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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's large central dome and Gothic architecture are prominent. A small boat is visible on the river in the foreground. The city skyline is visible in the background under a clear sky.

GOVERNMENT SECURITIES MARKET
MONTHLY REPORT
MARCH 2014

■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 701.2 billion in March. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 98.4 billion. Thus, the total net financing requirement amounted to HUF 602.8 billion in 2014. Net issuance was HUF 1,942.4 billion, including the sum of debt assumptions HUF 401.7 billion; out of which net HUF-denominated issuance was HUF 978.4 billion and net foreign currency denominated issuance was HUF 963.7 billion. Without debt assumptions net issuance was HUF 1,622.6 billion, out of which net HUF-denominated issuance was HUF 936.4 billion and net foreign currency denominated issuance was HUF 686.2 billion.

HUF billion	2013		2014		Change	
	December	%	March	%	HUF billion	%
Foreign exchange denominated debt	8,904.9	40.2	10,202.3	41.0	1,297.3	7.8
Government securities	6,169.3	24.2	7,061.5	27.6	892.1	4.7
Loans	2,735.6	16.0	3,140.8	13.4	405.2	14.6
HUF denominated debt	12,976.4	58.1	13,955.1	58.5	978.7	5.5
Government securities	12,372.8	55.4	13,341.0	55.8	968.1	5.4
Loans	603.6	2.7	614.2	2.8	10.6	6.7
Total	21,881.4	98.3	24,157.4	99.5	2,276.1	6.4
Other obligations	117.3	1.7	98.5	0.5	-18.8	-9.9
Total central government debt	21,998.6	100.0	24,255.9	100.0	2,257.3	6.3

The HUF denominated debt of the central government increased by HUF 978.7 billion in 2014. The increase in domestic debt was the result of net government bond issuance of HUF 26.9 billion, the amount of discount Treasury bills increased by HUF 742.2 billion and the total amount of retail government securities increased by HUF 199.9 billion. The stock of non-marketable government bonds decreased by HUF 0.8 billion because of redemption. The volume of HUF loans increased by HUF 10.6 billion in March.

The foreign currency debt of the central government increased by HUF 1,297.3 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 309.6 billion, the drawdown of foreign currency denominated loans was HUF 46.2 billion. The debt assumptions worth HUF 294.1 billion increased, while the redemptions of foreign currency debt worth HUF 366.7 billion decreased the debt. The exchange rate revaluations totalling HUF 333.7 billion increased the Hungarian Forint value of the foreign currency debt in 2014.

Secondary market yields in March:

Benchmark yields

Maturity	31.12.2013.	28.02.2014.	31.03.2014.	Change, basis points
3-month	2.86	2.87	2.74	-13
6-month	2.85	2.83	2.75	-8
1-year	3.04	3.16	3.02	-14
3-year	4.01	4.93	4.53	-40
5-year	4.66	5.08	4.84	-24
10-year	5.61	6.01	5.54	-47
15-year	6.26	6.45	5.99	-46

Monthly OTC turnover of government securities was 14 % lower in March than a month before and reached HUF 3,855.7 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 65% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 25.0 billion in March, and amounted to HUF 4,602.2 billion at the end of the month. This volume represented 34.5% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 307.06 on the last working day of March.

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).

■ GOVERNMENT SECURITIES MARKET ■

CENTRAL GOVERNMENT GROSS DEBT

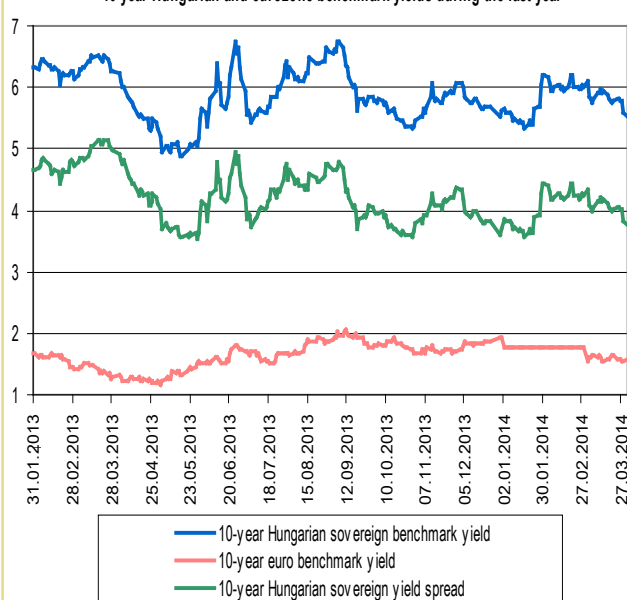
HUF BILLION

	2007	2008	2009	2010	2011	2012	2013	January 2014	February 2014	March 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	13,955.1
1.1. Loans	145.7	219.9	438.7	540.8	590.8	566.8	603.6	602.0	643.9	614.2
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	13,341.0
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	13,151.3
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	8,615.7
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	2,647.1
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	1,888.4
1.2.2. Private placements	492.7	431.0	424.3	417.8	403.2	398.5	190.5	190.5	190.5	189.7
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	10,202.3
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	3,140.8
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	2,640.2
2.1.2. Domestic loans	104.0	0.0	0.0	0.0	96.2	83.5	335.4	350.7	513.4	500.7
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	7,061.5
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	6,297.2
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	89.9	432.5	766.0	766.5	764.2
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	24,157.4
Other liabilities	9.1	78.5	20.1	220.01	422.9	351.1	117.3	113.1	105.6	98.5
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	24,255.9
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	11,452.5
Gross debt/GDP	61.3%	68.2%	74.0%	75.6%**	75.8%**	73.9%**	75.6			

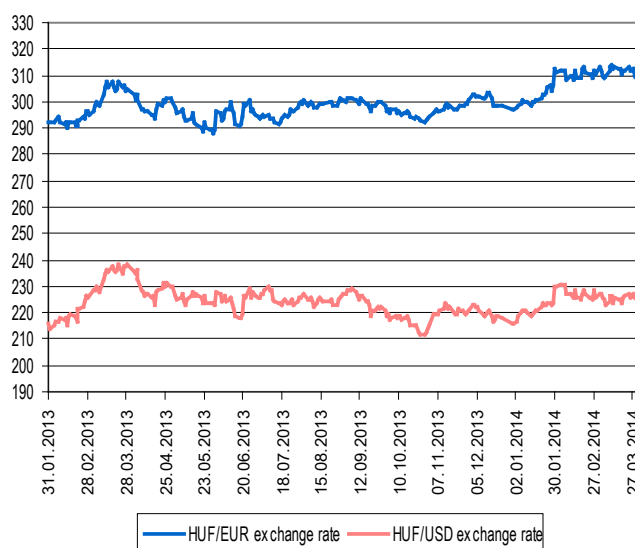
*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

**With revised GDP data.

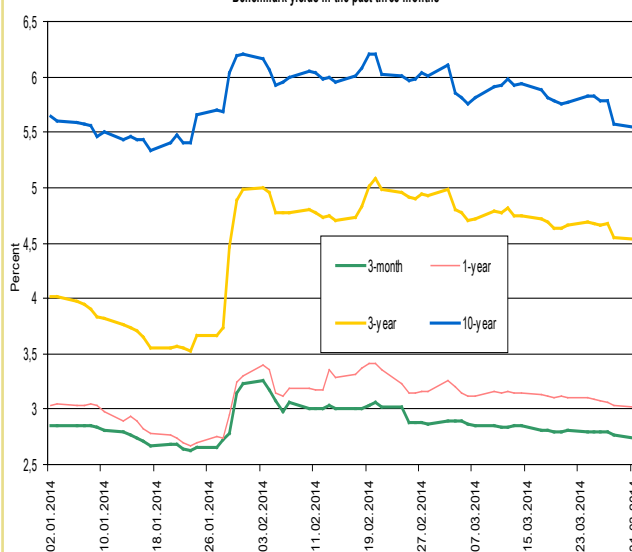
% 10-year Hungarian and eurozone benchmark yields during the last year



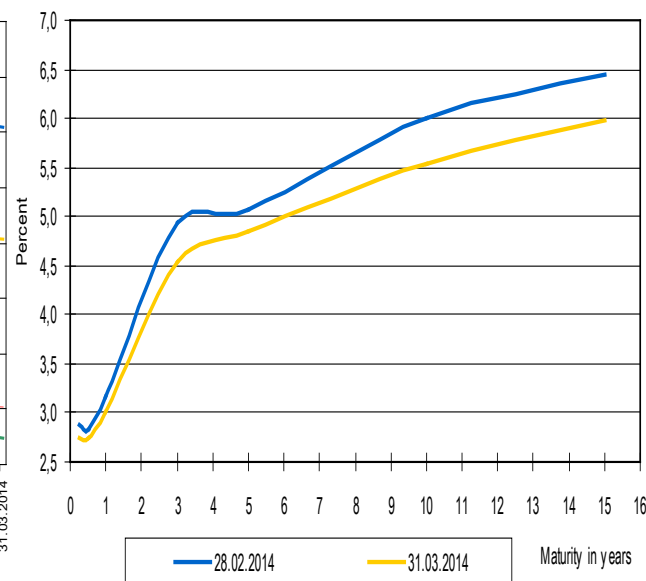
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months



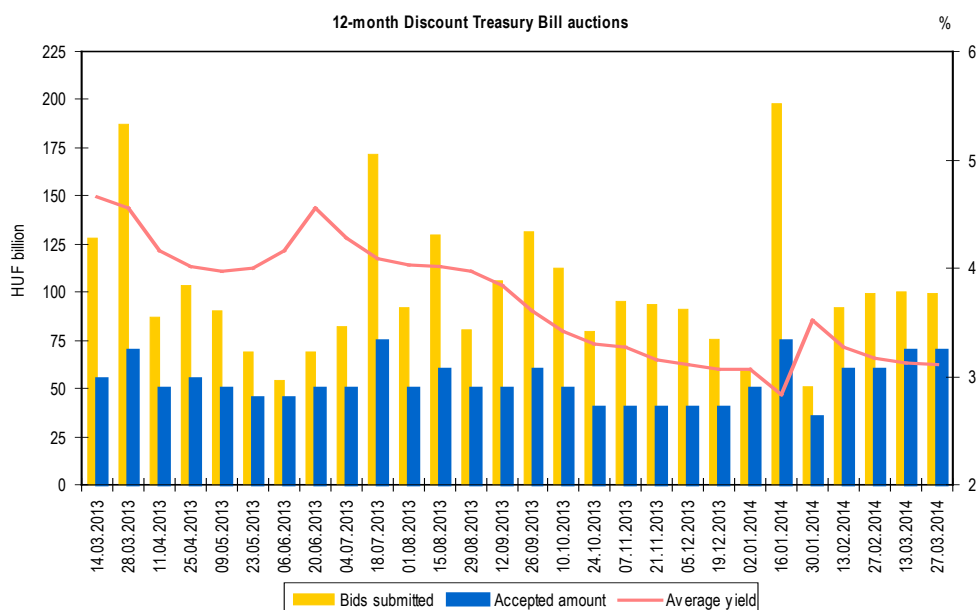
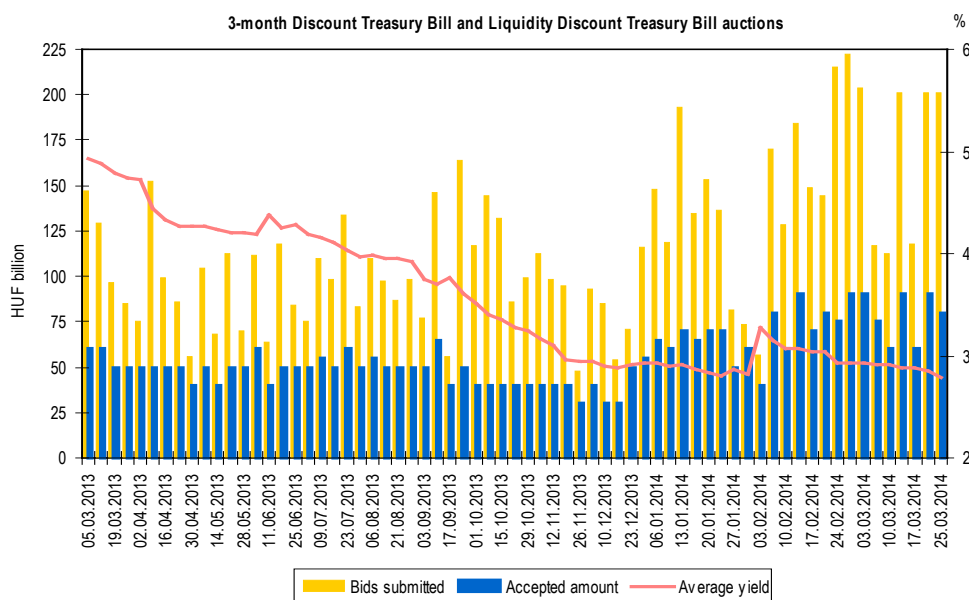
Benchmark yield curves



■ GOVERNMENT SECURITIES MARKET ■

DISCOUNT TREASURY BILL AUCTION RESULTS

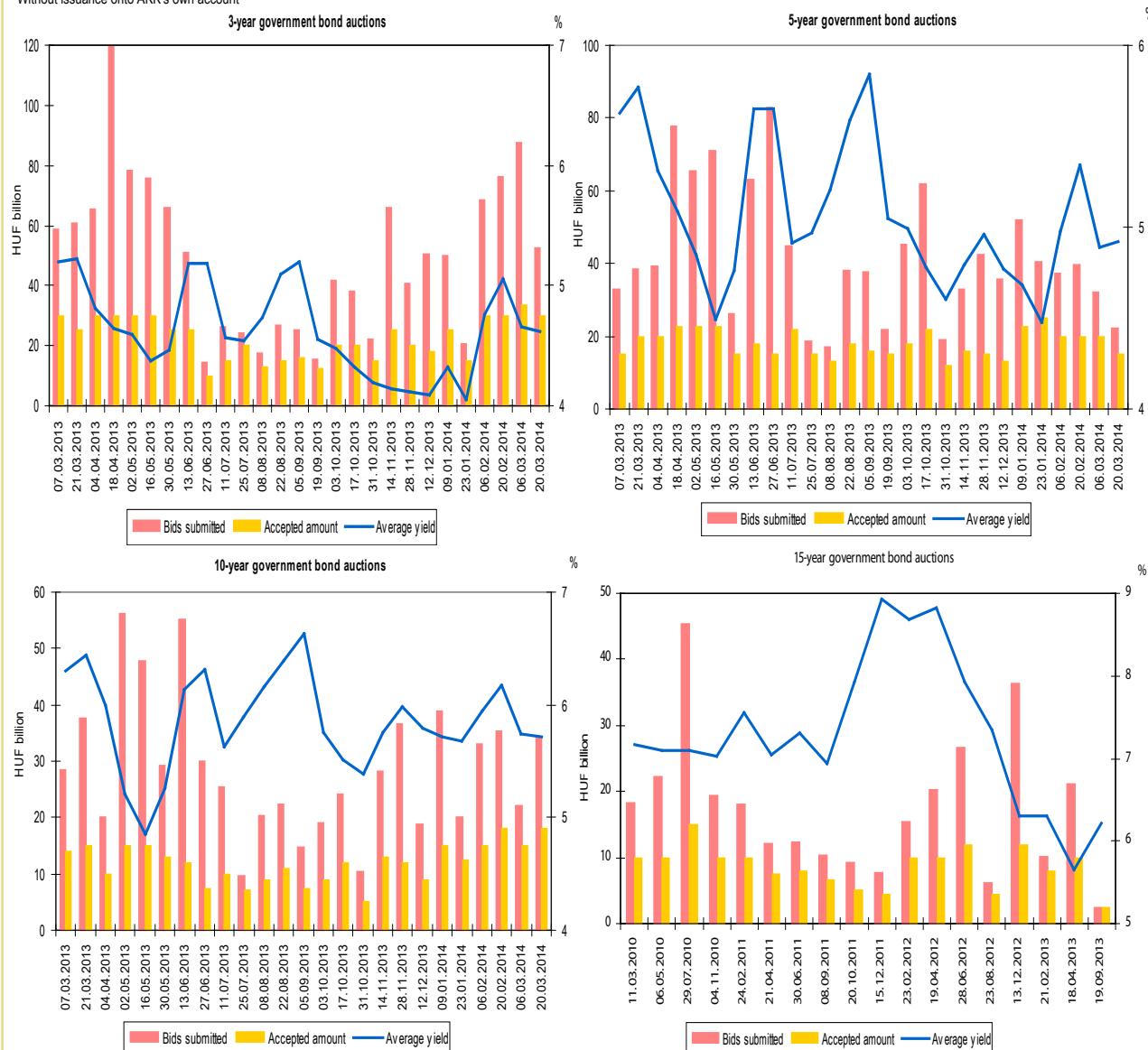
	Liquidity Discount T-bills			3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D140514	D140514	D140528	D140611	D140618	D140625	D140702	D150121	D150401
ISIN code	HU0000519855	HU0000519855	HU0000519871	HU0000519897	HU0000519905	HU0000519525	HU0000519913	HU0000519848	HU0000519921
Maturity in days	70	63	70	91	91	91	91	308	364
Date of auction	03.03.2014	10.03.2014	17.03.2014	04.03.2014	11.03.2014	18.03.2014	25.03.2014	13.03.2014	27.03.2014
Date of financial settlement	05.03.2014	12.03.2014	19.03.2014	12.03.2014	19.03.2014	26.03.2014	02.04.2014	19.03.2014	02.04.2014
Redemption date	14.05.2014	14.05.2014	28.05.2014	11.06.2014	18.06.2014	25.06.2014	02.07.2014	21.01.2015	01.04.2015
Maximum yield, (%) - ISMA	2.95	2.92	2.89	2.93	2.90	2.88	2.81	3.16	3.15
Minimum yield (%) - ISMA	2.85	2.90	2.85	2.87	2.84	2.81	2.74	3.05	2.98
Average yield (%) - ISMA	2.92	2.92	2.88	2.91	2.89	2.86	2.79	3.13	3.11
Maximum yield, (%) - EHM	2.99	2.96	2.93	2.97	2.94	2.92	2.85	3.20	3.19
Minimum yield (%) - EHM	2.89	2.94	2.89	2.91	2.88	2.85	2.78	3.09	3.02
Average yield (%) - EHM	2.96	2.96	2.92	2.95	2.93	2.90	2.83	3.17	3.15
Average selling price (%)	99.4354	99.4916	99.4431	99.2698	99.2748	99.2822	99.2997	97.3920	96.9513
Amount offered for sale (HUF million)	60,000.00	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)	203,573.00	112,250.00	117,995.00	116,650.00	200,705.00	200,679.02	201,300.00	100,354.40	99,690.00
Amount of bids accepted (HUF million)	89,999.88	59,999.89	59,999.93	74,999.91	89,999.89	89,999.87	79,999.96	69,999.96	69,999.93
Bid-to-cover ratio	2.26	1.87	1.97	1.56	2.23	2.23	2.52	1.43	1.42
Bids submitted (pcs)	129	82	82	122	122	142	125	141	119
Bids accepted (pcs)	56	42	46	82	69	93	58	97	85
Market sales* (HUF million)	89,999.88	59,999.89	59,999.93	74,999.91	89,999.89	89,999.87	79,999.96	69,999.96	69,999.93
Retained on ÁKK's own account	0.12	0.11	0.07	22,500.09	27,000.11	27,000.13	24,000.04	21,000.04	70,000.06
Total amount issued (HUF million)	90,000.00	60,000.00	60,000.00	97,500.00	117,000.00	117,000.00	104,000.00	91,000.00	78,000.00



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2018/B	2019/A	2025/B	2019/B	2018/B	2019/A	2025/B	2019/B
ISIN code	HU0000402730	HU0000402433	HU0000402748	HU0000402649	HU0000402730	HU0000402433	HU0000402748	HU0000402649
Maturity (in years)	3	5	10	5	3	5	10	5
Coupon (%)	4.00%	6.50%	5.50%	3.17%	4.00%	6.50%	5.50%	3.17%
Auction	5th auction	65th auction	5th auction	15th auction	6th auction	64th auction	6th auction	16th auction
Date of auction	06.03.2014	06.03.2014	06.03.2014	13.03.2014	20.03.2014	20.03.2014	20.03.2014	27.03.2014
Date of financial settlement	12.03.2014	12.03.2014	12.03.2014	19.03.2014	26.03.2014	26.03.2014	26.03.2014	02.04.2014
Redemption date	25.04.2018	24.06.2019	24.06.2025	20.05.2019	25.04.2018	24.06.2019	24.06.2025	20.05.2019
Maximum annual yield (%) - ISMA	4.68	4.91	5.76		4.64	4.96	5.72	
Minimum annual yield (%) - ISMA	4.64	4.85	5.70		4.58	4.88	5.69	
Average annual yield (%) - ISMA	4.66	4.89	5.74		4.62	4.92	5.72	
Maximum annual yield (%) - EHM	4.68	4.91	5.76		4.64	4.96	5.72	
Minimum annual yield (%) - EHM	4.64	4.85	5.70		4.58	4.88	5.69	
Average annual yield (%) - EHM	4.65	4.89	5.74		4.61	4.92	5.71	
Maximum price (%)	97.6590	107.5018	98.3846	96.0000	97.8922	107.3137	98.4653	95.9000
Minimum price (%)	97.5145	107.2149	97.9019	95.7500	97.6767	106.9346	98.2239	95.6500
Average price (%)	97.5947	107.3071	98.0602	95.8300	97.7661	107.1298	98.2485	95.7800
Amount offered for sale (HUF million)	25,000.00	20,000.00	12,000.00	7,000.00	25,000.00	20,000.00	12,000.00	7,000.00
Amount of bids submitted (HUF million)	87,610.00	32,300.00	22,020.56	19,500.00	52,700.00	22,100.00	34,300.00	13,505.00
Amount of bids accepted (HUF million)	33,499.99	19,999.97	14,999.96	10,499.99	29,999.96	15,000.00	17,999.98	7,000.00
Bid-to-cover ratio	2.62	1.62	1.47	1.86	1.76	1.47	1.91	1.93
Bids submitted (pcs)	86	58	55	20	75	56	53	25
Bids accepted (pcs)	18	42	37	12	41	44	20	11
Tail (average price - minimum price)	0.08	0.09	0.16	0.08	0.09	0.20	0.02	0.13
Market sales* (HUF million)	33,499.99	19,999.97	14,999.96	10,499.99	29,999.96	15,000.00	17,999.98	7,000.00
Non-competitive offer (HUF million)	8,199.47	6,020.13	2,853.02	3,666.66	3,257.90	0.00	468.76	0.00
Total amount issued (HUF million)	67,000.00	28,000.00	30,000.00	14,700.00	30,000.00	15,000.00	36,000.00	9,800.00

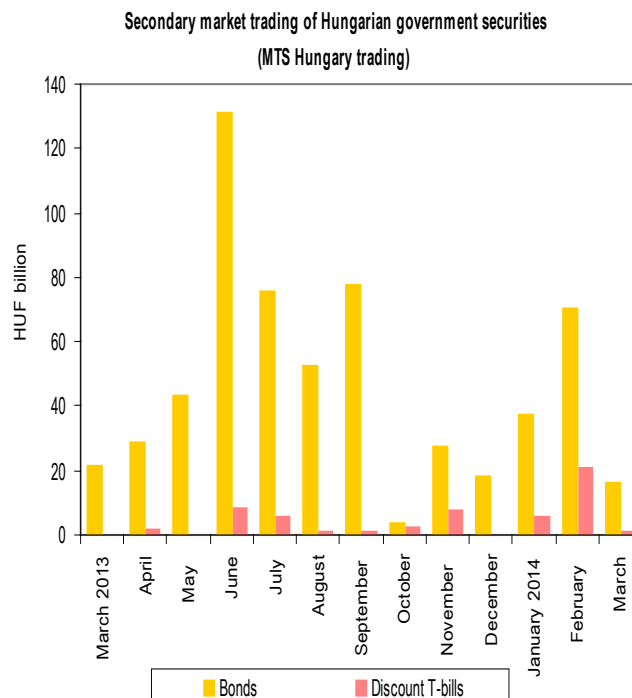
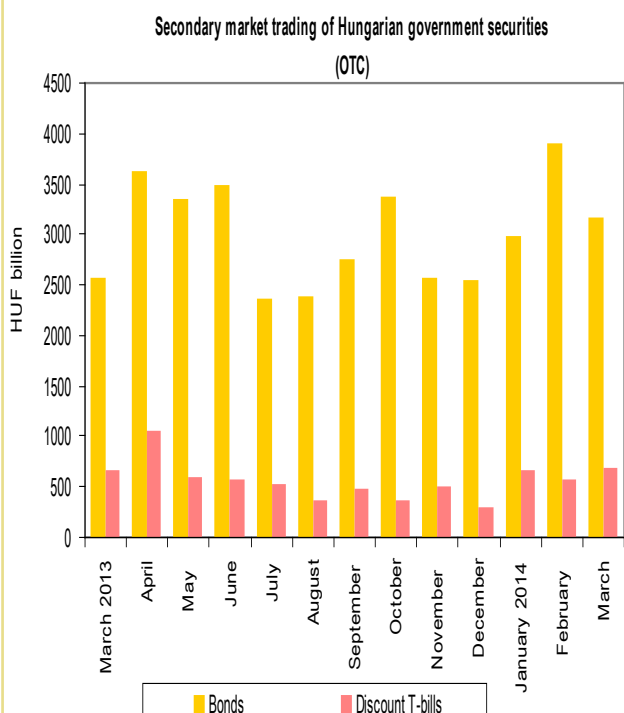
*Without issuance onto ÁKK's own account



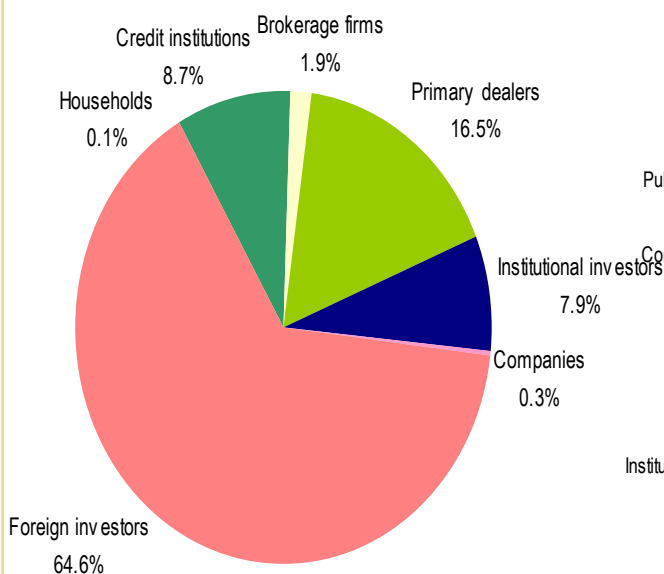
■ GOVERNMENT SECURITIES MARKET ■

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MARCH 2014

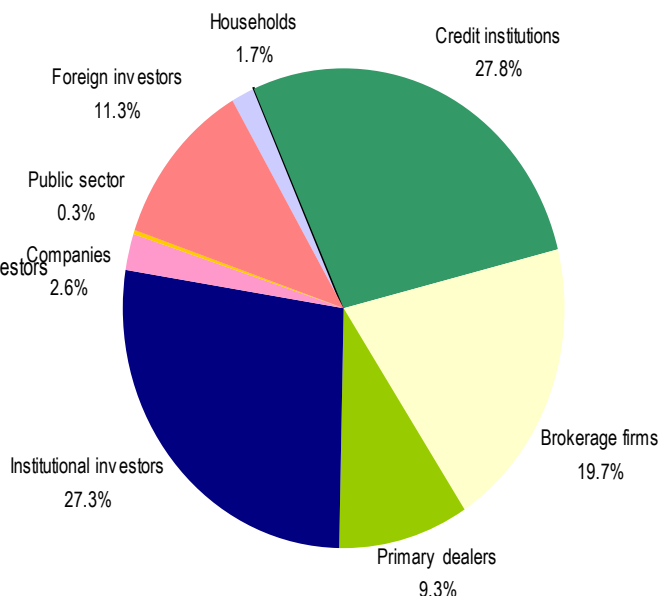
Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2017/I	03.03.2014	05.03.2014	05.03.2015	05.03.2014	4.00	4.00
2015/K	17.03.2014	19.03.2014	19.03.2015	19.03.2015	4.00	4.00
2016/A	31.03.2014	31.03.2014	30.06.2014	30.06.2014	3.75	0.93



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



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



■ GOVERNMENT SECURITIES MARKET ■

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 March 2014	588.2438	523.4652	571.8357	515.4622
Changes compared to the end of the month before	11.1440	2.2276	8.9793	1.3491
Annual yield earned on the index portfolio	8.90%	4.77%	7.79%	4.00%

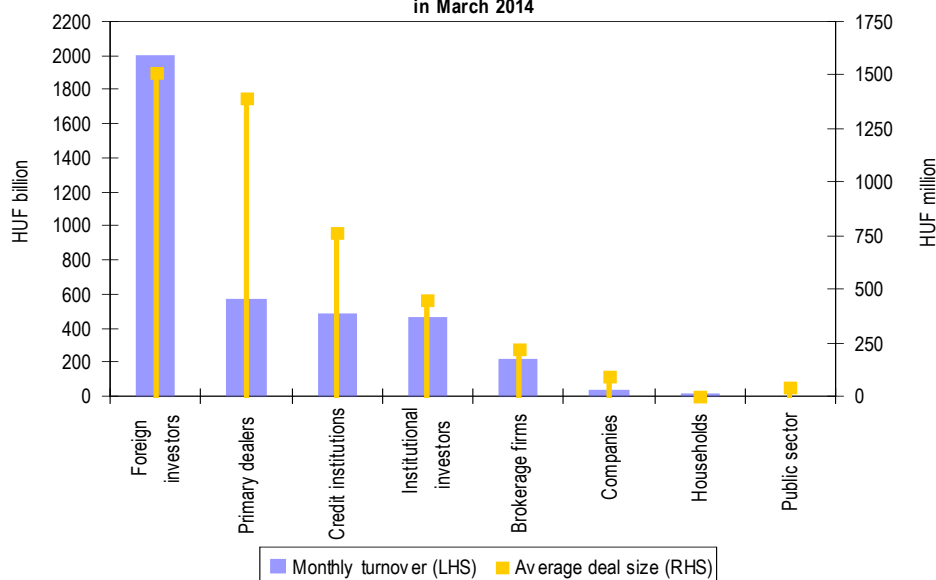
Government securities with the highest secondary market turnover in March 2014

Government security	Date of redemption	Turnover (HUF billion)
2023/A	24.11.2023	714.7
2019/A	24.06.2019	459.7
2022/A	24.06.2022	283.9
2017/A	24.11.2017	249.4
2020/A	12.11.2020	208.4
2015/C	24.08.2015	203.5
2017/B	24.02.2017	163.5
D140514	14.05.2014	141.7
2018/B	25.04.2018	137.7
2025/B	24.06.2025	135.1

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

Government bond	HUF billion	
	28.02.2014	31.03.2014
2018/B	114.03	189.60
2019/A	742.48	783.99
2025/B	75.54	112.25
2028/A	120.65	120.79

Primary dealers' trading with different investor groups in March 2014



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

