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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
OCTOBER 2014

■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 809.6 billion in October. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 275.2 billion. Thus, the total net financing requirement amounted to HUF 534.4 billion in 2014. Net issuance was HUF 2,330.9 billion, including the sum of debt assumptions HUF 436.7 billion; out of which net HUF-denominated issuance was HUF 1,991.0 billion and net foreign currency denominated issuance was HUF 339.9 billion. Without debt assumptions net issuance was HUF 2,011.1 billion, out of which net HUF-denominated issuance was HUF 1,948.7 billion and net foreign currency denominated issuance was HUF 62.4 billion.

HUF billion	2013		2014		Change	
	December	%	October	%	HUF billion	%
Foreign exchange denominated debt	8,904.9	40.5	9,546.3	38.6	641.4	7.2
Government securities	6,169.3	28.0	6,647.6	26.9	478.3	7.8
Loans	2,735.6	12.4	2,898.7	11.7	163.1	6.0
HUF denominated debt	12,976.4	59.0	14,967.4	60.5	1,991.0	15.3
Government securities	12,372.8	56.2	14,307.7	57.8	1,934.9	15.6
Loans	603.6	2.7	659.7	2.7	56.2	9.3
Total	21,881.4	99.5	24,513.7	99.1	2,632.4	12.0
Other obligations	117.3	0.5	222.2	0.9	105.0	89.5
Total central government debt	21,998.6	100.0	24,736.0	100.0	2,737.3	12.4

The HUF denominated debt of the central government increased by HUF 1,991.0 billion in 2014. The increase in domestic debt was the result of net government bond issuance of HUF 1,104.9 billion, the amount of discount Treasury bills increased by HUF 196.8 billion and the total amount of retail government securities increased by HUF 665.3 billion. The stock of non-marketable government bonds decreased by HUF 32.1 billion because of redemption. The volume of HUF loans increased by HUF 56.2 billion in 2014.

The foreign currency debt of the central government increased by HUF 641.4 billion in 2014. The foreign currency bond issue increased the debt by HUF 678.8 billion, the PÉMAK and residence bond issuance was HUF 436.5 billion, the drawdown of foreign currency denominated loans was HUF 48.1 billion. The debt assumptions worth HUF 294.1 billion increased, while the redemptions of foreign currency debt worth HUF 1,117.5 billion decreased the debt. The exchange rate revaluations totalling HUF 301.4 billion increased the Hungarian Forint value of the foreign currency debt in 2014.

Benchmark yields

Maturity	31.12.2013.	30.09.2014.	31.10.2014.	Change, basis points
3-month	2.87	1.34	1.71	37
6-month	2.95	1.45	1.73	28
1-year	3.05	1.58	1.70	12
3-year	4.04	3.16	2.82	-34
5-year	4.70	3.63	3.29	-34
10-year	5.70	4.63	3.90	-73
15-year	6.30	4.77	4.17	-60

Monthly OTC turnover of government securities decreased in October and reached HUF 5,790.6 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 69% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 32.2 billion in October, and amounted to HUF 4,785.4 billion at the end of the month. This volume represented 33.4% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 307.19 on the last working day of October.

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

■ GOVERNMENT SECURITIES MARKET ■

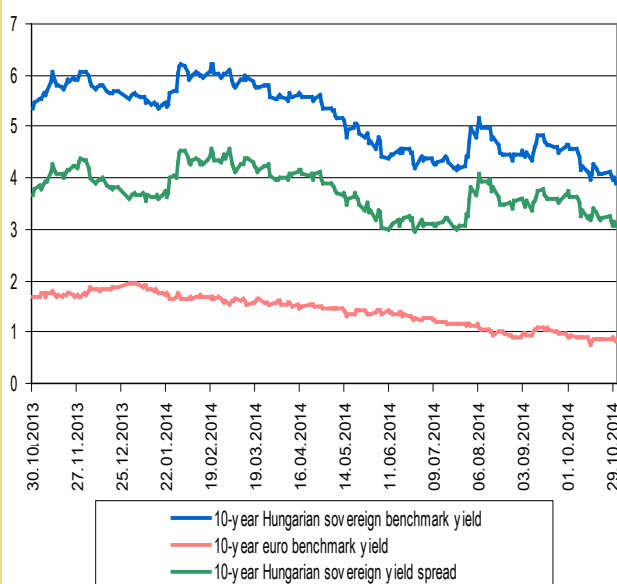
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

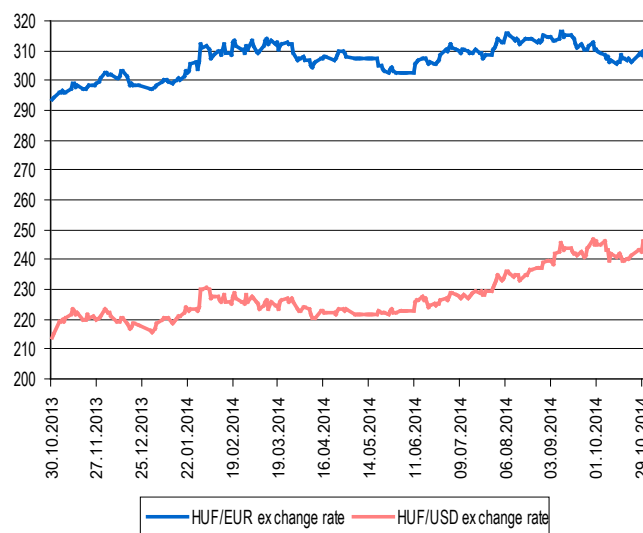
	2007	2008	2009	2010	2011	2012	2013	Aug 2014	Sept 2014	Oct 2014
1. Forint denominated debt	11,103.8	11,250.6	10,476.2	10,978.2	10,362.2	12,042.4	12,976.4	14,455.0	14,708.2	14,967.4
1.1. Loans	145.7	219.9	438.7	540.8	590.8	566.8	603.6	694.3	661.3	659.7
1.2. Government securities	10,958.1	11,030.7	10,037.5	10,437.4	9,771.4	11,475.6	12,372.8	13,760.7	14,046.8	14,307.7
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	13,601.4	13,888.4	14,149.3
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	9,296.0	9,471.9	9,693.7
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	2,082.8	2,092.8	2,101.7
1.2.1.3. Retail securities	555.2	546.4	446.6	435.7	473.8	986.6	1,688.5	2,222.6	2,323.7	2,353.8
1.2.2. Private placements	492.7	431.0	424.3	417.8	403.2	398.5	190.5	159.3	158.4	158.4
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	9,899.5	9,617.0	9,546.3
2.1. Loans	846.5	2,529.4	4,112.7	4,292.8	4,458.1	3,312.5	2,735.6	3,147.4	2,958.1	2,898.7
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	2,668.4	2,568.0	2,518.7
2.1.2. Domestic loans	104.0	0.0	0.0	0.0	96.2	83.5	335.4	478.9	390.1	379.9
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	6,752.2	6,658.9	6,647.6
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	5,920.3	5,827.9	5,768.4
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	89.9	432.5	831.8	831.0	879.2
Total	15,576.4	18,025.4	18,942.9	19,821.0	20,532.6	20,369.0	21,881.4	24,354.5	24,325.2	24,513.7
Other liabilities	9.1	78.5	20.1	220.01	422.9	351.1	117.3	110.8	147.2	222.2
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	24,465.3	24,472.5	24,736.0
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	11,538.1	11,723.1	11,953.8
Gross debt/GDP	61.3%	68.2%	74.0%	75.6%	75.8%	73.9%	75.7%			

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

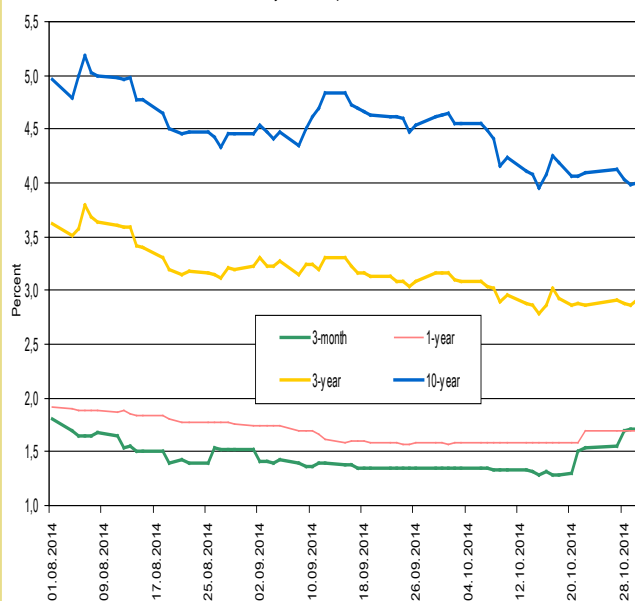
% 10-year Hungarian and eurozone benchmark yields during the last year



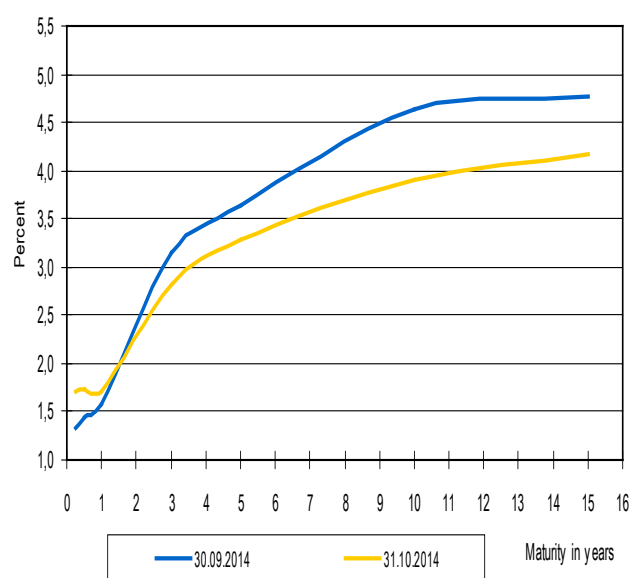
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months



Benchmark yield curves

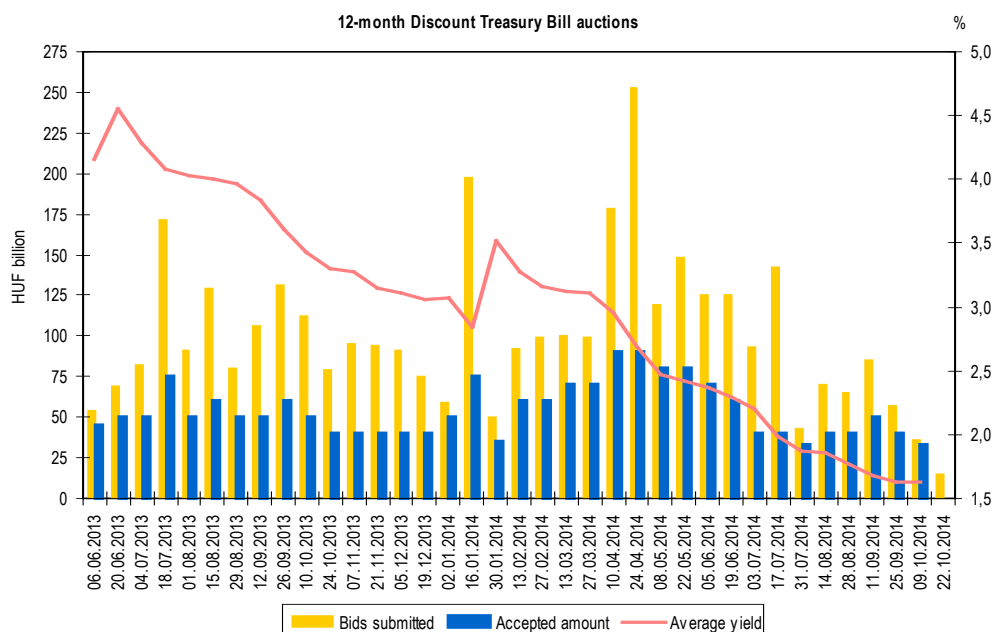
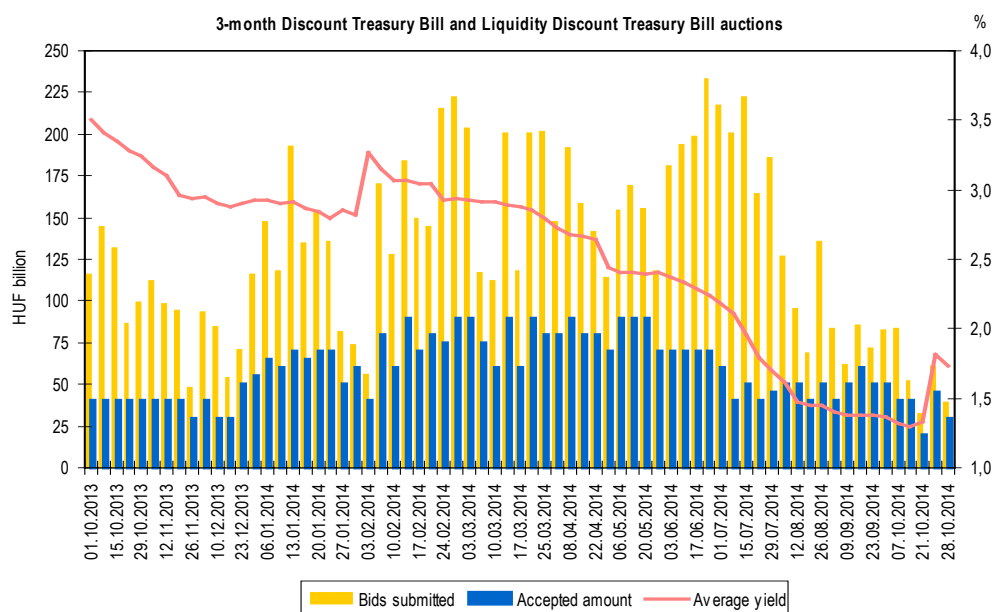


■ GOVERNMENT SECURITIES MARKET ■

DISCOUNT TREASURY BILL AUCTION RESULTS

	Liquidity Discount T-Bills	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D141223	D150114	D150121	D150128	D150204	D150916	D150916
ISIN code	HU0000520176	HU0000520200	HU0000519848	HU0000520218	HU0000520226	HU0000520168	HU0000520168
Maturity in days	55	91	91	91	91	336	322
Date of auction	27.10.2014	07.10.2014	14.10.2014	21.10.2014	28.10.2014	09.10.2014	22.10.2014
Date of financial settlement	29.10.2014	15.10.2014	22.10.2014	29.10.2014	05.11.2014	15.10.2014	29.10.2014
Redemption date	23.12.2014	14.01.2015	21.01.2015	28.01.2015	04.02.2015	16.09.2015	16.09.2015
Maximum yield (%) - ISMA	1.92	1.33	1.33	1.38	1.85	1.67	0.00
Minimum yield (%) - ISMA	1.70	1.29	1.28	1.25	1.48	1.59	0.00
Average yield (%) - ISMA	1.82	1.32	1.30	1.34	1.74	1.63	0.00
Maximum yield (%) - EHM	1.95	1.35	1.35	1.40	1.88	1.69	0.00
Minimum yield (%) - EHM	1.72	1.31	1.30	1.27	1.50	1.61	0.00
Average yield (%) - EHM	1.85	1.34	1.32	1.36	1.76	1.65	0.00
Average selling price (%)	99.7227	99.6674	99.6725	99.6624	99.5621	98.5015	0.0000
Amount offered for sale (HUF million)	50,000.00	40,000.00	40,000.00	40,000.00	30,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	60,670.00	83,931.53	51,800.00	32,626.25	39,200.00	35,630.00	15,070.00
Amount of bids accepted (HUF million)	45,000.00	39,999.96	39,999.97	19,999.98	29,999.99	32,999.97	0.00
Bid-to-cover ratio	1.35	2.10	1.30	1.63	1.31	1.08	-
Bids submitted (pcs)	34	83	65	61	53	50	37
Bids accepted (pcs)	28	30	53	44	46	49	0
Market sales* (HUF million)	45,000.00	39,999.96	39,999.97	19,999.98	29,999.99	32,999.97	0.00
Retained on ÁKK's own account	13,500.00	12,000.04	12,000.03	10,000.02	9,000.01	9,900.03	0.00
Total amount issued (HUF million)	58,500.00	52,000.00	52,000.00	30,000.00	39,000.00	42,900.00	0.00

*Without issuance onto ÁKK's own account

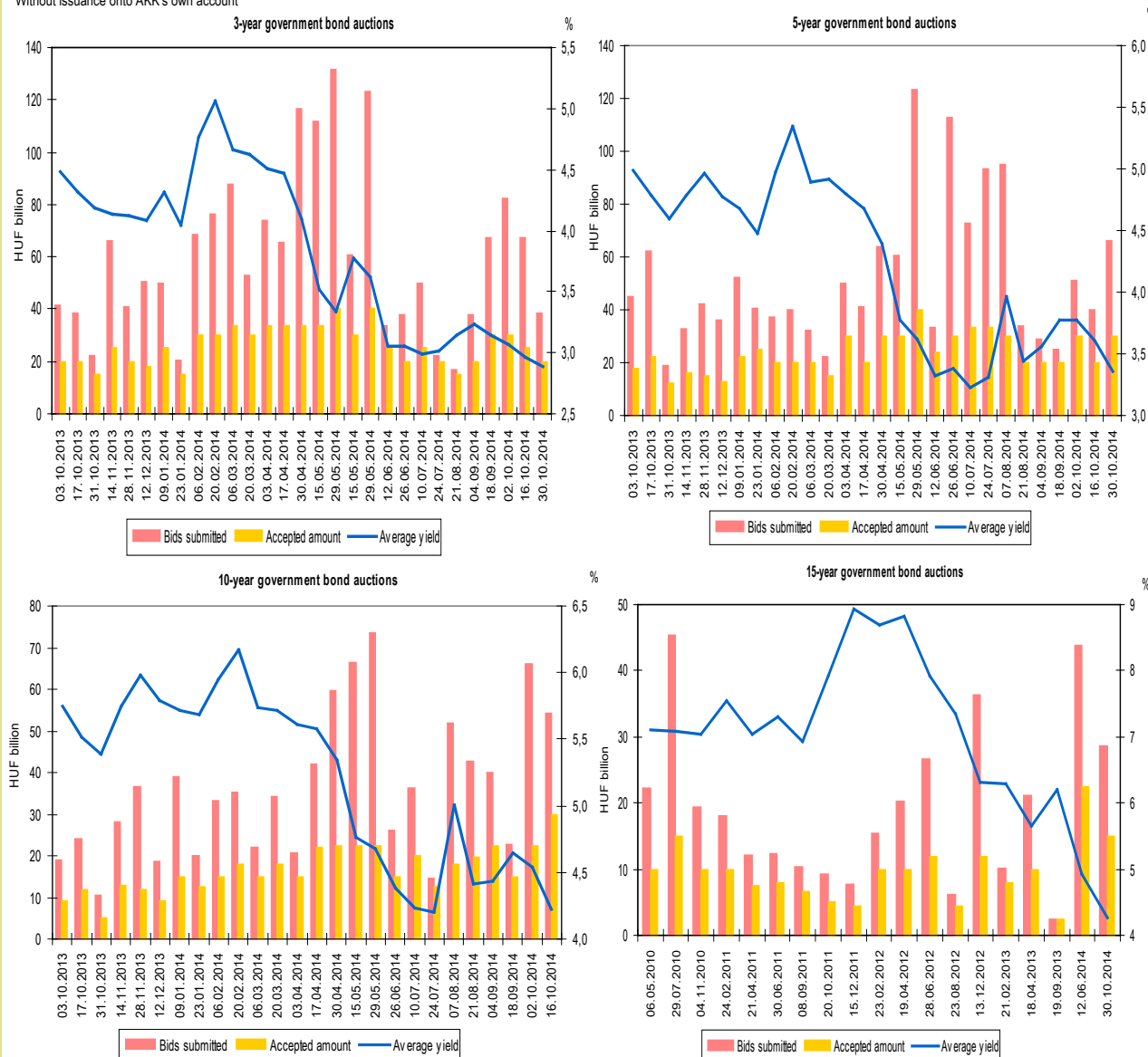


■ GOVERNMENT SECURITIES MARKET ■

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2018/B	2020/B	2025/B	2017/C	2018/B	2020/B	2025/B	2019/B	2018/B	2020/B	2028/A
ISIN code	HU0000402730	HU0000402953	HU0000402748	HU0000402821	HU0000402730	HU0000402953	HU0000402748	HU0000402649	HU0000402730	HU0000402953	HU0000402532
Maturity (in years)	3	5	10	3	3	5	10	5	3	5	15
Coupon (%)	4.00%	3.50%	5.50%	2.09%	4.00%	3.50%	5.50%	2.41%	4.00%	3.50%	6.75%
Auction	20th auction	2nd auction	19th auction	13th auction	21st auction	3rd auction	20th auction	23rd auction	22nd auction	4th auction	16th auction
Date of auction	02.10.2014	02.10.2014	02.10.2014	09.10.2014	16.10.2014	16.10.2014	16.10.2014	22.10.2014	30.10.2014	30.10.2014	30.10.2014
Date of financial settlement	08.10.2014	08.10.2014	08.10.2014	15.10.2014	22.10.2014	22.10.2014	22.10.2014	29.10.2014	05.11.2014	05.11.2014	05.11.2014
Redemption date	25.04.2018	24.06.2020	24.06.2025	20.12.2017	25.04.2018	24.06.2020	24.06.2025	20.05.2019	25.04.2018	24.06.2020	22.10.2028
Maximum annual yield (%) - ISMA	3.09	3.80	4.55		3.00	3.64	4.23		2.92	3.37	4.28
Minimum annual yield (%) - ISMA	3.05	3.75	4.53		2.95	3.55	4.17		2.85	3.35	4.25
Average annual yield (%) - ISMA	3.07	3.77	4.54		2.96	3.61	4.22		2.88	3.36	4.26
Maximum annual yield (%) - EHM	3.09	3.80	4.55		3.00	3.64	4.23		2.92	3.37	4.28
Minimum annual yield (%) - EHM	3.05	3.75	4.53		2.95	3.55	4.17		2.85	3.35	4.25
Average annual yield (%) - EHM	3.07	3.77	4.54		2.96	3.61	4.21		2.87	3.36	4.25
Maximum price (%)	103.1321	98.7479	108.0645	99.2800	103.4355	99.7563	111.2455	97.2100	103.7334	100.7655	125.9196
Minimum price (%)	102.9968	98.4976	107.8893	99.1800	103.2674	99.3034	110.7030	96.7100	103.4997	100.6640	125.5584
Average price (%)	103.0554	98.6239	107.9585	99.2000	103.3871	99.4580	110.8145	96.9600	103.6465	100.7060	125.8456
Amount offered for sale (HUF million)	20,000.00	20,000.00	15,000.00	20,000.00	20,000.00	20,000.00	15,000.00	20,000.00	20,000.00	20,000.00	10,000.00
Amount of bids submitted (HUF million)	82,548.00	50,950.00	66,000.00	85,200.00	67,510.00	39,770.00	54,200.00	13,700.00	38,370.00	65,900.00	28,690.00
Amount of bids accepted (HUF million)	29,999.96	29,999.96	22,499.92	29,999.98	24,999.98	19,999.97	29,999.97	7,500.00	19,999.97	29,999.99	14,999.98
Bid-to-cover ratio	2.75	1.70	2.93	2.84	2.70	1.99	1.81	1.83	1.92	2.20	1.91
Bids submitted (pcs)	77	53	76	79	55	40	52	26	45	57	50
Bids accepted (pcs)	26	20	26	36	28	25	35	16	26	10	19
Tail (average price - minimum price)	0.06	0.13	0.07	0.02	0.12	0.15	0.11	0.25	0.15	0.04	0.29
Market sales* (HUF million)	29,999.96	29,999.96	22,499.92	29,999.98	24,999.98	19,999.97	29,999.97	7,500.00	19,999.97	29,999.99	14,999.98
Non-competitive offer (HUF million)	11,111.63	7,279.97	8,279.93	8,479.98	-	-	-	-	2,379.79	6,799.98	5,219.32
Total amount issued (HUF million)	30,000.00	60,000.00	22,500.00	42,000.00	25,000.00	40,000.00	30,000.00	15,000.00	28,000.00	60,000.00	21,000.00

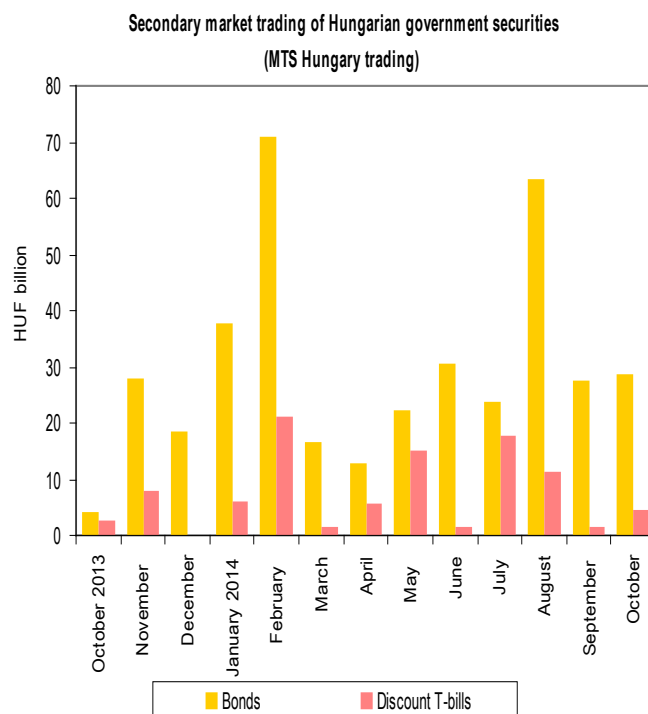
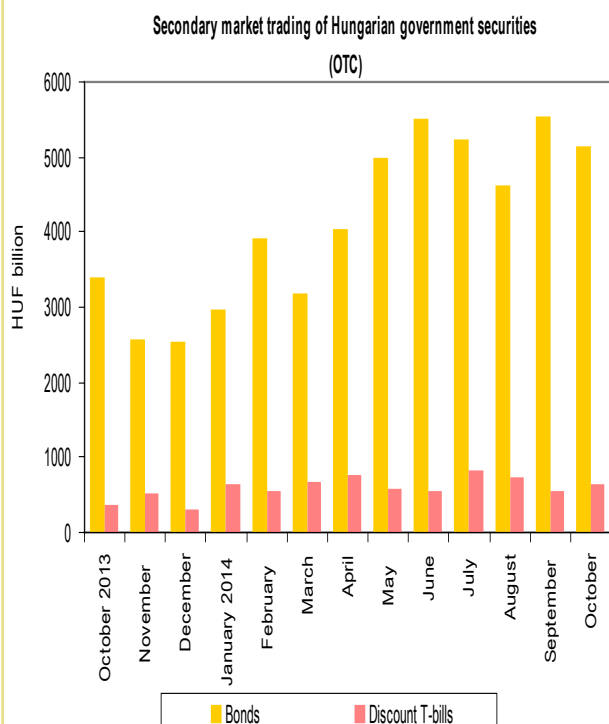
*Without issuance onto ÁKK's own account



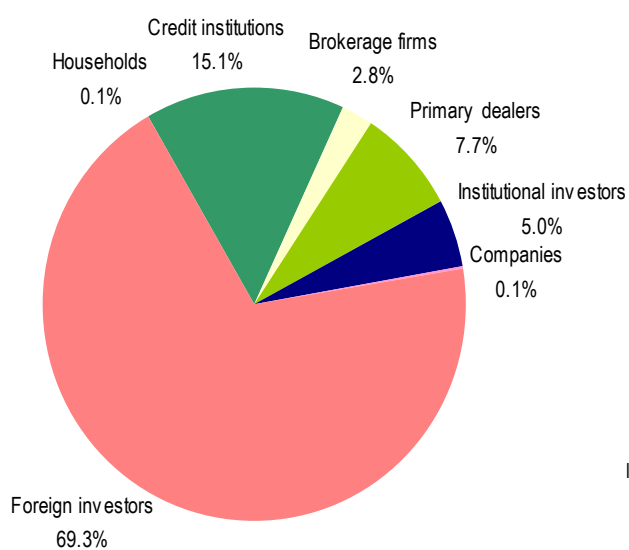
■ GOVERNMENT SECURITIES MARKET ■

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN OCTOBER 2014

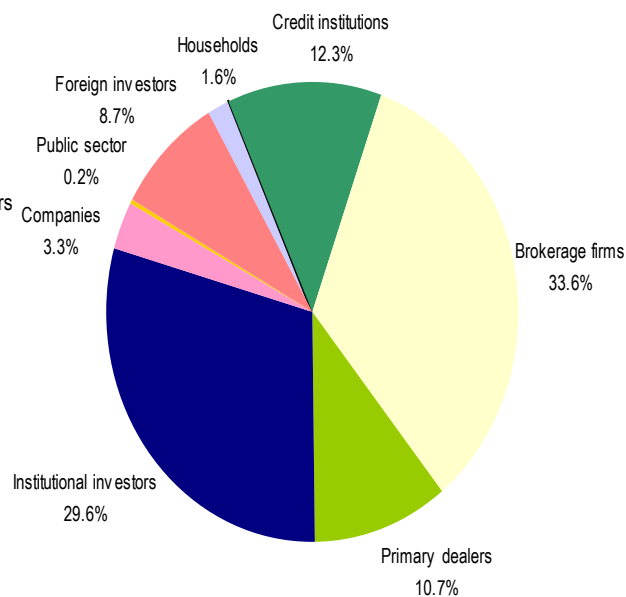
Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2026/C	21.10.2014	24.10.2014	24.04..2015	24.04.2015	1.38	0.70
2026/B	22.10.2014	24.10.2014	24.04.2015	24.04.2015	1.38	0.70



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



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



■ GOVERNMENT SECURITIES MARKET ■

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 October 2014	640.7873	533.9525	615.7196	522.4280
Changes compared to the end of the month before	12.7778	0.3051	10.2841	0.3399
Annual yield earned on the index portfolio	11.24%	6.67%	9.75%	2.69%

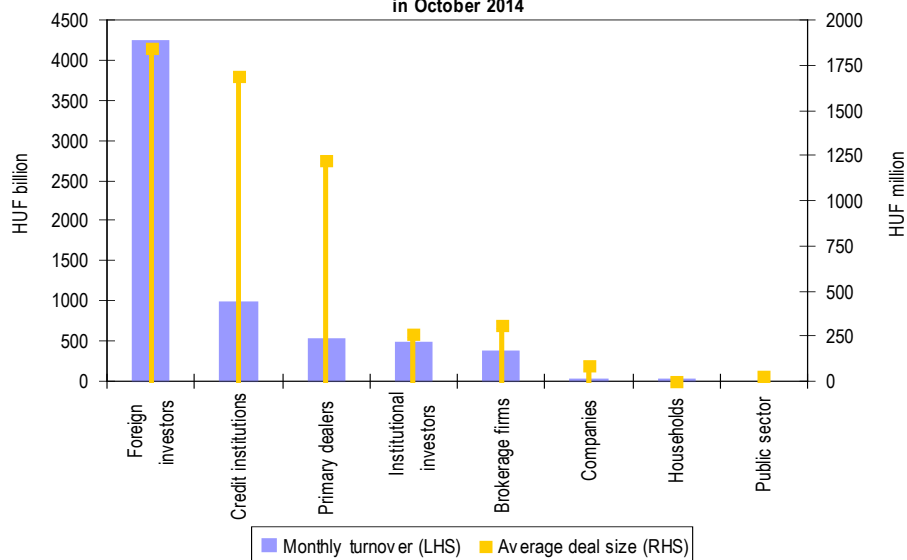
Government securities with the highest secondary market turnover in October 2014

Government security	Date of redemption	Turnover (HUF billion)
2019/A	24.06.2019	977.3
2023/A	24.11.2023	757.6
2025/B	24.06.2025	666.9
2016/C	12.02.2016	496.5
2016/D	22.12.2016	483.4
2020/A	12.11.2020	476.8
2017/A	24.11.2017	387.9
2015/A	12.02.2015	297.1
2018/A	20.12.2018	254.6
2018/B	25.04.2018	233.7

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

Government bond	HUF billion	
	30.09.2014	31.10.2014
2018/B	610.32	677.14
2020/B	20.78	78.19
2025/B	363.35	424.57
2028/A	150.94	151.06

Primary dealers' trading with different investor groups in October 2014



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

