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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

JULY 2010

The deficit of the central government amounted to HUF 997.6 billion in the first seven months of 2010. The net balance of transfers from the European Union (EU) worth HUF 117.6 billion decreased the net borrowing requirement. Privatisation revenues amounted to HUF 30.1 billion, which decreased the financing requirement. Thus, the total net borrowing requirement amounted to HUF 849.9 billion in 2010. Net issuance was HUF 649.1 billion; out of which net HUF-denominated issuance was HUF 347.9 billion and net foreign currency denominated issuance was HUF 301.2 billion.

	2009		2010		Change	
HUF billion	December	%	July	%	HUF billion	%
Foreign exchange denominated debt	8,468.5	44.7	9,304.6	45.6	836.1	9.9
Government securities	4,354.0	23.0	4,911.5	24.1	557.5	12.8
Loans	4,114.5	21.7	4,393.1	21.5	278.6	6.8
HUF denominated debt	10,476.2	55.2	10,824.5	53.0	348.3	3.3
Government securities	10,037.5	52.9	10,339.3	50.7	301.8	3.0
Loans	438.7	2.3	485.2	2.4	46.5	10.6
Total	18,944.8	99.9	20,129.1	98.6	1,184.4	6.3
Other obligations	20.1	0.1	279.8	1.4	259.7	1,292.0
Total central government debt	18,964.9	100.0	20,408.9	100.0	1,444.1	7.6
Out of the international loan program was placed in NBH or in commercial banks	1,124.8		1,167.1		42.3	

The HUF denominated debt of the central government increased by HUF 348.3 billion in 2010 (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 377.8 billion, while discount Treasury bills decreased by HUF 59.5 billion and the total amount of retail government securities decreased by HUF 14.8 billion. The HUF 46.5 billion increase in the volume of HUF loans in the first seven months of the year was the result of drawdowns of international project financing loans in Hungarian Forints.

The foreign currency debt of the central government increased by HUF 836.1 billion in 2010. The foreign currency bond issue increased the debt by HUF 387.3 billion, redemptions of foreign currency debt worth HUF 86.4 billion decreased the debt, while exchange rate revaluations totalling HUF 534.9 billion increased the Hungarian Forint value of the foreign currency debt in 2010.

Out of the international loan program HUF 1,167.1 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 increased by HUF 259.7 billion in 2010.

Secondary market yields in July:

Benchmark yields

Maturity	31.12.2009.	30.06.2010.	31.07.2010.	Change, basis points
3-month	6.07	5.35	5.55	20
6-month	6.08	5.35	5.52	17
1-year	6.05	5.48	5.65	17
3-year	7.41	7.13	7.01	-12
5-year	7.59	7.43	7.16	-27
10-year	7.99	7.69	7.24	-45
15-year	7.90	7.62	7.15	-47

Monthly OTC turnover of government securities was 21 % lower in July than a month before and reached HUF 1,804.9 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 36% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 26.3 billion in July, and amounted to HUF 2,212.0 billion at the end of the month. This volume represented 22.3% 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 284.36 at the last working day of July.

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

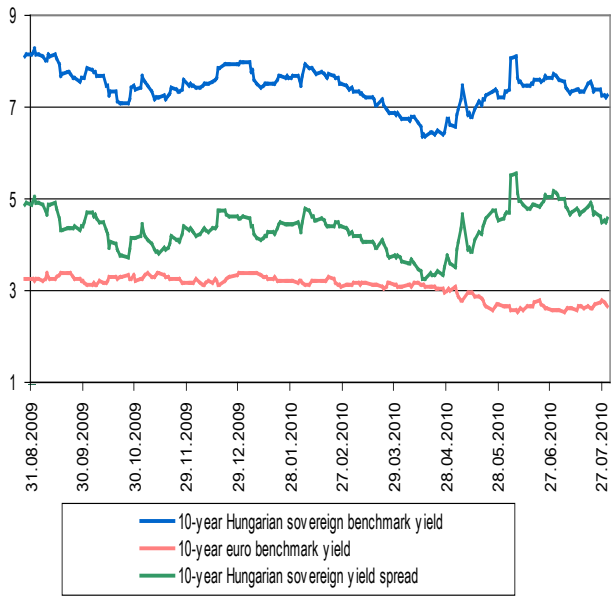
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

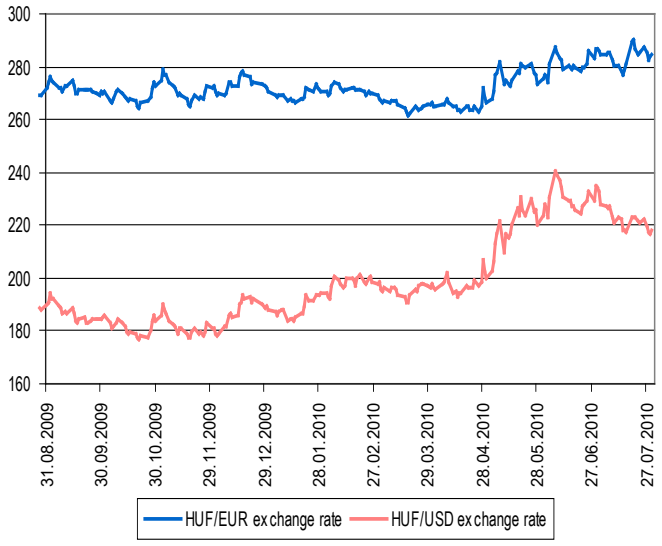
	2004	2005	2006	2007	2008	2009	May2009	June 2010	July 2010
1. Forint denominated debt	8,608.8	9,153.5	10,552.3	11,103.8	11,250.6	10,476.2	10,572.5	10,677.4	10,824.6
1.1. Loans	4.7	0.8	356.4	145.7	219.9	438.7	485.2	485.2	485.2
1.2. Government securities	8,604.2	9,152.7	10,195.9	10,958.1	11,030.7	10,037.5	10,087.3	10,192.2	10,339.3
1.2.1. Public issues	7,860.6	8,418.8	9,667.5	10,465.4	10,599.7	9,613.2	9,663.8	9,769.6	9,916.7
1.2.1.1. Bonds	5,768.9	6,299.1	7,244.2	8,245.3	8,570.6	7,519.2	7,705.3	7,800.4	7,897.0
1.2.1.2. Discount T-bills	1,463.3	1,530.9	1,755.9	1,664.9	1,482.4	1,647.3	1,520.5	1,534.9	1,587.9
1.2.1.3. Retail securities	628.4	588.7	667.4	555.2	546.4	446.6	438.0	434.3	431.8
1.2.2. Private placements	743.6	733.9	528.4	492.7	431.0	424.3	423.5	422.6	422.6
2. Foreign currency denominated debt*	2,983.5	3,590.7	4,124.4	4,472.6	6,774.8	8,466.7	9,109.6	9,478.2	9,304.6
2.1. Loans	916.8	720.6	803.7	846.5	2,529.4	4,112.7	4,291.8	4,465.9	4,393.1
2.1.1. Foreign loans	528.9	616.9	700.1	838.8	2,529.4	4,112.7	4,291.8	4,465.9	4,393.1
2.1.2. Domestic loans	387.8	103.8	103.6	104.0	0.0	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	0.0
2.1.2.2. Other loans	32.2	7.7	7.7	7.7	0.0	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	4,354.0	4,817.8	5,012.3	4,911.5
2.2.1. Issued abroad	2,066.8	2,870.1	3,320.7	3,626.1	4,245.5	4,354.0	4,817.8	5,012.3	4,911.5
2.2.1.1. Foreign currency bonds	2,066.7	2,870.0	3,320.6	3,626.1	4,245.4	4,354.0	4,817.7	5,012.2	4,911.4
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	0.1
2.2.2. Issued domestically	0.0	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	18,942.9	19,682.0	20,155.7	20,129.2
Other liabilities		21.4	29.0	9.1	78.5	20.1	251.3	314.8	279.8
Total central government debt		12,765.6	14,705.7	15,585.5	18,103.9	18,963.1	19,933.4	20,470.5	20,408.9
Foreign currency deposits from the international loan program placed at the NBH					*1,483.6*	*1,124.8*	*1,318.8*	*1,214.8*	*1,167.1*
Government debt adjusted with foreign currency deposits					16,620.3	17,838.3	18,614.6	19,255.7	19,241.8
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*	*9,623.3*	*9,649.2*	*9,757.9*	*9,907.5*
Gross debt/GDP	*56.0%*	*57.9%*	*61.8%*	*61.3%*	*68.2%*	*72.7%*			

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

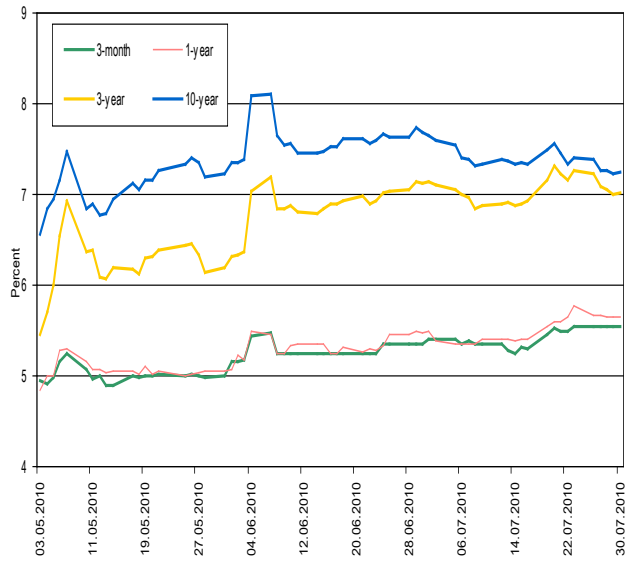
% 10-year Hungarian and eurozone benchmark yields during the last year



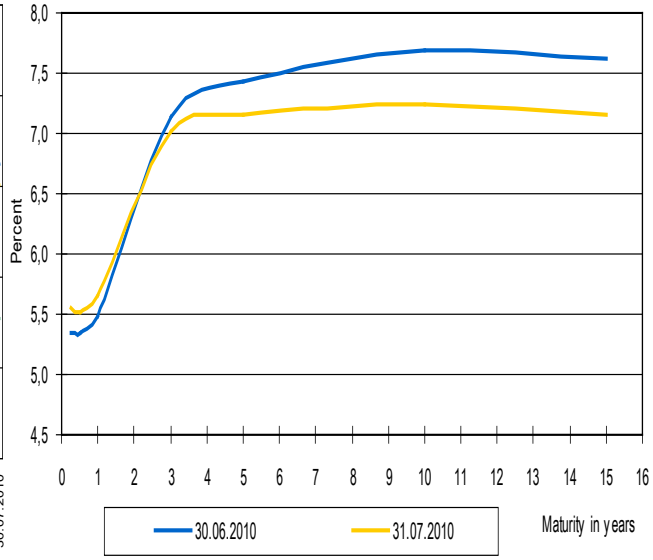
The exchange rate of the Hungarian Forint during the last year



Benchmark yields in the past three months

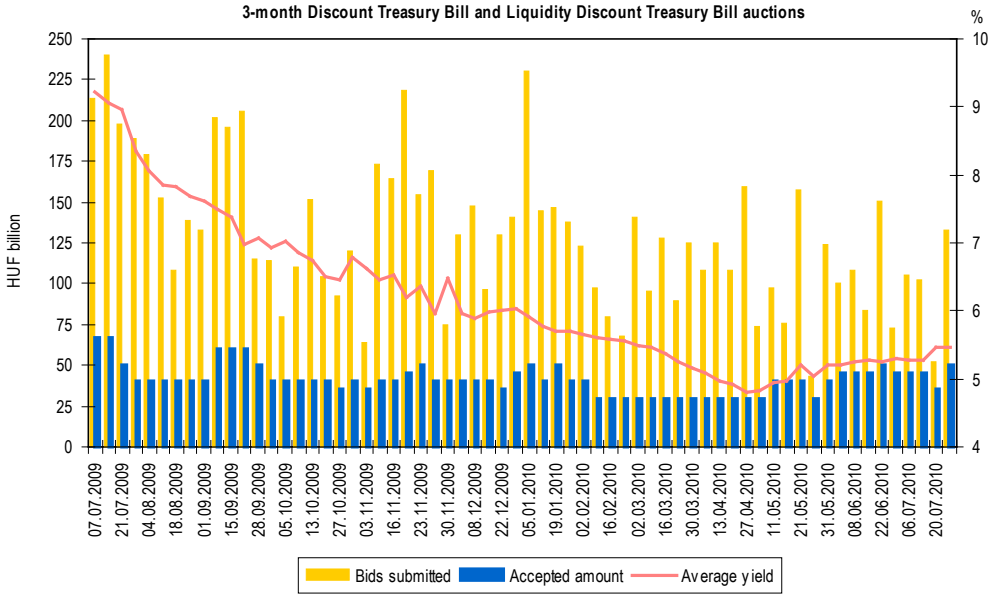


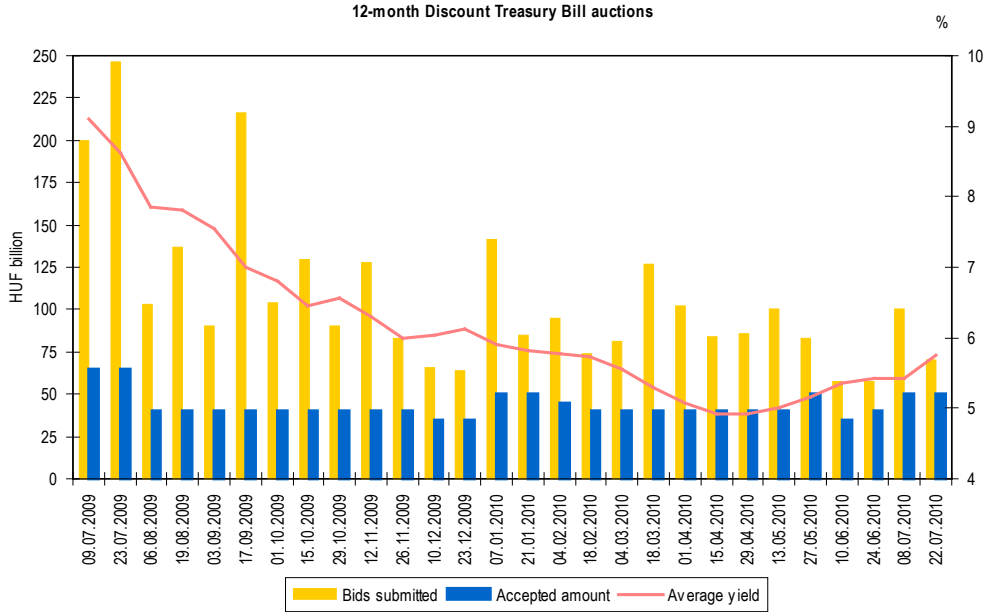
Benchmark yield curves



DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D101013	D101020	D101027	D101103	D110601	D110727
ISIN code	HU0000517958	HU0000517669	HU0000517966	HU0000517982	HU0000517909	HU0000517974
Maturity in days	91	91	91	91	322	364
Date of auction	06.07.2010	13.07.2010	20.07.2010	27.07.2010	08.07.2010	22.07.2010
Date of financial settlement	14.07.2010	21.07.2010	28.07.2010	04.08.2010	14.07.2010	28.07.2010
Redemption date	13.10.2010	20.10.2010	27.10.2010	03.11.2010	01.06.2011	27.07.2011
Maximum yield, (%) - ISMA	5.30	5.30	5.55	5.50	5.47	5.85
Minimum yield (%) - ISMA	5.25	5.23	5.35	5.35	5.35	5.60
Average yield (%) - ISMA	5.29	5.28	5.47	5.46	5.43	5.75
Maximum yield, (%) - EHM	5.37	5.37	5.63	5.58	5.55	5.93
Minimum yield (%) - EHM	5.32	5.30	5.42	5.42	5.42	5.68
Average yield (%) - EHM	5.36	5.35	5.55	5.54	5.51	5.83
Average selling price (%)	98.6805	98.6829	98.6362	98.6386	95.3681	94.5056
Amount offered for sale (HUF million)	45,000.00	45,000.00	45,000.00	45,000.00	50,000.00	50,000.00
Amount of bids submitted (HUF million)	105,383.74	102,495.32	52,550.00	133,330.70	99,990.00	69,800.00
Amount of bids accepted (HUF million)	44,999.95	44,999.95	34,999.96	49,999.95	49,999.95	49,999.98
Bid-to-cover ratio	2.34	2.28	1.50	2.67	2.00	1.40
Bids submitted (pcs)	116	126	91	131	95	105
Bids accepted (pcs)	61	64	67	50	59	99
Market sales* (HUF million)	44,999.95	44,999.95	34,999.96	49,999.95	49,999.95	49,999.98
Retained on ÁKK's own account	13,500.05	13,500.05	10,500.04	15,000.05	15,000.05	15,000.02
Total amount issued (HUF million)	58,500.00	58,500.00	45,500.00	65,000.00	65,000.00	65,000.00

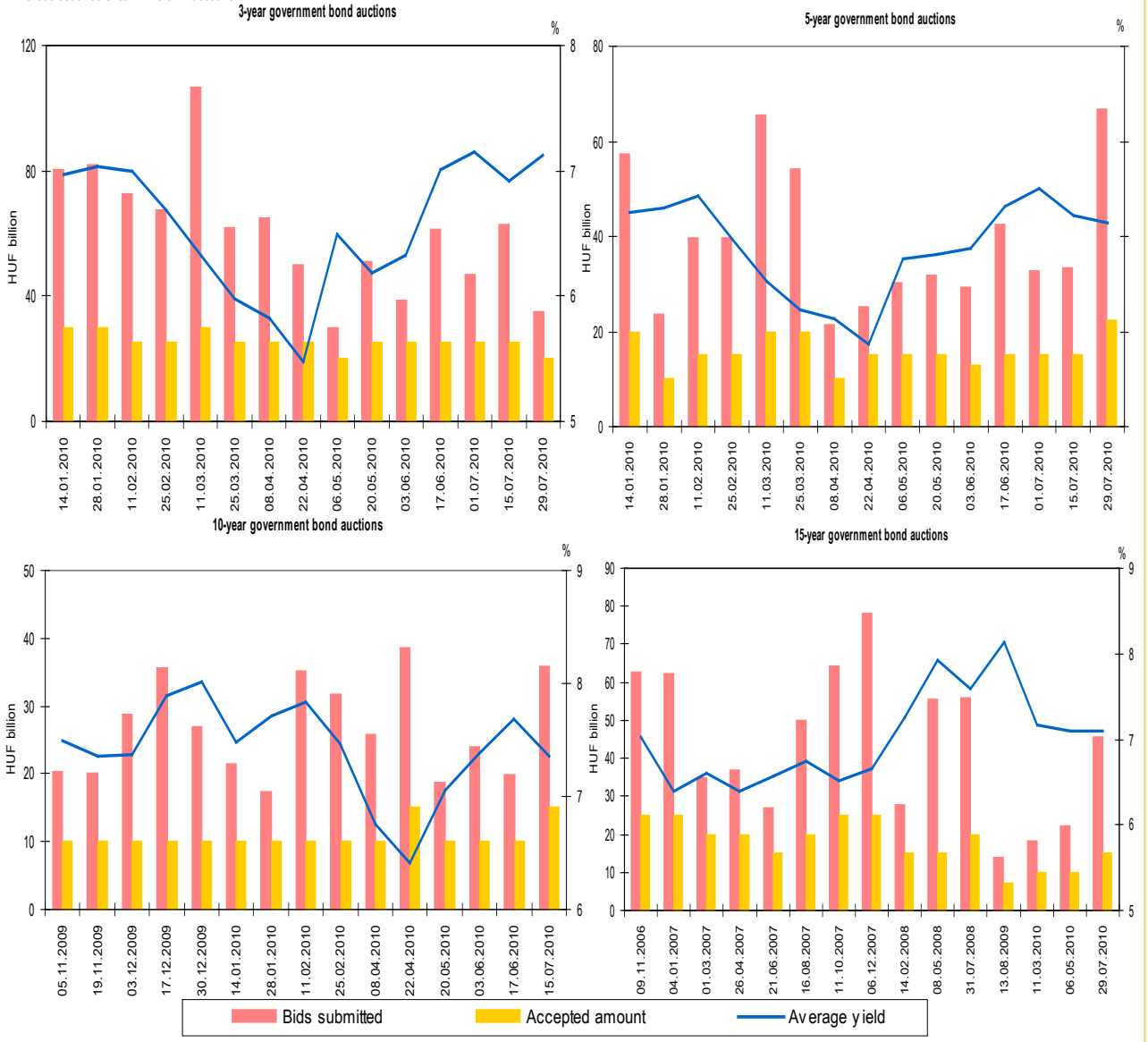




GOVERNMENT BOND AUCTION RESULTS

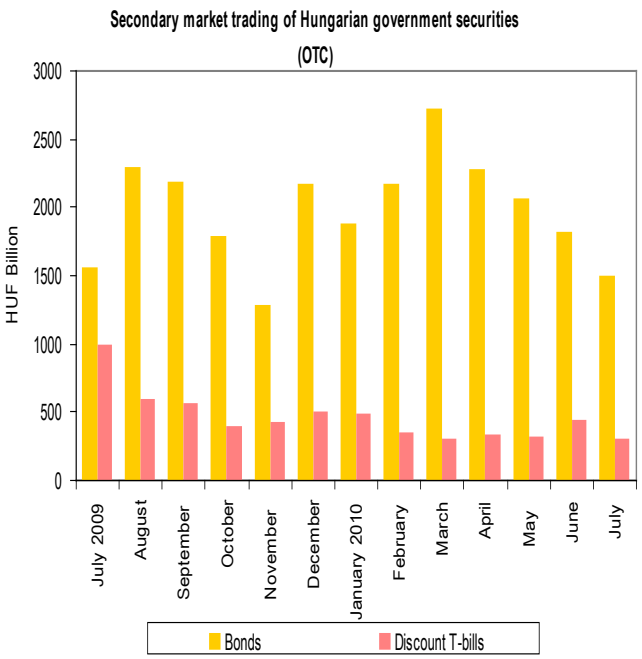
Government Bond	2013/E	2016/C	2015/B	2013/E	2016/C	2020/A	2014/C	2016/C	2023/A
ISIN code	HU0000402466	HU0000402318	HU0000402482	HU0000402466	HU0000402318	HU0000402235	HU0000402193	HU0000402318	HU0000402383
Maturity (in years)	3	5	5	3	5	10	3	5	15
Coupon (%)	7.50%	5.50%	floating rate	7.50%	5.50%	7.50%	5.50%	5.50%	6.00%
Auction	23rd auction	19th auction	2nd auction	7th auction	20th auction	21st auction	24th auction	21st auction	14th auction
Date of auction	01.07.2010	01.07.2010	01.07.2010	15.07.2010	15.07.2010	15.07.2010	29.07.2010	29.07.2010	29.07.2010
Date of financial settlement	07.07.2010	07.07.2010	07.07.2010	21.07.2010	21.07.2010	21.07.2010	04.08.2010	04.08.2010	04.08.2010
Redemption date	24.10.2013	12.02.2016	22.12.2015	24.10.2013	12.02.2016	12.11.2020	12.02.2014	12.02.2016	24.11.2023
Maximum annual yield (%) - ISMA	7.17	7.53		6.93	7.23	7.37	7.19	7.14	7.09
Minimum annual yield (%) - ISMA	7.12	7.43		6.85	7.19	7.35	7.06	7.14	7.09
Average annual yield (%) - ISMA	7.15	7.50		6.92	7.22	7.36	7.13	7.14	7.09
Maximum annual yield (%) - EHM	7.16	7.53		6.92	7.23	7.36	7.18	7.14	7.09
Minimum annual yield (%) - EHM	7.11	7.43		6.84	7.19	7.34	7.05	7.14	7.09
Average annual yield (%) - EHM	7.15	7.49		6.92	7.21	7.36	7.13	7.14	7.09
Maximum price (%)	101.0290	91.3624	99.4000	101.7954	92.4206	101.0014	95.2291	92.6739	90.7613
Minimum price (%)	100.8852	90.9429	95.5000	101.5655	92.2510	100.8592	94.8483	92.6739	90.7613
Average price (%)	100.9375	91.0814	98.0600	101.5817	92.3010	100.9159	95.0209	92.6739	90.7613
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)	46,950.00	32,661.00	8,610.00	62,854.96	33,250.00	35,900.00	35,121.53	66,733.00	45,401.00
Amount of bids accepted (HUF million)	24,999.97	14,999.98	5,000.00	24,999.97	15,000.00	14,999.98	19,999.99	22,999.99	15,000.00
Bid-to-cover ratio	1.88	2.18	1.72	2.51	2.22	2.39	1.76	2.97	3.03
Bids submitted (pcs)	61	49	10	73	54	57	53	59	59
Bids accepted (pcs)	35	30	10	23	18	21	44	18	12
Tail (average price - minimum price)	0.05	0.14	2.56	0.02	0.05	0.06	0.17	0.00	0.00
Market sales* (HUF million)	24,999.97	14,999.98	5,000.00	24,999.97	15,000.00	14,999.98	19,999.99	22,999.99	15,000.00
Non-competitive offer (HUF million)	4,491.00	4,410.00	5,000.00	8,677.00	1,100.00	2,886.00	0.00	8,029.00	2,600.00
Total amount issued (HUF million)	25,000.00	15,000.00	10,000.00	35,000.00	21,000.00	30,000.00	40,000.00	31,500.00	30,000.00

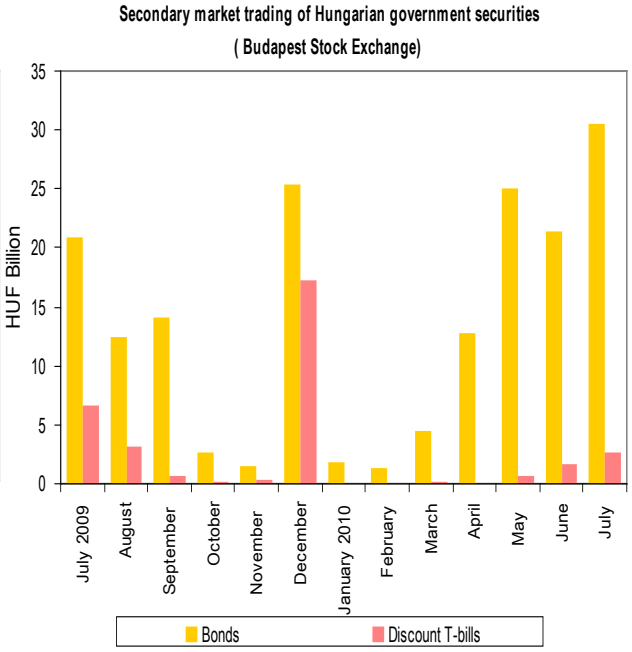
*Without issuance onto ÁKK's own account

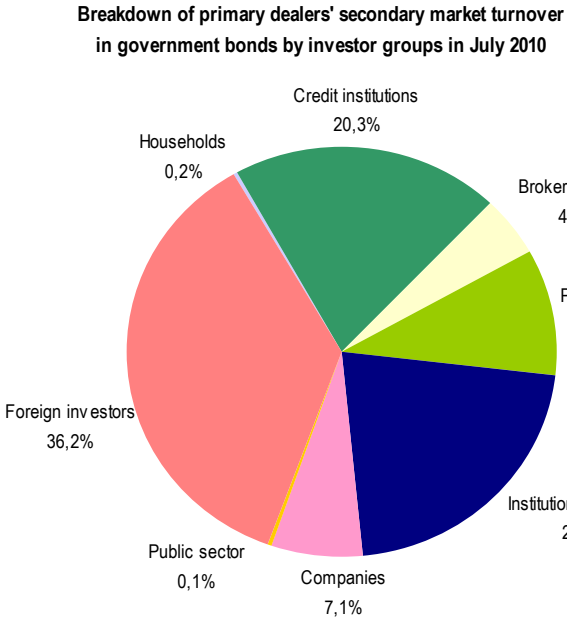


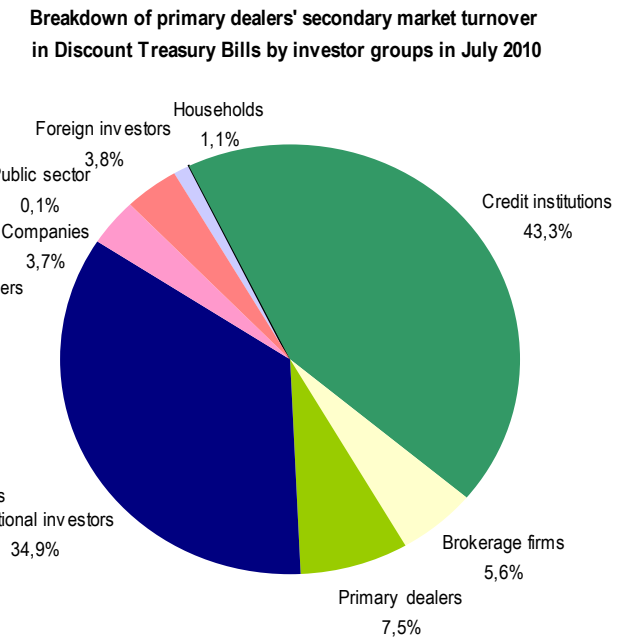
GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

Government bond	2010/B	2011/C
ISIN code	HU0000402292	HU0000402425
Coupon (%)	6.75	6.75
Date of reverse auction	14.07.2010	14.07.2010
Date of financial settlement	21.07.2010	21.07.2010
Redemption date	12.10.2010	22.04.2011
Minimum annual yield (%)	5.35	5.40
Average annual yield - ISMA (%)	5.38	5.46
Average annual yield - EHM (%)	5.27	5.42
Amount of bids submitted (HUF million)	7,288.36	21,353.47
Amount of bids accepted (HUF million)	5,288.36	12,320.27









INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JULY 2010

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2016/B	01.07.2010	02.07.2010	02.01.2011	04.01.2011	4.94	2.52

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 July 2010	423.4056	421.0646	419.5031	420.5059
Changes compared to the end of the month before	6.1124	1.8115	5.2889	1.8737
Annual yield earned on the index portfolio	13.14%	7.81%	12.40%	6.70%

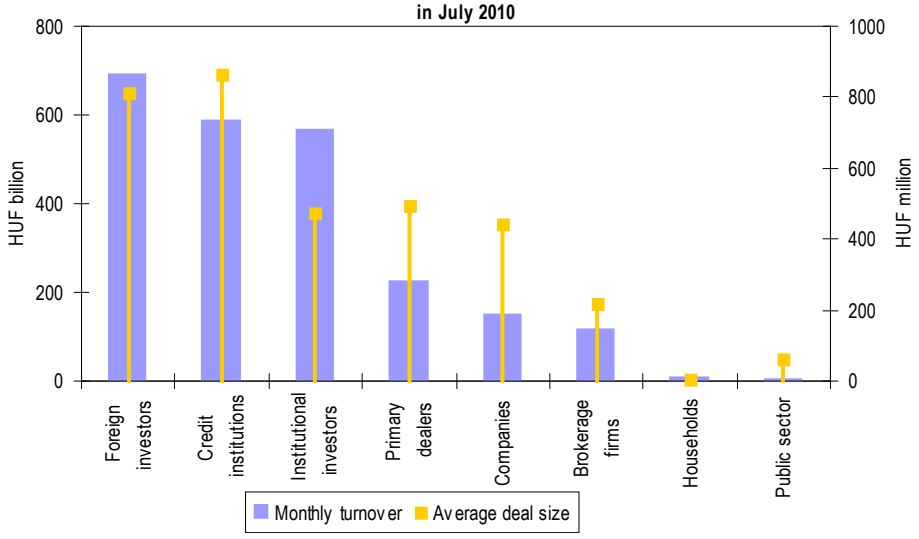
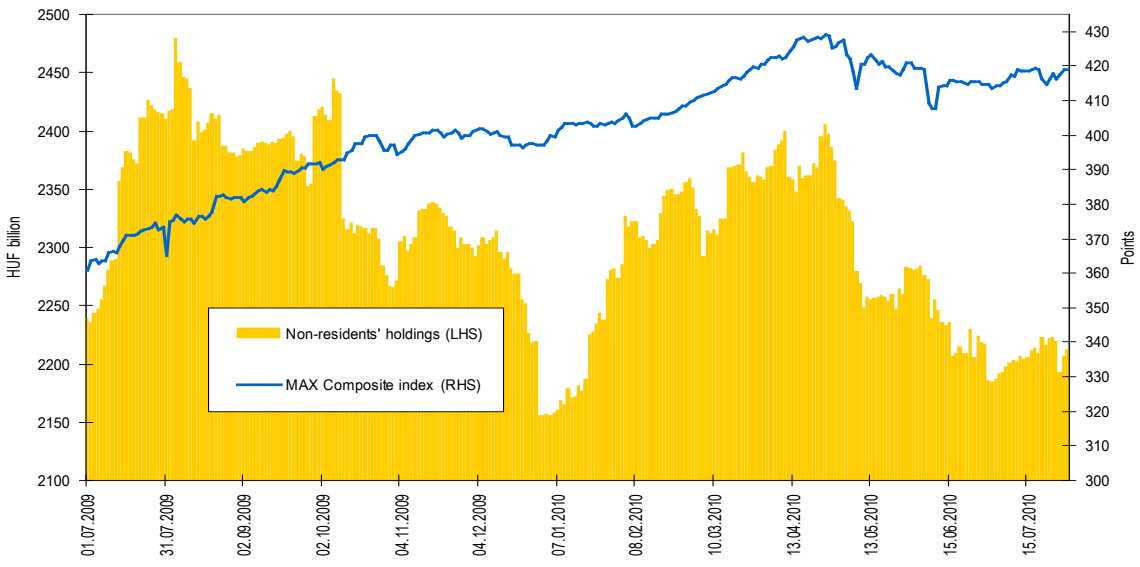
Government securities with the highest secondary market turnover in July 2010

Government security	Date of redemption	Turnover (HUF billion)
2013/E	24.10.2013	412.4
2015/A	12.02.2015	196.1
2020/A	12.11.2020	190.0
2017/B	24.02.2017	179.6
2019/A	24.06.2019	155.1
2016/C	12.02.2016	132.8
2013/D	12.02.2013	131.4
D101020	20.10.2010	126.0
2014/C	12.02.2014	96.9
D110406	06.04.2011	90.9

The outstanding volume of government bonds with benchmark status at the end of July 2010

	HUF billion	
Government bond	30.06.2010	30.07.2010
2013/E	673.68	736.88
2016/C	510.02	545.65
2020/A	327.61	345.51
2023/A	224.34	224.37

Primary dealers' trading with different investor groups in July 2010



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