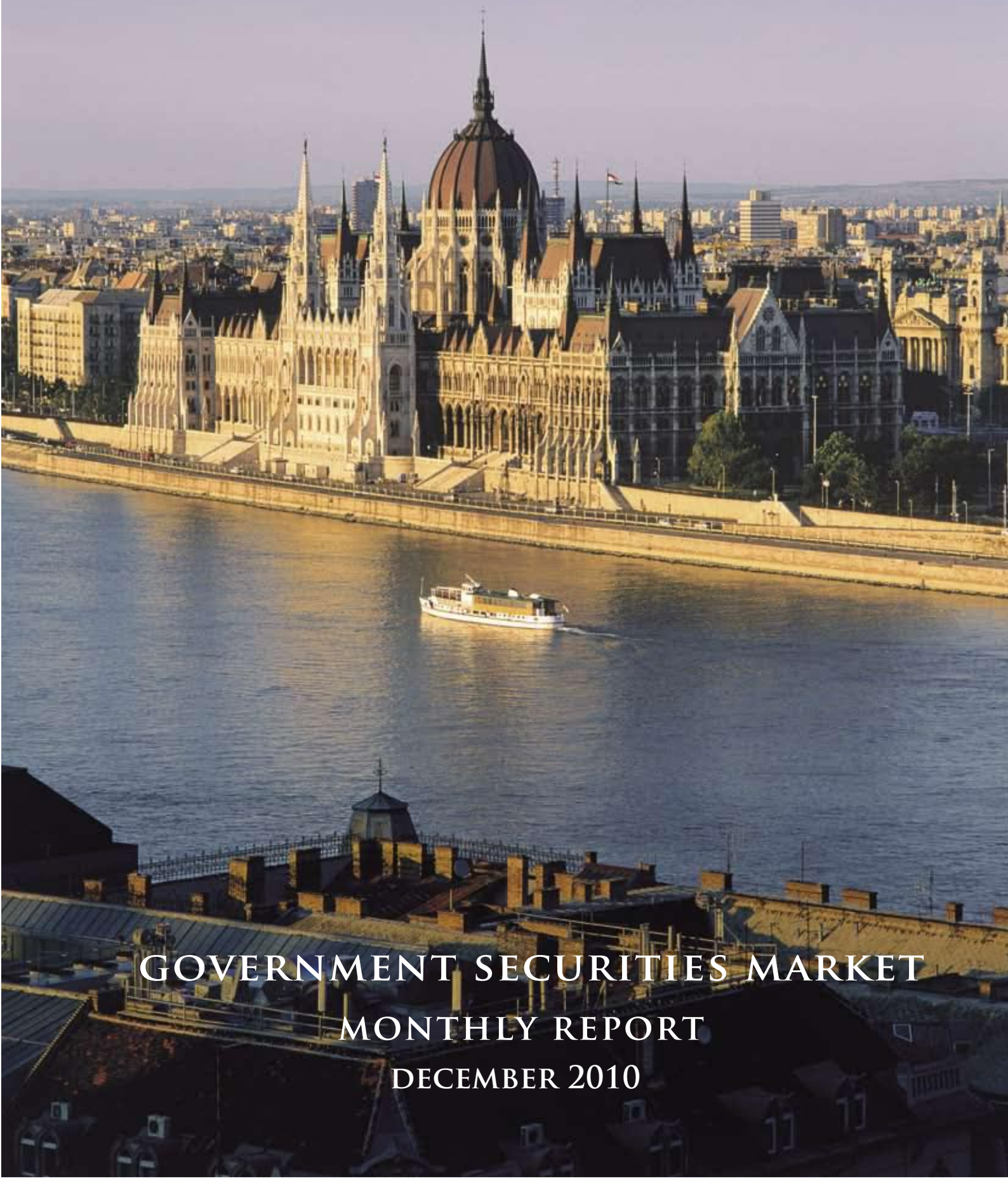




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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.



GOVERNMENT SECURITIES MARKET
MONTHLY REPORT
DECEMBER 2010

■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 871.1 billion in 2010. The net balance of transfers from the European Union (EU) worth HUF 125.1 billion increased and privatisation revenues amounted to HUF 30.1 billion which decreased the financing requirement. Thus, the total net borrowing requirement amounted to HUF 966.1 billion in 2010. Net issuance was HUF 538.3 billion; out of which net HUF-denominated issuance was HUF 501.2 billion and net foreign currency denominated issuance was HUF 37.1 billion.

HUF billion	2009		2010		Change	
	December	%	December	%	HUF billion	%
Foreign exchange denominated debt	8,468.5	44.7	8,842.8	44.1	374.3	4.4
Government securities	4,354.0	23.0	4,550.0	22.7	196.0	4.5
Loans	4,114.5	21.7	4,292.8	21.4	178.2	4.3
HUF denominated debt	10,476.2	55.2	10,978.2	54.8	502.0	4.8
Government securities	10,037.5	52.9	10,437.4	52.1	399.9	4.0
Loans	438.7	2.3	540.8	2.7	102.1	23.3
Total	18,944.8	99.9	19,821.0	98.9	876.3	4.6
Other obligations	20.1	0.1	220.0	1.1	199.9	994.5
Total central government debt	18,964.9	100.0	20,041.0	100.0	1,076.2	5.7
Out of the international loan program was placed in NBH or in commercial banks	1,124.8		974.1		-150.7	

The HUF denominated debt of the central government increased by HUF 502.0 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 446.5 billion, while the amount of discount Treasury bills decreased by HUF 29.1 billion and the total amount of retail government securities decreased by HUF 11.0 billion. The HUF 102.1 billion increase in the volume of HUF loans in 2010 was the result of drawdowns of international project financing loans in Hungarian Forints.

The foreign currency debt of the central government increased by HUF 374.3 billion in 2010. The foreign currency bond issue increased the debt by HUF 387.3 billion, redemptions of foreign currency debt worth HUF 369.2 billion decreased the debt, while exchange rate revaluations totalling HUF 337.2 billion increased the Hungarian Forint value of the foreign currency debt in 2010.

Out of the international loan program HUF 974.1 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 was HUF 220.0 billion in December 2010.

Secondary market yields in December:

Benchmark yields

Maturity	31.12.2009.	30.11.2010.	31.12.2010.	Change, basis points
3-month	6.07	5.69	5.76	7
6-month	6.08	5.90	6.15	25
1-year	6.05	6.26	6.33	7
3-year	7.41	8.08	7.72	-36
5-year	7.59	8.34	7.85	-49
10-year	7.99	8.44	7.95	-49
15-year	7.90	8.43	7.94	-49

Monthly OTC turnover of government securities was 9 % higher in December than a month before and reached HUF 2,581.7 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 37% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 0.7 billion in December, and amounted to HUF 2,532.7 billion at the end of the month. This volume represented 25.3% 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 278.75 on the last working day of December.

The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows on the last working day of December: BBB- (Standard & Poor's); Baa3 (Moody's); BBB- (Fitch).

■ GOVERNMENT SECURITIES MARKET ■

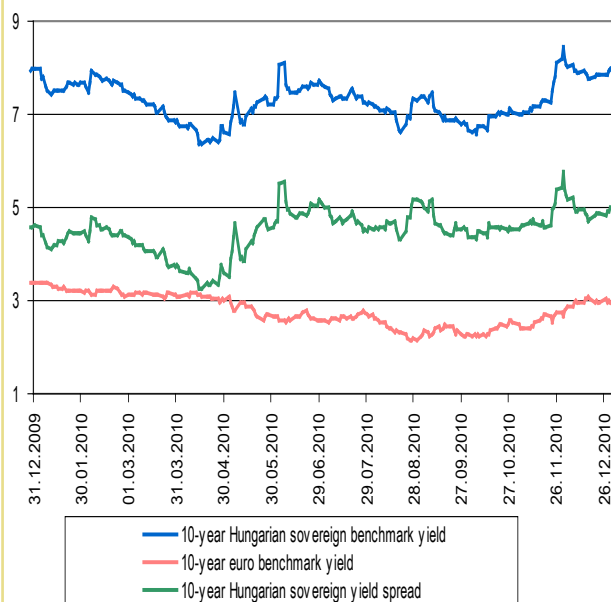
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

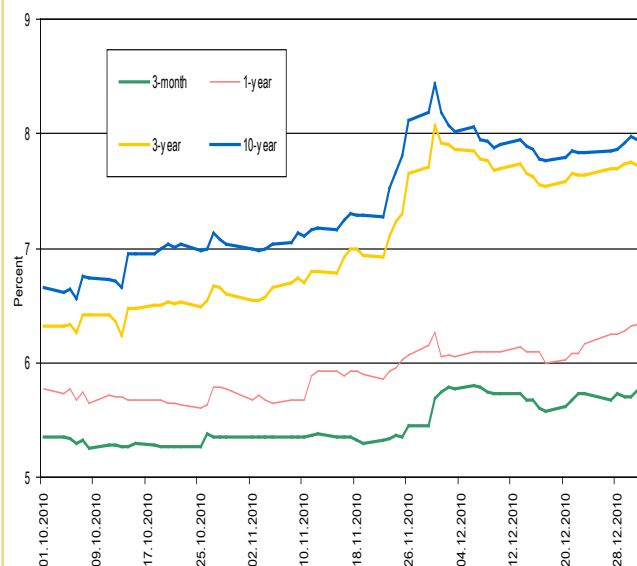
	2004	2005	2006	2007	2008	2009	October 2010	November 2010	December 2010
1. Forint denominated debt	8,608.8	9,153.5	10,552.3	11,103.8	11,250.6	10,476.2	11,045.5	11,253.3	10,978.2
1.1. Loans	4.7	0.8	356.4	145.7	219.9	438.7	540.8	540.8	540.8
1.2. Government securities	8,604.2	9,152.7	10,195.9	10,958.1	11,030.7	10,037.5	10,504.7	10,694.5	10,437.4
1.2.1. Public issues	7,860.6	8,418.8	9,667.5	10,465.4	10,599.7	9,613.2	10,084.6	10,274.4	10,019.6
1.2.1.1. Bonds	5,768.9	6,299.1	7,244.2	8,245.3	8,570.6	7,519.2	7,797.3	7,842.9	7,965.8
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	1,854.8	1,997.2	1,618.2
1.2.1.3. Retail securities	628.4	588.7	667.4	555.2	546.4	446.6	432.6	434.3	435.7
1.2.2. Private placements	743.6	733.9	528.4	492.7	431.0	424.3	420.1	420.1	417.8
2. Foreign currency denominated debt*	2,983.5	3,590.7	4,124.4	4,472.6	6,774.8	8,466.7	8,665.9	9,041.2	8,842.8
2.1. Loans	916.8	720.6	803.7	846.5	2,529.4	4,112.7	4,198.5	4,396.7	4,292.8
2.1.1. Foreign loans	528.9	616.9	700.1	838.8	2,529.4	4,112.7	4,198.5	4,396.7	4,292.8
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	4,467.4	4,644.5	4,550.0
2.2.1. Issued abroad	2,066.8	2,870.1	3,320.7	3,626.1	4,245.5	4,354.0	4,467.4	4,644.5	4,550.0
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	4,467.3	4,644.4	4,550.0
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	0.0
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	11,592.4	12,744.2	14,676.7	15,576.4	18,025.4	18,942.9	19,711.4	20,276.6	19,821.0
Other liabilities		21.4	29.0	9.1	78.5	20.1	184.4	188.3	220.01
Total central government debt		12,765.6	14,705.7	15,585.5	18,103.9	18,963.1	19,895.7	20,464.9	20,041.0
Foreign currency deposits from the international loan program placed at the NBH					1,483.6	1,124.8	940.7	1,006.6	974.1
Government debt adjusted with foreign currency deposits					16,620.3	17,838.3	18,955.0	19,458.2	19,066.9
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	10,072.1	10,260.2	10,001.8
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.

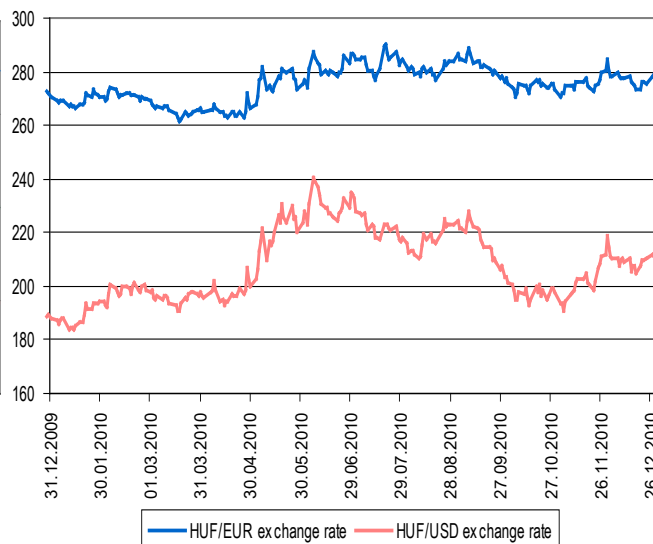
% 10-year Hungarian and eurozone benchmark yields during the last year



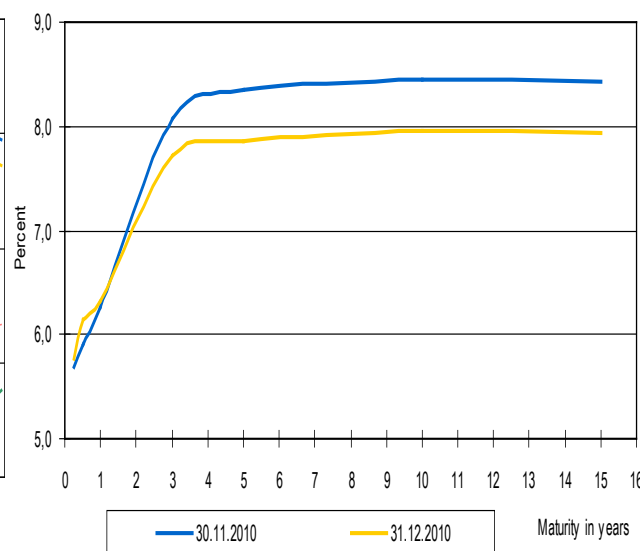
Benchmark yields in the past three months



The exchange rate of the Hungarian Forint during the last year

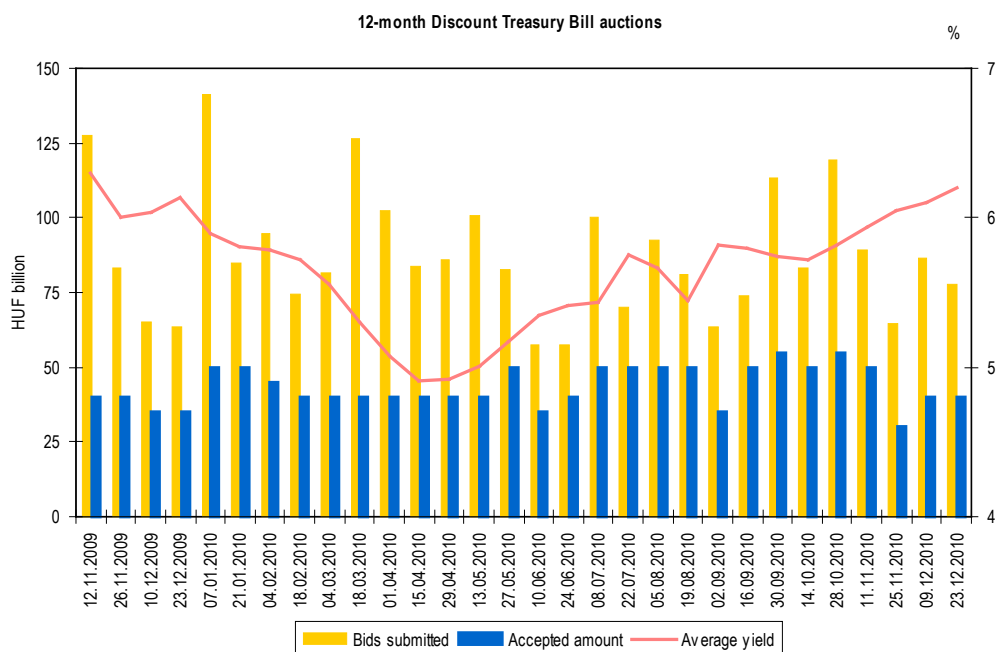
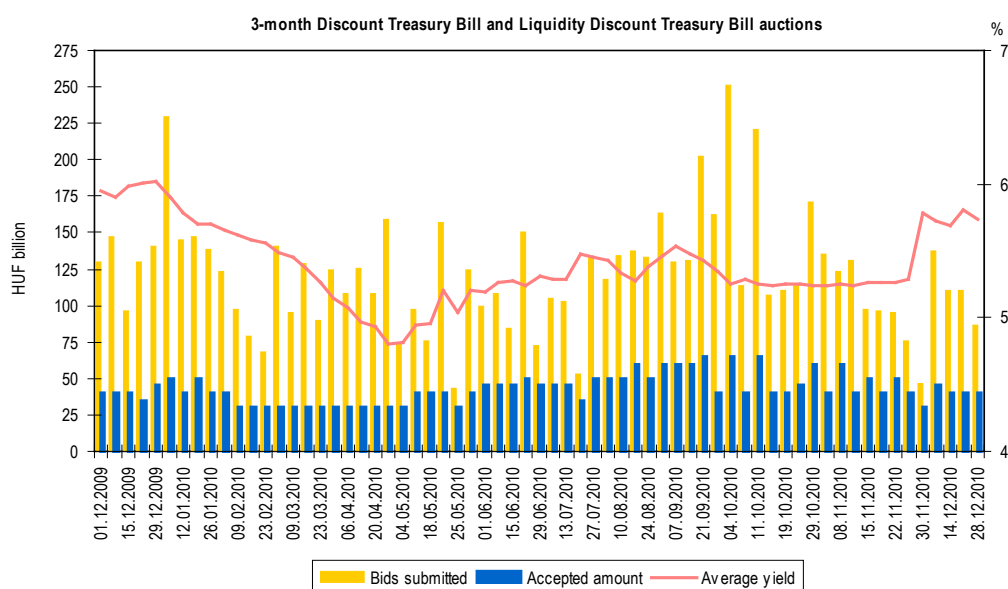


Benchmark yield curves



DISCOUNT TREASURY BILL AUCTION RESULTS

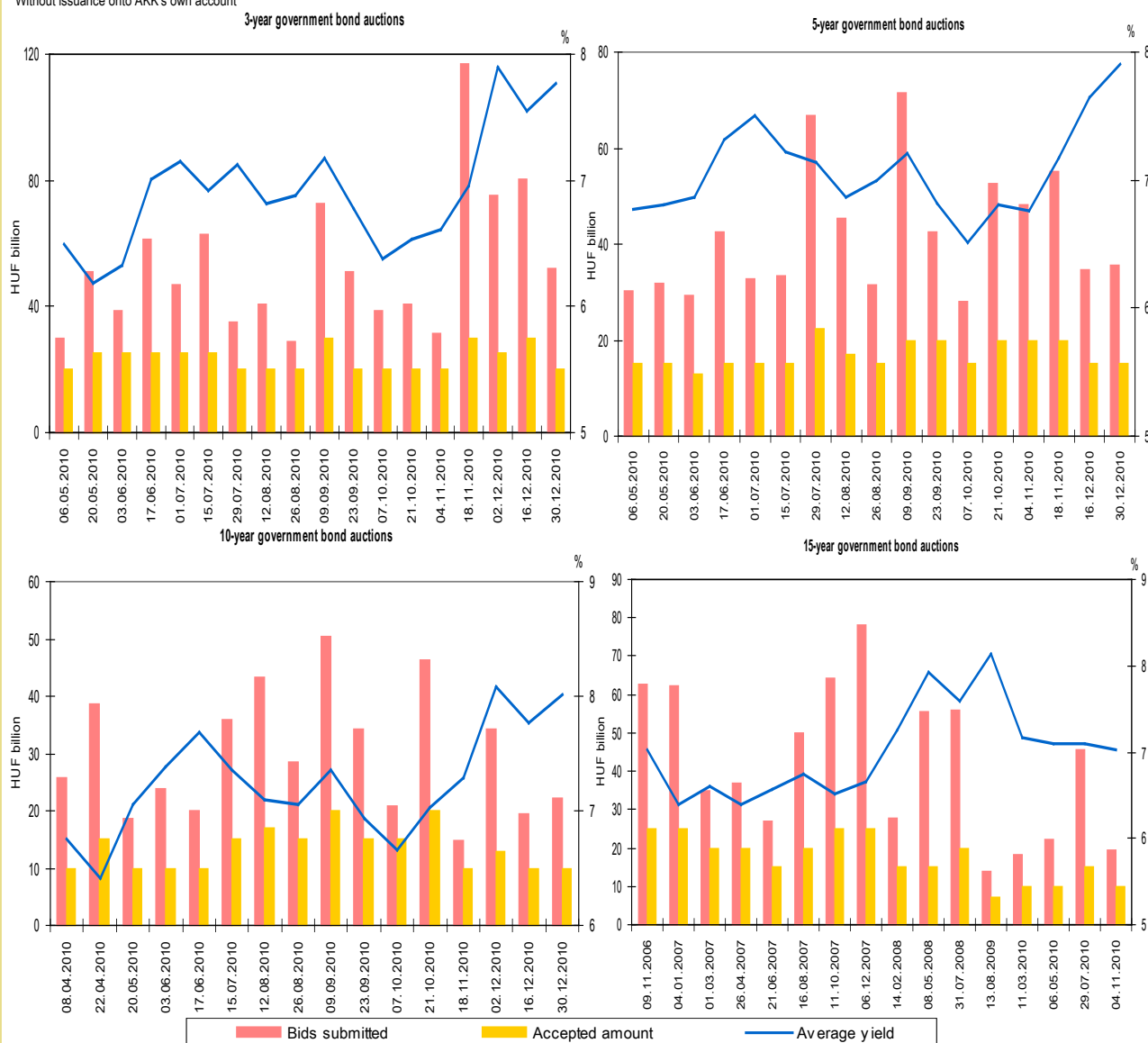
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D110316	D110323	D110330	D110406	D111116	D111116
ISIN code	HU0000518188	HU0000518196	HU0000518204	HU0000517818	HU0000518147	HU0000518147
Maturity in days	91	91	91	91	336	322
Date of auction	07.12.2010	14.12.2010	21.12.2010	28.12.2010	09.12.2010	23.12.2010
Date of financial settlement	15.12.2010	22.12.2010	29.12.2010	05.01.2011	15.12.2010	29.12.2010
Redemption date	16.03.2011	23.03.2011	30.03.2011	06.04.2011	16.11.2011	16.11.2011
Maximum yield, (%) - ISMA	5.75	5.71	5.83	5.74	6.15	6.27
Minimum yield (%) - ISMA	5.67	5.64	5.75	5.74	5.30	6.08
Average yield (%) - ISMA	5.72	5.69	5.81	5.74	6.10	6.20
Maximum yield, (%) - EHM	5.83	5.79	5.91	5.82	6.24	6.36
Minimum yield (%) - EHM	5.75	5.72	5.83	5.82	5.37	6.16
Average yield (%) - EHM	5.80	5.77	5.89	5.82	6.18	6.29
Average selling price (%)	98.5747	98.5821	98.5526	98.5698	94.6133	94.7458
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	137,415.28	110,562.19	110,884.28	86,747.37	86,350.00	77,900.00
Amount of bids accepted (HUF million)	44,999.96	39,999.94	39,999.96	40,000.00	39,999.96	40,000.00
Bid-to-cover ratio	3.05	2.76	2.77	2.17	2.16	1.95
Bids submitted (pcs)	153	105	138	96	112	131
Bids accepted (pcs)	55	58	36	10	45	61
Market sales* (HUF million)	44,999.96	39,999.94	39,999.96	40,000.00	39,999.96	40,000.00
Retained on ÁKK's own account	13,500.04	12,000.06	12,000.04	12,000.00	12,000.04	12,000.00
Total amount issued (HUF million)	58,500.00	52,000.00	52,000.00	52,000.00	52,000.00	52,000.00



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2014/C	2016/C	2020/A	2015/B	2014/C	2016/C	2020/A	2014/C	2016/C	2020/A
ISIN code	HU0000402193	HU0000402318	HU0000402235	HU0000402482	HU0000402193	HU0000402318	HU0000402235	HU0000402193	HU0000402318	HU0000402235
Maturity (in years)	3	5	10	5	3	5	10	3	5	10
Coupon (%)	5.50%	5.50%	7.50%	5.44%	5.50%	5.50%	7.50%	5.50%	5.50%	7.50%
Auction	33rd auction	30th auction	29th auction	5th auction	34th auction	31st auction	30th auction	35th auction	32nd auction	31st auction
Date of auction	02.12.2010	02.12.2010	02.12.2010	09.12.2010	16.12.2010	16.12.2010	16.12.2010	30.12.2010	30.12.2010	30.12.2010
Date of financial settlement	08.12.2010	08.12.2010	08.12.2010	15.12.2010	22.12.2010	22.12.2010	22.12.2010	05.01.2011	05.01.2011	05.01.2011
Redemption date	12.02.2014	12.02.2016	12.11.2020	22.12.2015	12.02.2014	12.02.2016	12.11.2020	12.02.2014	12.02.2016	12.11.2020
Maximum annual yield (%) - ISMA	7.90	7.95	8.12		7.57	7.68	7.77	7.79	7.92	8.06
Minimum annual yield (%) - ISMA	7.76	7.90	8.00		7.54	7.60	7.76	7.72	7.60	7.97
Average annual yield (%) - ISMA	7.90	7.93	8.08		7.55	7.65	7.77	7.77	7.91	8.02
Maximum annual yield (%) - EHM	7.89	7.95	8.11		7.56	7.68	7.76	7.78	7.92	8.05
Minimum annual yield (%) - EHM	7.75	7.90	7.99		7.53	7.60	7.75	7.71	7.60	7.96
Average annual yield (%) - EHM	7.89	7.92	8.07		7.54	7.65	7.76	7.76	7.90	8.01
Maximum price (%)	93.8073	90.0773	96.6420	97.0000	94.4501	91.3025	98.2223	94.0531	91.3616	96.8373
Minimum price (%)	93.4423	89.8847	95.8626	96.5000	94.3719	90.9913	98.1558	93.8740	90.1325	96.2531
Average price (%)	93.4501	89.9757	96.1415	96.8100	94.4246	91.0909	98.1570	93.9235	90.1878	96.5039
Amount offered for sale (HUF million)	20,000.00	10,000.00	10,000.00	5,000.00	20,000.00	15,000.00	10,000.00	20,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	75,347.96	56,019.88	34,379.51	12,500.00	80,245.00	34,601.31	19,480.00	52,080.00	35,534.46	22,090.00
Amount of bids accepted (HUF million)	24,999.94	13,000.00	12,999.96	4,500.00	29,999.99	14,999.97	9,999.99	19,999.94	14,999.97	9,999.95
Bid-to-cover ratio	3.01	4.31	2.64	2.78	2.67	2.31	1.95	2.60	2.37	2.21
Bids submitted (pcs)	88	78	60	20	87	65	52	84	67	64
Bids accepted (pcs)	28	17	24	10	25	30	14	41	29	36
Tail (average price - minimum price)	0.01	0.09	0.28	0.31	0.05	0.10	0.00	0.05	0.06	0.25
Market sales* (HUF million)	24,999.94	13,000.00	12,999.96	4,500.00	29,999.99	14,999.97	9,999.99	19,999.94	14,999.97	9,999.95
Non-competitive offer (HUF million)	8,088.00	0.00	4,358.00	0.00	11,116.00	5,200.00	3,200.00	1,969.00	4,438.00	2,427.00
Total amount issued (HUF million)	35,000.00	18,200.00	18,200.00	6,300.00	42,000.00	21,000.00	14,000.00	20,000.00	15,000.00	10,000.00

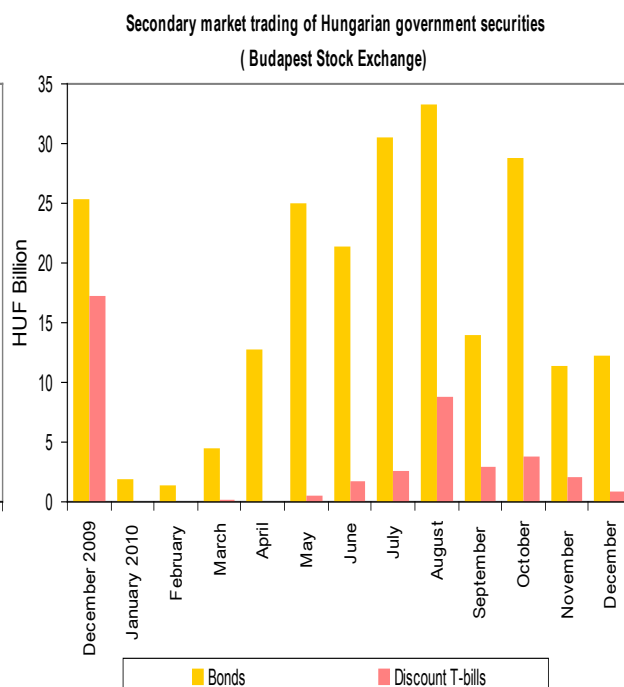
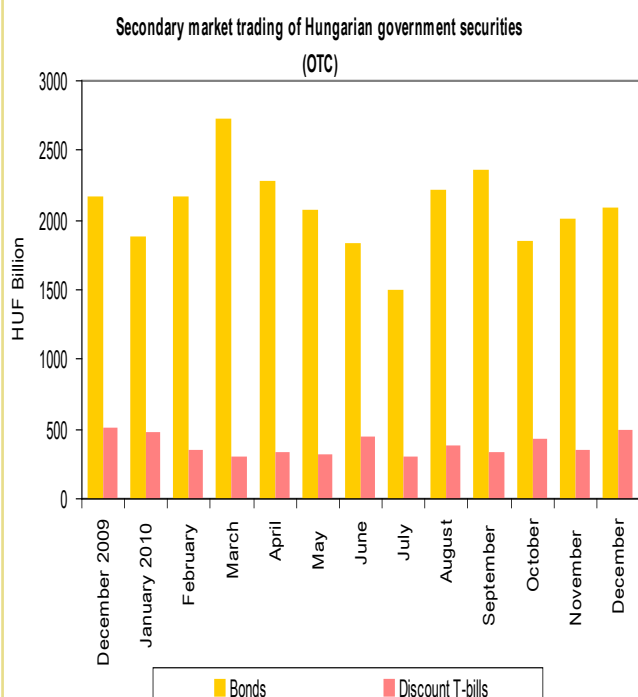
*Without issuance onto ÁKK's own account



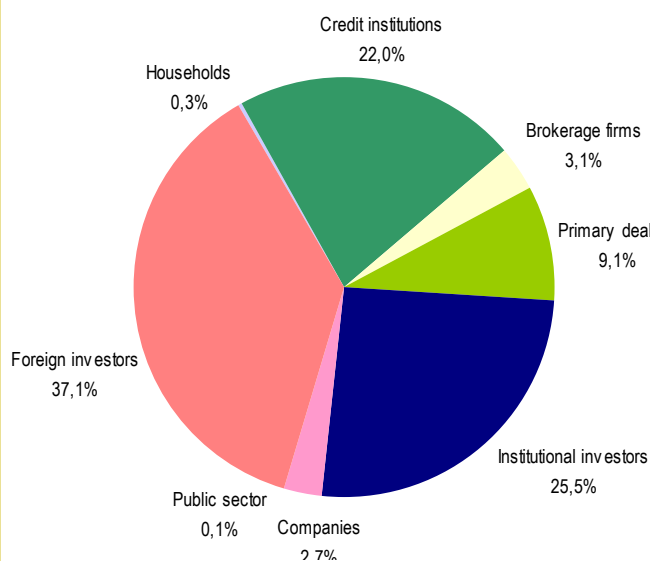
■ GOVERNMENT SECURITIES MARKET ■

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

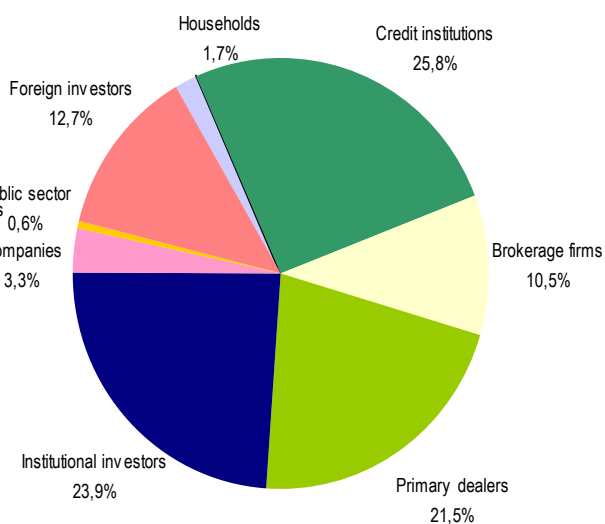
Government bond	2011/B	2011/C	2011/B	2011/C	2011/B	2011/C
ISIN code	HU0000402334	HU0000402425	HU0000402334	HU0000402425	HU0000402334	HU0000402425
Coupon (%)	6.00	6.75	6.00	6.75	6.00	6.75
Date of reverse auction	01.12.2010	01.12.2010	15.12.2010	15.12.2010	29.12.2010	29.12.2010
Date of financial settlement	08.12.2010	08.12.2010	22.12.2010	22.12.2010	05.01.2011	05.01.2011
Redemption date	12.10.2011	22.04.2011	12.10.2011	22.04.2011	12.10.2011	22.04.2011
Minimum annual yield (%)	0.00	0.00	6.15	6.06	0.00	6.06
Average annual yield - ISMA (%)	0.00	0.00	6.15	6.06	0.00	6.06
Average annual yield - EHM (%)	0.00	0.00	6.11	5.94	0.00	5.93
Amount of bids submitted (HUF million)	14,308.61	65.44	9,367.31	813.83	8,110.00	1,602.54
Amount of bids accepted (HUF million)	0.00	0.00	4,512.27	750.72	0.00	1,402.54



Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in December 2010



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in December 2010



■ GOVERNMENT SECURITIES MARKET ■

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN DECEMBER 2010

Government Bond	Date of interest rate reset	Interest period	Date of interest payment	Reset interest rate (%)	Interest payable (%)
2013/C	17.12.2010	20.12.2010	20.06.2011	5.40	2.73
2014/B	17.12.2010	20.12.2010	20.06.2011	5.40	2.73
2015/B	17.12.2010	22.12.2010	22.06.2011	5.73	2.90
2016/A	29.09.2010	31.12.2010	31.03.2011	5.50	1.36

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 December 2010	424.8915	430.1269	422.6152	430.0590
Changes compared to the end of the month before	9.0193	2.3871	7,7496	2.2381
Annual yield earned on the index portfolio	6.40%	5.53%	6.46%	5.54%

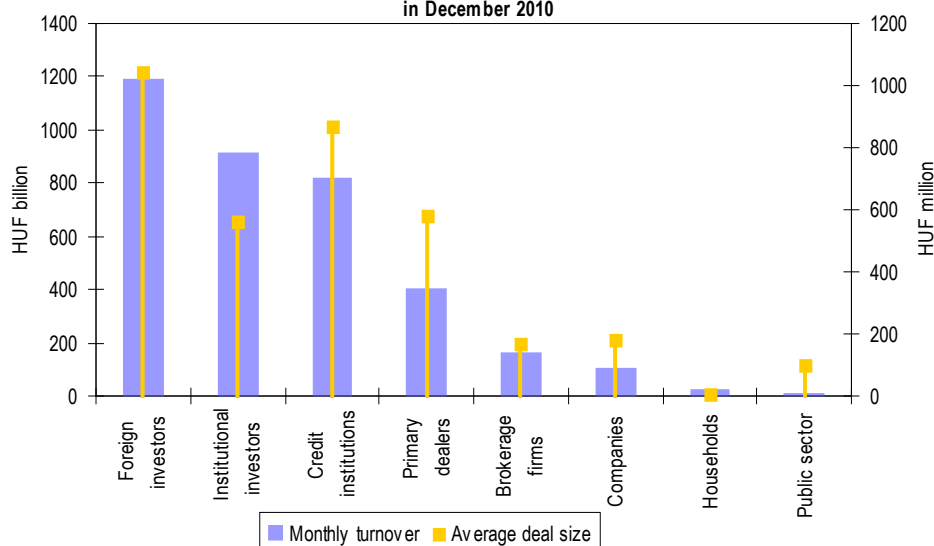
Government securities with the highest secondary market turnover in December 2010

Government security	Date of redemption	Turnover (HUF billion)
2014/C	12.02.2014	518.2
2016/C	12.02.2016	479.4
2020/A	12.11.2020	368.3
2013/E	24.10.2013	314.7
2015/A	12.02.2015	298.5
2019/A	24.06.2019	249.7
2017/B	24.02.2017	191.5
D110406	06.04.2011	141.1
2012/B	12.06.2012	139.1
D110601	01.06.2011	98.7

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

Government bond	HUF billion	
	30.11.2010	31.12.2010
2014/C	708.71	782.97
2016/C	746.73	780.07
2020/A	478.18	508.82
2023/A	282.60	282.67

Primary dealers' trading with different investor groups in December 2010



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

