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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

OCTOBER 2012

The deficit of the central government amounted to HUF 662.8 billion in October. The net prefinancing of cash transfers from the European Union increased the net borrowing requirement by HUF 125.3 billion. Thus, the total net financing requirement amounted to HUF 788.1 billion in 2012. Net issuance was HUF 834.2 billion; out of which net HUF-denominated issuance was HUF 1,640.1 billion and net foreign currency denominated issuance was HUF -805.9 billion.

	2011		2012		Change	
HUF billion	December	%	October	%	HUF billion	%
Foreign exchange denominated debt	10,170.4	48.5	8,471.5	40.7	-1,698.9	-16.7
Government securities	5,712.3	27.3	5,076.0	24.4	-636.3	-11.1
Loans	4,458.1	21.3	3,395.5	16.3	1,062.6	-23.8
HUF denominated debt	10,362.2	49.4	11,970.9	57.5	1,608.7	15.5
Government securities	9,771.4	46.6	11,394.1	54.7	1,622.7	16.6
Loans	590.8	2.8	576.8	2.8	-14.0	-2.4
Total	20,532.6	98.0	20,442.4	98.1	-90.2	-0.4
Other obligations	422.9	2.0	386.7	1.9	-36.2	-8.6
Total central government debt	20,955.5	100.0	20,829.1	100.0	-126.4	-0.6

The HUF denominated debt of the central government increased by HUF 1,608.7 billion in 2012. The difference between the net change in the debt stock and the net issuance was caused by withdrawing from the market HUF 31.1 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 714.5 billion, the amount of discount Treasury bills increased by HUF 515.5 billion and the total amount of retail government securities increased by HUF 395.3 billion.

The foreign currency debt of the central government decreased by HUF 1,698.9 billion in 2012. The drawdown of foreign currency denominated loans worth HUF 34.5 increased, while the redemptions of foreign currency debt worth HUF 840.4 billion decreased the debt, out of which HUF 0,1 bn of Hungarian foreign currency government bonds were in the possession of the Pension Reform and Debt Reduction Fund. The exchange rate revaluations totalling HUF 893.0 billion decreased the Hungarian Forint value of the foreign currency debt in 2012.

Secondary market yields in October:

Benchmark yields

Maturity	30.12.2011.	30.09.2012.	31.10.2012.	Change, basis points
3-month	7.55	6.30	6.05	-25
6-month	7.60	6.42	5.97	-45
1-year	7.95	6.48	6.02	-46
3-year	9.06	6.59	6.17	-42
5-year	9.64	6.72	6.35	-37
10-year	9.75	7.24	6.88	-36
15-year	9.76	7.30	6.95	-35

Monthly OTC turnover of government securities was 22 % higher in October than a month before and reached HUF 3,952.3 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 45% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 0.1 billion in October, and amounted to HUF 4,839.8 billion at the end of the month. This volume represented 42.5% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 283.55 on the last working day of October.

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

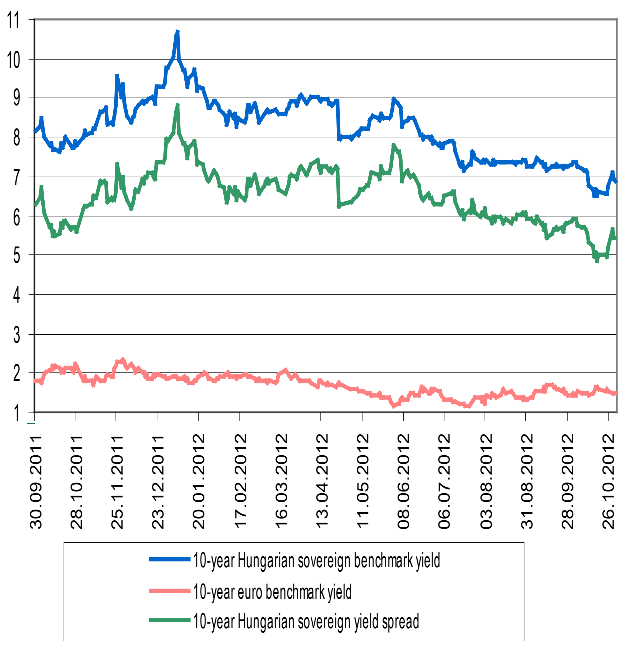
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

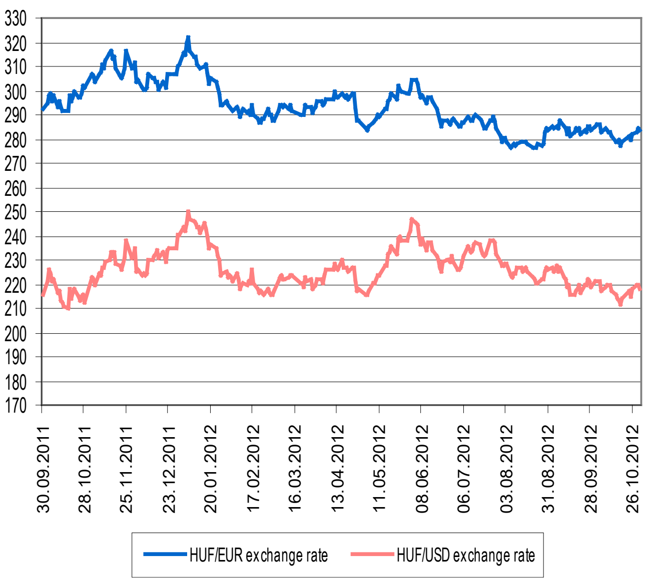
	2006	2007	2008	2009	2010	2011	August 2012	September 2012	October 2012
1. Forint denominated debt	10,552.3	11,103.8	11,250.6	10,476.2	10,978.2	10,362.2	11,484.8	11,799.6	11,970.9
1.1. Loans	356.4	145.7	219.9	438.7	540.8	590.8	587.8	587.8	576.8
1.2. Government securities	10,195.9	10,958.1	11,030.7	10,037.5	10,437.4	9,771.4	10,897.0	11,211.8	11,394.1
1.2.1. Public issues	9,667.5	10,465.4	10,599.7	9,613.2	10,019.6	9,378.1	10,495.4	10,810.2	10,993.4
1.2.1.1. Bonds	7,244.2	8,245.3	8,570.6	7,519.2	7,965.8	7,353.4	8,127.6	8,274.4	8,067.9
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	1,595.8	1,727.1	2,056.4
1.2.1.3. Retail securities	667.4	555.2	546.4	446.6	435.7	473.8	772.0	808.7	869.1
1.2.2. Private placements	528.4	492.7	431.0	424.3	417.8	403.2	401.6	401.6	400.7
2. Foreign currency denominated debt*	4,124.4	4,472.6	6,774.8	8,466.7	8,842.8	10,170.4	8,546.2	8,457.9	8,471.5
2.1. Loans	803.7	846.5	2,529.4	4,112.7	4,292.8	4,458.1	3,470.7	3,378.9	3,395.5
2.1.1. Foreign loans	700.1	838.8	2,529.4	4,112.7	4,292.8	4,361.9	3,388.4	3,297.1	3,313.7
2.1.2. Domestic loans	103.6	104.0	0.0	0.0	0.0	96.2	82.2	81.9	81.8
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	82.2	81.9	81.8
2.2. Government securities	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	5,075.5	5,078.9	5,076.0
2.2.1. Issued abroad	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	5,075.5	5,078.9	5,076.0
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	5,075.5	5,078.9	5,076.0
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	0.0	0.0	0.0
Total	14,676.7	15,576.4	18,025.4	18,942.9	19,821.0	20,532.6	20,031.0	20,257.5	20,442.4
Other liabilities	29.0	9.1	78.5	20.1	220.01	422.9	513.2	396.4	386.7
Total central government debt	14,705.7	15,585.5	18,103.9	18,963.1	20,041.0	20,955.5	20,544.2	20,653.9	20,829.1
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*	*10,125.0*	*10,403.1*	*10,525.0*
Gross debt/GDP	*61.8%*	*61.3%*	*68.2%*	*72.7%*	*74.9%*	*74.4%*			

*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the

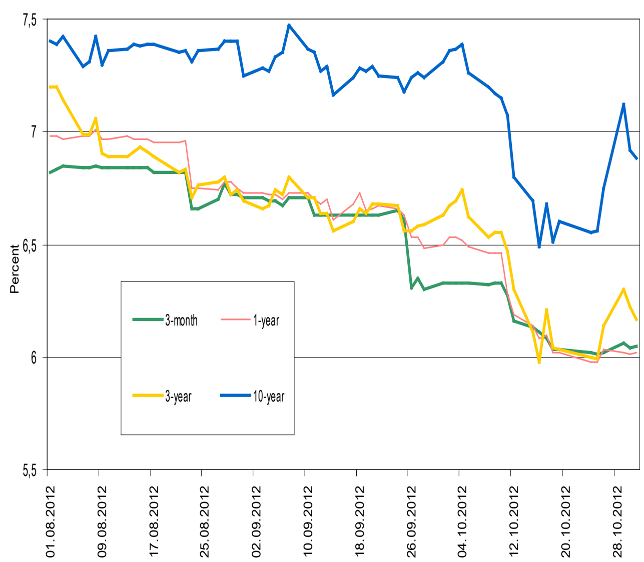
% 10-year Hungarian and eurozone benchmark yields during the last year



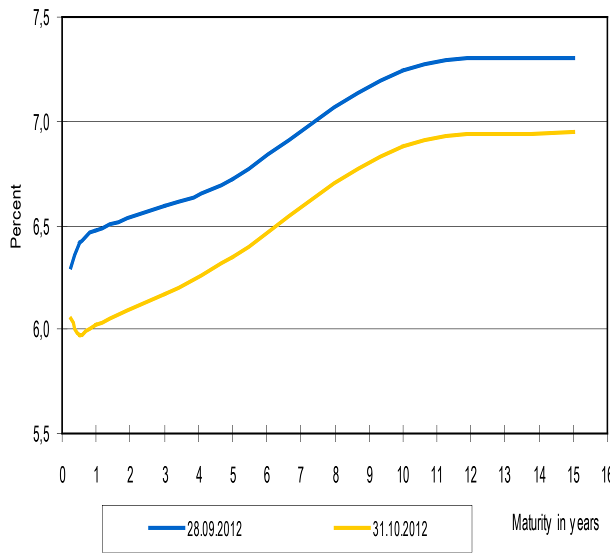
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months



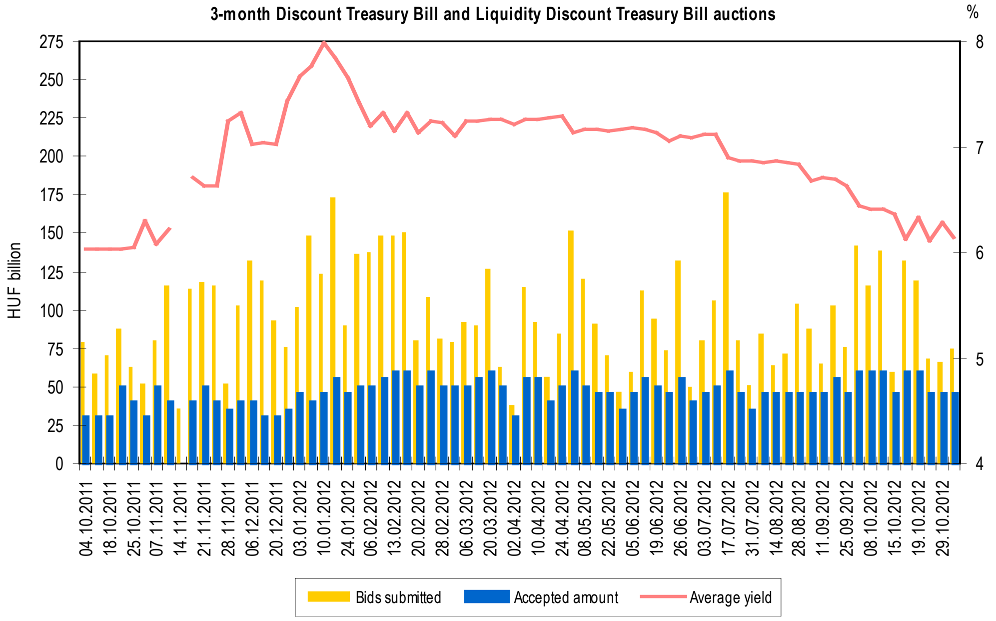
Benchmark yield curves



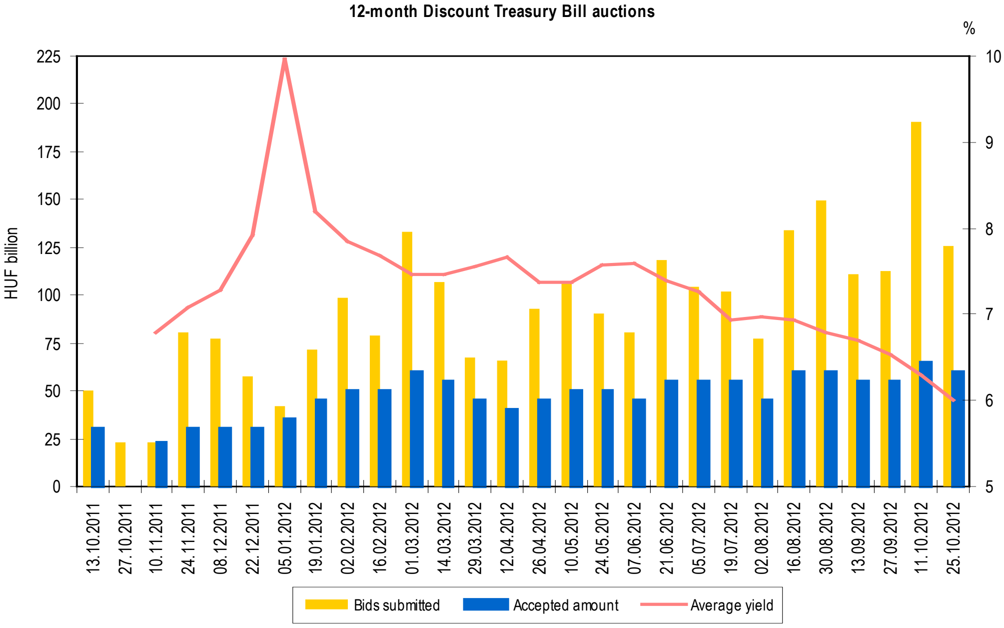
DISCOUNT TREASURY BILL AUCTION RESULTS

	Liqudity Discount T-bills				3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D121219	D121219	D121219	D121227	D130109	D130116	D130123	D130130	D130206	D130918	D130918
ISIN code	HU0000519046	HU0000519046	HU0000519046	HU0000518782	HU0000519145	HU0000519152	HU0000519160	HU0000519178	HU0000519277	HU0000519111	HU0000519111
Maturity in days	70	63	55	57	91	91	91	91	91	336	322
Date of auction	08.10.2012	15.10.2012	19.10.2012	29.10.2012	02.10.2012	09.10.2012	16.10.2012	24.10.2012	30.10.2012	11.10.2012	25.10.2012
Date of financial settlement	10.10.2012	17.10.2012	25.10.2012	31.10.2012	10.10.2012	17.10.2012	24.10.2012	31.10.2012	07.11.2012	17.10.2012	31.10.2012
Redemption date	19.12.2012	19.12.2012	19.12.2012	27.12.2012	09.01.2013	16.01.2013	23.01.2013	30.01.2013	06.02.2013	18.09.2013	18.09.2013
Maximum yield, (%) - ISMA	6.45	6.41	6.37	6.35	6.47	6.42	6.15	6.18	6.22	6.32	6.05
Minimum yield (%) - ISMA	6.35	6.24	6.24	6.16	6.25	6.37	6.05	6.00	6.00	6.29	5.97
Average yield (%) - ISMA	6.41	6.36	6.33	6.29	6.44	6.40	6.12	6.12	6.15	6.30	6.01
Maximum yield, (%) - EHM	6.54	6.50	6.46	6.44	6.56	6.51	6.24	6.27	6.31	6.41	6.13
Minimum yield (%) - EHM	6.44	6.33	6.33	6.25	6.34	6.46	6.13	6.08	6.08	6.38	6.05
Average yield (%) - EHM	6.50	6.45	6.42	6.38	6.53	6.49	6.20	6.20	6.24	6.39	6.09
Average selling price (%)	98.7690	98.8993	99.0422	99.0139	98.3982	98.4080	98.4766	98.4766	98.4692	94.4465	94.8986
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	50,000.00	45,000.00	45,000.00	45,000.00	45,000.00	45,000.00	45,000.00	45,000.00
Amount of bids submitted (HUF million)	116,130.00	59,700.00	119,419.00	66,484.70	141,685.73	139,031.62	132,627.37	67,716.06	75,103.20	190,400.00	125,721.08
Amount of bids accepted (HUF million)	59,999.95	44,999.99	59,999.96	44,999.97	59,999.95	59,999.92	59,999.88	44,999.98	44,999.99	64,999.98	59,999.96
Bid-to-cover ratio	1.94	1.33	1.99	1.48	2.36	2.32	2.21	1.50	1.67	2.93	2.10
Bids submitted (pcs)	87	28	92	74	126	137	113	70	105	159	118
Bids accepted (pcs)	47	24	61	55	64	57	47	50	86	20	73
Market sales* (HUF million)	59,999.95	44,999.99	59,999.96	44,999.97	59,999.95	59,999.92	59,999.88	44,999.98	44,999.99	64,999.98	59,999.96
Retained on ÁKK's own account	0.05	0.01	0.04	0.03	18,000.05	18,000.08	18,000.12	12,500.02	27,000.01	19,500.02	18,000.04
Total amount issued (HUF million)	60,000.00	45,000.00	60,000.00	45,000.00	78,000.00	78,000.00	78,000.00	58,500.00	72,000.00	84,500.00	78,000.00

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



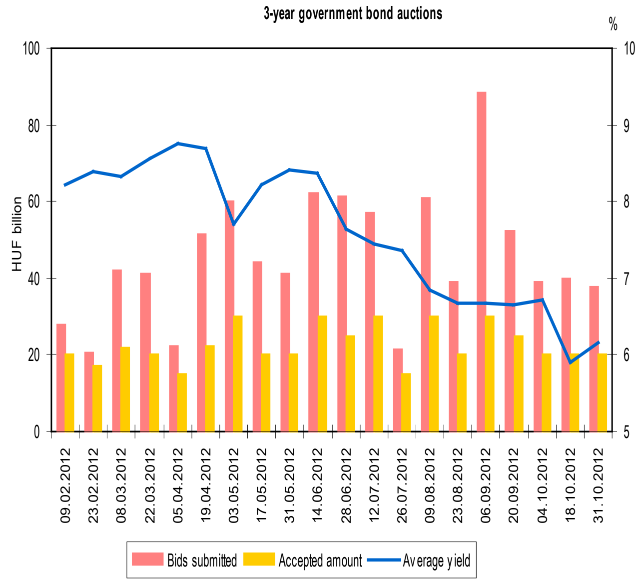
12-month Discount Treasury Bill auctions

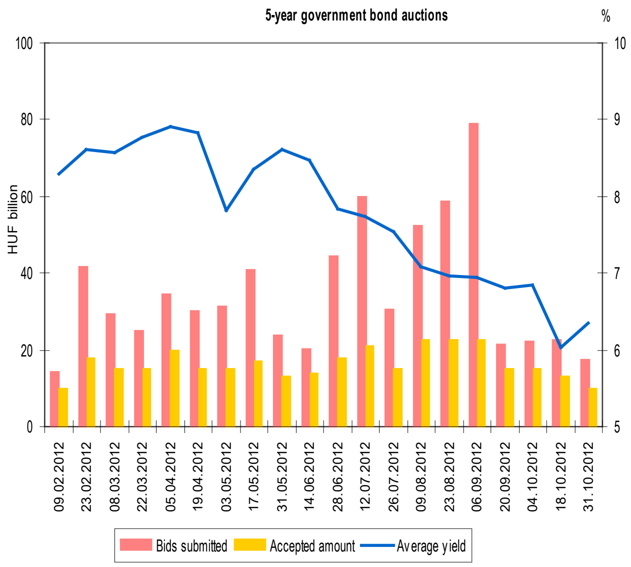


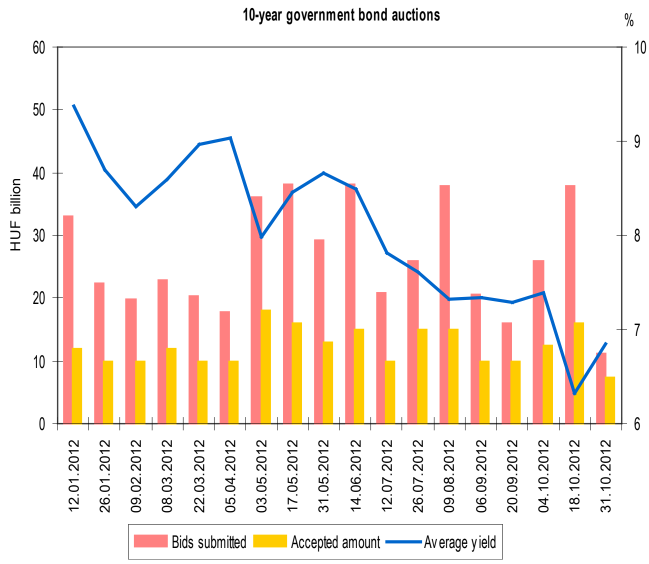
GOVERNMENT BOND AUCTION RESULTS

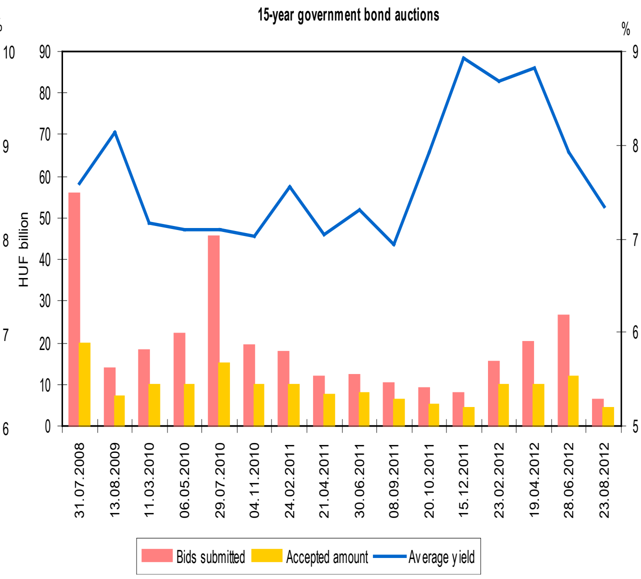
Government Bond	2015/C	2017/A	2022/A	2015/C	2017/A	2022/A	2015/C	2017/A	2022/A
ISIN code	HU0000402581	HU0000402037	HU0000402524	HU0000402581	HU0000402037	HU0000402524	HU0000402581	HU0000402037	HU0000402524
Maturity (in years)	3	5	10	3	5	10	3	5	10
Coupon (%)	7.75%	6.75%	7.00%	7.75%	6.75%	7.00%	7.75%	6.75%	7.00%
Auction	18th auction	46th auction	36th auction	17th auction	47th auction	37th auction	20th auction	48th auction	38th auction
Date of auction	04.10.2012	04.10.2012	04.10.2012	20.09.2012	18.10.2012	18.10.2012	31.10.2012	31.10.2012	31.10.2012
Date of financial settlement	10.10.2012	10.10.2012	10.10.2012	26.09.2012	24.10.2012	24.10.2012	07.11.2012	07.11.2012	07.11.2012
Redemption date	24.08.2015	24.11.2017	24.06.2022	24.08.2015	24.11.2017	24.06.2022	24.08.2015	24.11.2017	24.06.2022
Maximum annual yield (%) - ISMA	6.74	6.87	7.40	6.68	6.07	6.34	6.19	6.38	6.87
Minimum annual yield (%) - ISMA	6.67	6.79	7.35	6.65	6.01	6.33	6.12	6.30	6.81
Average annual yield (%) - ISMA	6.72	6.85	7.39	6.66	6.03	6.33	6.15	6.35	6.85
Maximum annual yield (%) - EHM	6.74	6.87	7.40	6.68	6.07	6.34	6.19	6.38	6.87
Minimum annual yield (%) - EHM	6.67	6.79	7.35	6.65	6.01	6.33	6.12	6.30	6.81
Average annual yield (%) - EHM	6.72	6.85	7.38	6.66	6.03	6.33	6.15	6.35	6.84
Maximum price (%)	102.7123	99.8075	97.5793	102.8054	103.1462	104.6887	104.0363	101.8859	101.2567
Minimum price (%)	102.5312	99.4717	97.2465	102.7267	102.8849	104.6158	103.8561	101.5454	100.8400
Average price (%)	102.5954	99.5592	97.3206	102.7674	103.0625	104.6532	103.9632	101.6675	100.9922
Amount offered for sale (HUF million)	20,000.00	15,000.00	10,000.00	20,000.00	15,000.00	12,000.00	20,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	38,888.31	22,219.00	26,017.00	52,450.00	22,500.00	37,871.66	37,862.75	17,585.98	11,270.33
Amount of bids accepted (HUF million)	19,999.97	14,999.93	12,499.94	24,999.98	12,999.99	16,000.00	19,999.98	9,999.99	7,499.99
Bid-to-cover ratio	1.94	1.48	2.08	2.10	1.73	2.37	1.89	1.76	1.50
Bids submitted (pcs)	76	55	72	55	42	48	50	42	39
Bids accepted (pcs)	48	36	30	19	23	9	30	28	22
Tail (average price - minimum price)	0.06	0.09	0.07	0.04	0.18	0.04	0.11	0.12	0.15
Market sales* (HUF million)	19,999.97	14,999.93	124999.94	24,999.98	12,999.99	16,000.00	19,999.98	9,999.99	7,499.99
Non-competitive offer (HUF million)	3,642.19	0.00	4,402.06	1,400.00	0.00	5,400.00	7,173.66	0.00	0.00
Total amount issued (HUF million)	40,000.00	30,000.00	17,500.00	50,000.00	26,000.00	22,400.00	40,000.00	20,000.00	7,500.00

*Without issuance onto ÁKK's own account





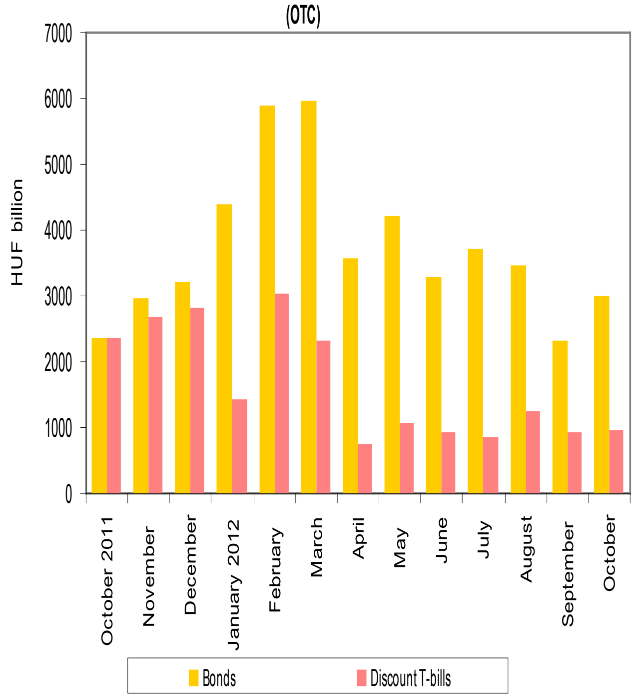




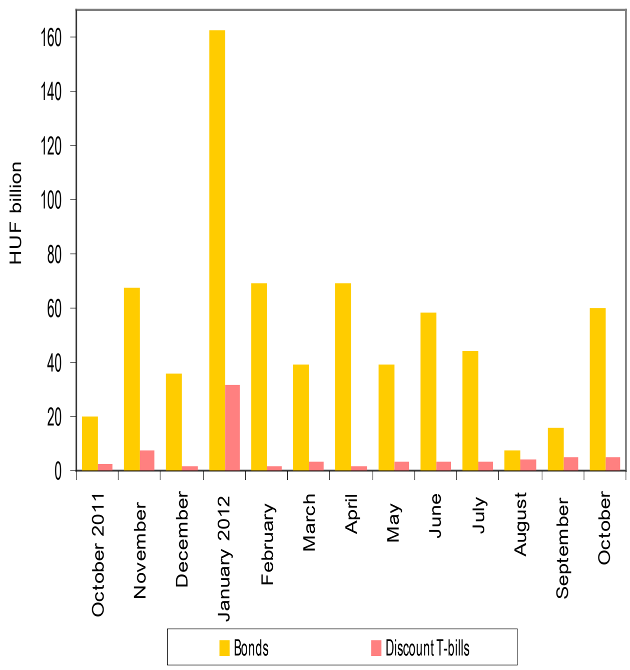
GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2013/D	2013/E
ISIN code	HU0000402045	HU0000402466
Coupon (%)	6.75	7.50
Date of reverse auction	31.10.2012	31.10.2012
Date of financial settlement	07.11.2012	07.11.2012
Redemption date	12.02.2013	24.10.2013
Minimum annual yield (%)	0,00	5.90
Average annual yield - ISMA (%)	0.00	5.95
Average annual yield - EHM (%)	0.00	5.94
Amount of bids submitted (HUF million)	4,420.06	38,698.73
Amount of bids accepted (HUF million)	0.00	29,895.44

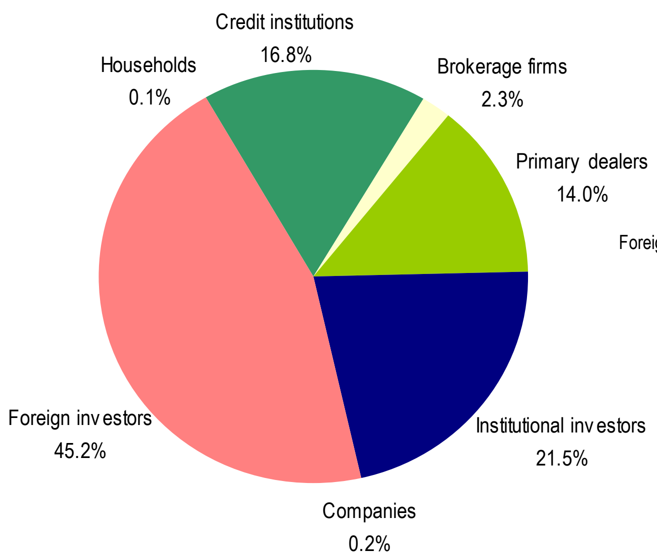
Secondary market trading of Hungarian government securities (OTC)



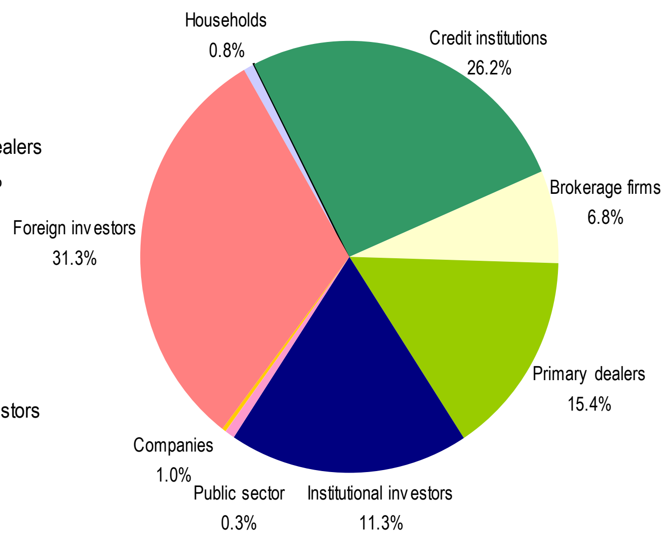
Secondary market trading of Hungarian government securities (Budapest Stock Exchange from 2012 MTS Hungary trading)



Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in October 2012



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in October 2012



INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN OCTOBER 2012

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2026/C	24.10.2012	24.10.2012	24.04.2013	24.04.2013	6.68	3.38
2026/B	24.10.2012	24.10.2012	24.04.2013	24.04.2013	6.68	3.38
2016/A	01.10.2012	30.09.2012	31.12.2012	01.01.2013	7.00	1.76

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 October 2012	510.5236	484.9009	503.5667	483.7329
Changes compared to the end of the month before	9.9893	3.9270	9.0929	3.1766
Annual yield earned on the index portfolio	11.38%	7.49%	10.93%	7.24%

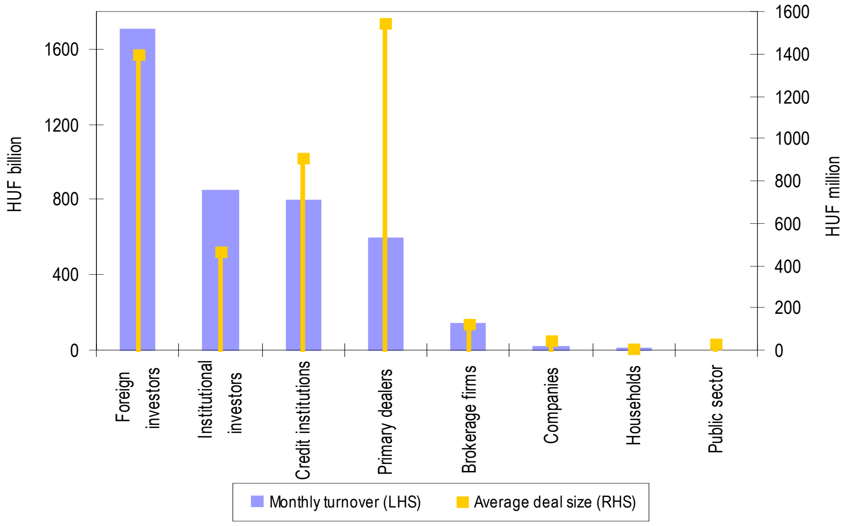
Government securities with the highest secondary market turnover in October 2012

Government security	Date of redemption	Turnover (HUF billion)
2015/C	24.08.2015	639.8
2022/A	24.06.2022	588.0
2014/D	22.08.2014	262.0
2017/A	24.11.2017	261.3
D130918	18.09.2013	258.9
2020/A	12.11.2020	212.4
2017/B	24.02.2017	205.7
D121219	19.12.2012	147.1
D121227	27.12.2012	131.4
2019/A	24.06.2019	121.9

The outstanding volume of government bonds with benchmark status at the end of October 2012

	HUF billion	
Government bond	30.09.2012	31.10.2012
2015/C	467.11	544.60
2017/A	809.02	866.86
2022/A	453.78	490.79
2028/A	83.35	82.80

Primary dealers' trading with different investor groups in October 2012



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