Á · K · K

GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

FEBRUARY 2014

The deficit of the central government amounted to HUF 483.3 billion in February. The net prefinancing of cash transfers from the European Union increased the net borrowing requirement by HUF 10.1 billion. Thus, the total net financing requirement amounted to HUF 493.4 billion in 2014. Net issuance was HUF 998.6 billion, including the sum of debt assumptions HUF 401.7 billion; out of which net HUF-denominated issuance was HUF 214.2 billion and net foreign currency denominated issuance was HUF 284.4 billion. Without debt assumptions net issuance was HUF 678.8 billion, out of which net HUF-denominated issuance was HUF 671.9 billion and net foreign currency denominated issuance was HUF 6.9 billion.

	2013		2014		Change	
HUF billion	December	%	February	%	HUF billion	%
Foreign exchange denominated debt	8,904.9	40.2	9,595.4	41.0	690.4	7.8
Government securities	6,169.3	24.2	6,461.2	27.6	291.9	4.7
Loans	2,735.6	16.0	3,134.2	13.4	398.5	14.6
HUF denominated debt	12,976.4	58.1	13,690.6	58.5	714.2	5.5
Government securities	12,372.8	55.4	13,046.7	55.8	673.8	5.4
Loans	603.6	2.7	643.9	2.8	40.4	6.7
Total	21,881.4	98.3	23,286.0	99.5	1,404.6	6.4
Other obligations	117.3	1.7	105.6	0.5	-11.6	-9.9
Total central government debt	21,998.6	100.0	23,391.6	100.0	1,393.0	6.3

The HUF denominated debt of the central government increased by HUF 714.2 billion in 2014. The increase in domestic debt was the result of net government bond issuance of HUF -27.6 billion, the amount of discount Treasury bills increased by HUF 591.0 billion and the total amount of retail government securities increased by HUF 110.5 billion. The stock of non-marketable government bonds unchanged. The volume of HUF loans increased by HUF 40.4 billion in February.

The foreign currency debt of the central government increased by HUF 690.4 billion in 2014. The gross P€MAK and residence bond issuance was HUF 303.7 billion. The debt assumptions worth HUF 294.1 billion increased, while the redemptions of foreign currency debt worth HUF 313.4 billion decreased the debt. The exchange rate revaluations totalling HUF 406.0 billion increased the Hungarian Forint value of the foreign currency debt in 2014.

Secondary market yields in February:

Benchmark yields

Maturity	31.12.2013.	31.01.2014.	28.02.2014.	Change, basis points
3-month	2.86	3.23	2.87	-36
6-month	2.85	3.20	2.83	-37
1-year	3.04	3.30	3.16	-14
3-year	4.01	4.98	4.93	-5
5-year	4.66	5.31	5.08	-23
10-year	5.61	6.20	6.01	-19
15-year	6.26	6.69	6.45	-24

Monthly OTC turnover of government securities was 23 % higher in February than a month before and reached HUF 4,472.2 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 59% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 269.5 billion in February, and amounted to HUF 4,627.3 billion at the end of the month. This volume represented 35.5% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 310.30 on the last working day of February.

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

CENTRAL GOVERNMENT GROSS DEBT

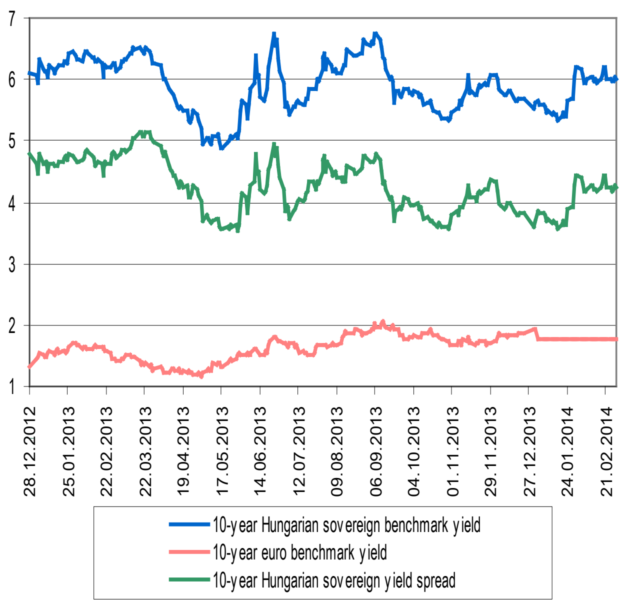
HUF BILLION

	2007	2008	2009	2010	2011	2012	December 2013	January 2014	February 2014
1. Forint denominated debt	11,103.8	11,250.6	10,476.2	10,978.2	10,362.2	12,042.4	12,976.4	13,390.5	13,690.6
1.1. Loans	145.7	219.9	438.7	540.8	590.8	566.8	603.6	602.0	643.9
1.2. Government securities	10,958.1	11,030.7	10,037.5	10,437.4	9,771.4	11,475.6	12,372.8	12,788.6	13,046.7
1.2.1. Public issues	10,465.4	10,599.7	9,613.2	10,019.6	9,378.1	11,077.1	12,182.3	12,598.0	12,856.2
1.2.1.1. Bonds	8,245.3	8,570.6	7,519.2	7,965.8	7,353.4	8,184.1	8,588.8	8,700.4	8,561.2
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	1,904.9	2,142.9	2,495.9
1.2.1.3. Retail securities	555.2	546.4	446.6	435.7	473.8	986.6	1,688.5	1,754.8	1,799.0
1.2.2. Private placements	492.7	431.0	424.3	417.8	403.2	398.5	190.5	190.5	190.5
2. Foreign currency denominated debt*	4,472.6	6,774.8	8,466.7	8,842.8	10,170.4	8,326.6	8,904.9	9,340.5	9,595.4
2.1. Loans	846.5	2,529.4	4,112.7	4,292.8	4,458.1	3,312.5	2,735.6	2,864.2	3,134.2
2.1.1. Foreign loans	838.8	2,529.4	4,112.7	4,292.8	4,361.9	3,229.0	2,400.2	2,513.5	2,620.8
2.1.2. Domestic loans	104.0	0.0	0.0	0.0	96.2	83.5	335.4	350.7	513.4
2.2. Government securities	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	5,014.1	6,169.3	6,476.3	6,461.2
2.2.1. Issued abroad	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	4,924.2	5,736.9	5,710.3	5,694.7
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	89.9	432.5	766.0	766.5
Total	15,576.4	18,025.4	18,942.9	19,821.0	20,532.6	20,369.0	21,881.4	22,731.1	23,286.0
Other liabilities	9.1	78.5	20.1	220.01	422.9	351.1	117.3	113.1	105.6
Total central government debt	15,585.5	18,103.9	18,963.1	20,041.0	20,955.5	20,720.1	21,998.6	22,844.2	23,391.6
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*	*10,684.2*	*11,033.8*	*11,247.6*
Gross debt/GDP	*61.3%*	*68.2%*	*74.0%*	*75.6%***	*75.8%***	*73.9%***			

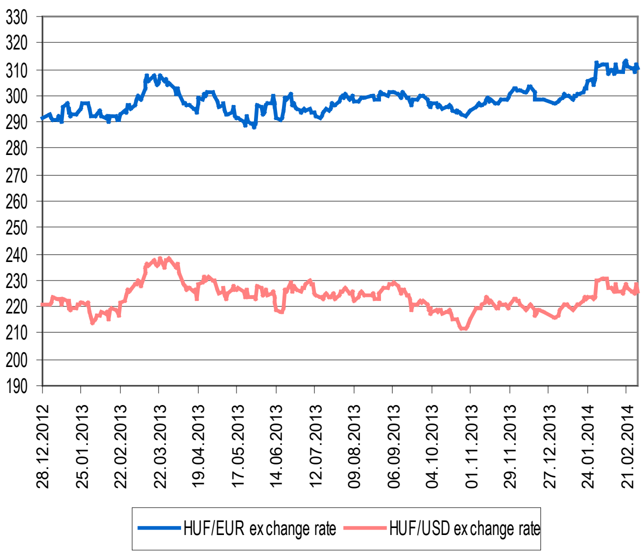
*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

**With revised GDP data.

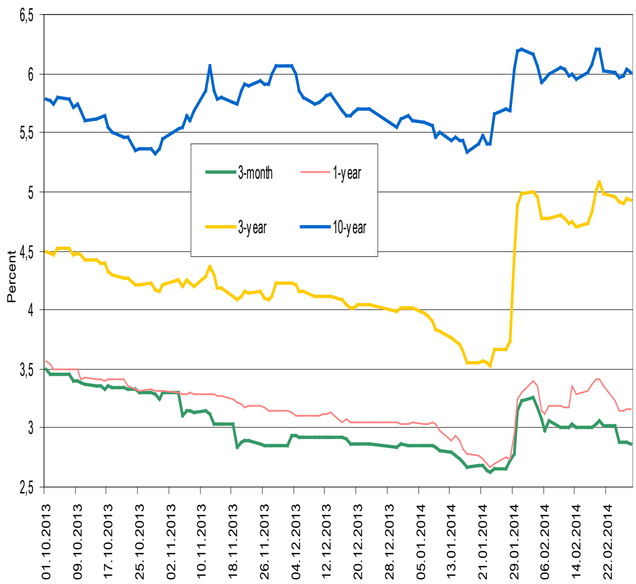
10-year Hungarian and eurozone benchmark yields during the last year



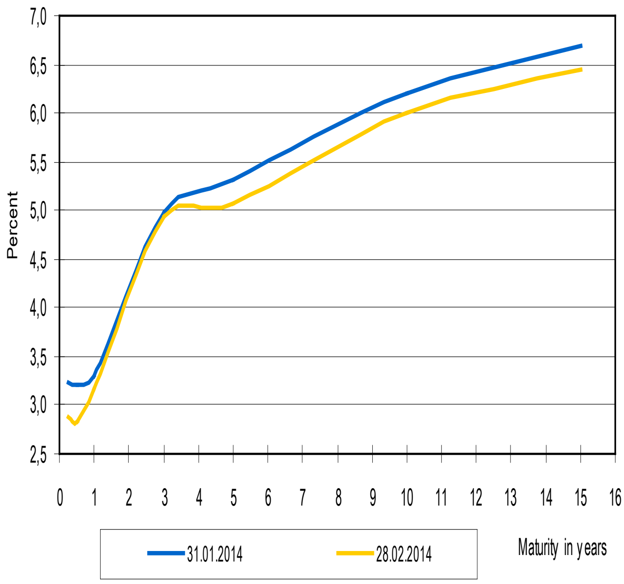
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months

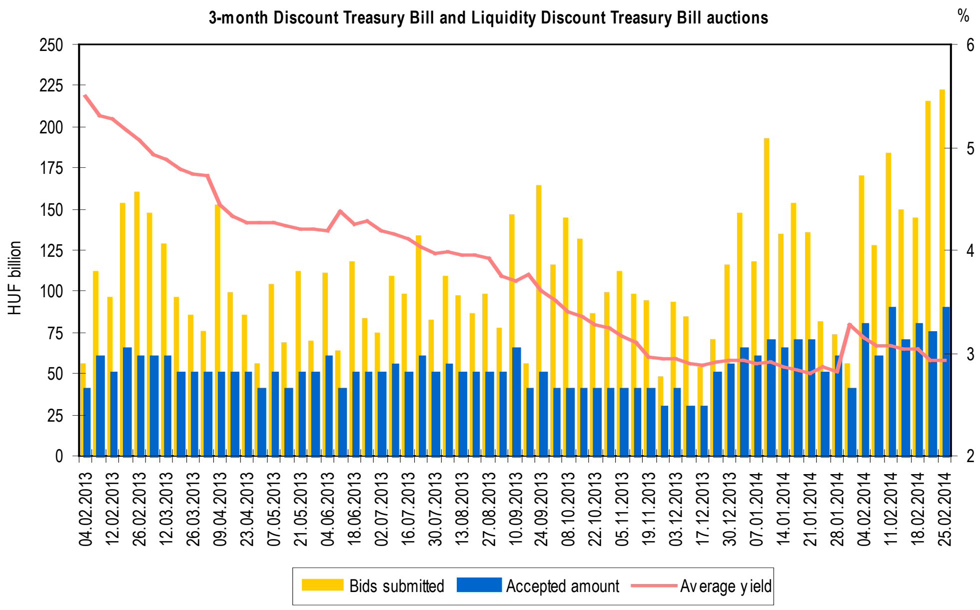


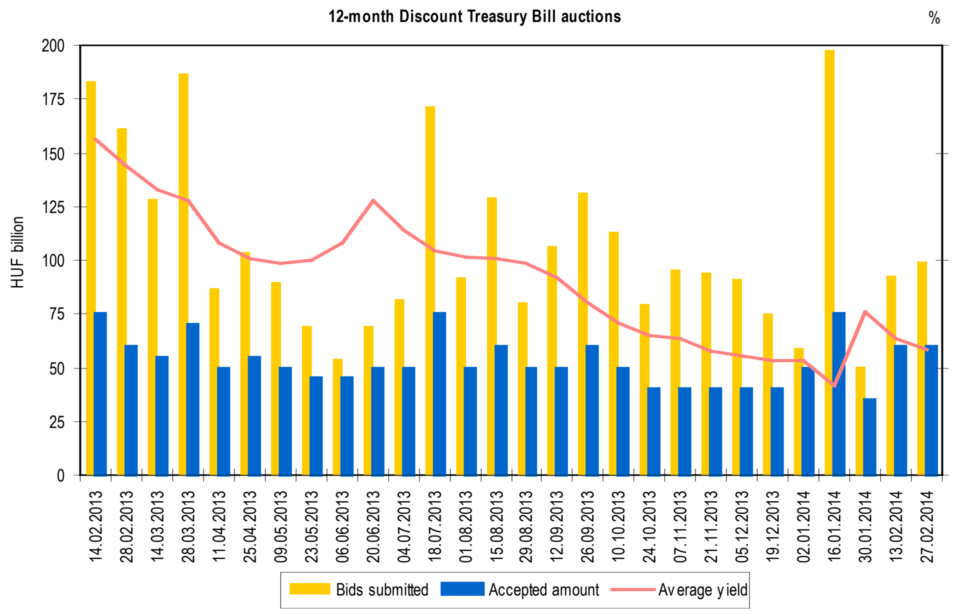
Benchmark yield curves



DISCOUNT TREASURY BILL AUCTION RESULTS

	Liquidity Discount T-bills				3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D140326	D140416	D140416	D140416	D140514	D140521	D140528	D140604	D150121	D150121
ISIN code	HU0000519772	HU0000519814	HU0000519814	HU0000519814	HU0000519855	HU0000519863	HU0000519871	HU0000519889	HU0000519848	HU0000519848
Maturity in days	49	63	56	49	91	91	91	91	336	322
Date of auction	03.02.2014	10.02.2014	17.02.2014	24.02.2014	04.02.2014	11.02.2014	18.02.2014	25.02.2014	13.02.2014	27.02.2014
Date of financial settlement	05.02.2014	12.02.2014	19.02.2014	26.02.2014	12.02.2014	19.02.2014	26.02.2014	05.03.2014	19.02.2014	05.03.2014
Redemption date	26.03.2014	16.04.2014	16.04.2014	16.04.2014	14.05.2014	21.05.2014	28.05.2014	04.06.2014	21.01.2015	21.01.2015
Maximum yield, (%) - ISMA	3.40	3.11	3.06	2.95	3.23	3.08	3.07	2.95	3.35	3.20
Minimum yield (%) - ISMA	2.89	3.00	3.00	2.90	2.89	2.99	2.98	2.90	3.19	3.10
Average yield (%) - ISMA	3.27	3.06	3.04	2.93	3.15	3.07	3.04	2.93	3.27	3.16
Maximum yield, (%) - EHM	3.45	3.15	3.10	2.99	3.28	3.12	3.11	2.99	3.40	3.24
Minimum yield (%) - EHM	2.93	3.04	3.04	2.94	2.93	3.03	3.02	2.94	3.23	3.14
Average yield (%) - EHM	3.32	3.10	3.08	2.97	3.19	3.11	3.08	2.97	3.32	3.20
Average selling price (%)	99.5569	99.4674	99.5293	99.6028	99.2100	99.2299	99.2374	99.2648	97.0384	97.2512
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	50,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Amount of bids submitted (HUF million)	56,550.00	128,108.40	149,179.00	215,430.00	170,097.00	184,398.19	144,380.00	222,300.00	92,348.00	99,000.00
Amount of bids accepted (HUF million)	40,000.00	59,999.99	69,999.92	74,999.97	80,000.00	89,999.91	79,999.91	89,999.91	59,999.96	59,999.94
Bid-to-cover ratio	1.41	2.14	2.13	2.87	2.13	2.05	1.80	2.47	1.54	1.65
Bids submitted (pcs)	47	99	121	105	150	158	129	170	117	124
Bids accepted (pcs)	34	49	58	46	71	72	78	68	83	77
Market sales* (HUF million)	40,000.00	59,999.99	69,999.92	74,999.97	80,000.00	89,999.91	79,999.91	89,999.91	59,999.96	59,999.94
Retained on ÁKK's own account	0.00	0.01	0.08	0.03	24,000.00	27,000.09	24,000.09	27,000.09	18,000.04	18,000.06
Total amount issued (HUF million)	40,000.00	60,000.00	70,000.00	75,000.00	104,000.00	117,000.00	104,000.00	117,000.00	78,000.00	78,000.00

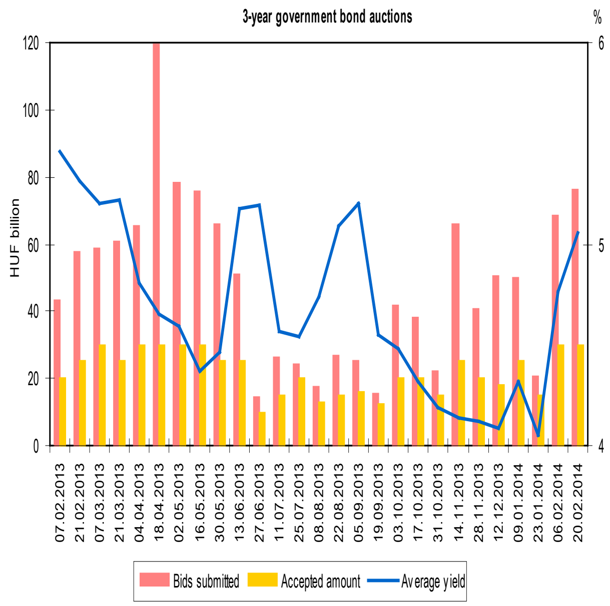


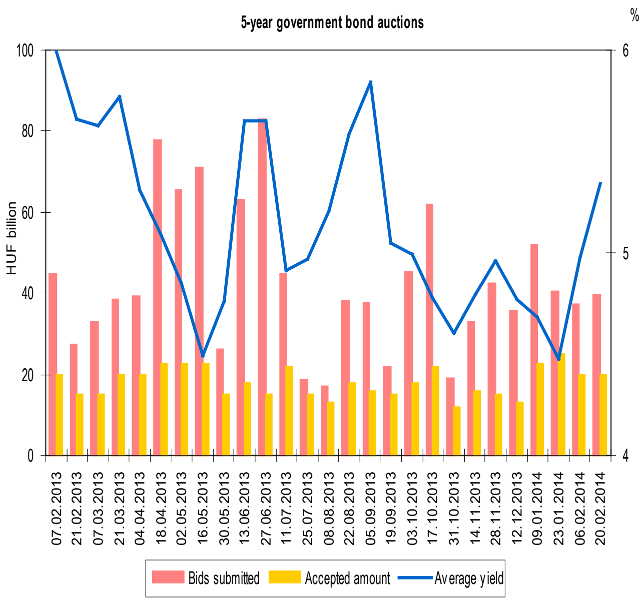


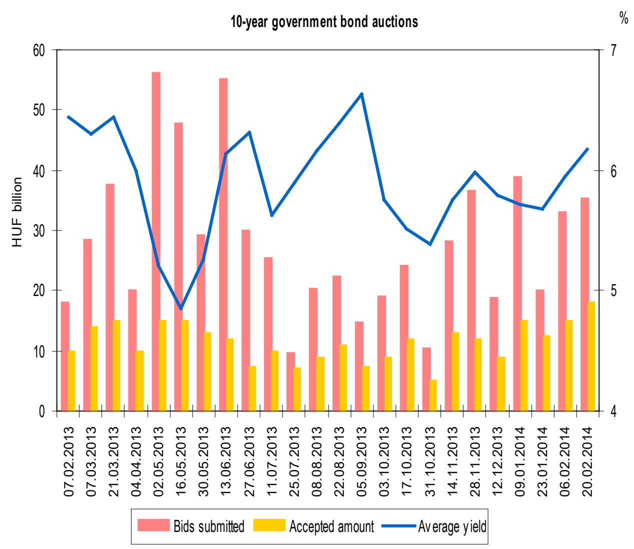
GOVERNMENT BOND AUCTION RESULTS

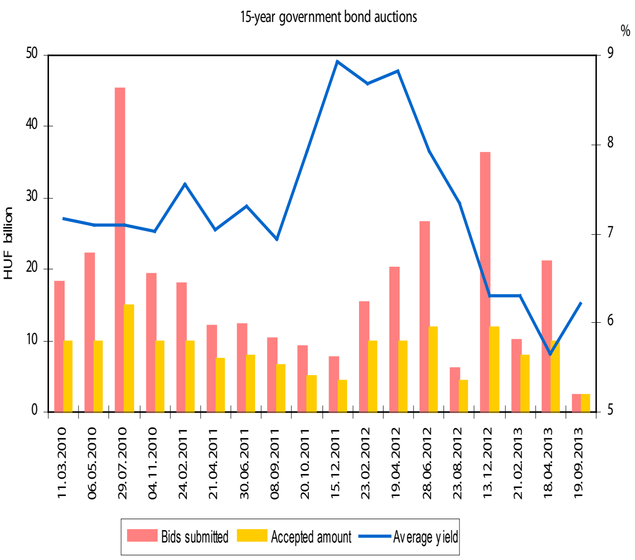
Government Bond	2018/B	2019/A	2025/B	2019/B	2018/B	2019/A	2025/B
ISIN code	HU0000402730	HU0000402433	HU0000402748	HU0000402649	HU0000402730	HU0000402433	HU0000402748
Maturity (in years)	3	5	10	5	3	5	10
Coupon (%)	4.00%	6.50%	5.50%	3.17%	4.00%	6.50%	5.50%
Auction	3rd auction	63rd auction	3rd auction	14th auction	4th auction	64th auction	4th auction
Date of auction	06.02.2014	06.02.2014	06.02.2014	13.02.2014	20.02.2014	20.02.2014	20.02.2014
Date of financial settlement	12.02.2014	12.02.2014	12.02.2014	19.02.2014	26.02.2014	26.02.2014	26.02.2014
Redemption date	25.04.2018	24.06.2019	24.06.2025	20.05.2019	25.04.2018	24.06.2019	24.06.2025
Maximum annual yield (%) - ISMA	4.80	5.00	5.97		5.10	5.37	6.20
Minimum annual yield (%) - ISMA	4.74	4.90	5.93		5.00	5.30	6.15
Average annual yield (%) - ISMA	4.76	4.98	5.95		5.06	5.34	6.17
Maximum annual yield (%) - EHM	4.80	5.00	5.97		5.10	5.37	6.20
Minimum annual yield (%) - EHM	4.74	4.90	5.93		5.00	5.30	6.15
Average annual yield (%) - EHM	4.76	4.98	5.95		5.05	5.34	6.17
Maximum price (%)	97.2579	107.3513	96.5432	96.1500	96.3403	105.4053	94.8299
Minimum price (%)	97.0388	106.8687	96.2274	95.7500	95.9829	105.0770	94.4452
Average price (%)	97.1792	106.9620	96.3467	95.8600	96.1362	105.2179	94.6443
Amount offered for sale (HUF million)	20,000.00	20,000.00	10,000.00	7,000.00	25,000.00	20,000.00	12,000.00
Amount of bids submitted (HUF million)	68,420,00	37,136,49	33,124,68	17,665,00	76,468.86	39,810.00	35,250.44
Amount of bids accepted (HUF million)	29,999.96	19,999.94	14,999.96	8,999.99	29,999.97	19,999.98	17,999.98
Bid-to-cover ratio	2.28	1.86	2.21	1.96	2.55	1.99	1.96
Bids submitted (pcs)	88	57	88	29	95	63	74
Bids accepted (pcs)	41	38	34	19	44	25	20
Tail (average price - minimum price)	0.14	0.09	0.12	0.11	0.15	0.14	0.20
Market sales* (HUF million)	29,999.96	19,999.94	14,999.96	8,999.99	29,999.97	19,999.98	17,999.98
Non-competitive offer (HUF million)	1,769.70	5,810.45	4,267.76	2,120.00	2,493.44	3,043.48	2,839.56
Total amount issued (HUF million)	60,000.00	40,000.00	30,000.00	12,600.00	60,000.00	28,000.00	36,000.00

*Without issuance onto ÁKK's own account





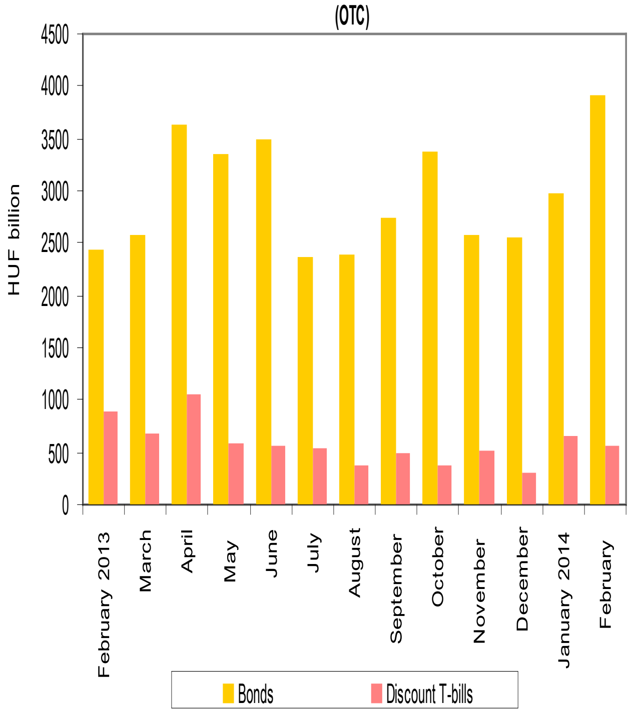




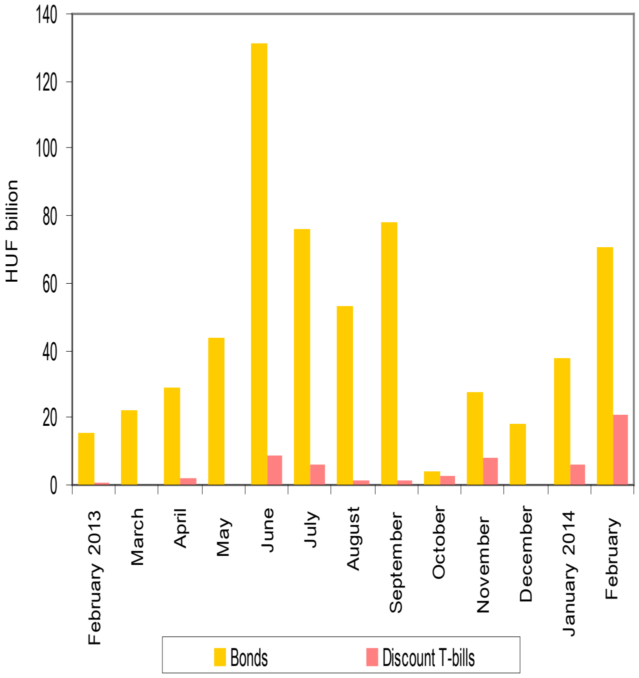
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN FEBRUARY 2014

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2026/A	28.02.2014	28.02.2014	28.02.2014	28.08.2014	2.85	1.43

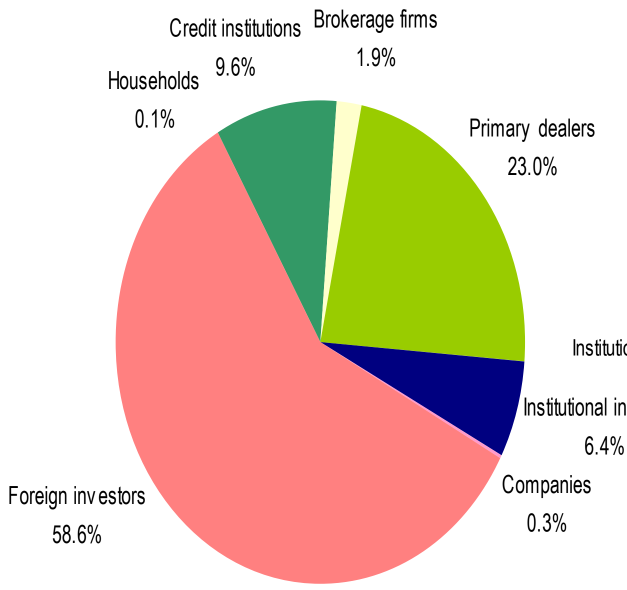
Secondary market trading of Hungarian government securities (OTC)



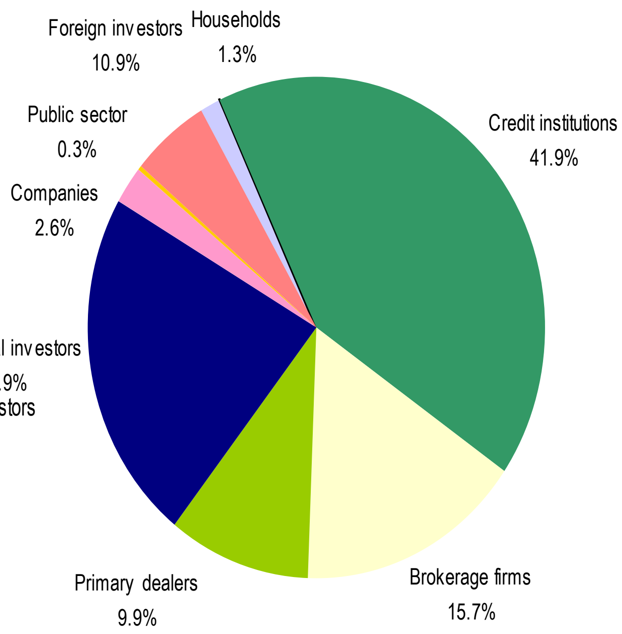
Secondary market trading of Hungarian government securities (MTS Hungary trading)



Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in February 2014



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in February 2014



HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 28 February 2014	577.0998	521.2376	562.8564	514.1131
Changes compared to the end of the month before	-2.0983	2.3634	-1.4504	2.5531
Annual yield earned on the index portfolio	7.74%	4.98%	6.96%	4.21%

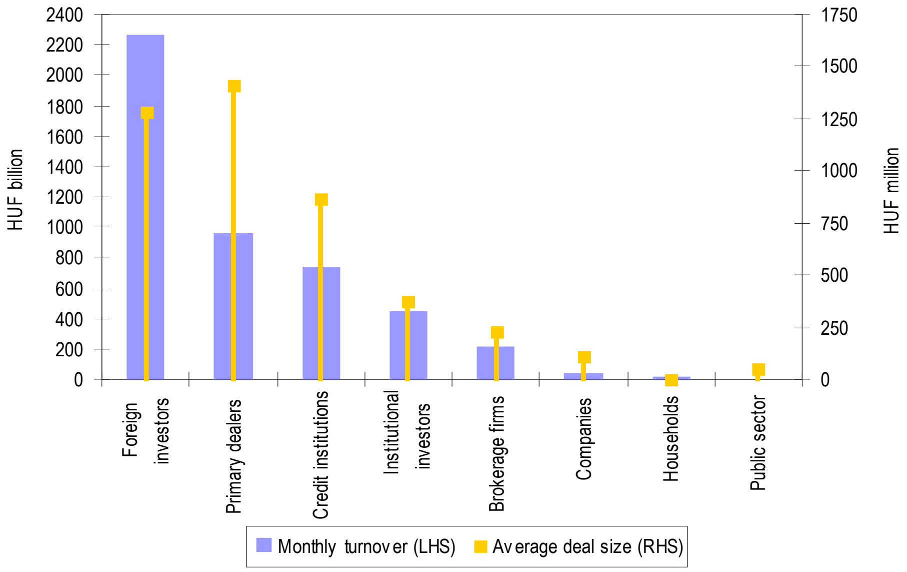
Government securities with the highest secondary market turnover in February 2014

Government security	Date of redemption	Turnover (HUF billion)
2023/A	24.11.2023	983.5
2019/A	24.06.2019	769.8
2017/A	24.11.2017	456.2
2016/D	22.12.2016	391.3
2017/B	24.02.2017	287.4
2018/B	25.04.2018	270.8
2018/A	20.12.2018	208.2
D140416	16.04.2014	206.6
2015/A	12.02.2015	204.9
2022/A	24.06.2022	200.3

The outstanding volume of government bonds with benchmark status at the end of February 2014

	HUF billion	
Government bond	31.01.2014	28.02.2014
2018/B	49.20	114.03
2019/A	693.03	742.48
2025/B	35.02	75.54
2028/A	120.44	120.65

Primary dealers' trading with different investor groups in February 2014



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