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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

MAY 2008

The deficit of the central government amounted to HUF 424.8 billion in the first five 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 244.3 billion. The total net financing requirement of HUF 183.3 billion was met by a net issuance of HUF 420.1 billion (ca. EUR 1.7 billion1) out of which net domestic currency issuance was HUF 282.4 billion and net foreign exchange issuance totalled HUF 137.7 billion.

The HUF denominated debt of the central government increased by HUF 282.0 billion in the first five 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 263.6 billion, discount Treasury bills for HUF 47.4 billion, while retail government securities decreased by HUF 28.0 billion. The stock of domestic loans remained unchanged.

The foreign currency debt of the central government decreased by HUF 92.8 billion till the end of May. The redemptions of foreign currency loans was HUF 48.0 billion, the drawdown of foreign currency denominated loans worth HUF 130.7 billion, while the HUF 55.0 billion bond issuance. Exchange rate revaluation of HUF 230.5 billion decreased the HUF value of the foreign currency debt compared to the end of last year.

Short-term secondary yields increased by 15-27 basis points in May, with the exception of the 12-month maturity, while the 3 year and 5-year yields increased by 0-5 basis points. The 1-year yield decreased to 8.88% by 7 basis points, the 3-year yield increased by 2 bps and amounted to 9.10%, the 10-year benchmark yield did not change and amounted to 8.10% at the end of May.

Monthly OTC turnover of government securities was 31% lower in May than a month before and reached HUF 3,704.8 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 42% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 57.6 in May, and amounted to HUF 3,132.1 billion at the end of the month. This volume represented 29.7% of the total amount of domestic government bonds and discount Treasury bills.

The EUR/HUF exchange rate according to the Hungarian National Bank was 240.80 on the last working day of May.

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).

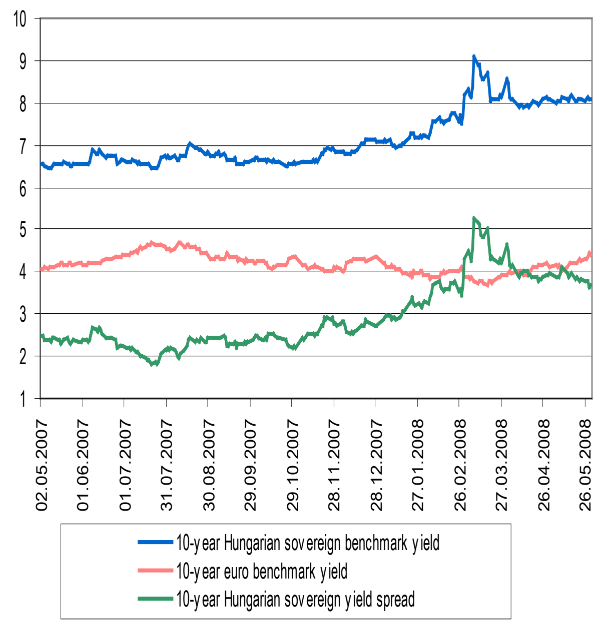
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

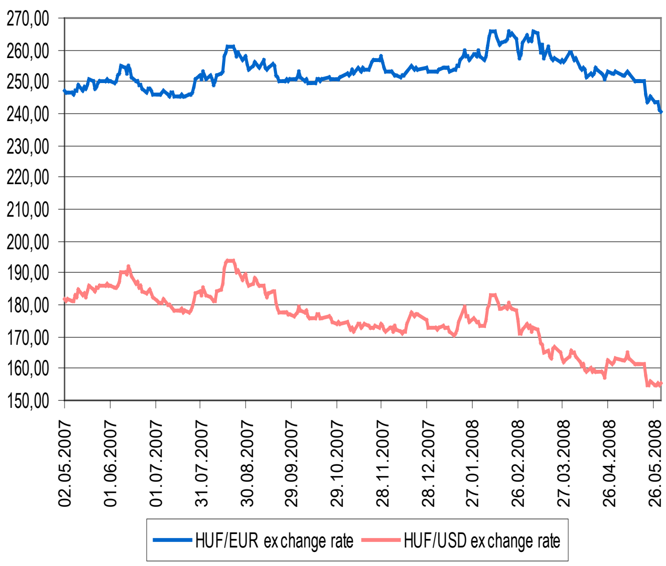
	2002	2003	2004	2005	2006	2007	March 2008	April 2008	May 2008
1. Forint denominated debt	6,956.9	8,008.7	8,608.8	9,153.5	10,552.3	11,103.8	11,476.4	11,409.4	11,385.8
1.1. Loans	353.2	117.9	4.7	0.8	356.4	145.7	145.7	145.7	145.7
1.2. Government securities	6,603.7	7,890.8	8,604.2	9,152.7	10,195.9	10,958.1	11,330.7	11,263.7	11,240.1
1.2.1. Public issues	5,826.3	7,131.5	7,860.6	8,418.8	9,667.5	10,465.4	10,839.7	10,722.0	10,748.4
1.2.1.1. Bonds	3,829.2	5,056.5	5,768.9	6,299.1	7,244.2	8,245.3	8,588.0	8,531.6	8,508.9
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	1,718.5	1,712.5	1,712.3
1.2.1.3. Retail securities	560.3	533.5	628.4	588.7	667.4	555.2	532.5	527.9	527.2
1.2.2. Private placements	777.4	759.3	743.6	733.9	528.4	492.7	491.7	491.7	491.7
2. Foreign currency denominated debt*	2,267.3	2,579.0	2,983.5	3,590.7	4,124.4	4,472.6	4,663.5	4,555.3	4,379.8
2.1. Loans	1,394.3	1,084.1	916.8	720.6	803.7	846.5	951.4	928.1	880.1
2.1.1. Foreign loans	461.9	598.8	528.9	616.9	700.1	838.8	943.5	920.4	872.7
2.1.2. Domestic loans	932.3	485.3	387.8	103.8	103.6	104.0	7.9	7.7	7.3
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	7.9	7.7	7.3
2.2. Government securities	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,712.2	3,627.3	3,499.8
2.2.1. Issued abroad	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,712.2	3,627.3	3,499.8
2.2.1.1. Foreign currency bonds	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,626.1	3,712.1	3,627.2	3,499.7
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	16,139.9	15,964.7	15,765.6
Other liabilities				21.4	29.0	9.1	15.3	5.3	5.1
Total central government debt				12,765.6	14,705.7	15,585.5	16,155.1	15,970.0	15,770.7
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*	*10,798.2*	*10,735.8*	*10,712.9*
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.

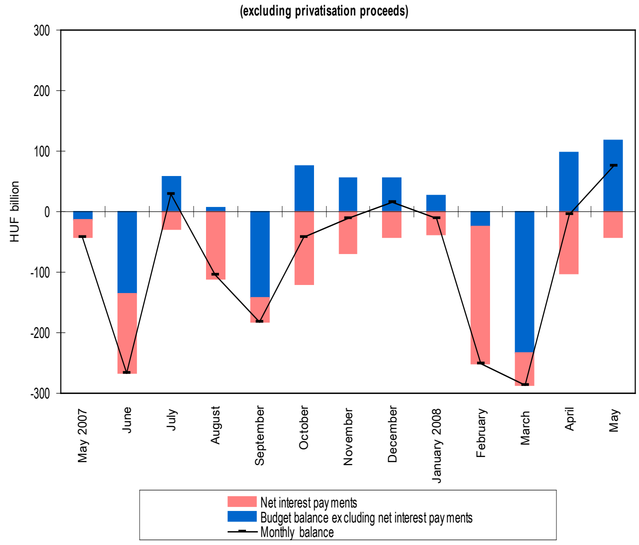
10-year Hungarian and eurozone benchmark yields during the last year



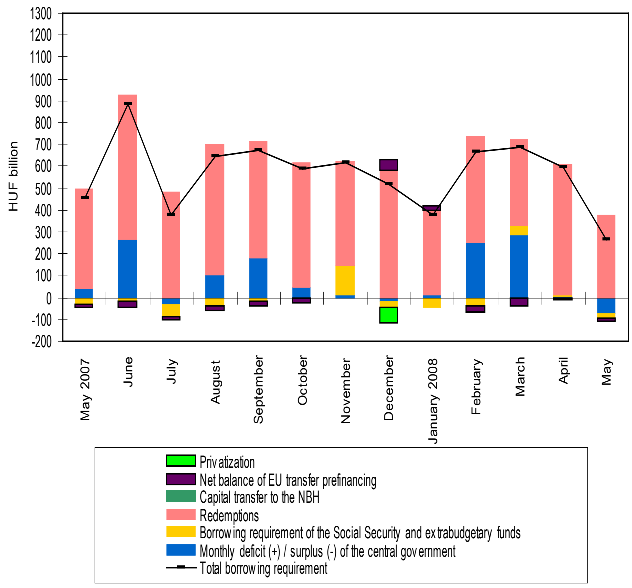
The exchange rate of the Hungarian Forint during the last year



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



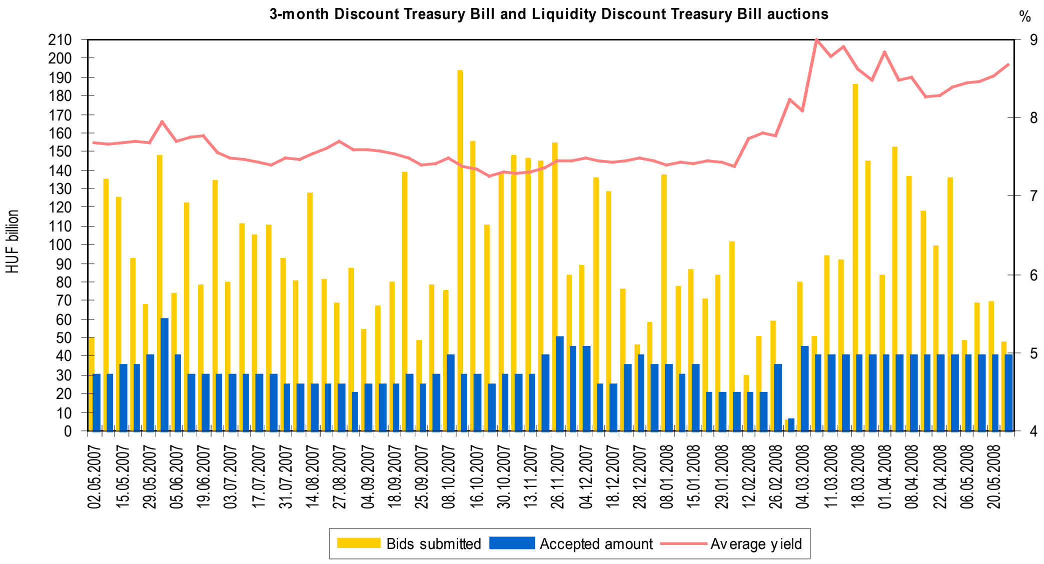
Gross borrowing requirement

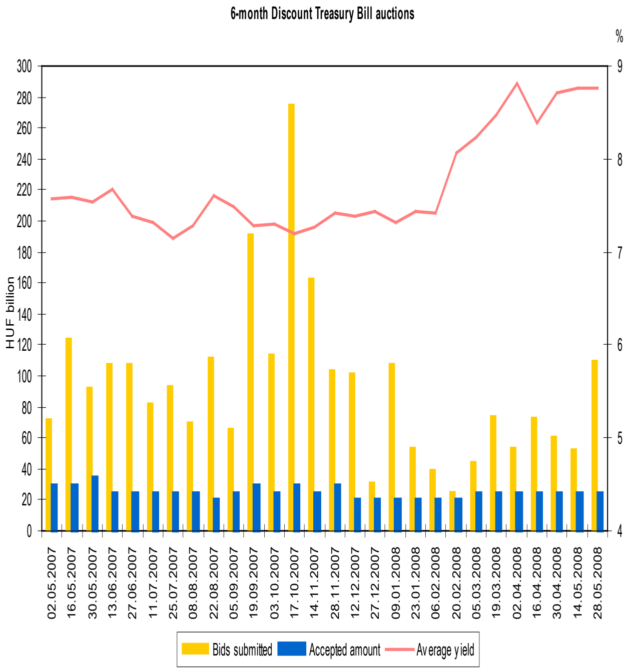


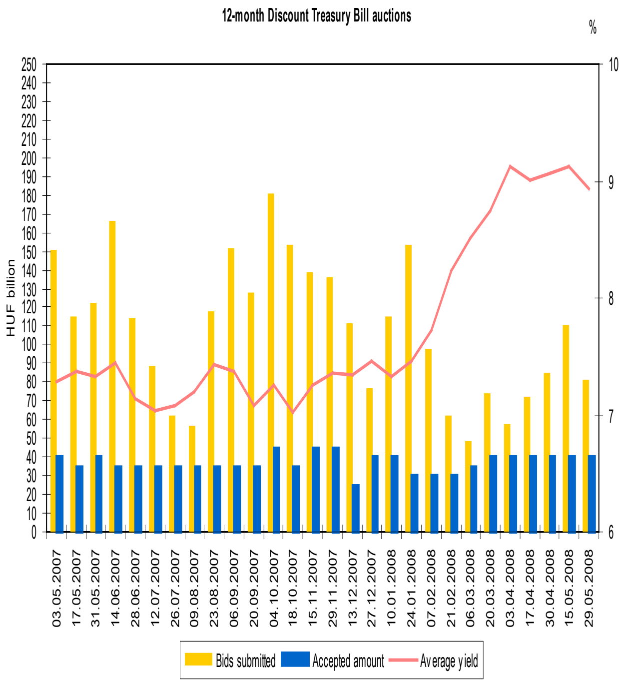
DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D080813	D080821	D080827	D080803	D081119	D081119	D090408	D090603
ISIN code	HU0000516844	HU0000516851	HU0000516463	HU0000516869	HU0000516836	HU0000516836	HU0000516794	HU0000516877
Maturity in days	91	92	91	91	182	168	322	364
Date of auction	06.05.2008	13.05.2008	20.05.2008	27.05.2008	14.05.2008	28.05.2008	15.05.2008	29.05.2008
Date of financial settlement	14.05.2008	12.05.2008	28.05.2008	04.06.2008	21.05.2008	04.06.2008	21.05.2008	04.06.2008
Redemption date	13.08.2008	21.08.2008	27.08.2008	03.09.2008	19.11.2008	19.11.2008	08.04.2009	03.06.2009
Maximum yield, (%) - ISMA	8.50	8.50	8.57	8.77	8.79	8.79	9.15	8.98
Minimum yield (%) - ISMA	8.36	8.35	8.40	8.50	8.70	8.73	9.06	8.75
Average yield (%) - ISMA	8.45	8.47	8.54	8.68	8.76	8.77	9.12	8.93
Maximum yield, (%) - EHM	8.62	8.62	8.69	8.89	8.91	8.91	9.28	9.10
Minimum yield (%) - EHM	8.48	8.47	8.52	8.62	8.82	8.85	9.19	8.87
Average yield (%) - EHM	8.57	8.59	8.66	8.80	8.88	8.89	9.25	9.05
Average selling price (%)	97.9087	97.8813	97.8869	97.8530	95.7591	96.0682	92.4579	91.7185
Amount offered for sale (HUF m)	40,000.00	40,000.00	40,000.00	40,000.00	25,000.00	25,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF m)	48,409.64	68,665.27	69,365.85	47,717.44	52,866.51	109,748.51	110,154.62	81,393.12
Amount of bids accepted (HUF m)	40,000.00	39,999.88	39,999.98	39,999.98	24,999.97	24,999.97	39,999.96	39,999.97
Bid-to-cover ratio	1.21	1.72	1.73	1.19	2.11	4.39	2.75	2.03
Bids submitted (pcs)	74	72	79	87	77	113	113	150
Bids accepted (pcs)	62	60	60	76	46	23	63	76
Market sales* (HUF million)	40,000.00	39,999.88	39,999.98	39,999.98	24,999.97	24,999.97	39,999.96	39,999.97
Retained on ÁKK's own account	4,000.00	4,000.12	4,000.02	4,000.02	5,000.03	5,000.03	8,000.04	12,000.03
Total amount issued (HUF million)	44,000.00	44,000.00	44,000.00	44,000.00	30,000.00	30,000.00	48,000.00	52,000.00

*Without issuance onto ÁKK's own account





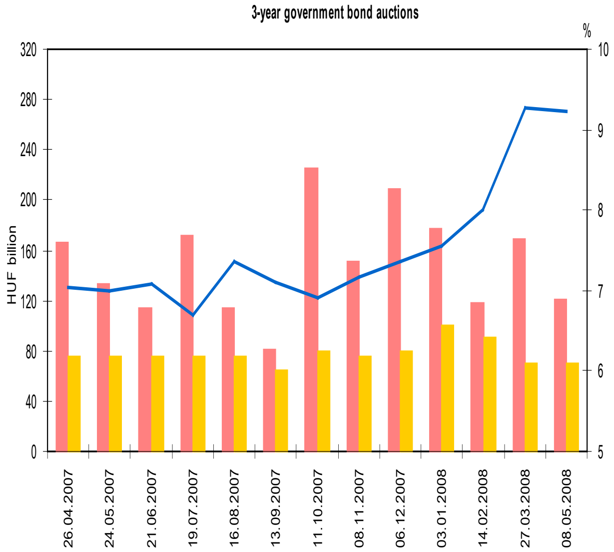


GOVERNMENT BOND AUCTION RESULTS

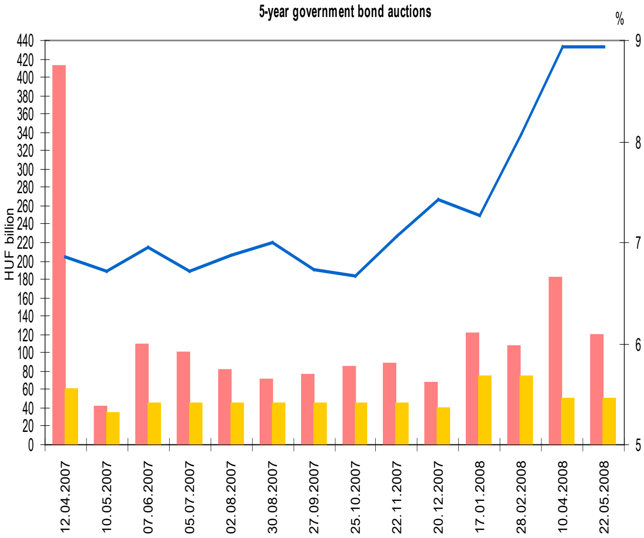
Government Bond	2011/C	2023/A	2012/C
ISIN code	HU0000402425	HU0000402383	HU0000402417
Maturity (in years)	3	15	5
Coupon (%)	6.75%	6.00%	6.00%
Auction	7st auction	4st auction	8st auction
Date of auction	08.05.2008	08.05.2008	22.05.2008
Date of financial settlement	14.05.2008	14.05.2008	28.05.2008
Redemption date	22.04.2011	24.11.2023	24.10.2012
Maximum annual yield (%) - ISMA	9.30	7.98	8.95
Minimum annual yield (%) - ISMA	9.00	7.88	8.90
Average annual yield (%) - ISMA	9.22	7.93	8.93
Maximum annual yield (%) - EHM	9.30	7.97	8.94
Minimum annual yield (%) - EHM	9.00	7.87	8.89
Average annual yield (%) - EHM	9.22	7.92	8.92
Maximum price (%)	94.3889	83.4316	89.7319
Minimum price (%)	93.6757	82.6614	89.5678
Average price (%)	93.8594	83.0823	89.6497
Amount offered for sale (HUF million)	70,000.00	15,000.00	50,000.00
Amount of bids submitted (HUF million)	121,219.35	55,328.00	118,875.06
Amount of bids accepted (HUF million)	69,999.98	14,999.99	49,999.93
Bid-to-cover ratio	1.73	3.69	2.38
Bids submitted (pcs)	92	56	110
Bids accepted (pcs)	83	40	51
Tail (average price - minimum price)	0.18	0.42	0.08
Market sales* (HUF million)	69,999.98	14,999.99	49,999.93
Retained on ÁKK's own account (HUF million)	0.02	3 000.01	0.07
Total amount issued (HUF million)	70,000.00	18,000.00	50,000.00

*Without issuance onto ÁKK's own account

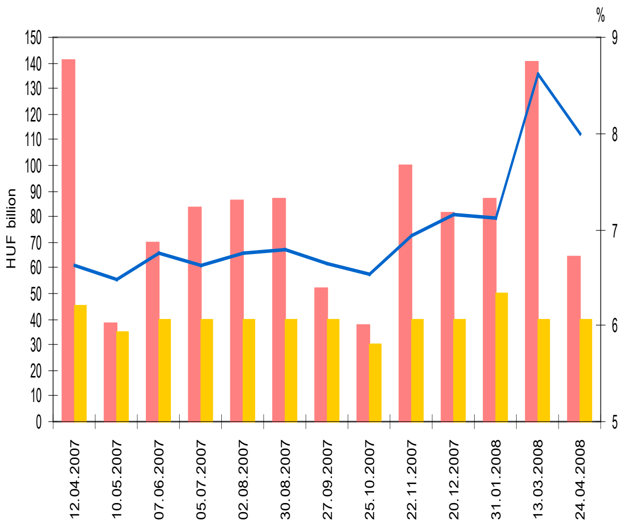
3-year government bond auctions



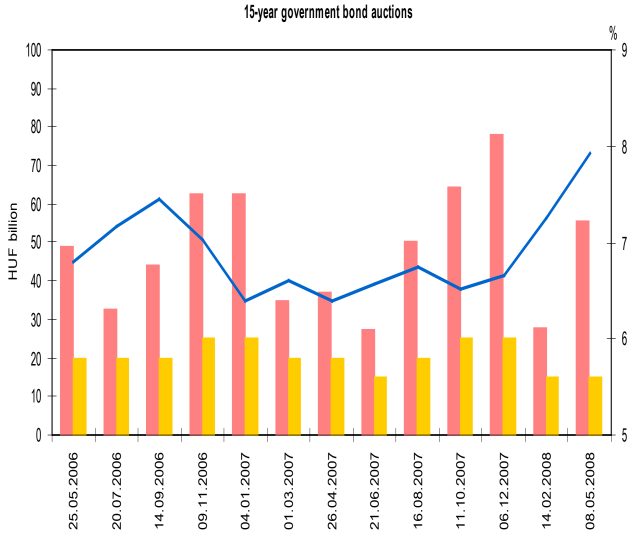
5-year government bond auctions



10-year government bond auctions



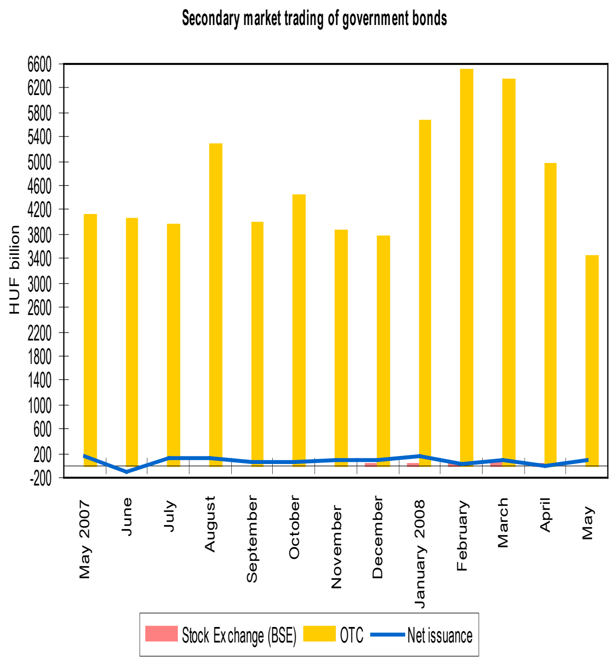
15-year government bond auctions

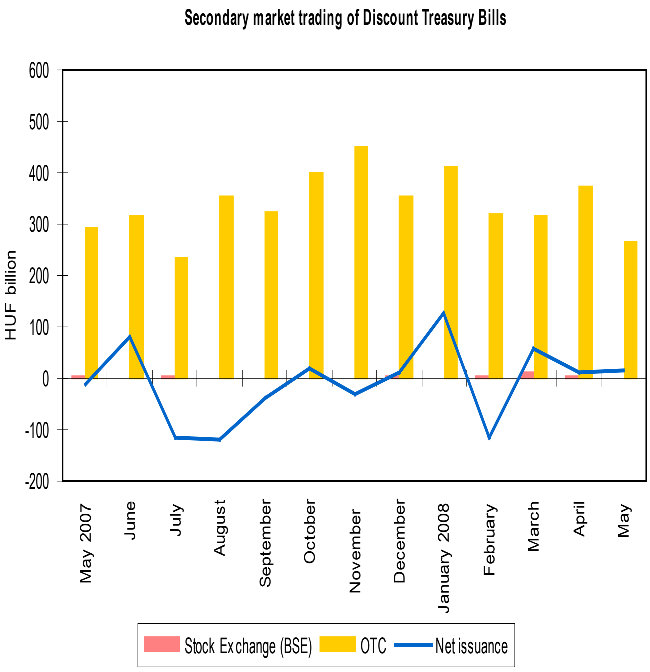


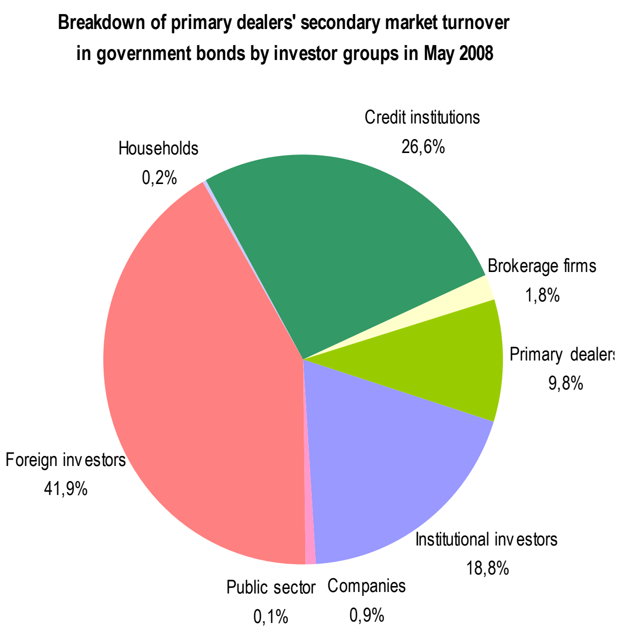
Bids submitted | Accepted amount | Average yield

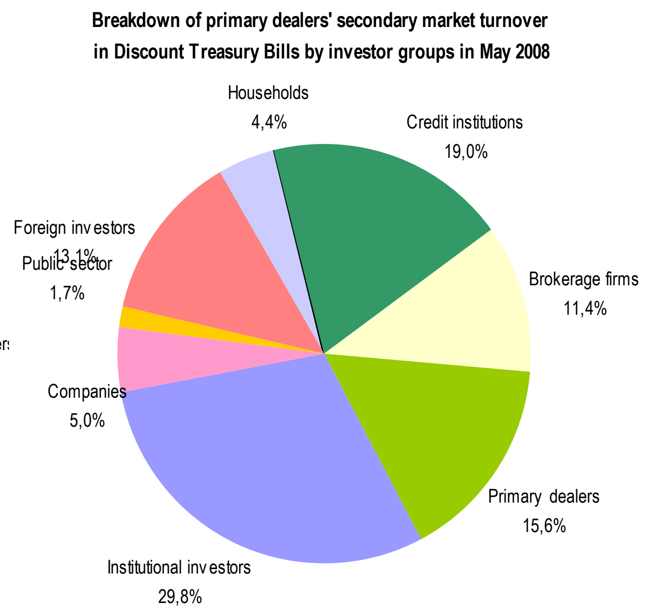
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

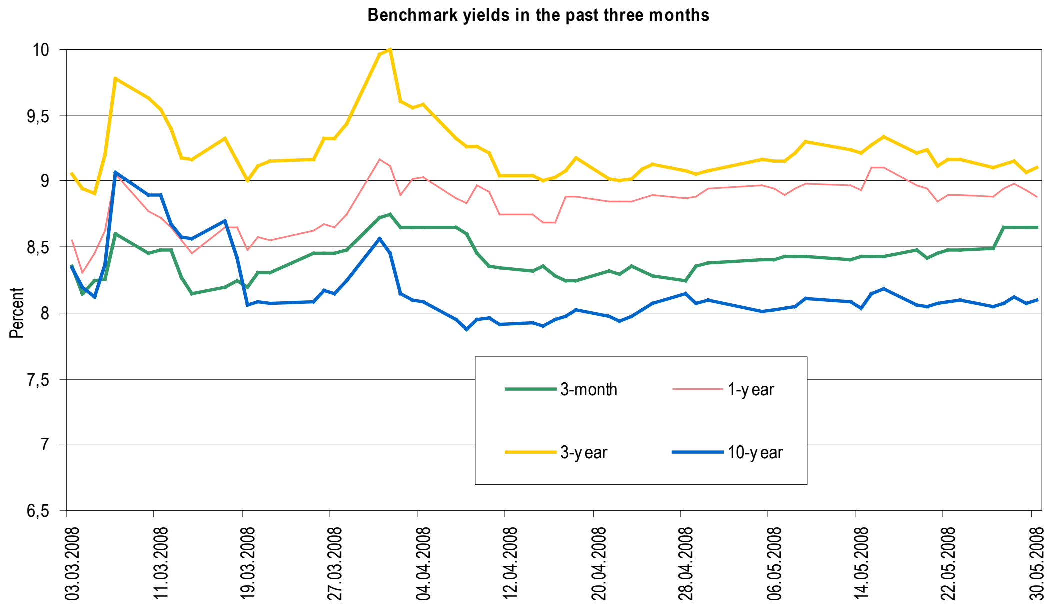
Government bond	2008/E	2009/E
ISIN code	HU0000402300	HU0000402326
Coupon (%)	6.50%	6.25%
Date of reverse auction	07.05.2008	07.05.2008
Date of financial settlement	14.05.2008	14.05.2008
Redemption date	12.08.2008	24.04.2009
Minimum annual yield (%)	8.70	9.00
Average annual yield (%)	8.76	9.00
Amount of bids submitted (HUF million)	6,556.48	74,262.87
Amount of bids accepted (HUF million)	6,450.48	37,919.91

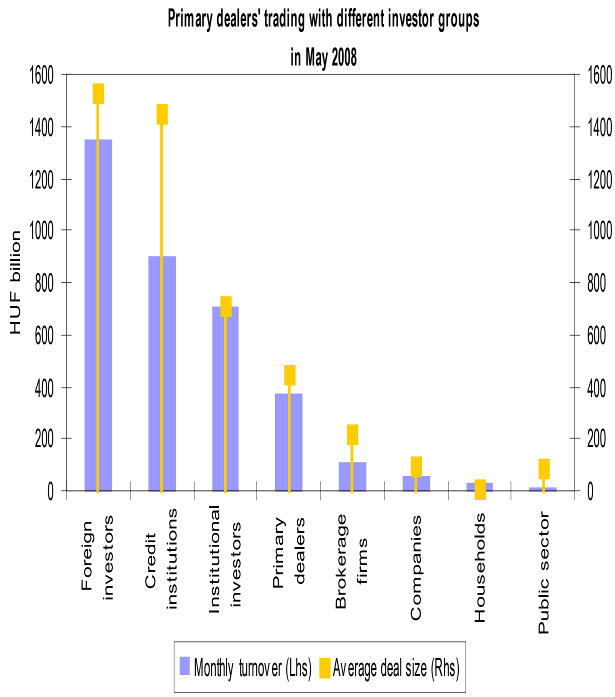


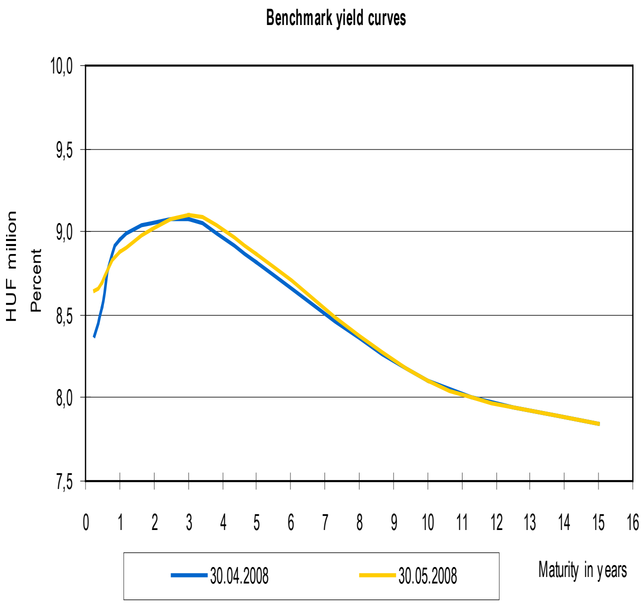


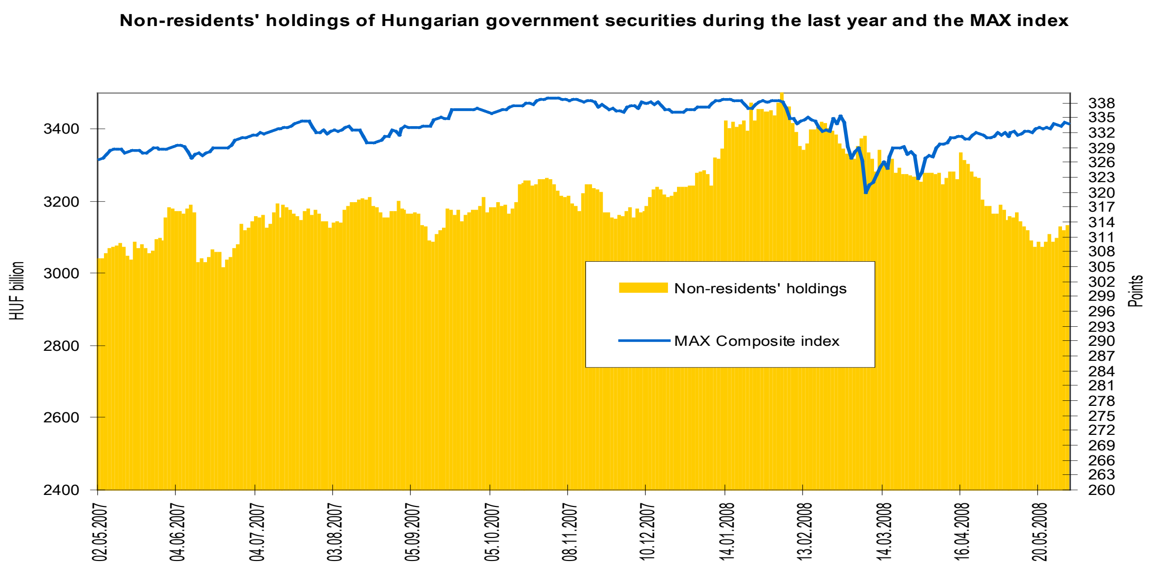





Benchmark yields in the past three months
Percent
10
9,5
9
8,5
8
7,5
7
6,5
3-month
1-year
3-year
10-year
03.03.2008
11.03.2008
19.03.2008
27.03.2008
04.04.2008
12.04.2008
20.04.2008
28.04.2008
06.05.2008
14.05.2008
22.05.2008
30.05.2008


Primary dealers' trading with different investor groups in May 2008
HUF billion
HUF million
1600
1400
1200
1000
800
600
400
200
0
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
10,0
9,5
9,0
8,5
8,0
7,5
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
30.04.2008
30.05.2008
Maturity in years


Non-residents' holdings of Hungarian government securities during the last year and the MAX index
HUF billion
3400
3200
3000
2800
2600
2400
Points
338
335
332
329
326
323
320
317
314
311
308
305
302
299
296
293
290
287
284
281
278
275
272
269
266
263
260
Non-residents' holdings
MAX Composite index
02.05.2007
04.06.2007
04.07.2007
03.08.2007
05.09.2007
05.10.2007
08.11.2007
10.12.2007
14.01.2008
13.02.2008
14.03.2008
16.04.2008
20.05.2008

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MAY 2008

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2014/A	30.04.2008	02.05.2008	02.11.2008	03.11.2008	7.90	4.04

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 May 2008	336.0363	348.7731	333.8691	353.0463
Changes compared to the end of the month before	2.2348	2.3127	2.2311	2.2116
Annual yield earned on the index portfolio	0.50%	7.09%	1.48%	7.65%

Government securities with the highest secondary market turnover in May 2008

Government security	Date of redemption	Turnover (HUF billion)
2010/D	24.08.2010	504.3
2012/C	24.10.2012	479.4
2017/B	24.02.2017	299.4
2011/C	22.04.2011	278.6
2012/B	12.06.2012	218.3
2010/C	12.04.2010	213.3
2011/B	12.10.2011	157.2
2015/A	12.02.2015	103.4
2009/D	12.10.2009	93.2
2009/E	24.04.2009	91.6

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

	HUF billion	
Government bond	30.04.2008	30.05.2008
2011/C	261.53	332.07
2012/C	465.16	515.17
2019/A	130.02	130.02
2023/A	165.08	180.08

PRIMARY DEALERS - AS AT 31 MAY 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