Á·K·K

GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

AUGUST 2011

GOVERNMENT SECURITIES MARKET

The deficit of the central government amounted to HUF 1,548.8 billion in first eight months of 2011. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 286.4 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 36.6 billion, which decreased the financing requirement. Thus, the total net borrowing requirement amounted to HUF 1,254.9 billion in 2011. Net issuance was HUF 1,684.4 billion; out of which net HUF-denominated issuance was HUF 749.0 billion and net foreign currency denominated issuance was HUF 935.4 billion.

	2010		2011		Change	
HUF billion	December	%	August	%	HUF billion	%
Foreign exchange denominated debt	8,842.8	44.1	9,526.4	47.4	683.6	7.7
Government securities	4,550.0	22.7	5,239.1	26.1	689.1	15.1
Loans	4,292.8	21.4	4,287.3	21.3	-5.5	-0.1
HUF denominated debt	10,978.2	54.8	10,374.5	51.6	-603.7	-5.5
Government securities	10,437.4	52.1	9,833.7	48.9	-603.7	-5.8
Loans	540.8	2.7	540.8	2.7	0.0	0.0
Total	19,821.0	98.9	19,900.9	99.0	79.9	0.4
Other obligations	220.0	1.1	200.7	1.0	-19.3	-8.8
Total central government debt	20,041.0	100.0	20,101.6	100.0	60.5	0.3
Out of the international loan program was placed in NBH or in commercial banks	974.1		400.7		-573.4	

The HUF denominated debt of the central government decreased by HUF 603.7 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 net issuance of domestic debt was the result of net government bond issuance of HUF 470.3 billion, the amount of discount Treasury bills increased by HUF 256.2 billion and the total amount of retail government securities increased by HUF 24.2 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 683.6 billion in first eight 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 285.5 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 250.1 billion decreased the Hungarian Forint value of the foreign currency debt in 2011.

Out of the international loan program HUF 400.7 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 200.7 billion in August 2011.

Secondary market yields in August:

Benchmark yields

Maturity	31.12.2010.	31.07.2011.	31.08.2011.	Change, basis points
3-month	5.76	5.80	5.73	-7
6-month	6.15	5.75	5.73	-2
1-year	6.33	5.85	5.70	-15
3-year	7.72	6.63	6.31	-32
5-year	7.85	7.22	7.04	-18
10-year	7.95	7.50	7.35	-15
15-year	7.94	7.52	7.35	-17

Monthly OTC turnover of government securities was 46 % higher in August than a month before and reached HUF 8,137.6 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 increased altogether by HUF 173.6 billion in August, and amounted to HUF 3,894.9 billion at the end of the month. This volume represented 41.6% of the total amount of domestic government bonds and discount Treasury bills.

The EUR/HUF exchange rate according to the National Bank of Hungary was 271.28 on the last working day of August.

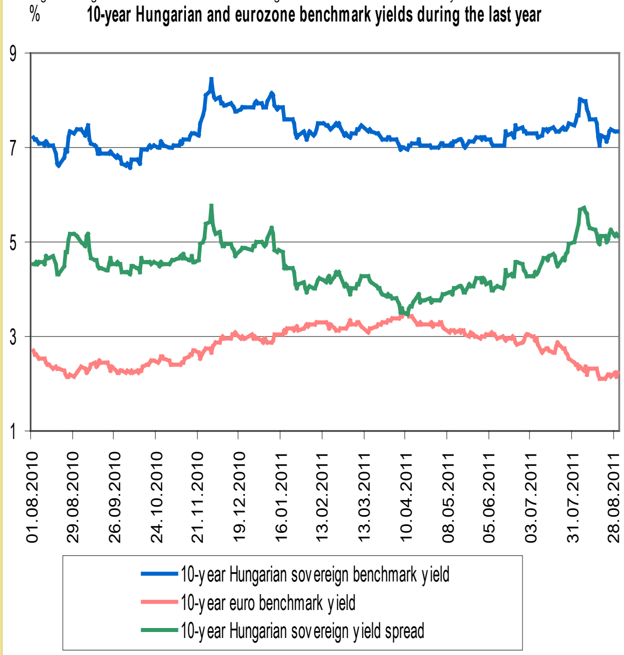
The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows on the last working day of August: BBB- (Standard & Poor's); Baa3 (Moody's); BBB- (Fitch).

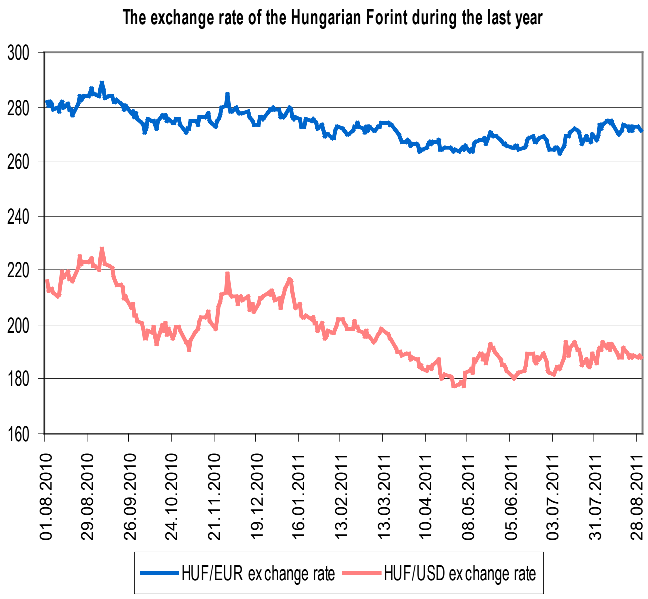
CENTRAL GOVERNMENT GROSS DEBT

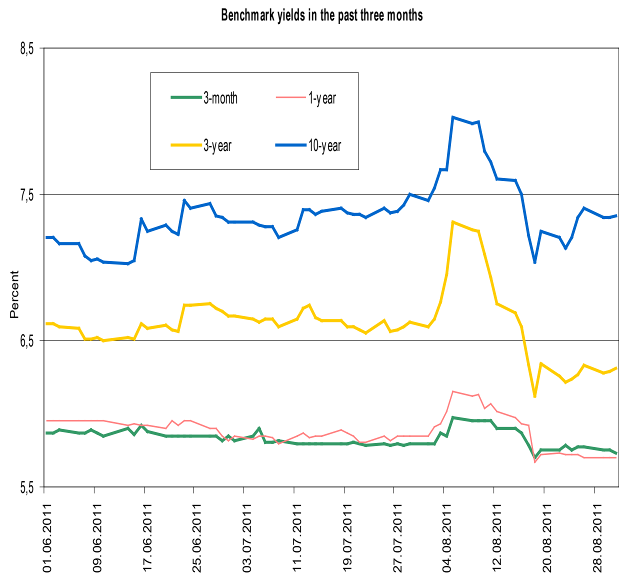
HUF BILLION

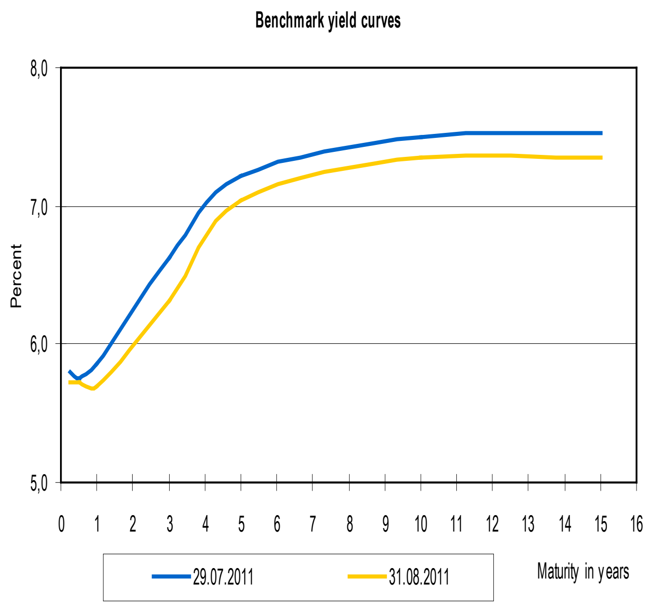
	2005	2006	2007	2008	2009	2010	June 2011	July 2011	August 2011
1. Forint denominated debt	9,153.5	10,552.3	11,103.8	11,250.6	10,476.2	10,978.2	10,264.3	10,231.1	10,374.5
1.1. Loans	0.8	356.4	145.7	219.9	438.7	540.8	540.8	540.8	540.8
1.2. Government securities	9,152.7	10,195.9	10,958.1	11,030.7	10,037.5	10,437.4	9,723.5	9,690.3	9,833.7
1.2.1. Public issues	8,418.8	9,667.5	10,465.4	10,599.7	9,613.2	10,019.6	9,307.3	9,274.1	9,417.5
1.2.1.1. Bonds	6,299.1	7,244.2	8,245.3	8,570.6	7,519.2	7,965.8	7,035.6	7,154.8	7,302.7
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	1,814.5	1,662.3	1,655.1
1.2.1.3. Retail securities	588.7	667.4	555.2	546.4	446.6	435.7	457.2	457.0	459.8
1.2.2. Private placements	733.9	528.4	492.7	431.0	424.3	417.8	416.2	416.2	416.2
2. Foreign currency denominated debt*	3,590.7	4,124.4	4,472.6	6,774.8	8,466.7	8,842.8	9,196.0	9,361.2	9,526.4
2.1. Loans	720.6	803.7	846.5	2,529.4	4,112.7	4,292.8	4,064.7	4,142.9	4,287.3
2.1.1. Foreign loans	616.9	700.1	838.8	2,529.4	4,112.7	4,292.8	4,064.7	4,142.9	4,287.3
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	5,131.3	5,218.2	5,239.1
2.2.1. Issued abroad	2,870.1	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,131.3	5,218.2	5,239.1
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	5,131.3	5,218.2	5,239.1
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	19,460.3	19,592.2	19,900.9
Other liabilities	21.4	29.0	9.1	78.5	20.1	220.01	117.7	146.0	200.7
Total central government debt	12,765.6	14,705.7	15,585.5	18,103.9	18,963.1	20,041.0	19,577.9	19,738.3	20,101.6
Foreign currency deposits from the international loan program placed at the NBH				*1,483.6*	*1,124.8*	*974.1*	*889.7*	*401.0*	*400.7*
Government debt adjusted with foreign currency deposits				16,620.3	17,838.3	19,066.9	18,688.2	19,337.3	19,700.9
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*	*9,266.3*	*9,233.3*	*9,373.9*
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.





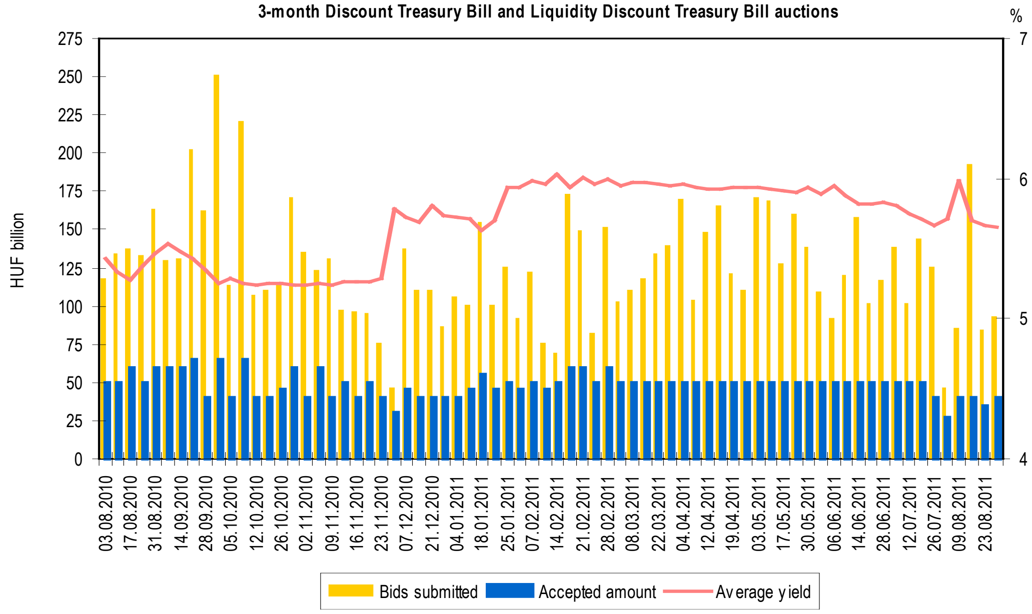




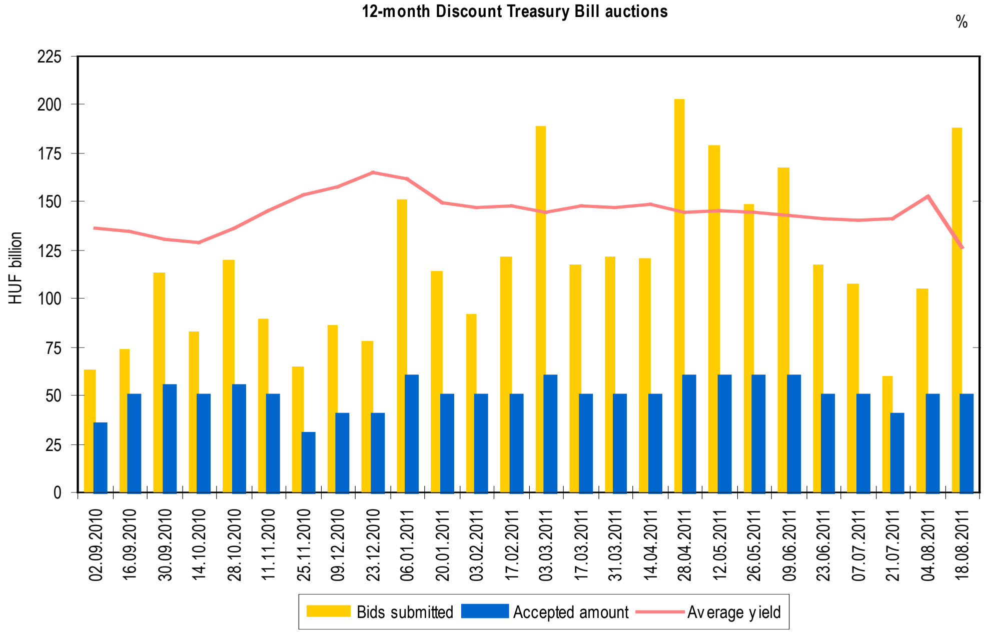
DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D111109	D111116	D111123	D111130	D111207	D120627	D120822
ISIN code	HU0000518527	HU0000518147	HU0000518535	HU0000518550	HU0000518568	HU0000518378	HU0000518543
Maturity in days	91	91	91	91	91	322	364
Date of auction	02.08.2011	09.08.2011	16.08.2011	23.08.2011	30.08.2011	04.08.2011	18.08.2011
Date of financial settlement	10.08.2011	17.08.2011	24.08.2011	31.08.2011	07.09.2011	10.08.2011	24.08.2011
Redemption date	09.11.2011	16.11.2011	23.11.2011	30.11.2011	07.12.2011	27.06.2012	22.08.2012
Maximum yield, (%) - ISMA	5.84	6.01	5.70	5.73	5.70	6.08	5.69
Minimum yield (%) - ISMA	5.64	5.79	5.70	5.60	5.60	6.00	5.69
Average yield (%) - ISMA	5.72	5.98	5.70	5.67	5.65	6.04	5.69
Maximum yield, (%) - EHM	5.92	6.09	5.78	5.81	5.78	6.16	5.77
Minimum yield (%) - EHM	5.72	5.87	5.78	5.68	5.68	6.08	5.77
Average yield (%) - EHM	5.80	6.06	5.78	5.75	5.73	6.12	5.77
Average selling price (%)	98.5747	98.5109	98.5796	98.5870	98.5919	94.8745	94.5598
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	50,000.00	50,000.00
Amount of bids submitted (HUF million)	46,678.84	85,696.02	192,852.68	84,048.29	93,583.33	105,450.00	187,880.00
Amount of bids accepted (HUF million)	26,999.99	39,999.98	40,000.00	34,999.99	39,999.98	49,999.92	50,000.00
Bid-to-cover ratio	1.73	2.14	4.82	2.40	2.34	2.11	3.76
Bids submitted (pcs)	71	92	94	92	62	121	99
Bids accepted (pcs)	63	57	13	50	27	70	10
Market sales* (HUF million)	26,999.99	39,999.98	40,000.00	34,999.99	39,999.98	49,999.92	50,000.00
Retained on ÁKK's own account	8,100.01	12,000.02	12,000.00	10,500.01	12,000.02	15,000.08	15,000.00
Total amount issued (HUF million)	35,100.00	52,000.00	52,000.00	45,500.00	52,000.00	65,000.00	65,000.00

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



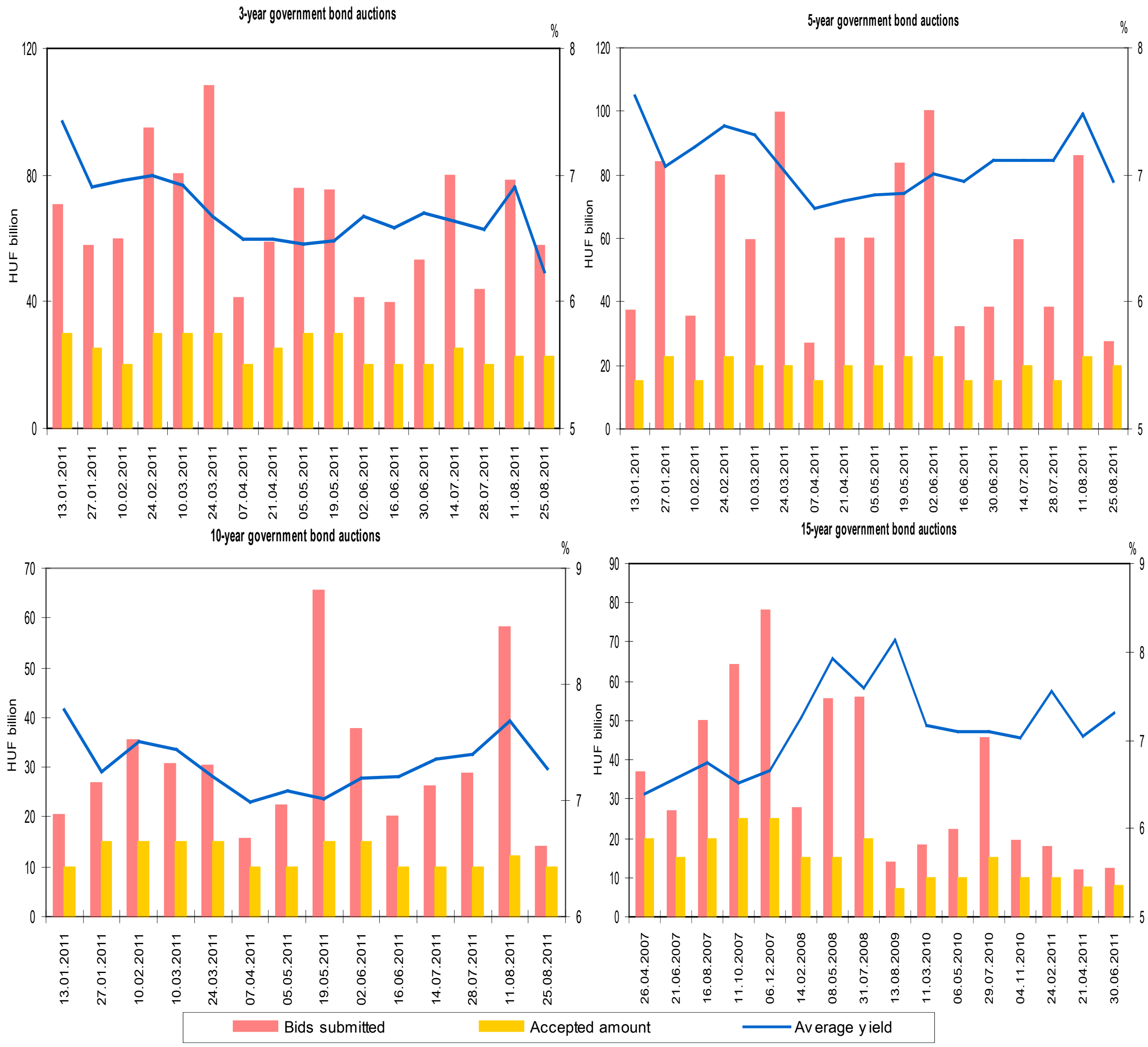
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2015/B	2014/D	2017/A	2022/A	2014/D	2017/A	2022/A
ISIN code	HU0000402482	HU0000402516	HU0000402037	HU0000402524	HU0000402516	HU0000402037	HU0000402524
Maturity (in years)	5	3	5	10	3	5	10
Coupon (%)	5.44%	6.75%	6.75%	7.00%	6.75%	6.75%	7.00%
Auction	13th auction	16th auction	16th auction	13th auction	17th auction	17th auction	14th auction
Date of auction	04.08.2011	11.08.2011	11.08.2011	11.08.2011	25.08.2011	25.08.2011	25.08.2011
Date of financial settlement	10.08.2011	17.08.2011	17.08.2011	17.08.2011	31.08.2011	31.08.2011	31.08.2011
Redemption date	22.12.2015	22.08.2014	24.11.2017	24.06.2022	22.08.2014	24.11.2017	24.06.2022
Maximum annual yield (%) - ISMA		6.92	7.50	7.70	6.25	6.99	7.35
Minimum annual yield (%) - ISMA		6.80	7.46	7.68	6.20	6.90	7.17
Average annual yield (%) - ISMA		6.90	7.48	7.69	6.23	6.95	7.28
Maximum annual yield (%) - EHM		6.91	7.49	7.69	6.24	6.98	7.34
Minimum annual yield (%) - EHM		6.79	7.45	7.67	6.19	6.89	7.16
Average annual yield (%) - EHM		6.89	7.47	7.69	6.23	6.94	7.27
Maximum price (%)	96.8200	99.8712	96.4956	95.0800	101.4489	99.2199	98.7139
Minimum price (%)	96.7000	99.5548	96.3052	94.9410	101.3155	98.7789	97.4123
Average price (%)	96.7400	99.6160	96.3943	94.9977	101.3568	98.9778	97.9488
Amount offered for sale (HUF million)	7,000.00	15,000.00	15,000.00	8,000.00	15,000.00	20,000.00	15,000.00
Amount of bids submitted (HUF million)	19,400.00	78,320.86	86,200.00	58,130.00	57,703.56	27,330.00	13,970.00
Amount of bids accepted (HUF million)	6,999.99	22,500.00	22,500.00	12,000.00	22,500.00	19,999.98	10,000.00
Bid-to-cover ratio	2.77	3.48	3.83	4.84	2.56	1.37	1.40
Bids submitted (pcs)	26	77	65	60	65	62	36
Bids accepted (pcs)	13	20	23	17	20	47	34
Tail (average price - minimum price)	0.04	0.06	0.09	0.06	0.04	0.20	0.54
Market sales* (HUF million)	6,999.99	22,500.00	22,500.00	12,000.00	22,500.00	19,999.98	10,000.00
Non-competitive offer (HUF million)	875.00	4,420.00	2,860.00	1,960.00	0.00	0.00	0.00
Total amount issued (HUF million)	9,800.00	22,500.00	45,000.00	16,800.00	22,500.00	20,000.00	10,000.00

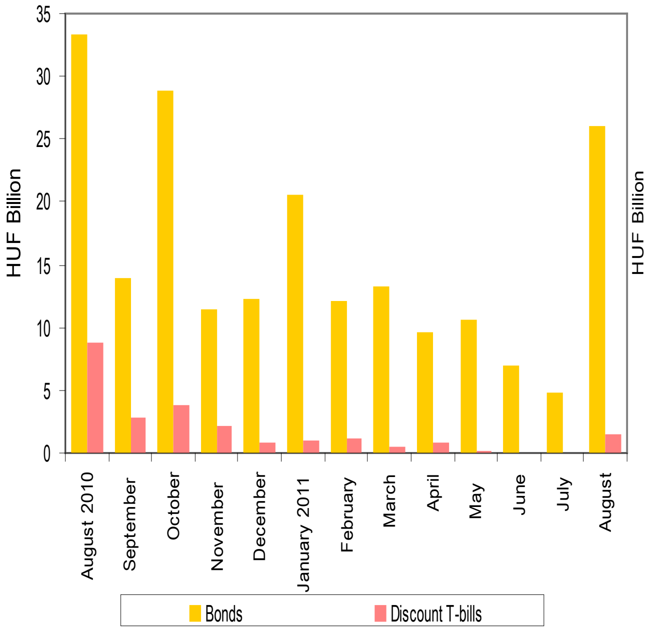
*Without issuance onto ÁKK's own account



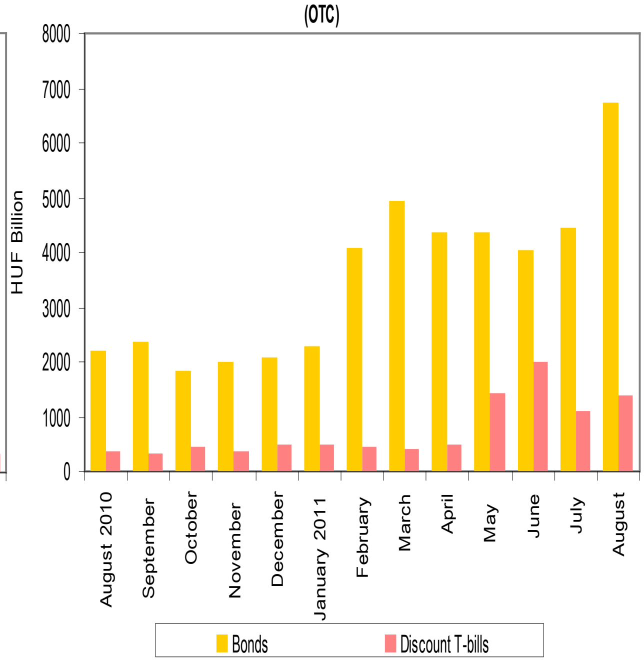
GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

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	10.08.2011	10.08.2011	24.08.2011	24.08.2011
Date of financial settlement	17.08.2011	17.08.2011	31.08.2011	31.08.2011
Redemption date	12.06.2012	24.10.2012	12.06.2012	24.10.2012
Minimum annual yield (%)	6.00	6.09	5.75	5.85
Average annual yield - ISMA (%)	6.01	6.10	5.77	5.86
Average annual yield - EHM (%)	5.96	6.09	5.72	5.85
Amount of bids submitted (HUF million)	14,326.44	12,593.25	11,500.00	13,701.57
Amount of bids accepted (HUF million)	7,326.44	5,593.25	650.00	1,919.91

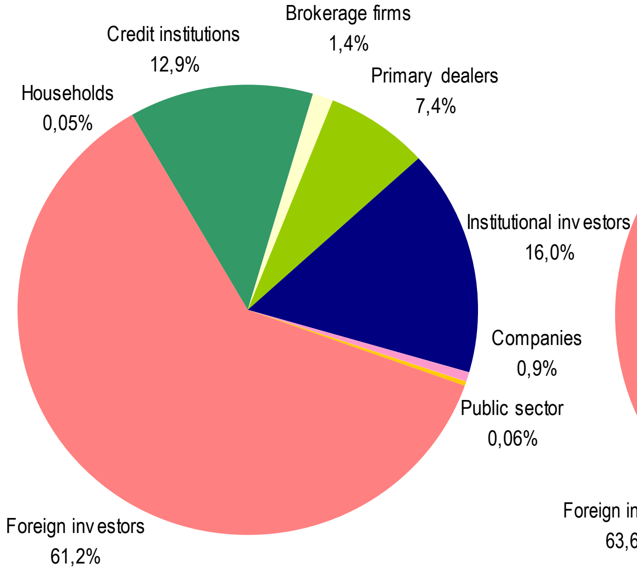
Secondary market trading of Hungarian government securities (Budapest Stock Exchange)



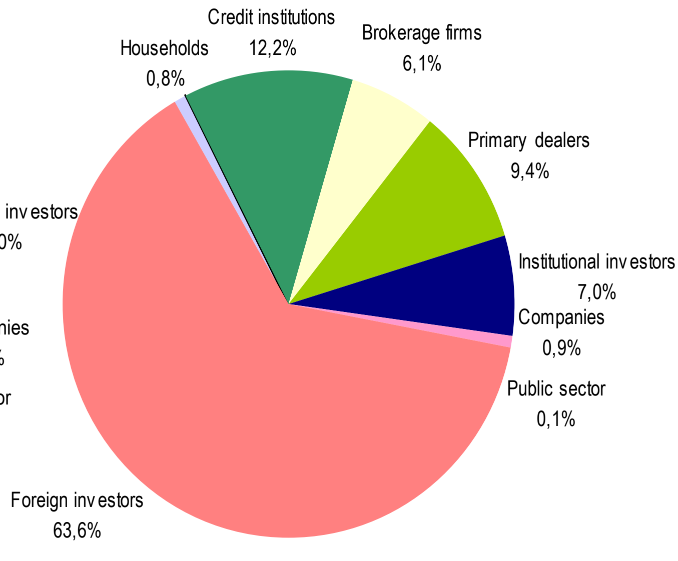
Secondary market trading of Hungarian government securities (OTC)



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



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



HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 August 2011	461.4880	447.7145	455.9385	446.6394
Changes compared to the end of the month before	5.9291	2.2803	5.4252	2.1358
Annual yield earned on the index portfolio	9.29%	5.91%	8.84%	5.78%

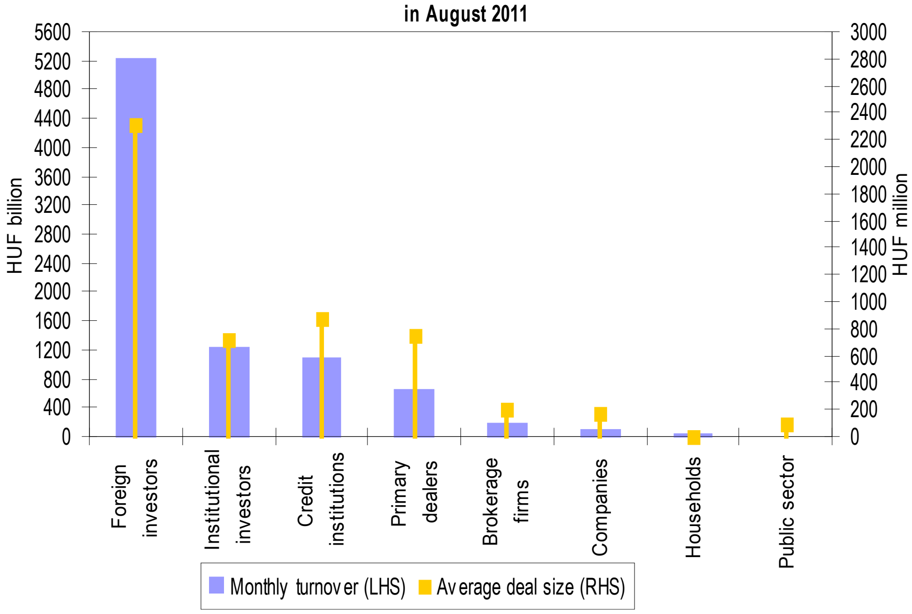
Government securities with the highest secondary market turnover in August 2011

Government security	Date of redemption	Turnover (HUF billion)
2014/C	12.02.2014	1,308.3
2016/C	12.02.2016	784.3
2014/D	22.08.2014	688.0
2015/A	12.02.2015	668.6
2019/A	24.06.2019	617.1
D120502	24.10.2013	608.5
2017/B	24.02.2017	585.7
2022/A	24.06.2022	392.1
2017/A	24.11.2017	377.7
2013/D	12.02.2013	376.3

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

	HUF billion	
Government bond	31.07.2011	31.08.2011
2014/D	351.80	421.25
2017/A	211.95	272.33
2022/A	152.15	186.16
2028/A	24.85	24.86

Primary dealers' trading with different investor groups in August 2011



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