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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 is a large, ornate Gothic Revival structure with a prominent central dome and multiple spires. The river is in the foreground, with a small boat visible. The city skyline is visible in the background under a clear sky.

GOVERNMENT SECURITIES MARKET
MONTHLY REPORT
DECEMBER 2013

■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 929.2 billion in 2013. The net prefinancing of cash transfers from the European Union increased the net borrowing requirement by HUF 296.6 billion. Thus, the total net financing requirement amounted to HUF 1,225.8 billion in 2013. Net issuance was HUF 1,342.8 billion, including the sum of debt assumptions HUF 593.3 billion; out of which net HUF-denominated issuance was HUF 939.0 billion and net foreign currency denominated issuance was HUF 403.8 billion. Without debt assumptions net issuance was HUF 841.2 billion, out of which net HUF-denominated issuance was HUF 825.2 billion and net foreign currency denominated issuance was HUF 16.0 billion.

HUF billion	2012		2013		Change	
	December	%	December	%	HUF billion	%
Foreign exchange denominated debt	8,326.6	40.2	8,904.9	40.5	578.4	6.9
Government securities	5,014.1	24.2	6,169.3	28.0	1,155.2	23.0
Loans	3,312.5	16.0	2,735.6	12.4	-576.9	-17.4
HUF denominated debt	12,042.4	58.1	12,976.4	59.0	934.0	7.8
Government securities	11,475.6	55.4	12,372.8	56.2	897.2	7.8
Loans	566.8	2.7	603.6	2.7	36.8	6.5
Total	20,369.0	98.3	21,881.4	99.5	1,512.4	7.4
Other obligations	351.1	1.7	117.3	0.5	-233.8	-66.6
Total central government debt	20,720.1	100.0	21,998.6	100.0	1,278.6	6.2

The HUF denominated debt of the central government increased by HUF 934.0 billion in 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 404.7 billion, the amount of discount Treasury bills decreased by HUF 1.5 billion and the total amount of retail government securities increased by HUF 702.0 billion. The stock of non-marketable government bonds decreased by HUF 207.9 billion because of redemption. The volume of HUF loans increased by HUF 36.8 billion in 2013.

The foreign currency debt of the central government increased by HUF 578.4 billion in 2013. The foreign currency bond issuance was HUF 1,151.9 billion, the gross PÉMAK and residence bond issuance was HUF 769.1 billion. The drawdown of foreign currency denominated loans worth HUF 209.6 billion increased, the debt assumptions worth HUF 420.5 billion increased, while the redemptions of foreign currency debt worth HUF 2,147.3 billion decreased the debt. The exchange rate revaluations totalling HUF 174.6 billion increased the Hungarian Forint value of the foreign currency debt in 2013.

Secondary market yields in December:

Benchmark yields

Maturity	28.12.2012.	29.11.2013.	31.12.2013.	Change, basis points
3-month	5.33	2.85	2.86	1
6-month	5.28	3.00	2.85	-15
1-year	5.40	3.14	3.04	-10
3-year	5.61	4.23	4.01	-22
5-year	5.89	5.07	4.66	-41
10-year	6.11	6.07	5.61	-46
15-year	6.11	6.58	6.26	-32

Monthly OTC turnover of government securities was 7 % lower in December than a month before and reached HUF 2,859.6 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 63% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 57.3 billion in December, and amounted to HUF 4,994.1 billion at the end of the month. This volume represented 40.4% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 296.91 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: BB (Standard & Poor's); Ba1 (Moody's); BB+ (Fitch).

■ GOVERNMENT SECURITIES MARKET ■

CENTRAL GOVERNMENT GROSS DEBT

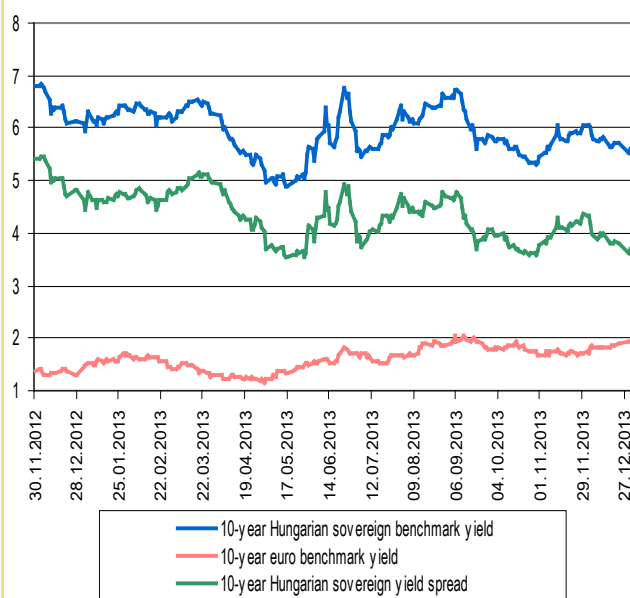
HUF BILLION

	2007	2008	2009	2010	2011	2012	October 2013	November 2013	December 2013
1. Forint denominated debt	11,103.8	11,250.6	10,476.2	10,978.2	10,362.2	12,042.4	13,199.8	13,068.8	12,976.4
1.1. Loans	145.7	219.9	438.7	540.8	590.8	566.8	644.2	643.8	603.6
1.2. Government securities	10,958.1	11,030.7	10,037.5	10,437.4	9,771.4	11,475.6	12,555.6	12,425.0	12,372.8
1.2.1. Public issues	10,465.4	10,599.7	9,613.2	10,019.6	9,378.1	11,077.1	12,236.4	12,105.7	12,182.3
1.2.1.1. Bonds	8,245.3	8,570.6	7,519.2	7,965.8	7,353.4	8,184.1	8,509.9	8,545.4	8,588.8
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	2,129.1	1,921.1	1,904.9
1.2.1.3. Retail securities	555.2	546.4	446.6	435.7	473.8	986.6	1,597.4	1,639.2	1,688.5
1.2.2. Private placements	492.7	431.0	424.3	417.8	403.2	398.5	319.3	319.3	190.5
2. Foreign currency denominated debt*	4,472.6	6,774.8	8,466.7	8,842.8	10,170.4	8,326.6	8,593.4	9,249.3	8,904.9
2.1. Loans	846.5	2,529.4	4,112.7	4,292.8	4,458.1	3,312.5	2,691.5	2,743.0	2,735.6
2.1.1. Foreign loans	838.8	2,529.4	4,112.7	4,292.8	4,361.9	3,229.0	2,354.7	2,398.7	2,400.2
2.1.2. Domestic loans	104.0	0.0	0.0	0.0	96.2	83.5	336.9	344.3	335.4
2.2. Government securities	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	5,014.1	5,901.8	6,506.3	6,169.3
2.2.1. Issued abroad	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	4,924.2	5,263.1	5,823.7	5,736.9
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	89.9	638.7	682.6	432.5
Total	15,576.4	18,025.4	18,942.9	19,821.0	20,532.6	20,369.0	21,793.2	22,318.2	21,881.4
Other liabilities	9.1	78.5	20.1	220.01	422.9	351.1	125.1	135.1	117.3
Total central government debt	15,585.5	18,103.9	18,963.1	20,041.0	20,955.5	20,720.1	21,918.3	22,453.3	21,998.6
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	10,958.3	10,785.8	10,684.2
Gross debt/GDP	61.3%	68.2%	74.0%	75.6%**	75.8%**	73.9%**			

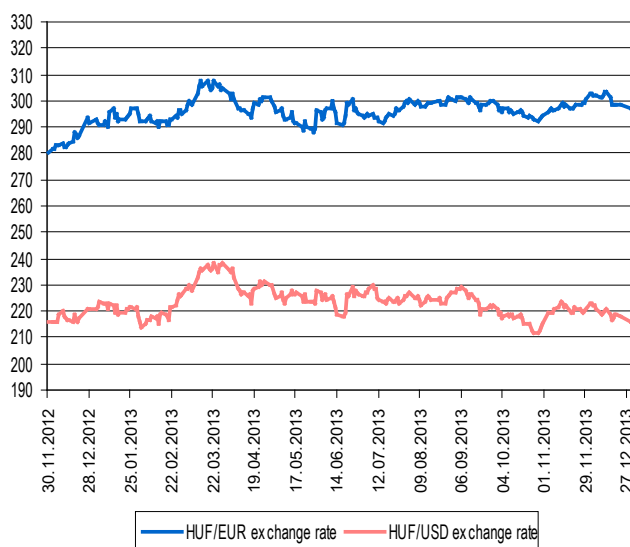
*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

**With revised GDP data.

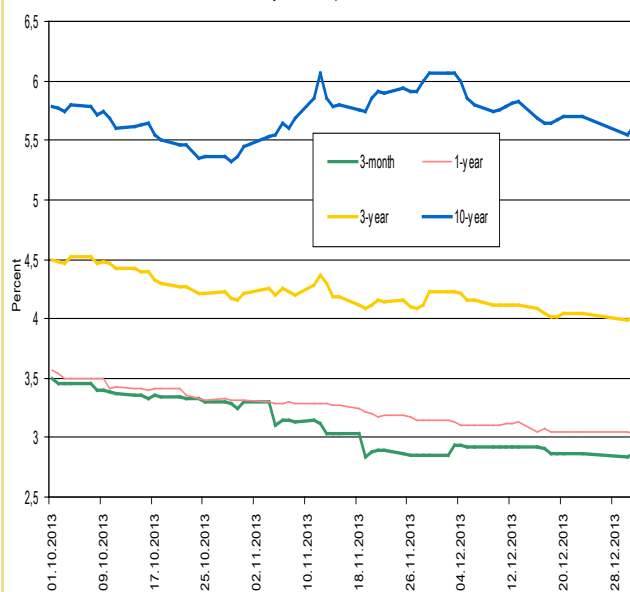
% 10-year Hungarian and eurozone benchmark yields during the last year



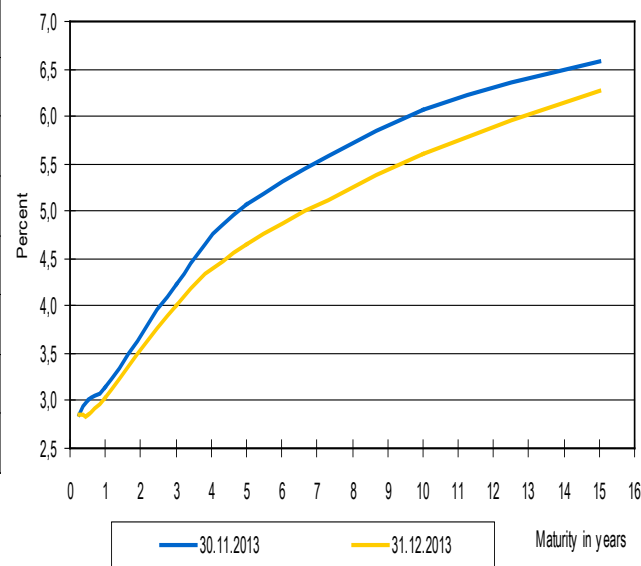
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months



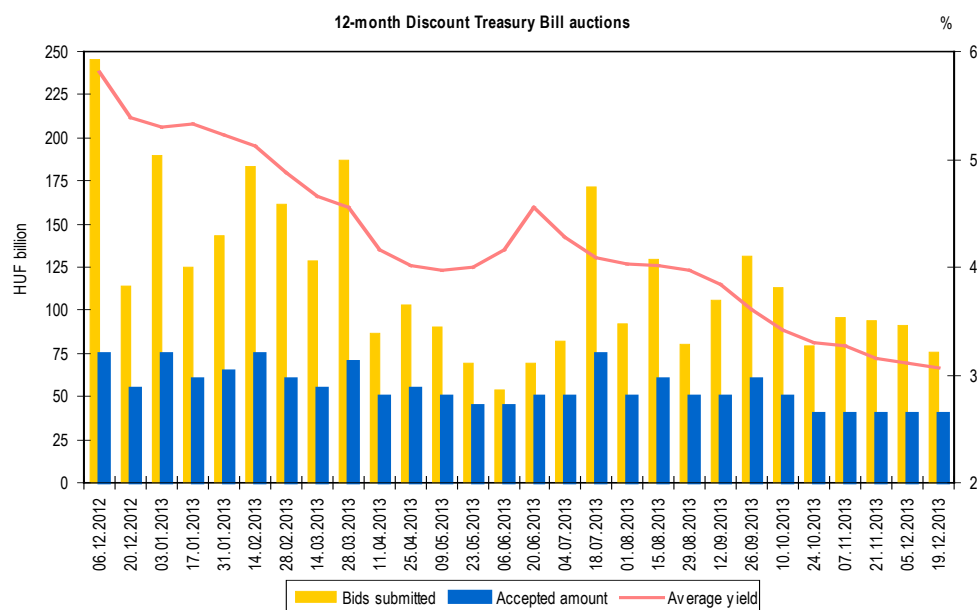
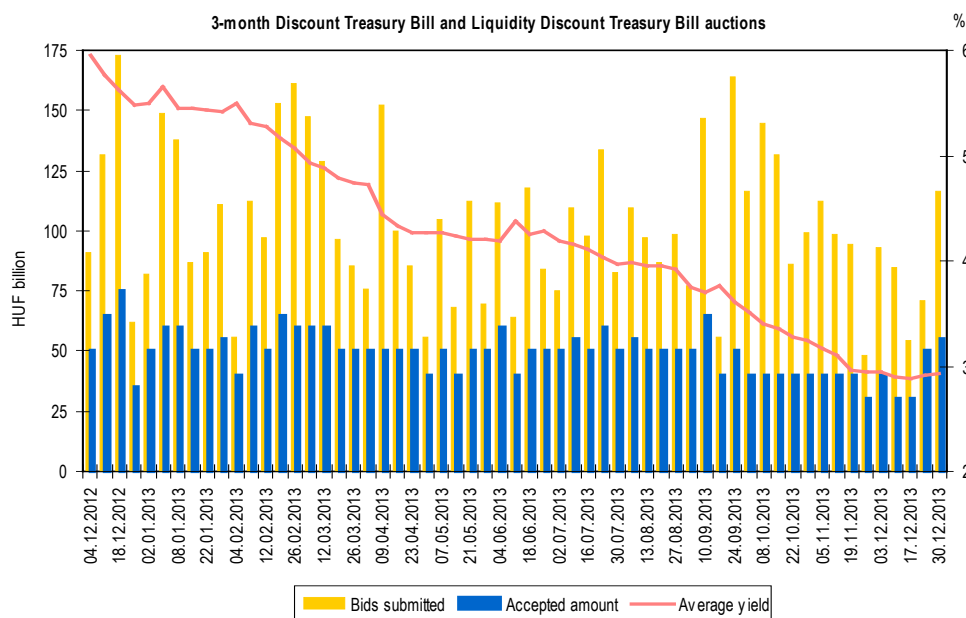
Benchmark yield curves



■ GOVERNMENT SECURITIES MARKET ■

DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D140312	D140319	D140326	D140402	D140409	D141126	D141126
ISIN code	HU0000519756	HU0000519764	HU0000519772	HU0000519798	HU0000519806	HU0000519780	HU0000519780
Maturity in days	91	91	86	90	91	350	331
Date of auction	03.12.2013	10.12.2013	17.12.2013	23.12.2013	30.12.2013	05.12.2013	19.12.2013
Date of financial settlement	11.12.2013	18.12.2013	30.12.2013	02.01.2014	08.01.2014	11.12.2013	30.12.2013
Redemption date	12.03.2014	19.03.2014	26.03.2014	02.04.2014	09.04.2014	26.11.2014	26.11.2014
Maximum yield, (%) - ISMA	2.97	2.92	2.90	2.95	2.95	3.14	3.09
Minimum yield (%) - ISMA	2.82	2.86	2.83	2.85	2.88	3.08	3.00
Average yield (%) - ISMA	2.95	2.90	2.88	2.91	2.92	3.11	3.06
Maximum yield, (%) - EHM	3.01	2.96	2.94	2.99	2.99	3.18	3.13
Minimum yield (%) - EHM	2.86	2.90	2.87	2.89	2.92	3.12	3.04
Average yield (%) - EHM	2.99	2.94	2.92	2.95	2.96	3.15	3.10
Average selling price (%)	99.2598	99.2723	99.3167	99.2778	99.2673	97.0651	97.2635
Amount offered for sale (HUF million)	40,000.00	30,000.00	30,000.00	50,000.00	50,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	93,178.11	84,771.93	54,320.00	70,800.00	116,325.90	91,400.00	75,460.00
Amount of bids accepted (HUF million)	39,999.96	29,999.98	29,999.95	49,999.95	54,999.96	39,999.93	39,999.96
Bid-to-cover ratio	2.33	2.83	1.81	1.42	2.12	2.29	1.89
Bids submitted (pcs)	86	90	57	67	92	99	107
Bids accepted (pcs)	49	37	31	56	56	54	64
Market sales* (HUF million)	39,999.96	29,999.98	29,999.95	49,999.95	54,999.96	39,999.93	39,999.96
Retained on ÁKK's own account	12,000.04	9,000.02	9,000.05	15,000.05	16,500.04	12,000.07	40,000.04
Total amount issued (HUF million)	52,000.00	39,000.00	39,000.00	65,000.00	71,500.00	52,000.00	80,000.00

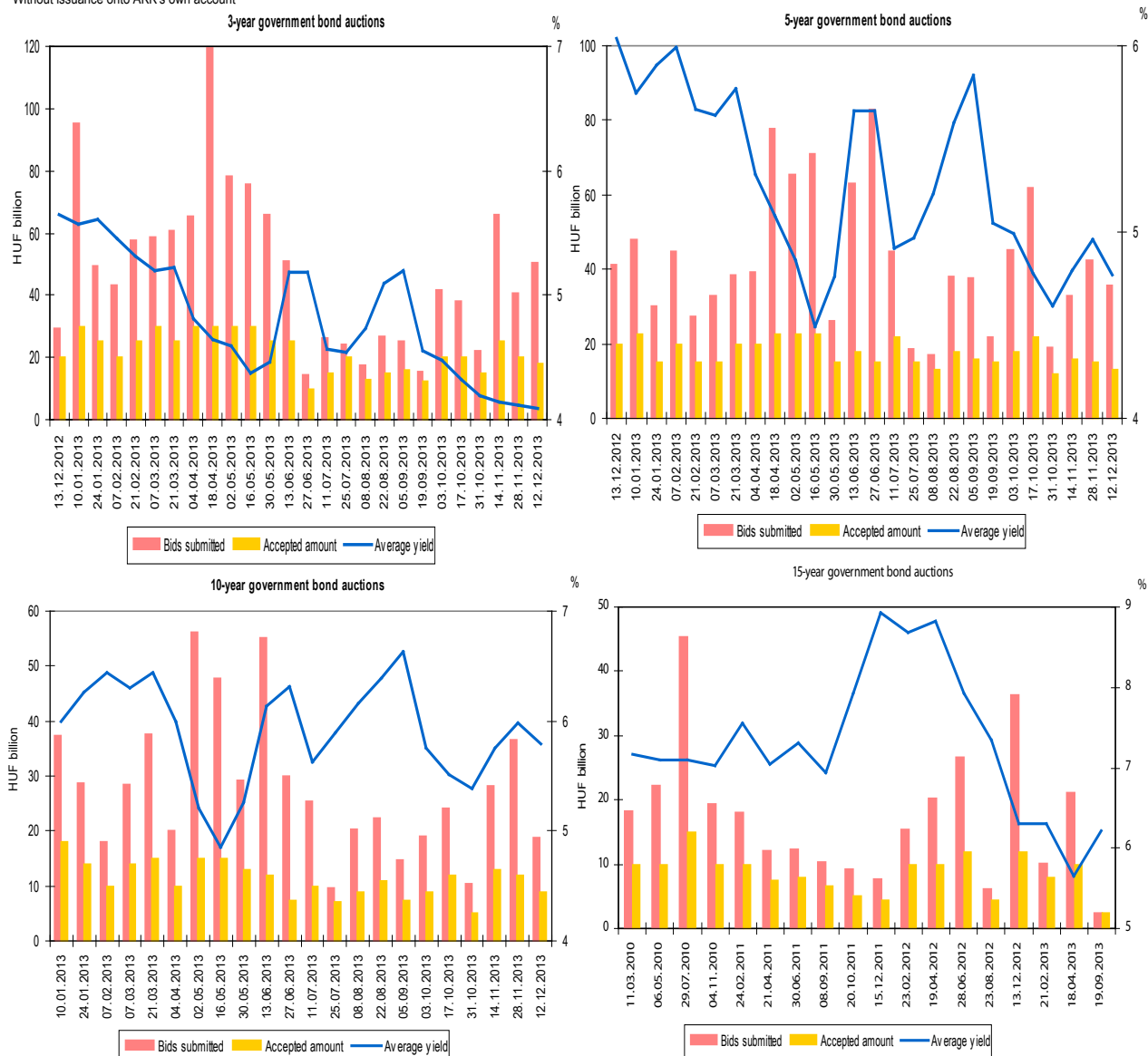


■ GOVERNMENT SECURITIES MARKET ■

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/B	2016/D	2018/A	2023/A
ISIN code	HU0000402649	HU0000402623	HU0000402631	HU0000402383
Maturity (in years)	3	3	5	10
Coupon (%)	3.17%	5.50%	5.50%	6.00%
Auction	12th auction	25th auction	25th auction	51st auction
Date of auction	05.12.2013	12.12.2013	12.12.2013	12.12.2013
Date of financial settlement	11.12.2013	18.12.2013	18.12.2013	18.12.2013
Redemption date	20.05.2019	22.12.2016	20.12.2018	24.11.2023
Maximum annual yield (%) - ISMA		4.11	4.78	5.81
Minimum annual yield (%) - ISMA		4.07	4.76	5.76
Average annual yield (%) - ISMA		4.09	4.77	5.79
Maximum annual yield (%) - EHM		4.11	4.78	5.81
Minimum annual yield (%) - EHM		4.07	4.76	5.76
Average annual yield (%) - EHM		4.09	4.77	5.79
Maximum price (%)	95.7500	103.9724	103.2246	101.7677
Minimum price (%)	95.1500	103.8582	103.1356	101.3939
Average price (%)	95.2200	103.9017	103.1718	101.5339
Amount offered for sale (HUF million)	5,000.00	18,000.00	13,000.00	9,000.00
Amount of bids submitted (HUF million)	7,100.00	50,710.00	35,900.00	18,700.00
Amount of bids accepted (HUF million)	5,000.00	17,999.97	12,999.98	8,999.98
Bid-to-cover ratio	1.42	2.82	2.76	2.08
Bids submitted (pcs)	18	42	46	47
Bids accepted (pcs)	12	20	17	19
Tail (average price - minimum price)	0.07	0.04	0.04	0.14
Market sales* (HUF million)	5,000.00	17,999.97	12,999.98	8,999.98
Non-competitive offer (HUF million)	0.00	0.00	0.00	0.00
Total amount issued (HUF million)	5,000.00	18,000.00	16,900.00	11,700.00

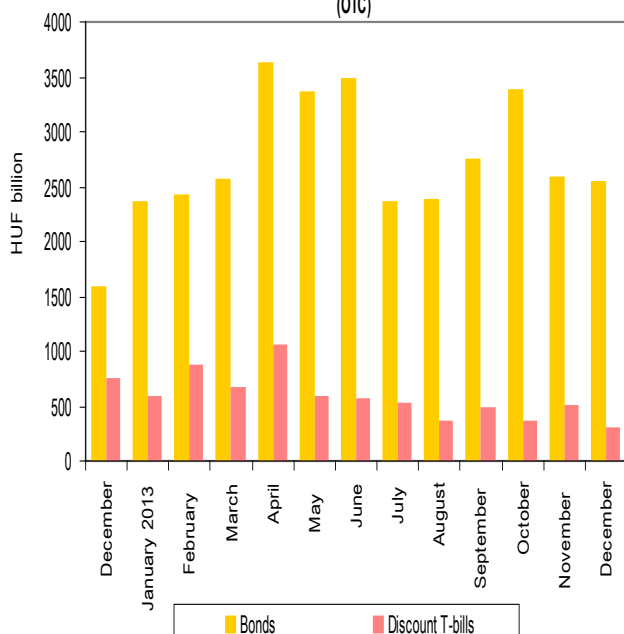
*Without issuance onto ÁKK's own account



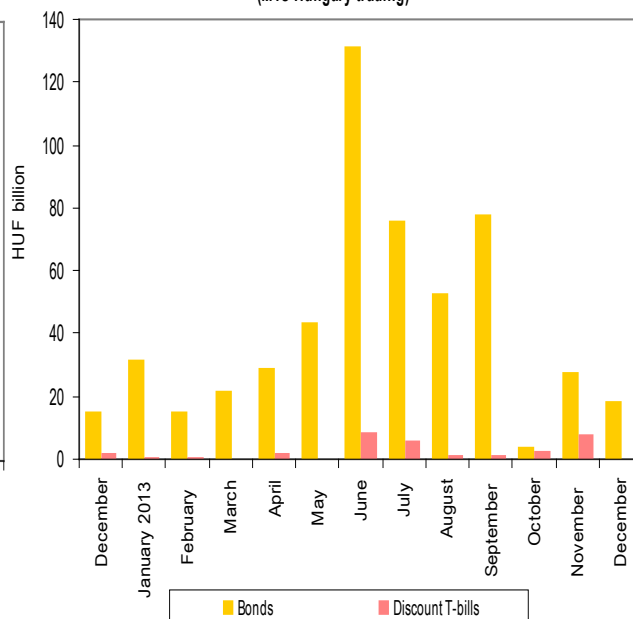
■ GOVERNMENT SECURITIES MARKET ■

Government bond	2014/D	2015/A	2014/D	2015/A	2015/C
ISIN code	HU0000402516	HU0000402268	HU0000402516	HU0000402268	HU0000402581
Coupon (%)	6.75	8.00	6.75	8.00	7.75
Date of reverse auction	11.12.2013	11.12.2013	18.12.2013	18.12.2013	18.12.2013
Date of financial settlement	18.12.2013	18.12.2013	30.12.2013	30.12.2013	30.12.2013
Redemption date	22.08.2014	12.02.2015	22.08.2014	12.02.2015	24.08.2015
Minimum annual yield (%)	2.95	2.95	0.00	2.94	3.17
Average annual yield - ISMA (%)	2.98	3.03	0.00	2.94	3.19
Average annual yield - EHM (%)	2.97	3.03	0.00	2.94	3.19
Amount of bids submitted (HUF million)	6,006.36	24,498.19	12,981.04	18,142.03	86,759.62
Amount of bids accepted (HUF million)	6,006.36	24,498.19	0.00	4,200.00	16,700.12

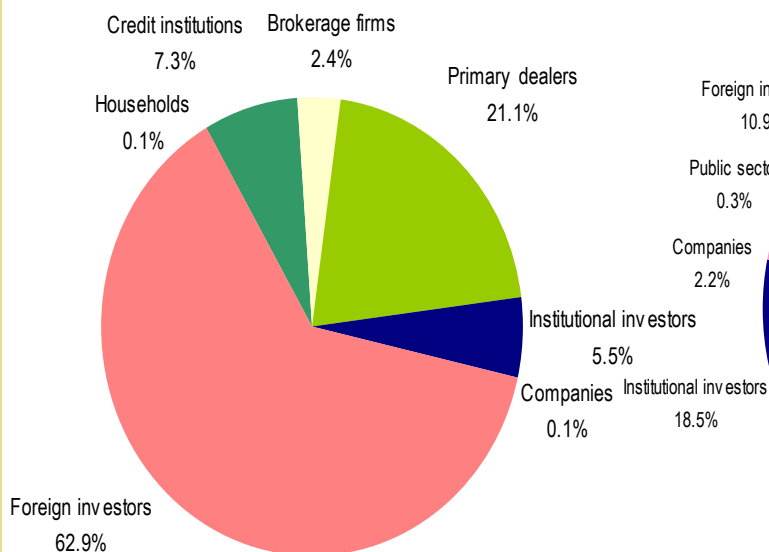
Secondary market trading of Hungarian government securities
(OTC)



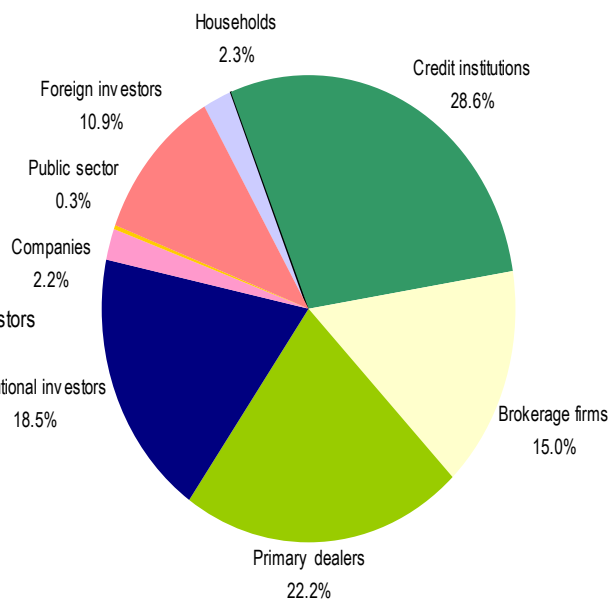
Secondary market trading of Hungarian government securities
(MTS Hungary trading)



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



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



■ GOVERNMENT SECURITIES MARKET ■

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN DECEMBER 2013

INTEREST RATE RESET AND PEPPING OF THE GOVERNMENT BONDS ON 15 SEPTEMBER 2013							
Government Bond	Date of interest rate reset		Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2014/B	20.12.2013	20.12.2013		20.06.2014	20.06.2014	3.60	1.82
2015/B	18.12.2013	22.12.2013		22.06.2014	23.06.2014	2.91	1.47
2015/I	06.12.2013	08.12.2013		08.12.2014	08.12.2014	3.90	3.90
2016/A	30.12.2013	31.12.2013		31.03.2014	31.03.2014	3.75	0.92

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 December 2013	579.1981	518.8742	564.3068	511.5600
Changes compared to the end of the month before	9.6805	1.5241	8.3060	1.3039
Annual yield earned on the index portfolio	9.97%	5.68%	8.95%	4.64%

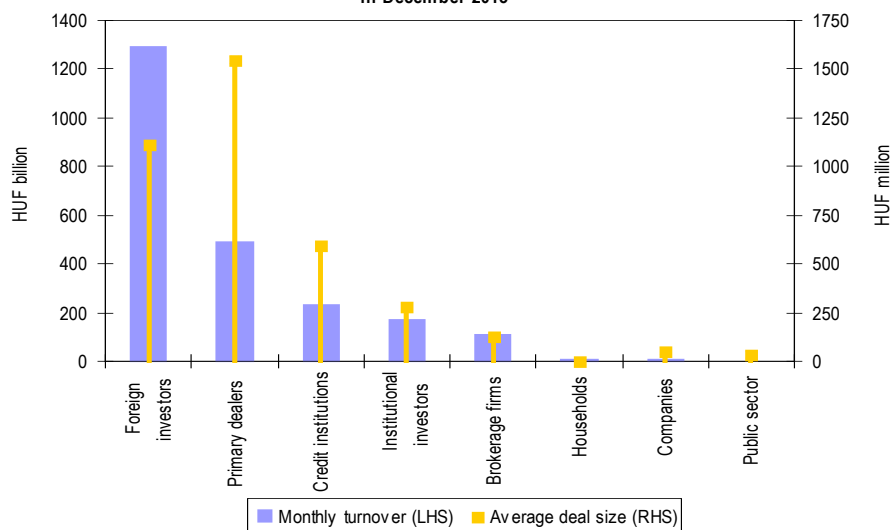
Government securities with the highest secondary market turnover in December 2013

Government security	Date of redemption	Turnover (HUF billion)
2023/A	24.11.2023	674.5
2019/A	24.06.2019	255.8
2018/A	20.12.2018	223.6
2020/A	12.11.2020	169.2
2016/D	22.12.2016	120.3
2017/A	24.11.2017	115.3
2022/A	24.06.2022	112.2
2015/A	12.02.2015	67.4
2015/C	24.08.2015	59.2
2017/B	24.02.2017	56.5

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

Government bond	HUF billion	
	29.11.2013	31.12.2013
2016/D	616.11	658.72
2018/A	498.19	531.43
2023/A	551.86	577.20
2028/A	120.59	120.64

Primary dealers' trading with different investor groups in December 2013



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

