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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

FEBRUARY 2013

The deficit of the central government amounted to HUF 341.4 billion in the first 2 months of 2013. The net prefinancing of cash transfers from the European Union increased the net borrowing requirement by HUF 46.3 billion. Thus, the total net financing requirement amounted to HUF 387.7 billion in February. Net issuance was HUF 872.5 billion; out of which net HUF-denominated issuance was HUF 313.0 billion and net foreign currency denominated issuance was HUF 559.5 billion.

	2012		2013		Change	
HUF billion	December	%	February	%	HUF billion	%
Foreign exchange denominated debt	8,326.6	48.5	9,034.1	41.8	707.6	8.5
Government securities	5,014.1	27.3	5,862.0	27.1	847.9	16.9
Loans	3,312.5	21.3	3,172.2	14.7	-140.3	-4.2
HUF denominated debt	12,042.4	49.4	12,350.5	57.1	308.1	2.6
Government securities	11,475.6	46.6	11,784.7	54.5	309.1	2.7
Loans	566.8	2.8	565.8	2.6	-1.0	-0.2
Total	20,369.0	98.0	21,384.6	98.9	1,015.6	5.0
Other obligations	351.1	2.0	245.4	1.1	-105.7	-30.1
Total central government debt	20,720.1	100.0	21,630.0	100.0	910.0	4.4

The HUF denominated debt of the central government increased by HUF 308.1 billion in the first 2 months of 2013 (the difference between the total net change and the net issuance was caused 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 6.5 billion, the amount of discount Treasury bills increased by HUF 179.3 billion and the total amount of retail government securities increased by HUF 123.3 billion.

The foreign currency debt of the central government increased by HUF 707.6 billion in the first 2 months of 2013. The foreign currency bond issue increased the debt by HUF 712.4 billion, the P€MAK bond issuance also increased the debt by HUF 334.2 billion, while the redemptions of foreign currency debt worth HUF 487.1 billion decreased the debt. The exchange rate revaluations totalling HUF 148.0 billion increased the Hungarian Forint value of the foreign currency debt in 2013.

Secondary market yields in February:

Benchmark yields

Maturity	28.12.2012.	31.01.2013.	28.02.2013.	Change, basis points
3-month	5.33	5.38	4.93	-45
6-month	5.28	5.28	4.93	-35
1-year	5.40	5.27	4.91	-36
3-year	5.61	5.54	5.30	-24
5-year	5.89	5.89	5.66	-23
10-year	6.11	6.34	6.25	-9
15-year	6.11	6.35	6.33	-2

Monthly OTC turnover of government securities was 12 % higher in February than a month before and reached HUF 3,315.4 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 55% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 200.5 billion in February, and amounted to HUF 4,834.7 billion at the end of the month. This volume represented 41.0% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 296.25 on the last working day of February.

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).

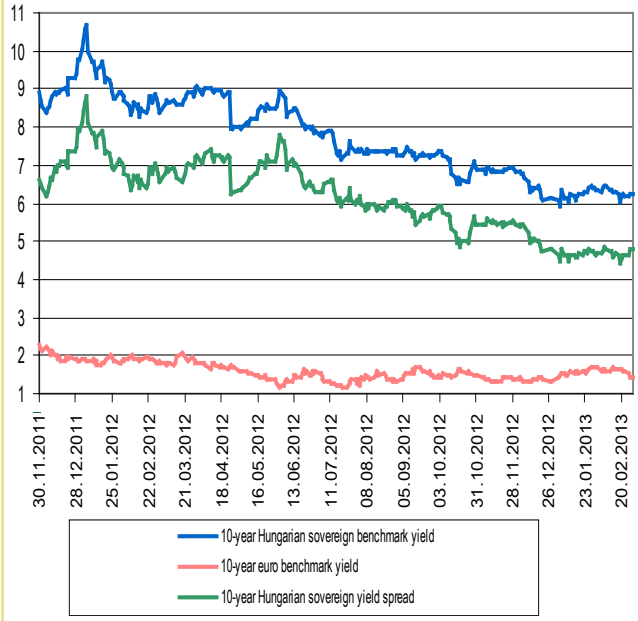
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

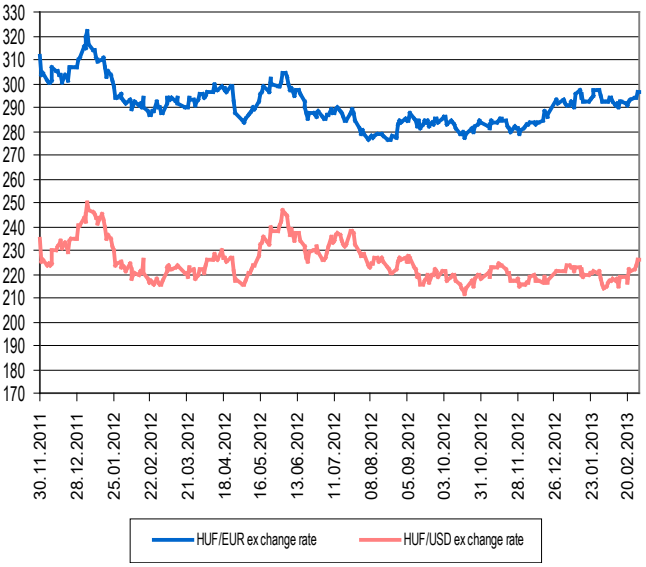
	2006	2007	2008	2009	2010	2011	December 2012	January 2013	February 2013
1. Forint denominated debt	10,552.3	11,103.8	11,250.6	10,476.2	10,978.2	10,362.2	12,042.4	12,446.3	12,350.5
1.1. Loans	356.4	145.7	219.9	438.7	540.8	590.8	566.8	565.8	565.8
1.2. Government securities	10,195.9	10,958.1	11,030.7	10,037.5	10,437.4	9,771.4	11,475.6	11,880.4	11,784.7
1.2.1. Public issues	9,667.5	10,465.4	10,599.7	9,613.2	10,019.6	9,378.1	11,077.1	11,482.0	11,386.2
1.2.1.1. Bonds	7,244.2	8,245.3	8,570.6	7,519.2	7,965.8	7,353.4	8,184.1	8,336.2	8,190.5
1.2.1.2. Discount T-bills	1,755.9	1,664.9	1,482.4	1,647.3	1,618.2	1,540.9	1,906.5	2,096.4	2,085.8
1.2.1.3. Retail securities	667.4	555.2	546.4	446.6	435.7	473.8	986.6	1,049.4	1,109.9
1.2.2. Private placements	528.4	492.7	431.0	424.3	417.8	403.2	398.5	398.5	398.5
2. Foreign currency denominated debt*	4,124.4	4,472.6	6,774.8	8,466.7	8,842.8	10,170.4	8,326.6	8,463.7	9,034.1
2.1. Loans	803.7	846.5	2,529.4	4,112.7	4,292.8	4,458.1	3,312.5	3,127.2	3,172.2
2.1.1. Foreign loans	700.1	838.8	2,529.4	4,112.7	4,292.8	4,361.9	3,229.0	3,058.0	3,101.5
2.1.2. Domestic loans	103.6	104.0	0.0	0.0	0.0	96.2	83.5	69.3	70.7
2.1.2.1. Raised from National Bank of Hungary (NBH)	95.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	7.7	7.7	0.0	0.0	0.0	96.2	83.5	69.3	70.7
2.2. Government securities	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	5,014.1	5,336.5	5,862.0
2.2.1. Issued abroad	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	4,924.2	4,942.9	5,432.3
2.2.1.1. Foreign currency bonds	3,320.6	3,626.1	4,245.4	4,354.0	4,550.0	5,712.3	4,924.2	4,942.9	5,432.3
2.2.1.2. Kingdom of Hungary 1924 issues	0.1	0.0	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	89.9	393.6	429.7
Total	14,676.7	15,576.4	18,025.4	18,942.9	19,821.0	20,532.6	20,369.0	20,910.0	21,384.6
Other liabilities	29.0	9.1	78.5	20.1	220.01	422.9	351.1	277.8	245.4
Total central government debt	14,705.7	15,585.5	18,103.9	18,963.1	20,041.0	20,955.5	20,720.1	21,187.8	21,630.0
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*9,528.4*	*10,402.9*	*10,484.0*	*9,623.3*	*10,001.8*	*9,297.6*	*10,489.1*	*10,831.1*	*10,674.8*
Gross debt/GDP	*61.8%*	*61.3%*	*68.2%*	*74.0%*	*75.3%*	*75.1%*			

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

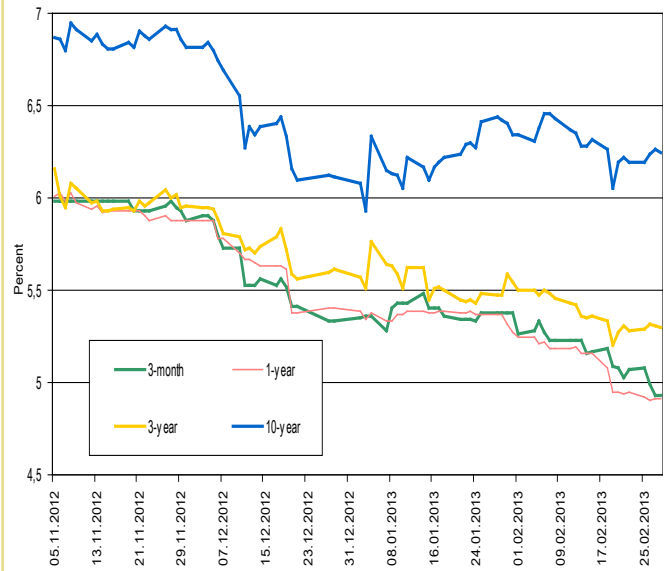
% 10-year Hungarian and eurozone benchmark yields during the last year



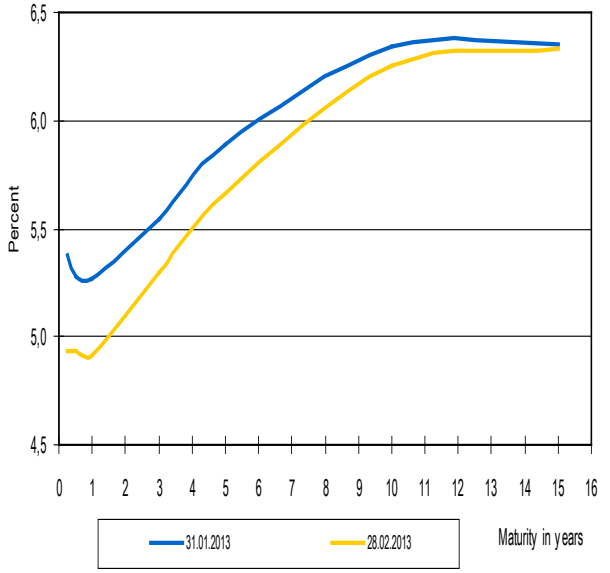
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months



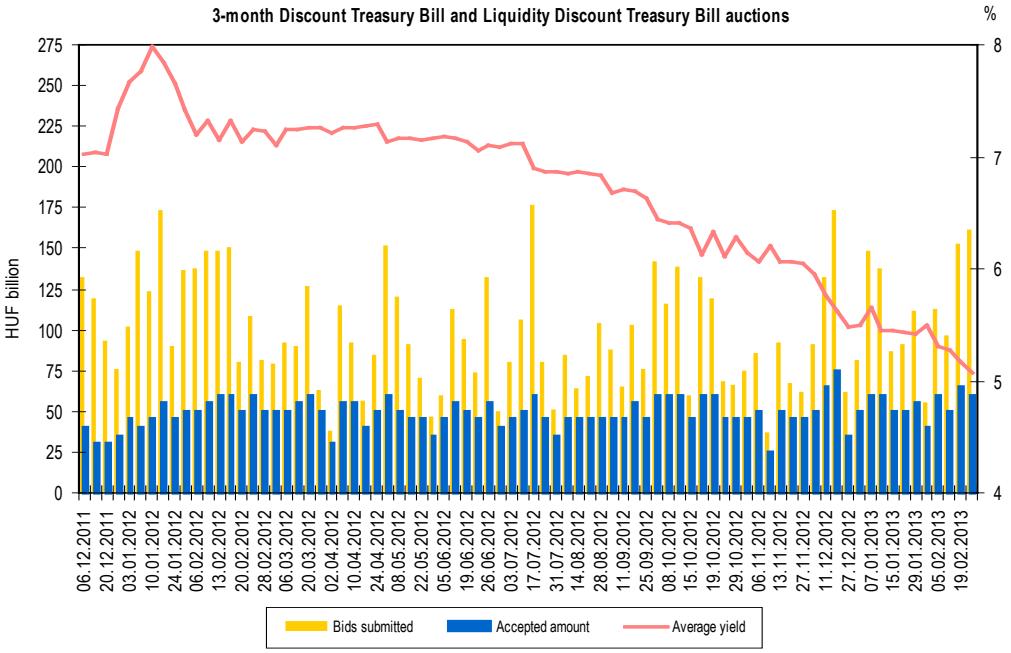
Benchmark yield curves



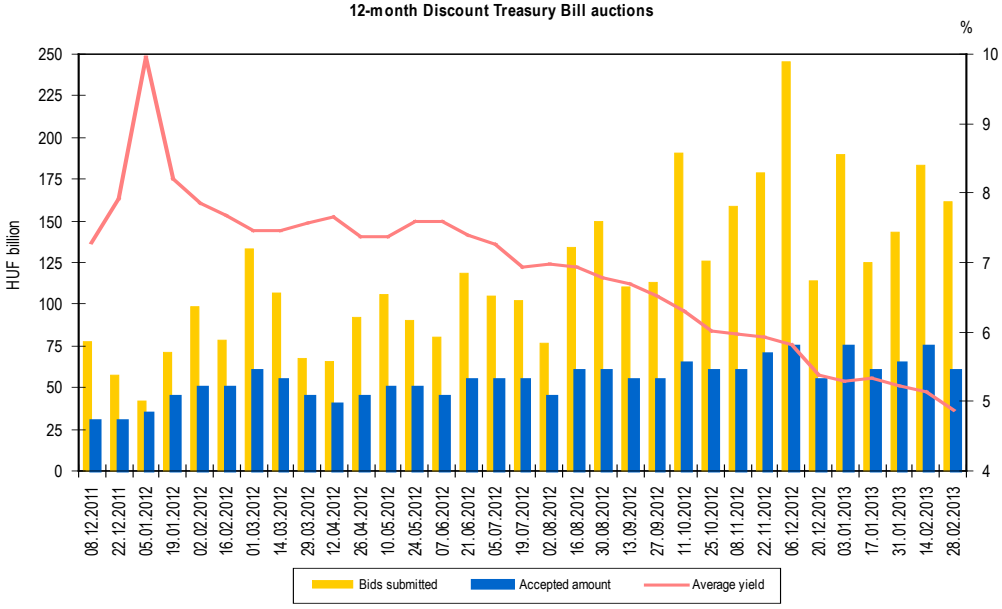
DISCOUNT TREASURY BILL AUCTION RESULTS

	Liquidity Discount T-bills	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D130320	D130515	D130522	D130529	D130605	D140108	D140305
ISIN code	HU0000519244	HU0000519335	HU0000519343	HU0000518956	HU0000519368	HU0000519285	HU0000519350
Maturity in days	42	91	91	91	91	322	364
Date of auction	04.02.2013	05.02.2013	12.02.2013	19.02.2013	26.02.2013	14.02.2013	28.02.2013
Date of financial settlement	06.02.2013	13.02.2013	20.02.2013	27.02.2013	06.03.2013	20.02.2013	06.03.2013
Redemption date	20.03.2013	15.05.2013	22.05.2013	29.05.2013	05.06.2013	08.01.2014	05.03.2014
Maximum yield, (%) - ISMA	5.52	5.34	5.30	5.19	5.11	5.14	4.89
Minimum yield (%) - ISMA	5.44	5.25	5.21	5.10	5.04	5.10	4.85
Average yield (%) - ISMA	5.50	5.30	5.28	5.17	5.07	5.13	4.88
Maximum yield, (%) - EHM	5.60	5.41	5.37	5.26	5.18	5.21	4.96
Minimum yield (%) - EHM	5.52	5.32	5.28	5.17	5.11	5.17	4.92
Average yield (%) - EHM	5.58	5.37	5.35	5.24	5.14	5.20	4.95
Average selling price (%)	99.3624	98.6780	98.6829	98.7100	98.7346	95.6128	95.2978
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Amount of bids submitted (HUF million)	55,700.00	112,219.99	96,896.47	153,117.20	160,885.43	183,036.00	161,263.00
Amount of bids accepted (HUF million)	39,999.99	59,999.98	49,999.95	64,999.91	59,999.96	74,999.95	59,999.93
Bid-to-cover ratio	1.39	1.87	1.94	2.36	2.68	2.44	2.69
Bids submitted (pcs)	30	106	126	117	140	145	155
Bids accepted (pcs)	18	49	77	69	33	42	38
Market sales* (HUF million)	39,999.99	59,999.98	49,999.95	69,999.91	59,999.96	74,999.95	59,999.93
Retained on ÁKK's own account	0.01	18,000.02	15,000.05	19,500.09	18,000.04	22,500.05	18,000.07
Total amount issued (HUF million)	40,000.00	78,000.00	65,000.00	84,500.00	78,0000.00	97,500.00	78,000.00

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



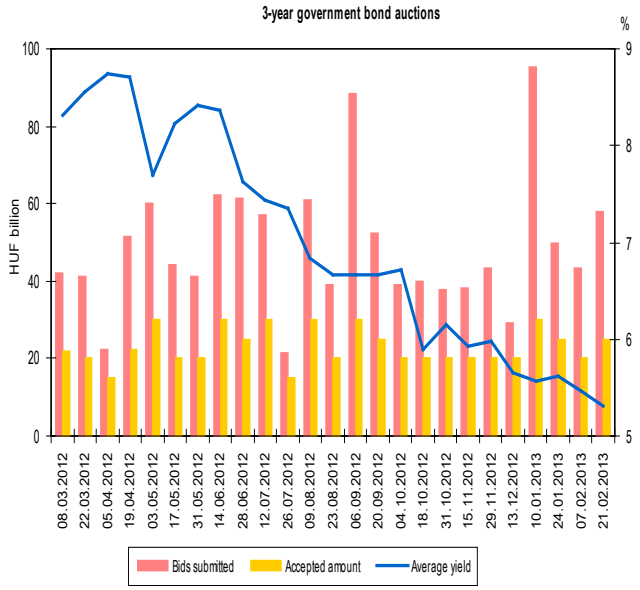
12-month Discount Treasury Bill auctions

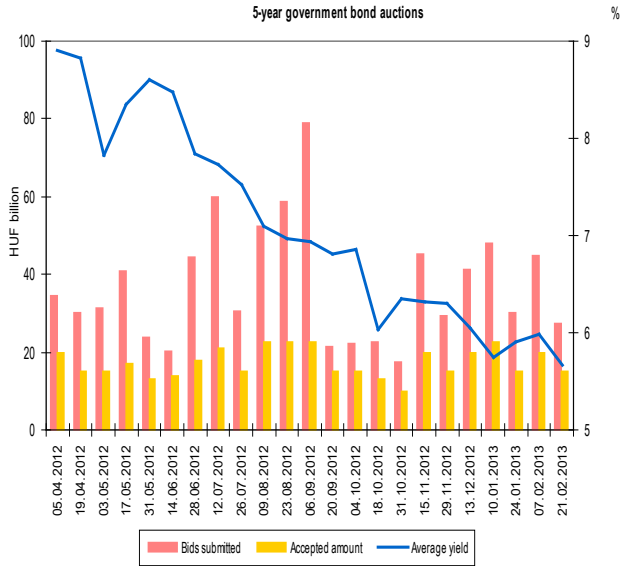


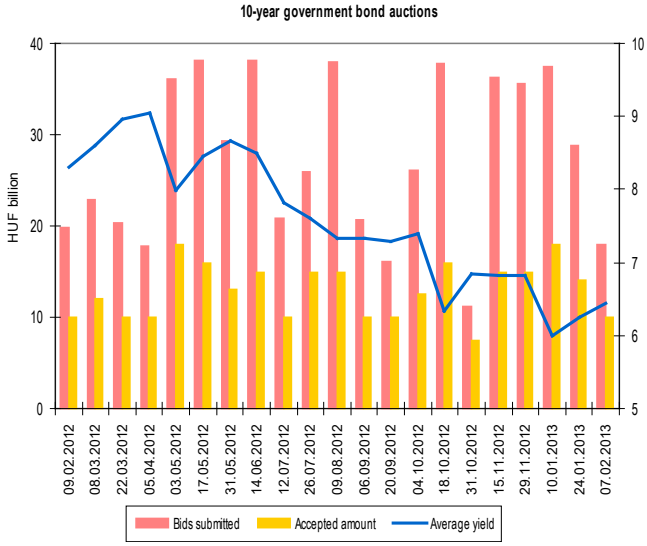
GOVERNMENT BOND AUCTION RESULTS

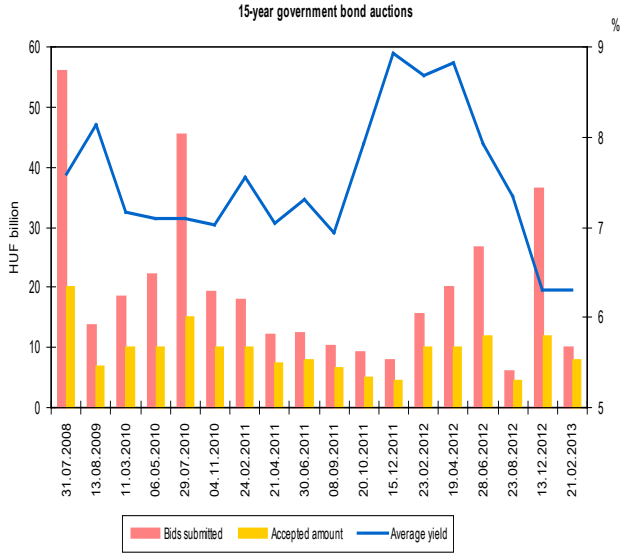
Government Bond	2016/D	2018/A	2023/A	2019/B	2016/D	2018/A	2028/A
ISIN code	HU0000402623	HU0000402631	HU0000402383	HU0000402649	HU0000402623	HU0000402631	HU0000402532
Maturity (in years)	3	5	10	5	3	5	15
Coupon (%)	5.50%	5.50%	6.00%	5.47%	5.50%	5.50%	6.75%
Auction	3rd auction	3rd auction	32nd auction	2nd auction	4th auction	4th auction	12th auction
Date of auction	07.02.2013	07.02.2013	07.02.2013	14.02.2013	21.02.2013	21.02.2013	21.02.2013
Date of financial settlement	13.02.2013	13.02.2013	13.02.2013	20.02.2013	27.02.2013	27.02.2013	27.02.2013
Redemption date	22.12.2016	20.12.2018	24.11.2023	20.05.2019	22.12.2016	20.12.2018	22.10.2028
Maximum annual yield (%) - ISMA	5.49	6.02	6.49		5.33	5.69	6.32
Minimum annual yield (%) - ISMA	5.42	5.93	6.40		5.29	5.63	6.27
Average annual yield (%) - ISMA	5.46	5.99	6.44		5.31	5.66	6.30
Maximum annual yield (%) - EHM	5.49	6.02	6.49		5.33	5.69	6.32
Minimum annual yield (%) - EHM	5.42	5.93	6.40		5.29	5.63	6.27
Average annual yield (%) - EHM	5.46	5.98	6.43		5.31	5.66	6.30
Maximum price (%)	100.2673	97.9219	96.9206	95.3500	100.7002	99.3622	104.6532
Minimum price (%)	100.0295	97.4947	96.2512	95.0100	100.5646	99.0734	104.1492
Average price (%)	100.1340	97.6512	96.6515	95.1900	100.6172	99.2135	104.3298
Amount offered for sale (HUF million)	20,000.00	15,000.00	10,000.00	7,000.00	20,000.00	15,000.00	8,000.00
Amount of bids submitted (HUF million)	43,470.00	44,728.00	18,040.72	39,350.00	57,750.00	27,556.93	10,150.00
Amount of bids accepted (HUF million)	19,999.98	19,999.95	9,999.99	9,999.99	24,999.95	14,999.96	8,000.00
Bid-to-cover ratio	2.17	2.24	1.80	3.94	2.31	1.84	1.27
Bids submitted (pcs)	67	67	43	86	85	68	39
Bids accepted (pcs)	33	43	31	22	37	39	27
Tail (average price - minimum price)	0.10	0.16	0.40	0.18	0.05	0.14	0.18
Market sales* (HUF million)	19,999.98	19,999.95	9,999.99	9,999.99	24,999.95	14,999.96	8,000.00
Non-competitive offer (HUF million)	3,256.51	1,088.51	0.00	2,999.18	3,940.36	3,042.44	0.00
Total amount issued (HUF million)	40,000.00	40,000.00	14,000.00	20,000.00	50,000.00	30,000.00	16,000.00

*Without issuance onto ÁKK's own account

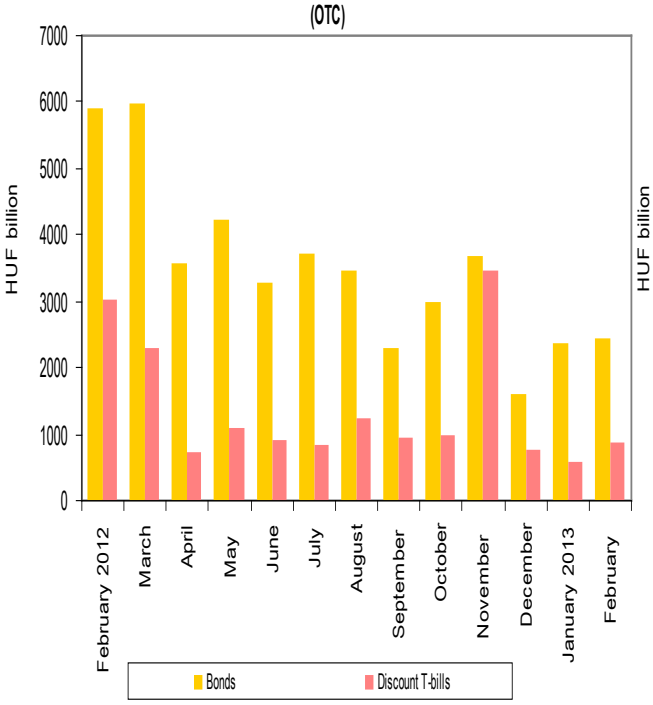




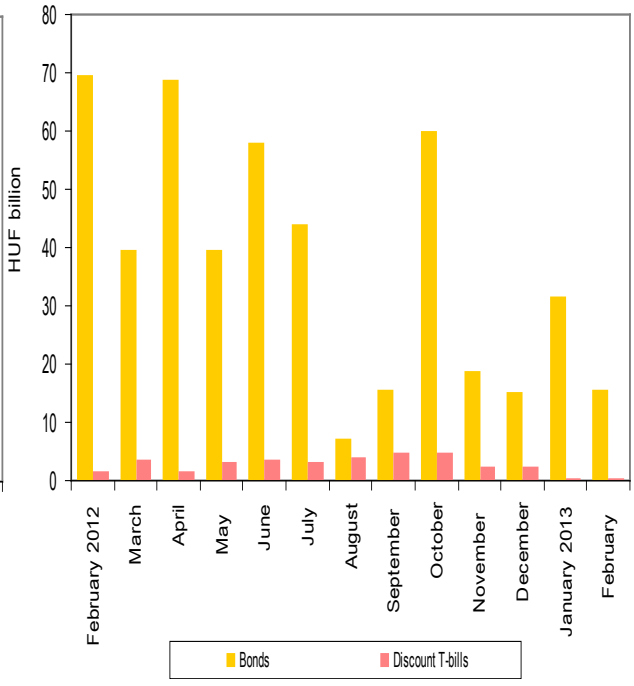




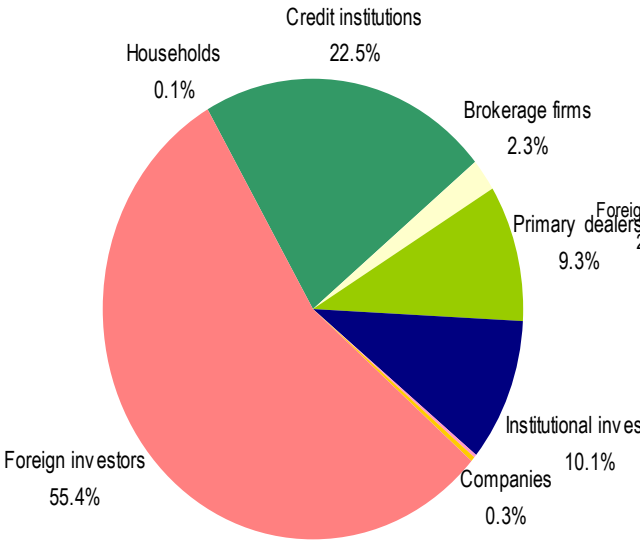
Secondary market trading of Hungarian government securities
(OTC)



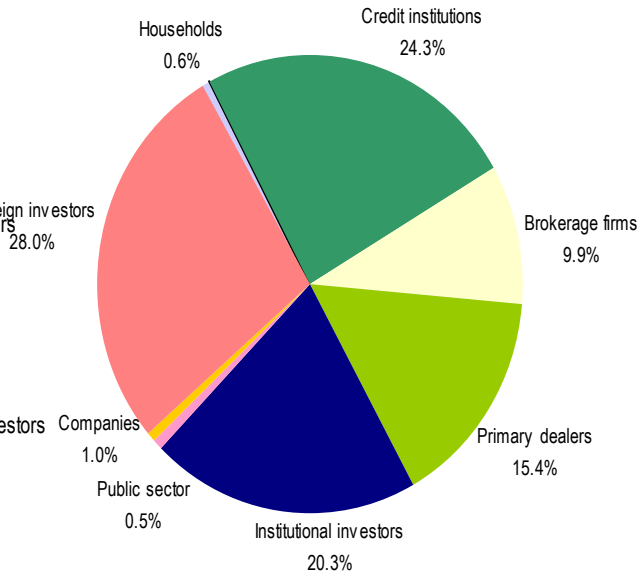
Secondary market trading of Hungarian government securities
(MTS Hungary trading)



Breakdown of primary dealers' secondary market turnover
in government bonds by investor groups in February 2013



Breakdown of primary dealers' secondary market turnover
in Discount Treasury Bills by investor groups in February 2013



INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN FEBRUARY 2013

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2026/A	28.02.2013	28.02.2013	28.08.2013	28.08.2013	5.45	2.74

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 28 February 2013	535.6583	496.5095	526.2243	493.3329
Changes compared to the end of the month before	6.0212	2.7232	5.3881	2.3037
Annual yield earned on the index portfolio	17.74%	8.13%	16.25%	7.12%

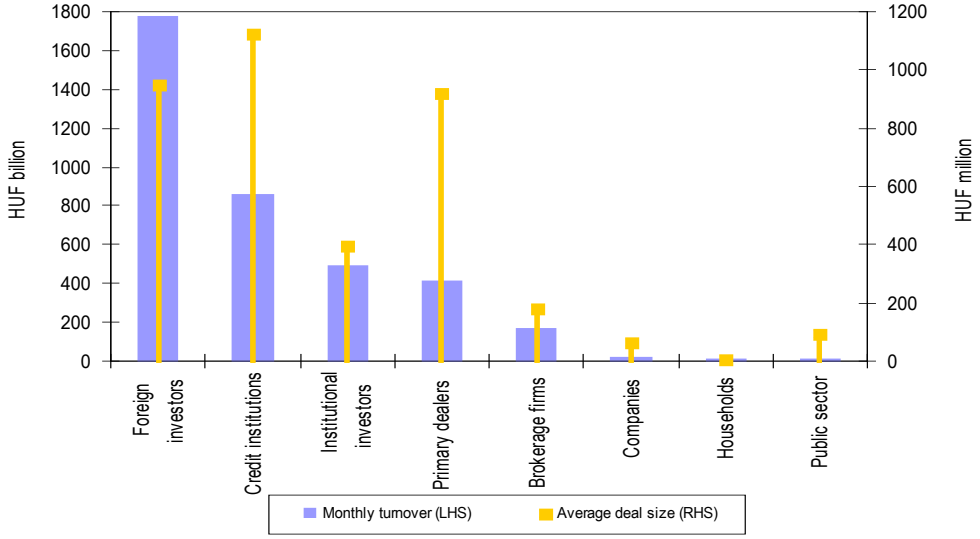
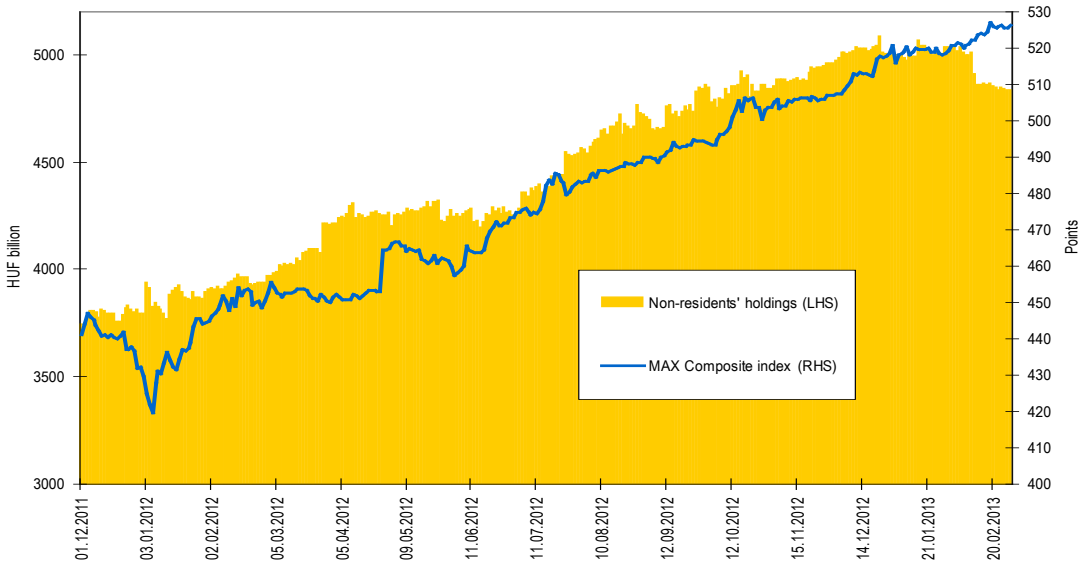
Government securities with the highest secondary market turnover in February 2013

Government security	Date of redemption	Turnover (HUF billion)
2022/A	24.06.2022	466.7
2017/A	24.11.2017	345.8
2018/A	20.12.2018	328.2
D140108	08.01.2014	250.0
2020/A	12.11.2020	216.9
2023/A	24.11.2023	193.0
2017/B	24.02.2017	176.7
2015/C	24.08.2015	157.8
2014/C	12.02.2014	131.0
2015/A	12.02.2015	130.8

The outstanding volume of government bonds with benchmark status at the end of February 2013

	HUF billion	
Government bond	31.01.2013	28.02.2013
2016/D	65.90	118.78
2018/A	42.22	81.84
2023/A	318.89	329.37
2028/A	98.48	106.51

Primary dealers' trading with different investor groups in February 2013



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