ÁKK

GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

JULY 2014

The deficit of the central government amounted to HUF 851.4 billion in July. The net prefinancing of cash transfers from the European Union decreased the net borrowing requirement by HUF 225.8 billion. Thus, the total net financing requirement amounted to HUF 625.6 billion in 2014. Net issuance was HUF 2,335.3 billion, including the sum of debt assumptions HUF 436.7 billion; out of which net HUF-denominated issuance was HUF 1,890.9 billion and net foreign currency denominated issuance was HUF 444.4 billion. Without debt assumptions net issuance was HUF 2,015.5 billion, out of which net HUF-denominated issuance was HUF 1,848.6 billion and net foreign currency denominated issuance was HUF 166.9 billion.

	2013		2014		Change	
HUF billion	December	%	July	%	HUF billion	%
Foreign exchange denominated debt	8,904.9	40.2	9,799.2	39.6	894.2	10.0
Government securities	6,169.3	24.2	6,670.4	26.9	501.1	8.1
Loans	2,735.6	16.0	3,128.7	12.6	393.1	14.4
HUF denominated debt	12,976.4	58.1	14,867.3	60.0	1 890.9	14.6
Government securities	12,372.8	55.4	14,181.3	57.2	1 808.4	14.6
Loans	603.6	2.7	686.0	2.8	82.5	13.7
Total	21,881.4	98.3	24,666.5	99.6	2,785.1	12.7
Other obligations	117.3	1.7	109.9	0.4	-7.3	-6.2
Total central government debt	21,998.6	100.0	24,776.4	100.0	2,777.8	12.6

The HUF denominated debt of the central government increased by HUF 1,890.9 billion in 2014. The increase in domestic debt was the result of net government bond issuance of HUF 843.7 billion, the amount of discount Treasury bills increased by HUF 473.3 billion and the total amount of retail government securities increased by HUF 522.6 billion. The stock of non-marketable government bonds decreased by HUF 31.2 billion because of redemption. The volume of HUF loans increased by HUF 82.5 billion in 2014.

The foreign currency debt of the central government increased by HUF 894.2 billion in 2014. The foreign currency bond issue increased the debt by HUF 678.8 billion, the P€MAK and residence bond issuance was HUF 344.3 billion, the drawdown of foreign currency denominated loans was HUF 48.0 billion. The debt assumptions worth HUF 294.1 billion increased, while the redemptions of foreign currency debt worth HUF 920.7 billion decreased the debt. The exchange rate revaluations totalling HUF 449.9 billion increased the Hungarian Forint value of the foreign currency debt in 2014.

Benchmark yields

Maturity	31.12.2013.	30.06.2014.	31.07.2014.	Change, basis points
3-month	2.87	2.23	1.68	-55
6-month	2.95	2.22	1.72	-50
1-year	3.05	2.23	1.89	-34
3-year	4.04	3.07	3.34	27
5-year	4.70	3.33	3.68	35
10-year	5.70	4.39	4.73	34
15-year	6.30	4.82	5.03	21

Monthly OTC turnover of government securities unchanged in July and reached HUF 6,040.6 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 55% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 202.2 billion in July, and amounted to HUF 4,976.5 billion at the end of the month. This volume represented 35.1% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 312.01 on the last working day of July.

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

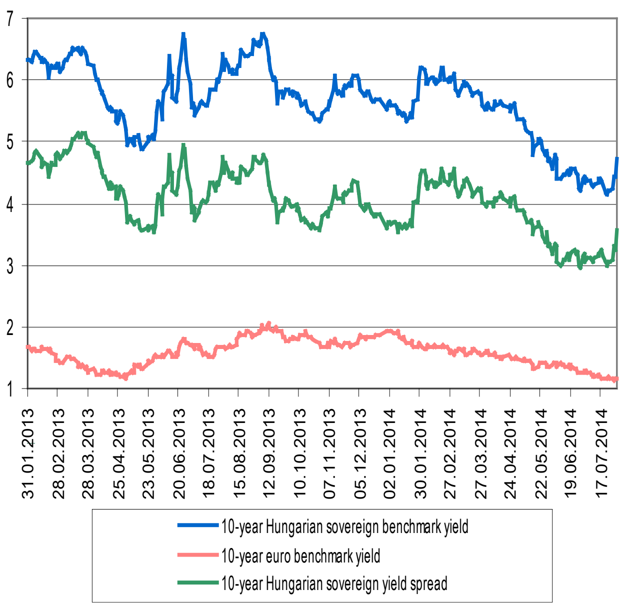
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

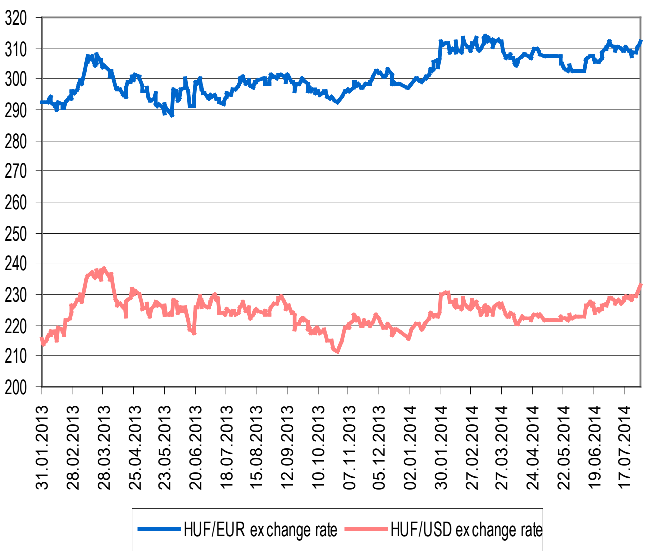
	2007	2008	2009	2010	2011	2012	2013	May 2014	June 2014	July 2014
1. Forint denominated debt	11,103.8	11,250.6	10,476.2	10,978.2	10,362.2	12,042.4	12,976.4	14,375.0	14,629.8	14,867.3
1.1. Loans	145.7	219.9	438.7	540.8	590.8	566.8	603.6	691.5	687.7	686.0
1.2. Government securities	10,958.1	11,030.7	10,037.5	10,437.4	9,771.4	11,475.6	12,372.8	13,683.4	13,942.1	14,181.3
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	13,523.3	13,782.8	14,022.0
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	8,962.3	9,221.8	9,432.5
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	2,593.1	2,430.4	2,378.3
1.2.1.3. Retail securities	555.2	546.4	446.6	435.7	473.8	986.6	1,688.5	1,967.9	2,130.6	2,211.2
1.2.2. Private placements	492.7	431.0	424.3	417.8	403.2	398.5	190.5	160.1	159.3	159.3
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	9,842.6	10,051.3	9,799.2
2.1. Loans	846.5	2,529.4	4,112.7	4,292.8	4,458.1	3,312.5	2,735.6	3,091.9	3,125.0	3,128.7
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	2,601.3	2,626.7	2,640.9
2.1.2. Domestic loans	104.0	0.0	0.0	0.0	96.2	83.5	335.4	490.7	498.3	487.9
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	6,750.7	6,926.4	6,670.4
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	5,980.0	6,127.8	5,858.9
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	89.9	432.5	770.6	798.6	811.5
Total	15,576.4	18,025.4	18,942.9	19,821.0	20,532.6	20,369.0	21,881.4	24,217.6	24,681.1	24,666.5
Other liabilities	9.1	78.5	20.1	220.01	422.9	351.1	117.3	100.1	105.8	109.9
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	24,317.6	24,786.9	24,776.4
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*	*11,715.5*	*11,811.5*	*11,970.1*
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.

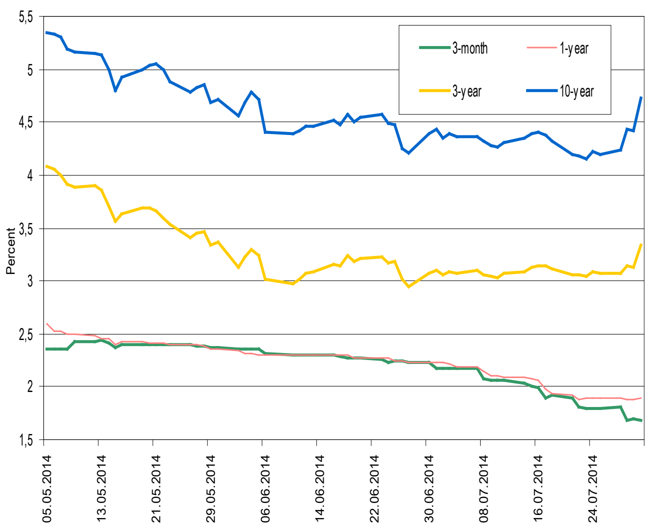
10-year Hungarian and eurozone benchmark yields during the last year



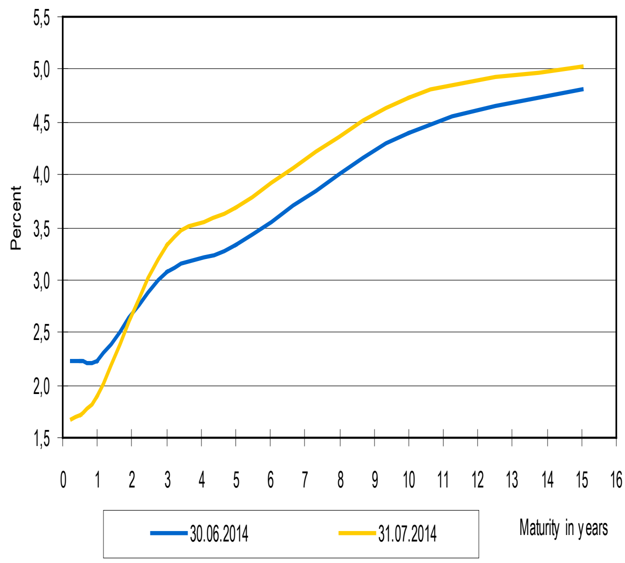
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months



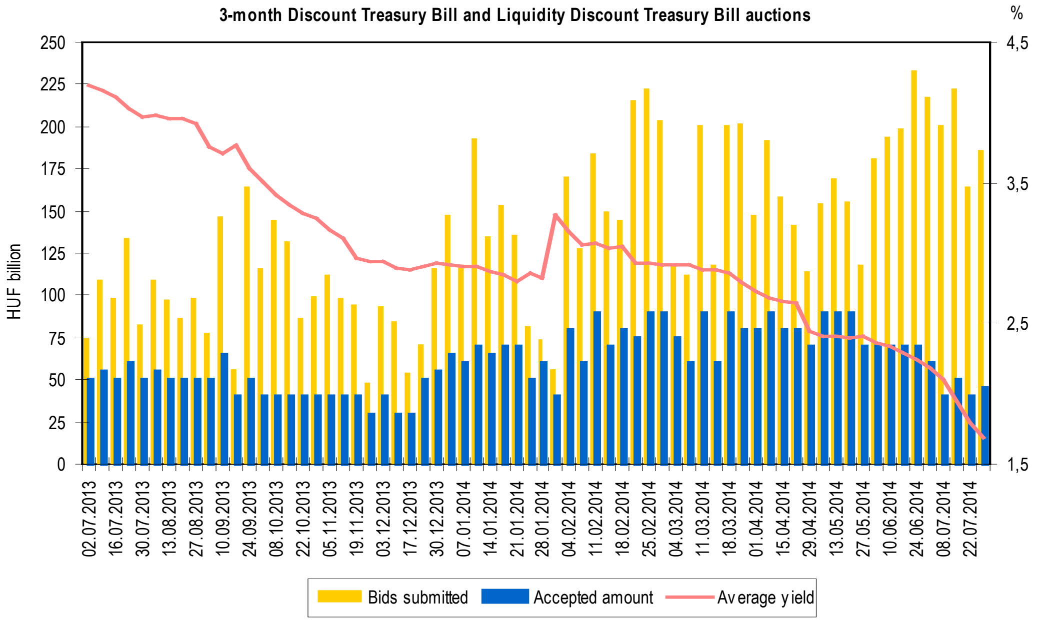
Benchmark yield curves

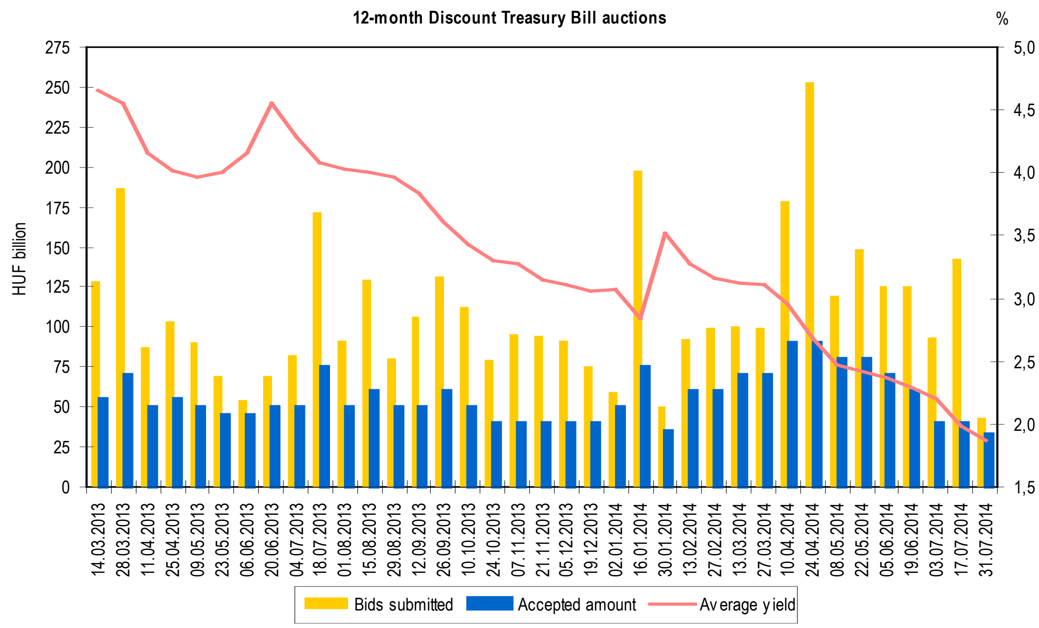


DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills					12-month Discount T-bills		
Code of T-bills	D141008	D141015	D141022	D141029	D141105	D150527	D150722	D150722
ISIN code	HU0000520069	HU0000519681	HU0000520077	HU0000520093	HU0000520101	HU0000520002	HU0000520085	HU0000520085
Maturity in days	91	91	91	91	91	322	364	350
Date of auction	01.07.2014	08.07.2014	15.07.2014	22.07.2014	29.07.2014	03.07.2014	17.07.2014	31.07.2014
Date of financial settlement	09.07.2014	16.07.2014	23.07.2014	30.07.2014	06.08.2014	09.07.2014	23.07.2014	06.08.2014
Redemption date	08.10.2014	15.10.2014	22.10.2014	29.10.2014	05.11.2014	27.05.2015	22.07.2015	22.07.2015
Maximum yield (%) - ISMA	2.20	2.12	1.97	1.84	1.72	2.22	2.01	1.93
Minimum yield (%) - ISMA	2.17	2.08	1.91	1.70	1.63	2.18	1.95	1.80
Average yield (%) - ISMA	2.19	2.11	1.95	1.79	1.69	2.20	1.99	1.88
Maximum yield (%) - EHM	2.23	2.15	2.00	1.87	1.74	2.25	2.04	1.96
Minimum yield (%) - EHM	2.20	2.11	1.94	1.72	1.65	2.21	1.98	1.83
Average yield (%) - EHM	2.22	2.14	1.98	1.81	1.71	2.23	2.02	1.91
Average selling price (%)	99.4495	99.4695	99.5095	99.5496	99.5746	98.0702	98.0276	98.2050
Amount offered for sale (HUF million)	60,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	217,925.00	200,369.51	222,160.42	164,679.21	186,162.78	93,050.00	142,860.00	43,290.00
Amount of bids accepted (HUF million)	59,999.93	39,999.96	49,999.96	39,999.98	44,999.97	39,999.96	39,999.95	32,999.98
Bid-to-cover ratio	3.63	5.01	4.44	4.12	4.14	2.33	3.57	1.31
Bids submitted (pcs)	104	106	133	145	119	101	146	100
Bids accepted (pcs)	39	23	36	47	48	35	52	65
Market sales* (HUF million)	59,999.93	39,999.96	49,999.96	39,999.98	44,999.97	39,999.96	39,999.95	32,999.98
Retained on ÁKK's own account	18,000.07	12,000.04	15,000.04	12,000.02	135,000.03	12,000.04	40,000.05	9,900.02
Total amount issued (HUF million)	78,000.00	52,000.00	65,000.00	52,000.00	58,500.00	52,000.00	80,000.00	42,900.00

*Without issuance onto ÁKK's own account

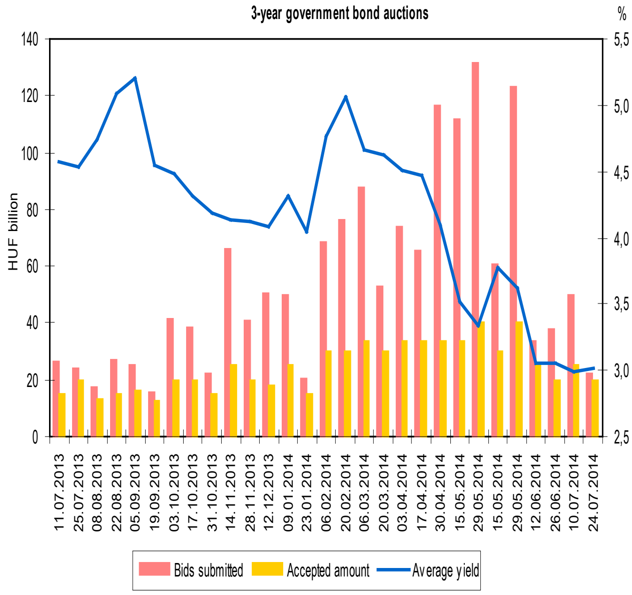


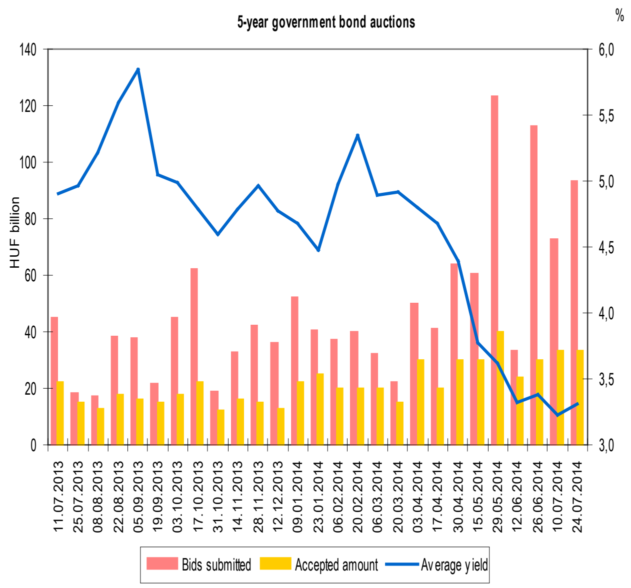


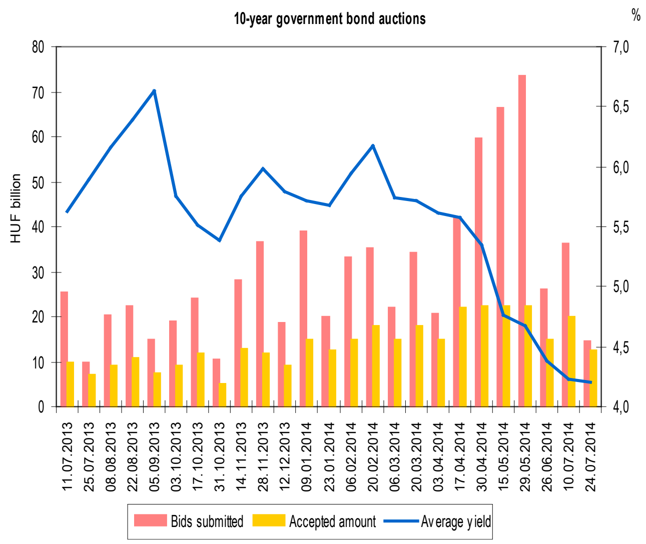
GOVERNMENT BOND AUCTION RESULTS

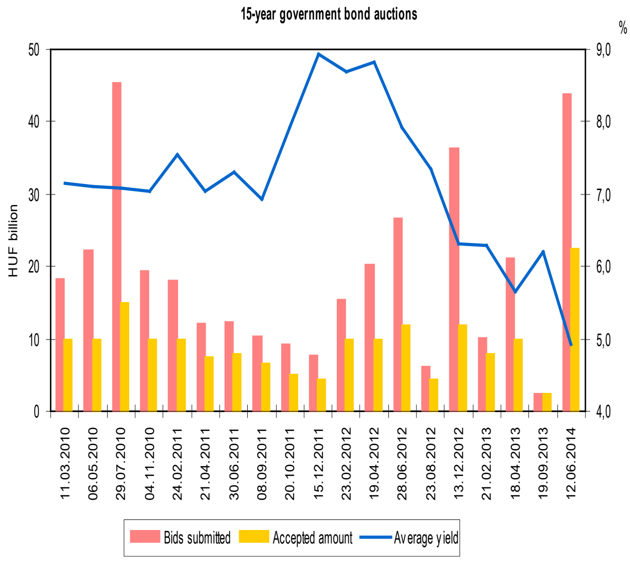
Government Bond	2017/C	2018/B	2019/A	2025/B	2017/C	2019/B	2018/B	2019/A	2025/B	2017/C	2019/B
ISIN code	HU0000402821	HU0000402730	HU0000402433	HU0000402748	HU0000402821	HU0000402649	HU0000402730	HU0000402433	HU0000402748	HU0000402821	HU0000402649
Maturity (in years)	3	3	5	10	3	5	3	5	10	3	5
Coupon (%)	2.65%	4.00%	6.50%	5.50%	2.65%	2.41%	4.00%	6.50%	5.50%	2.65%	2.41%
Auction	6th auction	14th auction	74th auction	13th auction	7th auction	21st auction	15th auction	75th auction	14th auction	8th auction	22nd auction
Date of auction	03.07.2014	10.07.2014	10.07.2014	10.07.2014	17.07.2014	17.07.2014	24.07.2014	24.07.2014	24.07.2014	31.07.2014	31.07.2014
Date of financial settlement	09.07.2014	16.07.2014	16.07.2014	16.07.2014	23.07.2014	23.07.2014	30.07.2014	30.07.2014	30.07.2014	06.08.2014	06.08.2014
Redemption date	20.12.2017	25.04.2018	24.06.2019	24.06.2025	20.12.2017	20.05.2019	25.04.2018	24.06.2019	24.06.2025	20.12.2017	20.05.2019
Maximum annual yield (%) - ISMA		3.00	3.25	4.26			3.08	3.34	4.25		
Minimum annual yield (%) - ISMA		2.98	3.18	4.16			2.98	3.28	4.12		
Average annual yield (%) - ISMA		2.99	3.23	4.23			3.02	3.31	4.20		
Maximum annual yield (%) - EHM		3.00	3.25	4.26			3.08	3.34	4.25		
Minimum annual yield (%) - EHM		2.98	3.18	4.16			2.98	3.28	4.12		
Average annual yield (%) - EHM		2.99	3.23	4.23			3.01	3.31	4.19		
Maximum price (%)	98.9500	103.5816	114.9524	111.5815	98.9600	97.2000	103.5459	114.3539	111.9160	99.0500	97.3000
Minimum price (%)	98.7200	103.5095	114.6081	110.6595	98.8100	96.9400	103.1895	113.0624	110.7177	98.8600	96.9100
Average price (%)	98.8100	103.5501	114.6916	110.9122	98.8400	97.0400	103.4186	114.1990	111.1953	98.9000	97.0400
Amount offered for sale (HUF million)	20,000.00	20,000.00	25,000.00	15,000.00	15,000.00	15,000.00	25,000.00	25,000.00	15,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	31,980,00	49,700,00	72,902,00	36,410,00	26,160,00	27,950.00	22,490.00	93,080.00	14,700,00	44,350,00	8,851.00
Amount of bids accepted (HUF million)	20,000.00	24,999.98	33,499.99	19,999.99	14,999.97	15,000.00	19,999.97	33,499.94	12,500.00	22,499.98	5,000.00
Bid-to-cover ratio	1.60	1.99	2.18	1.82	1.74	1.86	1.12	2.78	1.18	1.97	1.77
Bids submitted (pcs)	55	53	62	54	50	59	44	84	37	46	39
Bids accepted (pcs)	32	19	30	33	32	34	38	32	36	24	25
Tail (average price - minimum price)	0.09	0.04	0.08	0.25	0.03	0.10	0.23	0.14	0.48	0.04	0.13
Market sales* (HUF million)	20,000.00	24,999.98	33,499.99	19,999.99	14,999.97	15,000.00	19,999.97	33,499.94	12,500.00	22,499.98	5,000.00
Non-competitive offer (HUF million)	8,000.00	10,000.02	13,400.01	8,000.01	6,000.03	6,000.00	0.03	0.06	0.00	9,000.02	0.00
Total amount issued (HUF million)	28,000.00	35,000.00	46,900.00	28,000.00	21,000.00	21,000.00	20,000.00	33,500.00	12,500.00	31,500.00	5,000.00

*Without issuance onto ÁKK's own account



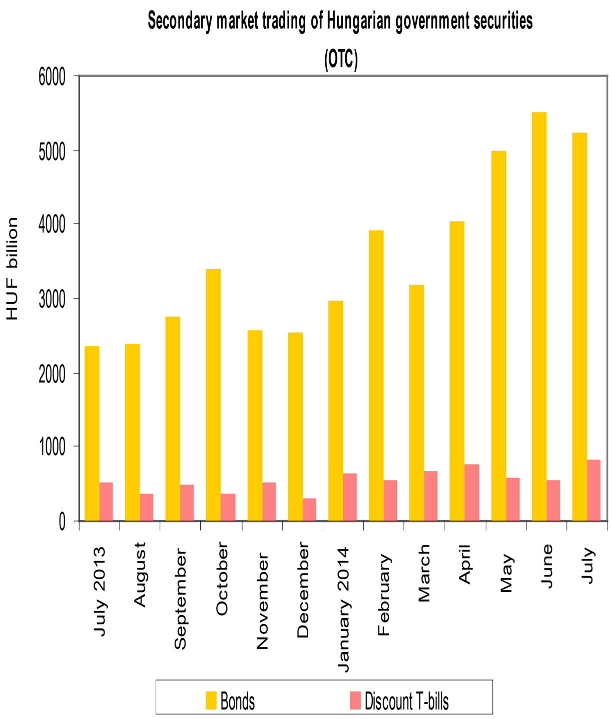


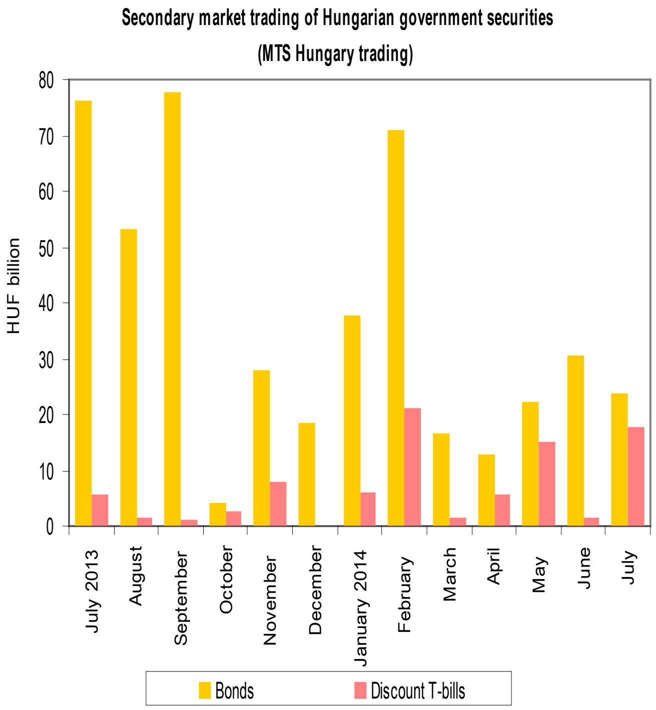


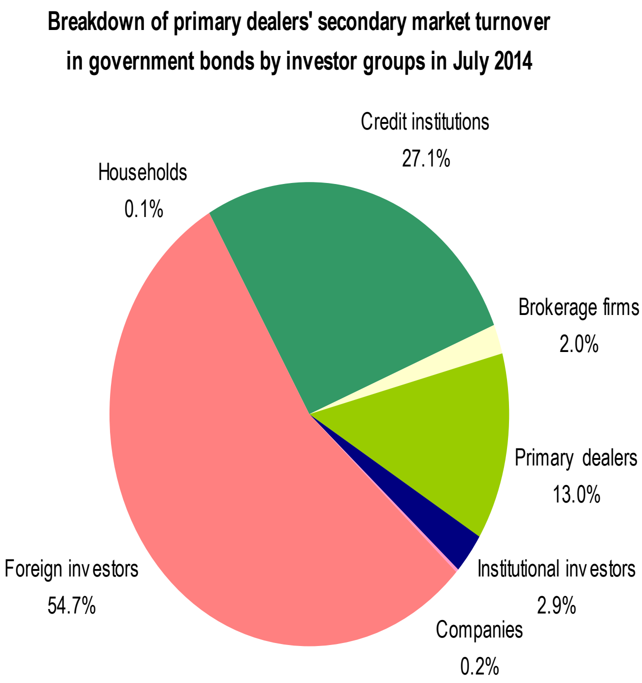


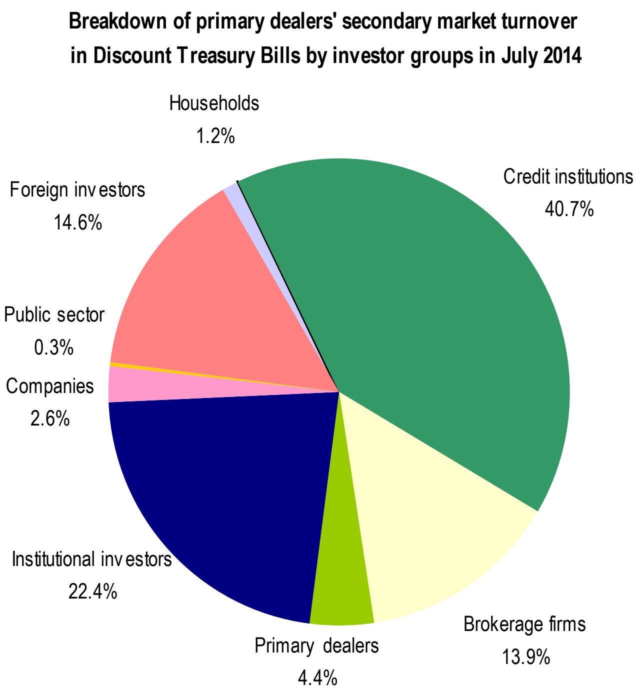
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JULY 2014

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2017/L	31.07.2014	31.07.2014	31.07.2015	11.05.2015	4.70	3.64
2018/P	23.07.2014	23.07.2014	23.07.2015	23.07.2015	3.49	3.54
2019/K	31.07.2014	31.07.2014	03.02.2015	03.02.2015	4.70	2.41
2020/P	01.07.2014	01.07.2014	22.07.2015	22.07.2015	4.89	5.24
2020/R	23.07.2014	23.07.2014	23.07.2015	23.07.2015	4.24	4.30









HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 July 2014	621.1953	530.9674	599.3981	520.4741
Changes compared to the end of the month before	-4.3165	2.0944	-3.1822	1.4069
Annual yield earned on the index portfolio	13.07%	4.52%	11.19%	3.45%

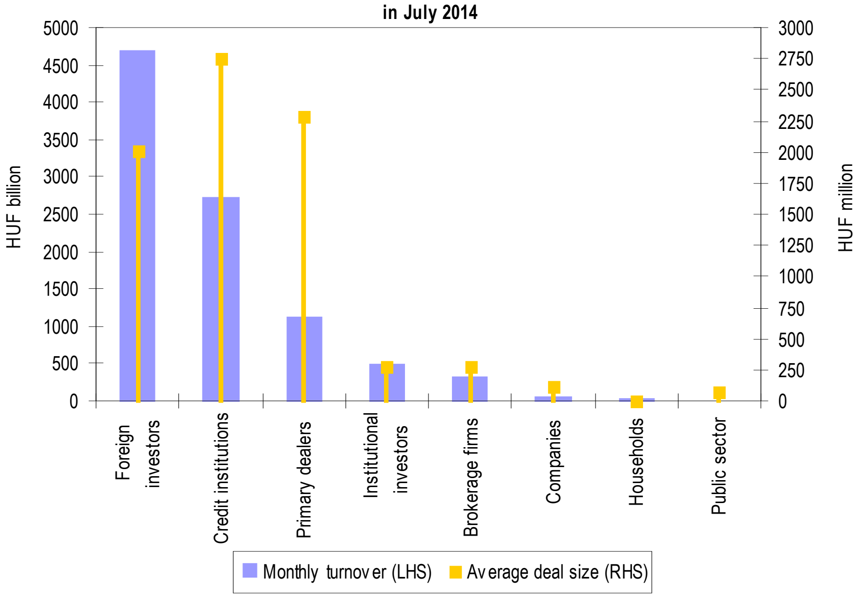
Government securities with the highest secondary market turnover in July 2014

Government security	Date of redemption	Turnover (HUF billion)
2019/A	24.06.2019	1,860.6
2023/A	24.11.2023	1,217.0
2022/A	24.06.2022	1,047.3
2020/A	12.11.2020	636.0
2018/A	20.12.2018	543.4
2025/B	24.06.2025	512.3
2017/A	24.11.2017	467.9
2016/C	12.02.2016	416.5
2016/D	22.12.2016	401.5
2015/A	12.02.2015	341.5

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

	HUF billion	
Government bond	30.06.2014	31.07.2014
2018/B	443.80	512.73
2019/A	1,005.69	1,110.29
2025/B	232.11	283.50
2028/A	151.45	151.11

Primary dealers' trading with different investor groups in July 2014



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