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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

AUGUST 2010

The deficit of the central government amounted to HUF 1082.0 billion in the first eight months of 2010. The net balance of transfers from the European Union (EU) worth HUF 102.7 billion decreased the net borrowing requirement. Privatisation revenues amounted to HUF 30.1 billion, which decreased the financing requirement. Thus, the total net borrowing requirement amounted to HUF 949.2 billion in 2010. Net issuance was HUF 566.6 billion; out of which net HUF-denominated issuance was HUF 264.7 billion and net foreign currency denominated issuance was HUF 301.9 billion.

	2009		2010		Change	
HUF billion	December	%	August	%	HUF billion	%
Foreign exchange denominated debt	8,468.5	44.7	9,422.3	46.1	953.8	11.3
Government securities	4,354.0	23.0	4,961.6	24.3	607.6	14.0
Loans	4,114.5	21.7	4,460.7	21.8	346.2	8.4
HUF denominated debt	10,476.2	55.2	10,742.5	52.5	266.3	2.5
Government securities	10,037.5	52.9	10,201.7	49.9	164.2	1.6
Loans	438.7	2.3	540.8	2.6	102.1	23.3
Total	18,944.8	99.9	20,164.8	98.6	1,220.1	6.4
Other obligations	20.1	0.1	285.0	1.4	264.9	1,317.9
Total central government debt	18,964.9	100.0	20,449.8	100.0	1,485.0	7.8
Out of the international loan program was placed in NBH or in commercial banks	1,124.8		1,200.8		76.0	

The HUF denominated debt of the central government increased by HUF 266.3 billion in 2010 (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 211.7 billion, while discount Treasury bills decreased by HUF 30.8 billion and the total amount of retail government securities decreased by HUF 13.4 billion. The HUF 102.1 billion increase in the volume of HUF loans in the first eight months of the year was the result of drawdowns of international project financing loans in Hungarian Forints.

The foreign currency debt of the central government increased by HUF 953.8 billion in 2010. The foreign currency bond issue increased the debt by HUF 387.3 billion, redemptions of foreign currency debt worth HUF 86.4 billion decreased the debt, while exchange rate revaluations totalling HUF 651.8 billion increased the Hungarian Forint value of the foreign currency debt in 2010.

Out of the international loan program HUF 1,200.8 billion was placed in the National Bank of Hungary as foreign currency deposits or in commercial banks as loans. The total amount of other liabilities increased by HUF 264.9 billion in 2010.

Secondary market yields in August:

Benchmark yields

Maturity	31.12.2009.	31.07.2010.	31.08.2010.	Change, basis points
3-month	6.07	5.55	5.52	-3
6-month	6.08	5.52	5.58	6
1-year	6.05	5.65	5.60	-5
3-year	7.41	7.01	7.36	35
5-year	7.59	7.16	7.45	29
10-year	7.99	7.24	7.62	38
15-year	7.90	7.15	7.52	37

Monthly OTC turnover of government securities was 44 % higher in August than a month before and reached HUF 2,595.0 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 34% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 26.0 billion in August, and amounted to HUF 2,238.0 billion at the end of the month. This volume represented 22.9% of the total amount of domestic government bonds and discount Treasury bills.

The EUR/HUF exchange rate according to the National Bank of Hungary was 287.26 at the last working day of August.

The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows at the last working day of August: BBB- (Standard & Poor's); Baa1 (Moody's); BBB (Fitch).

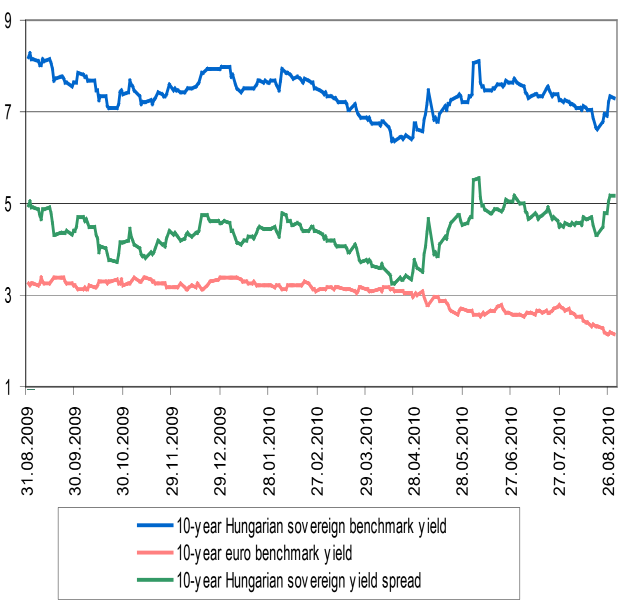
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

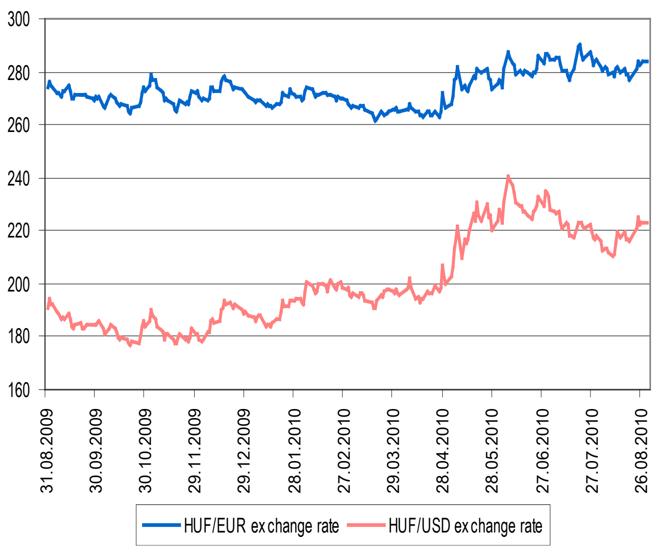
	2004	2005	2006	2007	2008	2009	June 2010	July 2010	August 2010
1. Forint denominated debt	8,608.8	9,153.5	10,552.3	11,103.8	11,250.6	10,476.2	10,677.4	10,824.6	10,742.5
1.1. Loans	4.7	0.8	356.4	145.7	219.9	438.7	485.2	485.2	540.8
1.2. Government securities	8,604.2	9,152.7	10,195.9	10,958.1	11,030.7	10,037.5	10,192.2	10,339.3	10,201.7
1.2.1. Public issues	7,860.6	8,418.8	9,667.5	10,465.4	10,599.7	9,613.2	9,769.6	9,916.7	9,780.8
1.2.1.1. Bonds	5,768.9	6,299.1	7,244.2	8,245.3	8,570.6	7,519.2	7,800.4	7,897.0	7,731.0
1.2.1.2. Discount T-bills	1,463.3	1,530.9	1,755.9	1,664.9	1,482.4	1,647.3	1,534.9	1,587.9	1,616.6
1.2.1.3. Retail securities	628.4	588.7	667.4	555.2	546.4	446.6	434.3	431.8	433.2
1.2.2. Private placements	743.6	733.9	528.4	492.7	431.0	424.3	422.6	422.6	420.9
2. Foreign currency denominated debt*	2,983.5	3,590.7	4,124.4	4,472.6	6,774.8	8,466.7	9,478.2	9,304.6	9,422.3
2.1. Loans	916.8	720.6	803.7	846.5	2,529.4	4,112.7	4,465.9	4,393.1	4,460.7
2.1.1. Foreign loans	528.9	616.9	700.1	838.8	2,529.4	4,112.7	4,465.9	4,393.1	4,460.7
2.1.2. Domestic loans	387.8	103.8	103.6	104.0	0.0	0.0	0.0	0.0	0.0
2.1.2.1. Raised from National Bank of Hungary (NBH)	355.7	96.1	95.9	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	32.2	7.7	7.7	7.7	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	2,066.8	2,870.1	3,320.7	3,626.1	4,245.5	4,354.0	5,012.3	4,911.5	4,961.6
2.2.1. Issued abroad	2,066.8	2,870.1	3,320.7	3,626.1	4,245.5	4,354.0	5,012.3	4,911.5	4,961.6
2.2.1.1. Foreign currency bonds	2,066.7	2,870.0	3,320.6	3,626.1	4,245.4	4,354.0	5,012.2	4,911.4	4,961.5
2.2.1.2. Kingdom of Hungary 1924 issues	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	11,592.4	12,744.2	14,676.7	15,576.4	18,025.4	18,942.9	20,155.7	20,129.2	20,164.8
Other liabilities		21.4	29.0	9.1	78.5	20.1	314.8	279.8	285.0
Total central government debt		12,765.6	14,705.7	15,585.5	18,103.9	18,963.1	20,470.5	20,408.9	20,449.8
Foreign currency deposits from the international loan program placed at the NBH					*1,483.6*	*1,124.8*	*1,214.8*	*1,167.1*	*1,200.8*
Government debt adjusted with foreign currency deposits					16,620.3	17,838.3	19,255.7	19,241.8	19,249.0
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*7,975.8*	*8,563.9*	*9,528.4*	*10,402.9*	*10,484.0*	*9,623.3*	*9,757.9*	*9,907.5*	*9,768.5*
Gross debt/GDP	*56.0%*	*57.9%*	*61.8%*	*61.3%*	*68.2%*	*72.7%*			

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

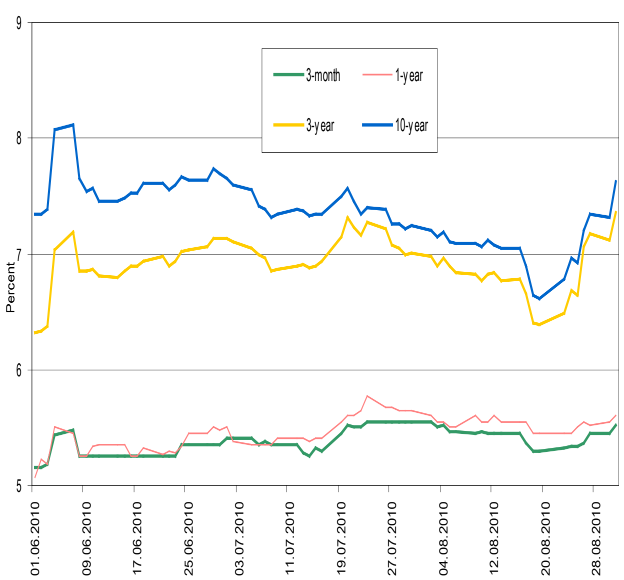
10-year Hungarian and eurozone benchmark yields during the last year



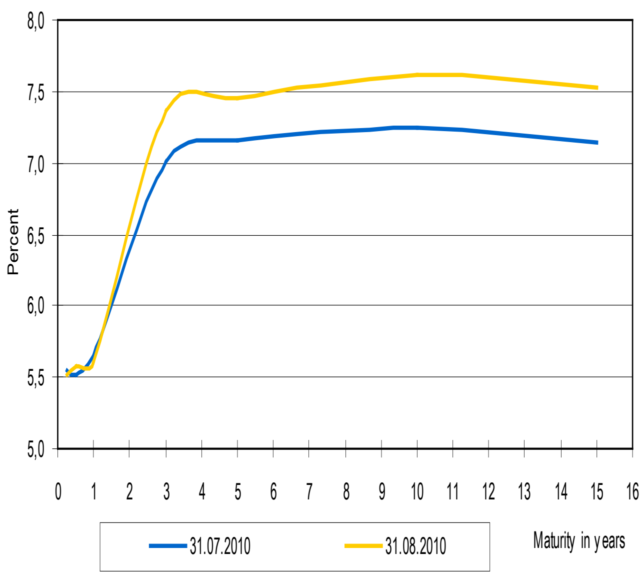
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months



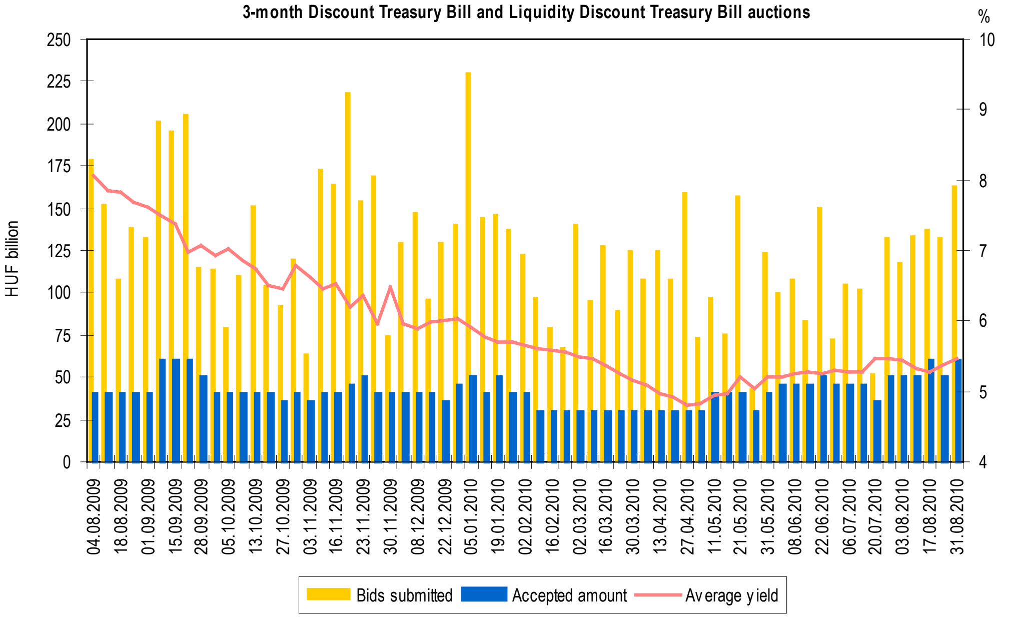
Benchmark yield curves



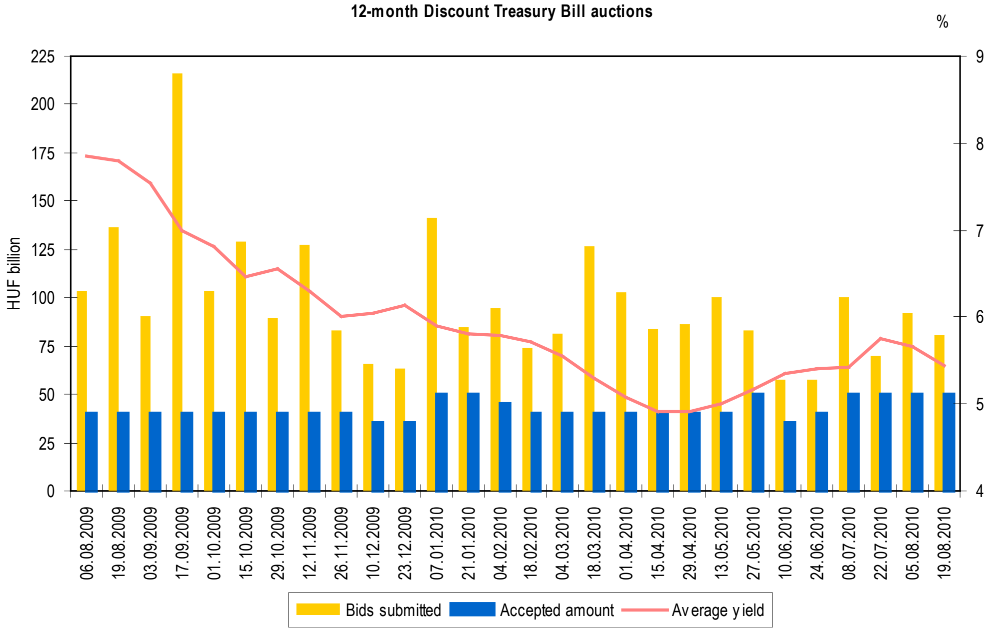
DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D101110	D101117	D101124	D101201	D101208	D110727	D110727
ISIN code	HU0000517990	HU0000518006	HU0000518014	HU0000518022	HU0000518030	HU0000517974	HU0000517974
Maturity in days	91	91	91	91	91	350	336
Date of auction	03.08.2010	10.08.2010	17.08.2010	24.08.2010	31.08.2010	05.08.2010	19.08.2010
Date of financial settlement	11.08.2010	18.08.2010	25.08.2010	01.09.2010	08.09.2010	11.08.2010	25.08.2010
Redemption date	10.11.2010	17.11.2010	24.11.2010	01.12.2010	08.12.2010	27.07.2011	27.07.2011
Maximum yield, (%) - ISMA	5.44	5.38	5.30	5.40	5.50	5.70	5.49
Minimum yield (%) - ISMA	5.28	5.30	5.22	5.28	5.43	5.50	5.39
Average yield (%) - ISMA	5.43	5.33	5.28	5.38	5.47	5.66	5.44
Maximum yield, (%) - EHM	5.52	5.45	5.37	5.47	5.58	5.78	5.57
Minimum yield (%) - EHM	5.35	5.37	5.29	5.35	5.51	5.58	5.46
Average yield (%) - EHM	5.51	5.40	5.35	5.45	5.55	5.74	5.52
Average selling price (%)	98.6460	98.6706	98.6829	98.6583	98.6362	94.7842	95.1680
Amount offered for sale (HUF million)	45,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Amount of bids submitted (HUF million)	118,056.60	133,957.24	137,713.49	132,950.00	162,992.18	92,327.55	80,860.34
Amount of bids accepted (HUF million)	49,999.93	49,999.98	59,999.98	49,999.97	59,999.97	49,999.97	49,999.98
Bid-to-cover ratio	2.36	2.68	2.30	2.66	2.72	1.85	1.62
Bids submitted (pcs)	119	119	96	120	124	118	95
Bids accepted (pcs)	50	28	48	47	48	72	69
Market sales* (HUF million)	49,999.93	49,999.98	59,999.98	49,999.97	59,999.97	49,999.97	49,999.98
Retained on ÁKK's own account	15,000.07	15,000.02	18,000.02	15,000.03	18,000.03	15,000.03	15,000.02
Total amount issued (HUF million)	65,000.00	65,000.00	78,000.00	65,000.00	78,000.00	65,000.00	65,000.00

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



12-month Discount Treasury Bill auctions

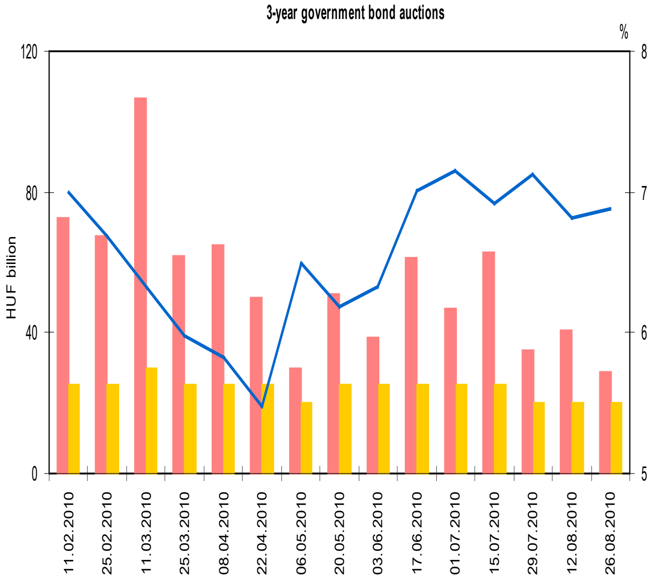


GOVERNMENT BOND AUCTION RESULTS

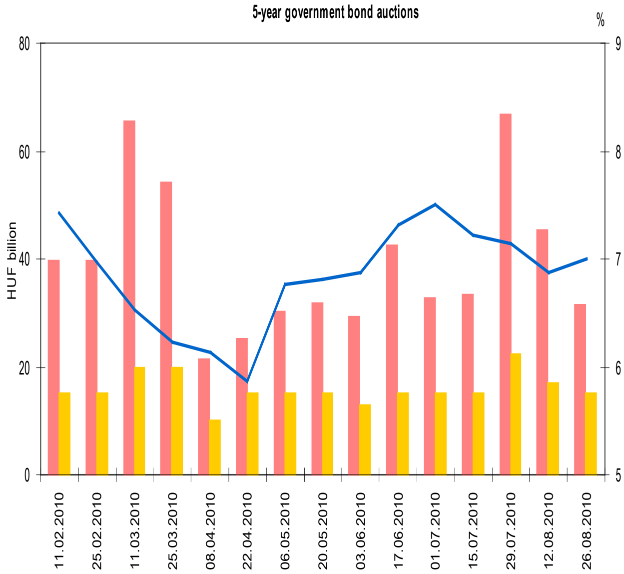
Government Bond	2014/C	2016/C	2020/A	2014/C	2016/C	2020/A
ISIN code	HU0000402193	HU0000402318	HU0000402235	HU0000402193	HU0000402318	HU0000402235
Maturity (in years)	3	5	10	3	5	10
Coupon (%)	5.50%	5.50%	7.50%	5.50%	5.50%	7.50%
Auction	25th auction	22nd auction	22nd auction	26th auction	23rd auction	23rd auction
Date of auction	12.08.2010	12.08.2010	12.08.2010	26.08.2010	26.08.2010	26.08.2010
Date of financial settlement	18.08.2010	18.08.2010	18.08.2010	01.09.2010	01.09.2010	01.09.2010
Redemption date	12.02.2014	12.02.2016	12.11.2020	12.02.2014	12.02.2016	12.11.2020
Maximum annual yield (%) - ISMA	6.86	6.88	7.09	6.94	7.03	7.09
Minimum annual yield (%) - ISMA	6.79	6.85	7.09	6.80	6.97	7.00
Average annual yield (%) - ISMA	6.82	6.87	7.09	6.88	7.00	7.05
Maximum annual yield (%) - EHM	6.85	6.88	7.08	6.93	7.03	7.08
Minimum annual yield (%) - EHM	6.78	6.85	7.08	6.79	6.97	6.99
Average annual yield (%) - EHM	6.82	6.86	7.08	6.88	7.00	7.05
Maximum price (%)	96.0646	93.9470	102.8678	96.0739	93.4729	103.5195
Minimum price (%)	95.8589	93.8186	102.8678	95.6672	93.2196	102.8659
Average price (%)	95.9728	93.8777	102.8678	95.8306	93.3301	103.1324
Amount offered for sale (HUF million)	20,000.00	15,000.00	15,000.00	20,000.00	15,000.00	15,000.00
Amount of bids submitted (HUF million)	40,565.07	45,200.00	43,317.00	28,850.00	31,490.00	28,400.00
Amount of bids accepted (HUF million)	20,000.00	17,000.00	16,999.98	20,000.00	14,999.98	15,000.00
Bid-to-cover ratio	2.03	2.66	2.55	1.44	2.10	1.89
Bids submitted (pcs)	66	62	37	41	33	27
Bids accepted (pcs)	34	18	10	34	20	19
Tail (average price - minimum price)	0.11	0.06	0.00	0.16	0.11	0.27
Market sales* (HUF million)	20,000.00	17,000.00	16,999.98	20,000.00	14,999.98	15,000.00
Non-competitive offer (HUF million)	391.00	0.00	6,000.00	0.00	0.00	0.00
Total amount issued (HUF million)	40,000.00	23,800.00	34,000.00	20,000.00	15,000.00	15,000.00

*Without issuance onto ÁKK's own account

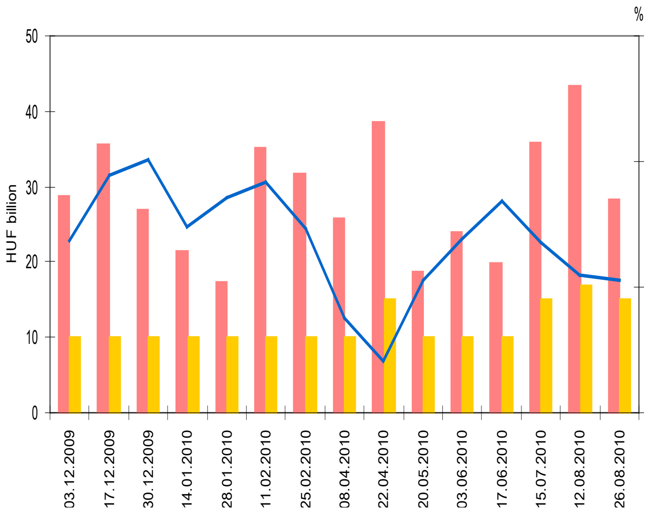
3-year government bond auctions



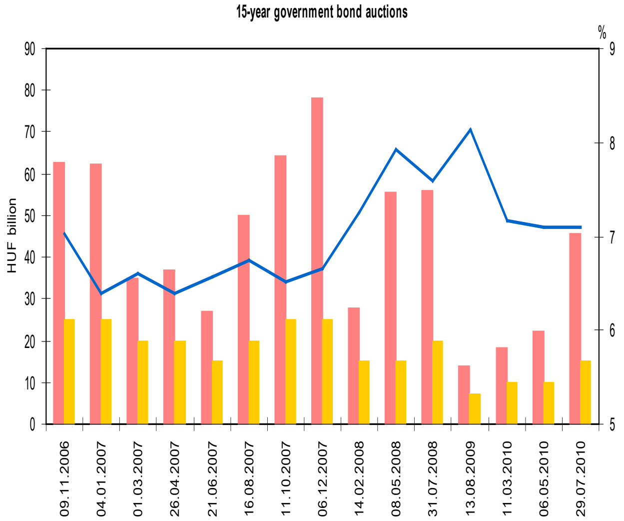
5-year government bond auctions



10-year government bond auctions



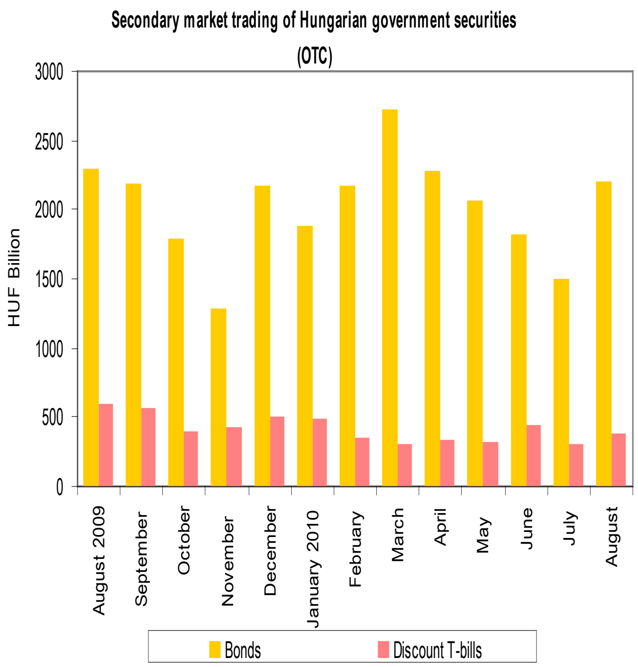
15-year government bond auctions

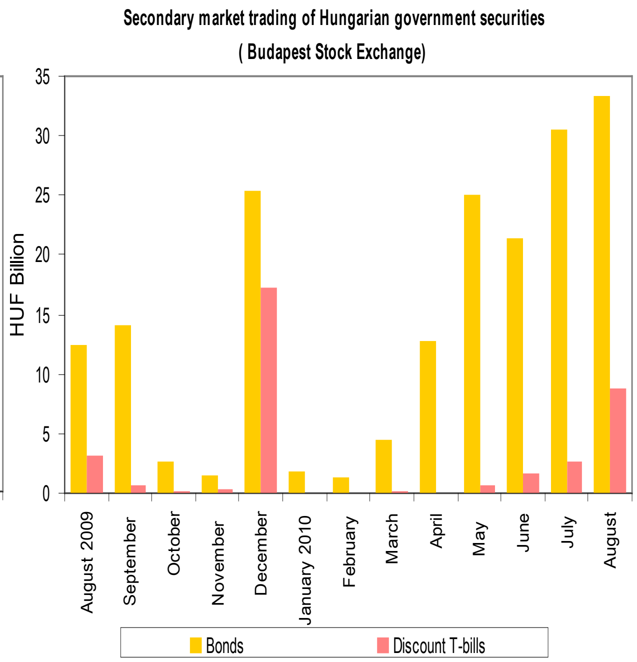


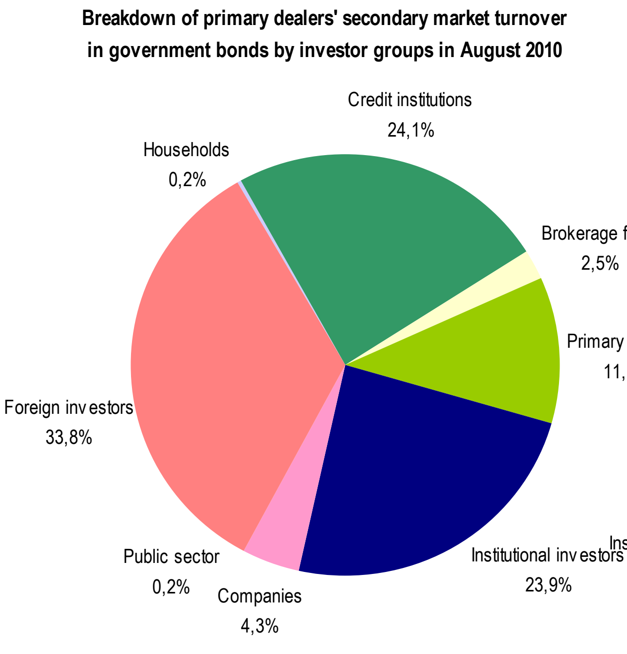
Bids submitted | Accepted amount | Average yield

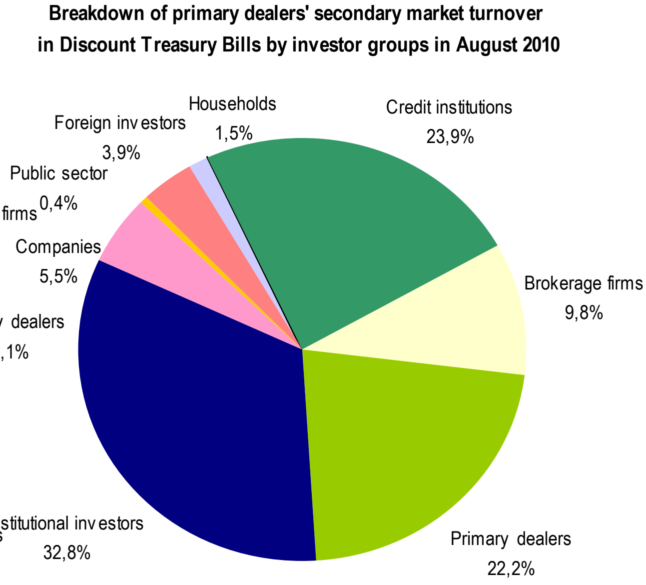
GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2011/A	2011/C
ISIN code	HU0000401922	HU0000402425
Coupon (%)	7.50	6.75
Date of reverse auction	25.08.2010	25.08.2010
Date of financial settlement	01.09.2010	01.09.2010
Redemption date	12.02.2011	22.04.2011
Minimum annual yield (%)	5.40	5.40
Average annual yield - ISMA (%)	5.40	5.41
Average annual yield - EHM (%)	5.28	5.36
Amount of bids submitted (HUF million)	13,949.36	25,381.41
Amount of bids accepted (HUF million)	6,487.52	23,546.41









INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN AUGUST 2010

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2026/A	27.08.2010	28.08.2010	28.02.2011	28.02.2011	5.37	5.65

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 August 2010	422.2648	422.7212	418.9155	422.2189
Changes compared to the end of the month before	-1.1408	1.6566	-0.5876	1.7130
Annual yield earned on the index portfolio	10.04%	7.20%	9.72%	6.36%

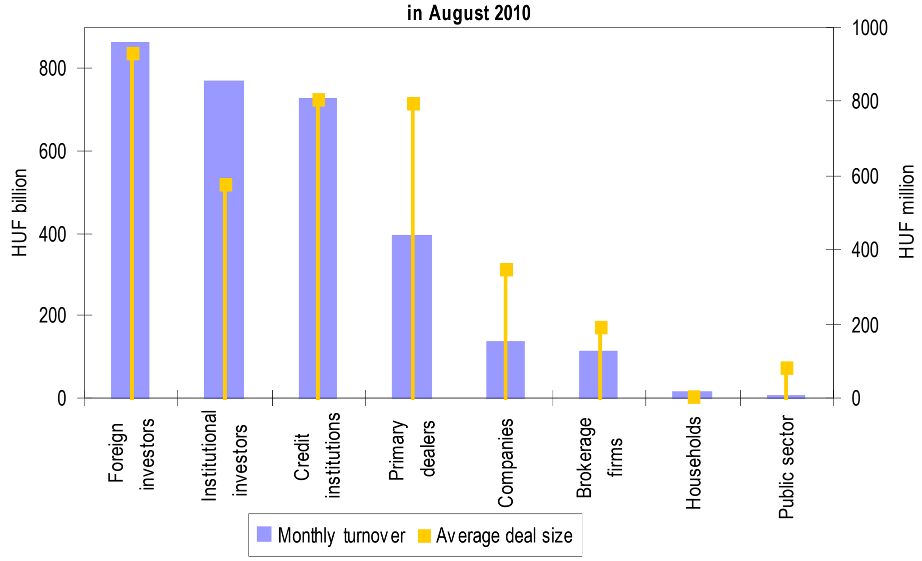
Government securities with the highest secondary market turnover in August 2010

Government security	Date of redemption	Turnover (HUF billion)
2013/E	24.10.2013	361.6
2016/C	12.02.2016	353.8
2017/B	24.02.2017	297.3
2015/A	12.02.2015	294.8
2020/A	12.11.2020	210.2
2019/A	24.06.2019	197.9
2014/C	12.02.2014	185.5
2013/D	12.02.2013	139.1
2012/C	24.10.2012	98.4
2023/A	24.11.2023	91.8

The outstanding volume of government bonds with benchmark status at the end of August 2010

Government bond	HUF billion 30.07.2010	31.08.2010
2014/C	479.70	520.13
2016/C	545.65	593.22
2020/A	345.51	368.51
2023/A	224.37	255.98

Primary dealers' trading with different investor groups in August 2010



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