Á · K · K

GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

DECEMBER 2009

The deficit of the central government amounted to HUF 918.6 billion in 2009. The net balance of transfers from the European Union (EU) worth HUF 34.4 billion decreased the net borrowing requirement. Privatisation revenues amounted to HUF 1.1 billion, which decreased the financing requirement. Thus, the total net borrowing requirement amounted to HUF 883.1 billion in 2009. Net issuance was HUF 910.4 billion; out of which net HUF-denominated issuance was HUF –774.4 billion and net foreign currency denominated issuance was HUF 1,684.8 billion. Out of the international loan program HUF 1,124.8 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 decreased by HUF 58.4 billion in 2009.

The HUF denominated debt of the central government decreased by HUF 774.3 billion in 2009, which is the sum of the HUF 218.8 billion increase in the volume of HUF loans and the HUF 993.1 billion decrease in the volume of government securities (the difference between the total net change and the net issuance was caused by the change in the volume of matured but unclaimed securities). Net government bond issuance was of HUF –1,025.5 billion, while discount Treasury bills increased by HUF 164.9 billion and retail government securities decreased by HUF 132.5 billion.

The foreign currency debt of the central government increased by HUF 1,691.9 billion in 2009. The foreign currency bond issuance amounted to HUF 267.9 billion and the drawdown of foreign currency denominated loans was HUF 1,842.4 billion, out of which the loans from the international loan package (IMF/EC) amounted to HUF 1,726.0 billion, while other loans amounted to HUF 116.4 billion. Redemptions of foreign currency loans worth HUF 149.0 billion and redemptions of foreign currency government bonds worth HUF 276.5 billion decreased, which consist of HUF 22.9 billion buy-backs of foreign currency bonds in December. The exchange rate revaluations totalling HUF 7.1 billion increased the Hungarian Forint value of the foreign currency debt in 2009.

In the secondary market the 3-month yields and the 3-15 year yields increased 5-53 basis points, while the 6-12 month yields decreased by 5-7 basis points in December. The 1-year yield decreased by 5 bps to 6.05%, the 3-year yield increased by 42 bps to 7.41% and the 10-year benchmark yield reached 7.99% at the end of December after increasing by 53 basis points.

Monthly OTC turnover of government securities was 56 % higher in December than a month before and reached HUF 2,675 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 22 % of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 146.9 billion in December, and amounted to HUF 2,155.5 billion at the end of the month. This volume represented 22.4% 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 270.84 at the last working day of December 2009.

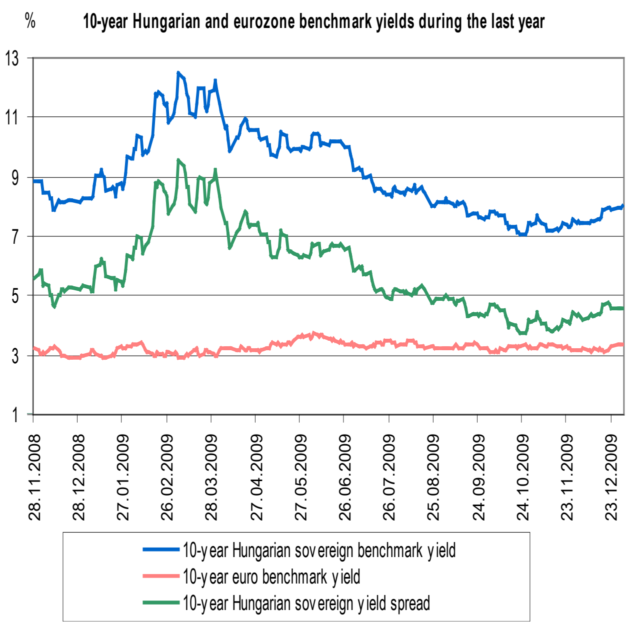
The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows at the last working day of December: BBB- (Standard & Poor's); Baa1 (Moody's); BBB (Fitch).

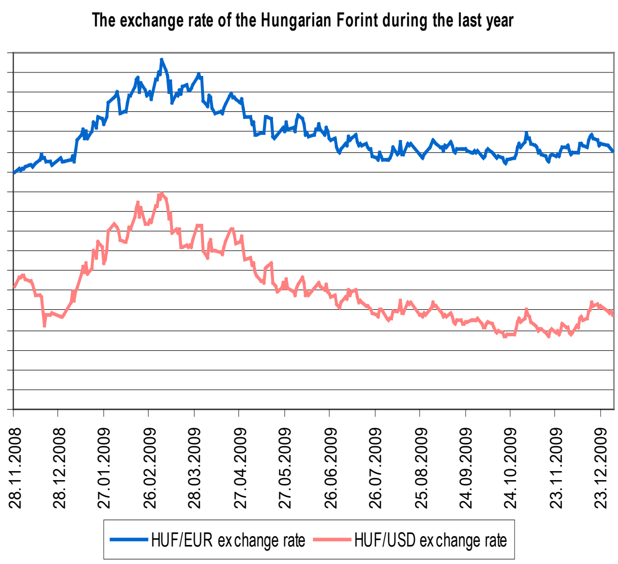
CENTRAL GOVERNMENT GROSS DEBT

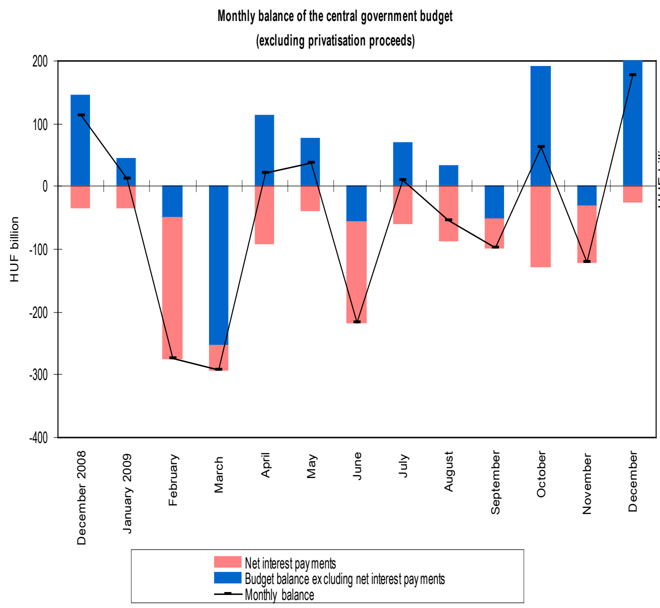
HUF BILLION

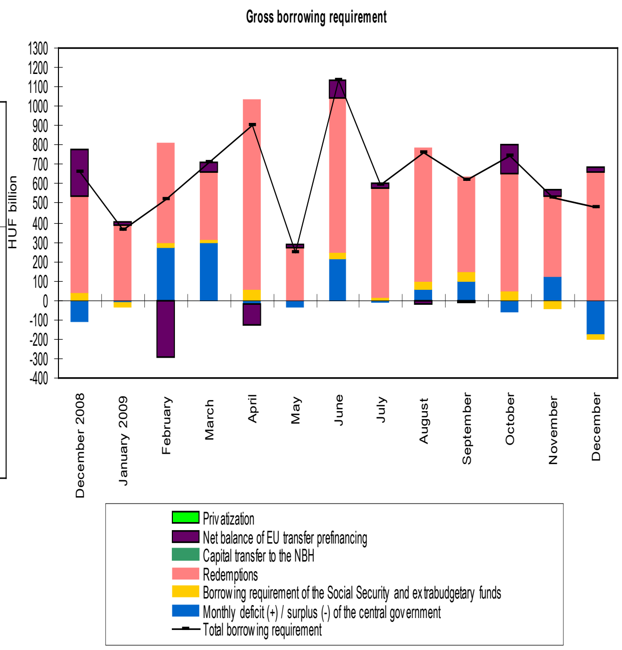
	2004	2005	2006	2007	2008	October 2009	November 2009	December 2009
1. Forint denominated debt	8,608.8	9,153.5	10,552.3	11,103.8	11,250.6	11,103.2	10,574.8	10,476.2
1.1. Loans	4.7	0.8	356.4	145.7	219.9	1 006.2	401.9	438.7
1.2. Government securities	8,604.2	9,152.7	10,195.9	10,958.1	11,030.7	10,097.0	10,172.9	10,037.5
1.2.1. Public issues	7,860.6	8,418.8	9,667.5	10,465.4	10,599.7	9,670.4	9,746.3	9,613.2
1.2.1.1. Bonds	5,768.9	6,299.1	7,244.2	8,245.3	8,570.6	7,456.4	7,523.9	7,551.7
1.2.1.2. Discount T-bills	1,463.3	1,530.9	1,755.9	1,664.9	1,482.4	1,762.5	1,785.7	1,647.3
1.2.1.3. Retail securities	628.4	588.7	667.4	555.2	546.4	451.6	436.7	414.2
1.2.2. Private placements	743.6	733.9	528.4	492.7	431.0	426.6	426.6	424.3
2. Foreign currency denominated debt*	2,983.5	3,590.7	4,124.4	4,472.6	6,774.8	7,904.9	8,444.5	8,466.7
2.1. Loans	916.8	720.6	803.7	846.5	2,529.4	3,501.7	4,044.7	4,112.7
2.1.1. Foreign loans	528.9	616.9	700.1	838.8	2,529.4	3,501.7	4,044.7	4,112.7
2.1.2. Domestic loans	387.8	103.8	103.6	104.0	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
2.1.2.2. Other loans	32.2	7.7	7.7	7.7	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	4,403.3	4,399.9	4,354.0
2.2.1. Issued abroad	2,066.8	2,870.1	3,320.7	3,626.1	4,245.5	4,403.3	4,399.9	4,354.0
2.2.1.1. Foreign currency bonds	2,066.7	2,870.0	3,320.6	3,626.1	4,245.4	4,403.2	4,399.8	4,354.0
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
2.2.2. Issued domestically	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	19,008.2	19,019.3	18,942.9
Other liabilities		21.4	29.0	9.1	78.5	11.3	13.2	20.1
Total central government debt		12,765.6	14,705.7	15,585.5	18,103.9	19,019.5	19,032.5	18,963.1
Foreign currency deposits from the international loan program placed at the NBH					*1,483.6*	*1,117.9*	*1,031.4*	*1,124.8*
Government debt adjusted with foreign currency deposits					16,620.3	17,901.6	18,001.1	17,838.3
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*	*9,645.4*	*9,736.2*	*9,623.3*
Gross debt/GDP	*56.0%*	*57.9%*	*61.8%*	*61.3%*	*68.4%*			

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







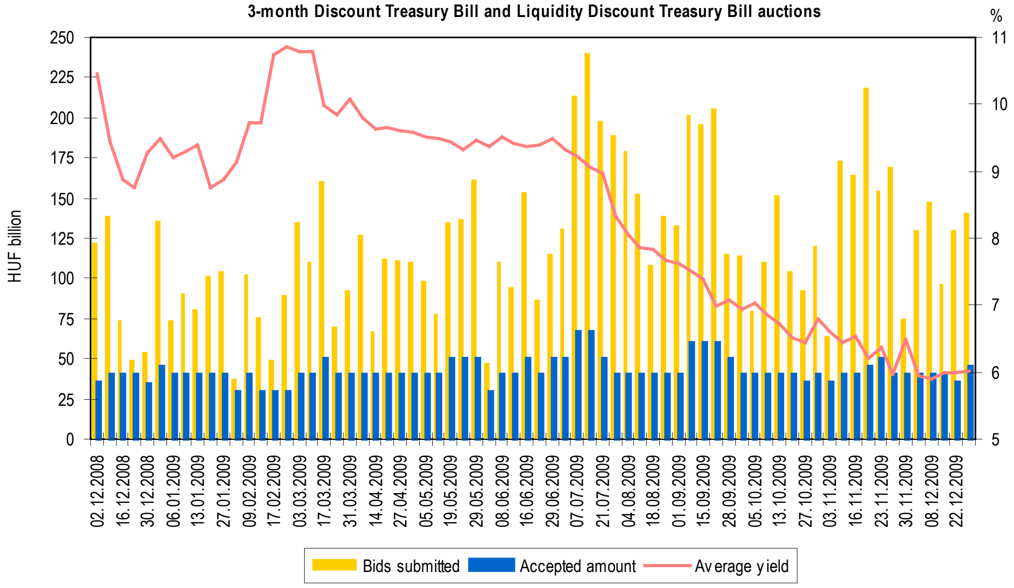


DISCOUNT TREASURY BILL AUCTION RESULTS

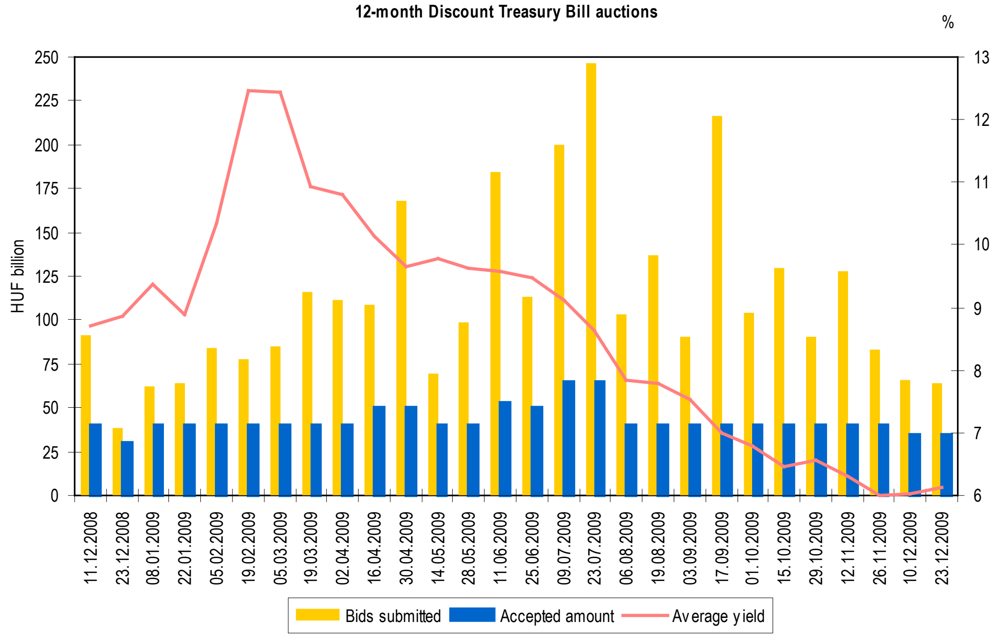
	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D100310	D100317	D100324	D100331	D100407	D101215	D101215
ISIN code	HU0000517289	HU0000517636	HU0000517644	HU0000517651	HU0000517685	HU0000517677	HU0000517677
Maturity in days	91	91	91	91	91	364	350
Date of auction	01.12.2009	08.12.2009	15.12.2009	22.12.2009	29.12.2009	10.12.2009	23.12.2009
Date of financial settlement	09.12.2009	16.12.2009	23.12.2009	30.12.2009	06.01.2010	16.12.2009	30.12.2009
Redemption date	10.02.2010	17.03.2010	24.03.2010	31.03.2010	07.04.2010	15.12.2010	15.12.2010
Maximum yield, (%) - ISMA	6.00	5.91	6.06	6.03	6.05	6.09	6.20
Minimum yield (%) - ISMA	5.87	5.85	5.85	5.94	5.97	5.92	6.00
Average yield (%) - ISMA	5.95	5.90	5.98	6.00	6.02	6.04	6.13
Maximum yield, (%) - EHM	6.08	5.99	6.14	6.11	6.13	6.17	6.29
Minimum yield (%) - EHM	5.95	5.93	5.93	6.02	6.05	6.00	6.08
Average yield (%) - EHM	6.03	5.98	6.06	6.08	6.10	6.12	6.22
Average selling price (%)	98.5183	98.5305	98.5109	98.5060	98.5011	94.2444	94.3755
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	35,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	129,703.85	147,765.37	96,374.98	130,257.37	141,045.00	65,312.69	63,525.00
Amount of bids accepted (HUF million)	39,999.94	39,999.98	39,999.99	34,999.95	44,999.95	34,999.95	34,999.94
Bid-to-cover ratio	3.24	3.69	2.41	3.72	3.13	1.87	1.82
Bids submitted (pcs)	158	139	98	136	139	116	104
Bids accepted (pcs)	65	26	73	59	63	90	70
Market sales* (HUF million)	39,999.94	39,999.98	39,999.99	34,999.95	44,999.95	34,999.95	34,999.94
Retained on ÁKK's own account	12,000.06	12,000.02	12,000.01	10,500.05	13,500.05	10,500.05	10,500.06
Total amount issued (HUF million)	52,000.00	52,000.00	52,000.00	45,500.00	58,500.00	45,500.00	45,500.00

*Without issuance onto ÁKK's own account

3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



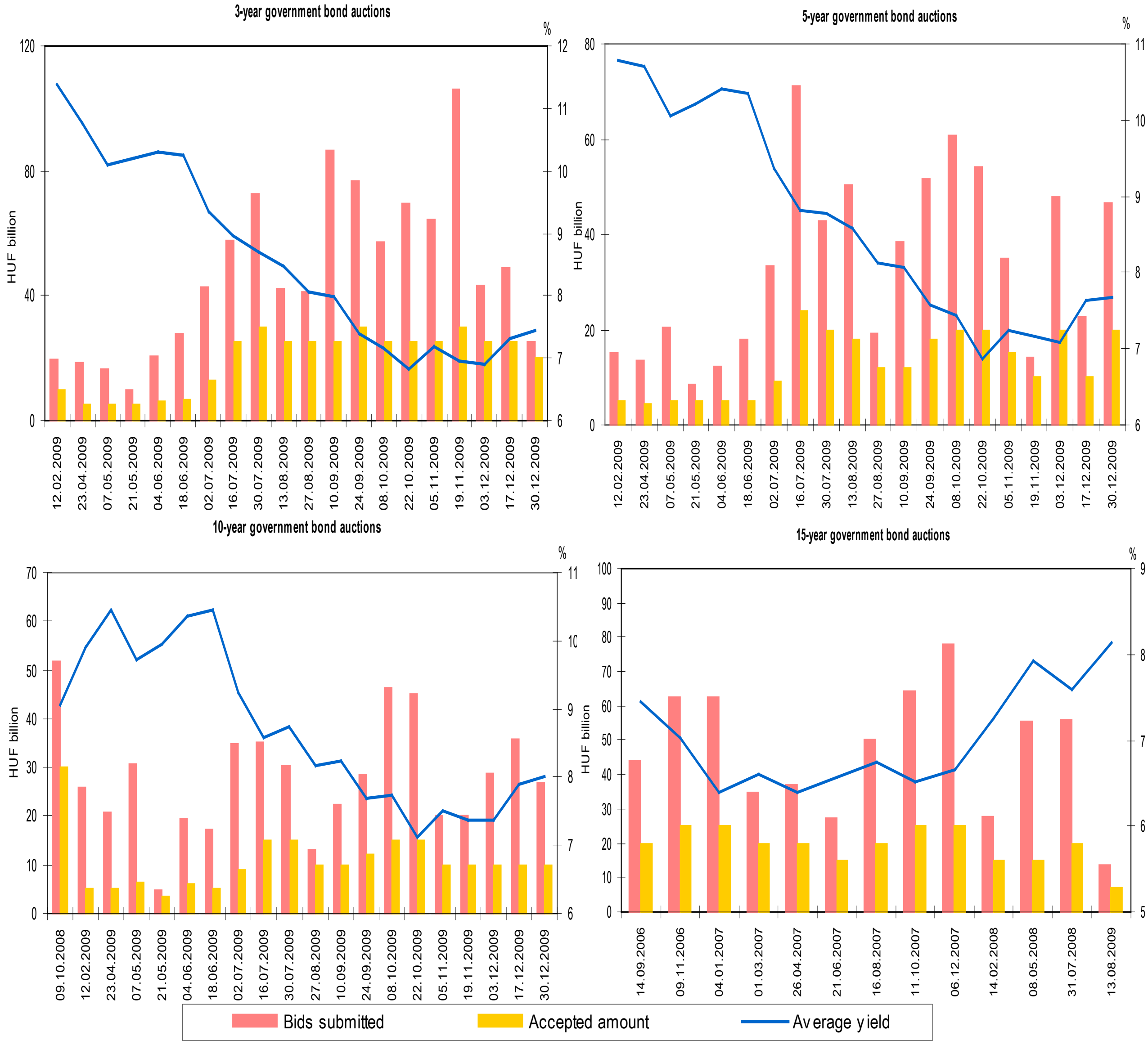
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

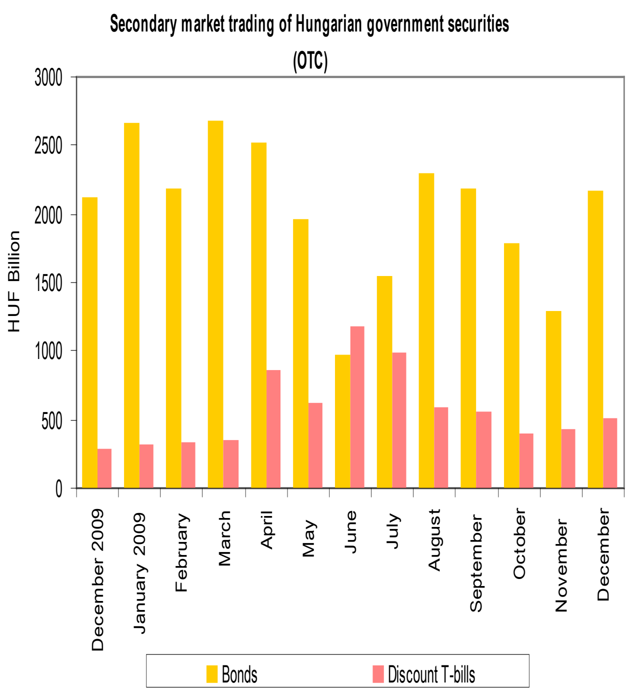
Government Bond	2013/E	2015/A	2019/A	2013/E	2015/A	2019/A	2013/E	2015/A	2019/A
ISIN code	HU0000402466	HU0000402268	HU0000402433	HU0000402466	HU0000402268	HU0000402433	HU0000402466	HU0000402268	HU0000402433
Maturity (in years)	3	5	10	3	5	10	3	5	10
Coupon (%)	7.50%	8.00%	6.50%	7.50%	8.00%	6.50%	7.50%	8.00%	6.50%
Auction	8th auction	34th auction	24th auction	9th auction	35th auction	25th auction	10nd auction	36th auction	26th auction
Date of auction	03.12.2009	03.12.2009	03.12.2009	17.12.2009	17.12.2009	17.12.2009	30.12.2009	30.12.2009	30.12.2009
Date of financial settlement	09.12.2009	09.12.2009	09.12.2009	23.12.2009	23.12.2009	23.12.2009	06.01.2010	06.01.2010	06.01.2010
Redemption date	24.10.2013	12.02.2015	24.06.2019	24.10.2013	12.02.2015	24.06.2019	24.10.2013	12.02.2015	24.06.2019
Maximum annual yield (%) - ISMA	6.91	7.10	7.42	7.35	7.66	7.92	7.50	7.73	8.03
Minimum annual yield (%) - ISMA	6.85	7.05	7.35	7.20	7.59	7.87	7.37	7.62	7.97
Average annual yield (%) - ISMA	6.89	7.08	7.37	7.32	7.63	7.89	7.45	7.68	8.00
Maximum annual yield (%) - EHM	6.91	7.10	7.42	7.34	7.66	7.92	7.49	7.73	8.03
Minimum annual yield (%) - EHM	6.85	7.05	7.35	7.19	7.59	7.87	7.36	7.62	7.97
Average annual yield (%) - EHM	6.88	7.08	7.37	7.31	7.63	7.89	7.45	7.68	8.01
Maximum price (%)	102.1210	103.9654	94.2569	100.9398	101.6575	91.0057	100.3747	101.5312	90.4209
Minimum price (%)	101.9199	103.7491	93.8072	100.4498	101.3655	90.6994	99.9565	101.0765	90.0577
Average price (%)	102.0029	103.8321	94.0967	100.5511	101.4713	90.8699	100.1092	101.2690	90.1903
Amount offered for sale (HUF million)	25,000.00	15,000.00	10,000.00	25,000.00	15,000.00	10,000.00	25,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	43,100.00	48,000.00	28,870.00	48,810.54	22,630.00	35,700.00	25,465.00	46,490.00	26,855.00
Amount of bids accepted (HUF million)	24,999.99	19,999.98	9,999.99	24,999.99	10,000.00	10,000.00	19,999.99	19,999.99	9,999.98
Bid-to-cover ratio	1.72	2.40	2.89	1.95	2.26	3.57	1.27	2.32	2.69
Bids submitted (pcs)	54	72	59	36	19	26	40	73	61
Bids accepted (pcs)	37	31	19	19	11	8	34	28	18
Tail (average price - minimum price)	0.08	0.08	0.29	0.10	0.11	0.17	0.15	0.19	0.13
Market sales* (HUF million)	24,999.99	19,999.98	9,999.99	24,999.99	10,000.00	10,000.00	19,999.99	19,999.99	9,999.98
Non-competitive offer (HUF million)	3,684.00	5,530.00	825.00	3,347.00	1,728.00	1,880.00	0.00	6,242.80	3,463.00
Total amount issued (HUF million)	25,000.00	20,000.00	10,000.00	35,000.00	14,000.00	14,000.00	20,000.00	20,000.00	10,000.00

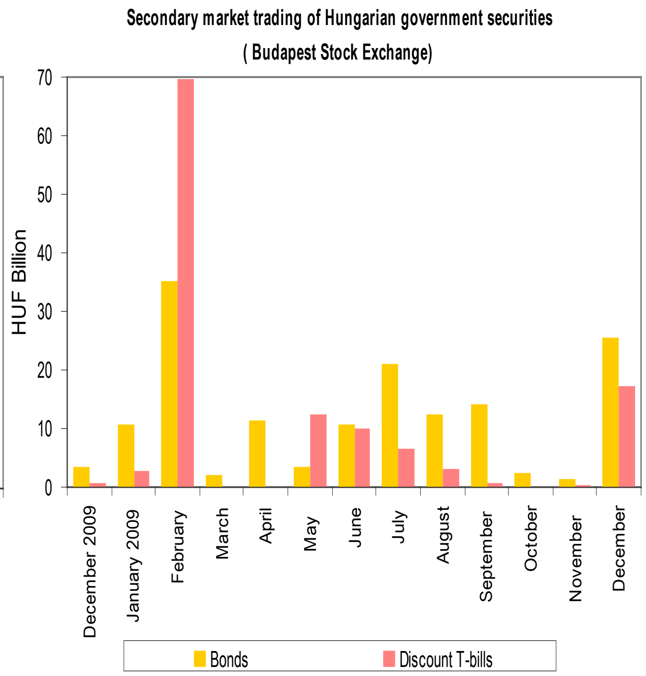
*Without issuance onto ÁKK's own account

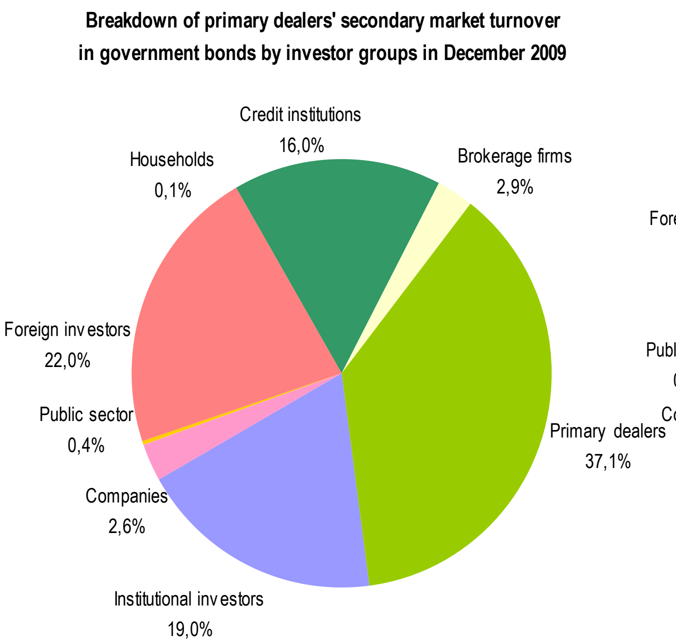


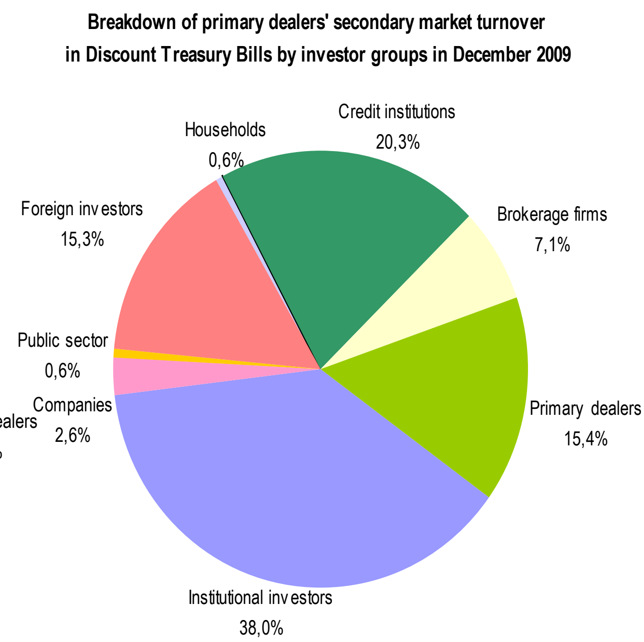
GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2010/C	2010/D	2010/C	2010/D
ISIN code	HU0000402391	HU0000402409	HU0000402391	HU0000402409
Coupon (%)	6.75	6.25	6.75	6.25
Date of reverse auction	02.12.2009	02.12.2009	16.12.2009	16.12.2009
Date of financial settlement	09.12.2009	09.12.2009	23.12.2009	23.12.2009
Redemption date	12.04.2010	24.08.2010	12.04.2010	24.08.2010
Minimum annual yield (%)	6.00	6.00	6.00	6.00
Average annual yield - ISMA (%)	6.03	6.07	6.05	6.02
Average annual yield - EHM (%)	5.91	6.02	5.93	5.96
Amount of bids submitted (HUF million)	8,032.10	10,512.07	30,148.34	41,081.80
Amount of bids accepted (HUF million)	7,985.98	10,470.82	3,709.62	12,537.86

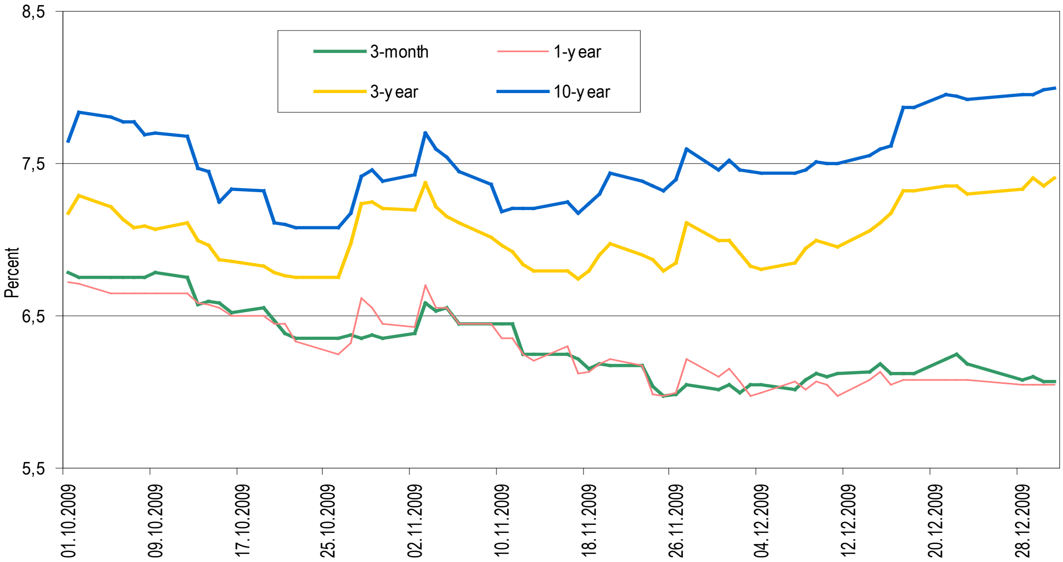




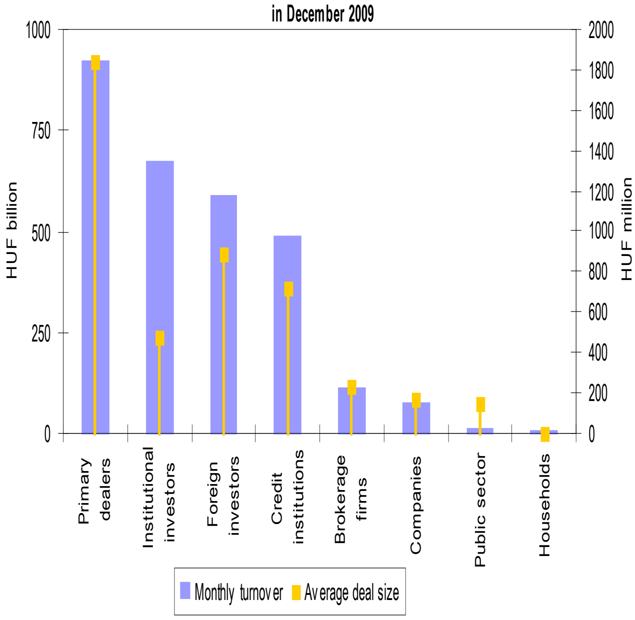




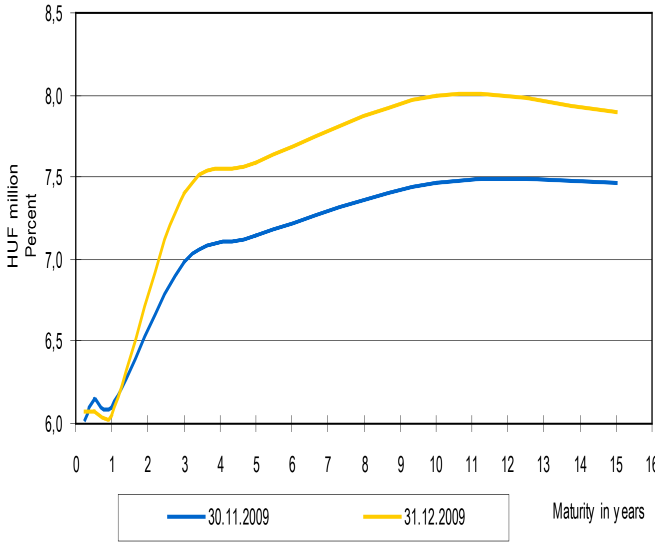
Benchmark yields in the past three months



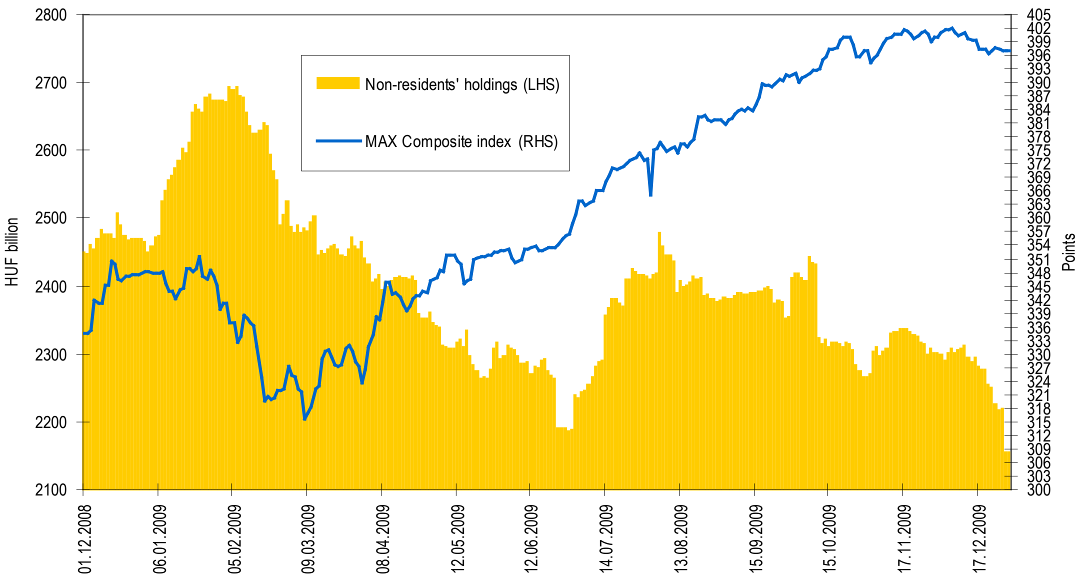
Primary dealers' trading with different investor groups in December 2009



Benchmark yield curves



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



INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN DECEMBER 2009

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2013/C	18.12.2009	20.12.2009	20.06.2010	21.06.2010	7.50	3.79
2014/B	18.12.2009	20.12.2009	20.06.2010	21.06.2010	7.50	3.79
2016/A	29.12.2009	31.12.2009	31.03.2010	31.03.2010	5.50	1.36

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 December 2009	399.3347	407.5864	396.9653	407.4918
Changes compared to the end of the month before	-4.5751	2.2820	-2.9755	2.4664
Annual yield earned on the index portfolio	14.14%	10.79%	14.12%	9.24%

Government securities with the highest secondary market turnover in December 2009

Government security	Date of redemption	Turnover (HUF billion)
2015/A	12.02.2015	303.3
2013/D	12.02.2013	268.9
2017/B	24.02.2017	180.1
2013/E	22.08.2013	176.0
2019/A	24.06.2019	162.5
2014/C	12.02.2014	131.9
2011/C	22.04.2011	129.5
2012/B	12.06.2012	113.7
2016/C	12.02.2016	109.2
2012/C	24.10.2012	98.6

The outstanding volume of government bonds with benchmark status at the end of December 2009

	HUF billion	
Government bond	30.11.2009	31.12.2009
2013/E	228.33	285.22
2015/A	667.29	704.56
2019/A	460.95	483.54
2023/A	204.20	204.20

PRIMARY DEALERS - AS AT 31 DECEMBER 2009

Primary dealers:		Primary dealers for retail securities:
CIB Bank Zrt.	Magyar Külkereskedelmi Bank Zrt.	CIB Bank Zrt.
CITIBANK Europe Plc.	Magyar Takarékszövetkezeti Bank Zrt.	UniCredit Bank Hungary Zrt.
Deutsche Bank Zrt.	Országos Takarékpénztár és Kereskedelmi Bank Nyrt	Kereskedelmi és Hitelbank Zrt.
ERSTE Befektetési Zrt.	Raiffeisen Bank Zrt.	Magyar Takarékszövetkezeti Bank Zrt.
ING Bank N.V.	UniCredit Bank Hungary Zrt.	Országos Takarékpénztár és Kereskedelmi Bank Nyrt.
Kereskedelmi és Hitelbank Zrt.		the branch network of the Hungarian State Treasury