Á·K·K
GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

SEPTEMBER 2008

The deficit of the central government amounted to HUF 731.0 billion in the first nine 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 223.4 billion. The total net financing requirement of HUF 510.4 billion was met by a net issuance of HUF 589.4 billion (ca. EUR 2.4 billion) out of which net domestic currency issuance was HUF 218.9 billion and net foreign exchange issuance totalled HUF 370.5 billion. The total amount outstanding of other liabilities decreased by HUF 2.1 billion in the first nine months of 2008.

The HUF denominated debt of the central government increased by HUF 218.6 billion in the first nine 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 179.0 billion, discount Treasury bills for HUF 58.8 billion, while retail government securities decreased by HUF 14.7 billion. The stock of domestic loans decreased by HUF 0.2 billion.

The foreign currency debt of the central government increased by HUF 177.7 billion in the first nine months of 2008. The HUF 426.4 billion bond issuance and the drawdown of foreign currency denominated loans worth HUF 188.2 increased, while redemptions of foreign currency loans worth HUF 244.0 billion and exchange rate gains totalling HUF 192.8 billion decreased the Hungarian Forint value of the foreign currency debt.

Short-term secondary yields increased by 37-53 basis points, while the long term yields increased by 24-86 basis points in September. The 1-year yield increased by 53 bps to 9.10%, the 3-year yield increased by 86 bps to 9.66%, the 10-year benchmark yield reached 8.17% at the end of September after increasing by 24 basis points.

Monthly OTC turnover of government securities was 39 % higher in September than a month before and reached HUF 5,059.1 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 38% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 74.8 in September, and amounted to HUF 3,289.7 billion at the end of the month. This volume represented 30.9% of the total amount of domestic government bonds and discount Treasury bills.

The issuance of the 6-month discount T-bill auctions was 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 243.17 at the last working day of September.

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).

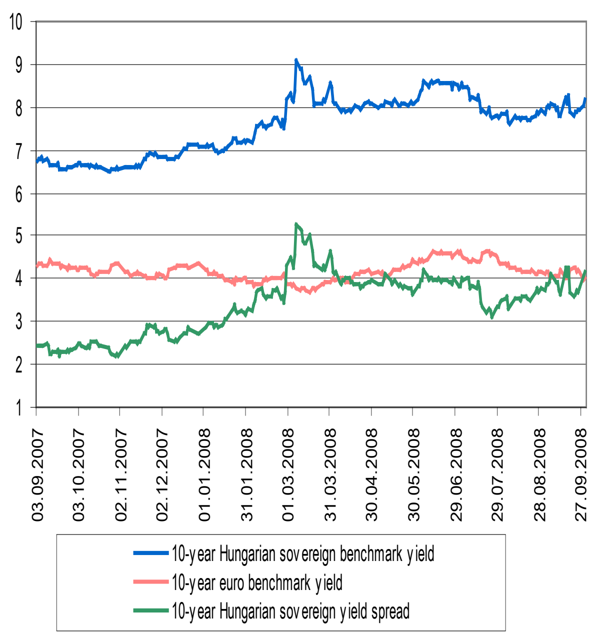
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

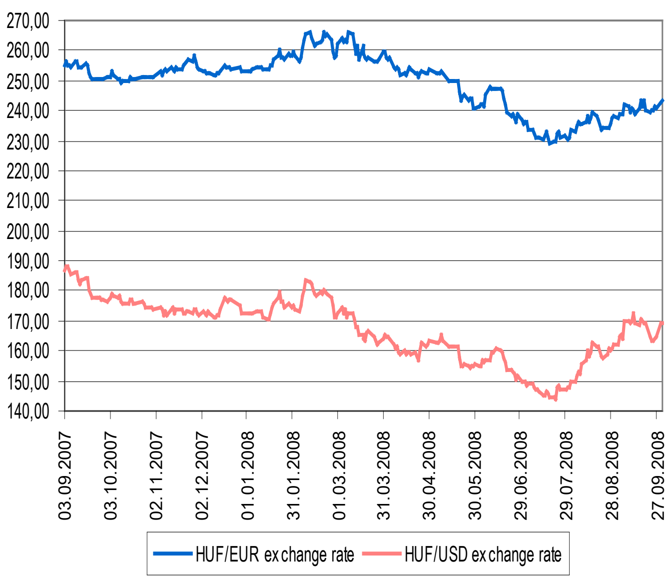
	2002	2003	2004	2005	2006	2007	July 2008	August 2008	September 2008
1. Forint denominated debt	6,956.9	8,008.7	8,608.8	9,153.5	10,552.3	11,103.8	11,289.5	11,287.9	11,322.3
1.1. Loans	353.2	117.9	4.7	0.8	356.4	145.7	145.5	145.5	145.5
1.2. Government securities	6,603.7	7,890.8	8,604.2	9,152.7	10,195.9	10,958.1	11,144.0	11,142.4	11,176.8
1.2.1. Public issues	5,826.3	7,131.5	7,860.6	8,418.8	9,667.5	10,465.4	10,653.1	10,653.2	10,688.6
1.2.1.1. Bonds	3,829.2	5,056.5	5,768.9	6,299.1	7,244.2	8,245.3	8,521.9	8,421.1	8,424.3
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	1,594.2	1,703.6	1,723.7
1.2.1.3. Retail securities	560.3	533.5	628.4	588.7	667.4	555.2	537.1	528.6	540.5
1.2.2. Private placements	777.4	759.3	743.6	733.9	528.4	492.7	490.9	489.1	488.2
2. Foreign currency denominated debt*	2,267.3	2,579.0	2,983.5	3,590.7	4,124.4	4,472.6	4,403.0	4,560.5	4,650.3
2.1. Loans	1,394.3	1,084.1	916.8	720.6	803.7	846.5	696.1	741.1	751.4
2.1.1. Foreign loans	461.9	598.8	528.9	616.9	700.1	838.8	696.1	741.1	751.4
2.1.2. Domestic loans	932.3	485.3	387.8	103.8	103.6	104.0	0.0	0.0	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	0.0	0.0	0.0
2.2. Government securities	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,706.9	3,819.4	3,899.0
2.2.1. Issued abroad	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,706.9	3,819.4	3,899.0
2.2.1.1. Foreign currency bonds	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,626.1	3,706.8	3,819.4	3,898.9
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	15,692.5	15,848.5	15,972.7
Other liabilities				21.4	29.0	9.1	4.9	6.9	7.0
Total central government debt				12,765.6	14,705.7	15,585.5	15,697.4	15,855.4	15,979.7
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*	*10,606.9*	*10,613.8*	*10,636.3*
Gross debt/GDP	*53.6%*	*55.9%*	*56.0%*	*57.9%*	*61.8%*	*61.3%*			

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

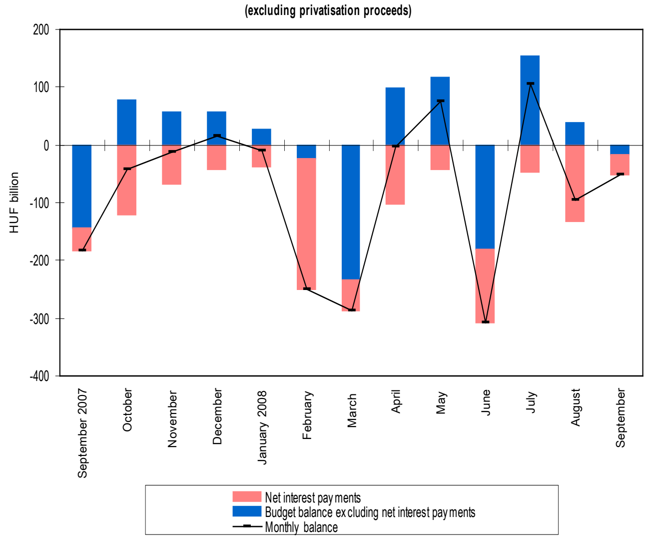
10-year Hungarian and eurozone benchmark yields during the last year



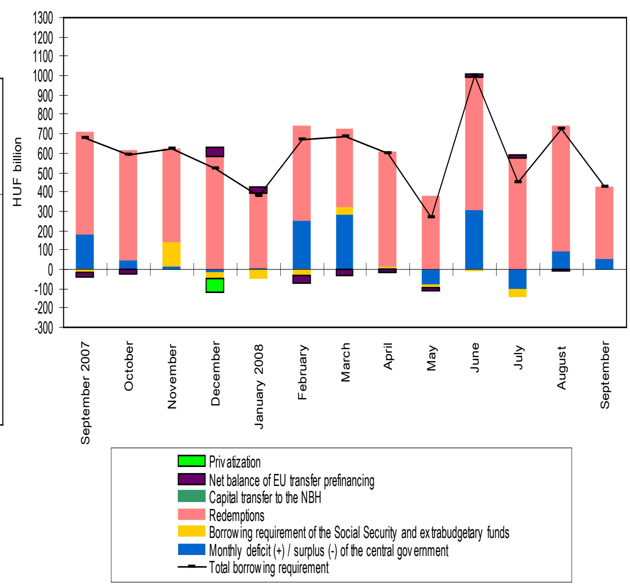
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

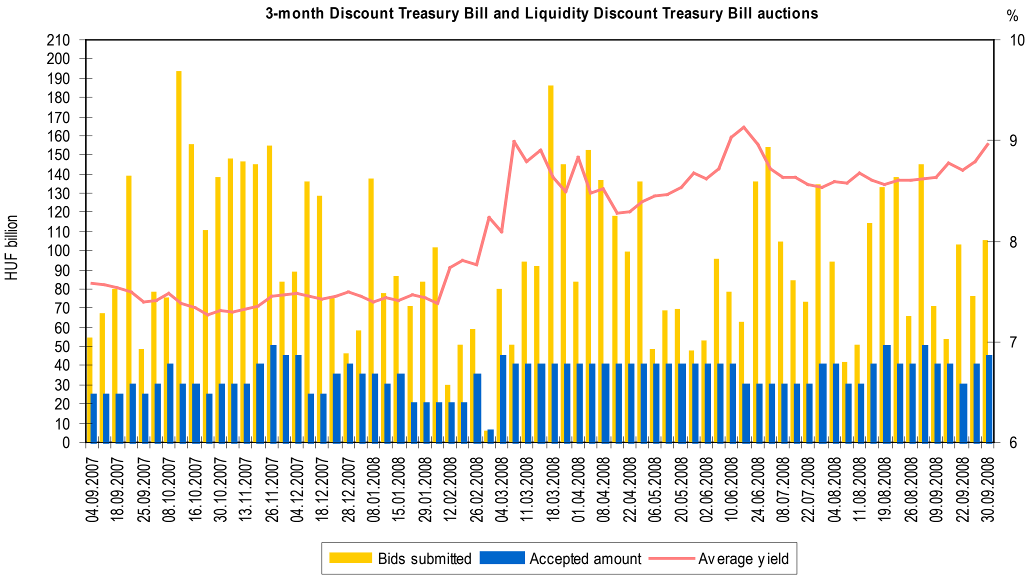


DISCOUNT TREASURY BILL AUCTION RESULTS

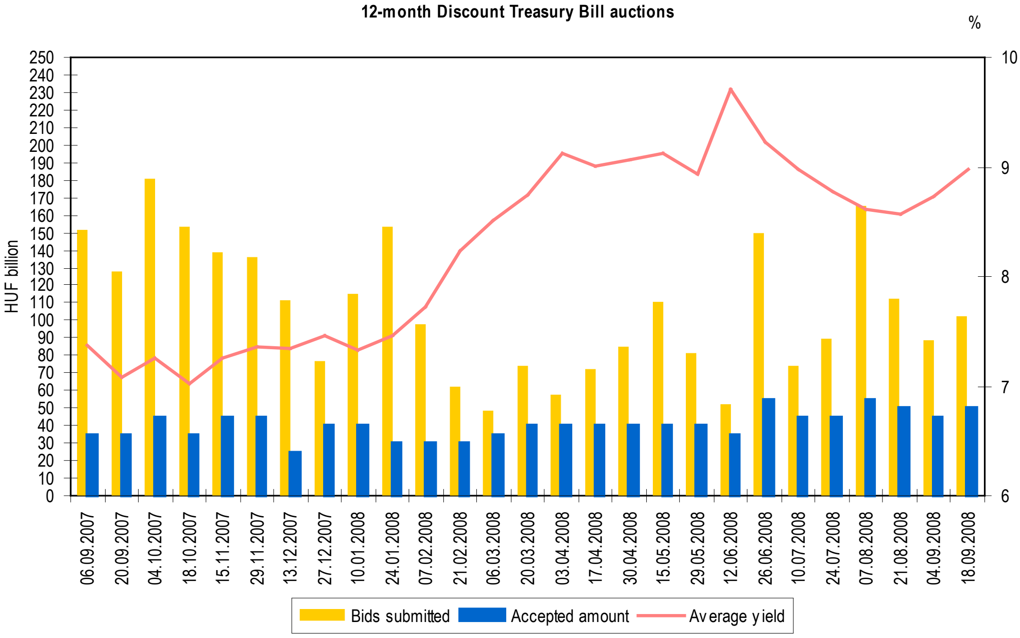
	Liquidity Discount T-bills	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D081105	D081210	D081217	D081223	D081231	D090107	D090729	D090923
ISIN code	HU0000516943	HU0000516984	HU0000516646	HU0000516992	HU0000517008	HU0000517016	HU0000517024	HU0000517032
Maturity in days	42	91	91	90	91	91	322	364
Date of auction	22.09.2008	02.09.2008	09.09.2008	16.09.2008	23.09.2008	30.09.2008	04.09.2008	18.09.2008
Date of financial settlement	24.09.2008	10.09.2008	17.09.2008	24.09.2008	01.10.2008	08.10.2008	10.09.2008	24.09.2008
Redemption date	05.11.2008	10.12.2008	17.12.2008	23.12.2008	31.12.2008	07.01.2009	29.07.2009	23.09.2009
Maximum yield, (%) - ISMA	8.70	8.66	8.65	8.84	8.84	9.06	8.75	9.04
Minimum yield (%) - ISMA	8.68	8.50	8.40	8.60	8.50	8.75	8.64	8.80
Average yield (%) - ISMA	8.70	8.62	8.63	8.77	8.78	8.96	8.73	8.98
Maximum yield, (%) - EHM	8.82	8.78	8.77	8.96	8.96	9.19	8.87	9.17
Minimum yield (%) - EHM	8.80	8.62	8.52	8.72	8.62	8.87	8.76	8.92
Average yield (%) - EHM	8.82	8.74	8.75	8.89	8.91	9.08	8.85	9.10
Average selling price (%)	98.9952	97.8675	97.8651	97.8545	97.8288	97.7853	92.7571	91.6760
Amount offered for sale (HUF m)	30,000.00	40,000.00	40,000.00	40,000.00	40,000.00	45,000.00	45,000.00	50,000.00
Amount of bids submitted (HUF m)	102,970.00	145,016.92	71,210.08	53,930.36	76,287.08	105,201.44	88,673.25	102,527.34
Amount of bids accepted (HUF m)	29,999.99	49,999.99	39,999.95	39,999.99	39,999.99	45,000.00	44,999.95	49,999.97
Bid-to-cover ratio	3.43	2.90	1.78	1.35	1.91	2.34	1.97	2.05
Bids submitted (pcs)	33	108	97	77	76	103	116	136
Bids accepted (pcs)	8	60	73	59	61	63	79	70
Market sales* (HUF million)	29,999.99	49,999.99	39,999.95	39,999.99	39,999.99	45,000.00	44,999.95	49,999.97
Retained on ÁKK's own account	0.01	15,000.01	12,000.05	12,000.01	12,000.01	13,500.00	13,500.05	15,000.03
Total amount issued (HUF million)	30,000.00	65,000.00	52,000.00	52,000.00	52,000.00	58,500.00	58,500.00	65,000.00

*Without issuance onto ÁKK's own account

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



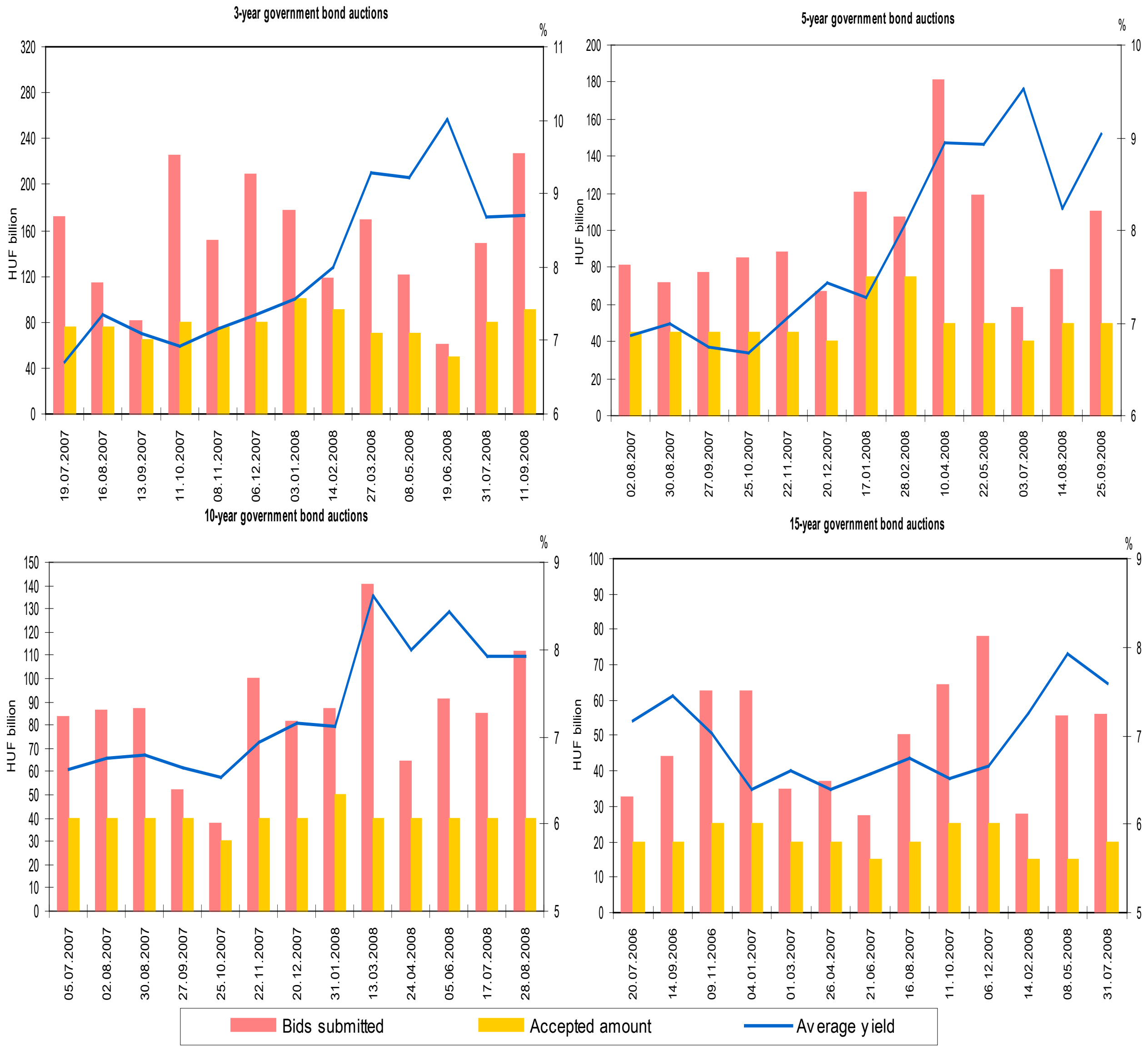
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

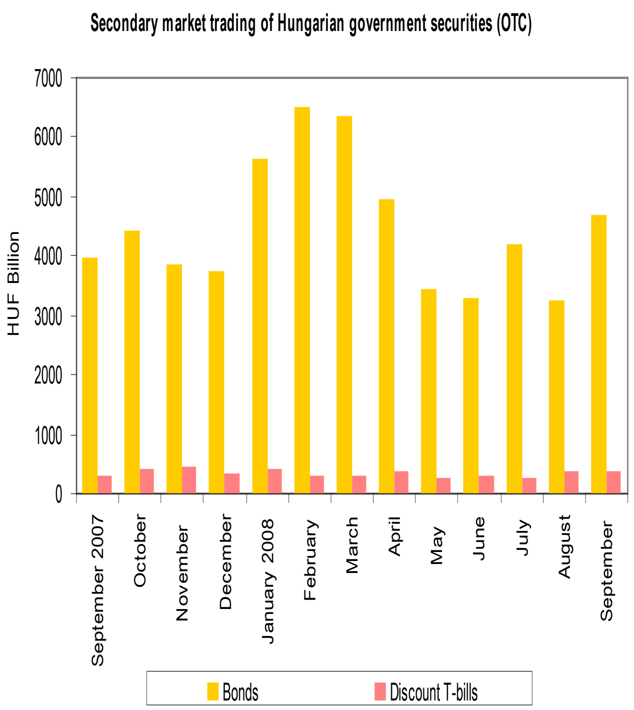
Government Bond	2011/C	2012/C
ISIN code	HU0000402425	HU0000402417
Maturity (in years)	3	5
Coupon (%)	6.75%	6.00%
Auction	7th auction	4th auction
Date of auction	11.09.2008	25.09.2008
Date of financial settlement	17.09.2008	01.10.2008
Redemption date	22.04.2011	24.10.2012
Maximum annual yield (%) - ISMA	8.73	9.06
Minimum annual yield (%) - ISMA	8.69	8.99
Average annual yield (%) - ISMA	8.71	9.04
Maximum annual yield (%) - EHM	8.73	9.05
Minimum annual yield (%) - EHM	8.69	8.98
Average annual yield (%) - EHM	8.71	9.03
Maximum price (%)	95.5919	90.1685
Minimum price (%)	95.5050	89.9542
Average price (%)	95.5557	90.0286
Amount offered for sale (HUF million)	80,000.00	50,000.00
Amount of bids submitted (HUF million)	226,005.04	109,961.04
Amount of bids accepted (HUF million)	89,999.97	49,999.93
Bid-to-cover ratio	2.51	2.20
Bids submitted (pcs)	123	110
Bids accepted (pcs)	20	49
Tail (average price - minimum price)	0.05	0.07
Market sales* (HUF million)	89,999.97	49,999.93
Retained on ÁKK's own account (HUF million)	0.03	0.07
Total amount issued (HUF million)	90,000.00	50,000.00

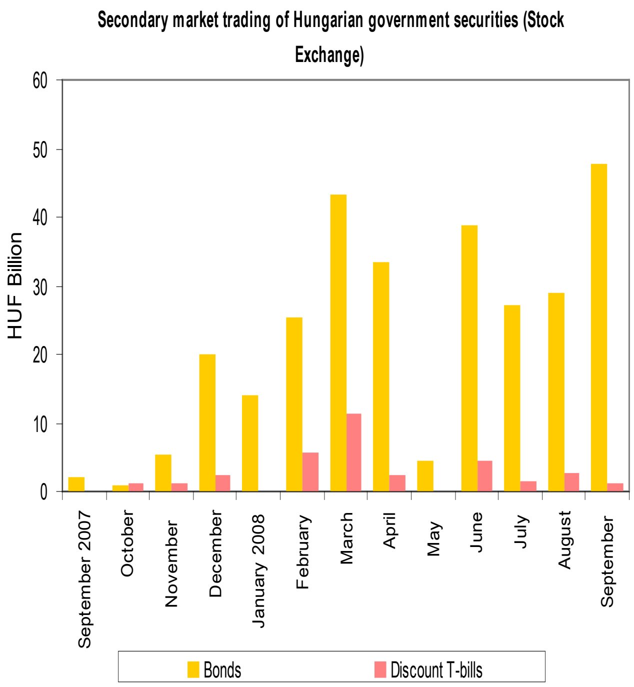
*Without issuance onto ÁKK's own account

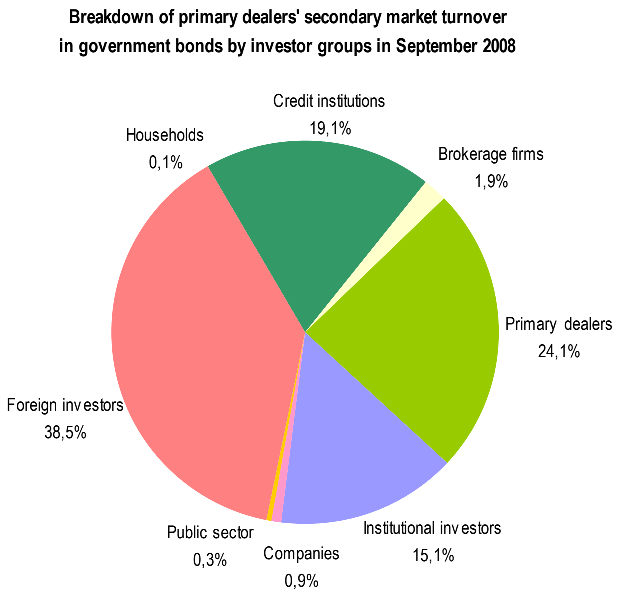


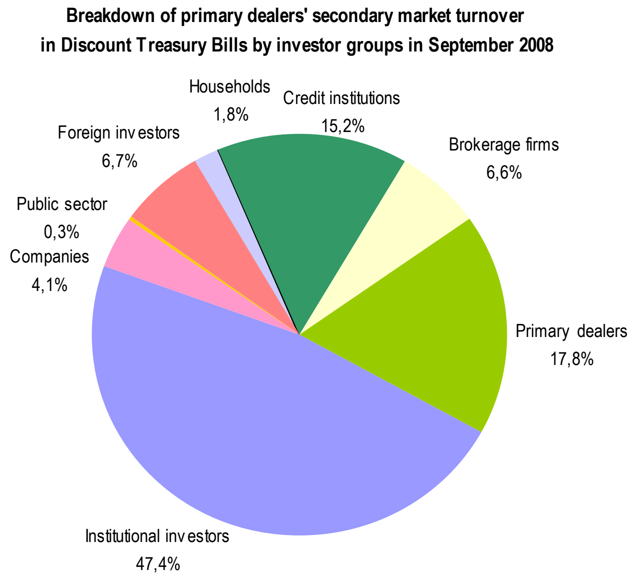
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2009/C	2009/E	2009/C	2009/E
ISIN code	HU0000402219	HU0000402326	HU0000402219	HU0000402326
Coupon (%)	7.00%	6.25%	7.00%	6.25%
Date of reverse auction	10.09.2008	10.09.2008	24.09.2008	24.09.2008
Date of financial settlement	17.09.2008	17.09.2008	01.10.2008	01.10.2008
Redemption date	24.06.2009	24.04.2009	24.06.2009	24.04.2009
Minimum annual yield (%)	8.80	8.75	8.95	8.80
Average annual yield (%)	8.80	8.77	8.98	8.84
Amount of bids submitted (HUF million)	26,607.17	29,313.84	28,416.63	23,300.60
Amount of bids accepted (HUF million)	6,233.85	12,275.71	8,975.80	14,781.52



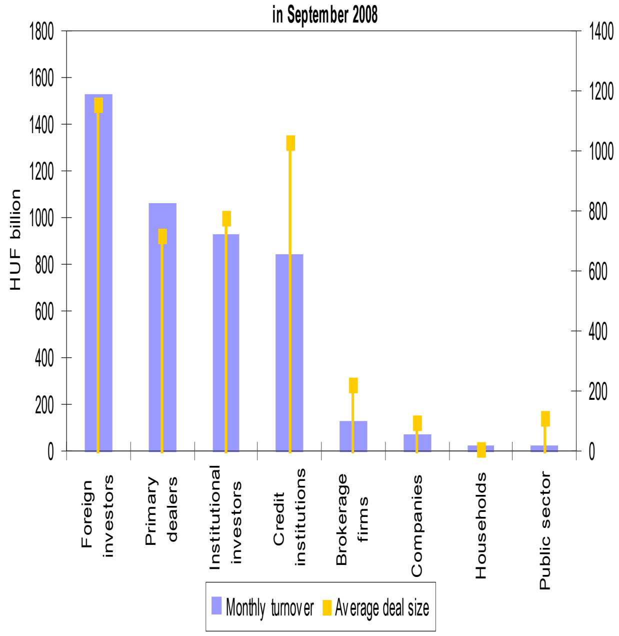




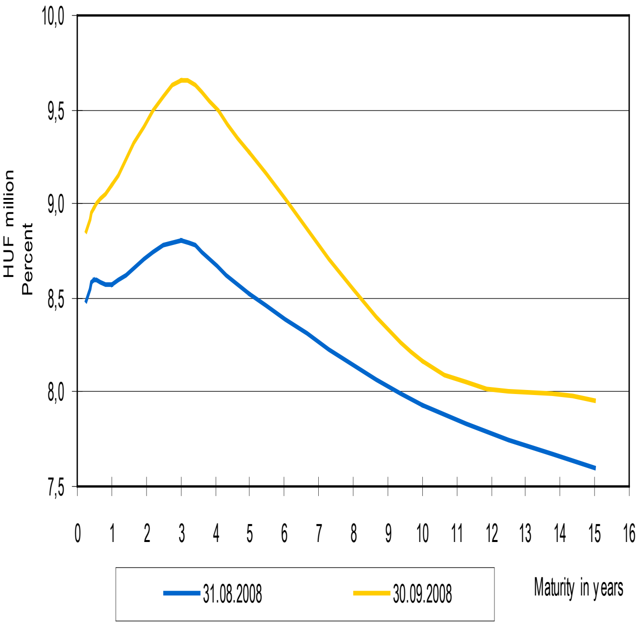


Benchmark yields in the past three months

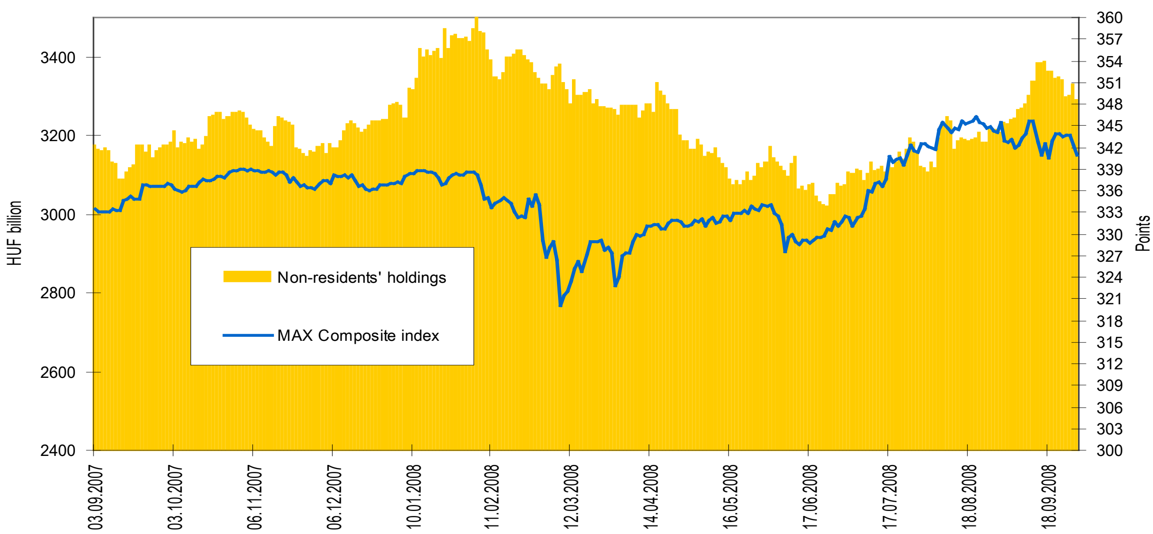
Primary dealers' trading with different investor groups in September 2008



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 SEPTEMBER 2008

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2013/A	19.09.2008	20.09.2008	20.03.2009	20.03.2009	8.60	8.20
2016/A	30.06.2008	30.09.2008	31.12.2008	31.12.2008	8.00	2.02

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 September 2008	342.5887	358.1687	341.0013	363.2081
Changes compared to the end of the month before	-4.2990	1.3233	-3.0417	2.3973
Annual yield earned on the index portfolio	0.12%	7.35%	1.28%	8.03%

Government securities with the highest secondary market turnover in September 2008

Government security	Date of redemption	Turnover (HUF billion)
2012/C	24.10.2012	663.3
2011/C	22.04.2011	515.5
2017/B	24.02.2017	387.8
2010/D	24.08.2010	343.2
2012/B	12.06.2012	223.9
2013/D	12.02.2013	198.3
2019/A	24.06.2019	196.5
2011/B	12.10.2011	191.1
D081022	22.10.2008	158.9
2010/C	12.04.2010	140.6

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

	HUF billion	
Government bond	31.08.2008	30.09.2008
2011/C	463.57	553.83
2012/C	605.34	605.35
2019/A	210.04	250.04
2023/A	200.08	200.08

PRIMARY DEALERS - AS AT 30 SEPTEMBER 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