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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

A wide-angle photograph of the Hungarian Parliament Building (Országház) in Budapest, Hungary, situated along the Danube River. The building is a large, ornate Gothic Revival structure with a prominent central dome and multiple spires. The river is in the foreground, with a small white boat visible. The city skyline is visible in the background under a clear sky.

GOVERNMENT SECURITIES MARKET MONTHLY REPORT JANUARY 2014

■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 75.4 billion in January. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 91.2 billion. Thus, the total net financing requirement amounted to HUF -15.8 billion in January. Net issuance was HUF 418.8 billion, out of which net HUF-denominated issuance was HUF 414.1 billion and net foreign currency denominated issuance was HUF 4.7 billion.

HUF billion	2013		2014		Change	
	December	%	January	%	HUF billion	%
Foreign exchange denominated debt	8,904.9	40.2	9,340.5	40.9	435.6	4.9
Government securities	6,169.3	24.2	6,476.3	28.3	307.0	5.0
Loans	2,735.6	16.0	2,864.2	12.5	128.6	4.7
HUF denominated debt	12,976.4	58.1	13,390.5	58.6	414.1	3.2
Government securities	12,372.8	55.4	12,788.6	56.0	415.7	3.4
Loans	603.6	2.7	602.0	2.6	-1.6	-0.3
Total	21,881.4	98.3	22,731.1	99.5	846.7	3.9
<i>Other obligations</i>	117.3	1.7	113.1	0.5	-4.1	-3.5
Total central government debt	21,998.6	100.0	22,844.2	100.0	845.5	3.8

The HUF denominated debt of the central government increased by HUF 414.1 billion in 2014. The increase in domestic debt was the result of net government bond issuance of HUF 111.6 billion, the amount of discount Treasury bills increased by HUF 238.0 billion and the total amount of retail government securities increased by HUF 66.2 billion. The stock of non-marketable government bonds unchanged. The volume of HUF loans decreased by HUF 1.6 billion in January.

The foreign currency debt of the central government increased by HUF 435.6 billion in 2014. The gross PÉMAK and residence bond issuance was HUF 301.1 billion. The redemptions of foreign currency debt worth HUF 296.4 billion decreased the debt. The exchange rate revaluations totalling HUF 430.9 billion increased the Hungarian Forint value of the foreign currency debt in 2014.

Secondary market yields in January:

Benchmark yields

Maturity	28.12.2012.	31.12.2013.	31.01.2014.	Change, basis points
3-month	5.33	2.86	3.23	37
6-month	5.28	2.85	3.20	35
1-year	5.40	3.04	3.30	26
3-year	5.61	4.01	4.98	97
5-year	5.89	4.66	5.31	65
10-year	6.11	5.61	6.20	59
15-year	6.11	6.26	6.69	43

Monthly OTC turnover of government securities was 27 % higher in January than a month before and reached HUF 3,639.0 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 57% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 97.4 billion in January, and amounted to HUF 4,896.8 billion at the end of the month. This volume represented 38.3% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 311.15 on the last working day of January.

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); BB+ (Fitch).

■ GOVERNMENT SECURITIES MARKET ■

CENTRAL GOVERNMENT GROSS DEBT

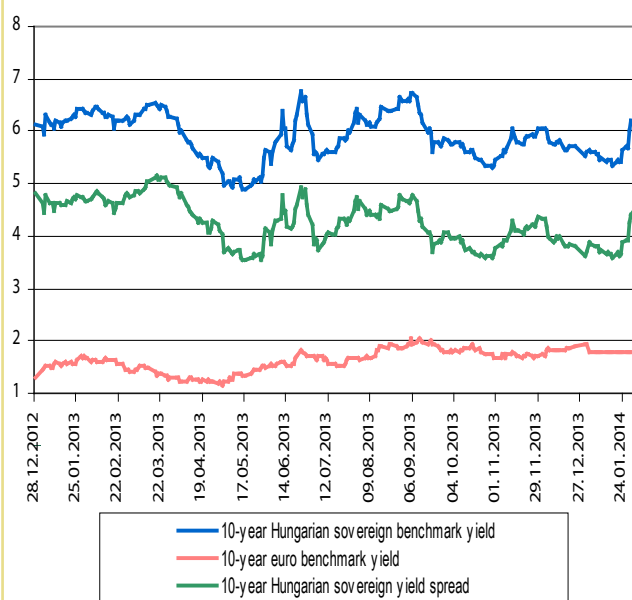
HUF BILLION

	2007	2008	2009	2010	2011	2012	November 2013	December 2013	January 2014
1. Forint denominated debt	11,103.8	11,250.6	10,476.2	10,978.2	10,362.2	12,042.4	13,068.8	12,976.4	13,390.5
1.1. Loans	145.7	219.9	438.7	540.8	590.8	566.8	643.8	603.6	602.0
1.2. Government securities	10,958.1	11,030.7	10,037.5	10,437.4	9,771.4	11,475.6	12,425.0	12,372.8	12,788.6
1.2.1. Public issues	10,465.4	10,599.7	9,613.2	10,019.6	9,378.1	11,077.1	12,105.7	12,182.3	12,598.0
1.2.1.1. Bonds	8,245.3	8,570.6	7,519.2	7,965.8	7,353.4	8,184.1	8,545.4	8,588.8	8,700.4
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	1,921.1	1,904.9	2,142.9
1.2.1.3. Retail securities	555.2	546.4	446.6	435.7	473.8	986.6	1,639.2	1,688.5	1,754.8
1.2.2. Private placements	492.7	431.0	424.3	417.8	403.2	398.5	319.3	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	9,249.3	8,904.9	9,340.5
2.1. Loans	846.5	2,529.4	4,112.7	4,292.8	4,458.1	3,312.5	2,743.0	2,735.6	2,864.2
2.1.1. Foreign loans	838.8	2,529.4	4,112.7	4,292.8	4,361.9	3,229.0	2,398.7	2,400.2	2,513.5
2.1.2. Domestic loans	104.0	0.0	0.0	0.0	96.2	83.5	344.3	335.4	350.7
2.2. Government securities	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	5,014.1	6,506.3	6,169.3	6,476.3
2.2.1. Issued abroad	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	4,924.2	5,823.7	5,736.9	5,710.3
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	89.9	682.6	432.5	766.0
Total	15,576.4	18,025.4	18,942.9	19,821.0	20,532.6	20,369.0	22,318.2	21,881.4	22,731.1
Other liabilities	9.1	78.5	20.1	220.01	422.9	351.1	135.1	117.3	113.1
Total central government debt	15,585.5	18,103.9	18,963.1	20,041.0	20,955.5	20,720.1	22,453.3	21,998.6	22,844.2
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	10,785.8	10,684.2	11,033.8
Gross debt/GDP	61.3%	68.2%	74.0%	75.6%**	75.8%**	73.9%**			

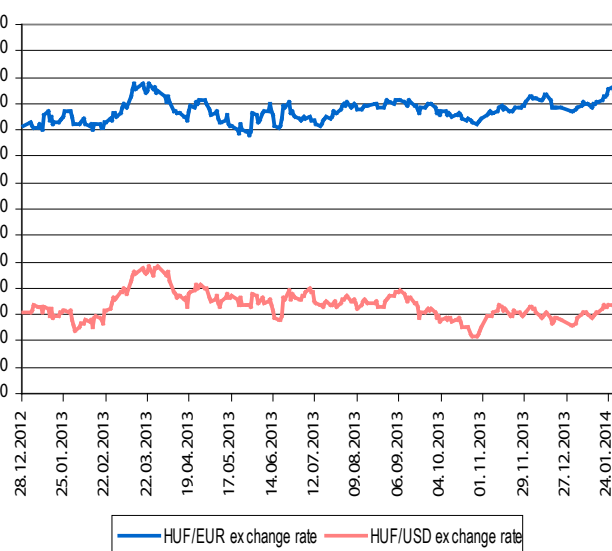
*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

**With revised GDP data.

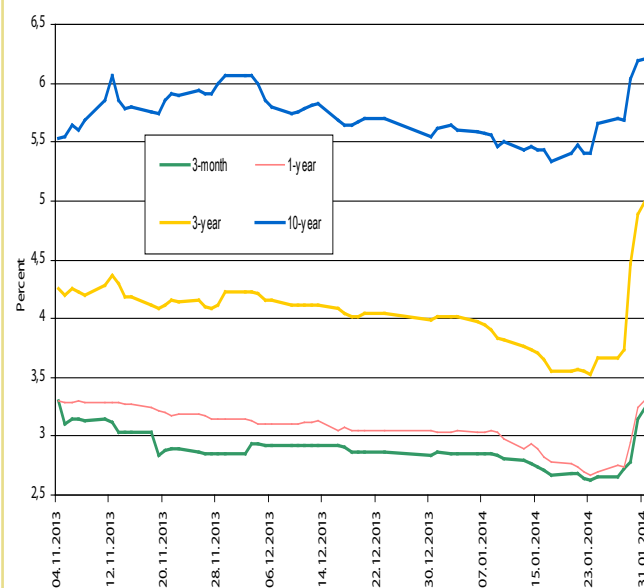
% 10-year Hungarian and eurozone benchmark yields during the last year



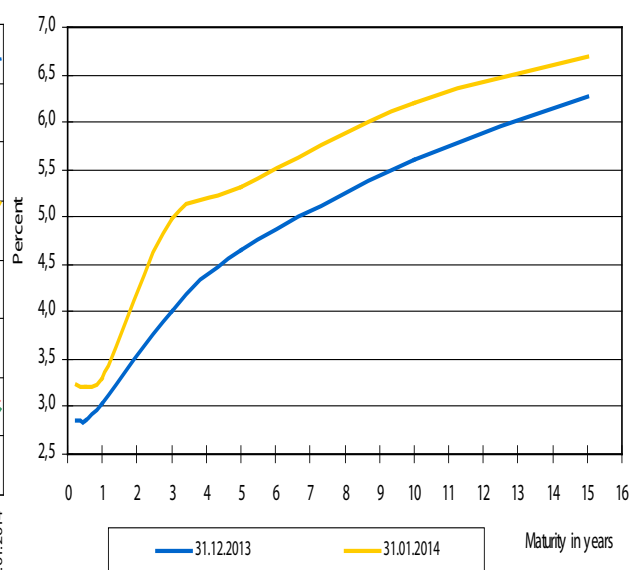
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months



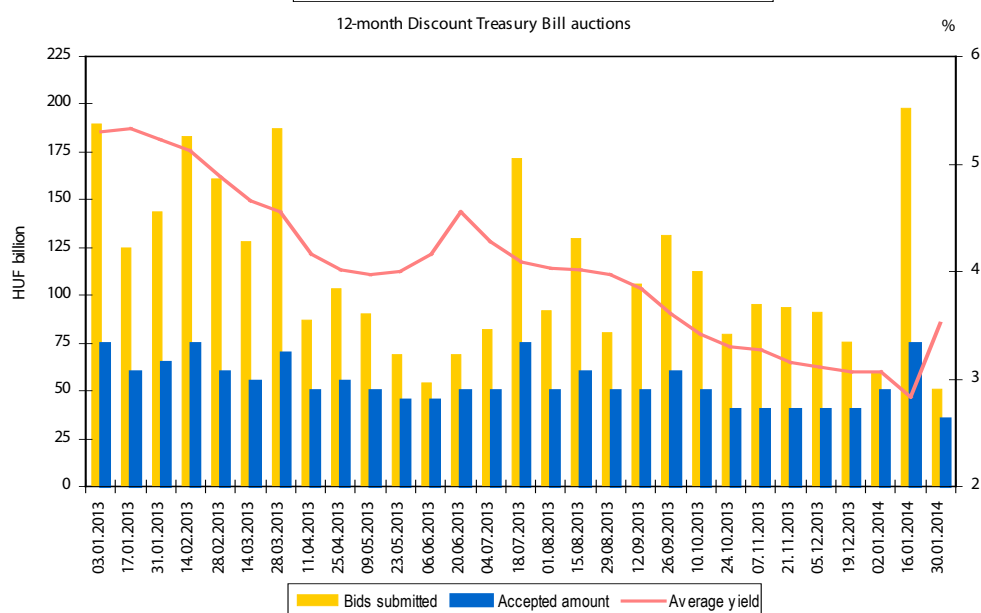
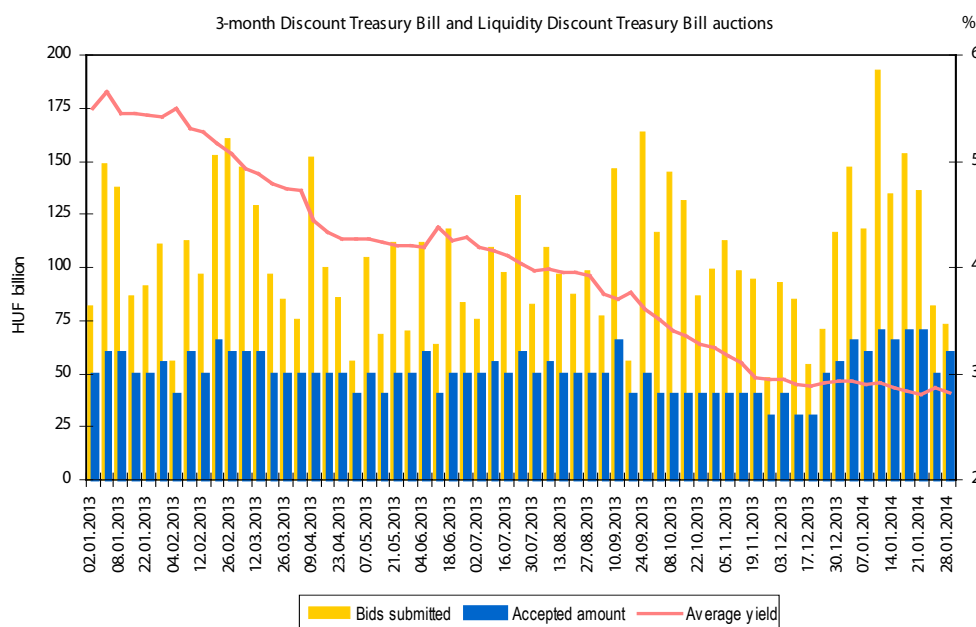
Benchmark yield curves



■ GOVERNMENT SECURITIES MARKET ■

DISCOUNT TREASURY BILL AUCTION RESULTS

	Liquidity Discount T-bills				3-month Discount T-bills				12-month Discount T-bills		
Code of T-bills	D140226	D140226	D140326	D140326	D140416	D140423	D140430	D140507	D141126	D141126	D150121
ISIN code	HU0000519749	HU0000519749	HU0000519772	HU0000519772	HU0000519814	HU0000519822	HU0000519442	HU0000519830	HU0000519780	HU0000519780	HU0000519848
Maturity in days	49	42	63	56	91	91	91	91	322	308	350
Date of auction	06.01.2014	13.01.2014	20.02.2014	27.01.2014	07.01.2014	14.01.2014	21.01.2014	28.01.2014	02.01.2014	16.01.2014	30.01.2014
Date of financial settlement	08.01.2014	15.01.2014	22.01.2014	29.01.2014	15.01.2014	22.01.2014	29.01.2014	05.02.2014	08.01.2014	22.01.2014	05.02.2014
Redemption date	26.02.2014	26.02.2014	26.03.2014	26.03.2014	16.04.2014	23.04.2014	30.04.2014	07.05.2014	26.11.2014	26.11.2014	21.01.2015
Maximum yield, (%) - ISMA	2.94	2.93	2.85	2.89	2.93	2.90	2.82	2.85	3.11	2.86	3.67
Minimum yield (%) - ISMA	2.89	2.87	2.80	2.75	2.80	2.80	2.75	2.73	3.00	2.78	3.15
Average yield (%) - ISMA	2.92	2.91	2.84	2.86	2.90	2.87	2.80	2.82	3.07	2.84	3.51
Maximum yield, (%) - EHM	2.98	2.97	2.89	2.93	2.97	2.94	2.86	2.89	3.15	2.90	3.72
Minimum yield (%) - EHM	2.93	2.91	2.84	2.79	2.84	2.84	2.79	2.77	3.04	2.82	3.19
Average yield (%) - EHM	2.96	2.95	2.88	2.90	2.94	2.91	2.84	2.86	3.11	2.88	3.56
Average selling price (%)	99.6041	99.6616	99.5055	99.5571	99.2723	99.2798	99.2972	99.2922	97.3274	97.6279	96.7001
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	60,000.00	60,000.00	50,000.00	50,000.00	50,000.00
Amount of bids submitted (HUF million)	147,605.50	193,050.00	153,300.00	81,565.00	118,401.01	134,606.62	136,010.30	73,515.50	59,330.00	197,800.00	50,580.00
Amount of bids accepted (HUF million)	64,999.96	69,999.97	69,999.94	49,999.94	59,999.90	64,999.88	69,999.90	59,999.96	50,000.00	74,999.94	35,000.00
Bid-to-cover ratio	2.27	2.76	2.19	1.63	1.97	2.07	1.94	1.23	1.19	2.64	1.45
Bids submitted (pcs)	86	73	102	69	118	126	112	86	82	148	95
Bids accepted (pcs)	37	49	43	43	77	87	61	70	71	50	76
Market sales* (HUF million)	64,999.96	69,999.97	69,999.94	49,999.94	59,999.90	64,999.88	69,999.90	59,999.96	50,000.00	74,999.94	35,000.00
Retained on ÁKK's own account	0.04	0.03	0.06	0.06	18,000.10	19,500.12	21,000.10	18,000.04	15,000.00	22,500.06	35,000.00
Total amount issued (HUF million)	65,000.00	70,000.00	70,000.00	50,000.00	78,000.00	84,500.00	91,000.00	78,000.00	65,000.00	97,500.00	70,000.00

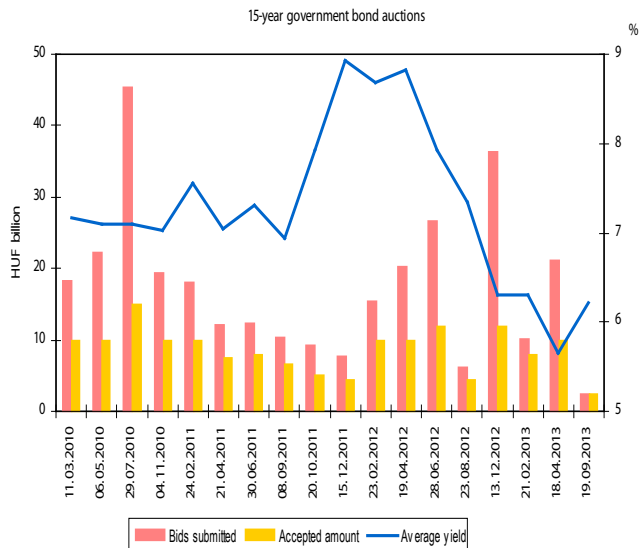
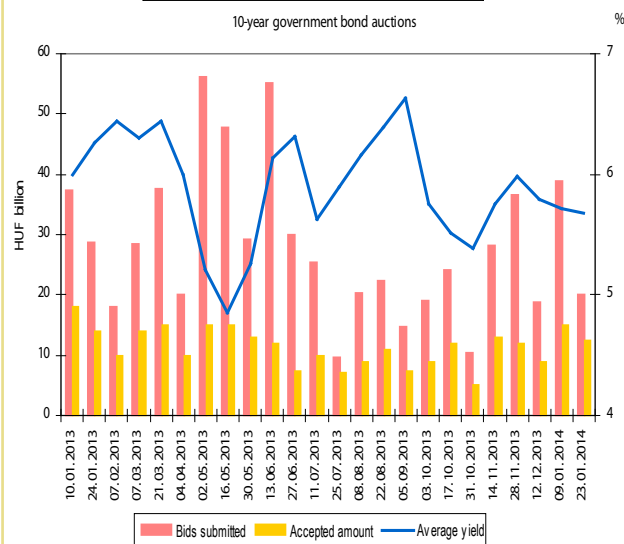
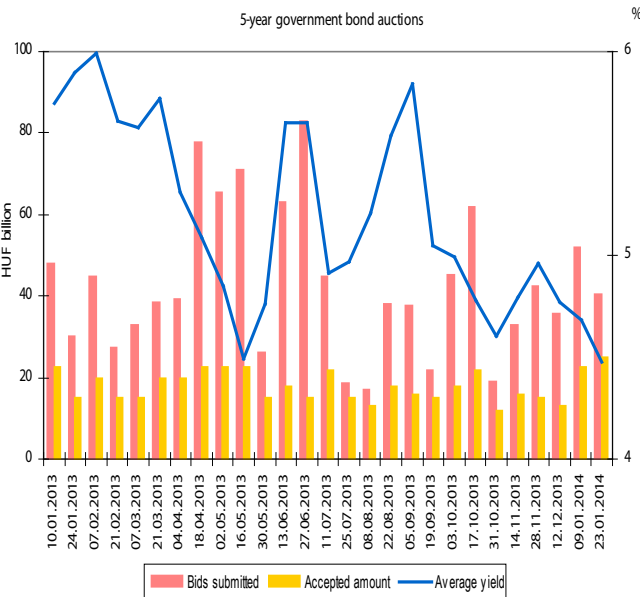
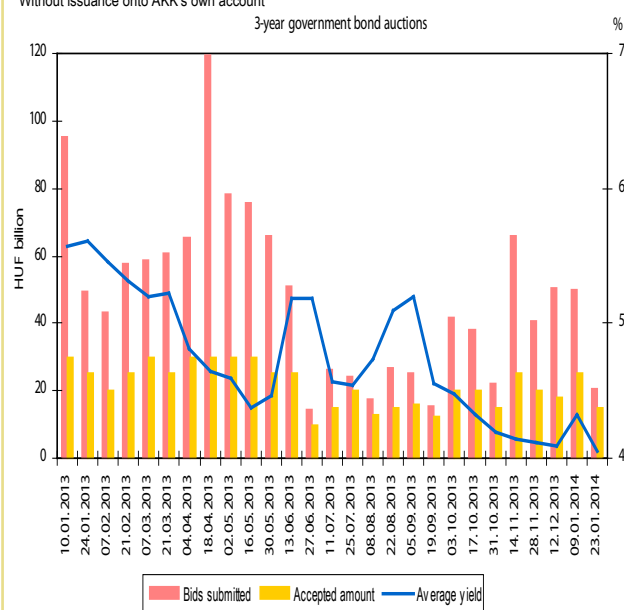


■ GOVERNMENT SECURITIES MARKET ■

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	1st auction	61st auction	1st auction	13th auction	2nd auction	62nd auction	2nd auction
Date of auction	09.01.2014	09.01.2014	09.01.2014	16.01.2014	23.01.2014	23.01.2014	23.01.2014
Date of financial settlement	15.01.2014	15.01.2014	15.01.2014	22.01.2014	29.01.2014	29.01.2014	29.01.2014
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	4.32	4.69	5.72		4.09	4.50	5.70
Minimum annual yield (%) - ISMA	4.28	4.68	5.71		4.00	4.44	5.61
Average annual yield (%) - ISMA	4.32	4.68	5.72		4.05	4.48	5.68
Maximum annual yield (%) - EHM	4.32	4.69	5.72		4.09	4.50	5.70
Minimum annual yield (%) - EHM	4.28	4.68	5.71		4.00	4.44	5.61
Average annual yield (%) - EHM	4.31	4.68	5.72		4.05	4.48	5.67
Maximum price (%)	98.9476	108.5273	98.3066	95.7700	100.0166	109.6678	99.1213
Minimum price (%)	98.7957	108.4777	98.2253	95.6200	99.6733	109.3680	98.3864
Average price (%)	98.8089	108.5228	98.2315	95.6900	99.8170	109.4761	98.5682
Amount offered for sale (HUF million)	20,000.00	15,000.00	10,000.00	5,000.00	20,000.00	20,000.00	10,000.00
Amount of bids submitted (HUF million)	50,136.00	52,170.00	38,935.00	17,850.00	20,687.00	40,454.00	20,028.70
Amount of bids accepted (HUF million)	24,999.98	22,500.00	14,999.99	7,500.00	14,999.98	24,999.95	12,499.95
Bid-to-cover ratio	2.01	2.32	2.60	2.38	1.38	1.62	1.60
Bids submitted (pcs)	57	42	80	27	55	65	60
Bids accepted (pcs)	16	12	13	13	47	38	44
Tail (average price - minimum price)	0.01	0.05	0.01	0.07	0.14	0.11	0.18
Market sales* (HUF million)	24,999.98	22,500.00	14,999.99	7,500.00	14,999.98	24,999.95	12,499.95
Non-competitive offer (HUF million)	9,199.99	8,360.00	5,279.98	2,520.00	0.00	6,712.028	2,238.01
Total amount issued (HUF million)	50,000.00	45,000.00	30,000.00	10,500.00	30,000.00	50,000.00	25,000.00

*Without issuance onto ÁKK's own account

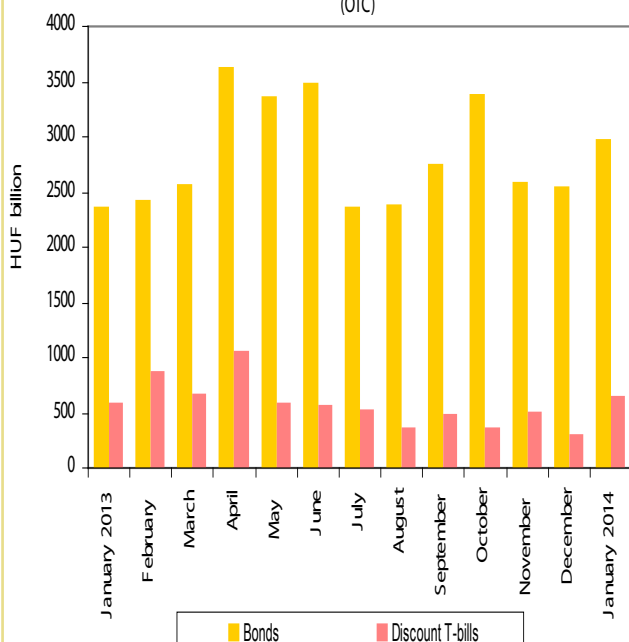


■ GOVERNMENT SECURITIES MARKET ■

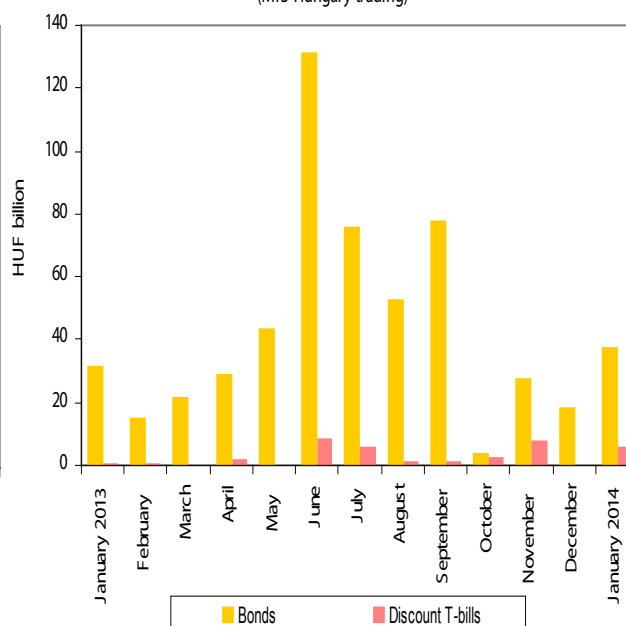
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JANUARY 2014

Government Bond	Date of interest rate reset	Interest period	Date of interest payment	Reset interest rate (%)	Interest payable (%)
2016/B	24.12.2013	02.01.2014	02.07.2014	3.05	1.53
2015/J	09.01.2014	11.01.2014	11.01.2015	5.90	5.90
2019/I	31.01.2014	03.02.2014	03.02.2015	4.70	4.70

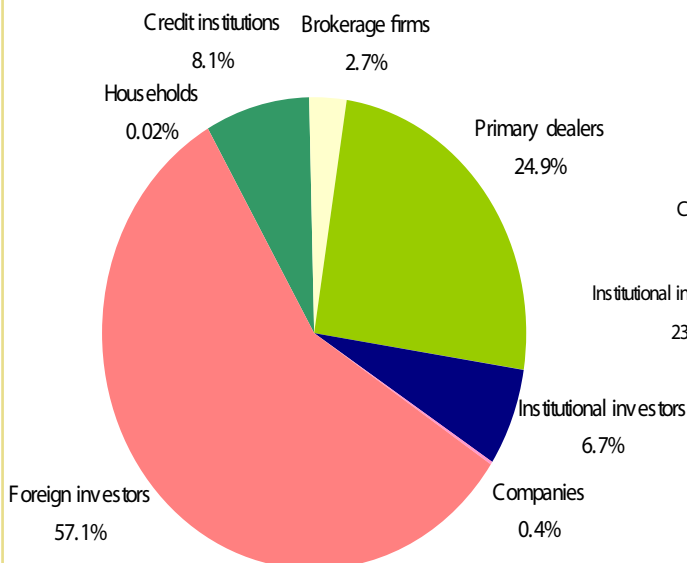
Secondary market trading of Hungarian government securities (OTC)



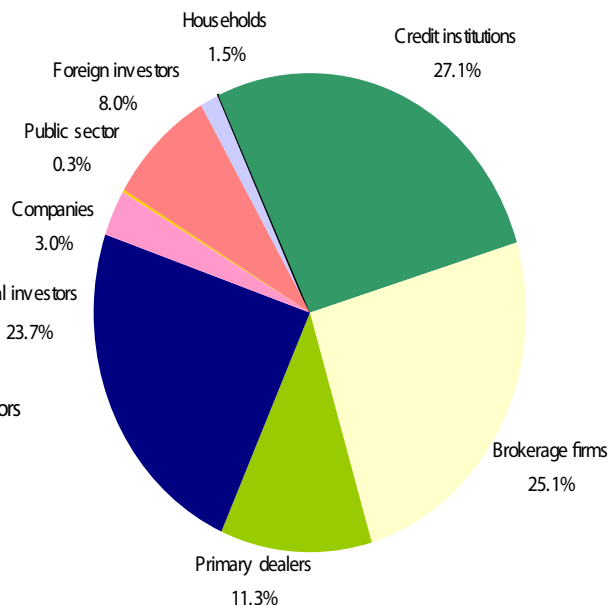
Secondary market trading of Hungarian government securities (MTS Hungary trading)



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



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



■ GOVERNMENT SECURITIES MARKET ■

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 January 2014	572.4233	519.4043	558.6785	512.6228
Changes compared to the end of the month before	-6.7748	0.5301	-5.6283	1.0628
Annual yield earned on the index portfolio	8.08%	5.19%	7.27%	4.40%

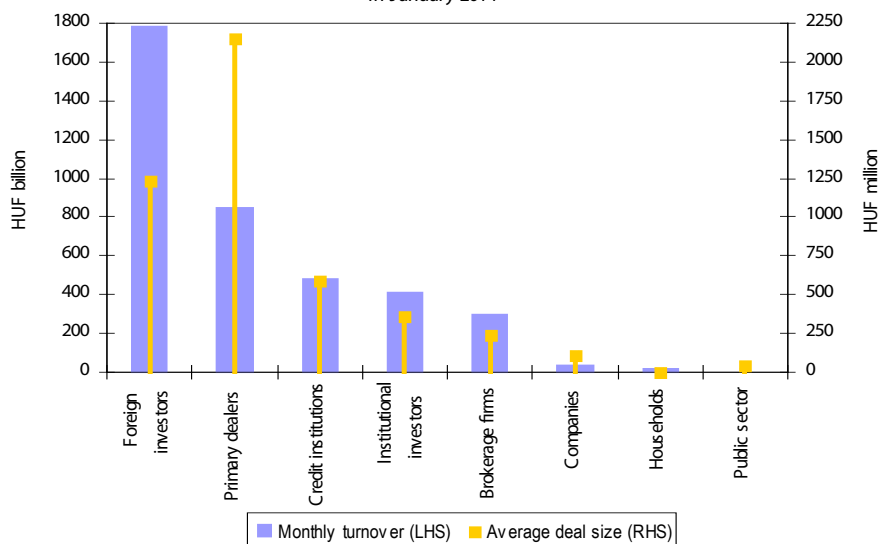
Government securities with the highest secondary market turnover in January 2014

Government security	Date of redemption	Turnover (HUF billion)
2023/A	24.11.2023	904.9
2016/D	22.12.2016	360.0
2019/A	24.06.2019	330.0
D140226	26.02.2014	220.3
2018/A	20.12.2018	210.7
2020/A	12.11.2020	175.8
2022/A	24.06.2022	163.7
D141126	26.11.2014	140.0
2015/B	22.12.2015	139.1
2016/C	12.02.2016	112.6

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

Government bond	31.12.2013	31.01.2014
2018/B	0.00	49.20
2019/A	631.85	693.03
2025/B	0.00	35.02
2028/A	120.64	120.44

Primary dealers' trading with different investor groups in January 2014



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

