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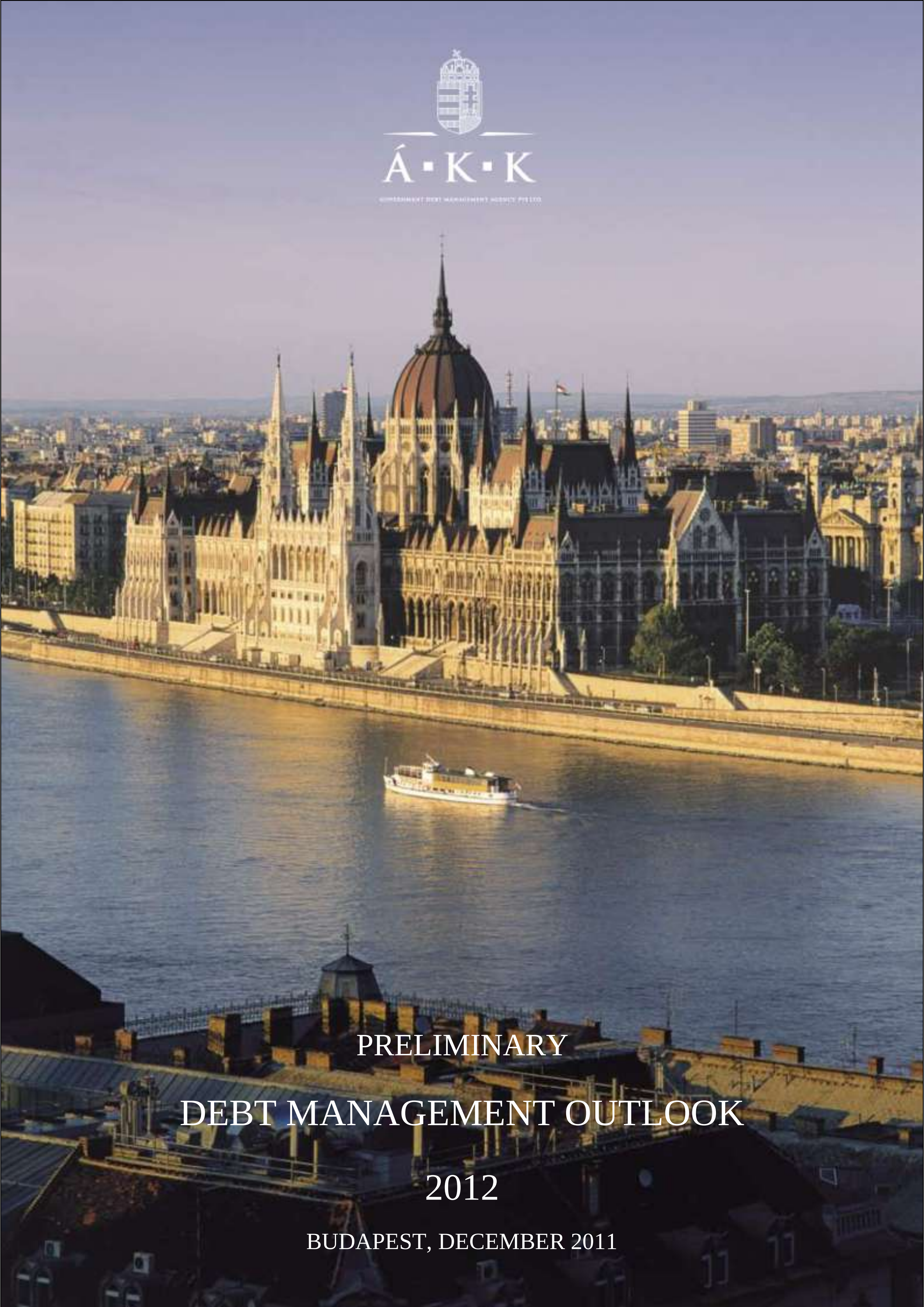


PRELIMINARY

DEBT MANAGEMENT OUTLOOK

2012

BUDAPEST, DECEMBER 2011

Contents

1. Net financing requirements in 2012

The deficit of the central government is the sum of the balances of the central government budget, the social security funds and the extra-budgetary funds. The deficit of the central government calculated on a cash-flow basis is planned at **HUF 576 billion**, equaling to 2.0% of the GDP.

The total cash-flow based net financing requirement for the year 2012 that comprises of the deficit of the central government and the projected pre-financing of EU transfers – will amount to **HUF 674 billion**.

Projected cash-flow based financing requirements in 2012

	HUF billion
Balance of the central government budget	-594
Balance of the social security funds	-35
Balance of the extra-budgetary funds	53
Net financing requirement of the central government	**-576**
Net pre-financing of EU transfers	-98
Total net financing requirement	**-674**

2. Government debt redemptions

The total amount of government debt redemptions in 2012 is planned at **HUF 3,946 billion**.[1] The redemption of domestic currency debt will amount to **HUF 2,538 billion**, of which domestic bonds account for HUF 664 billion, discount T-bills for HUF 1,544 billion, and retail government securities for HUF 330 billion.

	Debt redemptions(HUF bn)	Debt redemptions (EUR bn)
Domestic redemptions	2,538	8.5
T-bonds	664	2.2
Retail securities	330	1.1
Discount T-bills	1,544	5.2
FX redemptions	1,408	4.7
T-bonds	400	1.3
IMF loans	975	3.3
IFIs loans	33	0.1
Grand total	3,946	13.2

(at 300 HUF/EUR exchange rate)

[1] ÁKK provides gross issuance and redemption data according to the methodology recommended by OECD which takes redemptions of short-term securities - typically Treasury bills - only once into account avoiding multiple counting.

Foreign currency debt redemptions are expected to be **HUF 1,408 billion** (**EUR 4.7 billion**), out of which bond and IMF loan redemptions will amount to EUR 1.3 billion and 3.3 billion respectively, while IFIs loans redemption will amount to EUR 0.1 billion.

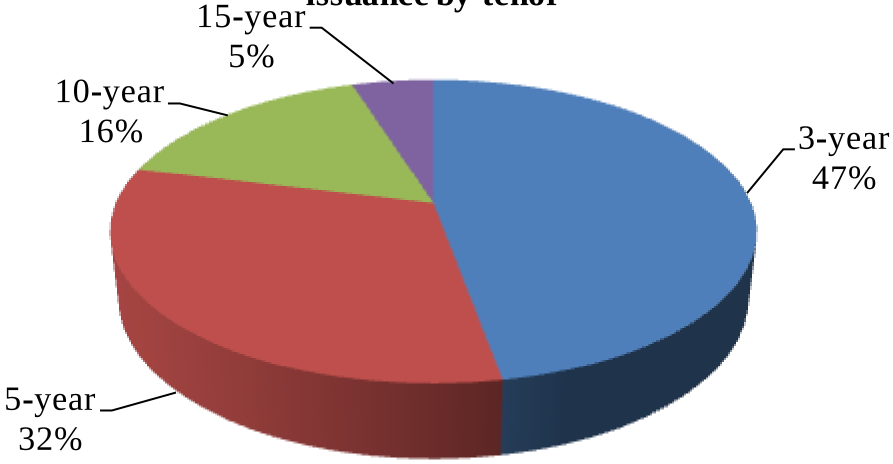
3. Gross issuance

Total gross issuance is planned at **HUF 4,589 billion** in 2012, of which 69 per cent (or **HUF 3,152 billion**) will be domestic currency and 31 per cent (**HUF 1,437 billion** or EUR 4.8 billion) will be foreign currency issuance.

	Gross issuance (HUF bn)	Gross issuance (EUR bn)
Domestic debt	3,152	10.5
T-bonds	1,230	4.1
Retail securities	366	1.2
Discount T-bills	1,555	5.2
FX currency debt	1,437	4.8
T-bonds	1,198	4.0
IFIs loans	240	0.8
Grand total	4,589	15.3

Hungarian Forint government bonds will be sold at auctions in an amount of **HUF 1,230 billion**, with a breakdown by tenor similar that of the previous year.

Breakdown of the gross domestic government bond issuance by tenor



The planned issuance of government bonds are as follows:

Tenor	Issuance in HUF billion
3-year (fixed)	520
3-year (floater)	60
5-year	390
10-year	200
15-year	60
Total	1,230

In case of the 3-year tenor ÁKK intends to launch new bond series, while in case of the 5, 10 and 15-year off-the-run bonds will be reopened. The floating rate bond will be offered once a month together with the 1-year discount Treasury–bill. The issuance calendar includes only the dates of bond auctions. ÁKK will decide on the actual bond series and the amounts offered after consultations with market participants in the week preceding the auction. However, the current practice, i.e. regular simultaneous sales of the 3, 5 and 10-year bonds is likely to be continued in 2012 and the 15 year bond may be offered bi-monthly or quarterly replacing the 10 year bond. ÁKK will hold both bond-buyback and exchange auctions – similar to the practice followed in 2010 and 2011 – in order to support a balanced government bond issuance pattern as well as to manage the maturity profile and the refinancing risk of the bond portfolio.

Foreign currency issuance in the international capital markets is planned in a total amount of EUR 4 billion (same amount than in 2011) to finance the maturing foreign currency denominated debt of EUR 4.7 billion. The currency, tenor and timing of the issues will be determined in accordance with the prevailing market conditions. The remaining foreign currency redemptions will be covered by project financing loans totaling EUR 0.8 billion.

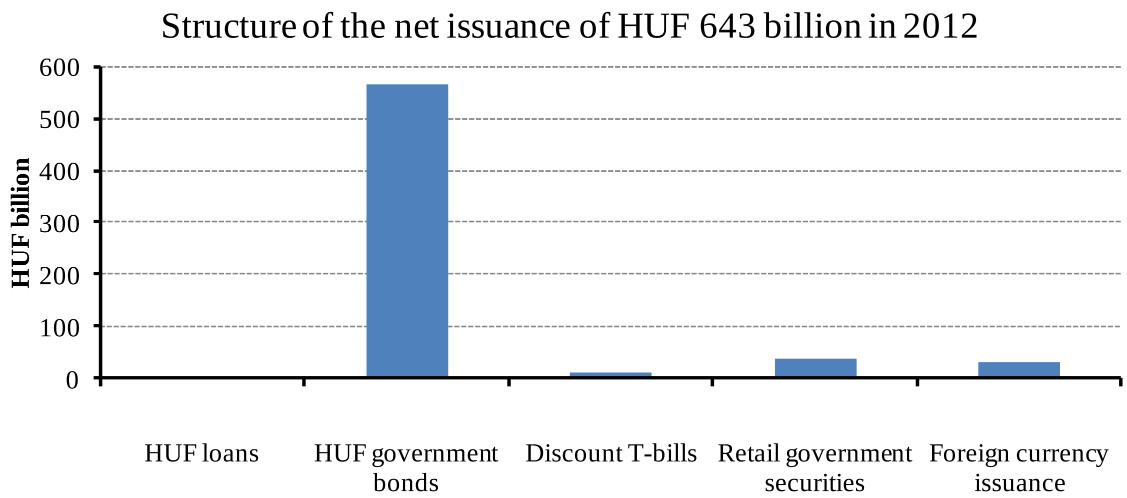
4. Net issuance

Net government debt issuance is planned in an amount of **HUF 643 billion**, out of which domestic debt will reach **HUF 613 billion** (or 95 per cent of total), and net foreign currency borrowing will account for **HUF 30 billion** (EUR 0.1 billion).

ÁKK will monitor closely the market demand and decide on the amounts accepted at auctions flexible. Beside the net market issuance, the remaining part of the net financing requirements will be covered by decreasing the balance of the Single Treasury Account. ÁKK does not intend to use the previously drawn but unused funds from the international loan package (IMF/EC), which will be kept as a financial reserve in case of unfavorable market conditions.

The net domestic government securities issuance is made up by **HUF 566 billion** in net bond issuance and HUF 11 billion in net discount T-bill issuance, while the stock of retail government securities will increase by HUF 36 billion.

No significant net foreign currency issuance is planed in 2012, only the maturing foreign currency denominated debt will be covered from the international capital market and by project financing loans.



5. Debt management strategy

ÁKK's main objective is to finance the central government at the lowest costs in the long run taking account of risks. This objective is quantified by setting benchmarks, which are in part based on an optimal portfolio model using Value-at-Risk (VaR) and Cost-at-Risk (CaR) for taking into account both costs and risks. ÁKK has determined the following benchmark values for government debt management in 2012:

- ***Share of foreign currency debt:*** The share of the foreign currency denominated debt within the total central government debt should not exceed 50%.

- ***Currency mix of the foreign currency denominated debt:*** In order to mitigate cross-currency exchange rate risk, foreign currency obligations after swaps should be 100% in EUR, allowing for a 5% deviation from this target.

- ***Fixed / floater composition:*** Within the HUF debt, the share of the fixed rate elements should be in the 61-83% range, making the share of floating rate debt, which includes all short-term debt, between 17% and 39%. Within the foreign currency denominated debt, the optimal share of fixed rate debt is 66%, with a 5% tolerance band.

- ***Duration:*** In order to keep an acceptable level of refinancing risk, the Macaulay duration of the HUF debt portfolio is targeted at 2.5 years +/- 0.5 year.

- ***Liquidity:*** So as to maintain a continuously safe and stable level of cash funds in the Single Treasury Account (STA), an optimal target STA balance has been determined and ÁKK's objective is to keep the end-of-day STA balance in a range of the optimal level +/- HUF 50 billion (EUR 167 million).

In the case of the first five benchmark values ÁKK takes into account their 3-month moving average values, to avoid unnecessary reaction to one-off or temporary market movements that actually would not need a response in the medium or longer term.

6. Further information

This Debt Management Outlook was compiled based on information available in the middle of December 2011. Thus the projected figures for 2012 may change according to the outturn of the financing needs and debt issuances. Even though the structure of financing may change compared to the plans, the issuance calendar is fixed (see next chapter), and ÁKK will not change the set of instruments used, its strategic objectives and its strategic behavior in the markets either.

ÁKK's website (www.akk.hu, www.gdma.hu) and its regular publications and reports (monthly and quarterly publications; monthly report on debt transactions) provide updated information on the financing needs, the debt transactions and the government debt. ÁKK also discloses until the 15th of each month the detailed domestic market issuance plan for the next 3 months, which shows the amounts to be issued for each tenor.

7. Issuance calendar

Issuance calendar of fixed rate government bonds in 2012

Date of auction	Date of settlement
29.12.2011	04.01.2012
12.01.2012	18.01.2012
26.01.2012	01.02.2012
09.02.2012	15.02.2012
23.02.2012	29.02.2012
08.03.2012	14.03.2012
22.03.2012	28.03.2012
05.04.2012	11.04.2012
19.04.2012	25.04.2012
03.05.2012	09.05.2012
17.05.2012	23.05.2012
31.05.2012	06.06.2012
14.06.2012	20.06.2012
28.06.2012	04.07.2012
12.07.2012	18.07.2012
26.07.2012	01.08.2012
09.08.2012	15.08.2012
23.08.2012	29.08.2012
06.09.2012	12.09.2012
20.09.2012	26.09.2012
04.10.2012	10.10.2012
18.10.2012	24.10.2012
31.10.2012	07.11.2012
15.11.2012	21.11.2012
29.11.2012	05.12.2012
13.12.2012	19.12.2012
27.12.2012	02.01.2013

Issuance calendar of floating rate government bonds in 2012

Date of auction	Date of settlement
19.01.2012	25.01.2012
16.02.2012	22.02.2012
14.03.2012	21.03.2012
12.04.2012	18.04.2012
10.05.2012	16.05.2012
07.06.2012	13.06.2012
05.07.2012	11.07.2012
02.08.2012	08.08.2012
30.08.2012	05.09.2012
27.09.2012	03.10.2012
08.11.2012	14.11.2012
06.12.2012	12.12.2012

Issuance calendar of discount treasury bills in 2012

12-mont discount T-bills

Code	Date of auction	Date of settlement	Date of maturity
D121227	05.01.2012	11.01.2012	27.12.2012
D121227	19.01.2012	25.01.2012	27.12.2012
D121227	02.02.2012	08.02.2012	27.12.2012
D121227	16.02.2012	22.02.2012	27.12.2012
D130220	01.03.2012	07.03.2012	20.02.2013
D130220	14.03.2012	21.03.2012	20.02.2013
D130220	29.03.2012	04.04.2012	20.02.2013
D130417	12.04.2012	18.04.2012	17.04.2013
D130417	26.04.2012	02.05.2012	17.04.2013
D130417	10.05.2012	16.05.2012	17.04.2013
D130529	24.05.2012	30.05.2012	29.05.2013
D130529	07.06.2012	13.06.2012	29.05.2013
D130529	21.06.2012	27.06.2012	29.05.2013
D130529	05.07.2012	11.07.2012	29.05.2013
D130724	19.07.2012	25.07.2012	24.07.2013
D130724	02.08.2012	08.08.2012	24.07.2013
D130724	16.08.2012	22.08.2012	24.07.2013
D130724	30.08.2012	05.09.2012	24.07.2013
D130918	13.09.2012	19.09.2012	18.09.2013
D130918	27.09.2012	03.10.2012	18.09.2013
D130918	11.10.2012	17.10.2012	18.09.2013
D130918	25.10.2012	31.10.2012	18.09.2013
D131113	08.11.2012	14.11.2012	13.11.2013
D131113	22.11.2012	28.11.2012	13.11.2013
D131113	06.12.2012	12.12.2012	13.11.2013
D131113	20.12.2012	27.12.2012	13.11.2013

3-month discount T-bills are auctioned every Tuesday, settlement is on the Wednesday of the following week.

Liquidity discount T-bills are auctioned upon decision of the Issuer, generally on Monday with settlement on Wednesday.