Á · K · K

GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

AUGUST 2014

The deficit of the central government amounted to HUF 858.8 billion in August. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 224.3 billion. Thus, the total net financing requirement amounted to HUF 634.5 billion in 2014. Net issuance was HUF 1,919.9 billion, including the sum of debt assumptions HUF 436.7 billion; out of which net HUF-denominated issuance was HUF 1,478.6 billion and net foreign currency denominated issuance was HUF 441.4 billion. Without debt assumptions net issuance was HUF 1,600.1 billion, out of which net HUF-denominated issuance was HUF 1,436.2 billion and net foreign currency denominated issuance was HUF 163.9 billion.

	2013		2014		Change	
HUF billion	December	%	August	%	HUF billion	%
Foreign exchange denominated debt	8,904.9	40.2	9,899.5	40.5	994.6	11.2
Government securities	6,169.3	24.2	6,752.2	27.6	582.8	9.4
Loans	2,735.6	16.0	3,147.4	12.9	411.8	15,1
HUF denominated debt	12,976.4	58.1	14,455.0	59.1	1 478.6	11.4
Government securities	12,372.8	55.4	13,760.7	56.2	1 387.8	11.2
Loans	603.6	2.7	694.3	2.8	90.75	15.0
Total	21,881.4	98.3	24,354.5	99.5	2,473	11.3
Other obligations	117.3	1.7	110.8	0.5	-6.4	-5.5
Total central government debt	21,998.6	100.0	24,465.3	100.0	2,466.7	11.2

The HUF denominated debt of the central government increased by HUF 1,478.6 billion in 2014. The increase in domestic debt was the result of net government bond issuance of HUF 707.2 billion, the amount of discount Treasury bills increased by HUF 177.8 billion and the total amount of retail government securities increased by HUF 534.1 billion. The stock of non-marketable government bonds decreased by HUF 31.2 billion because of redemption. The volume of HUF loans increased by HUF 90.7 billion in 2014.

The foreign currency debt of the central government increased by HUF 994.6 billion in 2014. The foreign currency bond issue increased the debt by HUF 678.8 billion, the P€MAK and residence bond issuance was HUF 356.0 billion, the drawdown of foreign currency denominated loans was HUF 48.0 billion. The debt assumptions worth HUF 294.1 billion increased, while the redemptions of foreign currency debt worth HUF 935.5 billion decreased the debt. The exchange rate revaluations totalling HUF 553.2 billion increased the Hungarian Forint value of the foreign currency debt in 2014.

Benchmark yields

Maturity	31.12.2013.	31.07.2014.	31.08.2014.	Change, basis points
3-month	2.87	1.68	1.52	-16
6-month	2.95	1.72	1.52	-20
1-year	3.05	1.89	1.76	-13
3-year	4.04	3.34	3.20	-14
5-year	4.70	3.68	3.52	-16
10-year	5.70	4.73	4.45	-28
15-year	6.30	5.03	4.74	-29

Monthly OTC turnover of government securities decreased in August and reached HUF 5,349.1 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 64% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 211.1 billion in August, and amounted to HUF 4,765.4 billion at the end of the month. This volume represented 34.6% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 315.28 on the last working day of August.

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

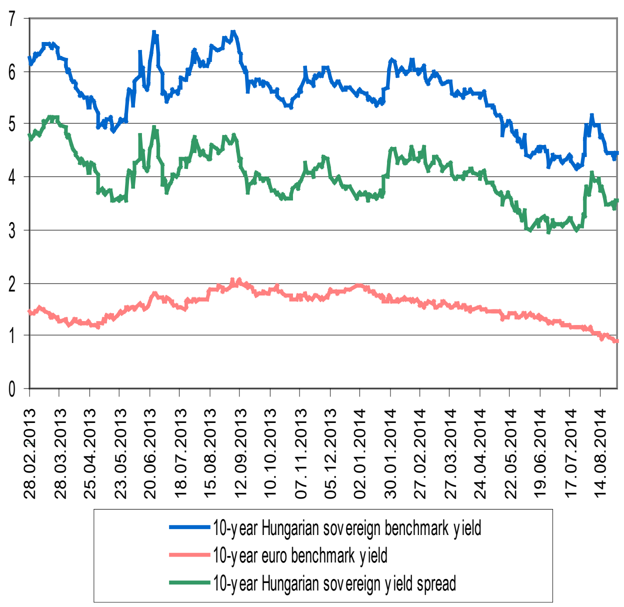
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

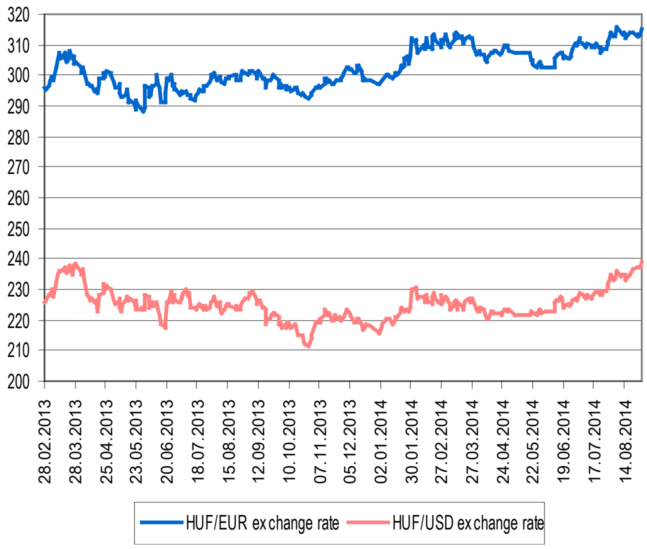
	2007	2008	2009	2010	2011	2012	2013	June 2014	July 2014	Aug 2014
1. Forint denominated debt	11,103.8	11,250.6	10,476.2	10,978.2	10,362.2	12,042.4	12,976.4	14,629.8	14,867.3	14,455.0
1.1. Loans	145.7	219.9	438.7	540.8	590.8	566.8	603.6	687.7	686.0	694.3
1.2. Government securities	10,958.1	11,030.7	10,037.5	10,437.4	9,771.4	11,475.6	12,372.8	13,942.1	14,181.3	13,760.7
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	13,782.8	14,022.0	13,601.4
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	9,221.8	9,432.5	9,296.0
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	2,430.4	2,378.3	2,082.8
1.2.1.3. Retail securities	555.2	546.4	446.6	435.7	473.8	986.6	1,688.5	2,130.6	2,211.2	2,222.6
1.2.2. Private placements	492.7	431.0	424.3	417.8	403.2	398.5	190.5	159.3	159.3	159.3
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	10,051.3	9,799.2	9,899.5
2.1. Loans	846.5	2,529.4	4,112.7	4,292.8	4,458.1	3,312.5	2,735.6	3,125.0	3,128.7	3,147.4
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	2,626.7	2,640.9	2,668.4
2.1.2. Domestic loans	104.0	0.0	0.0	0.0	96.2	83.5	335.4	498.3	487.9	478.9
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	6,926.4	6,670.4	6,752.2
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	6,127.8	5,858.9	5,920.3
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	89.9	432.5	798.6	811.5	831.8
Total	15,576.4	18,025.4	18,942.9	19,821.0	20,532.6	20,369.0	21,881.4	24,681.1	24,666.5	24,354.5
Other liabilities	9.1	78.5	20.1	220.01	422.9	351.1	117.3	105.8	109.9	110.8
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	24,786.9	24,776.4	24,465.3
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*	*11,811.5*	*11,970.1*	*11,538.1*
Gross debt/GDP	*61.3%*	*68.2%*	*74.0%*	*75.6%*	*75.8%*	*73.9%*	*75.7%*			

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

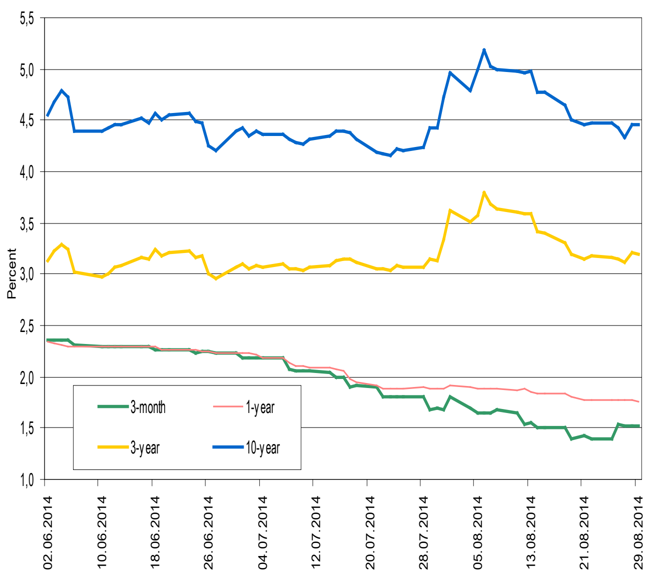
% 10-year Hungarian and eurozone benchmark yields during the last year



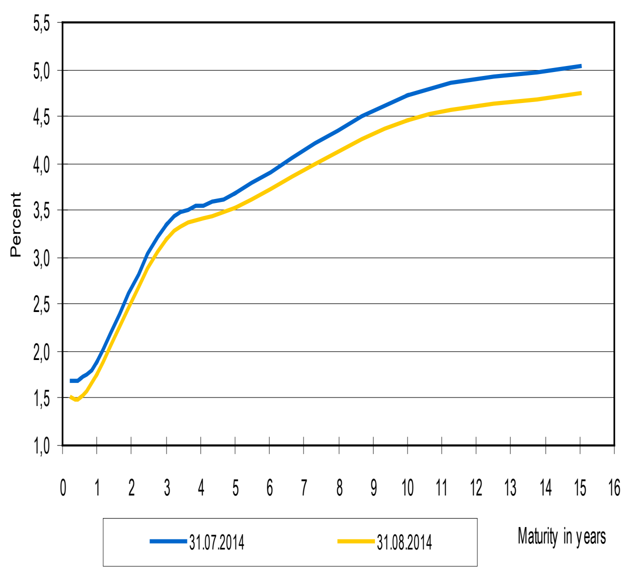
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months



Benchmark yield curves

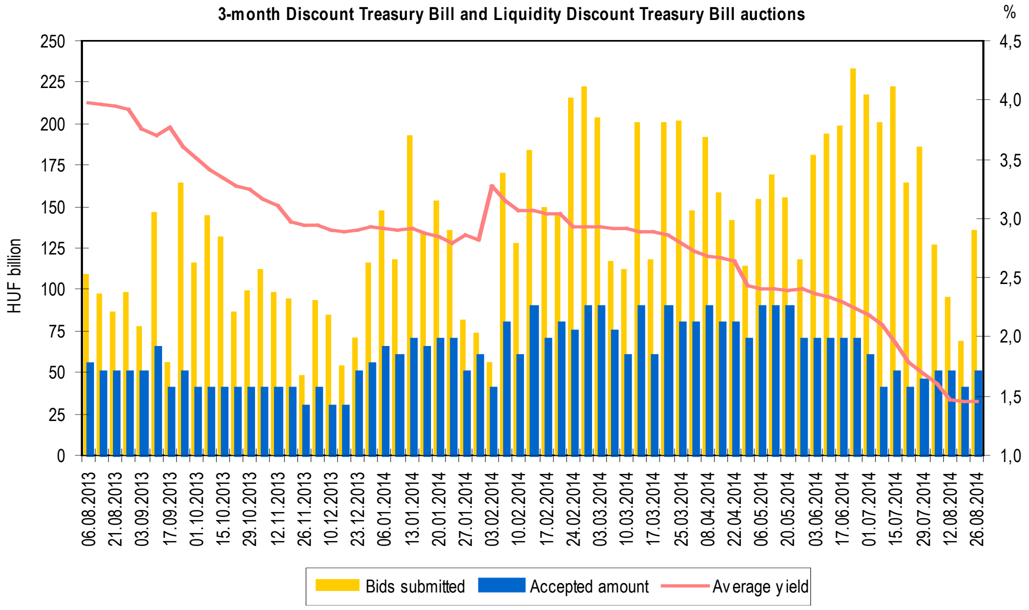


DISCOUNT TREASURY BILL AUCTION RESULTS

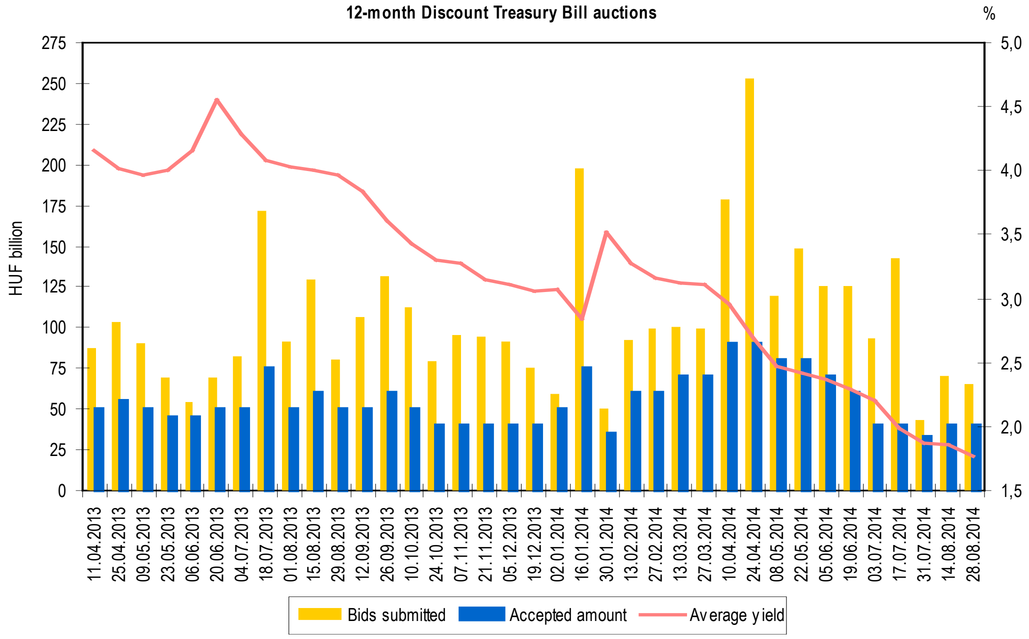
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D141112	D141119	D141126	D141203	D150722	D150722
ISIN code	HU0000520119	HU0000520127	HU0000519780	HU0000520135	HU0000520085	HU0000520085
Maturity in days	91	90	91	91	335	322
Date of auction	05.08.2014	12.08.2014	19.08.2014	26.08.2014	14.08.2014	28.08.2014
Date of financial settlement	13.08.2014	21.08.2014	27.08.2014	03.09.2014	21.08.2014	03.09.2014
Redemption date	12.11.2014	19.11.2014	26.11.2014	03.12.2014	22.07.2015	22.07.2015
Maximum yield (%) - ISMA	1.62	1.50	1.50	1.45	1.88	1.80
Minimum yield (%) - ISMA	1.58	1.45	1.40	1.33	1.83	1.70
Average yield (%) - ISMA	1.61	1.47	1.45	1.45	1.86	1.77
Maximum yield (%) - EHM	1.64	1.52	1.52	1.47	1.91	1.83
Minimum yield (%) - EHM	1.60	1.47	1.42	1.35	1.86	1.72
Average yield (%) - EHM	1.63	1.49	1.47	1.47	1.89	1.79
Average selling price (%)	99.5947	99.6338	99.6348	99.6348	98.2986	98.4415
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	127,292.46	95,443.17	68,801.00	136,310.00	70,500.00	65,400.00
Amount of bids accepted (HUF million)	49,999.95	49,999.96	39,999.99	49,999.96	39,999.98	39,999.97
Bid-to-cover ratio	2.55	1.91	1.72	2.73	1.76	1.64
Bids submitted (pcs)	97	84	45	86	72	96
Bids accepted (pcs)	32	29	41	33	36	48
Market sales* (HUF million)	49,999.95	49,999.96	39,999.99	49,999.96	39,999.98	39,999.97
Retained on ÁKK's own account	15,000.05	15,000.04	12,000.01	150,000.04	12,000.02	12,000.03
Total amount issued (HUF million)	65,000.00	65,000.00	52,000.00	65,000.00	52,000.00	52,000.00

*Without issuance onto ÁKK's own account

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



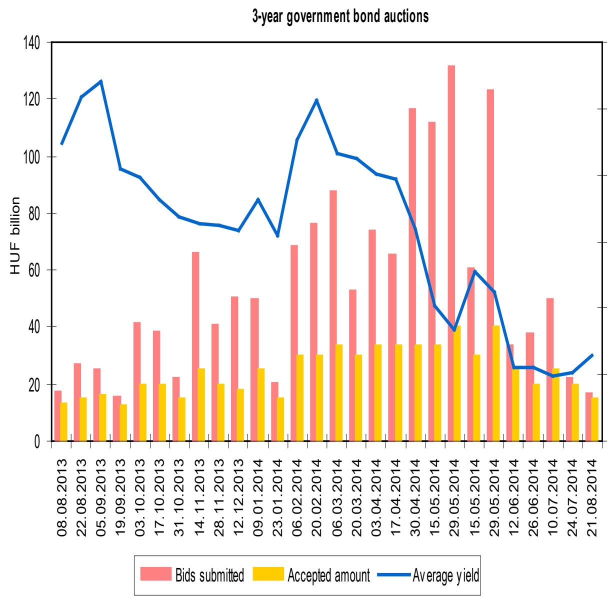
12-month Discount Treasury Bill auctions

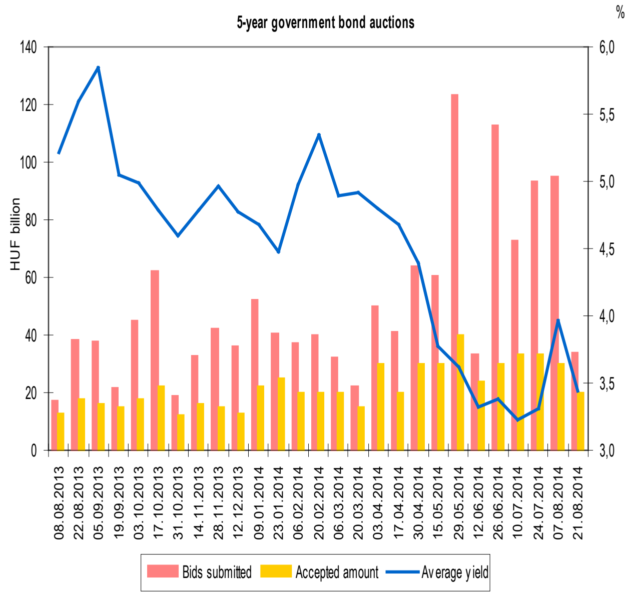


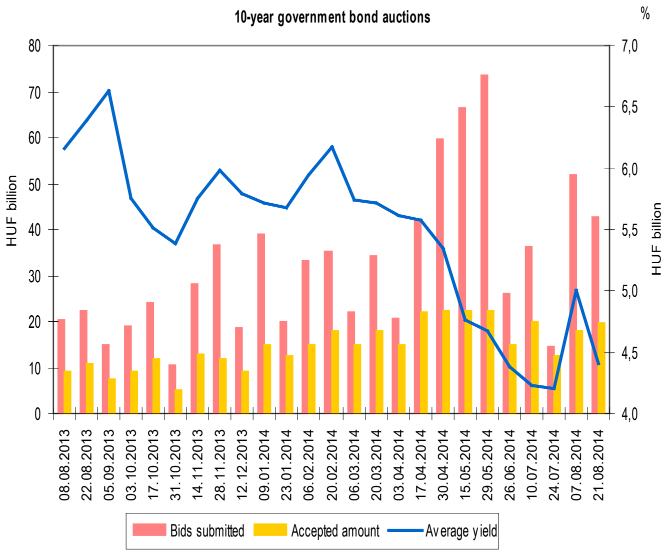
GOVERNMENT BOND AUCTION RESULTS

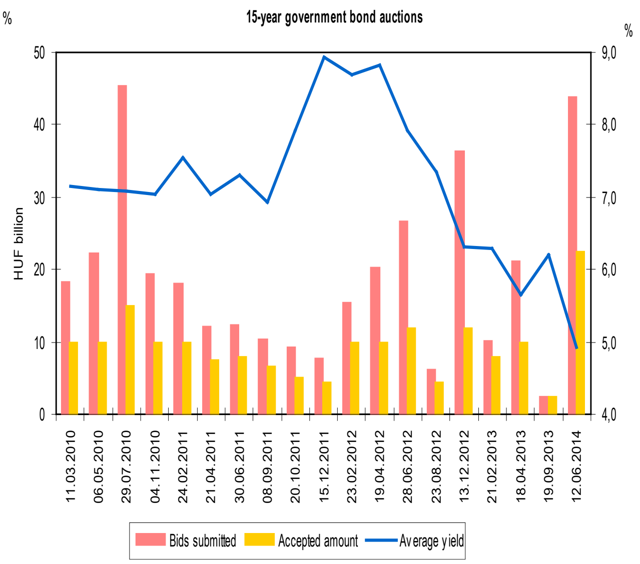
Government Bond	2018/B	2019/A	2025/B	2017/C	2018/B	2019/A	2025/B	2017/C
ISIN code	HU0000402730	HU0000402433	HU0000402748	HU0000402821	HU0000402730	HU0000402433	HU0000402748	HU0000402821
Maturity (in years)	3	5	10	3	3	5	10	3
Coupon (%)	4.00%	6.50%	5.50%	2.65%	4.00%	6.50%	5.50%	2.65%
Auction	16th auction	76th auction	15th auction	9th auction	17th auction	77th auction	16th auction	10th auction
Date of auction	07.08.2014	07.08.2014	07.08.2014	14.08.2014	21.08.2014	21.08.2014	21.08.2014	28.08.2014
Date of financial settlement	13.08.2014	13.08.2014	13.08.2014	21.08.2014	27.08.2014	27.08.2014	27.08.2014	03.09.2014
Redemption date	25.04.2018	24.06.2019	24.06.2025	20.12.2017	25.04.2018	24.06.2019	24.06.2025	20.12.2017
Maximum annual yield (%) - ISMA	3.68	3.99	5.01		3.17	3.48	4.43	
Minimum annual yield (%) - ISMA	3.60	3.95	4.99		3.10	3.40	4.38	
Average annual yield (%) - ISMA	3.63	3.97	5.01		3.15	3.44	4.41	
Maximum annual yield (%) - EHM	3.68	3.99	5.01		3.17	3.48	4.43	
Minimum annual yield (%) - EHM	3.60	3.95	4.99		3.10	3.40	4.38	
Average annual yield (%) - EHM	3.63	3.97	5.00		3.14	3.44	4.41	
Maximum price (%)	101.3475	111.0703	104.1827	99.0600	103.0559	113.5672	109.4763	99.0100
Minimum price (%)	101.0728	110.8843	104.0138	98.8600	102.8124	113.1872	109.0285	98.9000
Average price (%)	101.2491	110.9723	104.0539	98.9300	102.8968	113.3857	109.1796	98.9200
Amount offered for sale (HUF million)	20,000.00	20,000.00	12,000.00	20,000.00	20,000.00	20,000.00	13,000.00	20,000.00
Amount of bids submitted (HUF million)	46,690,00	95,100,00	51,820,00	42,650,00	16,570.00	33,800.00	42,855,00	71,600,00
Amount of bids accepted (HUF million)	26,999.99	29,999.99	18,000.00	19,999.97	14,999.99	19,999.97	19,499.97	29,999.97
Bid-to-cover ratio	1.73	3.17	2.88	2.13	1.10	1.69	2.20	2.39
Bids submitted (pcs)	37	51	46	62	31	37	37	124
Bids accepted (pcs)	17	17	17	37	28	29	18	49
Tail (average price - minimum price)	0.18	0.09	0.04	0.07	0.08	0.20	0.15	0.02
Market sales* (HUF million)	26,999.99	29,999.99	18,000.00	19,999.97	14,999.99	19,999.97	19,499.97	29,999.97
Non-competitive offer (HUF million)	1,562.35	4,142.85	3,000.00	4,757.90	0.00	711.57	752.69	9,555.79
Total amount issued (HUF million)	27,000.00	30,000.00	18,000.00	20,000.00	15,000.00	20,000.00	19,500.00	30,000.00

*Without issuance onto ÁKK's own account



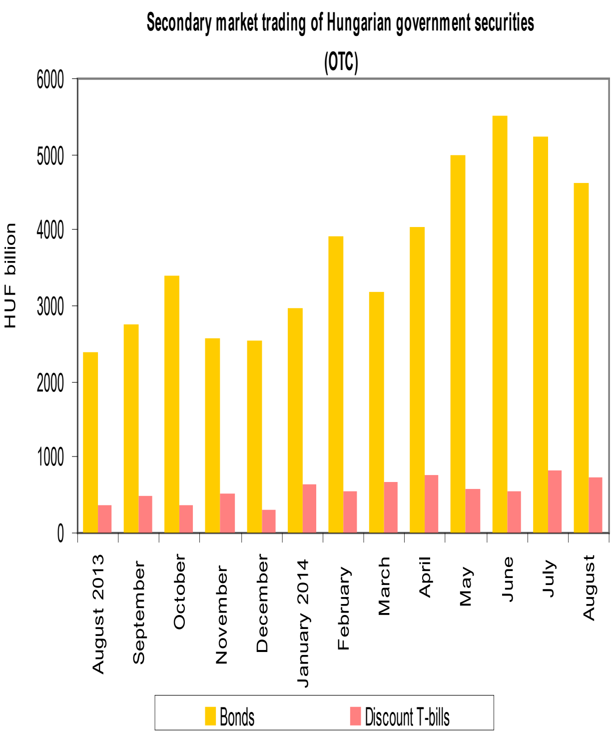


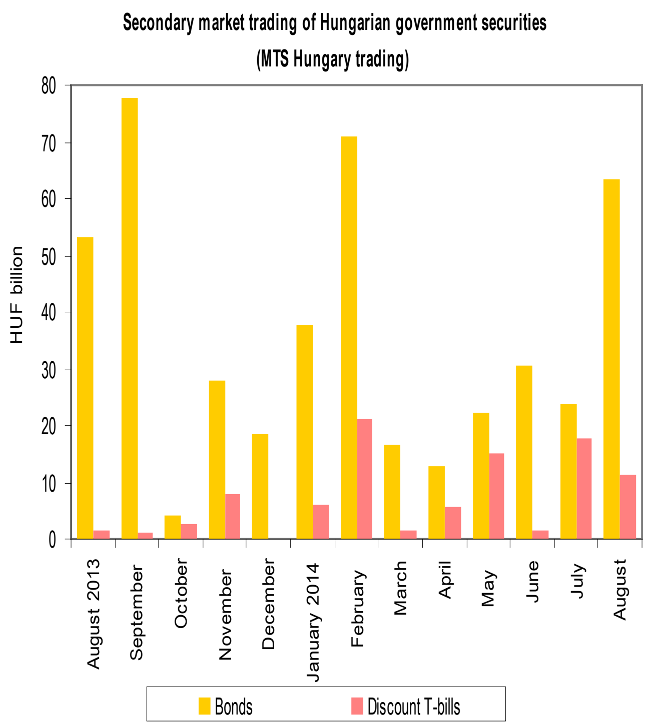


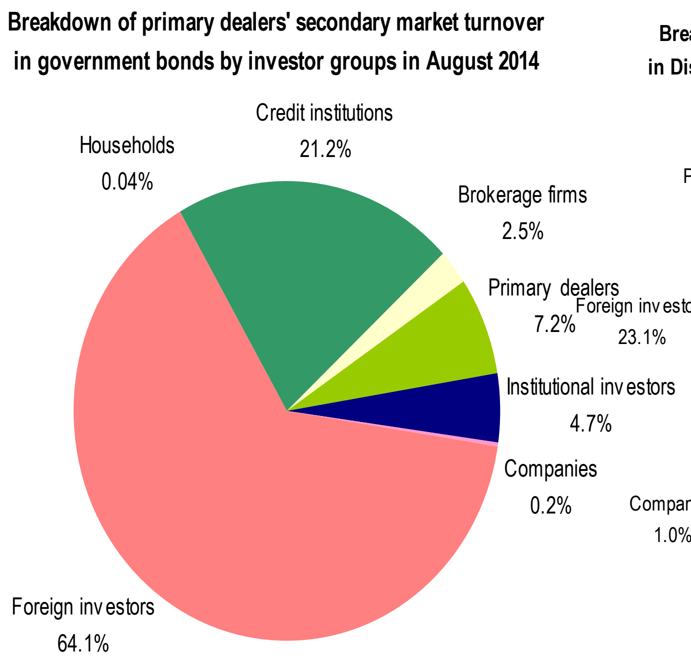


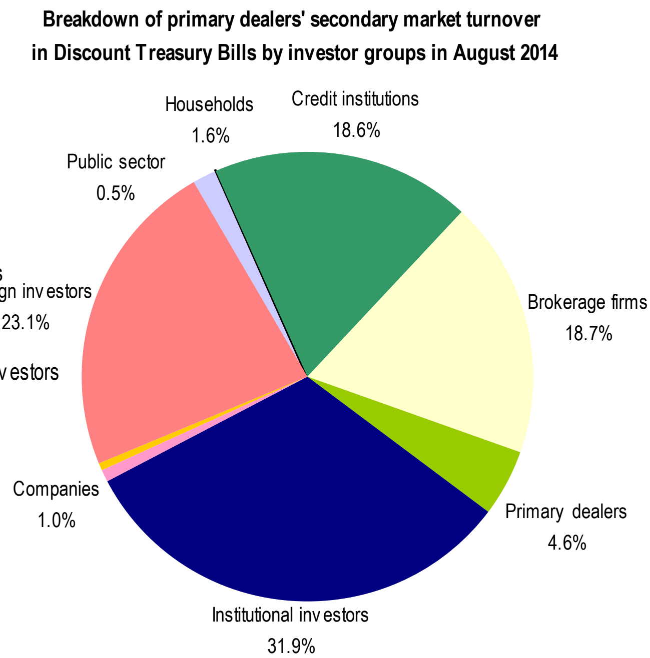
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN AUGUST 2014

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2024/N	26.08.2014	26.08.2014	26.08.2015	26.08.2015	4.49	4.55
2026/A	28.08.2014	28.08.2014	28.02.2015	02.03.2015	1.96	1.00









HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 August 2014	627.6191	532.3147	604.8886	521.3953
Changes compared to the end of the month before	2.1073	3.4417	2.3083	2.3281
Annual yield earned on the index portfolio	14.89%	4.38%	12.70%	3.24%

Government securities with the highest secondary market turnover in August 2014

Government security	Date of redemption	Turnover (HUF billion)
2023/A	24.11.2023	1,030.8
2019/A	24.06.2019	704.7
2025/B	24.06.2025	522.8
2016/D	22.12.2016	357.6
2018/A	20.12.2018	357.5
2022/A	24.06.2022	345.3
2017/B	24.02.2017	296.4
2017/A	24.11.2017	277.9
2014/D	22.08.2014	255.9
2020/A	12.11.2020	235.1

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

	HUF billion	
Government bond	31.07.2014	31.08.2014
2018/B	512.73	556.78
2019/A	1,110.29	1,165.99
2025/B	283.50	325.12
2028/A	151.11	151.13