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Preliminary
Debt Management Outlook
2010

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1. Net financing requirements in 2010

The deficit of the central government is the sum of the balances of the central government budget, the social security funds and the extra-budgetary funds. The deficit of the central government calculated on a cash-flow basis is planned at HUF **870** billion, equalling to **3.3%** of the GDP.

The total cash-flow based net financing requirement for the year 2010 – which sum comprises the deficit of the central government and the projected pre-financing of EU transfers – will amount to HUF **982 billion**.

Projected cash-flow based financing requirements in 2010

	HUF billion
Balance of the central government budget	-836
Balance of the social security funds	-69
Balance of the extra-budgetary funds	+35
Net financing requirement of the central government	**-870**
Net pre-financing of EU transfers	-111
Total net financing requirement	**-982**

2. Government debt redemptions

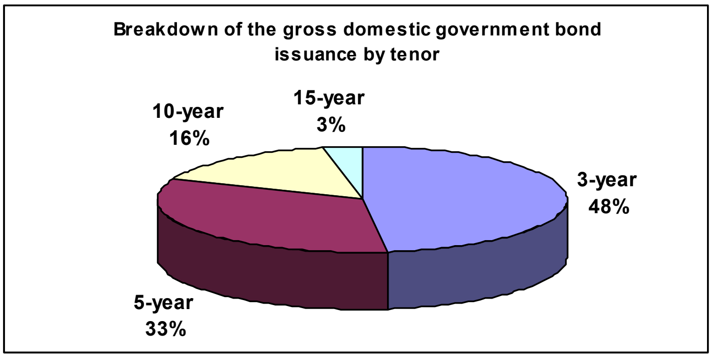
The total amount of government debt redemptions in 2010 is planned at HUF **5,694** billion. The redemption of domestic currency debt will amount to HUF **5,328** billion, with domestic bonds accounting for HUF **1,186** billion, discount T-bills (due to the renewal of their stock several times within the year) for HUF **3,683** billion, and retail government securities for HUF **459** billion.

Foreign currency debt redemptions are expected to be HUF **366** billion (EUR **1.4** billion), out of which bond redemptions will amount to EUR 1.2 billion and loans will be redeemed in an amount of EUR 0.2 billion.

3. Gross issuance

Total gross issuance is planned at HUF **6,262 billion** in 2010, of which 94 per cent (or HUF **5,859** billion) will be domestic currency and 6 per cent (HUF **403** billion) will be foreign currency issuance.

Hungarian Forint government bonds will be sold at auctions in an amount of HUF **1,356** billion, with a breakdown by tenor similar that of the previous year.



The planned amounts of government bond types are as follows:

Tenor	Issuance in HUF billion
3 -year	650
5 -year (fixed rate)	390
5 -year (floater)	60
10 -year	216
15 -year	40
Total	1 356

It is the objective of ÁKK to increase the size of the 5 and 10-year series to HUF 700-800 billion (EUR 2.5 – 3 billion), that of the 3-year series to HUF 600-700 billion (EUR 2 – 2.5 billion), and make the 15-year series reach HUF 200-300 billion (cca. EUR 1 billion). ÁKK intends to reopen off-the-run series that are smaller in volume than these targets in order to enhance secondary market liquidity, or new series will be launched. In case there is strong investor demand for floating rate government bonds in the domestic market, ÁKK may consider the issuance of such an instrument.

The issuance calendar includes only the dates of bond auctions. ÁKK will decide on the actual bond series after consultations with market participants in the week preceding the auction. However, the current practice, i.e. regular simultaneous sales of the 3, 5 and 10-year bonds is likely to be continued in the coming auctions. ÁKK will hold both bond-buybacks and exchange auctions in order to support a balanced government bond issuance pattern and to manage the maturity profile and refinancing risk of the bond portfolio.

New foreign currency issuance in the international capital markets is planned in a total amount of EUR **1.5** billion. The currency, tenor and timing of the issue (or issues) will be determined in accordance with the prevailing market conditions. There are further drawdowns planned from the international loan package (IMF/EU/IBRD) or from other loan facilities in foreign currencies in 2010.

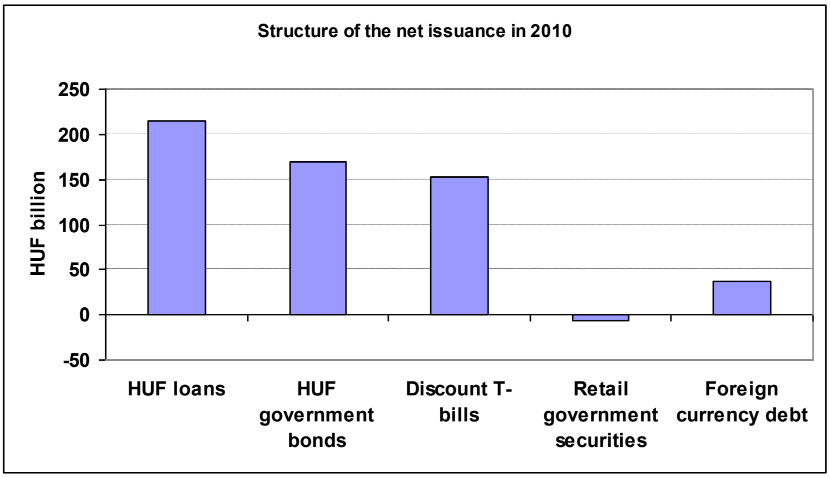
4. Net issuance

As a result of the stabilisation of the Hungarian government securities market in 2009 public finance can rely more and more on market financing. Market-based net government debt issuance is planned in an amount of HUF **568** billion, out of which the net issuance of domestic debt will reach HUF **531** billion (or 93 per cent of total), while the net foreign currency borrowing will account for only HUF **37** billion (EUR 130 million).

ÁKK will monitor closely the market demand and decide on the amounts accepted at auctions flexibly, which means that in a favourable market environment the actual issuance may be increased. Beside the net market issuance, the remaining part of the net financing requirements will be financed by using the previously drawn but not yet used funds from the international (IMF/EC) loan package. No new drawdowns from this loan facility are planned in 2010; the facility will be kept as a financial reserve in case of unfavourable market conditions.

Net domestic government securities issuance is planned at HUF **316** billion, made up by HUF **170** billion in net bond issuance and HUF **153** billion in net discount T-bill issuance, while the stock of retail government securities will be maintained at the current level. Net domestic financing will be supported by HUF 215 billion in loans in Hungarian Forint from International Financial Institutions (EIB and CEB).

There is only a slight increase in the foreign currency debt stock in 2010, as the primary objective of foreign currency debt issuance is to refinance maturing foreign currency debt.



5. Debt management strategy

ÁKK's main objective is to finance the central government at the lowest costs in the long run in an integrated manner, taking account of risks. This objective is quantified by setting certain benchmarks, which are in part based on an optimal portfolio model using Value-at-Risk (VaR) and Cost-at-Risk (CaR) for taking into account both costs and risks. ÁKK has determined the following benchmark values for government debt management in 2010:

- ***Share of foreign currency debt***: The share of the foreign currency denominated debt – excluding the funds from the international IMF/EC loan package – within the total central government debt should not exceed 38%. ÁKK strives to maintain the actual foreign currency debt ratio as low as possible and, if market conditions allow, to reduce this ratio from its present level of 33 per cent.

- ***Currency mix of the foreign currency denominated debt***: In order to mitigate cross-currency exchange rate risk, foreign currency obligations after swaps should be 100% in EUR, allowing for a 5% deviation from this target.

- ***Fixed / floater composition***: Within the HUF debt, the share of the fixed rate elements should be in the 61-83% range, making the share of floating rate debt, which includes all short-term debt, between 17% and 39%. Within the foreign currency denominated debt, the optimal share of fixed rate debt is 66%, with a 5% tolerance band.

- ***Duration***: In order to keep an acceptable level of refinancing risk, the Macaulay duration of the HUF debt portfolio is targeted at 2.5 years +/- 0.5 year.

- ***Liquidity***: So as to maintain a continuously safe and stable level of cash funds in the Treasury Single Account (TSA), an optimal target TSA balance has been determined and ÁKK's objective is to keep the end-of-day TSA balance in a range of the optimal level +/- HUF 50 billion (EUR 200 million).

In the case of the first five benchmark values ÁKK takes into account their 3-month moving average values, to avoid unnecessary reaction to one-off, temporary, or at times even shock-like market or portfolio movements that actually would not need a response in the medium or longer term.

6. Further information

This Debt Management Outlook was compiled based on information available at the end of November 2009. Thus the projected figures for 2010 may change according to the outturn of the financing needs and debt issuances. Even though the structure of financing may change compared to the plans, the issuance calendar is fixed (see next chapter), and ÁKK will not change the set of instruments used, its strategic objectives and its strategic behaviour in the markets either.

ÁKK's website (www.akk.hu, www.gdma.hu) and its regular publications and reports (monthly and quarterly publications; monthly report on debt transactions) provide updated information on the financing needs, the debt transactions and the government debt. ÁKK also discloses until the 15th of each month the detailed domestic market issuance plan for the next 3 months, which shows the amounts to be issued for each tenor.

7. Issuance calendar

Issuance calendar of government bonds in 2010

Date of auction	Date of settlement
31.12.2009	06.01.2010
14.01.2010	20.01.2010
28.01.2010	03.02.2010
11.02.2010	17.02.2010
25.02.2010	03.03.2010
11.03.2010	17.03.2010
25.03.2010	31.03.2010
08.04.2010	14.04.2010
22.04.2010	28.04.2010
06.05.2010	12.05.2010
20.05.2010	26.05.2010
03.06.2010	09.06.2010
17.06.2010	23.06.2010
01.07.2010	07.07.2010
15.07.2010	21.07.2010
29.07.2010	04.08.2010
12.08.2010	18.08.2010
26.08.2010	01.09.2010
09.09.2010	15.09.2010
23.09.2010	29.09.2010
07.10.2010	13.10.2010
21.10.2010	27.10.2010
04.11.2010	10.11.2010
18.11.2010	24.11.2010
02.12.2010	08.12.2010
16.12.2010	22.12.2010

Issuance calendar of discount Treasury bills

12-month discount T-bills

Code	Date of auction	Date of settlement	Date of maturity
D101215	07.01.2010	13.01.2010	15.12.2010
D101215	21.01.2010	27.01.2010	15.12.2010
D110126	04.02.2010	10.02.2010	26.01.2011
D110126	18.02.2010	24.02.2010	26.01.2011
D110126	04.03.2010	10.03.2010	26.01.2011
D110126	18.03.2010	24.03.2010	26.01.2011
D110406	01.04.2010	07.04.2010	06.04.2011
D110406	15.04.2010	21.04.2010	06.04.2011
D110406	29.04.2010	05.05.2010	06.04.2011
D110406	13.05.2010	19.05.2010	06.04.2011
D110601	27.05.2010	02.06.2010	01.06.2011
D110601	10.06.2010	16.06.2010	01.06.2011
D110601	24.06.2010	30.06.2010	01.06.2011
D110601	08.07.2010	14.07.2010	01.06.2011
D110727	22.07.2010	28.07.2010	27.07.2011
D110727	05.08.2010	11.08.2010	27.07.2011
D110727	19.08.2010	25.08.2010	27.07.2011
D110727	02.09.2010	08.09.2010	27.07.2011
D110921	16.09.2010	22.09.2010	21.09.2011
D110921	30.09.2010	06.10.2010	21.09.2011
D110921	14.10.2010	20.10.2010	21.09.2011
D110921	28.10.2010	03.11.2010	21.09.2011
D111116	11.11.2010	17.11.2010	16.11.2011
D111116	25.11.2010	01.12.2010	16.11.2011
D111116	09.12.2010	15.12.2010	16.11.2011
D111116	23.12.2010	29.12.2010	16.11.2011

3-month discount T-bills are auctioned every Tuesday, settlement is on the Wednesday of the following week.
Liquidity discount T-bills are auctioned upon decision of the Issuer, generally on a Monday with settlement on Wednesday.