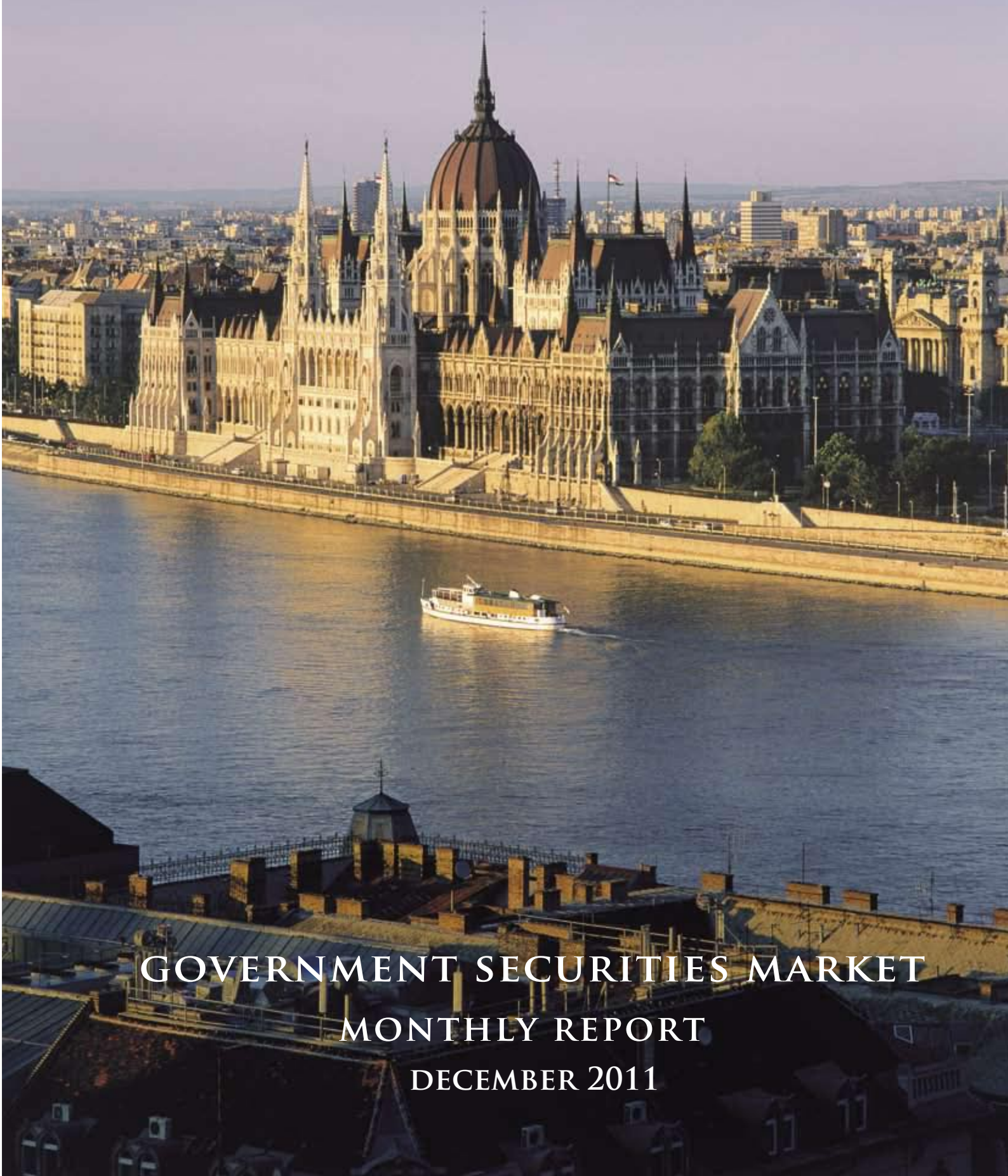




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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.



GOVERNMENT SECURITIES MARKET  
MONTHLY REPORT  
DECEMBER 2011

## ■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 1,734.4 billion in 2011, out of which the assumed loans was HUF 246.0 billion. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 406.6 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 financing requirement amounted to HUF 1,074.6 billion in 2011. Net issuance was HUF 955.0 billion; out of which net HUF-denominated issuance was HUF 790.2 billion and net foreign currency denominated issuance was HUF 164.8 billion.

| HUF billion                                                                    | 2010     |       | 2011     |       | Change      |      |
|--------------------------------------------------------------------------------|----------|-------|----------|-------|-------------|------|
|                                                                                | December | %     | December | %     | HUF billion | %    |
| Foreign exchange denominated debt                                              | 8,842.8  | 44.1  | 10,170.4 | 48.5  | 1,327.7     | 15.0 |
| Government securities                                                          | 4,550.0  | 22.7  | 5,712.3  | 27.3  | 1,162.3     | 25.5 |
| Loans                                                                          | 4,292.8  | 21.4  | 4,458.1  | 21.3  | 165.3       | 3.9  |
| HUF denominated debt                                                           | 10,978.2 | 54.8  | 10,362.2 | 49.4  | -616.0      | -5.9 |
| Government securities                                                          | 10,437.4 | 52.1  | 9,771.4  | 46.6  | -666.0      | -6.4 |
| Loans                                                                          | 540.8    | 2.7   | 590.8    | 2.8   | 50.0        | 9.2  |
| Total                                                                          | 19,821.0 | 98.9  | 20,532.6 | 98.0  | 711.6       | 3.6  |
| <i>Other obligations</i>                                                       | 220.0    | 1.1   | 422.9    | 2.0   | 202.9       | 92.2 |
| Total central government debt                                                  | 20,041.0 | 100.0 | 20,955.5 | 100.0 | 914.5       | 4.6  |
| Out of the international loan program was placed in NBH or in commercial banks | 974.1    |       | 481.6    |       | -492.5      |      |

The HUF denominated debt of the central government decreased by HUF 616.0 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 1,405.4 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 564.1 billion, the amount of discount Treasury bills increased by HUF 142.6 billion and the total amount of retail government securities increased by HUF 38.1 billion. The withdrawal from the market of government securities worth HUF 1,405.4 bn decreased the outstanding volume of government bonds by HUF 1,186.2 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 1,327.7 billion in 2011. The foreign currency bond issue increased the debt by HUF 1063.0 billion and the drawdowns and assumed foreign currency denominated loans worth HUF 366.3 increased, while redemptions of foreign currency debt worth HUF 1,264.5 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 1,164.6 billion increased the Hungarian Forint value of the foreign currency debt in 2011.

Out of the international loan program HUF 481.6 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 422.9 billion in December 2011.

Secondary market yields in December:

### Benchmark yields

| Maturity | 31.12.2010. | 30.11.2011. | 30.12.2011. | Change, basis points |
|----------|-------------|-------------|-------------|----------------------|
| 3-month  | 5.76        | 6.78        | 7.55        | 77                   |
| 6-month  | 6.15        | 7.58        | 7.60        | 2                    |
| 1-year   | 6.33        | 7.67        | 7.95        | 28                   |
| 3-year   | 7.72        | 8.83        | 9.06        | 23                   |
| 5-year   | 7.85        | 8.87        | 9.64        | 77                   |
| 10-year  | 7.95        | 8.92        | 9.75        | 83                   |
| 15-year  | 7.94        | 8.91        | 9.76        | 85                   |

Monthly OTC turnover of government securities was 27 % higher in December than a month before and reached HUF 7,158.2 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 52.1 billion in December, and amounted to HUF 3,796.8 billion at the end of the month. This volume represented 38.9% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 311.13 on the last working day of 2011.

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

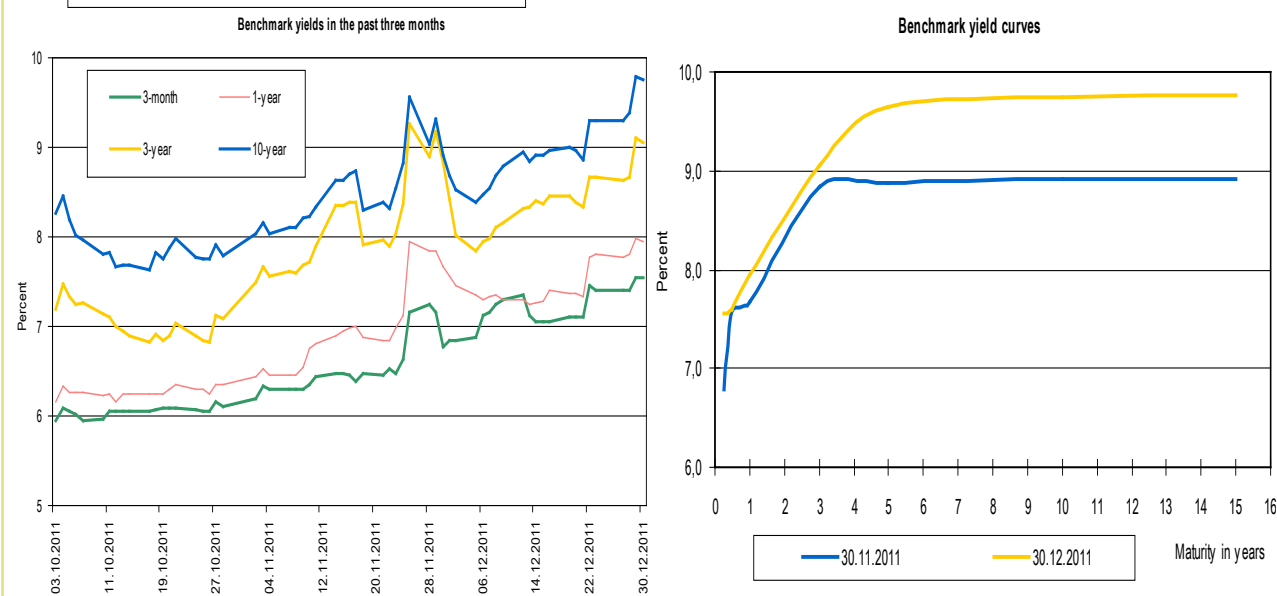
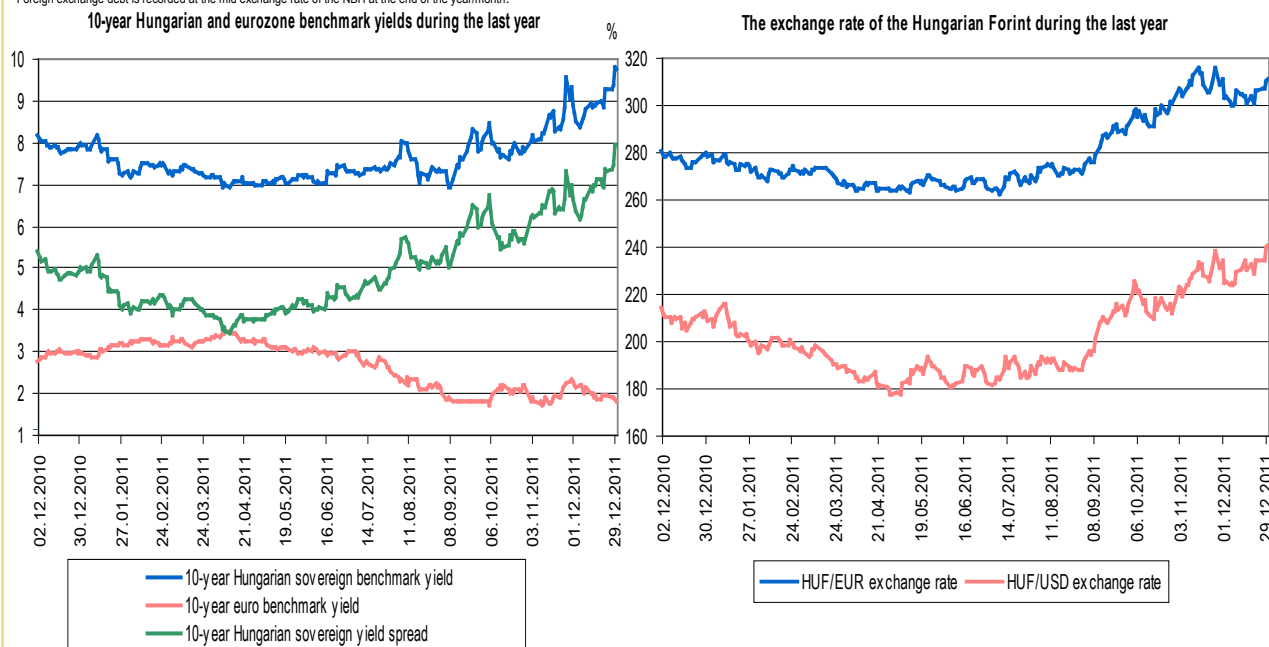
# ■ GOVERNMENT SECURITIES MARKET ■

## CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

|                                                         | 2005     | 2006     | 2007     | 2008     | 2009     | 2010     | Oct 2011 | Nov 2011 | Dec 2011 |
|---------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 1. Forint denominated debt                              | 9,153.5  | 10,552.3 | 11,103.8 | 11,250.6 | 10,476.2 | 10,978.2 | 10,227.4 | 10,433.6 | 10,362.2 |
| 1.1. Loans                                              | 0.8      | 356.4    | 145.7    | 219.9    | 438.7    | 540.8    | 540.8    | 540.8    | 590.8    |
| 1.2. Government securities                              | 9,152.7  | 10,195.9 | 10,958.1 | 11,030.7 | 10,037.5 | 10,437.4 | 9,686.6  | 9,892.8  | 9,771.4  |
| 1.2.1. Public issues                                    | 8,418.8  | 9,667.5  | 10,465.4 | 10,599.7 | 9,613.2  | 10,019.6 | 9,271.3  | 9,477.5  | 9,378.1  |
| 1.2.1.1. Bonds                                          | 6,299.1  | 7,244.2  | 8,245.3  | 8,570.6  | 7,519.2  | 7,965.8  | 7,218.5  | 7,290.3  | 7,353.4  |
| 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  | 1,588.3  | 1,715.9  | 1,540.9  |
| 1.2.1.3. Retail securities                              | 588.7    | 667.4    | 555.2    | 546.4    | 446.6    | 435.7    | 464.5    | 471.3    | 473.8    |
| 1.2.2. Private placements                               | 733.9    | 528.4    | 492.7    | 431.0    | 424.3    | 417.8    | 415.3    | 415.3    | 403.2    |
| 2. Foreign currency denominated debt*                   | 3,590.7  | 4,124.4  | 4,472.6  | 6,774.8  | 8,466.7  | 8,842.8  | 10,228.0 | 10,641.7 | 10,170.4 |
| 2.1. Loans                                              | 720.6    | 803.7    | 846.5    | 2,529.4  | 4,112.7  | 4,292.8  | 4,714.5  | 4,932.5  | 4,458.1  |
| 2.1.1. Foreign loans                                    | 616.9    | 700.1    | 838.8    | 2,529.4  | 4,112.7  | 4,292.8  | 4,714.5  | 4,932.5  | 4,337.9  |
| 2.1.2. Domestic loans                                   | 103.8    | 103.6    | 104.0    | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 120.2    |
| 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      | 120.2    |
| 2.2. Government securities                              | 2,870.1  | 3,320.7  | 3,626.1  | 4,245.5  | 4,354.0  | 4,550.0  | 5,513.5  | 5,709.2  | 5,712.3  |
| 2.2.1. Issued abroad                                    | 2,870.1  | 3,320.7  | 3,626.1  | 4,245.5  | 4,354.0  | 4,550.0  | 5,513.5  | 5,709.2  | 5,712.3  |
| 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  | 5,513.5  | 5,709.2  | 5,712.3  |
| 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 | 20,455.4 | 21,075.4 | 20,532.6 |
| Other liabilities                                       | 21.4     | 29.0     | 9.1      | 78.5     | 20.1     | 220.1    | 311.7    | 350.7    | 422.9    |
| Total central government debt                           | 12,765.6 | 14,705.7 | 15,585.5 | 18,103.9 | 18,963.1 | 20,041.0 | 20,767.0 | 21,426.1 | 20,955.5 |
| Foreign currency deposits and on-lent loans             |          |          |          | 1,483.6  | 1,124.8  | 974.1    | 448.1    | 1,099.4  | 481.6    |
| Government debt adjusted with foreign currency deposits |          |          |          | 16,620.3 | 17,838.3 | 19,066.9 | 20,319.0 | 20,326.7 | 20,473.9 |
| 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 | 9,222.1  | 9,421.6  | 9,297.6  |
| Gross debt/GDP                                          | 57.9%    | 61.8%    | 61.3%    | 68.2%    | 72.7%    | 73.9%    |          |          |          |

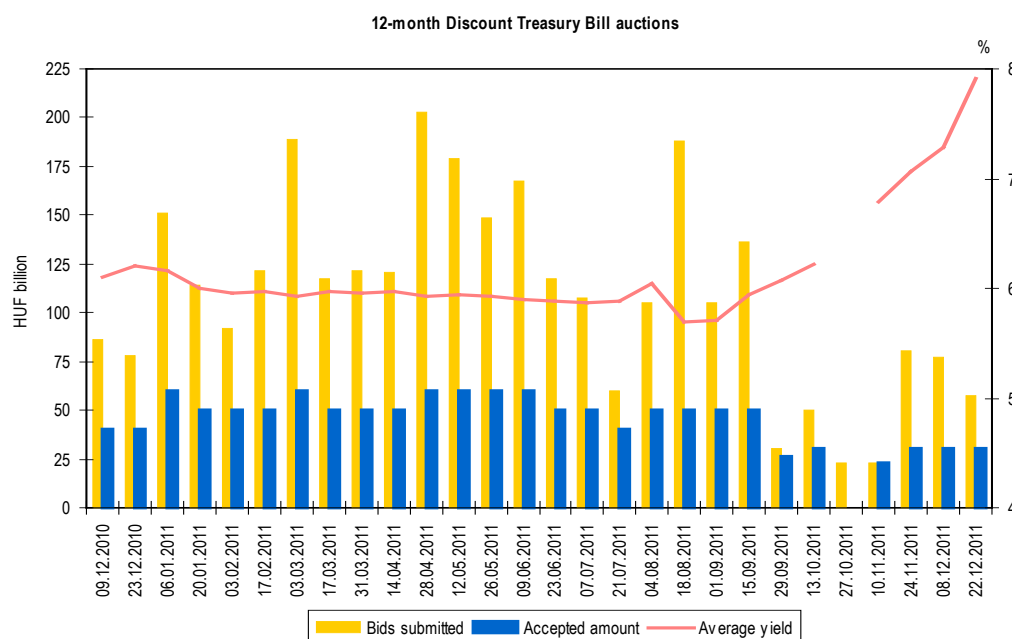
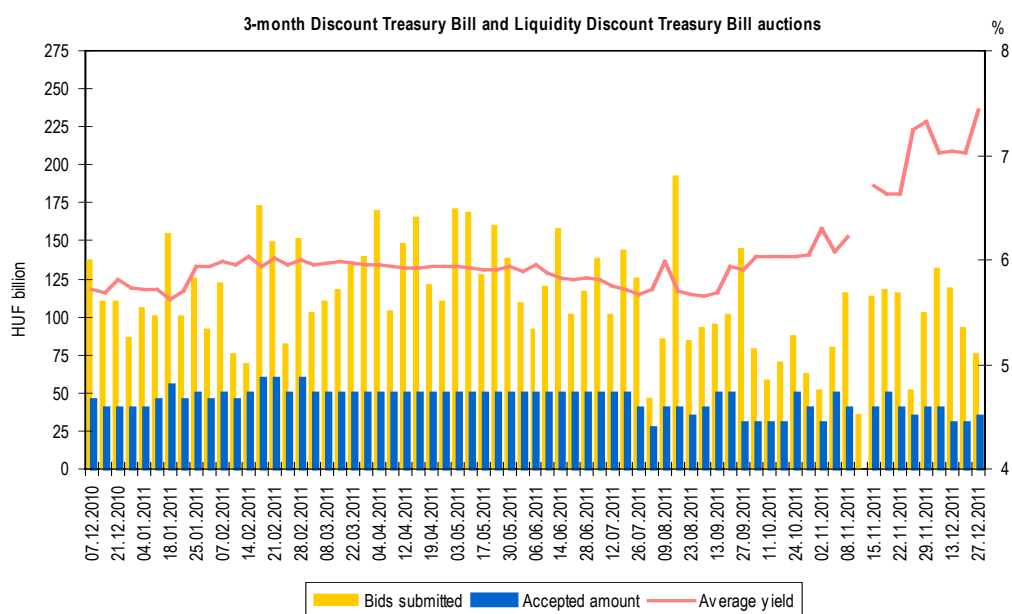
\*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.



# ■ GOVERNMENT SECURITIES MARKET ■

## DISCOUNT TREASURY BILL AUCTION RESULTS

|                                        | 3-month Discount T-bills |              |              |              | 12-month Discount T-bills |              |
|----------------------------------------|--------------------------|--------------|--------------|--------------|---------------------------|--------------|
| Code of T-bills                        | D120314                  | D120321      | D120328      | D120404      | D121212                   | D121212      |
| ISIN code                              | HU0000518691             | HU0000518717 | HU0000518725 | HU0000518733 | HU0000518709              | HU0000518709 |
| Maturity in days                       | 91                       | 91           | 91           | 91           | 364                       | 350          |
| Date of auction                        | 06.12.2011               | 13.12.2011   | 20.12.2011   | 27.12.2011   | 08.12.2011                | 22.12.2011   |
| Date of financial settlement           | 14.12.2011               | 21.12.2011   | 28.12.2011   | 04.01.2012   | 14.12.2011                | 28.12.2011   |
| Redemption date                        | 14.03.2012               | 21.03.2012   | 28.03.2012   | 04.04.2012   | 12.12.2012                | 12.12.2012   |
| Maximum yield, (%) - ISMA              | 7.10                     | 7.06         | 7.06         | 7.58         | 7.35                      | 8.05         |
| Minimum yield (%) - ISMA               | 6.88                     | 6.95         | 6.95         | 7.12         | 7.22                      | 7.40         |
| Average yield (%) - ISMA               | 7.03                     | 7.03         | 7.03         | 7.43         | 7.29                      | 7.91         |
| Maximum yield, (%) - EHM               | 7.20                     | 7.16         | 7.16         | 7.69         | 7.45                      | 8.16         |
| Minimum yield (%) - EHM                | 6.98                     | 7.05         | 7.05         | 7.22         | 7.32                      | 7.50         |
| Average yield (%) - EHM                | 7.13                     | 7.13         | 7.13         | 7.53         | 7.39                      | 8.02         |
| Average selling price (%)              | 98.2540                  | 98.2540      | 98.2540      | 98.1565      | 93.1350                   | 92.8589      |
| Amount offered for sale (HUF million)  | 40,000.00                | 30,000.00    | 30,000.00    | 45,000.00    | 40,000.00                 | 40,000.00    |
| Amount of bids submitted (HUF million) | 132,366.76               | 118,704.46   | 92,921.35    | 75,943.92    | 77,358.35                 | 57,463.20    |
| Amount of bids accepted (HUF million)  | 39,999.95                | 29,999.96    | 30,000.00    | 34,999.99    | 29,999.98                 | 30,000.00    |
| Bid-to-cover ratio                     | 3.31                     | 3.96         | 3.10         | 2.17         | 2.58                      | 1.92         |
| Bids submitted (pcs)                   | 122                      | 145          | 126          | 105          | 106                       | 51           |
| Bids accepted (pcs)                    | 73                       | 54           | 54           | 54           | 24                        | 39           |
| Market sales* (HUF million)            | 39,999.95                | 29,999.96    | 30,000.00    | 34,999.99    | 29,999.98                 | 30,000.00    |
| Retained on ÁKK's own account          | 12,000.05                | 9,000.04     | 9,000.00     | 10,500.01    | 9,000.02                  | 30,000.00    |
| Total amount issued (HUF million)      | 52,000.00                | 39,000.00    | 39,000.00    | 45,500.00    | 39,000.00                 | 60,000.00    |



## GOVERNMENT BOND AUCTION RESULTS

| Government Bond                        | 2014/D       | 2017/A       | 2022/A       | 2015/B       | 2014/D       | 2017/A       | 2028/A       | 2014/D       | 2017/A       | 2022/A       |
|----------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ISIN code                              | HU0000402516 | HU0000402037 | HU0000402524 | HU0000402482 | HU0000402516 | HU0000402037 | HU0000402532 | HU0000402516 | HU0000402037 | HU0000402524 |
| Maturity (in years)                    | 3            | 5            | 10           | 5            | 3            | 5            | 15           | 3            | 5            | 10           |
| Coupon (%)                             | 6.75%        | 6.75%        | 7.00%        | 5.44%        | 6.75%        | 6.75%        | 6.75%        | 6.75%        | 6.75%        | 7.00%        |
| Auction                                | 24th auction | 24th auction | 19th auction | 17th auction | 25th auction | 25th auction | 6th auction  | 26th auction | 26th auction | 20th auction |
| Date of auction                        | 01.12.2011   | 01.12.2011   | 01.12.2011   | 08.12.2011   | 15.12.2011   | 15.12.2011   | 15.12.2011   | 29.12.2011   | 29.12.2011   | 29.12.2011   |
| Date of financial settlement           | 07.12.2011   | 07.12.2011   | 07.12.2011   | 14.12.2011   | 21.12.2011   | 21.12.2011   | 21.12.2011   | 04.01.2012   | 04.01.2012   | 04.01.2012   |
| Redemption date                        | 22.08.2014   | 24.11.2017   | 24.06.2022   | 22.12.2015   | 22.08.2014   | 24.11.2017   | 22.10.2028   | 22.08.2014   | 24.11.2017   | 24.06.2022   |
| Maximum annual yield (%) - ISMA        | 8.44         | 8.70         | 8.80         |              | 8.35         | 8.72         | 8.96         | 0.00         | 9.85         | 9.75         |
| Minimum annual yield (%) - ISMA        | 8.40         | 8.70         | 8.75         |              | 8.16         | 8.68         | 8.85         | 0.00         | 9.55         | 9.55         |
| Average annual yield (%) - ISMA        | 8.44         | 8.70         | 8.78         |              | 8.31         | 8.72         | 8.93         | 0.00         | 9.63         | 9.70         |
| Maximum annual yield (%) - EHM         | 8.43         | 8.69         | 8.79         |              | 8.34         | 8.71         | 8.95         | 0.00         | 9.84         | 9.74         |
| Minimum annual yield (%) - EHM         | 8.39         | 8.69         | 8.74         |              | 8.15         | 8.67         | 8.84         | 0.00         | 9.54         | 9.54         |
| Average annual yield (%) - EHM         | 8.43         | 8.69         | 8.78         |              | 8.31         | 8.71         | 8.92         | 0.00         | 9.62         | 9.69         |
| Maximum price (%)                      | 96.0902      | 91.2044      | 88.1845      | 95.8000      | 96.6772      | 91.3230      | 81.9238      | 0.0000       | 87.7867      | 83.4942      |
| Minimum price (%)                      | 95.9992      | 91.2044      | 87.8763      | 95.3500      | 96.2476      | 91.1540      | 81.1119      | 0.0000       | 86.5975      | 82.3623      |
| Average price (%)                      | 95.9992      | 91.2044      | 87.9707      | 95.5300      | 96.3312      | 91.1577      | 81.3284      | 0.0000       | 87.4819      | 82.6381      |
| Amount offered for sale (HUF million)  | 15,000.00    | 12,000.00    | 8,000.00     | 5,000.00     | 15,000.00    | 12,000.00    | 8,000.00     | 15,000.00    | 10,000.00    | 8,000.00     |
| Amount of bids submitted (HUF million) | 70,923.47    | 27,295.00    | 16,795.00    | 16,700.00    | 30,605.10    | 56,161.00    | 7,806.00     | 16,297.71    | 15,848.00    | 12,700.00    |
| Amount of bids accepted (HUF million)  | 18,000.00    | 11,999.99    | 8,000.00     | 5,000.00     | 14,999.97    | 17,999.93    | 4,499.98     | 0.00         | 10,000.00    | 5,000.00     |
| Bid-to-cover ratio                     | 3.94         | 2.27         | 2.10         | 3.34         | 2.04         | 3.12         | 1.73         |              | 1.58         | 2.54         |
| Bids submitted (pcs)                   | 67           | 41           | 38           | 31           | 50           | 57           | 33           | 23           | 26           | 32           |
| Bids accepted (pcs)                    | 13           | 12           | 17           | 17           | 22           | 19           | 18           | 0            | 23           | 17           |
| Tail (average price - minimum price)   | 0.00         | 0.00         | 0.09         | 0.18         | 0.08         | 0.00         | 0.22         | 0.00         | 0.88         | 0.28         |
| Market sales* (HUF million)            | 18,000.00    | 11,999.99    | 8,000.00     | 5,000.00     | 14,999.97    | 17,999.93    | 4,499.98     | 0.00         | 10,000.00    | 5,000.00     |
| Non-competitive offer (HUF million)    | 7,200.00     | 4,800.01     | 3,200.00     | 5,000.00     | 15,000.03    | 18,000.07    | 4,500.02     | 0.00         | 10,000.00    | 5,000.00     |
| Total amount issued (HUF million)      | 25,200.00    | 16,800.00    | 11,200.00    | 10,000.00    | 30,000.00    | 36,000.00    | 9,000.00     | 0.00         | 20,000.00    | 10,000.00    |

\*Without issuance onto ÁKK's own account



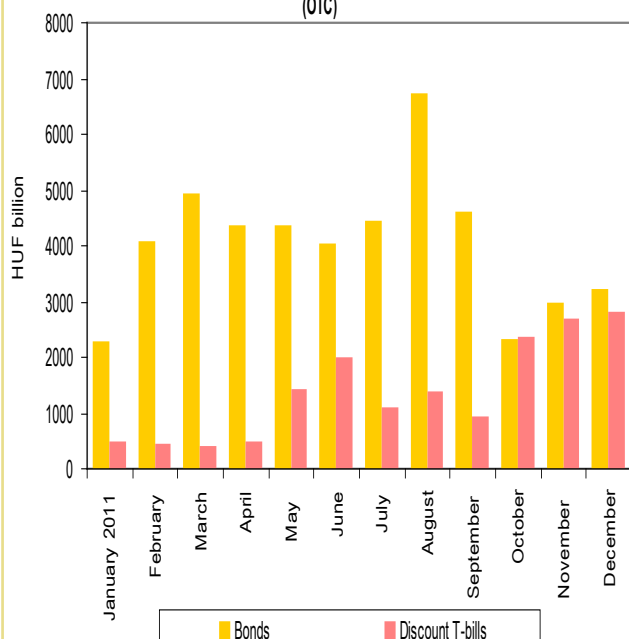
# ■ GOVERNMENT SECURITIES MARKET ■

## GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

| Government bond                        | 2012/B       | 2012/C       |
|----------------------------------------|--------------|--------------|
| ISIN code                              | HU0000402367 | HU0000402417 |
| Coupon (%)                             | 7.25         | 6.00         |
| Date of reverse auction                | 14.12.2011   | 14.12.2011   |
| Date of financial settlement           | 21.12.2011   | 21.12.2011   |
| Redemption date                        | 12.06.2012   | 24.10.2012   |
| Minimum annual yield (%)               | 7.40         | 7.50         |
| Average annual yield - ISMA (%)        | 7.41         | 7.54         |
| Average annual yield - EHM (%)         | 7.25         | 7.48         |
| Amount of bids submitted (HUF million) | 8,882.14     | 15,569.25    |
| Amount of bids accepted (HUF million)  | 1,451.87     | 6,743.44     |

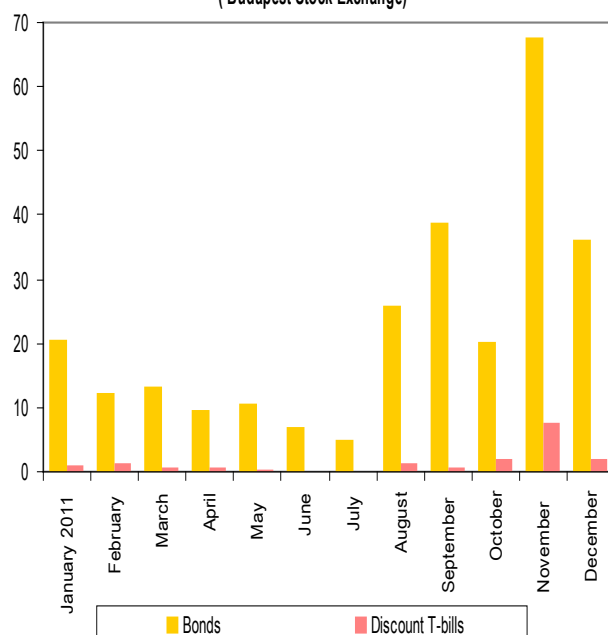
Secondary market trading of Hungarian government securities

(OTC)

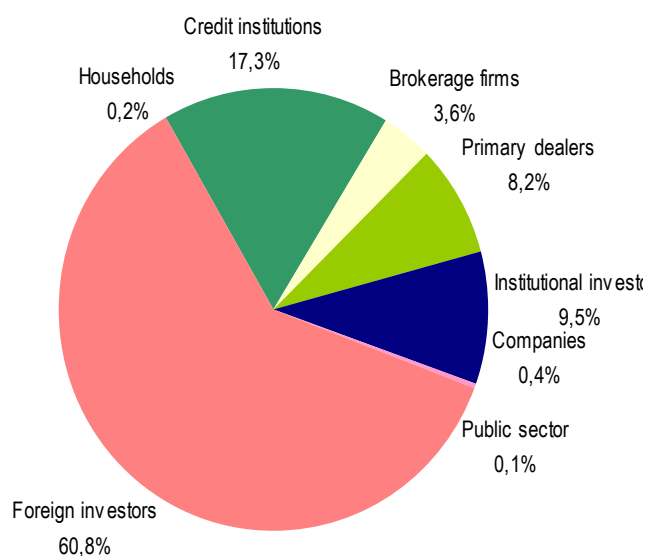


Secondary market trading of Hungarian government securities

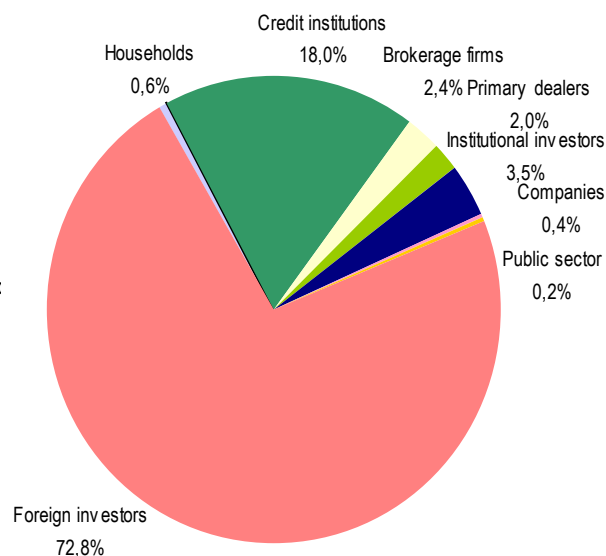
(Budapest Stock Exchange)



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



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



# ■ GOVERNMENT SECURITIES MARKET ■

## INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN DECEMBER 2011

| Government Bond | Date of interest rate reset | Interest period | Date of interest payment | Reset interest rate (%) | Interest payable (%) |
|-----------------|-----------------------------|-----------------|--------------------------|-------------------------|----------------------|
| 2013/C          | 20.12.2011                  | 20.12.2011      | 20.06.2012               | 6.00                    | 3.05                 |
| 2014/B          | 20.12.2011                  | 20.12.2011      | 20.06.2012               | 6.00                    | 3.05                 |
| 2015/B          | 19.12.2011                  | 22.12.2011      | 22.06.2012               | 7.14                    | 3.63                 |
| 2015/I          | 05.12.2011                  | 08.12.2011      | 08.12.2012               | 6.90                    | 6.90                 |
| 2016/A          | 30.12.2011                  | 31.12.2011      | 31.03.2012               | 6.75                    | 1.66                 |

## HUNGARIAN GOVERNMENT SECURITIES INDICES

|                                                 | MAX index | RMAX index | MAX Composite index | ZMAX index |
|-------------------------------------------------|-----------|------------|---------------------|------------|
| Value as at 30 December 2011                    | 431.8621  | 452.3432   | 432.3648            | 454.6835   |
| Changes compared to the end of the month before | -6.2371   | 2.9547     | -4.6228             | 2.5075     |
| Annual yield earned on the index portfolio      | 1.83%     | 5.19%      | 2.46%               | 5.75%      |

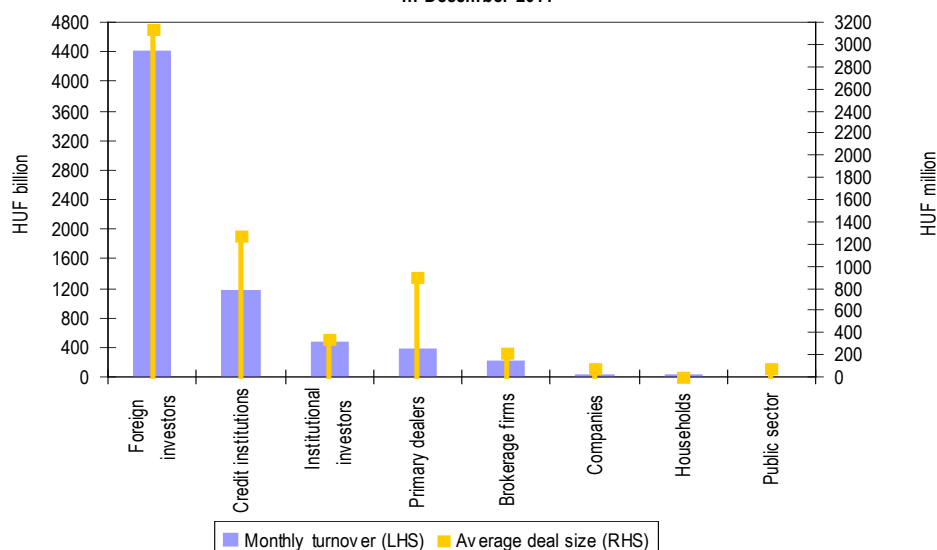
### Government securities with the highest secondary market turnover in December 2011

| Government security | Date of redemption | Turnover (HUF billion) |
|---------------------|--------------------|------------------------|
| 2014/C              | 12.02.2014         | 748.0                  |
| D120502             | 02.05.2012         | 686.6                  |
| 2014/D              | 22.08.2014         | 670.8                  |
| D120627             | 27.06.2012         | 450.7                  |
| D120307             | 07.03.2012         | 433.1                  |
| D120822             | 22.08.2012         | 403.8                  |
| D121017             | 17.10.2012         | 385.9                  |
| D120111             | 11.01.2012         | 345.0                  |
| 2016/C              | 12.02.2016         | 326.2                  |
| 2015/B              | 22.12.2015         | 261.3                  |

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

| Government bond | HUF billion |            |
|-----------------|-------------|------------|
|                 | 30.11.2011  | 30.12.2011 |
| 2014/D          | 562.34      | 606.30     |
| 2017/A          | 381.18      | 419.13     |
| 2022/A          | 230.36      | 240.37     |
| 2028/A          | 36.50       | 41.12      |

### Primary dealers' trading with different investor groups in December 2011



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

