Á · K · K

GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

DECEMBER 2007

The deficit of the central government - without debt assumption - amounted to HUF 1233.2 billion in 2007. The cash inflows worth HUF 152.9 billion from the EAGGF fund of the European Union decreased, while the capital transfer to the NBH worth HUF 20.6 billion increased the net borrowing requirement. The total net borrowing requirement amounted to HUF 1033.6 billion till the end of December. Net issuance was HUF 887.6 billion, out of which net HUF denominated issuance was HUF 553.3 billion, net foreign currency denominated issuance was HUF 334.3 billion in 2007. The privatisation revenues from the FHB (a Hungarian mortgage bank) in the amount of HUF 67 billion and the inflows from the EU for non-agricultural development purposes also increased the liquidity of the STA.

The HUF denominated debt of the central government increased by HUF 551.5 billion till the end of December (the difference between net change and net issuance was caused by the change in the stock of matured but unclaimed securities). Government bonds accounted for HUF 1001.1 billion, while the stock of Discount Treasury bills and retail government securities decreased by HUF 91.0 billion and HUF 112.2 billion respectively. The stock of non-marketable government bonds decreased by HUF 35.7 billion due to redemption. In the above period debt assumption took place in the amount of HUF 58.2 billion, loan prepayment amounted to HUF 414.4 billion and loans in Hungarian Forint were drawn in the amount of HUF 145.5 billion from international financial institutions. These transactions resulted in the drop of the stock of HUF denominated loans by HUF 210.7 billion to HUF 145.7 billion by the end of December.

The foreign currency debt of the central government increased by HUF 348.2 billion till the end of December. The redemptions of foreign currency loans worth HUF 139.0 billion decreased, while the HUF 297.1 billion bond issuance, the drawdown of foreign currency denominated loans worth HUF 176.9 billion and the exchange rate losses totalling HUF 13.9 billion increased the Hungarian Forint value of the foreign currency debt.

Secondary market benchmark yields increased on all maturities in December. The 1-year yield increased by 20 basis points to 7.47%, the 3-year and 10-year yield increased by 19 and 25 basis points to 7.52% and 7.08% respectively.

Monthly OTC turnover of government securities was 4% lower in December than a month before and reached HUF 4,109.3 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.

Non-resident holdings of Hungarian government securities increased altogether by HUF 69.2 billion and amounted to HUF 3,241.3 billion at the end of December. This represented 31.2% of domestic government bonds and Discount Treasury bills.

The EUR/HUF exchange rate according to the Hungarian National Bank was 253.35 on the last working day of December.

The credit rating of the long-term foreign currency debt of the Republic of Hungary was BBB+ (Standard & Poor's); A2 (Moody's); BBB+ (Fitch) on 31 December 2007.

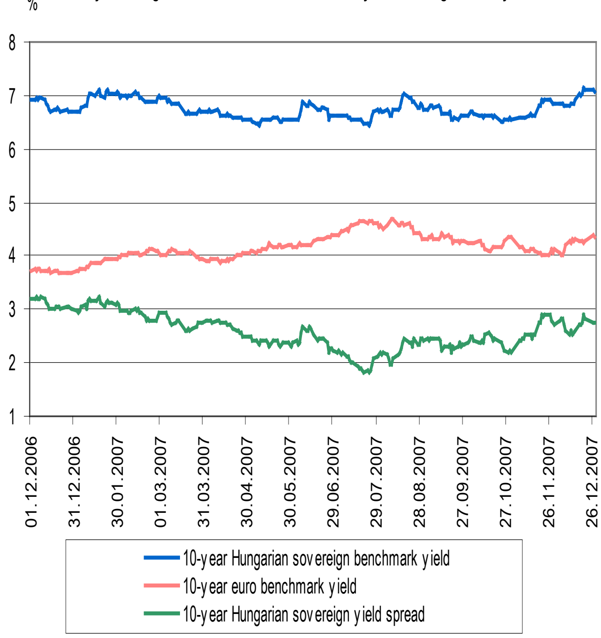
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

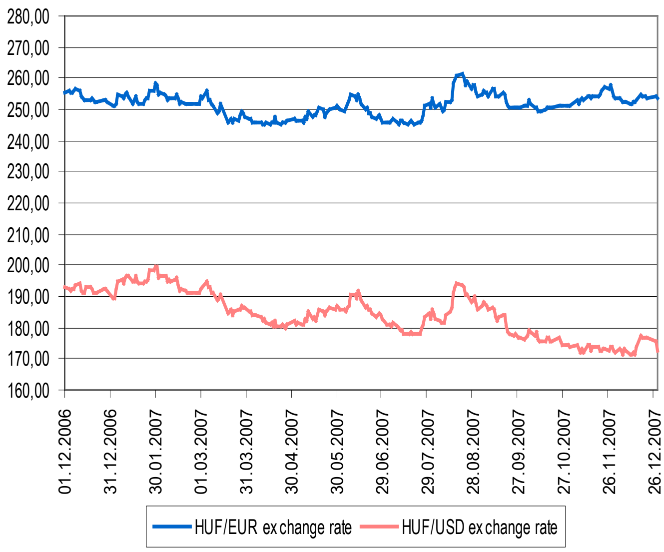
	2001	2002	2003	2004	2005	2006	October 2007	November 2007	December 2007
1. Forint denominated debt	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	10,552.3	10,997.7	11,125.0	11,103.8
1.1. Loans	228.3	353.2	117.9	4.7	0.8	356.4	201.1	201.1	145.7
1.2. Government securities	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	10,195.9	10,796.6	10,923.9	10,958.1
1.2.1. Public issues	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,667.5	10,275.1	10,402.4	10,465.4
1.2.1.1. Bonds	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	7,244.2	8,059.7	8,172.5	8,245.3
1.2.1.2. Discount T-bills	1,033.3	1,436.8	1,541.4	1,463.3	1,530.9	1,755.9	1,643.9	1,665.6	1,664.9
1.2.1.3. Retail securities	544.7	560.3	533.5	628.4	588.7	667.4	571.5	564.3	555.2
1.2.2. Private placements	809.1	777.4	759.3	743.6	733.9	528.4	521.5	521.5	492.7
2. Foreign currency denominated debt*	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,124.4	4,526.8	4,568.2	4,472.6
2.1. Loans	1,410.4	1,394.3	1,084.1	916.8	720.6	803.7	932.4	940.9	846.5
2.1.1. Foreign loans	317.8	461.9	598.8	528.9	616.9	700.1	829.3	836.9	838.8
2.1.2. Domestic loans	1,092.6	932.3	485.3	387.8	103.8	103.6	103.1	104.0	104.0
2.1.2.1. Raised from National Bank of Hungary (NBH)	1,092.6	849.6	466.5	355.7	96.1	95.9	95.5	96.3	0.0
2.1.2.2. Other loans	0.0	82.8	18.8	32.2	7.7	7.7	7.6	7.7	7.7
2.2. Government securities	911.7	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,594.4	3,627.3	3,626.1
2.2.1. Issued abroad	911.7	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,594.4	3,627.3	3,626.1
2.2.1.1. Foreign currency bonds	911.5	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,594.3	3,627.2	3,626.1
2.2.1.2. Kingdom of Hungary 1924 issues	0.3	0.2	0.1	0.1	0.1	0.1	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	7,719.5	9,224.2	10,587.7	11,592.4	12,744.2	14,676.7	15,524.5	15,693.1	15,576.4
Other liabilities					21.4	29.0	18.9	19.0	9.1
Total central government debt					12,765.6	14,705.7	15,543.4	15,712.1	15,585.5
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*4,624.4*	*6,043.4*	*7,357.3*	*7,975.8*	*8,563.9*	*9,528.4*	*10,225.1*	*10,359.6*	*10,402.9*
Gross debt/GDP	*50.5%*	*53.6%*	*55.9%*	*56.0%*	*57.9%*	*61.9%*			

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

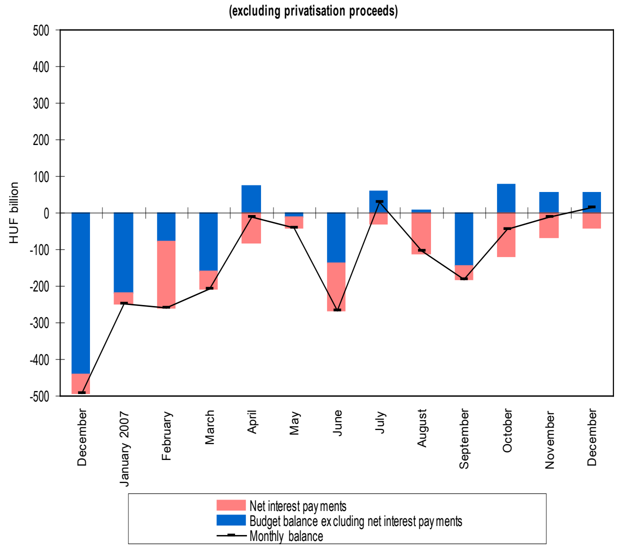
10-year Hungarian and eurozone benchmark yields during the last year



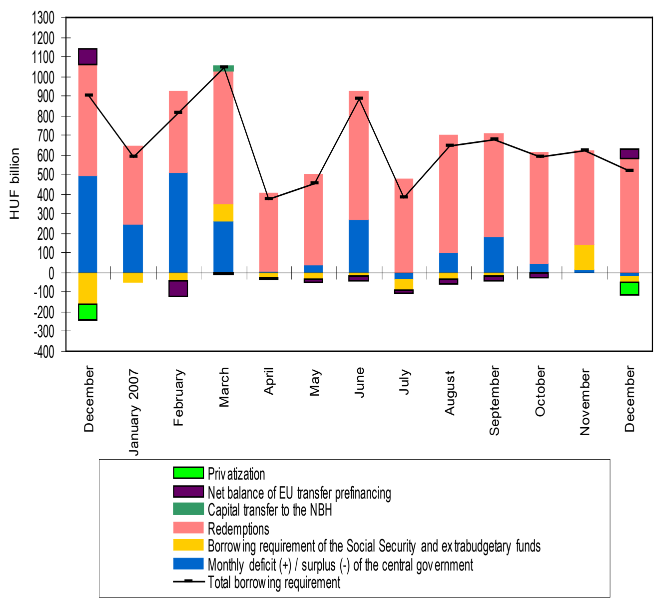
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

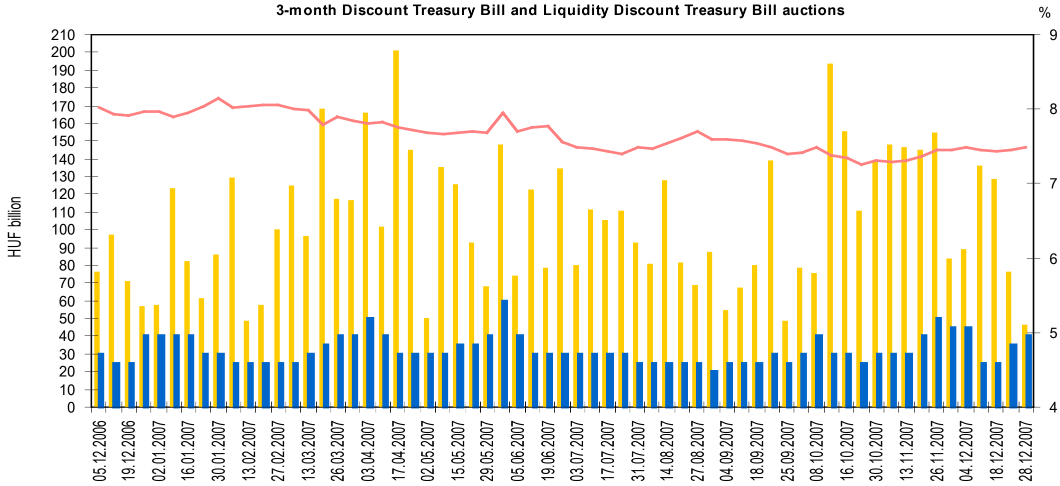


DISCOUNT TREASURY BILL AUCTION RESULTS

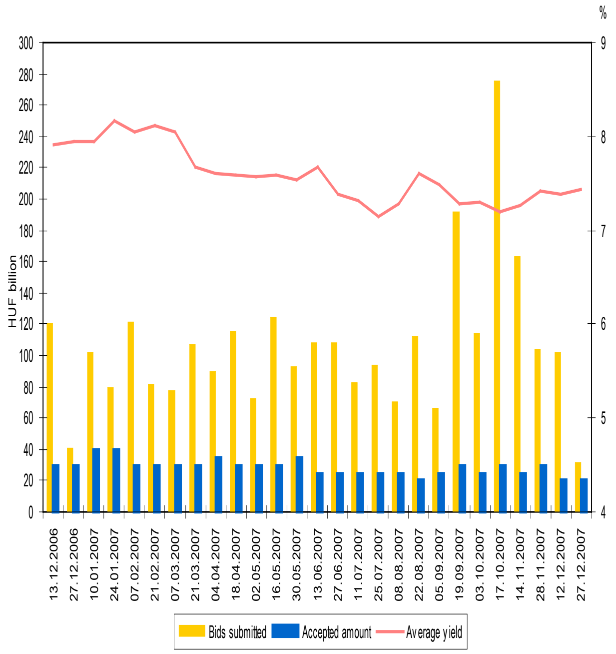
	Liquidity Discount T-Bills	3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D080227	D080312	D080319	D080326	D080402	D080604	D080604	D081217	D081217
ISIN code	HU0000516604	HU0000516224	HU0000516620	HU0000516638	HU0000516653	HU0000516596	HU0000516596	HU0000516646	HU0000516646
Maturity in days	56	91	91	90	91	168	154	364	350
Date of auction	28.12.2007	04.12.2007	11.12.2007	18.12.2007	21.12.2007	12.12.2007	27.12.2007	13.12.2007	27.12.2007
Date of financial settlement	02.01.2008	12.12.2007	19.12.2007	27.12.2007	02.01.2008	19.12.2007	02.01.2008	19.12.2007	02.01.2008
Redemption date	27.02.2008	12.03.2008	19.03.2008	26.03.2008	02.04.2008	04.06.2008	04.06.2008	17.12.2008	17.12.2008
Maximum yield, (%) - ISMA	7.49	7.52	7.45	7.44	7.48	7.39	7.47	7.35	7.49
Minimum yield (%) - ISMA	7.49	7.40	7.40	7.39	7.41	7.38	7.32	7.30	7.30
Average yield (%) - ISMA	7.49	7.48	7.45	7.43	7.45	7.39	7.44	7.34	7.46
Maximum yield, (%) - EHM	7.59	7.62	7.55	7.54	7.58	7.49	7.57	7.45	7.59
Minimum yield (%) - EHM	7.59	7.50	7.50	7.49	7.51	7.48	7.42	7.40	7.40
Average yield (%) - EHM	7.59	7.58	7.55	7.53	7.55	7.49	7.54	7.44	7.56
Average selling price (%)	98.8483	98.1443	98.1516	98.1764	98.1520	96.6663	96.9145	93.0912	93.2371
Amount offered for sale (HUF m)	40,000.00	45,000.00	25,000.00	25,000.00	35,000.00	20,000.00	20,000.00	25,000.00	40,000.00
Amount of bids submitted (HUF m)	46,550.00	88,970.36	135,731.61	128,422.92	76,350.00	101,826.44	31,904.54	110,989.52	77,002.70
Amount of bids accepted (HUF m)	40,000.00	44,999.97	24,999.95	24,999.96	35,000.00	19,999.98	19,999.96	24,999.89	39,999.97
Bid-to-cover ratio	1.16	1.98	5.43	5.14	2.18	5.09	1.60	4.44	1.93
Bids submitted (pcs)	13	87	69	88	41	84	34	110	55
Bids accepted (pcs)	4	73	25	29	26	16	28	52	37
Market sales* (HUF million)	40,000.00	44,999.97	24,999.95	24,999.96	35,000.00	19,999.98	19,999.96	24,999.89	39,999.97
Retained on ÁKK's own account	0.00	4,500.03	2,500.05	2,500.04	3,500.00	4,000.02	4,000.04	7,500.11	8,000.03
Total amount issued (HUF million)	40,000.00	49,500.00	27,500.00	27,500.00	38,500.00	24,000.00	24,000.00	32,500.00	48,000.00

*Without issuance onto ÁKK's own account

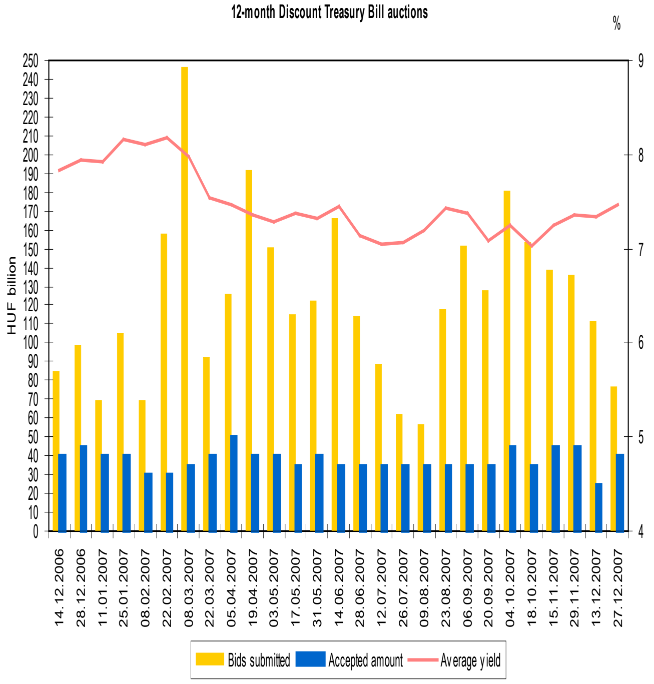
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



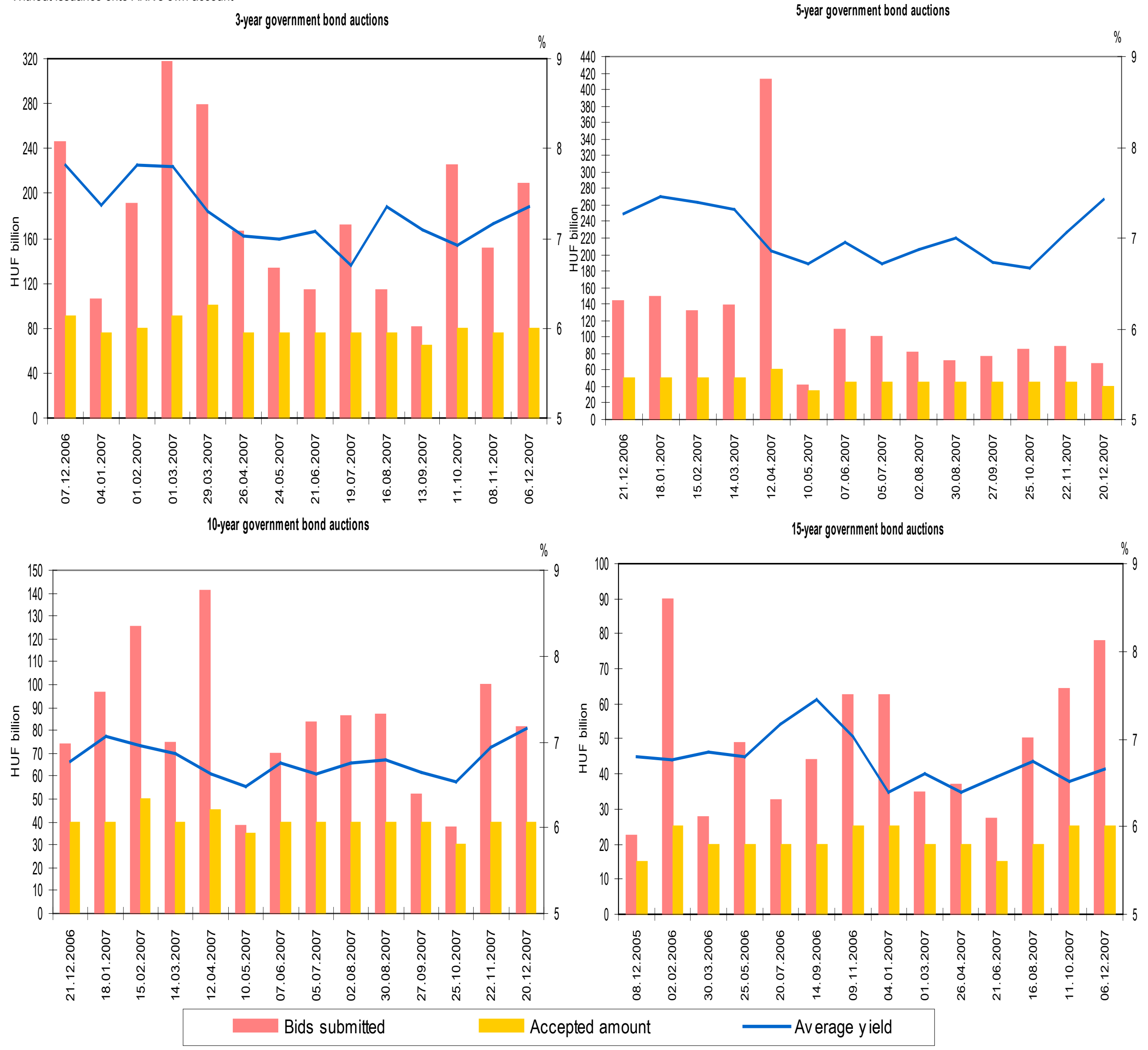
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

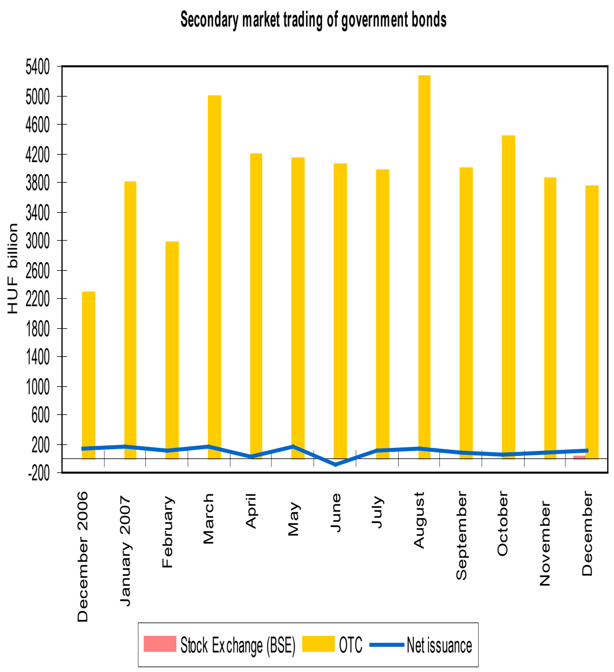
Government Bond	2010/D	2023/A	2012/C	2017/B
ISIN code	HU0000402409	HU0000402383	HU0000402417	HU0000402375
Maturity (in years)	3	15	5	10
Coupon (%)	6.25%	6.00%	6.00%	6.75%
Auction	7th auction	7th auction	6th auction	6th auction
Date of auction	06.12.2007	06.12.2007	20.12.2007	20.12.2007
Date of financial settlement	12.12.2007	12.11.2007	27.12.2007	27.12.2007
Redemption date	24.08.2010	24.11.2023	24.10.2012	24.02.2017
Maximum annual yield (%) - ISMA	7.36	6.65	7.46	7.18
Minimum annual yield (%) - ISMA	7.33	6.63	7.38	7.14
Average annual yield (%) - ISMA	7.35	6.65	7.43	7.16
Maximum annual yield (%) - EHM	7.35	6.64	7.45	7.17
Minimum annual yield (%) - EHM	7.32	6.62	7.37	7.13
Average annual yield (%) - EHM	7.34	6.64	7.42	7.16
Maximum price (%)	97.3416	93.9017	94.5323	97.4098
Minimum price (%)	97.2714	93.7168	94.2287	97.1521
Average price (%)	97.3023	93.7311	94.3351	97.2660
Amount offered for sale (HUF million)	80,000.00	20,000.00	45,000.00	40,000.00
Amount of bids submitted (HUF million)	208,980.00	78,062.54	67,050.00	81,477.00
Amount of bids accepted (HUF million)	79,999.95	24,999.96	39,999.98	39,999.96
Bid-to-cover ratio	2.61	3.12	1.68	2.04
Bids submitted (pcs)	88	59	55	57
Bids accepted (pcs)	51	23	32	30
Tail (average price - minimum price)	0.03	0.01	0.11	0.11
Market sales* (HUF million)	79,999.95	24,999.96	39,999.98	39,999.96
Retained on ÁKK's own account (HUF million)	0.05	5, 000.04	0.02	0.04
Total amount issued (HUF million)	80,000.00	30,000.00	40,000.00	40,000.00

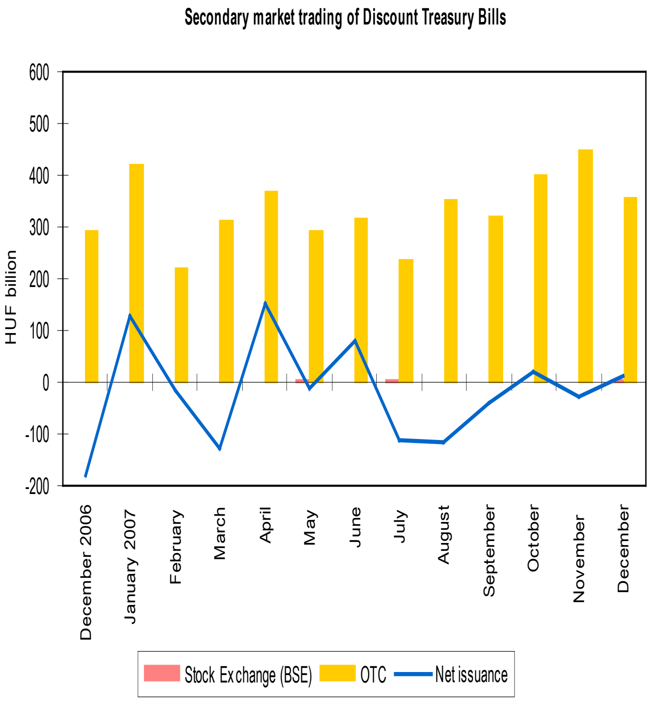
*Without issuance onto ÁKK's own account

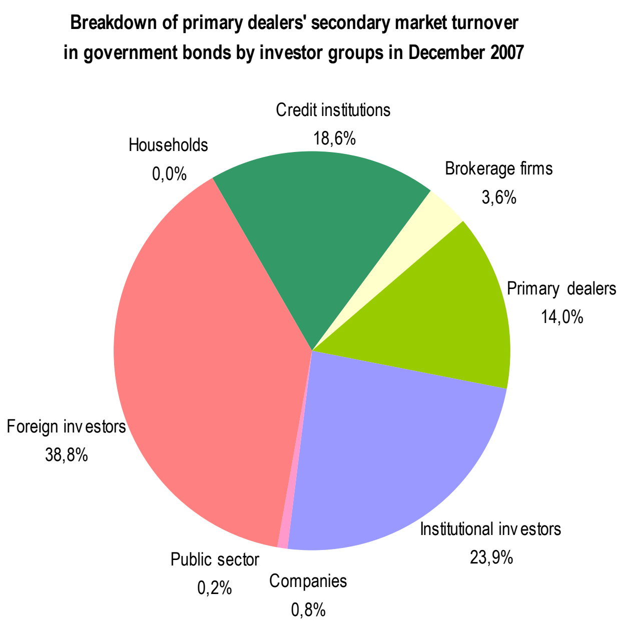


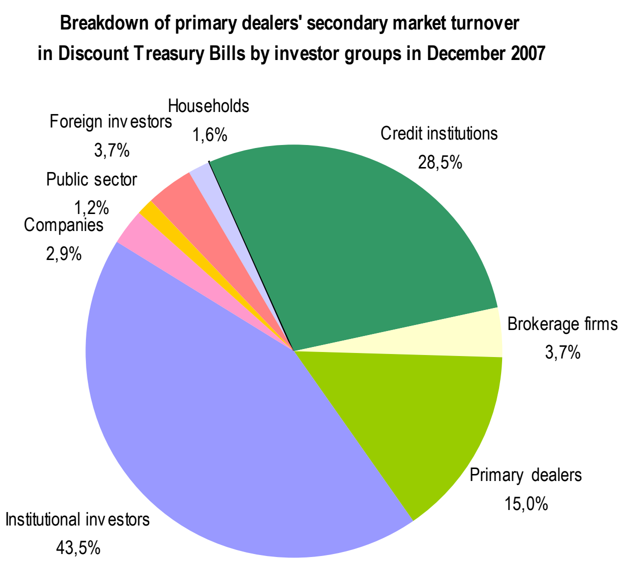
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2008/C	2008/E	2008/C	2008/E
ISIN code	HU0000402102	HU0000402300	HU0000402102	HU0000402300
Coupon (%)	6.25%	6.50%	6.25%	6.50%
Date of reverse auction	05.12.2007	05.12.2007	19.12.2007	19.12.2007
Date of financial settlement	12.12.2007	12.12.2007	27.12.2007	27.12.2007
Redemption date	12.06.2008	12.08.2008	12.06.2008	12.08.2008
Minimum annual yield (%)	7.50	7.46	7.48	7.45
Average annual yield (%)	7.52	7.49	7.50	7.46
Amount of bids submitted (HUF million)	18,338.49	41,066.94	6,203.58	13,687.42
Amount of bids accepted (HUF million)	17,321.57	23,962.55	6,203.58	9,687.42

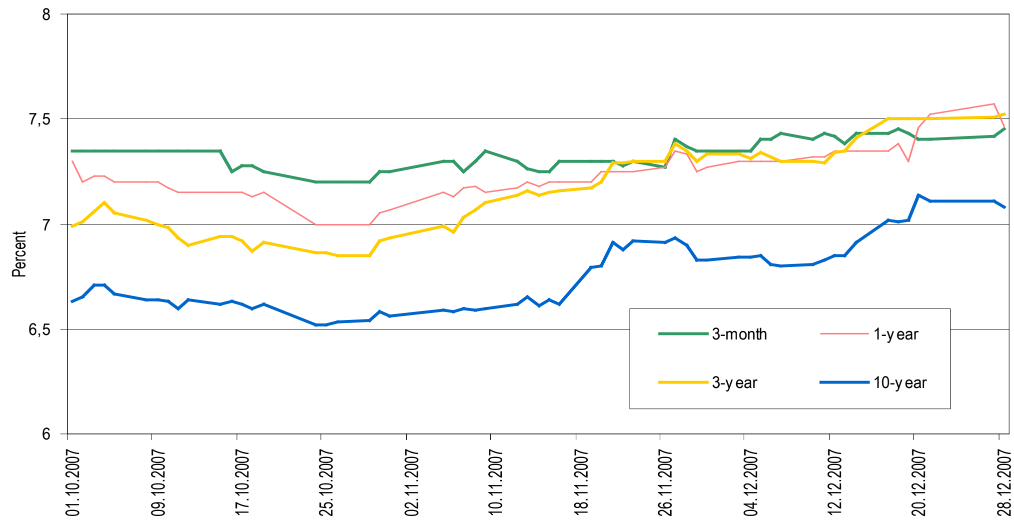




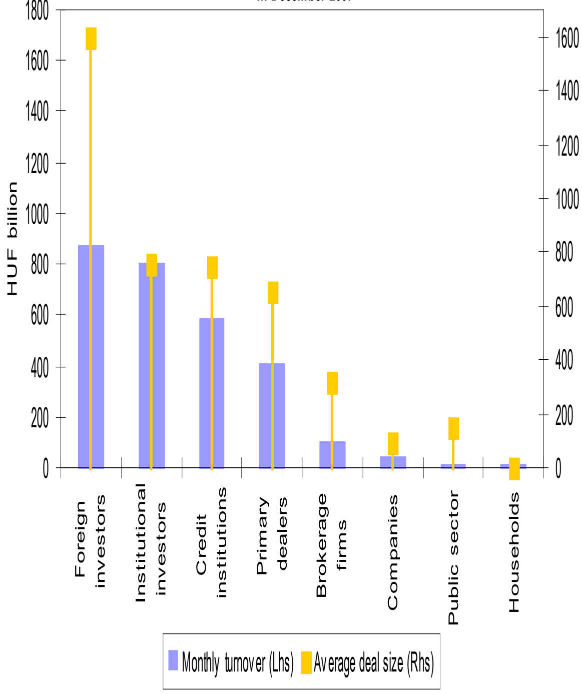




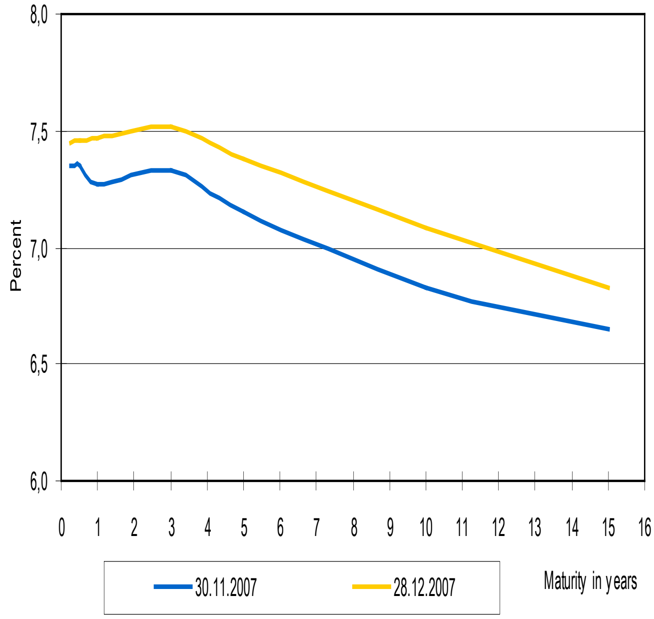
Benchmark yields in the past three months



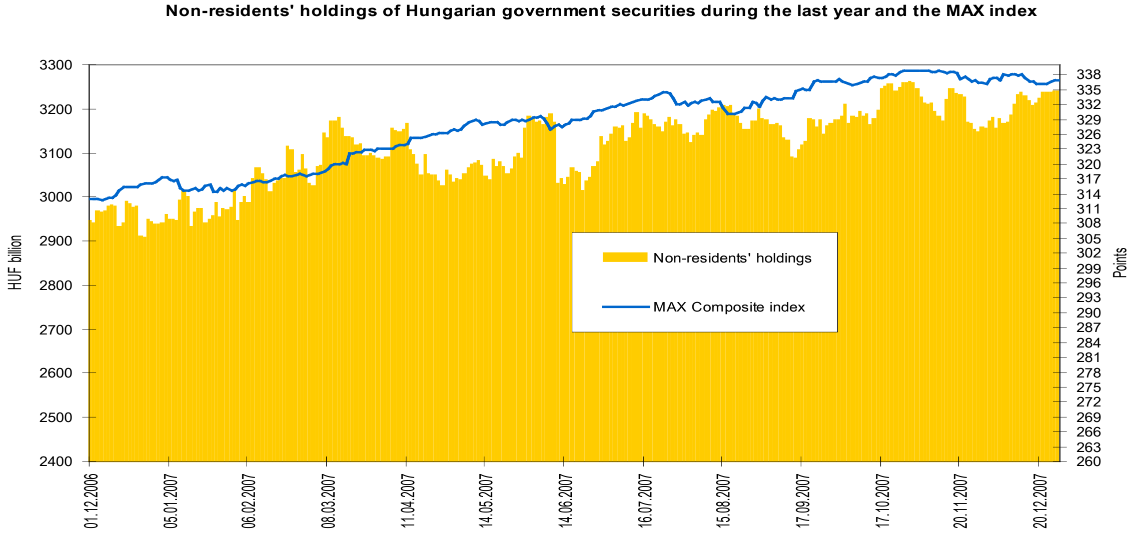
Primary dealers' trading with different investor groups in December 2007



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 DECEMBER 2007

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2013/C	19.12.2007	20.12.2007	20.06.2008	20.06.2008	7,40	3,76
2014/B	19.12.2007	20.12.2007	20.06.2008	20.06.2008	7,40	3,76
2016/A	29.12.2007	31.12.2007	31.03.2008	31.03.2008	6,50	1,60
2016/B	29.12.2007	02.01.2008	02.07.2008	02.07.2008	7.37	3.73

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 28 December 2007	341.0465	339.2166	336.7548	342.3664
Changes compared to the end of the month before	-1.3136	1.7551	-0.7773	2.0168
Annual yield earned on the index portfolio	6.22%	7.69%	6.52%	7.91%

Government securities with the highest secondary market turnover in December 2007

Government security	Date of redemption	Turnover (HUF billion)
2010/D	24.08.2010	253.2
2017/B	24.02.2017	246.7
2010/C	12.04.2010	224.0
2012/B	12.06.2012	177.4
D080312	12.03.2008	146.6
2012/C	24.10.2012	137.7
2009/F	12.08.2009	137.1
2014/C	12.02.2014	122.3
2016/C	12.02.2016	113.5
D081022	22.10.2008	107.4

The outstanding volume of government bonds with benchmark status at the end of December 2007

	HUF billion	
Government bond	30.11.2007	31.12.2007
2010/D	445.77	525.80
2012/C	225.08	265.09
2017/B	630.14	670.14
2023/A	125.04	150.05

PRIMARY DEALERS - AS AT 29 DECEMBER 2007

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