Á·K·K

GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

JUNE 2008

The deficit of the central government amounted to HUF 722.0 billion in the first six months of 2008. The capital transfers to the NBH worth HUF 2.8 billion increased the net borrowing requirement. The prefinancing of cash transfers from the EU decreased the net borrowing requirement by HUF 228.5 billion. The total net financing requirement of HUF 496.3 billion was met by a net issuance of HUF 695.8 billion (ca. EUR 2.9 billion) out of which net domestic currency issuance was HUF 351.0 billion and net foreign exchange issuance totalled HUF 344.8 billion. The total amount outstanding of other liabilities decreased by HUF 4.1 billion in the first six months of 2008.

The HUF denominated debt of the central government increased by HUF 350.4 billion in the first six months of 2008 (the difference between the total net change and the net issuance was caused by the change in the volume of matured but unclaimed securities). Out of the increase in domestic debt, government bonds accounted for HUF 260.5 billion, discount Treasury bills for HUF 113.9 billion, while retail government securities decreased by HUF 22.0 billion. The stock of domestic loans decreased by HUF 0,2 billion.

The foreign currency debt of the central government increased by HUF 33.9 billion in the first half of 2008. The HUF 426.4 billion bond issuance and the drawdown of foreign currency denominated loans worth HUF 130.7 increased, while redemptions of foreign currency loans worth HUF 212.3 billion and exchange rate gains totalling HUF 310.8 billion decreased the Hungarian Forint value of the foreign currency debt.

Short-term secondary yields increased by 18-30 basis points in June, while the 3 year and 15-year yields increased by 38-45 basis points. The 1-year yield increased to 9.18% by 30 basis points, the 3-year yield increased by 45 bps and amounted to 9.55%, the 10-year benchmark yield reached 8.50% at the end of June after increasing by 40 basis points.

Monthly OTC turnover of government securities was 3% lower in June than a month before and reached HUF 3,595.2 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 39% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 61.9 in June, and amounted to HUF 3,070.1 billion at the end of the month. This volume represented 29.2% of the total amount of domestic government bonds and discount Treasury bills.

The issuance of the 6-month discount T-bill auctions have been suspended by the decision of ÁKK, the last auction was held on 11 June 2008.

The EUR/HUF exchange rate according to the Hungarian National Bank was 237.03 at the last working day of June.

The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows: BBB+ (Standard & Poor's); A2 (Moody's); BBB+ (Fitch).

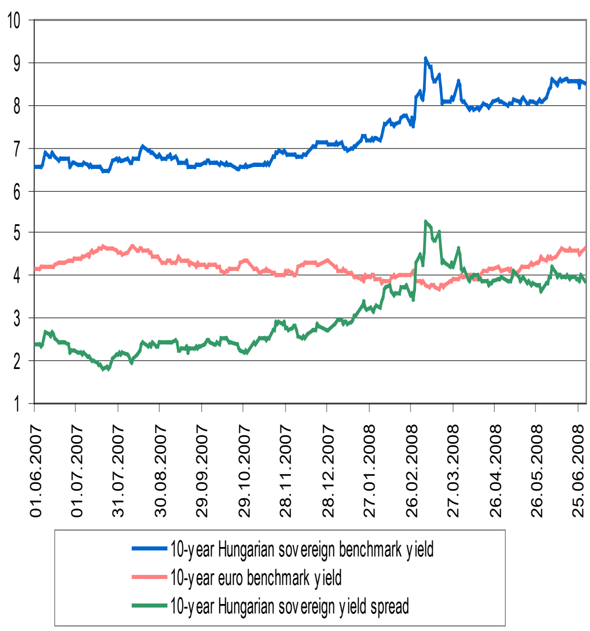
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

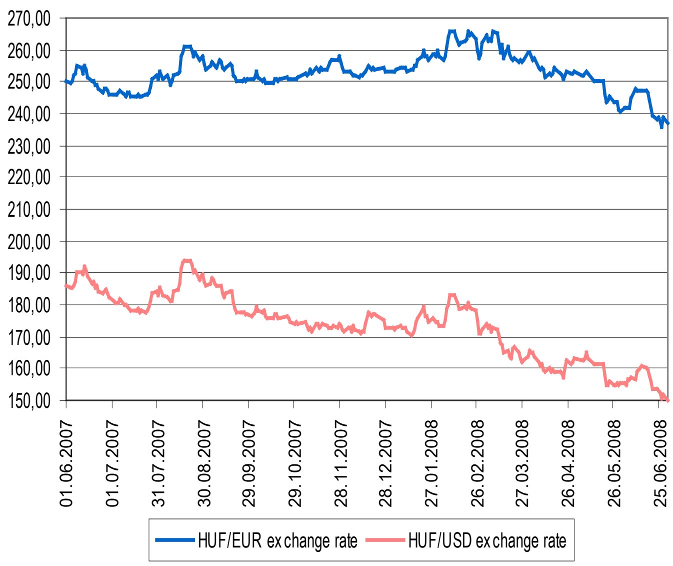
	2002	2003	2004	2005	2006	2007	April 2008	May 2008	June 2008
1. Forint denominated debt	6,956.9	8,008.7	8,608.8	9,153.5	10,552.3	11,103.8	11,409.4	11,385.8	11,454.2
1.1. Loans	353.2	117.9	4.7	0.8	356.4	145.7	145.7	145.7	145.5
1.2. Government securities	6,603.7	7,890.8	8,604.2	9,152.7	10,195.9	10,958.1	11,263.7	11,240.1	11,308.7
1.2.1. Public issues	5,826.3	7,131.5	7,860.6	8,418.8	9,667.5	10,465.4	10,722.0	10,748.4	10,817.9
1.2.1.1. Bonds	3,829.2	5,056.5	5,768.9	6,299.1	7,244.2	8,245.3	8,531.6	8,508.9	8,505.8
1.2.1.2. Discount T-bills	1,436.8	1,541.4	1,463.3	1,530.9	1,755.9	1,664.9	1,712.5	1,712.3	1,778.9
1.2.1.3. Retail securities	560.3	533.5	628.4	588.7	667.4	555.2	527.9	527.2	533.2
1.2.2. Private placements	777.4	759.3	743.6	733.9	528.4	492.7	491.7	491.7	490.9
2. Foreign currency denominated debt*	2,267.3	2,579.0	2,983.5	3,590.7	4,124.4	4,472.6	4,555.3	4,379.8	4,506.6
2.1. Loans	1,394.3	1,084.1	916.8	720.6	803.7	846.5	928.1	880.1	706.1
2.1.1. Foreign loans	461.9	598.8	528.9	616.9	700.1	838.8	920.4	872.7	706.1
2.1.2. Domestic loans	932.3	485.3	387.8	103.8	103.6	104.0	7.7	7.3	0.0
2.1.2.1. Raised from National Bank of Hungary (NBH)	849.6	466.5	355.7	96.1	95.9	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	82.8	18.8	32.2	7.7	7.7	7.7	7.7	7.3	0.0
2.2. Government securities	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,627.3	3,499.8	3,800.5
2.2.1. Issued abroad	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,627.3	3,499.8	3,800.5
2.2.1.1. Foreign currency bonds	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,626.1	3,627.2	3,499.7	3,800.5
2.2.1.2. Kingdom of Hungary 1924 issues	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	9,224.2	10,587.7	11,592.4	12,744.2	14,676.7	15,576.4	15,964.7	15,765.6	15,960.8
Other liabilities				21.4	29.0	9.1	5.3	5.1	5.0
Total central government debt				12,765.6	14,705.7	15,585.5	15,970.0	15,770.7	15,965.8
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*6,043.4*	*7,357.3*	*7,975.8*	*8,563.9*	*9,528.4*	*10,402.9*	*10,735.8*	*10,712.9*	*10,775.5*
Gross debt/GDP	*53.6%*	*55.9%*	*56.0%*	*57.9%*	*61.9%*	*61.4%*			

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

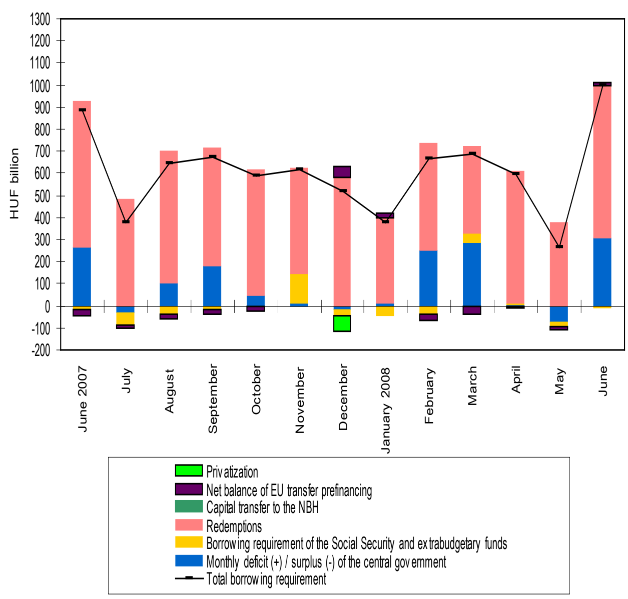
% 10-year Hungarian and eurozone benchmark yields during the last year



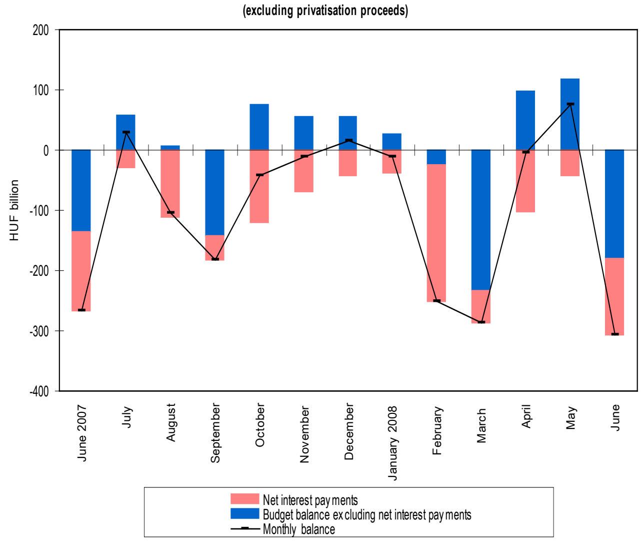
The exchange rate of the Hungarian Forint during the last year



Gross borrowing requirement



Monthly balance of the central government budget
(excluding privatisation proceeds)

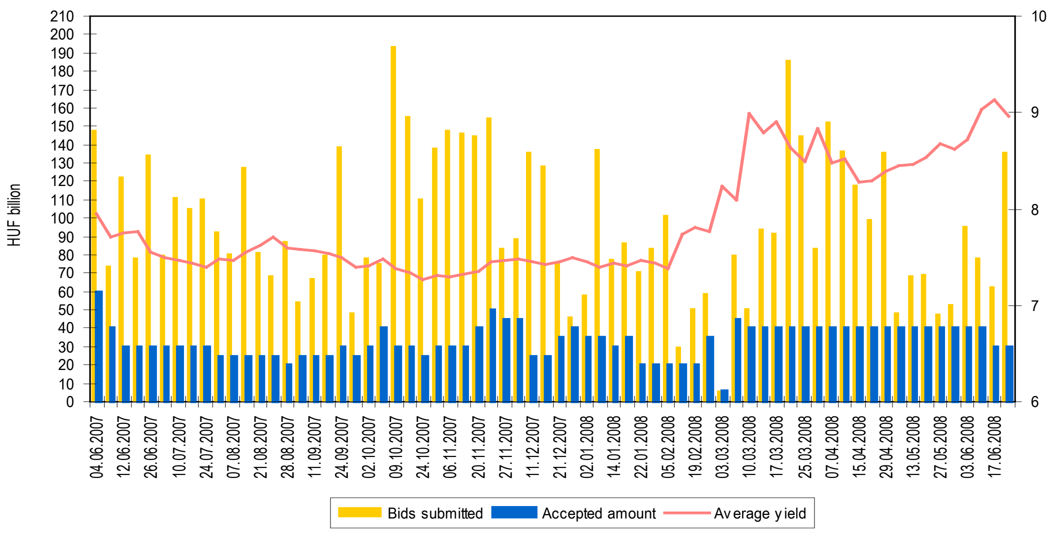


DISCOUNT TREASURY BILL AUCTION RESULTS

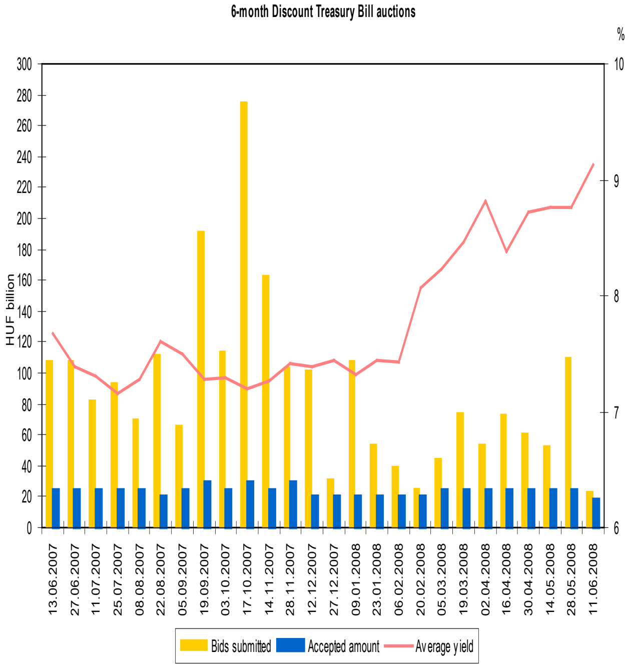
	Liquidity Discount T-bills	3-month Discount T-bills				6-month Discount T-bills	12-month Discount T-bills	
Code of T-bills	D080716	D080910	D080917	D080924	D0801001	D081119	D090603	D090603
ISIN code	HU0000516802	HU0000516885	HU0000516893	HU0000516760	HU0000516901	HU0000516836	HU0000516877	HU0000516877
Maturity in days	42	91	91	91	91	154	350	336
Date of auction	02.06.2008	03.06.2008	10.06.2008	17.06.2008	24.06.2008	11.06.2008	12.06.2008	26.06.2008
Date of financial settlement	04.06.2008	11.06.2008	18.06.2008	25.06.2008	02.07.2008	18.06.2008	18.06.2008	02.07.2008
Redemption date	16.07.2008	10.09.2008	17.09.2008	24.09.2008	01.10.2008	19.11.2008	03.06.2009	03.06.2009
Maximum yield, (%) - ISMA	8.65	8.75	9.08	9.19	9.00	9.23	9.85	9.26
Minimum yield (%) - ISMA	8.47	8.50	8.75	8.95	8.87	9.04	9.49	9.15
Average yield (%) - ISMA	8.62	8.73	9.03	9.13	8.96	9.13	9.71	9.22
Maximum yield, (%) - EHM	8.77	8.87	9.21	9.32	9.13	9.36	9.99	9.39
Minimum yield (%) - EHM	8.59	8.62	8.87	9.07	8.99	9.17	9.62	9.28
Average yield (%) - EHM	8.74	8.85	9.16	9.26	9.08	9.26	9.84	9.35
Average selling price (%)	99.0043	97.8409	97.7684	97.7442	97.7853	96.2412	91.3740	92.0765
Amount offered for sale (HUF m)	40,000.00	40,000.00	40,000.00	30,000.00	30,000.00	25,000.00	50,000.00	45,000.00
Amount of bids submitted (HUF m)	53,020.07	95,349.11	78,632.15	62,937.95	135,734.99	23,800.00	51,960.00	150,075.00
Amount of bids accepted (HUF m)	39,999.99	39,999.95	40,000.00	29,999.99	29,999.96	18,000.00	34,999.98	54,999.97
Bid-to-cover ratio	1.33	2.38	1.97	2.10	4.52	1.32	1.48	2.73
Bids submitted (pcs)	33	86	93	67	127	71	113	110
Bids accepted (pcs)	22	62	63	43	46	60	94	46
Market sales* (HUF million)	39,999.99	39,999.95	40,000.00	29,999.99	29,999.96	18,000.00	34,999.98	54,999.97
Retained on ÁKK's own account	0.01	4,000.05	4,000.00	3,000.01	3,000.04	3,600.00	7,000.02	11,000.03
Total amount issued (HUF million)	40,000.00	44,000.00	44,000.00	33,000.00	33,000.00	21,600.00	42,000.00	66,000.00

*Without issuance onto ÁKK's own account

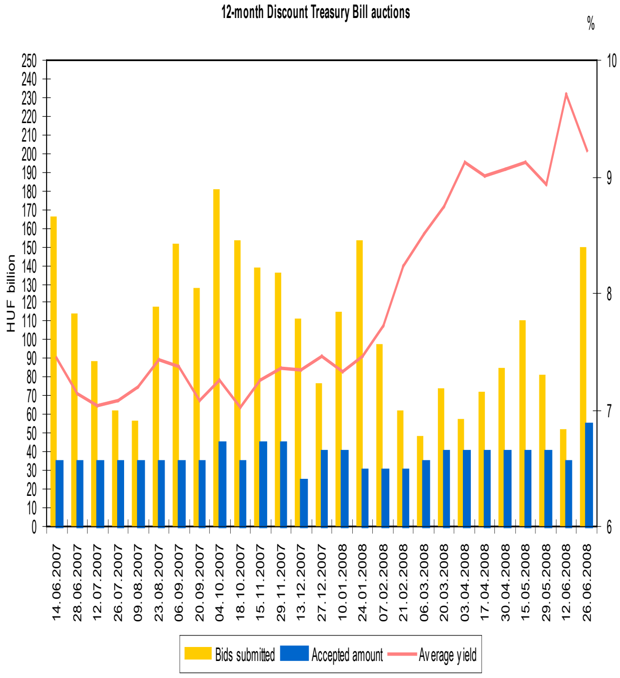
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions

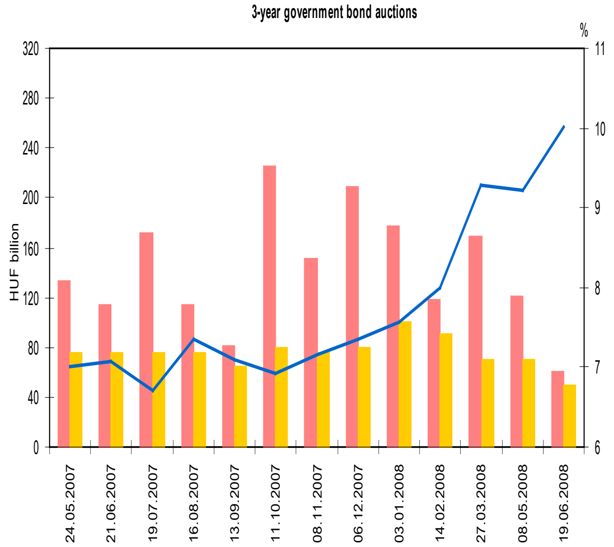


GOVERNMENT BOND AUCTION RESULTS

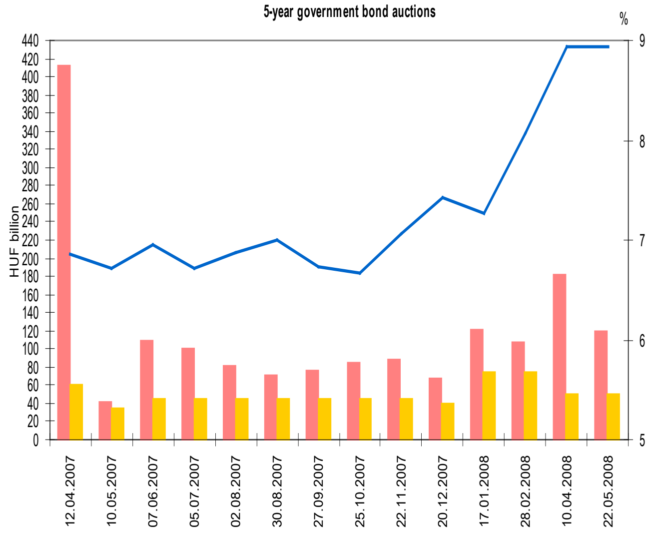
Government Bond	2011/C	2019/A
ISIN code	HU0000402425	HU0000402433
Maturity (in years)	3	10
Coupon (%)	6.75%	6.50%
Auction	5th auction	4th auction
Date of auction	19.06.2008	05.06.2008
Date of financial settlement	25.06.2008	11.06.2008
Redemption date	22.04.2011	24.06.2019
Maximum annual yield (%) - ISMA	10.15	8.45
Minimum annual yield (%) - ISMA	9.90	8.36
Average annual yield (%) - ISMA	10.02	8.43
Maximum annual yield (%) - EHM	10.15	8.45
Minimum annual yield (%) - EHM	9.90	8.36
Average annual yield (%) - EHM	10.02	8.42
Maximum price (%)	92.5070	86.9280
Minimum price (%)	91.9488	86.3546
Average price (%)	92.2425	86.5006
Amount offered for sale (HUF million)	70,000.00	40,000.00
Amount of bids submitted (HUF million)	59,987.14	91,016.85
Amount of bids accepted (HUF million)	49,999.98	39,999.92
Bid-to-cover ratio	1.20	2.28
Bids submitted (pcs)	85	115
Bids accepted (pcs)	79	64
Tail (average price - minimum price)	0.29	0.15
Market sales* (HUF million)	49,999.98	39,999.92
Retained on ÁKK's own account (HUF million)	0.02	8,000.08
Total amount issued (HUF million)	50,000.00	48,000.00

*Without issuance onto ÁKK's own account

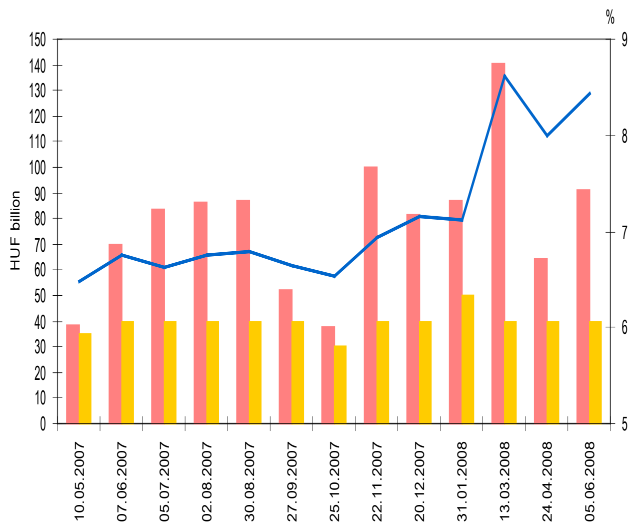
3-year government bond auctions



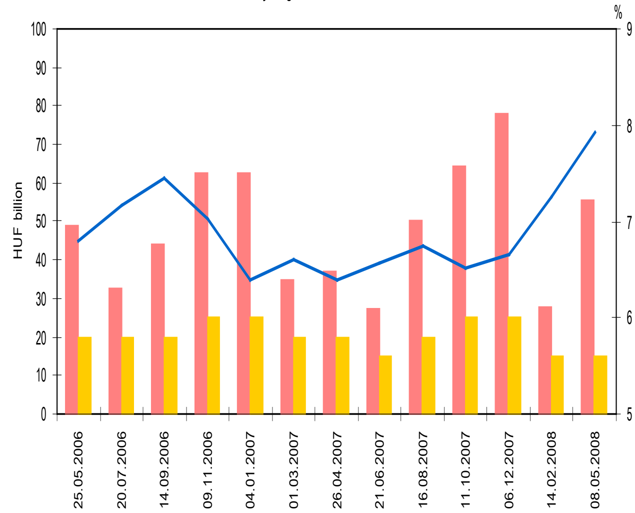
5-year government bond auctions



10-year government bond auctions

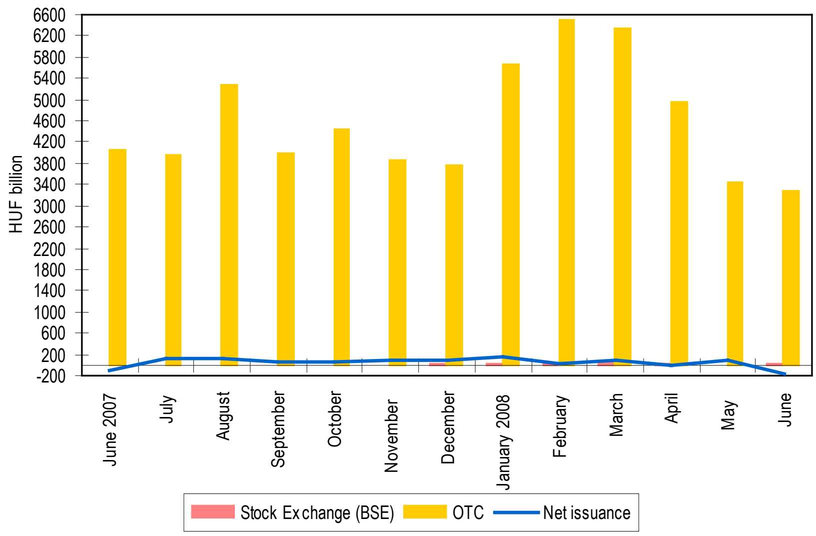


15-year government bond auctions

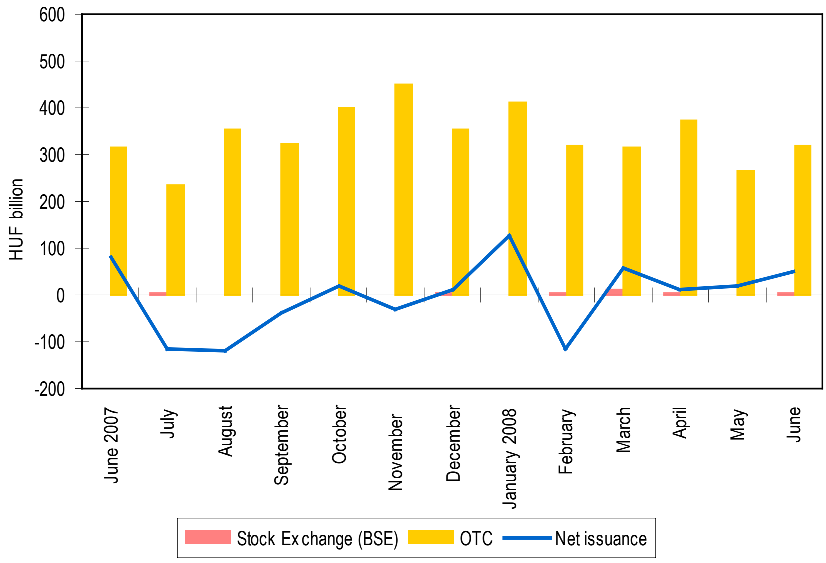


Bids submitted Accepted amount Average yield

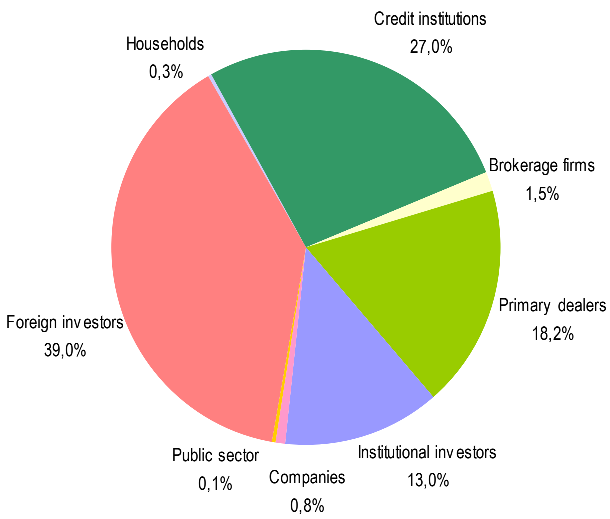
Secondary market trading of government bonds



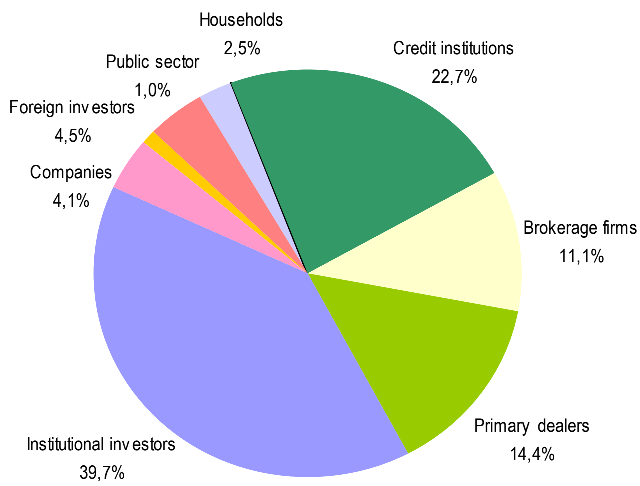
Secondary market trading of Discount Treasury Bills

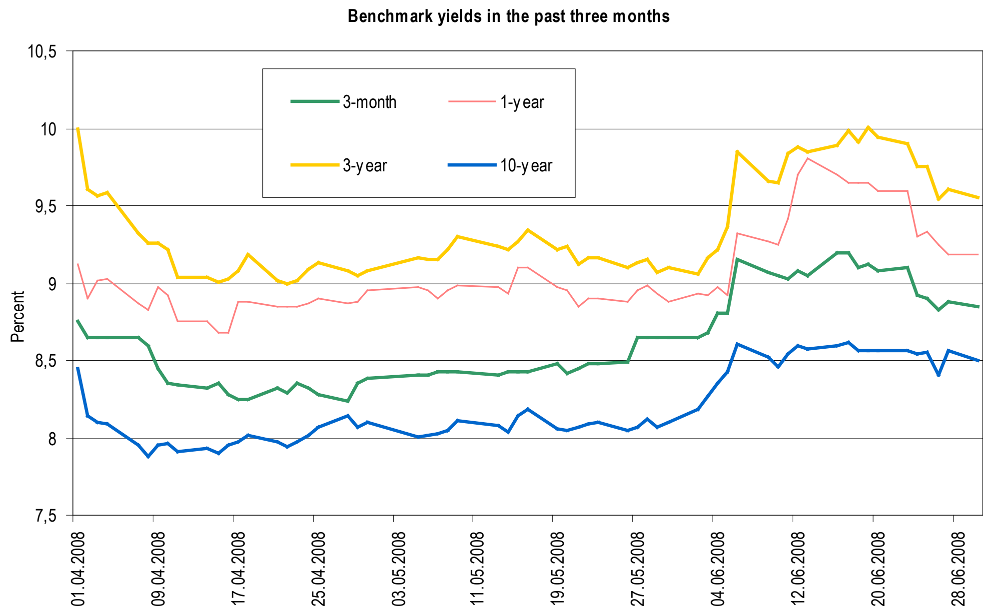


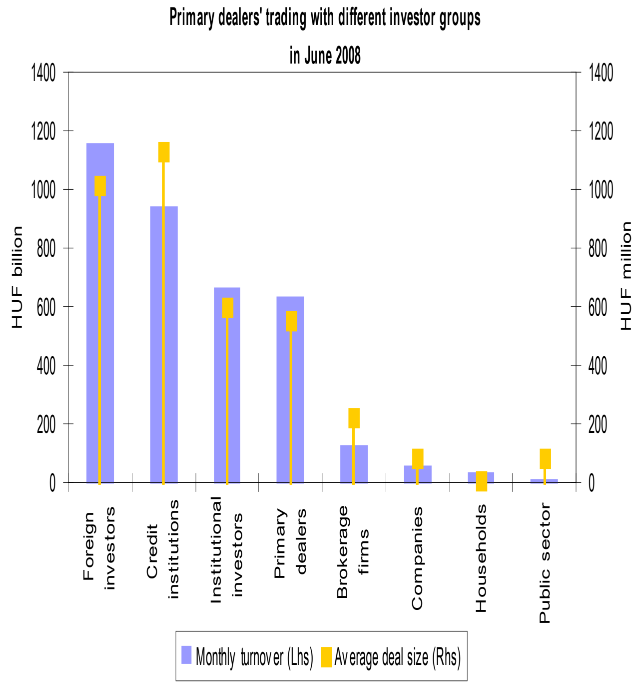
Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in June 2008

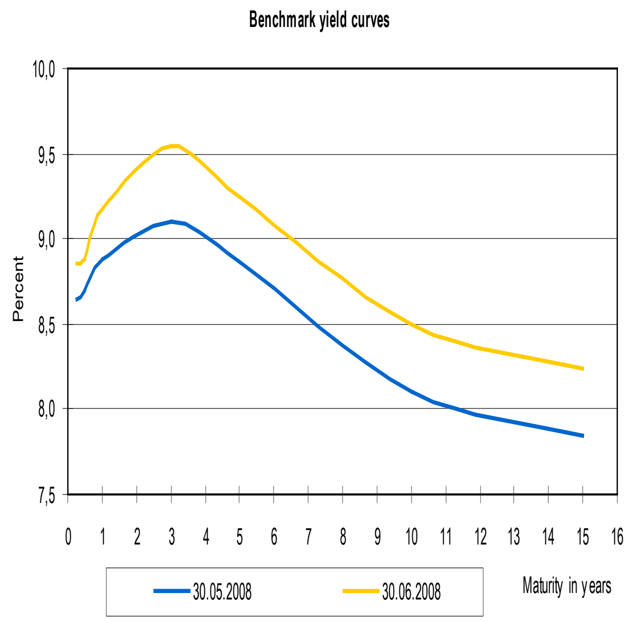


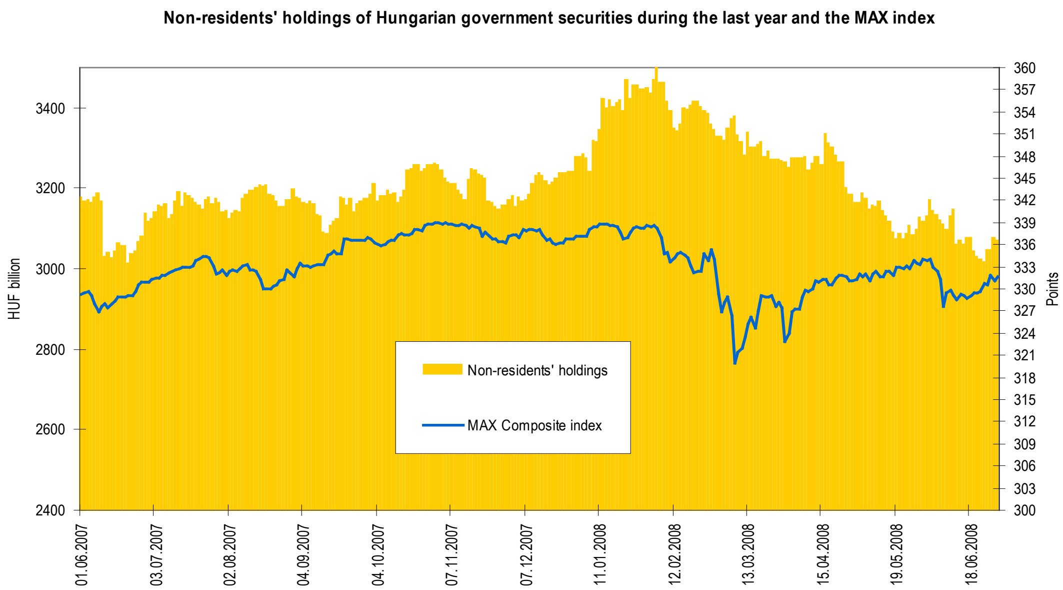
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in June 2008




Benchmark yields in the past three months
Percent
3-month
1-year
3-year
10-year
10,5
10
9,5
9
8,5
8
7,5
01.04.2008
09.04.2008
17.04.2008
25.04.2008
03.05.2008
11.05.2008
19.05.2008
27.05.2008
04.06.2008
12.06.2008
20.06.2008
28.06.2008


Primary dealers' trading with different investor groups in June 2008
HUF billion
HUF million
Foreign investors
Credit institutions
Institutional investors
Primary dealers
Brokerage firms
Companies
Households
Public sector
Monthly turnover (Lhs)
Average deal size (Rhs)


Benchmark yield curves
Percent
30.05.2008
30.06.2008
Maturity in years


Non-residents' holdings of Hungarian government securities during the last year and the MAX index
HUF billion
Points
Non-residents' holdings
MAX Composite index
01.06.2007
03.07.2007
02.08.2007
04.09.2007
04.10.2007
07.11.2007
07.12.2007
11.01.2008
12.02.2008
13.03.2008
15.04.2008
19.05.2008
18.06.2008

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JUNE 2008

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2013/C	19.06.2008	20.06.2008	20.12.2008	22.12.2008	8.30	4.22
2014/B	19.06.2008	20.06.2008	20.12.2008	22.12.2008	8.30	4.22
2016/A	01.06.2008	30.06.2008	30.09.2008	30.09.2008	8.25	2.08

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 June 2008	333.1883	350.6736	331.6572	355.4437
Changes compared to the end of the month before	2.8480	-1.9005	2.2119	-2.3974
Annual yield earned on the index portfolio	-0.94%	6.92%	0.20%	7.66%

Government securities with the highest secondary market turnover in June 2008

Government security	Date of redemption	Turnover (HUF billion)
2010/D	24.08.2010	428.8
2012/C	24.10.2012	381.1
2011/C	22.04.2011	306.2
2017/B	24.02.2017	252.2
2012/B	12.06.2012	166.3
2009/C	24.06.2009	145.8
2019/A	24.06.2019	134.4
2010/C	12.04.2010	126.9
2009/F	12.08.2009	123.0
2013/D	12.02.2013	119.8

The outstanding volume of government bonds with benchmark status at the end of June 2008

	HUF billion	
Government bond	30.05.2008	30.06.2008
2011/C	332.07	382.99
2012/C	515.17	515.24
2019/A	130.02	170.04
2023/A	180.08	180.08

PRIMARY DEALERS - AS AT 30 JUNE 2008

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