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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

JULY 2011

The deficit of the central government amounted to HUF 1,497.5 billion in first seven months of 2011. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 298.8 billion, while the capital transfer to the National Bank of Hungary (NBH) by law increased net borrowing requirement by HUF 29.1 billion. Thus, the total net borrowing requirement amounted to HUF 1,191.2 billion in 2011. Net issuance was HUF 1,405.9 billion; out of which net HUF-denominated issuance was HUF 604.7 billion and net foreign currency denominated issuance was HUF 801.2 billion.

	2010		2011		Change	
HUF billion	December	%	July	%	HUF billion	%
Foreign exchange denominated debt	8,842.8	44.1	9,361.1	47.4	518.4	5.9
Government securities	4,550.0	22.7	5,218.2	26.4	668.2	14.7
Loans	4,292.8	21.4	4,142.9	21.0	-149.8	-3.5
HUF denominated debt	10,978.2	54.8	10,231.1	51.8	-747.1	-6.8
Government securities	10,437.4	52.1	9,690.3	49.1	-747.1	-7.2
Loans	540.8	2.7	540.8	2.7	0.0	0.0
Total	19,821.0	98.9	19,592.2	99.3	-228.8	-1.2
Other obligations	220.0	1.1	146.0	0.7	-74.0	-33.6
Total central government debt	20,041.0	100.0	19,738.3	100.0	-302.8	-1.5
Out of the international loan program was placed in NBH or in commercial banks	974.1		401.0		-573.1	

The HUF denominated debt of the central government decreased by HUF 747.1 billion in 2011. The difference between the net change in the debt stock and the net issuance was caused by cancelling HUF 1,352.4 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 322.3 billion, the amount of discount Treasury bills increased by HUF 262.2 billion and the total amount of retail government securities increased by HUF 21.3 billion. The withdrawal from the market of government securities worth HUF 1,352.4 bn decreased the outstanding volume of government bonds by HUF 1,133.3 bn and the outstanding volume of discount T-bills by HUF 219.1 bn.

The foreign currency debt of the central government increased by HUF 518.4 billion in first seven months of 2011. The foreign currency bond issue increased the debt by HUF 1063.0 billion and the drawdown of foreign currency denominated loans worth HUF 23.7 increased, while redemptions of foreign currency debt worth HUF 285.5 billion decreased the debt, out of which EUR 7.4 million of Hungarian foreign currency government bonds were in the possession of the Pension Reform and Debt Reduction Fund. The exchange rate revaluations totalling HUF 281.1 billion decreased the Hungarian Forint value of the foreign currency debt in 2011.

Out of the international loan program HUF 401.0 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 146.0 billion in July 2011.

Secondary market yields in July:

Benchmark yields

Maturity	31.12.2010.	30.06.2011.	31.07.2011.	Change, basis points
3-month	5.76	5.85	5.80	-5
6-month	6.15	5.83	5.75	-8
1-year	6.33	5.82	5.85	3
3-year	7.72	6.67	6.63	-4
5-year	7.85	7.08	7.22	14
10-year	7.95	7.31	7.50	19
15-year	7.94	7.30	7.52	22

Monthly OTC turnover of government securities was 8 % lower in July than a month before and reached HUF 5,562.6 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 233.8 billion in July, and amounted to HUF 3,721.3 billion at the end of the month. This volume represented 40.3% 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 270.20 on the last working day of July.

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

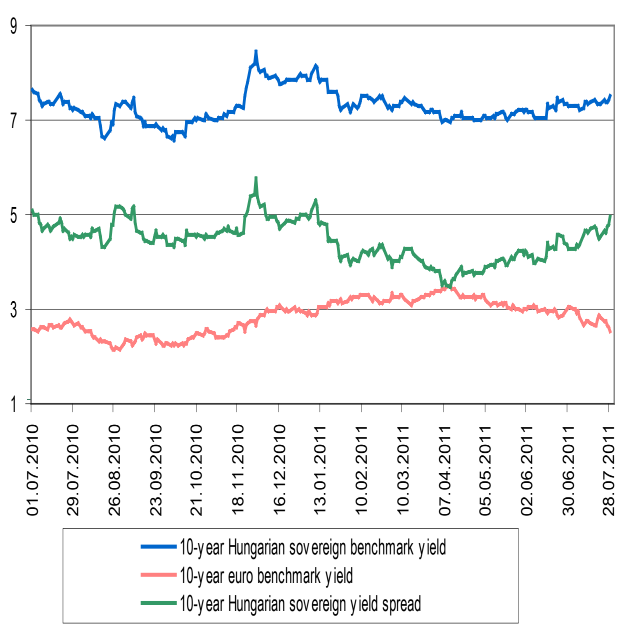
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

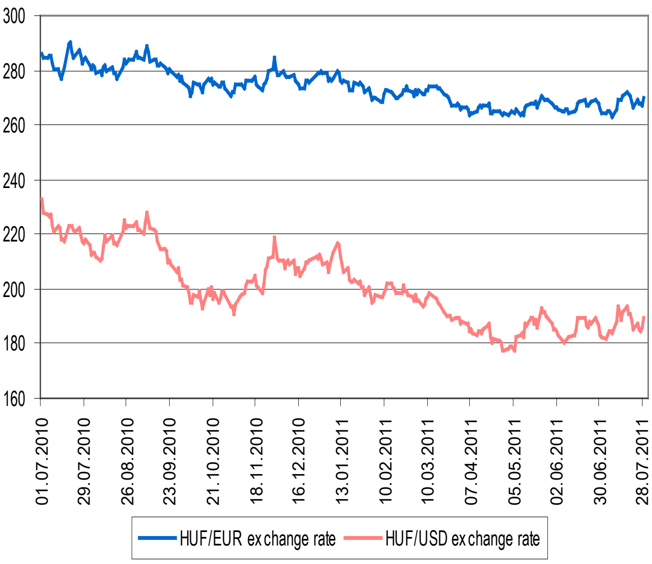
	2005	2006	2007	2008	2009	2010	May 2011	June 2011	July 2011
1. Forint denominated debt	9,153.5	10,552.3	11,103.8	11,250.6	10,476.2	10,978.2	11,493.8	10,264.3	10,231.1
1.1. Loans	0.8	356.4	145.7	219.9	438.7	540.8	540.8	540.8	540.8
1.2. Government securities	9,152.7	10,195.9	10,958.1	11,030.7	10,037.5	10,437.4	10,593.0	9,723.5	9,690.3
1.2.1. Public issues	8,418.8	9,667.5	10,465.4	10,599.7	9,613.2	10,019.6	10,536.0	9,307.3	9,274.1
1.2.1.1. Bonds	6,299.1	7,244.2	8,245.3	8,570.6	7,519.2	7,965.8	8,085.0	7,035.6	7,154.8
1.2.1.2. Discount T-bills	1,530.9	1,755.9	1,664.9	1,482.4	1,647.3	1,618.2	1,994.3	1,814.5	1,662.3
1.2.1.3. Retail securities	588.7	667.4	555.2	546.4	446.6	435.7	456.7	457.2	457.0
1.2.2. Private placements	733.9	528.4	492.7	431.0	424.3	417.8	417.0	416.2	416.2
2. Foreign currency denominated debt*	3,590.7	4,124.4	4,472.6	6,774.8	8,466.7	8,842.8	9,505.7	9,196.0	9,361.2
2.1. Loans	720.6	803.7	846.5	2,529.4	4,112.7	4,292.8	4,085.0	4,064.7	4,142.9
2.1.1. Foreign loans	616.9	700.1	838.8	2,529.4	4,112.7	4,292.8	4,085.0	4,064.7	4,142.9
2.1.2. Domestic loans	103.8	103.6	104.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2.1. Raised from National Bank of Hungary (NBH)	96.1	95.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	7.7	7.7	7.7	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	2,870.1	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,420.7	5,131.3	5,218.2
2.2.1. Issued abroad	2,870.1	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,420.7	5,131.3	5,218.2
2.2.1.1. Foreign currency bonds	2,870.0	3,320.6	3,626.1	4,245.4	4,354.0	4,550.0	5,420.7	5,131.3	5,218.2
2.2.1.2. Kingdom of Hungary 1924 issues	0.1	0.1	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	12,744.2	14,676.7	15,576.4	18,025.4	18,942.9	19,821.0	20,999.5	19,460.3	19,592.2
Other liabilities	21.4	29.0	9.1	78.5	20.1	220.01	116.9	117.7	146.0
Total central government debt	12,765.6	14,705.7	15,585.5	18,103.9	18,963.1	20,041.0	21,116.5	19,577.9	19,738.3
Foreign currency deposits from the international loan program placed at the NBH				*1,483.6*	*1,124.8*	*974.1*	*898.1*	*889.7*	*401.0*
Government debt adjusted with foreign currency deposits				16,620.3	17,838.3	19,066.9	20,218.4	18,688.2	19,337.3
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*8,563.9*	*9,528.4*	*10,402.9*	*10,484.0*	*9,623.3*	*10,001.8*	*10,496.3*	*9,266.3*	*9,233.3*
Gross debt/GDP	*57.9%*	*61.8%*	*61.3%*	*68.2%*	*72.7%*	*73.9%*			

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

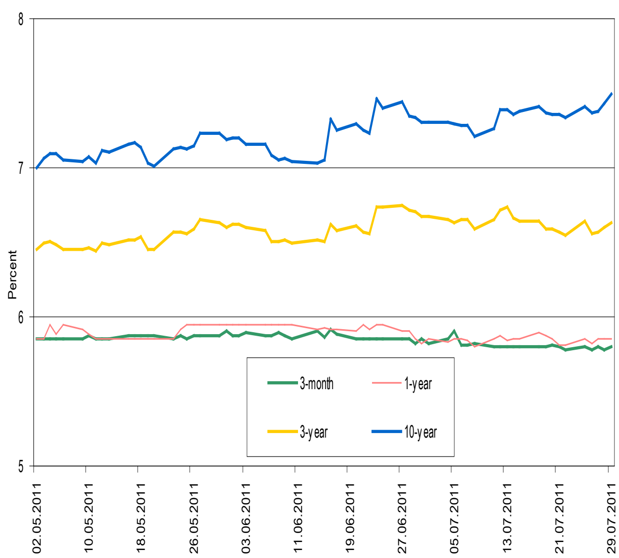
10-year Hungarian and eurozone benchmark yields during the last year



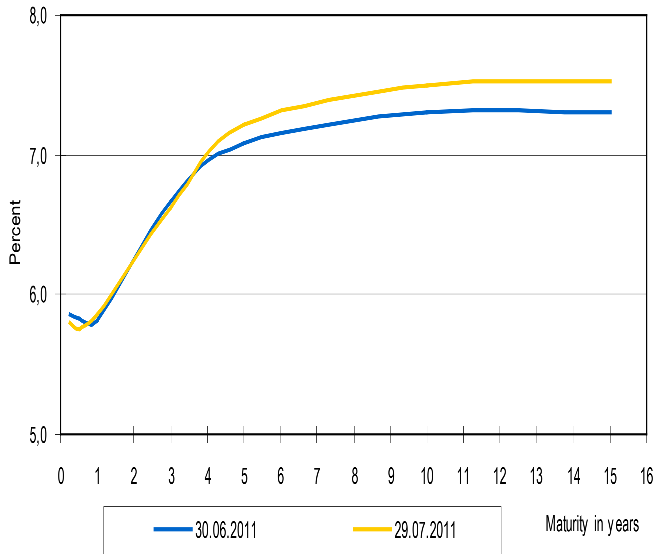
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months

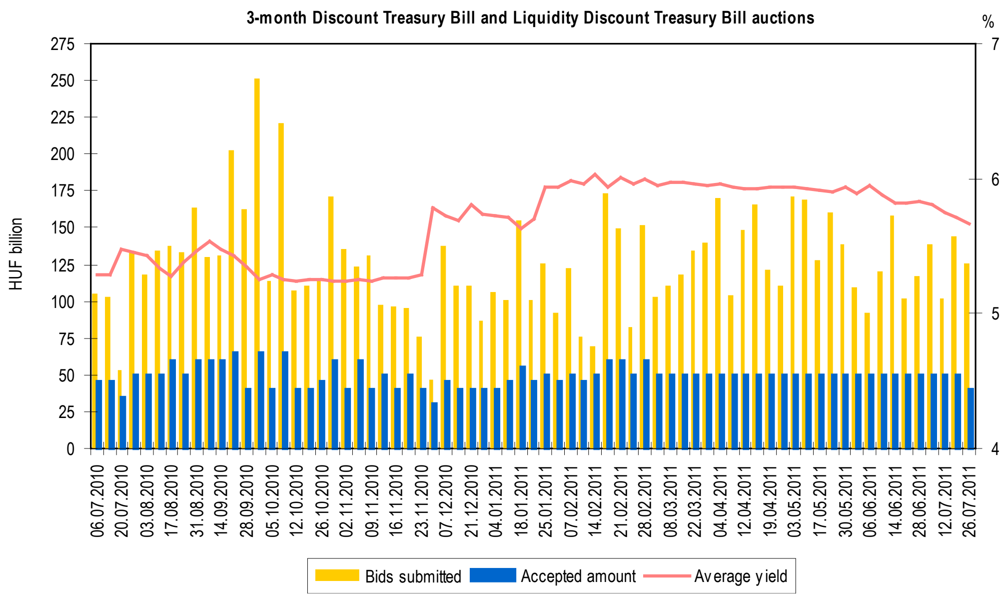


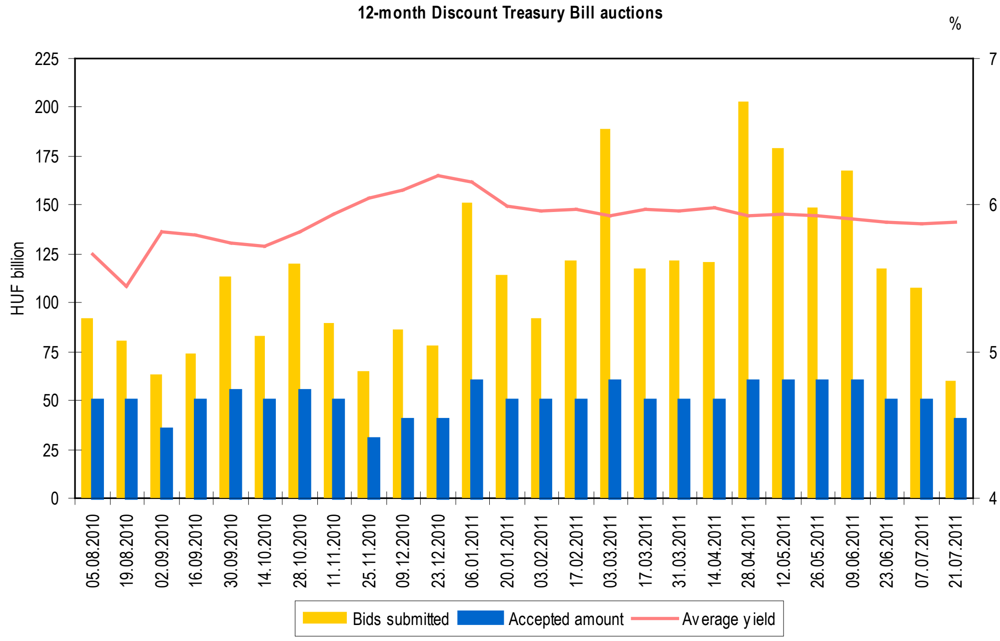
Benchmark yield curves



DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D111012	D111019	D111026	D111102	D120627	D120627
ISIN code	HU0000518352	HU0000518493	HU0000518501	HU0000518519	HU0000518378	HU0000518378
Maturity in days	91	91	91	91	350	336
Date of auction	05.07.2011	12.07.2011	19.07.2011	26.07.2011	07.07.2011	21.07.2011
Date of financial settlement	13.07.2011	20.07.2011	27.07.2011	03.08.2011	13.07.2011	27.07.2011
Redemption date	12.10.2011	19.10.2011	26.10.2011	02.11.2011	27.06.2012	27.06.2012
Maximum yield, (%) - ISMA	5.82	5.75	5.75	5.67	5.89	5.90
Minimum yield (%) - ISMA	5.79	5.75	5.68	5.67	5.85	5.85
Average yield (%) - ISMA	5.81	5.75	5.72	5.67	5.88	5.88
Maximum yield, (%) - EHM	5.90	5.83	5.83	5.75	5.97	5.89
Minimum yield (%) - EHM	5.87	5.83	5.76	5.75	5.93	5.93
Average yield (%) - EHM	5.89	5.83	5.80	5.75	5.96	5.96
Average selling price (%)	98.5526	98.5674	98.5747	98.5870	94.5925	94.7975
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	40,000.00	50,000.00	50,000.00
Amount of bids submitted (HUF million)	138,527.89	101,421.55	143,460.83	125,776.01	107,699.21	60,197.57
Amount of bids accepted (HUF million)	49,999.99	50,000.00	49,999.94	40,000.00	49,999.92	39,999.88
Bid-to-cover ratio	2.77	2.03	2.87	3.14	2.15	1.50
Bids submitted (pcs)	58	59	109	71	112	84
Bids accepted (pcs)	21	10	51	9	67	59
Market sales* (HUF million)	49,999.99	50,000.00	49,999.94	40,000.00	49,999.92	39,999.88
Retained on ÁKK's own account	15,000.01	15,000.00	15,000.06	12,000.00	15,000.08	12,000.12
Total amount issued (HUF million)	65,000.00	65,000.00	65,000.00	52,000.00	65,000.00	52,000.00

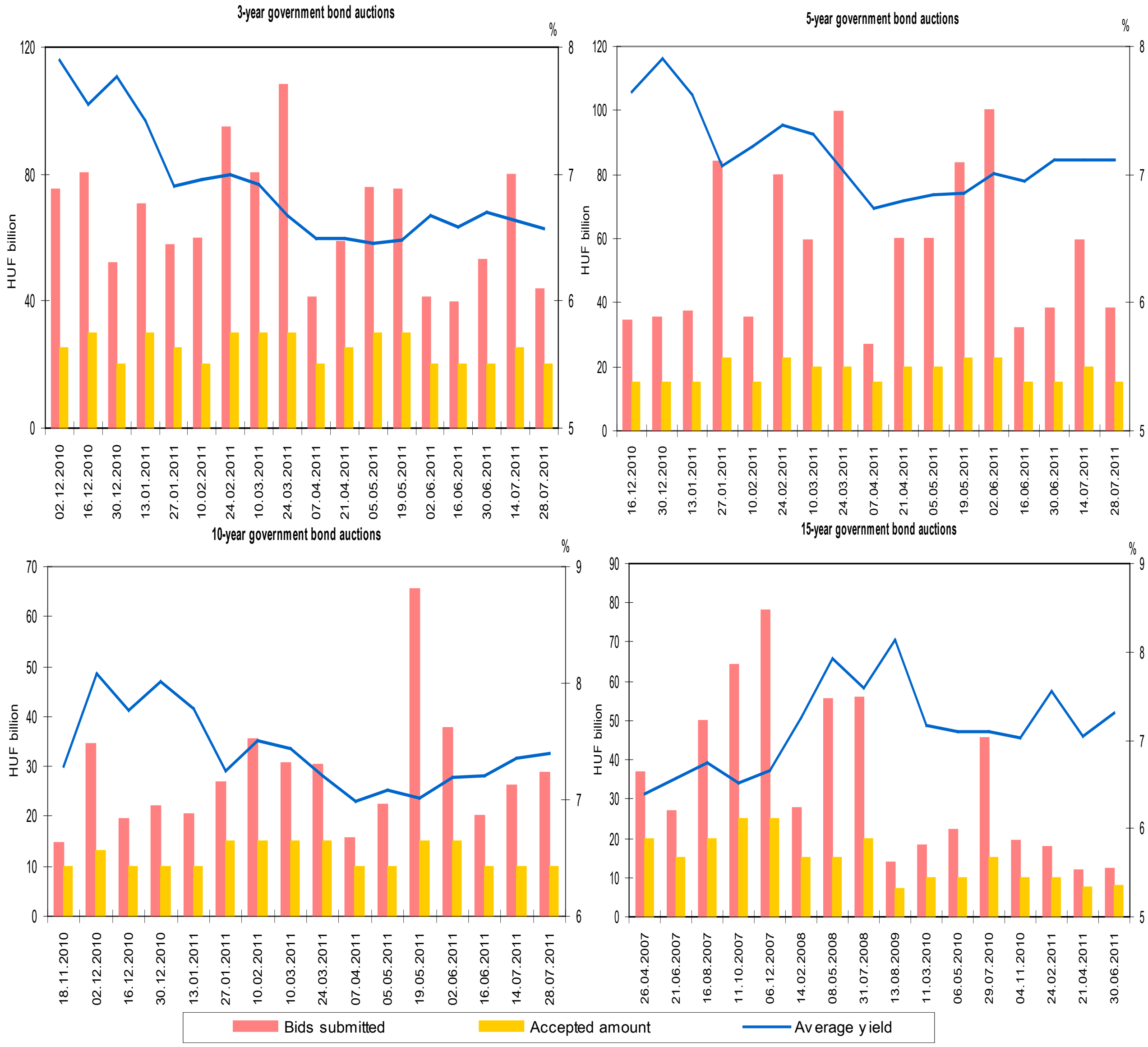




GOVERNMENT BOND AUCTION RESULTS

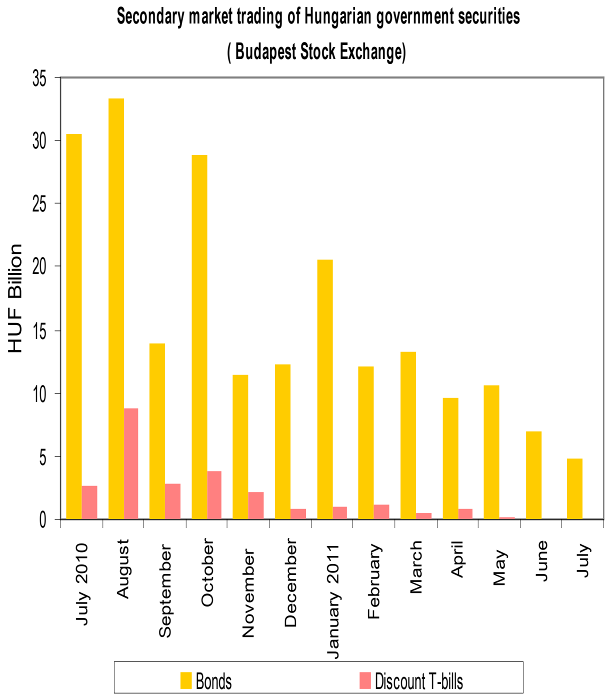
Government Bond	2015/B	2014/D	2017/A	2022/A	2014/D	2017/A	2022/A
ISIN code	HU0000402482	HU0000402516	HU0000402037	HU0000402524	HU0000402516	HU0000402037	HU0000402524
Maturity (in years)	5	3	5	10	3	5	10
Coupon (%)	5.44%	6.75%	6.75%	7.00%	6.75%	6.75%	7.00%
Auction	12th auction	14th auction	14th auction	11th auction	15th auction	15th auction	12th auction
Date of auction	07.07.2011	14.07.2011	14.07.2011	14.07.2011	28.07.2011	28.08.2011	28.07.2011
Date of financial settlement	13.07.2011	20.07.2011	20.07.2011	20.07.2011	03.08.2011	03.08.2011	03.08.2011
Redemption date	22.12.2015	22.08.2014	24.11.2017	24.06.2022	22.08.2014	24.11.2017	24.06.2022
Maximum annual yield (%) - ISMA		6.64	7.12	7.37	6.58	7.14	7.41
Minimum annual yield (%) - ISMA		6.60	7.12	7.30	6.50	7.10	7.39
Average annual yield (%) - ISMA		6.64	7.12	7.36	6.57	7.12	7.40
Maximum annual yield (%) - EHM		6.63	7.11	7.36	6.57	7.13	7.40
Minimum annual yield (%) - EHM		6.59	7.11	7.29	6.49	7.09	7.38
Average annual yield (%) - EHM		6.63	7.11	7.35	6.56	7.12	7.40
Maximum price (%)	97.0500	100.4093	98.1087	97.7770	100.6749	98.2185	97.1263
Minimum price (%)	96.7500	100.3005	98.1087	97.2713	100.4590	98.0228	96.9830
Average price (%)	96.8100	100.3005	98.1087	97.3751	100.4896	98.1097	97.0363
Amount offered for sale (HUF million)	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)	15,010.00	79,853.83	59,500.00	26,340.24	43,771.55	38,350.00	28,700.00
Amount of bids accepted (HUF million)	7,499.99	24,999.99	20,000.00	9,999.97	19,999.96	14,999.97	9,999.95
Bid-to-cover ratio	2.00	3.19	2.98	2.63	2.19	2.56	2.87
Bids submitted (pcs)	35	79	55	60	66	64	56
Bids accepted (pcs)	27	13	9	24	37	36	25
Tail (average price - minimum price)	0.06	0.00	0.00	0.10	0.03	0.09	0.05
Market sales* (HUF million)	7,499.99	24,999.99	20,000.00	9,999.97	19,999.96	14,999.97	9,999.95
Non-competitive offer (HUF million)	560.00	6,500.00	3,700.00	2,208.00	0.00	0.00	0.00
Total amount issued (HUF million)	10,500.00	35,000.00	40,000.00	14,000.00	28,000.00	30,000.00	14,000.00

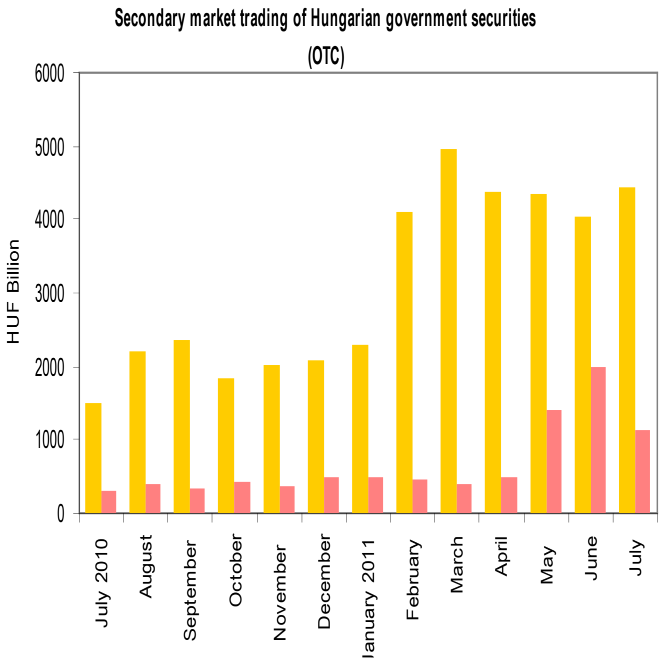
*Without issuance onto ÁKK's own account

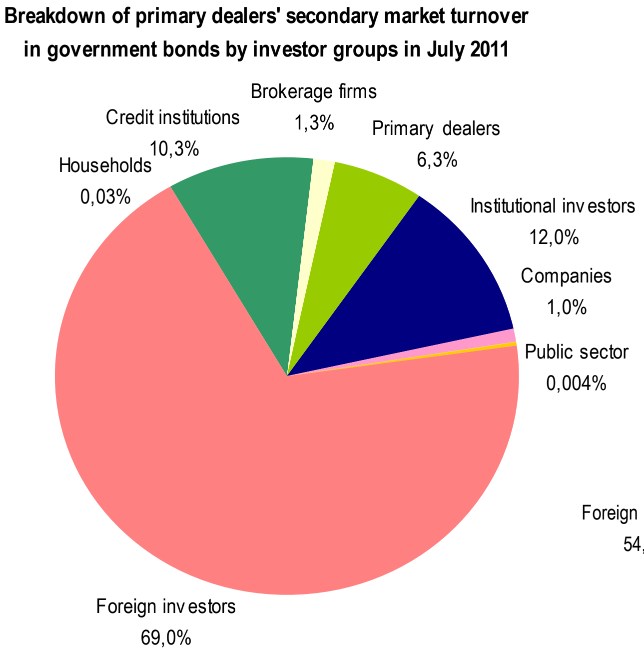


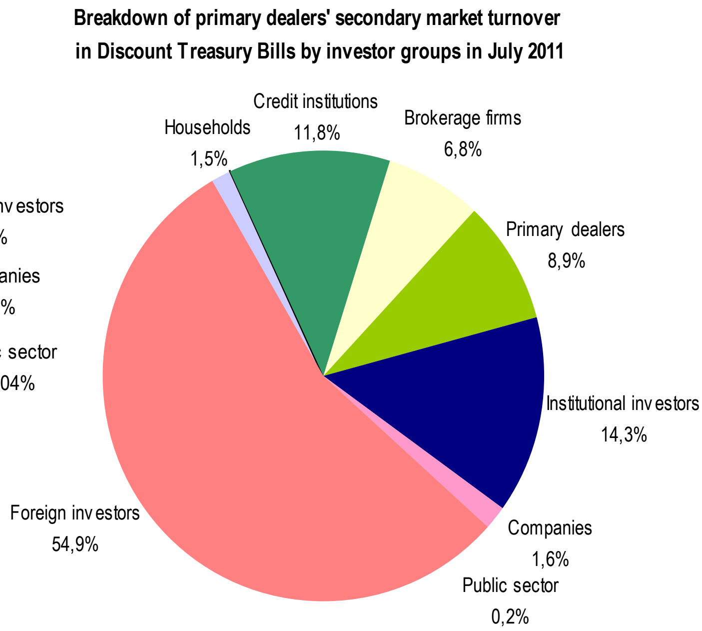
GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2012/B	2012/B	2012/C
ISIN code	HU0000402367	HU0000402367	HU0000402417
Coupon (%)	7.25	7.25	6.00
Date of reverse auction	13.07.2011	27.07.2011	27.07.2011
Date of financial settlement	20.07.2011	03.08.2011	03.08.2011
Redemption date	12.06.2012	12.06.2012	24.10.2012
Minimum annual yield (%)	5.80	5.85	5.80
Average annual yield - ISMA (%)	5.81	5.85	5.81
Average annual yield - EHM (%)	5.78	5.81	5.80
Amount of bids submitted (HUF million)	7,092.89	12,418.90	15,842.75
Amount of bids accepted (HUF million)	1,869.83	300.00	11,127.75









HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 July 2011	455.5589	445.4342	450.5133	444.5036
Changes compared to the end of the month before	1.2335	2.0183	1.3257	2.0289
Annual yield earned on the index portfolio	7.38%	5.80%	7.22%	5.74%

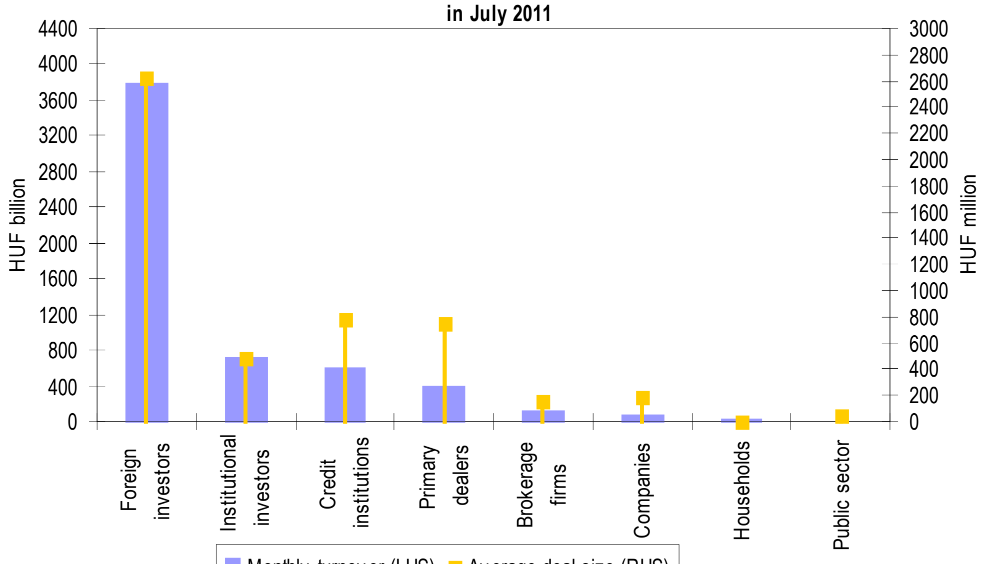
Government securities with the highest secondary market turnover in July 2011

Government security	Date of redemption	Turnover (HUF billion)
2014/C	12.02.2014	848.8
2017/B	24.02.2017	821.0
2014/D	22.08.2014	769.2
2020/A	12.11.2020	498.9
2016/C	12.02.2016	399.2
2013/E	24.10.2013	304.8
2019/A	24.06.2019	255.5
D120502	02.05.2012	224.5
D110727	27.07.2011	216.5
2013/D	12.02.2013	204.9

The outstanding volume of government bonds with benchmark status at the end of July 2011

	HUF billion	
Government bond	30.06.2011	31.07.2011
2014/D	296.77	351.80
2017/A	171.23	211.95
2022/A	140.16	152.15
2028/A	16.85	24.85

Primary dealers' trading with different investor groups in July 2011



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