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ÁLLAMADÓSSÁG KEZELŐ KÖZPONT ZRT.

THE FINANCING OF THE CENTRAL GOVERNMENT AND THE PUBLIC DEBT IN 2010

Main topics

1. The expected financing of the central government and the government securities market in 2009
2. Main characteristics of the 2010 financing plan

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The expected financing of the central government and the government securities market in 2009

The government securities market in 2009

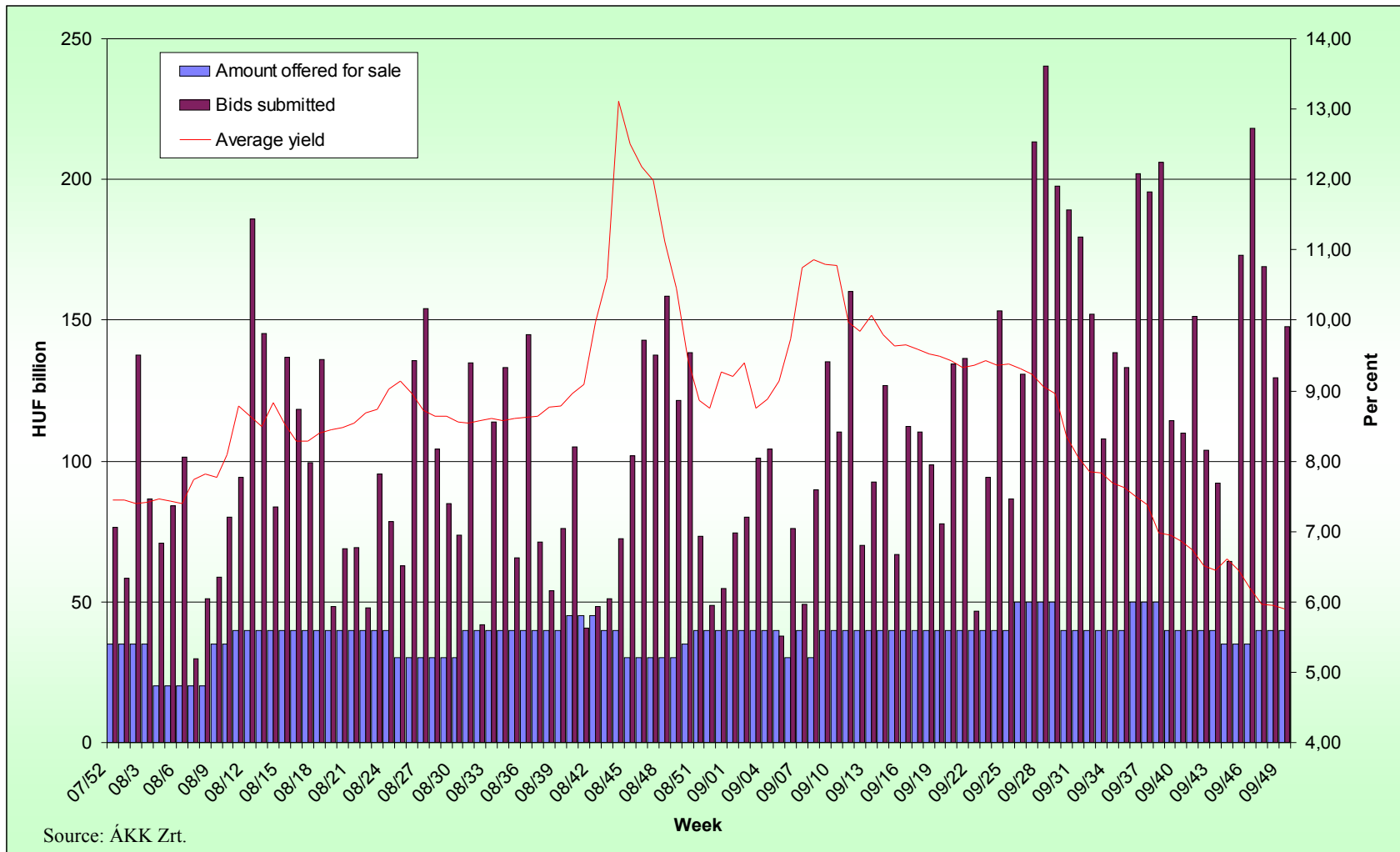
Benchmark yields in 2008 and 2009



Source: ÁKK Zrt.

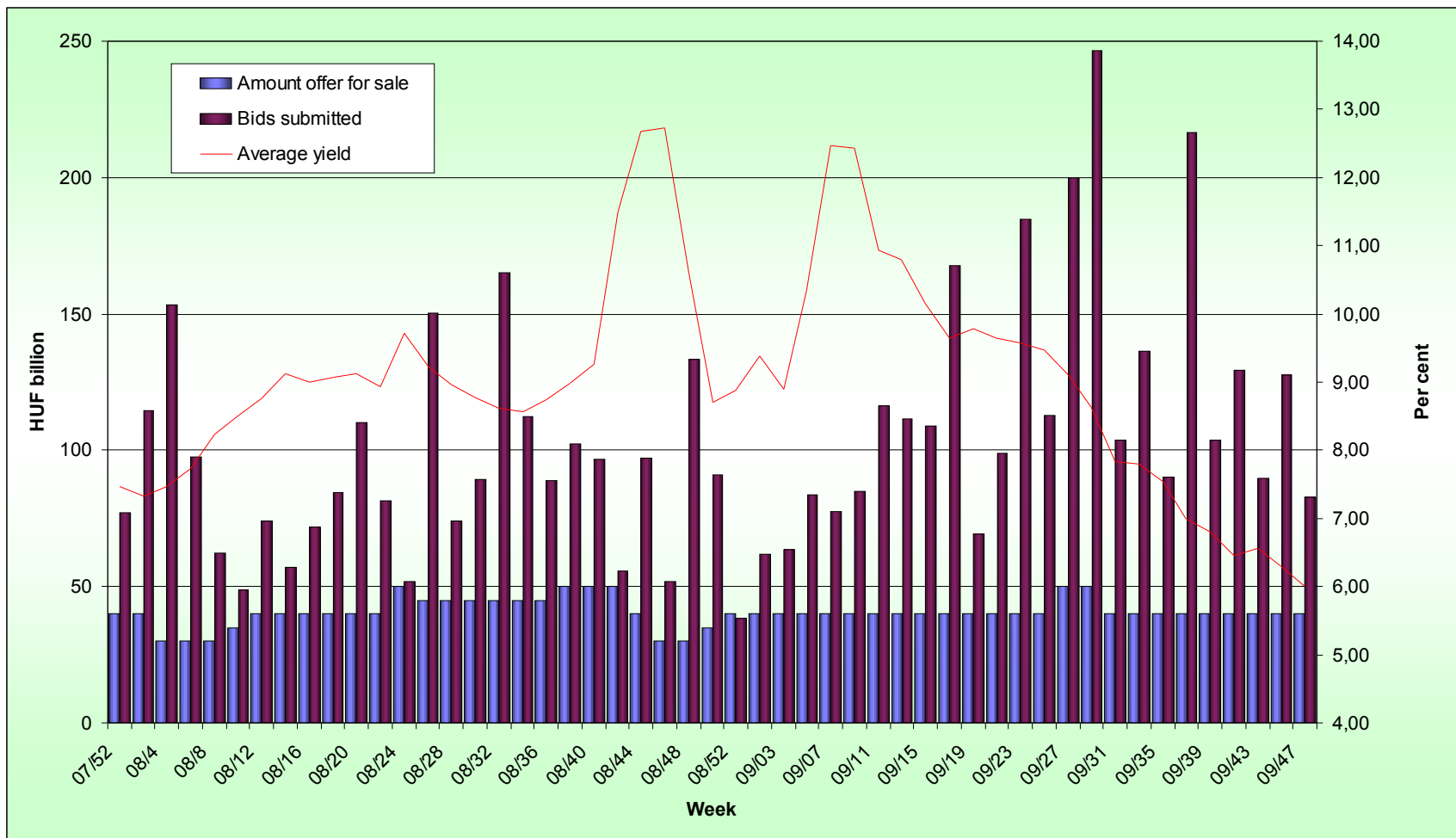
After two critical periods, substantial decrease in yields

3-MONTH DISCOUNT T-BILL SUPPLY AND DEMAND IN 2008 AND 2009



Sufficient and stable demand, average bid cover ratio: 2.9

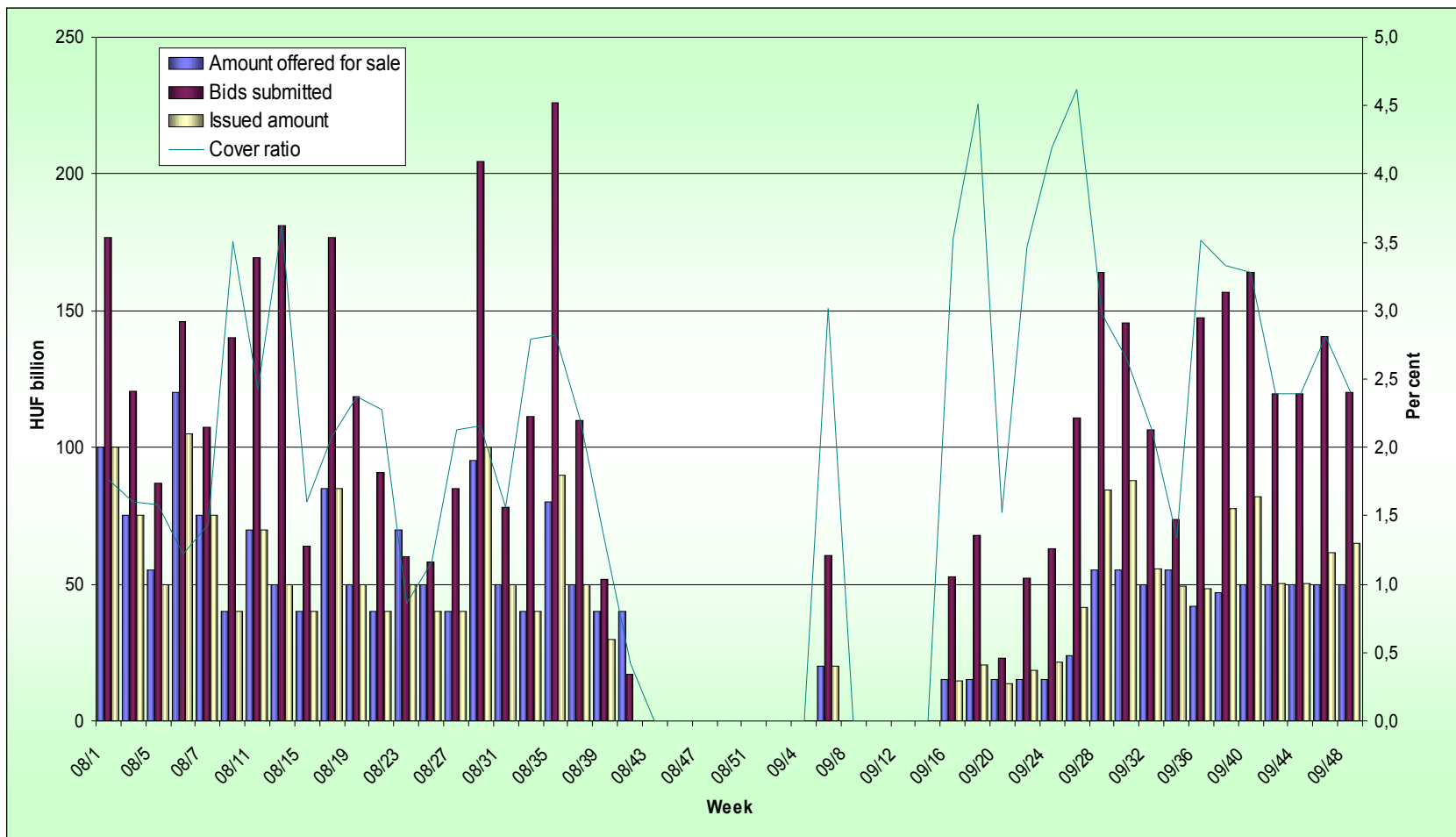
12-MONTH DISCOUNT T-BILL SUPPLY AND DEMAND IN 2008 AND 2009



Source: ÁKK Zrt.

Sufficient and stable demand, average bid cover ratio: 2.6

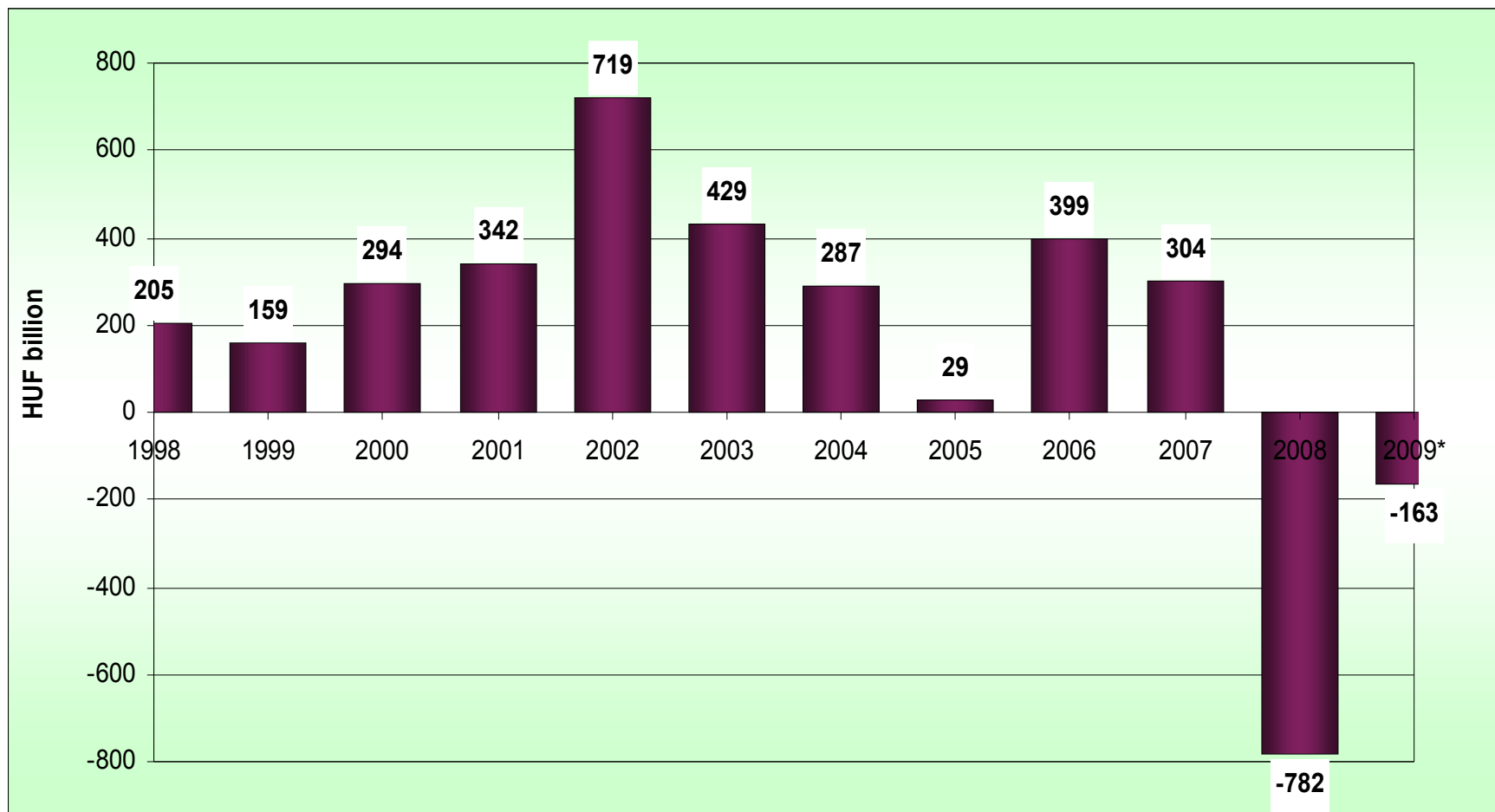
TREASURY BOND SUPPLY AND DEMAND IN 2008 AND 2009



Source: ÁKK Zrt.

**ÁKK suspended regular T-Bond auctions
between October 2008 and April 2009**

YEARLY CHANGES IN NON-RESIDENT HOLDINGS OF HUF GOVERNMENT SECURITIES

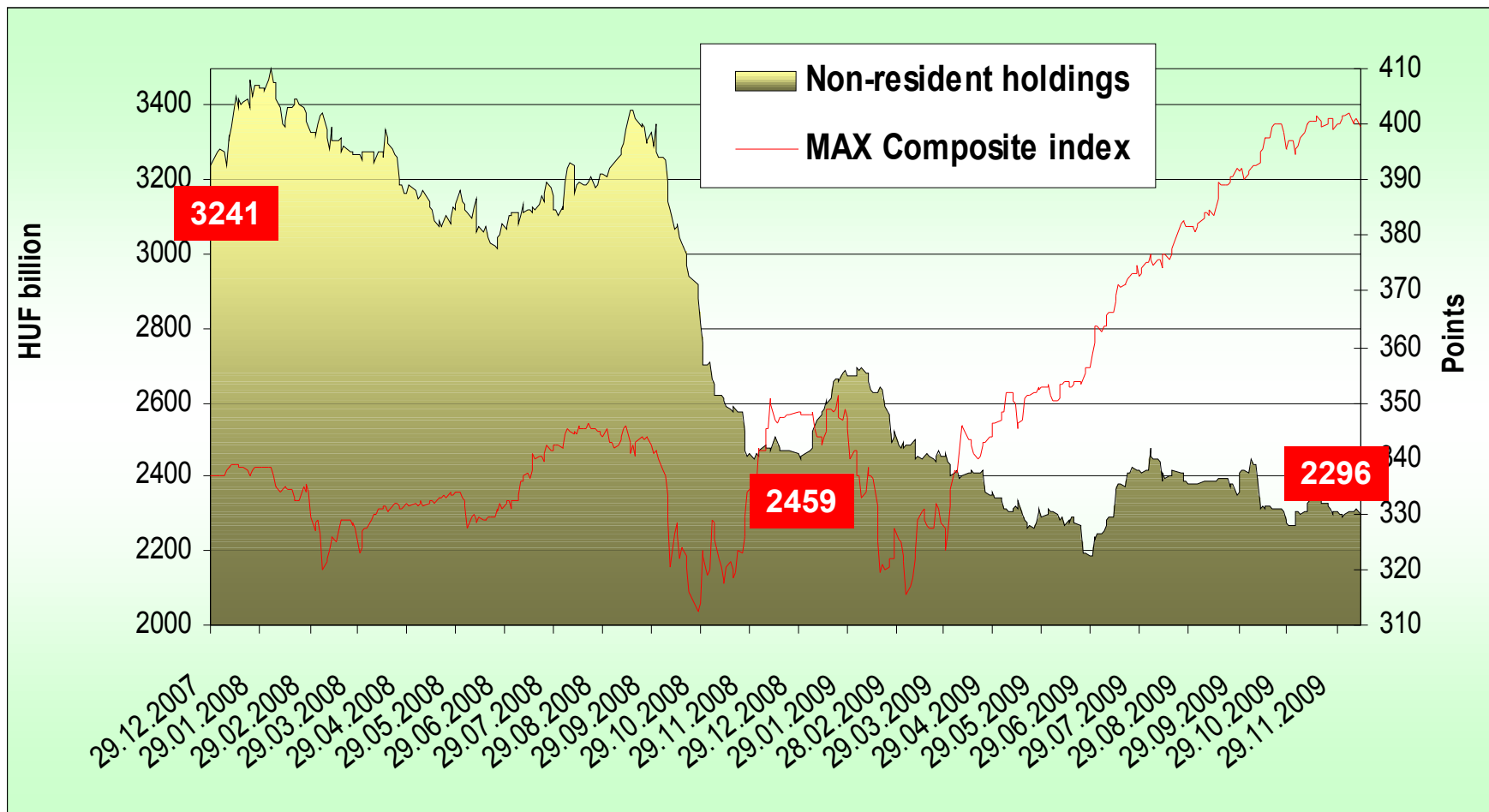


*as at 14 December 2009

Source:KELER

Non-resident holdings decreased by HUF 945 billion in the last two years

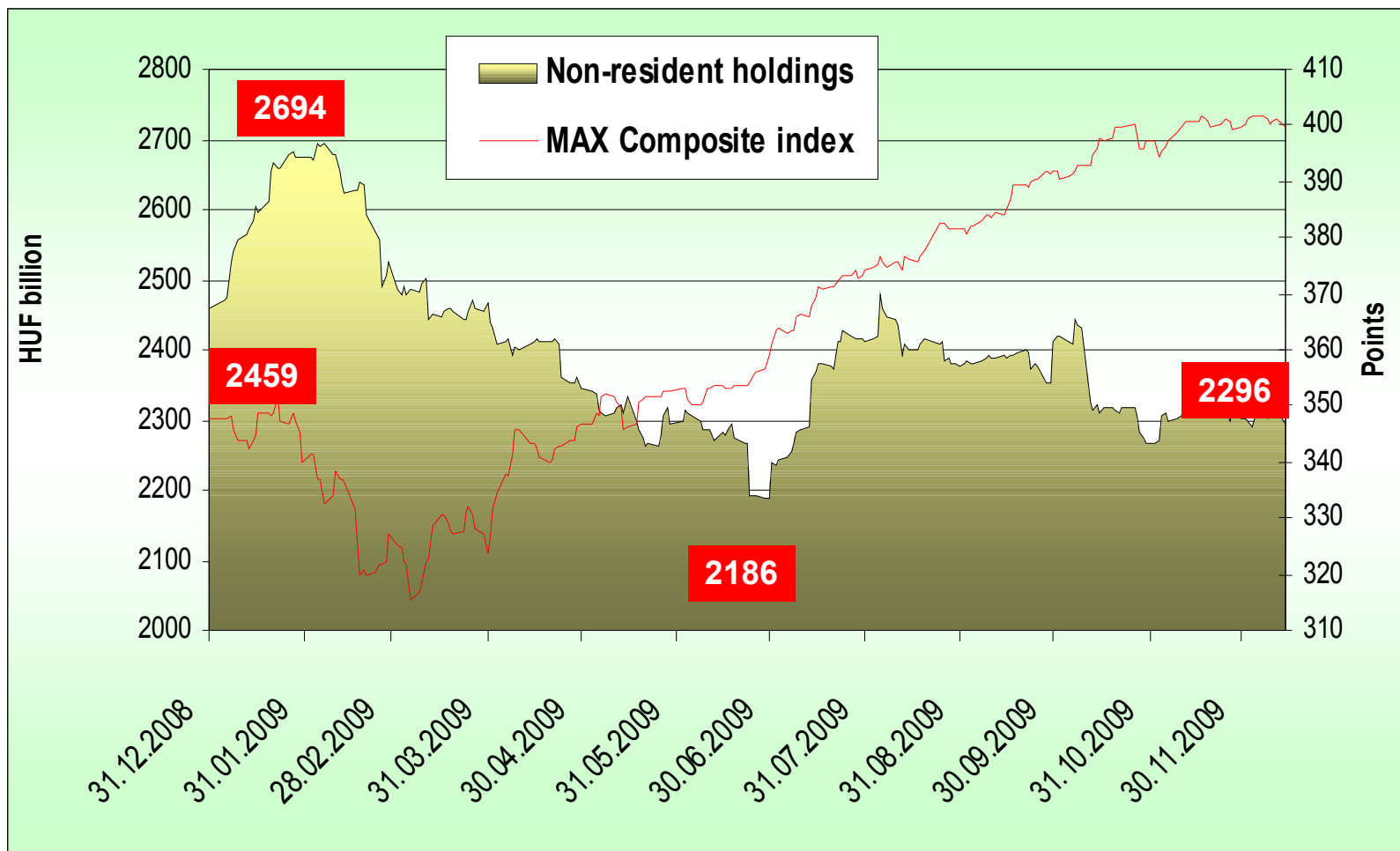
NON-RESIDENT HOLDINGS OF HUF GOVERNMENT SECURITIES IN 2008 AND 2009



Source: KELER, ÁKK Zrt.

The decrease in non-resident holdings is slowing down, while the value of the MAX Composite Index is increasing

NON-RESIDENT HOLDINGS OF HUF GOVERNMENT SECURITIES IN 2009



Source: KELER, ÁKK Zrt.

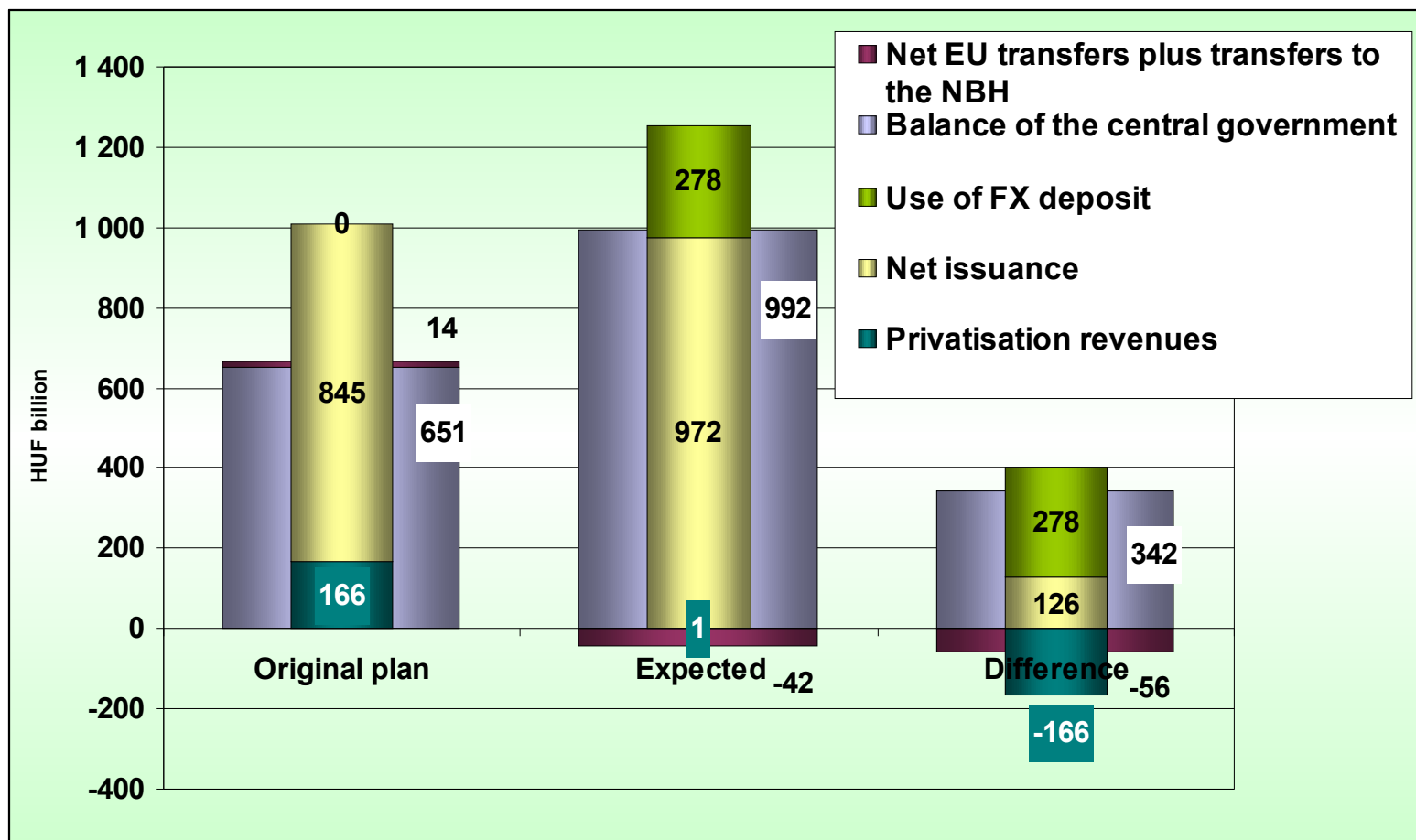
Having reached its lowest value in June, the volume of non-resident holdings has not changed significantly in H2 2009

THE GOVERNMENT SECURITIES MARKET AT THE END OF 2009 - SUMMARY

- Decreasing non-resident holdings in H1 2009, no significant change in H2 2009 – increasing domestic demand
- Decreasing secondary market turnover (due to international effects)
- Comprehensive measures for stabilizing and improving the market were introduced gradually
- Intensive bond buy-back programme between March and May in order to stabilize the local market against supply side pressures
- Restarted regular T-Bond issuance from end-April in a new, more flexible issuance framework

The expected financing of the central government in 2009

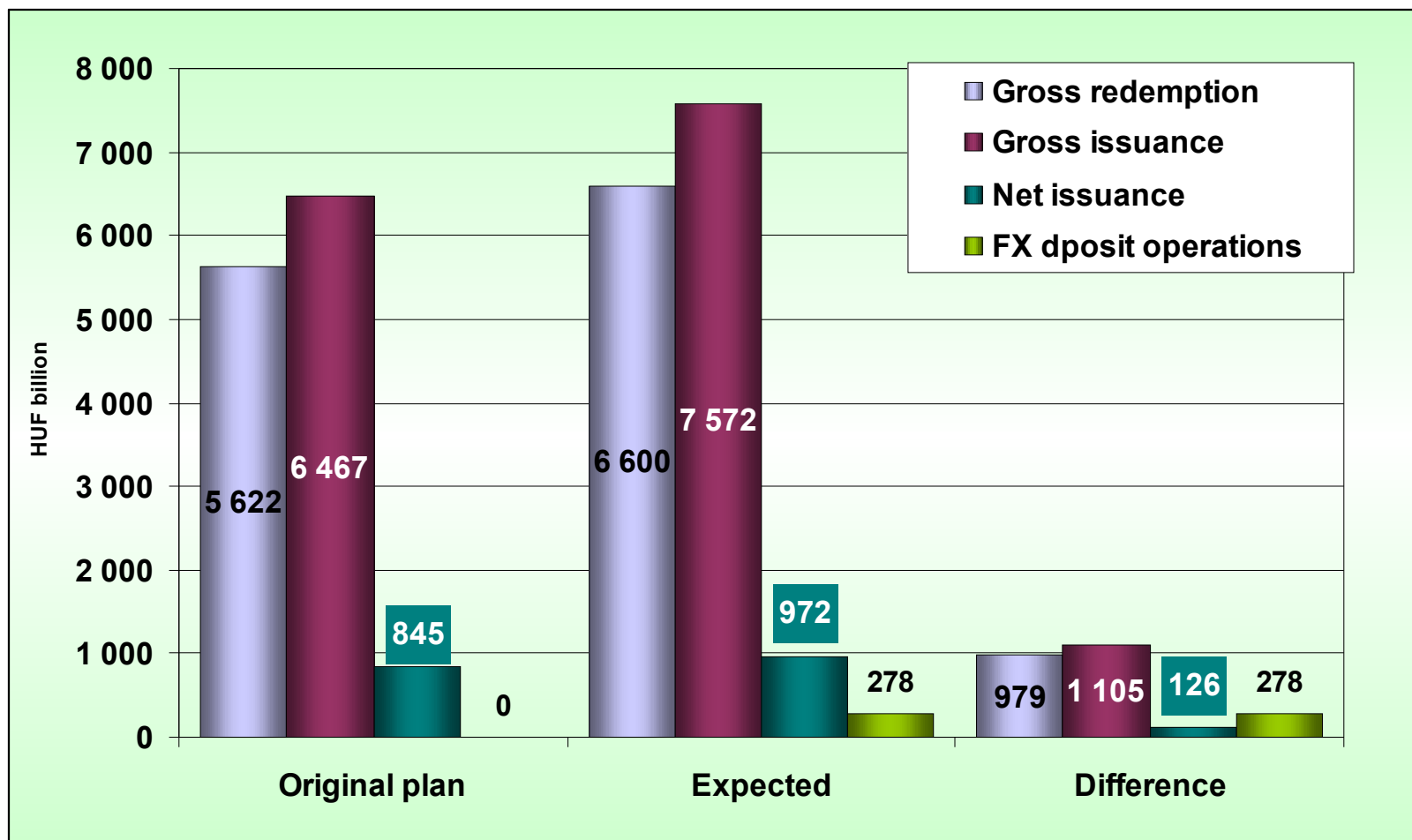
Financing in 2009 (including FX deposit operations)



Source: ÁKK Zrt.

Apparent overfinancing, due to the foreign currency loan and deposit operations and technical Treasury items.

Financing operations in 2009 (including FX deposit operations)

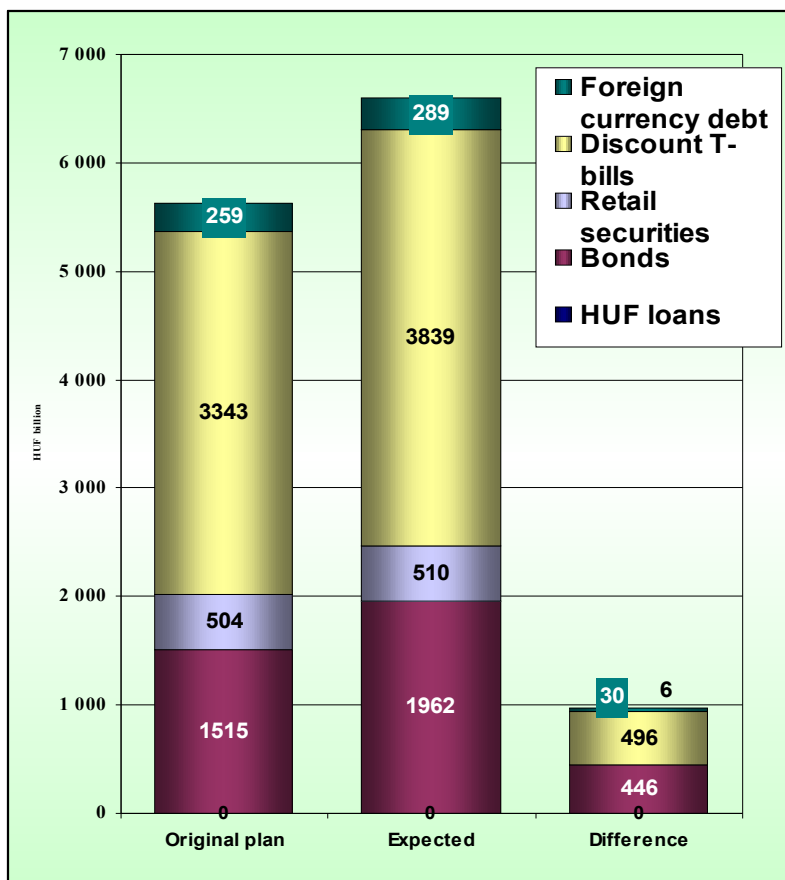


Source: ÁKK Zrt.

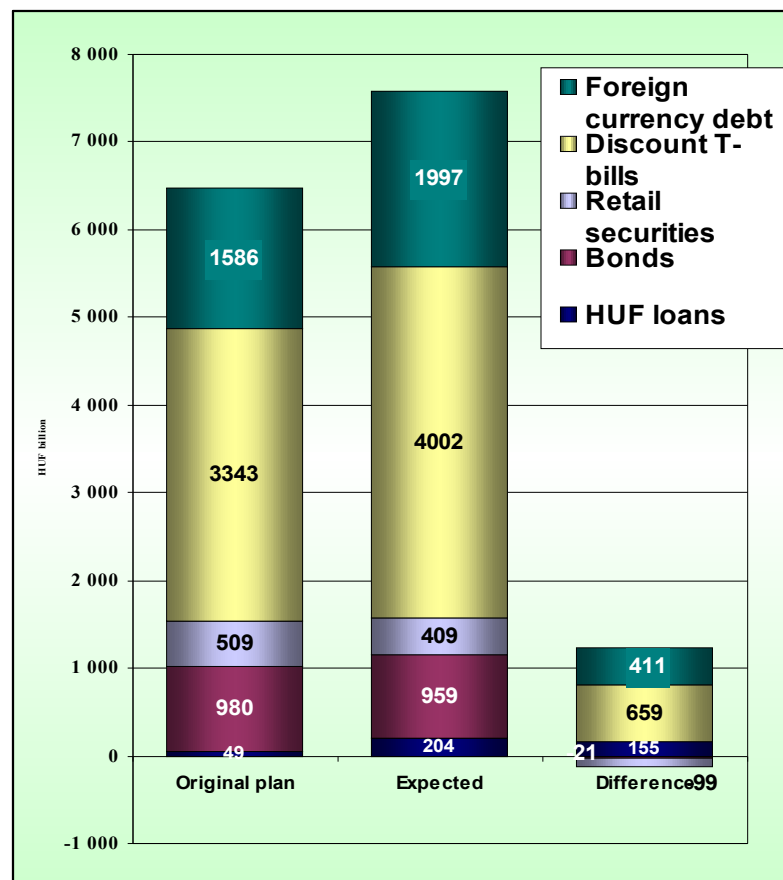
Higher redemption (bond buy-backs) and higher issuance than planned

Redemptions and the gross issuance in 2009 (excluding FX deposit operations)

Gross redemption in 2009



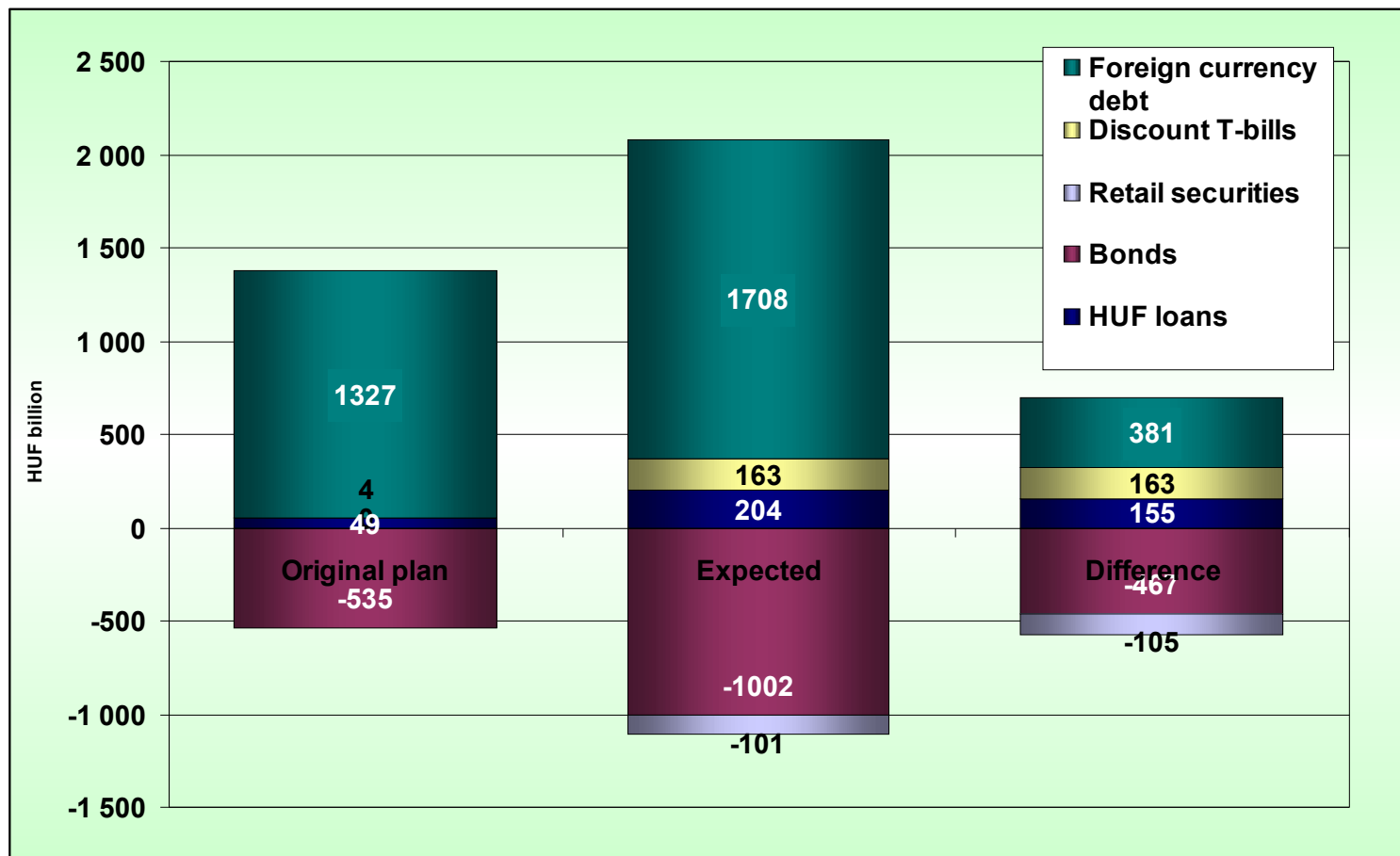
Gross issuance in 2009



Source: AKK Zrt.

Higher discount T-bill redemption and issuance, higher bond redemption (buy-backs), increased FX financing.

Net issuance in 2009 (excluding FX deposit operations)



Source: ÁKK Zrt.

Significantly decreasing bond- and increasing foreign currency financing

Disbursements from the international loan package in 2008 and 2009

EUR billion

	2008/4	2009/1	2009/2	2009/3	2009/4	Total
IMF / Stabilizing the banking system	4,9					4,9
IMF / Financing the maturing debt		2,3		0,1		2,4
EC / Financing the maturing debt	2,0	2,0		1,5		5,5
Total drawdowns by the government	6,9	4,3	0,0	1,6	0,0	12,8

Source: ÁKK Zrt.

Total disbursement: EUR 14.2 billion.

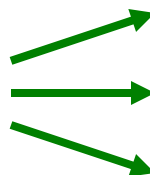
Objectives of the disbursements from the international loan package in 2008 and 2009

EUR billion

	2008	2009
Financing	1,0	7,0
Stock of FX deposit	5,9	3,0
Banking system		1,8

Source: ÁKK Zrt.

**EUR 5.9 billion FX deposit
at end-2008**



EUR 1.1 billion for financing

EUR 3.0 billion FX deposit

EUR 1.8 billion on-lending activity

Substantial amount of FX deposit

Main characteristics of the 2010 financing plan

The financing requirements

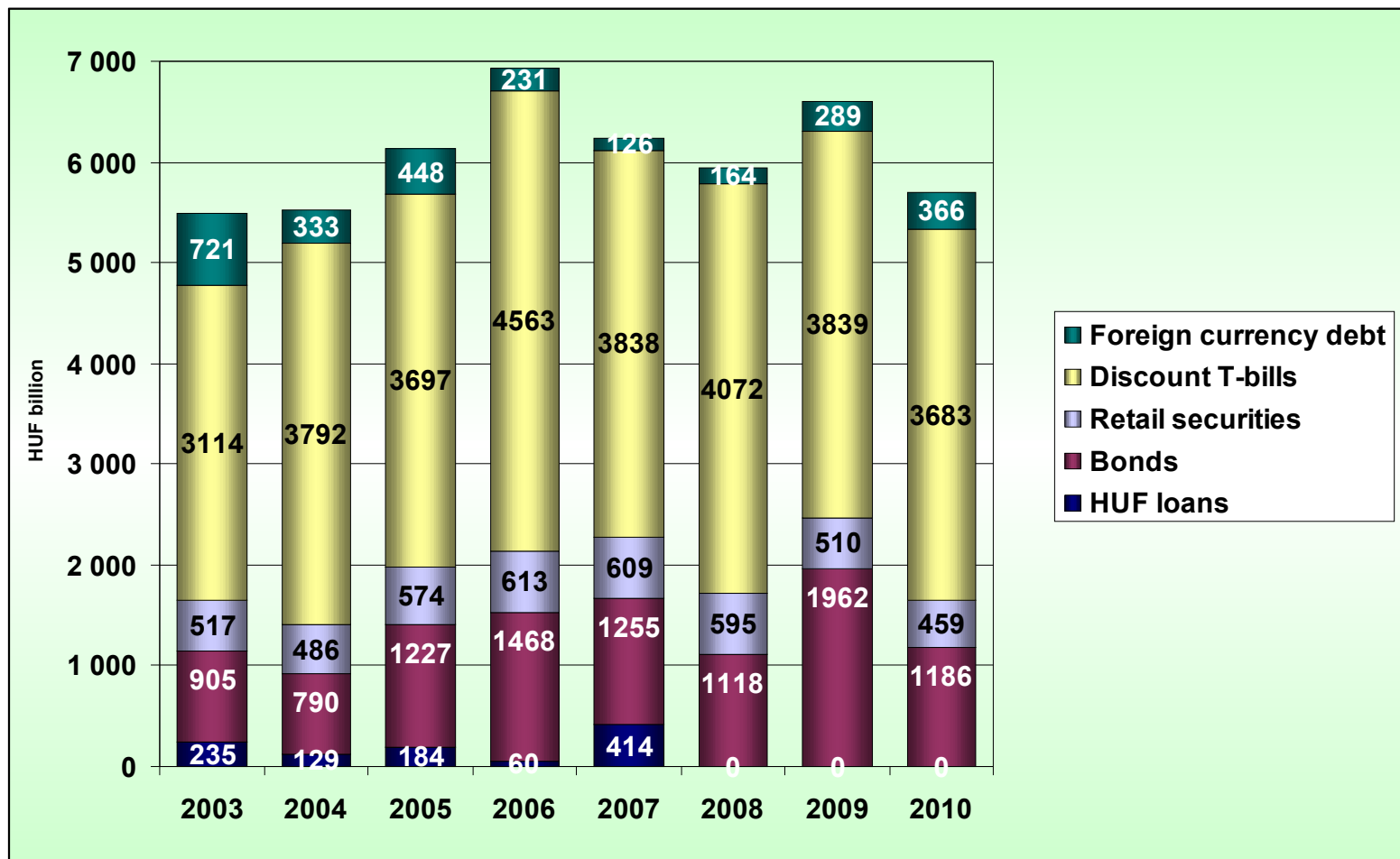
The financing requirements

	HUF billion							
	2003	2004	2005	2006	2007	2008	2009*	2010**
Balance of the central government budget (excl. Privatisation revenues)	733,6	921,7	545,0	1959,2	1394,4	911,0	816,4	836,1
<i>out of which: debt assumptions</i>		31,6	180,3	415,9	58,2	0,0	0,0	0,0
Balance of the Socian Security funds	345,1	422,9	469,8	124,7	-35,6	7,0	155,6	69,4
Balance of the extrabudgetery funds	-18,8	-27,9	-30,4	-50,1	-63,0	-15,1	20,4	-35,1
Central government deficit	1059,9	1316,7	984,5	2033,8	1295,8	902,9	992,4	870,3
Transfers to the NBH	82,9	0,0	1,1	14,8	20,6	2,8	0,0	0,0
Privatisation revenues	-42,0	-166,5	0,0	-268,7	-67,3	-5,1	-0,8	0,0
Net prefinancing of EU transfers		12,8	169,0	35,8	-370,7	9,0	-41,5	111,3
Net financing requirement	1100,8	1163,0	1154,6	1815,7	878,4	909,7	950,1	981,6
Redemptions	5492,4	5530,9	6150,7	6907,4	6242,4	5949,9	6600,1	5694,0
Gross financing requirement	6593,2	6693,9	7305,3	8723,2	7120,8	6859,5	7550,2	6675,6

* Expected ** Planned

There is no significant change in the net financing requirement from 2009

Gross redemptions



Source: ÁKK Zrt.

Lower bond redemption in 2010

Gross issuance

Objective of debt management in 2010

Gradual return to market financing that is secure and stable in the long term

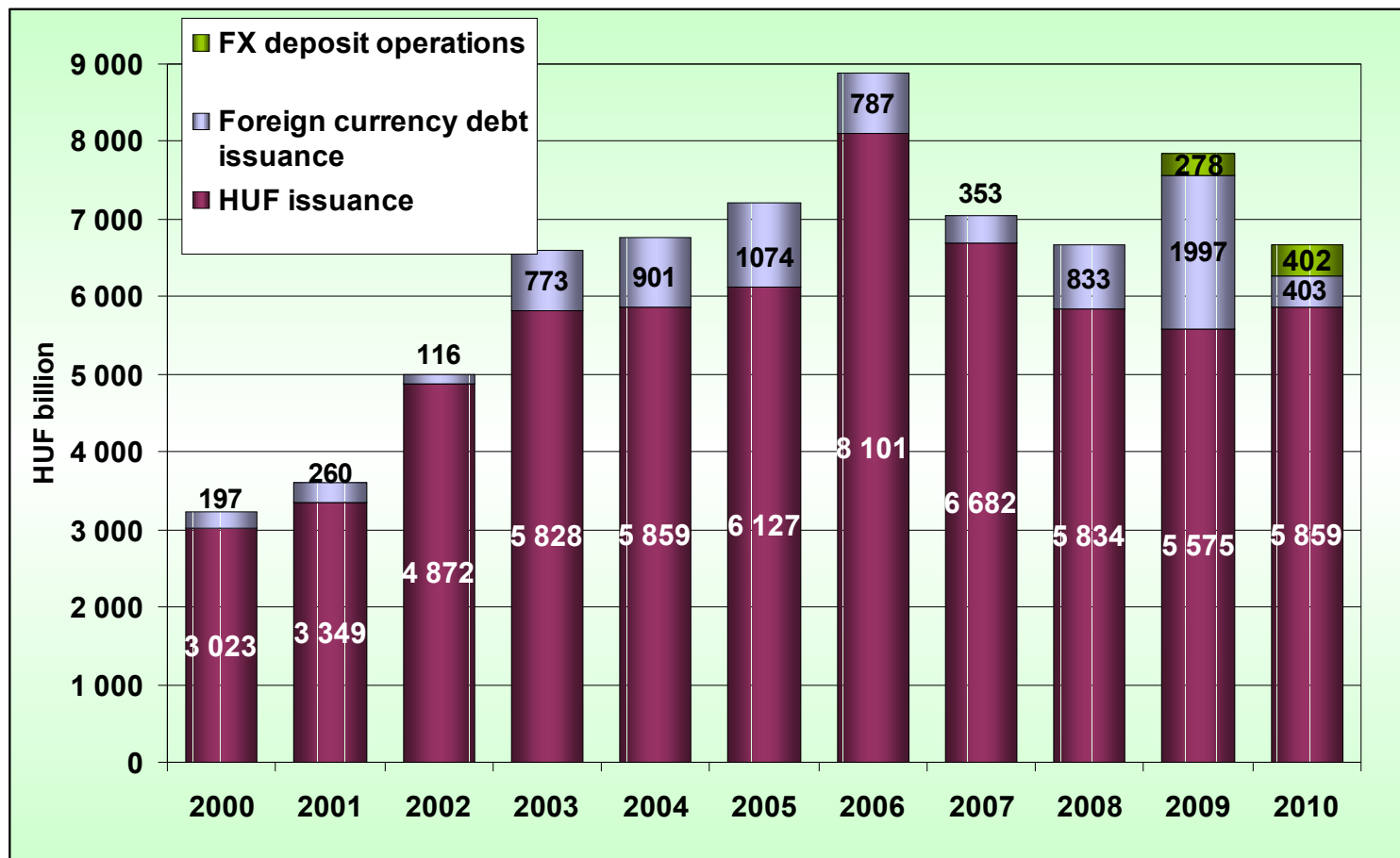
In order to achieve this, the main principles are:

- The amount and the structure of the net domestic currency issuance will be based on the expected domestic demand;
- Maintaining the balance of supply and demand;
- Foreign currency issuance with benchmark status;
- To use for financing the unused part of the loans from the international loan package disbursed in 2008 and 2009;
- To return to the – partly adjusted – benchmarks.

Government bond issuance in 2010

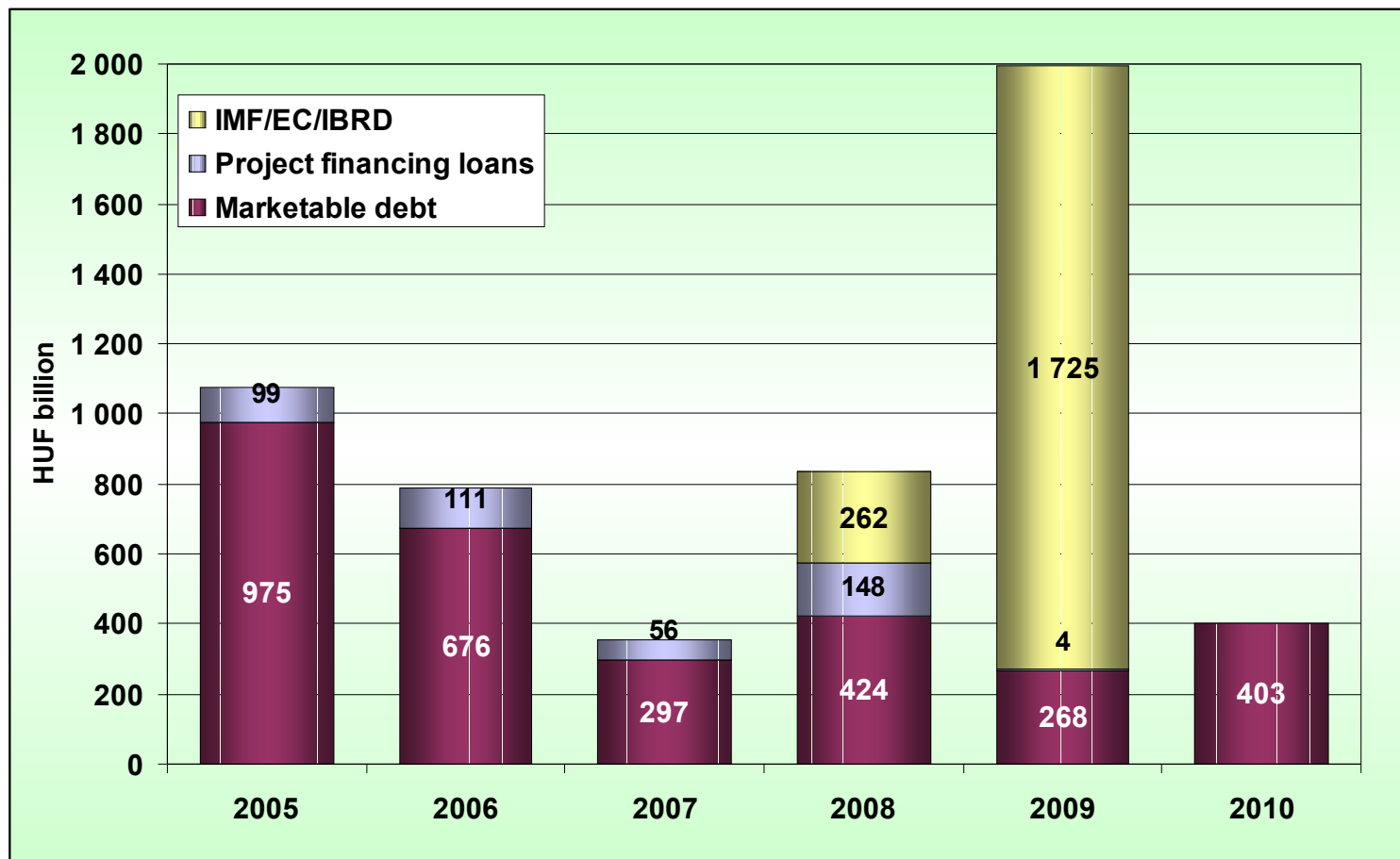
- Keeping the new issuance framework and auction calendar used in 2009 – flexible, swift reactions to changes in market conditions.
- Small, positive net issuance.
- Integration of government bond exchange auctions into the financing plan beside the buy-backs.
- Issuance of a floating rate note, if there is a strong demand for such instrument.
- Launching a new series of the inflation-linked retail Premium Government Bond.

Amount and structure of gross issuance



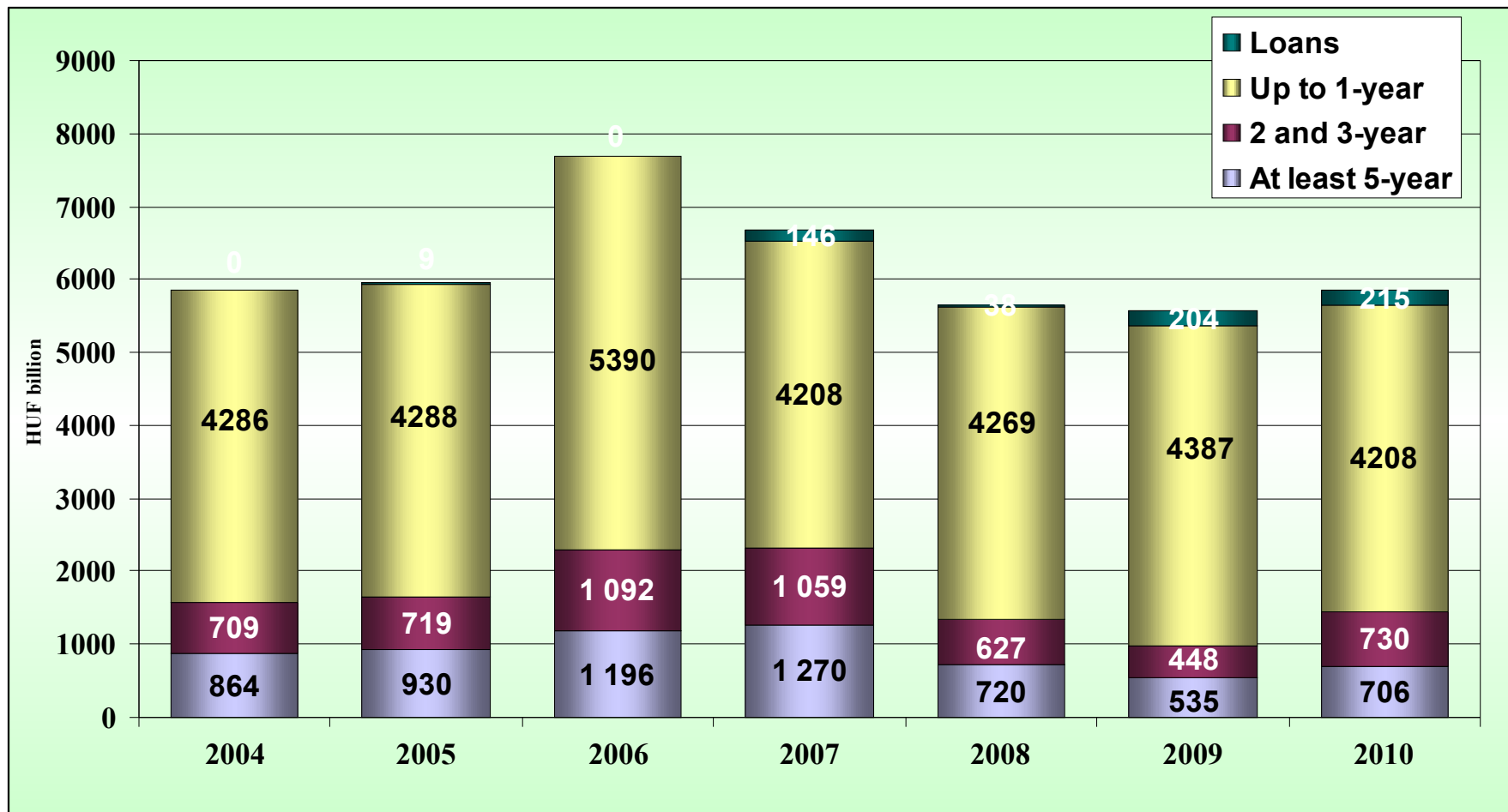
Increasing HUF- and decreasing foreign currency issuance.

Amount and structure of gross foreign currency debt issuance



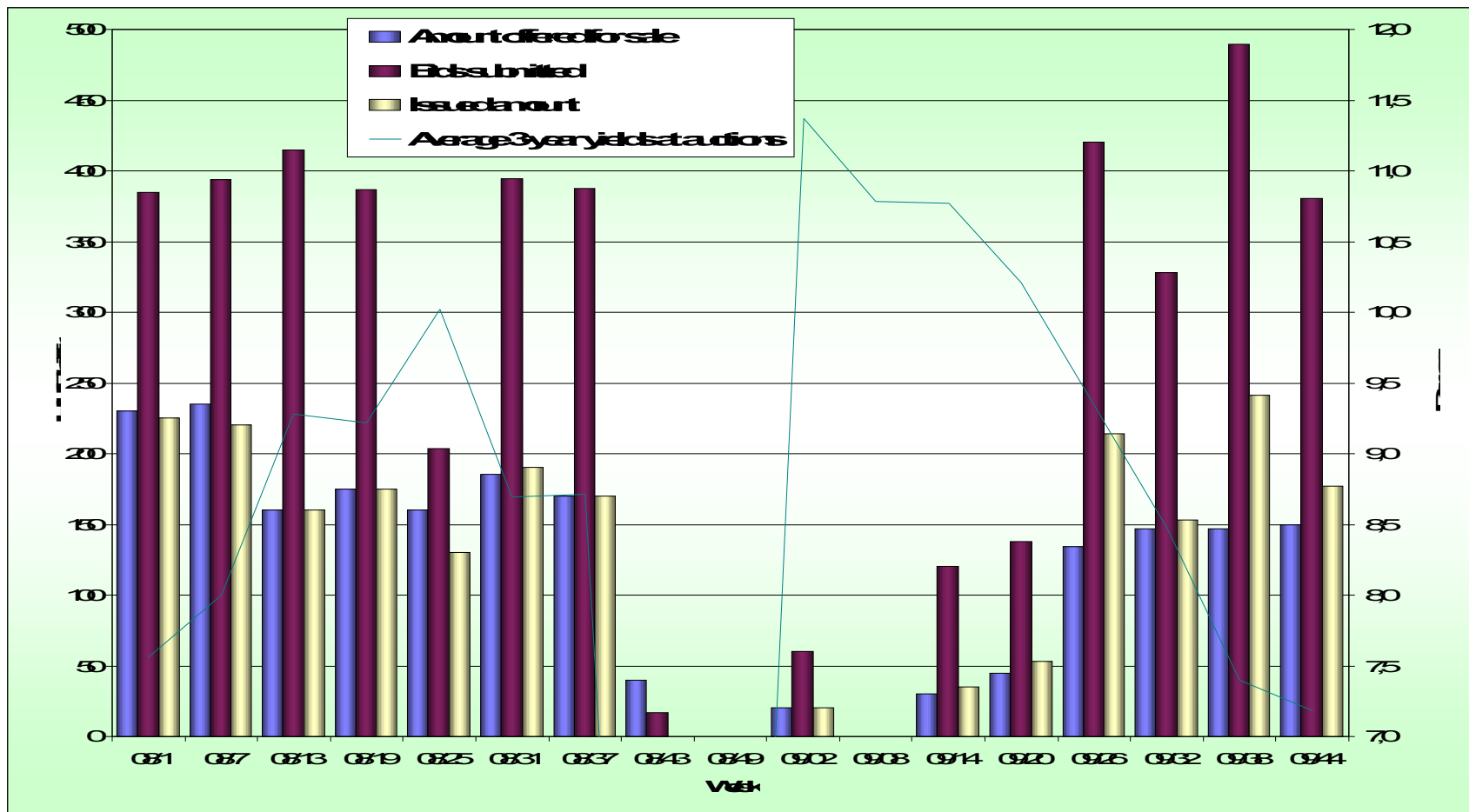
Only marketable foreign currency debt issuance in 2010

Gross HUF government securities issuance and loans



Moderate gross domestic bond issuance

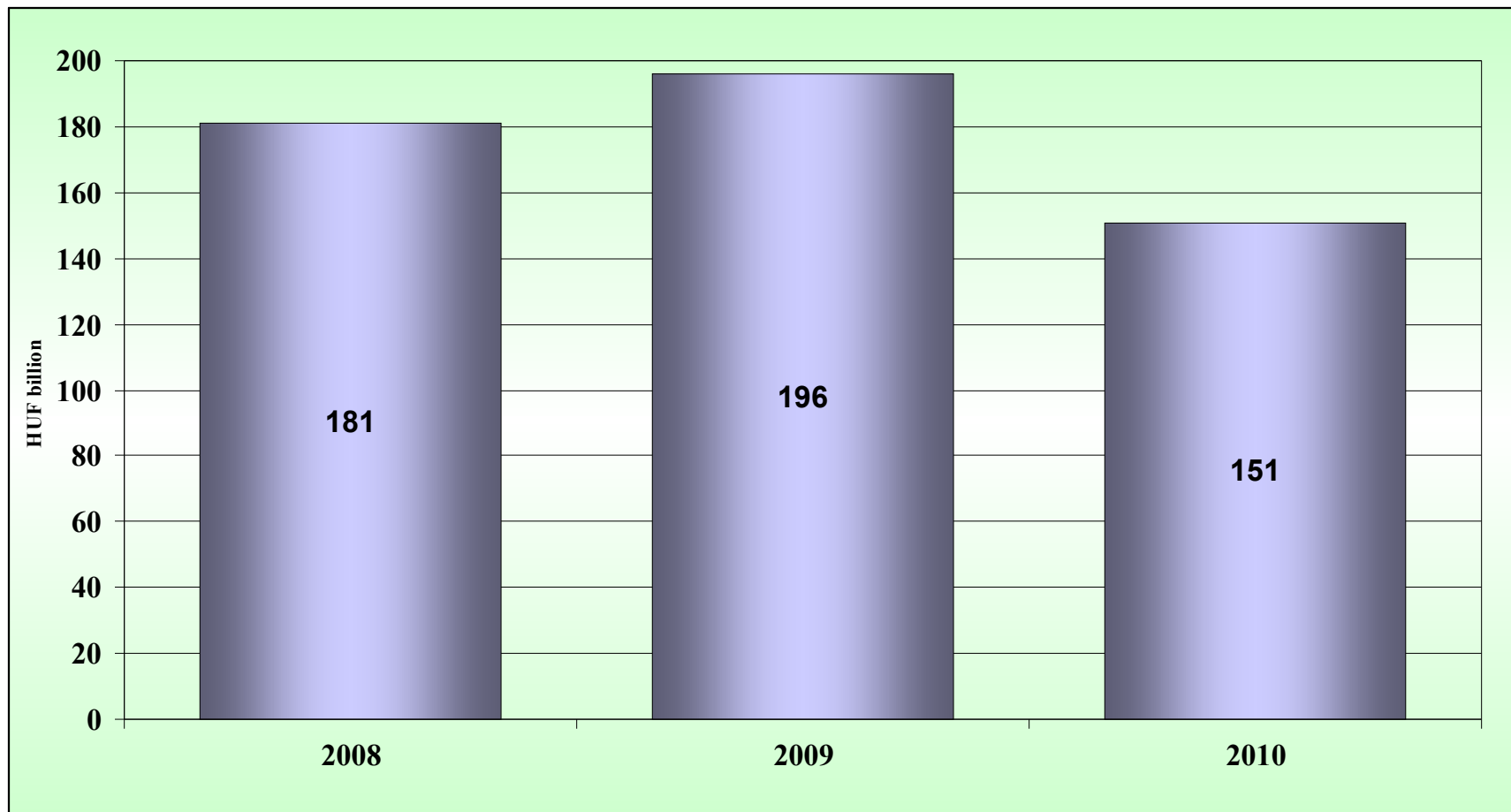
Statistics of the 6-week cycles of government bond auctions in 2008-2009



Source: ÁKK Zrt.

Increased issuance in H2 2009

Average sales of government bonds in 6-week auction cycles in 2008-2010

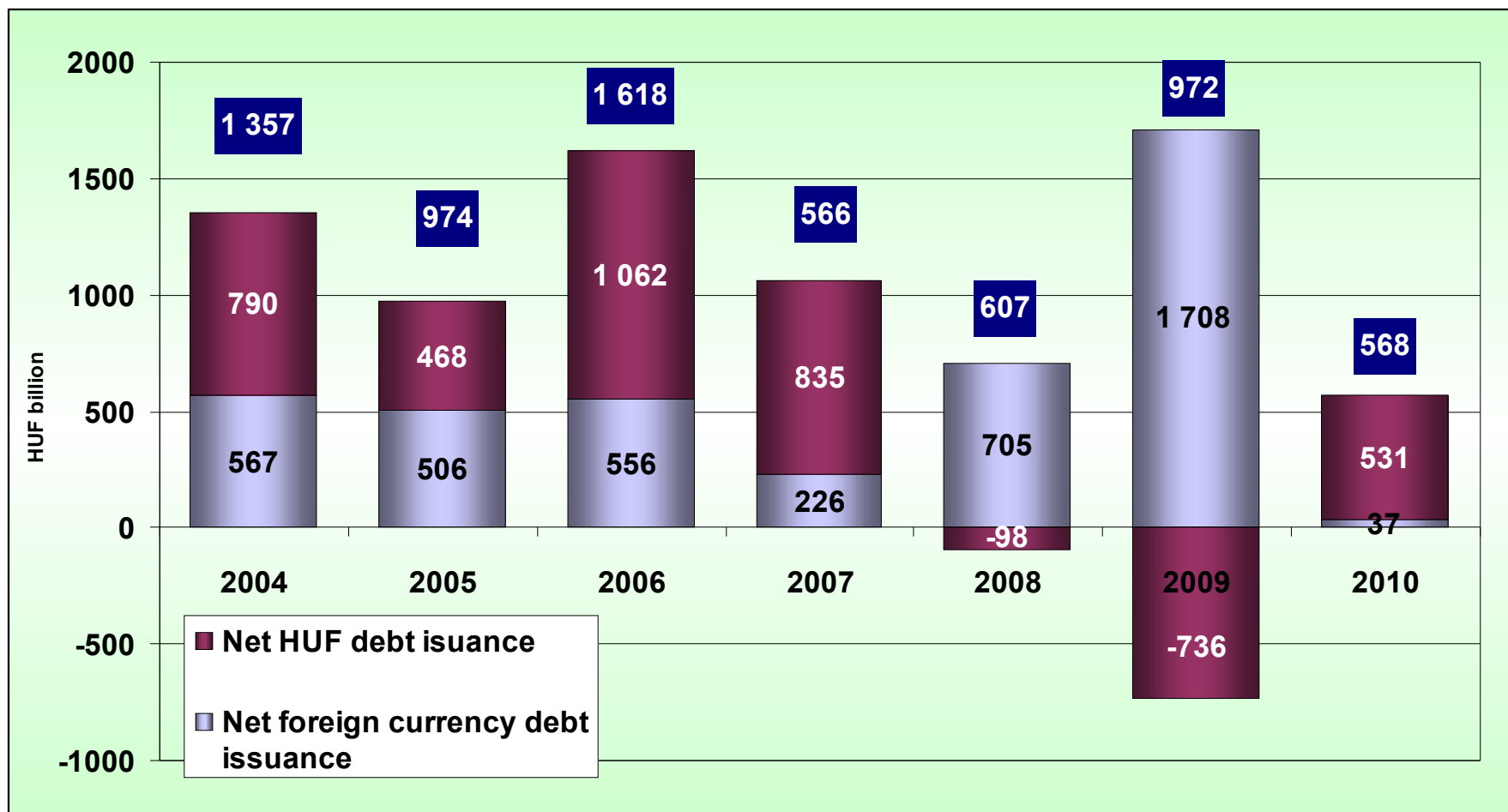


Source: ÁKK Zrt.

Decrease in 2010 in comparison with the average issued amount in H2 2009

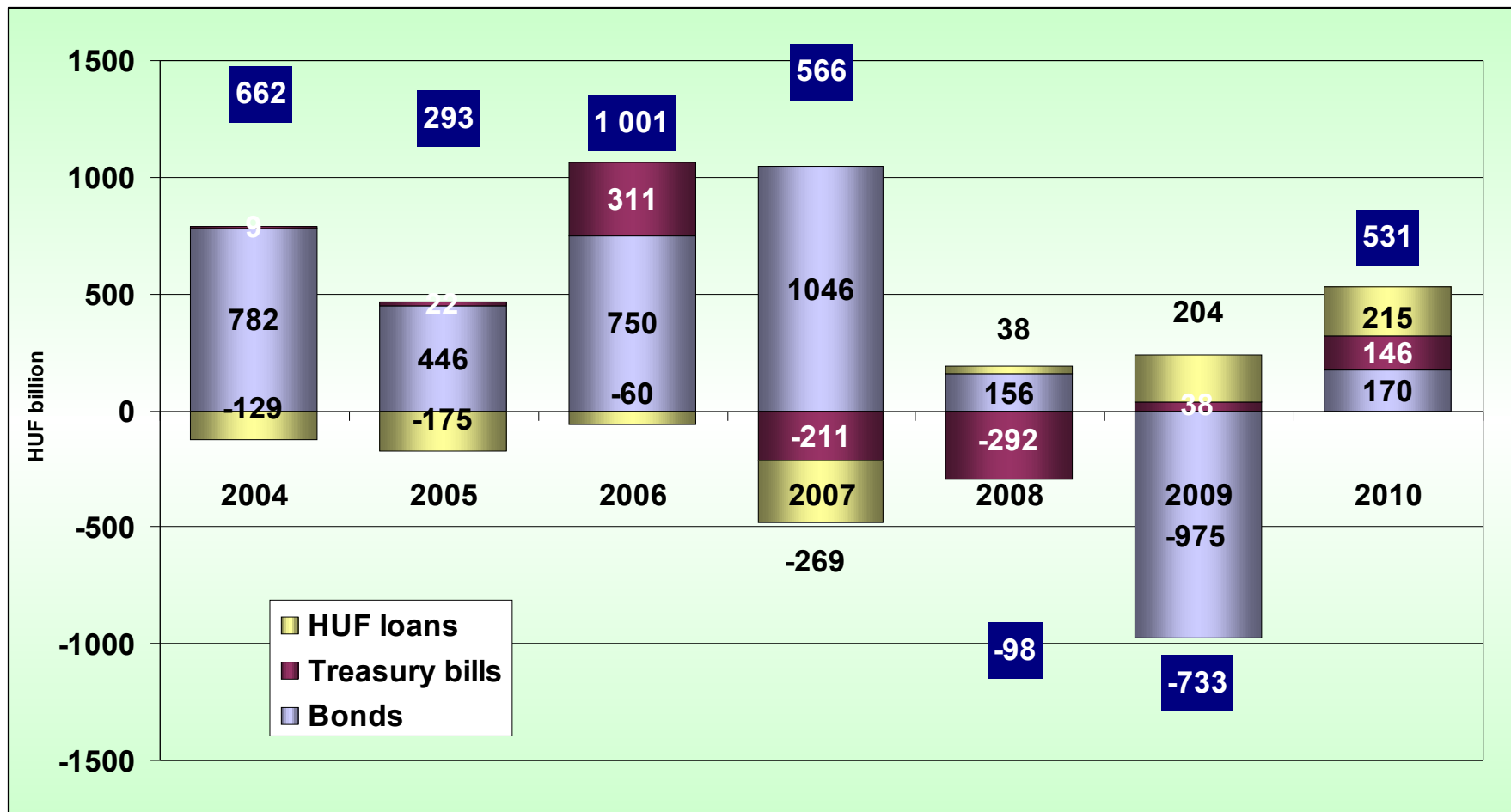
Net issuance

Net issuance



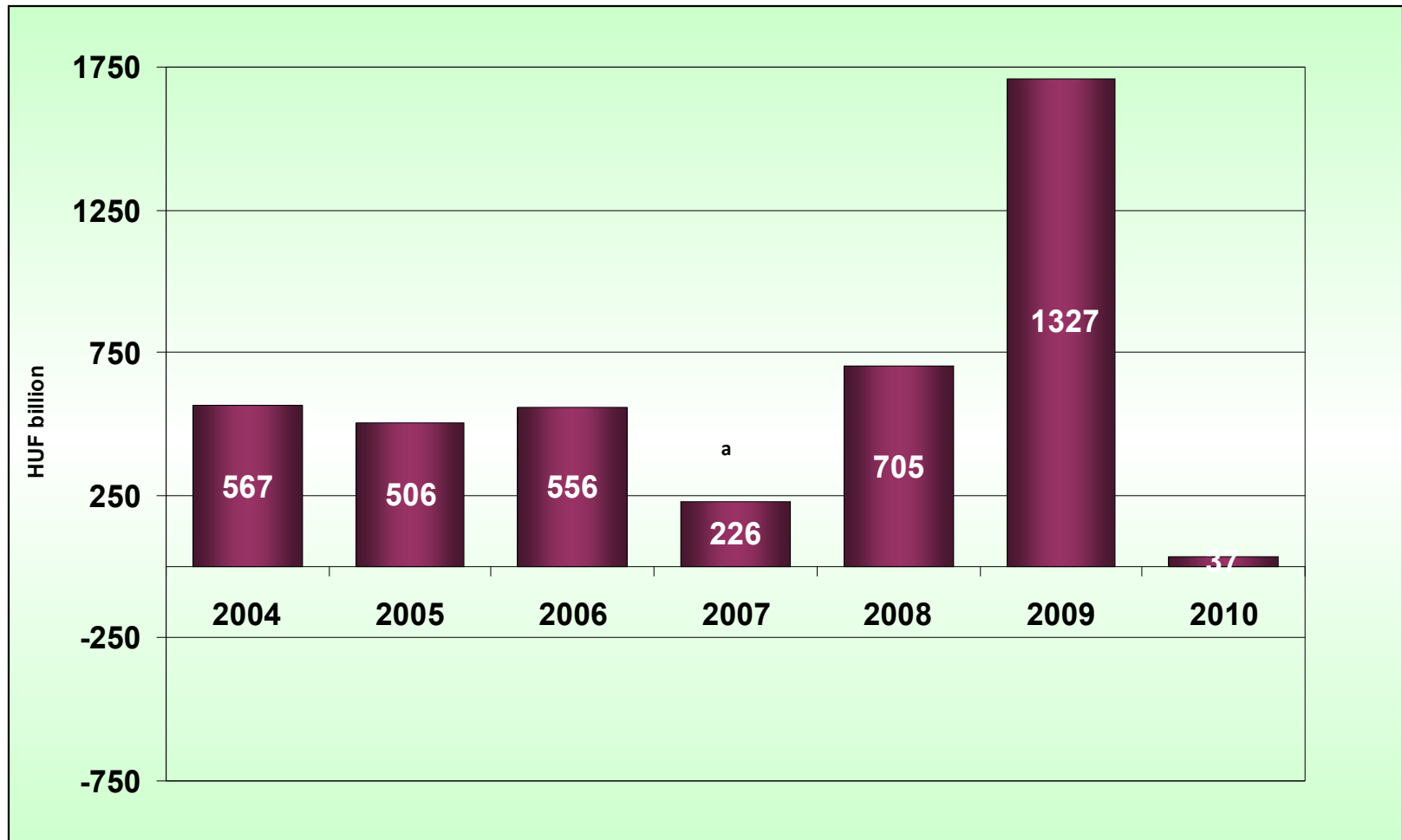
Positive net domestic currency debt issuance in 2010

Net HUF government securities issuance and net HUF loan transactions



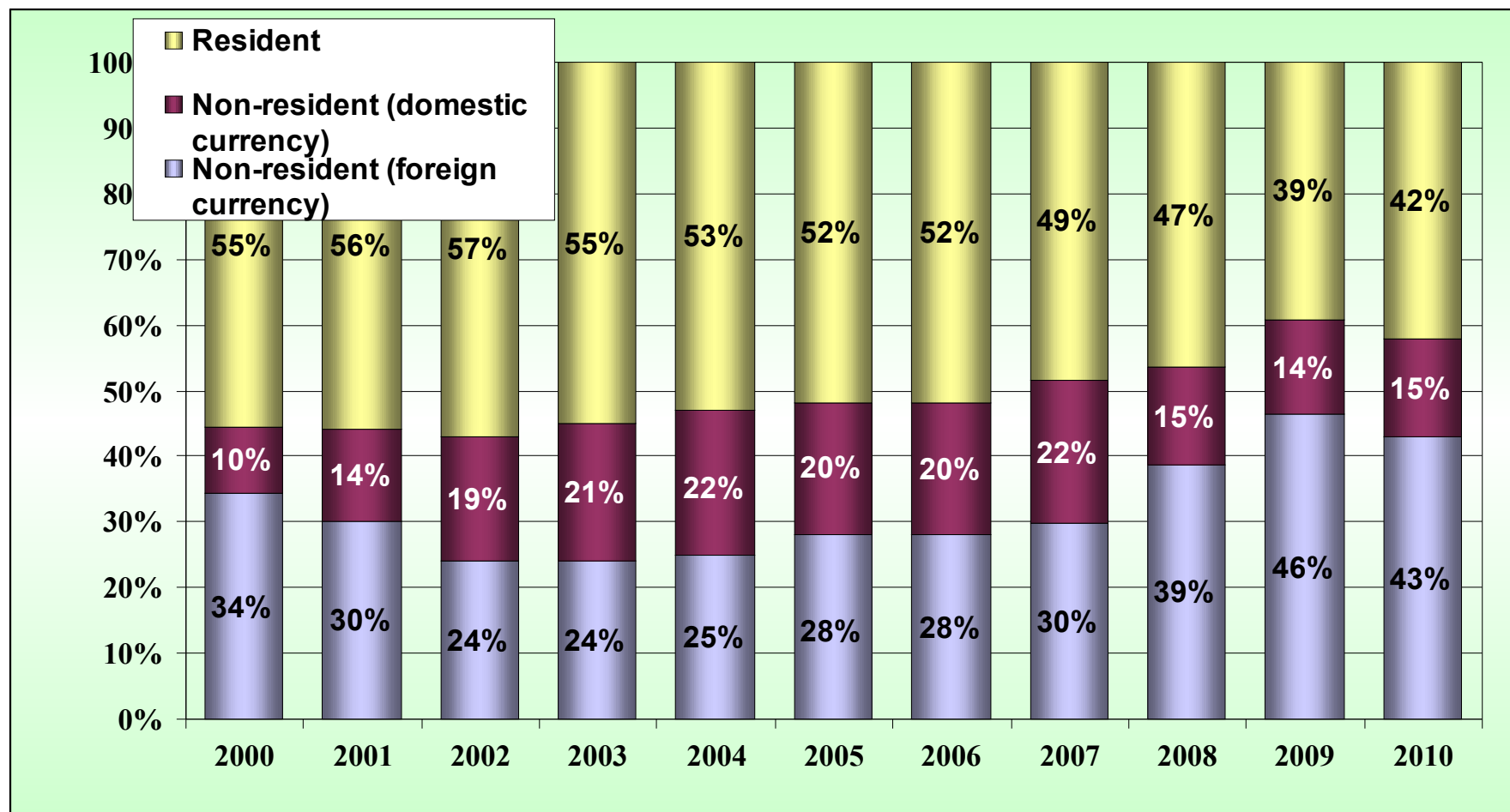
Small, positive net bond issuance in 2010

Net foreign currency debt issuance



Small, positive net issuance in 2010

The structure of gross issuance



Decreasing share of foreign currency issuance in 2010

Summary

- Stagnant net financing requirement.
- Small, positive net domestic bond issuance; flexible reactions to the effective demand.
- Slightly increasing stock of discount T-bills, constituting financing reserves.
- Project financing loans drawn down in domestic currency; increasing ratio of HUF debt within the total debt.
- Application of the unused part of the loans from the international loan package disbursed in 2008 and 2009.

Thank you for your attention!