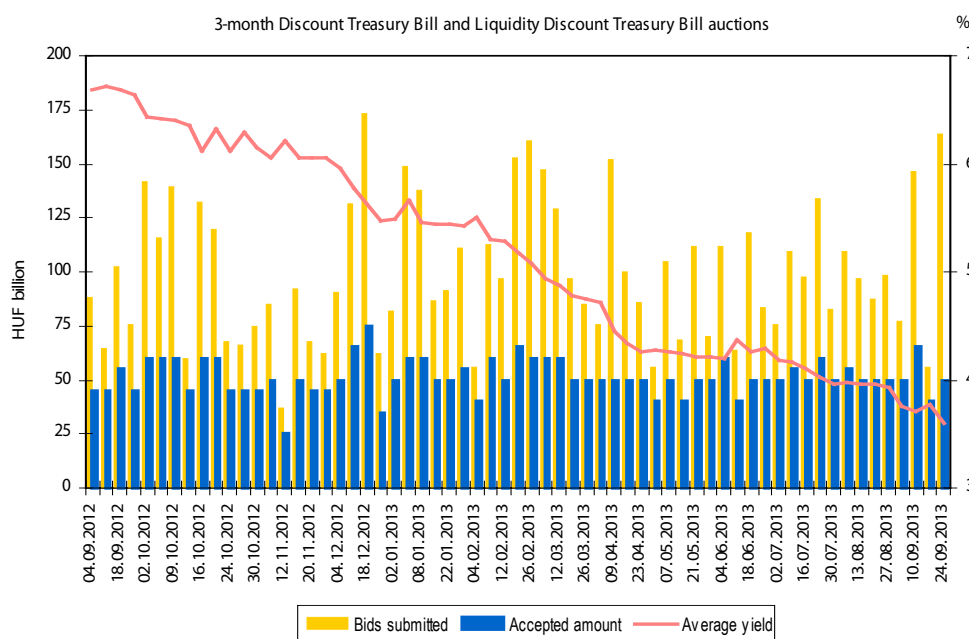
Benchmark yield curves



■ GOVERNMENT SECURITIES MARKET ■

DISCOUNT TREASURY BILL AUCTION RESULTS

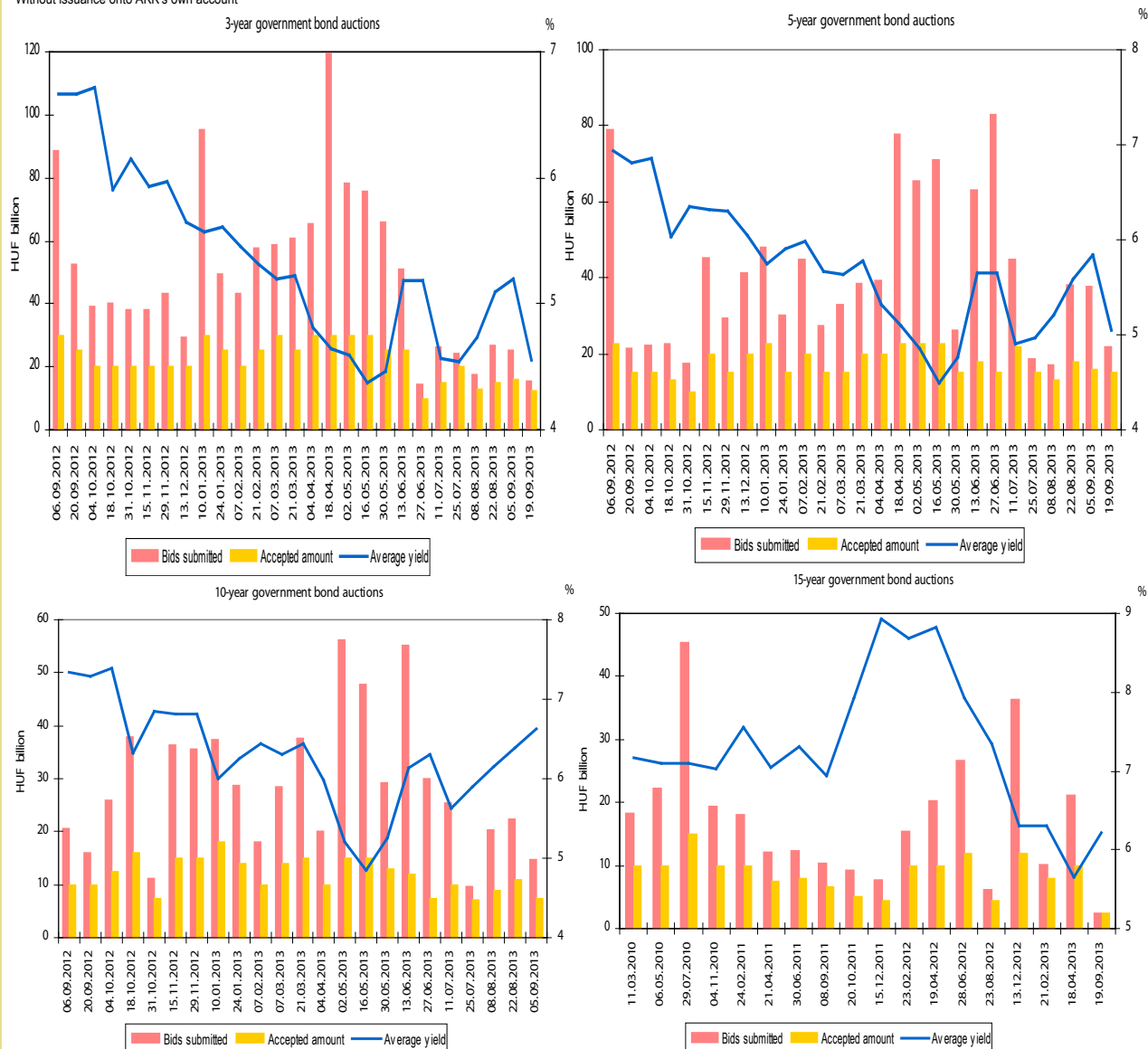
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D131211	D131218	D131227	D140102	D140806	D140806
ISIN code	HU0000519632	HU0000519640	HU0000519657	HU0000519665	HU0000519608	HU0000519608
Maturity in days	91	91	93	92	322	308
Date of auction	03.09.2013	10.09.2013	17.09.2013	24.09.2013	12.09.2013	26.09.2013
Date of financial settlement	11.09.2013	18.09.2013	25.09.2013	02.10.2013	18.09.2013	02.10.2013
Redemption date	11.12.2013	18.12.2013	27.12.2013	02.01.2014	06.08.2014	06.08.2014
Maximum yield, (%) - ISMA	3.80	3.73	3.84	3.61	3.89	3.63
Minimum yield (%) - ISMA	3.70	3.68	3.68	3.57	3.77	3.57
Average yield (%) - ISMA	3.75	3.71	3.77	3.60	3.84	3.61
Maximum yield, (%) - EHM	3.85	3.78	3.89	3.66	3.94	3.68
Minimum yield (%) - EHM	3.75	3.73	3.73	3.62	3.82	3.62
Average yield (%) - EHM	3.80	3.76	3.82	3.65	3.89	3.66
Average selling price (%)	99.0610	99.0709	99.0355	99.0884	96.6794	97.0040
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	40,000.00	50,000.00	50,000.00
Amount of bids submitted (HUF million)	77,353.00	146,444.45	56,028.75	164,156.90	106,242.32	131,450.00
Amount of bids accepted (HUF million)	49,999.97	64,999.94	39,999.96	49,999.97	49,999.97	59,999.89
Bid-to-cover ratio	1.55	2.25	1.40	3.28	2.12	2.19
Bids submitted (pcs)	100	128	102	153	132	124
Bids accepted (pcs)	55	49	77	30	56	52
Market sales* (HUF million)	49,999.97	64,999.94	39,999.96	49,999.97	49,999.97	59,999.89
Retained on ÁKK's own account	15,000.03	19,500.06	12,000.04	15,000.03	15,000.03	18,000.11
Total amount issued (HUF million)	65,000.00	84,500.00	52,000.00	65,000.00	65,000.00	78,000.00



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2016/D	2018/A	2023/A	2016/D	2018/A	2028/A	2019/B
ISIN code	HU0000402623	HU0000402631	HU0000402383	HU0000402623	HU0000402631	HU0000402532	HU0000402649
Maturity (in years)	3	5	10	3	5	15	5
Coupon (%)	5.50%	5.50%	6.00%	5.50%	5.50%	6.75%	5.47%
Auction	18th auction	18th auction	45th auction	19th auction	19th auction	14th auction	10th auction
Date of auction	05.09.2013	05.09.2013	05.09.2013	19.09.2013	19.09.2013	19.09.2013	26.09.2013
Date of financial settlement	11.09.2013	11.09.2013	11.09.2013	25.09.2013	25.09.2013	25.09.2013	02.10.2013
Redemption date	22.12.2016	20.12.2018	24.11.2023	22.12.2016	20.12.2018	22.10.2028	20.05.2019
Maximum annual yield (%) - ISMA	5.24	5.88	6.66	4.59	5.10	6.28	
Minimum annual yield (%) - ISMA	5.18	5.79	6.56	4.42	5.00	6.18	
Average annual yield (%) - ISMA	5.20	5.84	6.63	4.55	5.05	6.21	
Maximum annual yield (%) - EHM	5.24	5.88	6.66	4.59	5.10	6.28	
Minimum annual yield (%) - EHM	5.18	5.79	6.56	4.42	5.00	6.18	
Average annual yield (%) - EHM	5.20	5.83	6.62	4.54	5.05	6.21	
Maximum price (%)	100.9169	98.6858	95.8966	103.1748	102.2315	105.4741	95.7000
Minimum price (%)	100.7389	98.2905	95.1917	102.6619	101.7751	104.4817	95.3500
Average price (%)	100.8540	98.4833	95.4279	102.7963	102.0119	105.1516	95.5200
Amount offered for sale (HUF million)	16,000.00	12,000.00	9,000.00	20,000.00	15,000.00	9,000.00	5,000.00
Amount of bids submitted (HUF million)	25,450.00	37,750.00	14,805.00	15,578.73	21,657.32	2,360.00	7,370.00
Amount of bids accepted (HUF million)	15,999.99	16,000.00	7,499.97	12,500.00	14,999.97	2,360.00	5,000.00
Bid-to-cover ratio	1.59	2.36	1.97	1.25	1.44	1.00	1.47
Bids submitted (pcs)	50	62	59	29	53	14	31
Bids accepted (pcs)	29	28	32	27	37	14	25
Tail (average price - minimum price)	0.12	0.19	0.24	0.13	0.24	0.67	0.17
Market sales* (HUF million)	15,999.99	16,000.00	7,499.97	12,500.00	14,999.97	2,360.00	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)	16,000.00	16,000.00	7,500.00	12,500.00	15,000.00	2,360.00	5,000.00

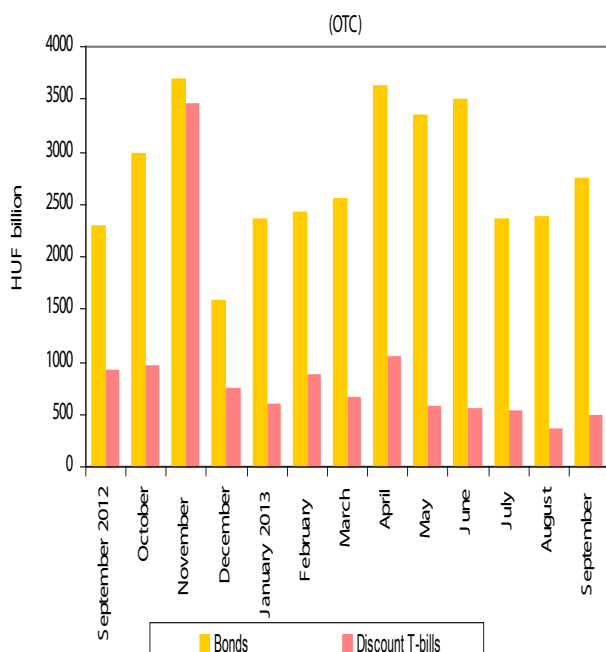
*Without issuance onto ÁKK's own account



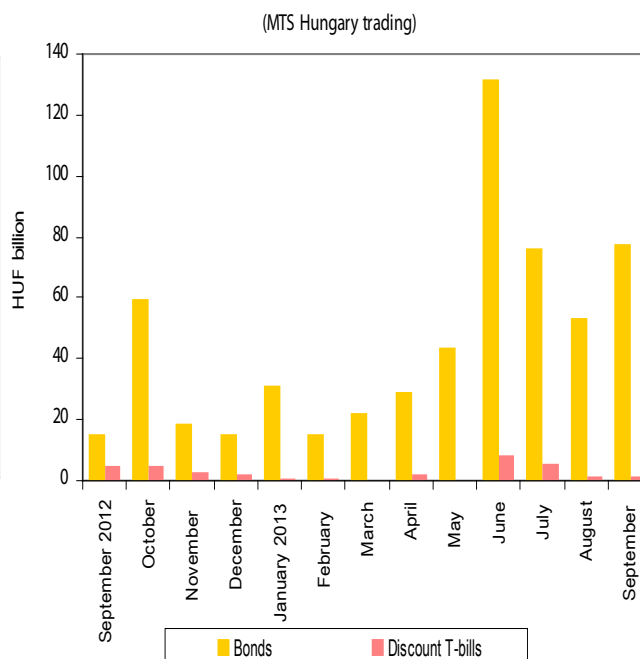
■ GOVERNMENT SECURITIES MARKET ■

Government bond	2014/C	2014/D	2014/C	2014/D
ISIN code	HU0000402193	HU0000402516	HU0000402193	HU0000402516
Coupon (%)	5.50	6.75	5.50	6.75
Date of reverse auction	04.09.2013	04.09.2013	18.09.2013	18.09.2013
Date of financial settlement	11.09.2013	11.09.2013	25.09.2013	25.09.2013
Redemption date	12.02.2014	22.08.2014	12.02.2014	22.08.2014
Minimum annual yield (%)	3.73	3.94	3.58	3.70
Average annual yield - ISMA (%)	3.73	3.94	3.61	3.70
Average annual yield - EHM (%)	3.73	3.94	3.57	3.69
Amount of bids submitted (HUF million)	15,285.46	16,320.30	11,143.85	7,149.09
Amount of bids accepted (HUF million)	11,429.23	12,647.25	6,475.45	3,336.84

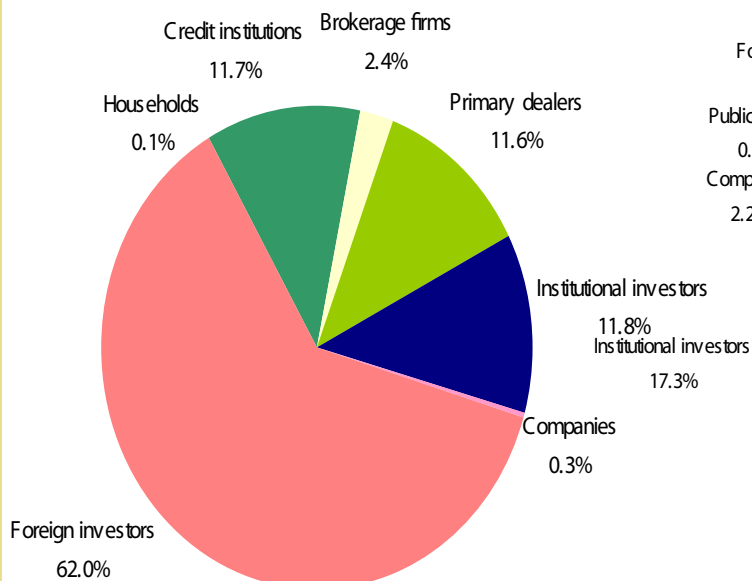
Secondary market trading of Hungarian government securities



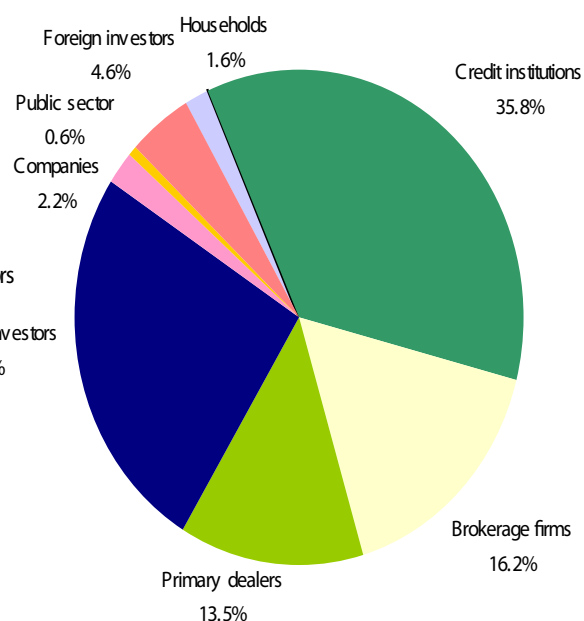
Secondary market trading of Hungarian government securities



Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in September 2013



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in September 2013



■ GOVERNMENT SECURITIES MARKET ■

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN SEPTEMBER 2013

INTEREST RATE RESETS ON EXISTING GOVERNMENT BONDS IN SEPTEMBER 2015						
Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2016/A	30.09.2013	30.09.2013	31.12.2013	31.12.2013	4.25	1.07

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 September 2013	563.5319	512.6058	550.6860	506.8255
Changes compared to the end of the month before	16.3601	2.6122	13.1939	1.7396
Annual yield earned on the index portfolio	12.52%	6.54%	11.31%	5.44%

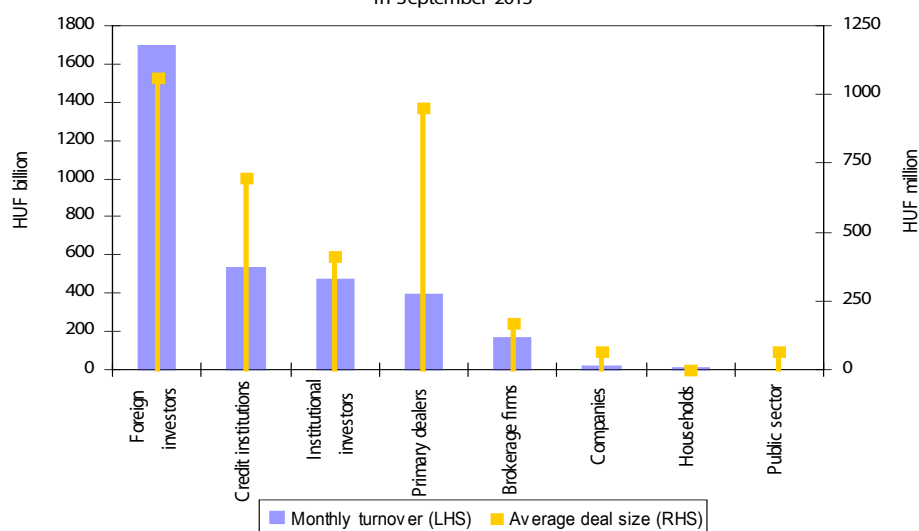
Government securities with the highest secondary market turnover in September 2013

Government security	Date of redemption	Turnover (HUF billion)
2023/A	24.11.2023	915.8
2018/A	20.12.2018	369.2
2015/C	24.08.2015	212.7
2022/A	24.06.2022	172.9
2015/A	12.02.2015	152.9
2017/A	24.11.2017	137.9
2017/B	24.02.2017	123.0
2020/A	12.11.2020	120.7
D140806	06.08.2014	100.0
2019/A	24.06.2019	97.5

The outstanding volume of government bonds with benchmark status at the end of September 2013

Government bond	31.08.2013	30.09.2013
2016/D	492.23	521.04
2018/A	380.39	411.87
2023/A	498.10	505.82
2028/A	117.93	120.30

Primary dealers' trading with different investor groups in September 2013



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

