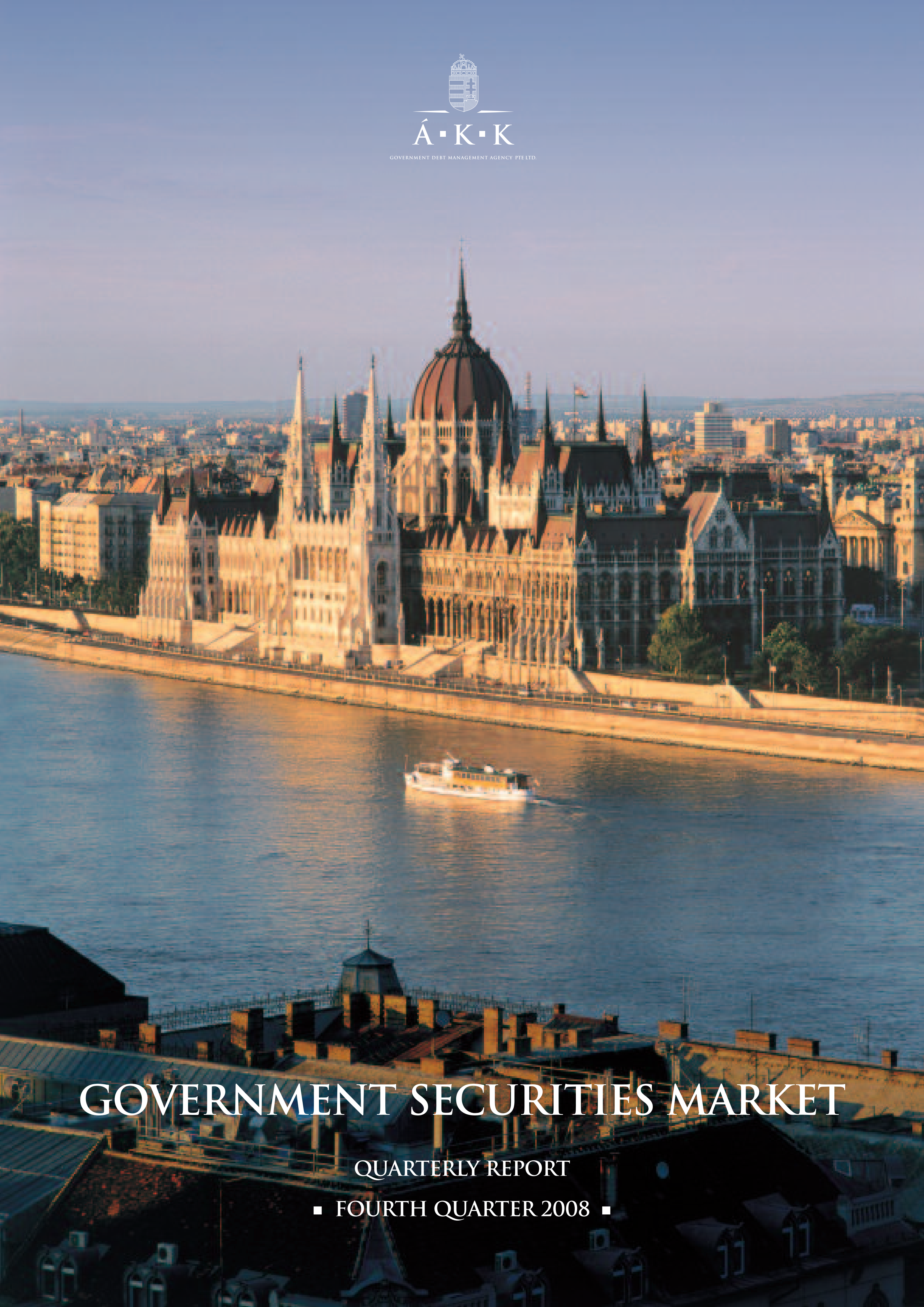
Á·K·K

GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.



GOVERNMENT SECURITIES MARKET

QUARTERLY REPORT

▪ FOURTH QUARTER 2008 ▪

GOVERNMENT SECURITIES MARKET

The deficit of the central government amounted to HUF 907.1 billion (about EUR 3.4 bn) in 2008. The capital transfer to the National Bank of Hungary worth HUF 2.8 billion and the net balance of transfers from the EAGGF fund of the European Union (EU) worth HUF 10.6 billion increased the net borrowing requirement. Privatisation revenues amounted to HUF 3.6 billion, which decreased the financing requirement. Thus, the total net borrowing requirement amounted to HUF 917.4 billion in the year 2008. Net issuance was HUF 468.9 billion; out of which net HUF-denominated issuance was HUF 147.6 billion and net foreign currency denominated issuance was HUF 321.3 billion. Furthermore, loans in a total amount of HUF 1,824.8 billion were drawn from the international loan program extended by the IMF, the EU Commission and the IBRD. Out of this amount HUF 1,483.6 billion was placed in the National Bank of Hungary in the form of foreign currency deposits at the end of the year, the remaining amount was used for financing purposes. The latter part amounted to HUF 262 billion and was used for refinancing maturing debt and for offsetting unrealized financing revenues due to the suspension of bond auctions in November and December.
The total amount of other liabilities increased by HUF 69.4 billion in 2008.

ÁKK had set up benchmarks to maintain the optimal cost-risk characteristics of public debt. The 90-day moving average values of those benchmarks at the end of 2008 were as follows:

- The proportion of HUF- and foreign currency denominated debt was 69.4% and 30.6% respectively.
- Almost 100% of the foreign currency denominated debt was denominated in euro.
- The fixed-floating mix of HUF-denominated debt was 75.2% and 24.8% respectively.
- The fixed-floating mix of the foreign currency portfolio was 65.0%-35.0% respectively.
- The duration of HUF-denominated debt was 2.56 years.

Those data were in line with ÁKK's benchmark targets.

Due to the international financial market crisis, yields rose on all maturities in October. In reaction to that, the NBH raised its base rate by 300 basis points by the end of the month. The markets were stabilized by measures taken by the government and the NBH and by the loan facility extended by the IMF, EU Commission and the IBRD, resulting in a decrease in yields, primarily in the longer segment of the yield curve. Starting in late November, the NBH gradually decreased its base rate by a total of 150 basis points until the end of the year to 10.0%. Compared to the end of Q3, the 3-month yield rose by 18 basis points and the 6-month yield remained unchanged. The 1-3 year yields decreased by 9-15 bps, the 5-10 year yields rose by 11-16 basis points, while the 15-year benchmark yield decreased by 25 basis points. At the end of 2008 the 1-year benchmark yield stood at 8,95%, the 3-year yield at 9.57% and the 10-year yield at 8.28%.

The secondary market trading statistics of government securities showed a sharp increase by the end of Q3 and the beginning of Q4, which consisted of an active non-resident investors trading. However, as a consequence of the financial crisis, a substantial decrease was seen in the secondary market trading after the second half of October, just as in the markets of other EU countries. Demand dried up as a result of the heavy sell-off by non-resident investors, and this resulted in a massive decline of trading turnover. By the end of the year, gradual improvement was seen in this regard, but the turnover still fell short of previous levels. In light of that, OTC turnover of government securities in Q4 was 18% lower than in the previous quarter and reached HUF 10,788 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 34% of their secondary government securities deals with non-resident investors.

Non-resident holdings of Hungarian government securities decreased altogether by HUF 830.9 billion and amounted to HUF 2,458.9 billion at the end of 2008. This represented 23.5% of domestic government bonds and discount Treasury bills.

In Q4 loans were drawn from international financing institutions for project financing purposes in an amount of HUF 64.4 billion.
Due to market developments ÁKK decided not to hold bond auctions in November and December.

The EUR/HUF exchange rate according to the Hungarian National Bank was 264.78 on the last working day of December.

The credit rating of long-term foreign currency denominated debt of the Republic of Hungary at 31 December 2008 was: BBB (Standard & Poor's); A3 (Moody's); BBB (Fitch).

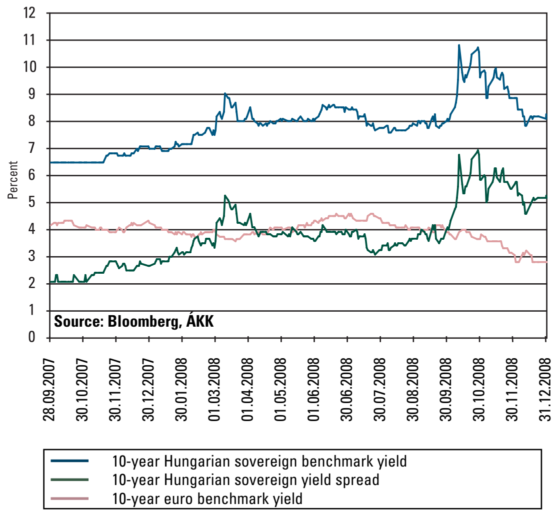
MACROECONOMIC INDICATORS

	2000	2001	2002	2003	2004	2005	2006	2007	October 2008	November 2008	December 2008
GDP growth (yearly average) [1 9]	5.1	4.3	4.3	4.1	4.6	4.3	4.0	1.3			
Industrial production [1]	18.1	3.6	2.8	5.9	8.3	7.3	10.1	8.1	-7.2		
Unemployment rate (%. 3-month average)	6.4	5.7	5.9	5.9	6.1	7.2	7.5	7.4	7.7	7.8	
Consumer price index (yearly change) [2]	10.1	6.8	4.8	5.7	5.5	3.3	6.5		5.1	4.2	3.5
Consumer price index (yearly average)	9.8	9.2	5.3	4.7	6.8	3.6	3.9	8.0			6.1
Consumer price index (monthly change)									0.2	-0.2	0.3
Producer price index (yearly change) [2]	12.4	-0.4	-1.3	6.2	1.6	4.5	4.5		7.8	7.1	
Producer price index (yearly average)	11.6	5.2	-1.8	2.4	3.5	4.3	6.5	0.2			
Producer price index (monthly change)									3.4	0.1	
Net lending position of households (HUF Bn) [3]	776.3	786.5	467.2	35.0	498.1	925.6	809.0	421.5			
Current account of balance of payments (EUR M) [4]	-4,352.5	-3,576.5	-4,929.2	-5,933.0	-6,915.5	-6,013.3	-5,445.6	-5,036.2			
Net direct investments (EUR M) [5]	2,334.0	3,992.2	2,889.4	424.1	2,741.3	4,395.2	2,504.9	1,046.9			
Balance of the central government budget (HUF Bn) [6]	-367.8	-402.9	-957.7 [7]	-733.6	-890.0	-545.0	-1,959.2	-1,389.9	-828.0	-973.6	-861.7
Central government gross debt (HUF Bn)	7,226.2	7,719.5	9,224.2	10,587.7	11,592.4	12,765.6	14,705.7	15,585.5	16,288.6	17,744.2	18,103.9
Central government gross debt (per cent of GDP)	53.4%	50.6%	53.7%	55.9%	56.0%	57.9%	61.8%	61.3%			
Net foreign debt (EUR M) [8]	9,686.8	8,398.1	11,519.8	16,122.6	21,184.8	24,889.2	30,995.3	40,703.7			
Net foreign debt (per cent of GDP)	19.1%	14.1%	16.3%	21.6%	25.7%	28.0%	34.5%	40.3%			
HUF/USD mid exchange rate at the end of period	284.73	279.03	225.16	207.92	180.29	213.58	191.62	172.61	204.85	201.76	187.91
HUF/EUR mid exchange rate at the end of period	264.94	246.33	235.90	262.23	245.93	252.73	252.30	253.35	261.10	259.59	264.78

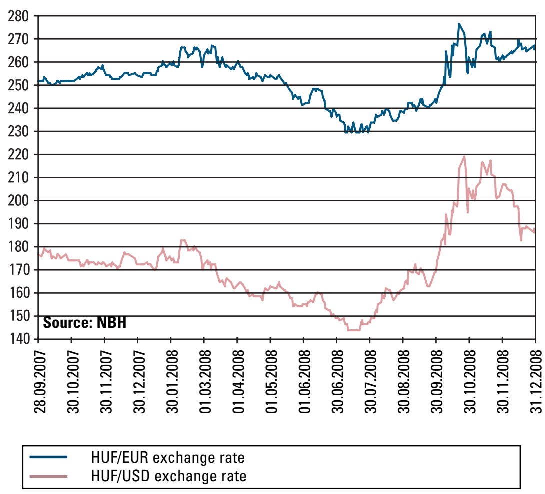
Source: Central Statistical Office, National Bank of Hungary (NBH), Ministry of Finance

[1] Same period of previous year = 100%, working-days adjusted
[2] In case of yearly data: December / previous December; otherwise: month/same month of the previous year
[3] Non-consolidated data
[4] Data compiled in accordance with the new methodology used by the NBH from 2004
[5] Including intercompany loans
[6] Excluding privatisation proceeds and transfers to the NBH
[7] Excluding debt assumptions and bond-transfers amounting to HUF 512.05 billion at the end of 2002
[8] Excluding intercompany loans
[9] FISIM with new methodology as from 2001

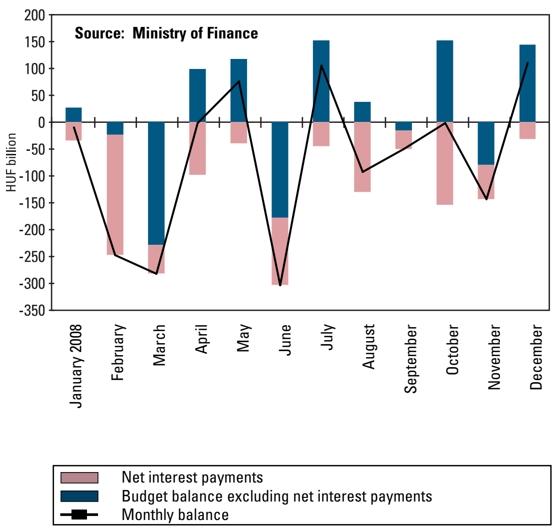
10-year Hungarian and eurozone benchmark yields



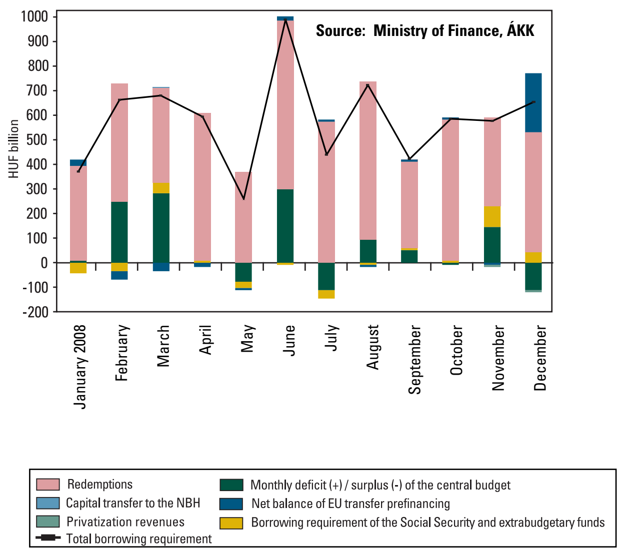
The exchange rate of the Hungarian Forint



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



Gross borrowing requirement



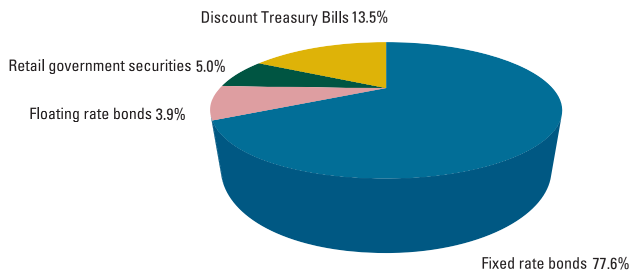
CENTRAL GOVERNMENT GROSS DEBT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	October 2008	November 2008	December 2008
1. Forint denominated debt	3,733.9	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	10,552.3	11,103.8	11,281.0	11,415.5	11,250.6
1.1. Loans	435.0	380.2	303.8	228.3	353.2	117.9	4.7	0.8	356.4	145.7	183.5	183.5	219.9
1.1.1. Foreign loans	0.0	0.0	0.0	0.0	1.7	1.4	1.1	0.8	0.5	145.7	183.5	183.5	219.9
1.1.2. Domestic loans	435.0	380.2	303.8	228.3	351.5	116.5	3.5	0.0	355.9	0.0	0.0	0.0	0.0
1.1.2.1. Raised from National Bank of Hungary (NBH)	434.9	362.4	289.5	217.4	144.0	71.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2.2. Other loans	0.1	17.8	14.3	10.9	207.5	45.3	3.5	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Government securities	3,299.0	3,970.0	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	10,195.9	10,958.1	11,097.5	11,232.0	11,030.7
1.2.1. Public issues	2,432.8	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,667.5	10,465.4	10,664.3	10,798.8	10,599.7
1.2.1.1. Bonds	1 386.5	1 790.8	2 221.2	2 782.0	3 829.2	5 056.5	5 768.9	6 299.1	7 244.2	8 245.3	8 538.1	8 721.8	8 570.6
1.2.1.2. Discount T-bills	689.9	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,530.9	1,755.9	1,664.9	1,588.2	1,541.0	1,482.4
1.2.1.3. Retail securities	356.5	499.3	523.3	544.7	560.3	533.5	628.4	588.7	667.4	555.2	538.0	536.0	546.6
1.2.2. Private placements	866.1	853.2	831.3	809.1	777.4	759.3	743.6	733.9	528.4	492.7	433.2	433.2	431.0
2. Foreign currency denominated debt*	2,431.9	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,124.4	4,472.6	5,000.0	6,272.2	6,774.8
2.1. Loans	2,367.8	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	720.6	803.7	846.5	813.6	2,110.0	2,529.4
2.1.1. Foreign loans	249.6	361.2	368.8	317.8	461.9	598.8	528.9	616.9	700.1	838.8	813.6	2 110.0	2 529.4
2.1.2. Domestic loans	2,118.2	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	103.8	103.6	7.7	0.0	0.0	0.0
2.1.2.1. Raised from National Bank of Hungary (NBH)	2,118.2	1,568.4	1,404.0	1,092.6	849.6	466.5	355.7	96.1	95.9	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	0.0	0.0	0.0	0.0	82.8	18.8	32.2	7.7	7.7	7.7	0.0	0.0	0.0
2.2. Government securities	64.0	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	4,186.5	4,162.2	4,245.5
2.2.1. Issued abroad	44.4	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	4,186.5	4,162.2	4,245.5
2.2.1.1. Foreign currency bonds	43.8	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,626.1	4,186.4	4,162.2	4,245.4
2.2.1.2. Kingdom of Hungary 1924 issues	0.6	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
2.2.2 Issued domestically	19.6	19.6	20.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	6,165.8	6,886.4	7,226.2	7,719.5	9,224.2	10,587.7	11,592.4	12,744.2	14,676.7	15,576.4	16,281.0	17,687.7	18,025.4
Other liabilities								21.4	29.0	9.1	7.6	56.5	78.5
Total central government debt								12,765.6	14,705.7	15,585.5	16,288.6	17,744.2	18,103.9
Gross debt/GDP	61.1%	60.4%	53.4%	50.5%	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

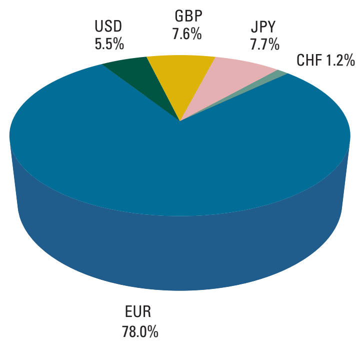
Source: ÁKK

Composition of HUF government securities as at 31. 12. 2008.



Source: ÁKK

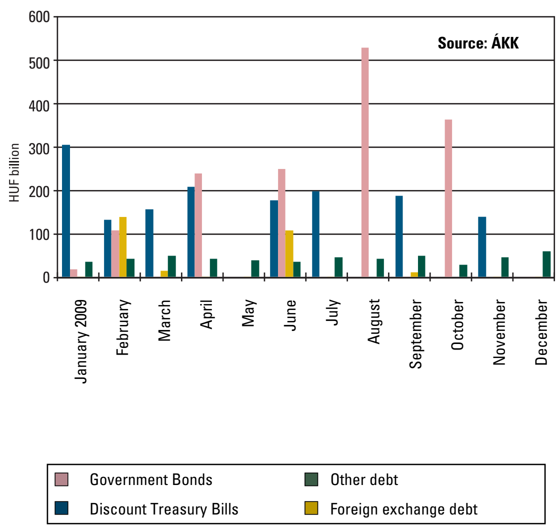
Currency composition of the foreign exchange debt portfolio as at 31. 12. 2008*



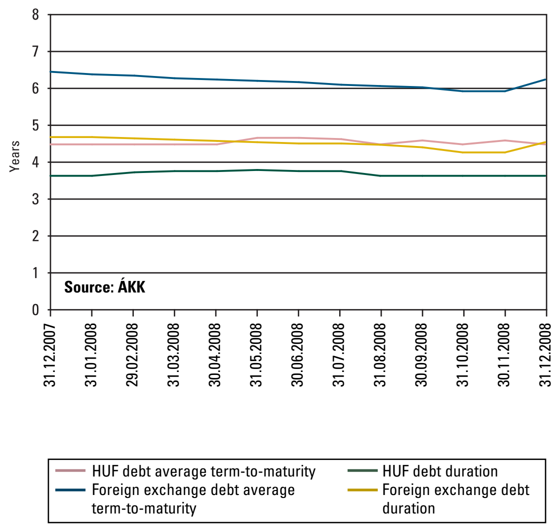
Source: ÁKK

*** Composition before swaps. By using cross-currency swaps, 99.99% of the actual foreign exchange debt of the central government was due in euros.**

Maturity profile of the central government gross debt over the next 12 months, as at 31.12.2008



Duration and average term-to-maturity of the HUF and foreign currency debt portfolios



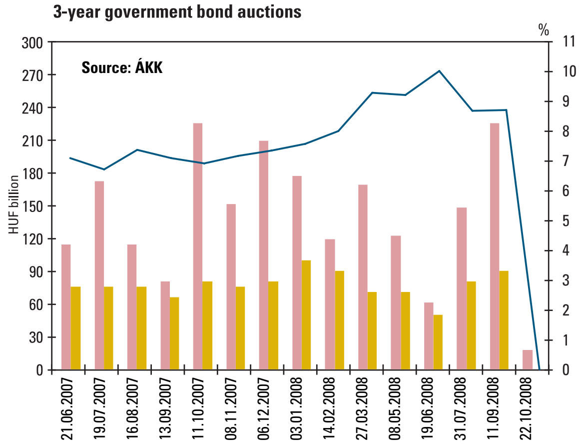
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2019/A	
ISIN code	HU0000402433	In reaction to market developments, the Government Debt Management Agency Ptl. Ltd. (ÁKK) did not hold T-bond auction in november and december.
Maturity (in years)	10	
Coupon (%)	6.50%	
Auction	7. auction	
Date of auction	09.10.2008	
Date of financial settlement	15.10.2008	
Date of redemption	24.06.2019	
Maximum annual yield (%) - ISMA	9.20	
Minimum annual yield (%) - ISMA	8.99	
Average annual yield (%) - ISMA	9.07	
Maximum annual yield (%) - EHM	9.20	
Minimum annual yield (%) - EHM	8.99	
Average annual yield (%) - EHM	9.07	
Maximum price (%)	83.2778	
Minimum price (%)	82.0455	
Average price (%)	82.8008	
Amount offered for sale (HUF million)	40,000.00	
Amount of bids submitted (HUF million)	51,643.32	
Amount of bids accepted (HUF million)	29,999.96	
Bid-to-cover ratio	1.72	
Bids submitted (pcs)	99	
Bids accepted (pcs)	64	
Tail (average price - minimum price)	0.76	
Market sales* (HUF million)	29,999.96	
Retained on ÁKK's own account (HUF million)	0.04	
Total amount issued (HUF million)	30,000.00	

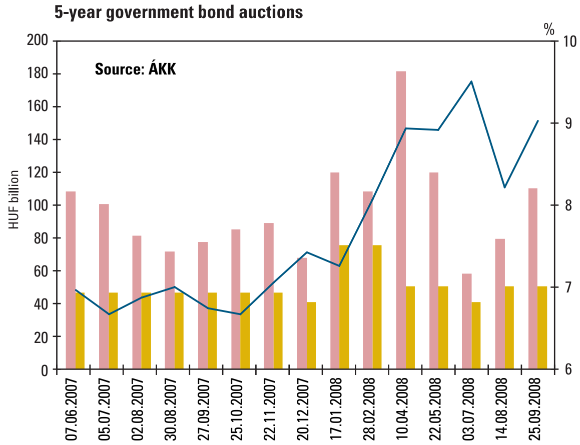
* Without issuance onto ÁKK's own account

Source: ÁKK

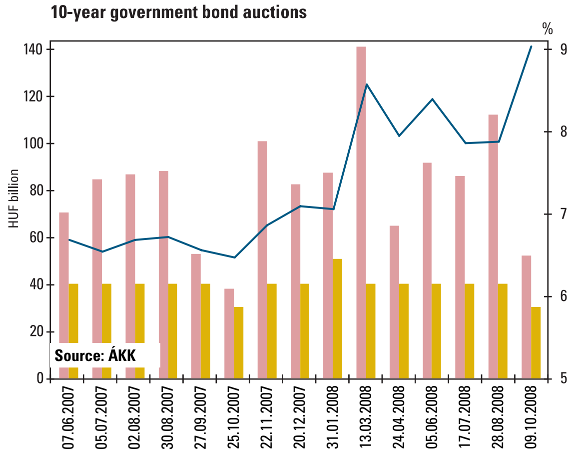
3-year government bond auctions



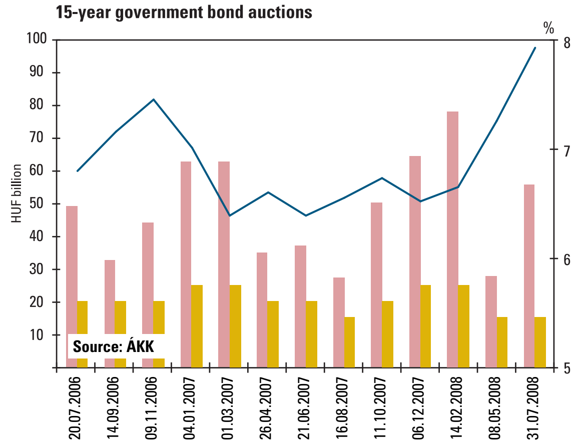
5-year government bond auctions



10-year government bond auctions



15-year government bond auctions



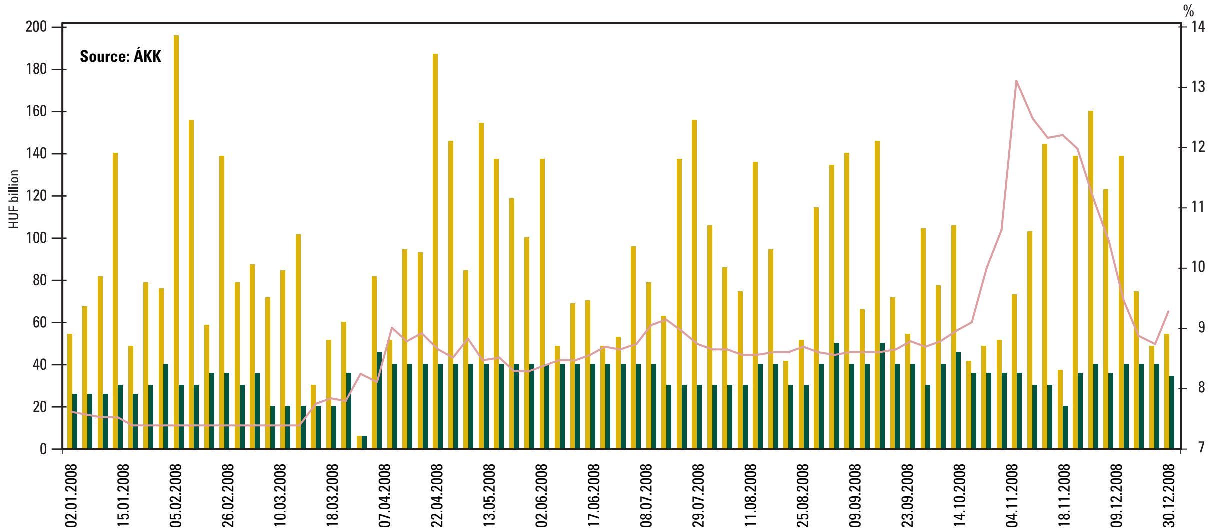
Bids submitted | Accepted amount | Average yield

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

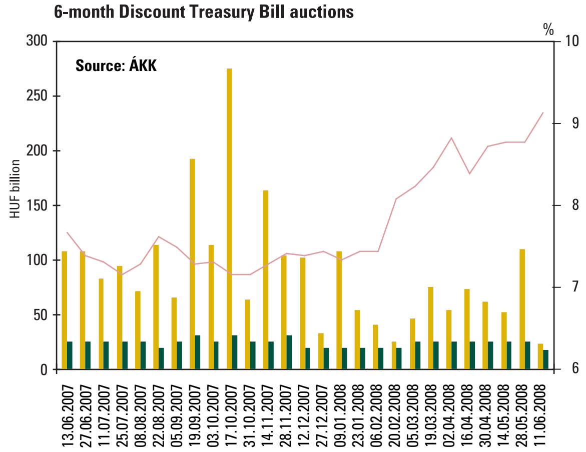
Government securities	D090408	D090603	2009/C	2009/F	2009/D	2009/F	2009/D	2009/F	2009/D	2009/F	2010/C	2009/D	2009/F	2010/C
ISIN code	HU0000516794	HU0000516877	HU0000402219	HU0000402359	HU0000402243	HU0000402359	HU0000402243	HU0000402359	HU0000402243	HU0000402359	HU0000402391	HU0000402243	HU0000402359	HU0000402391
Coupon (%)			7.00%	6.50%	8.25%	6.50%	8.25%	6.50%	8.25%	6.50%	6.75%	8.25%	6.50%	6.75%
Date of buy-back auction	27.10.2008	27.10.2008	26.11.2008	26.11.2008	03.12.2008	03.12.2008	10.12.2008	10.12.2008	17.12.2008	17.12.2008	17.12.2008	31.12.2008	31.12.2008	31.12.2008
Date of financial settlement	29.10.2008	29.10.2008	03.12.2008	03.12.2008	10.12.2008	10.12.2008	17.12.2008	17.12.2008	29.12.2008	29.12.2008	29.12.2008	07.01.2009	07.01.2009	07.01.2009
Date of redemption	08.04.2009	03.06.2009	24.06.2009	12.08.2009	12.10.2009	12.08.2009	12.10.2009	12.08.2009	12.10.2009	12.08.2009	12.04.2010	12.10.2009	12.08.2009	12.04.2010
Minimum annual yield (%)	11.00	11.20	11.50	11.50	0.00	0.00	9.60	9.60	0.00	9.20	9.45	0.00	9.15	9.40
Average annual yield (%) - EHM	11.31	11.53	11.58	11.58	0.00	0.00	9.60	9.60	0.00	9.20	9.51	0.00	9.15	9.41
Average annual yield (%) - ISMA			11.30	11.38	0.00	0.00	9.52	9.45	0.00	9.05	9.51	0.00	8.99	9.41
Amount of bids submitted (HUF million)	19,542.91	33,124.04	5,021.96	25,235.21	27,526.79	10,342.28	20,326.79	11,097.28	2,450.00	8,535.00	16,530.00	500.00	2,265.55	14,500.00
Amount of bids accepted (HUF million)	15,242.91	9,034.54	1,075.51	6,555.58	0.00	0.00	10,326.79	5,051.38	0.00	3,900.00	12,330.00	0.00	1,000.00	10,900.00
Bids submitted (pcs)	28	26	11	16	14	7	5	10	5	12	15	5	7	10
Bids accepted (pcs)	12	9	5	8	0	0	2	2	0	5	4	0	1	6

Source: ÁKK

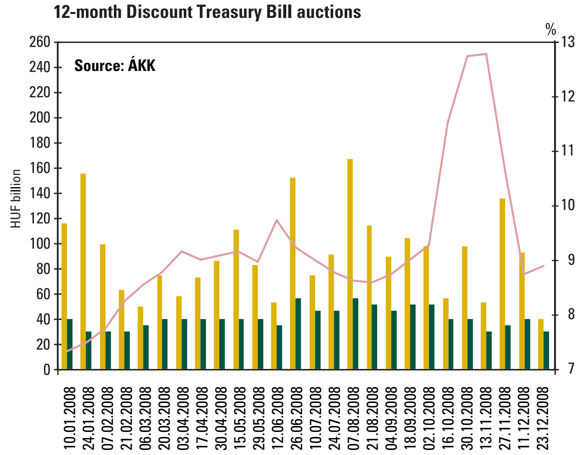
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions



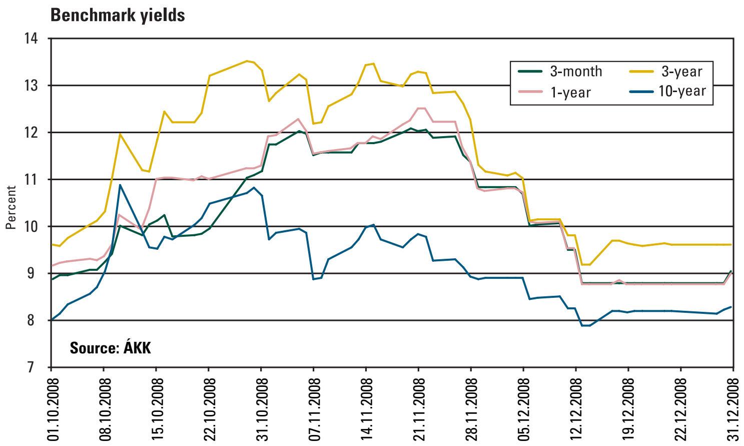
Bids submitted | Accepted amount | Average yield

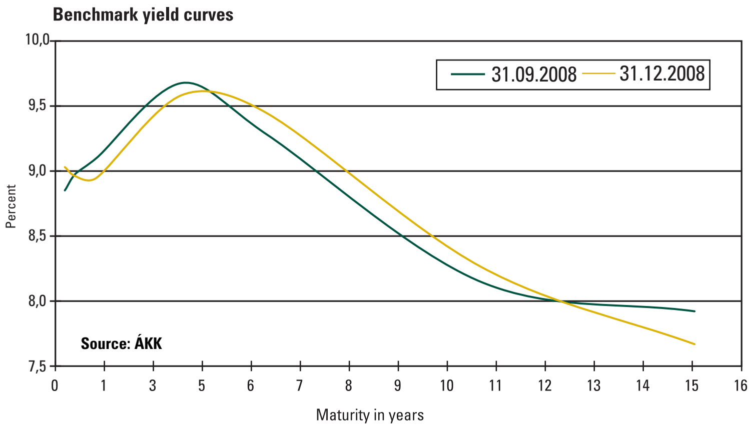
DETERMINATION OF INTEREST RATE FOR FLOATING RATE GOVERNMENT BONDS IN Q4 2008

Government Bond	Date of determination rate reset	Interest period		Date of interest payment	Applicable interest rate (%)	Interest payable (%)
2026/B	22.10.2008	24.10.2008	24.04.2009	24.04.2009	8.75%	8.70%
2026/C	27.10.2008	24.10.2008	24.04.2009	24.04.2009	8.75%	4.42%
2014/A	31.10.2008	02.11.2008	02.05.2009	04.05.2009	9.00%	4.53%
2013/C	19.12.2008	20.12.2008	20.06.2009	22.06.2009	9.50%	4.80%
2014/B	19.12.2008	20.12.2008	20.06.2009	22.06.2009	9.50%	4.80%
2016/A*	29.09.2009	31.12.2008	31.03.2009	31.03.2009	8.50%	2.10%

Source: ÁKK

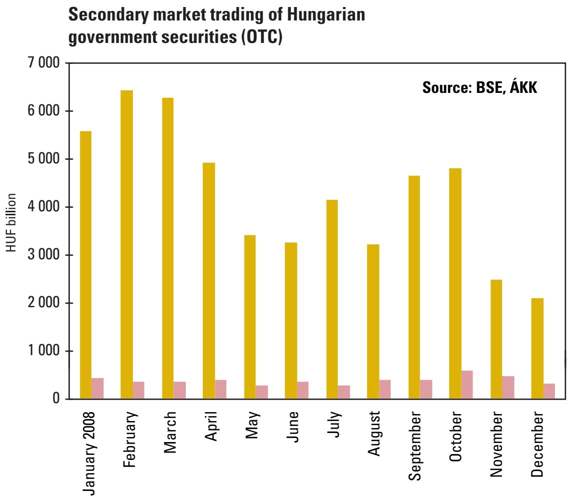
* Determination of interest rate takes place quarterly, while payment of interest semiannually.

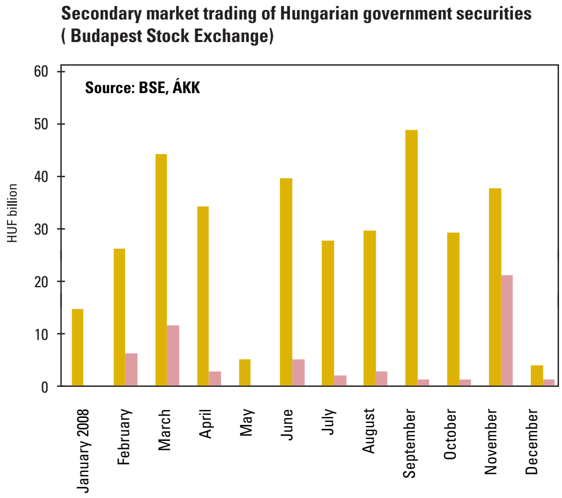


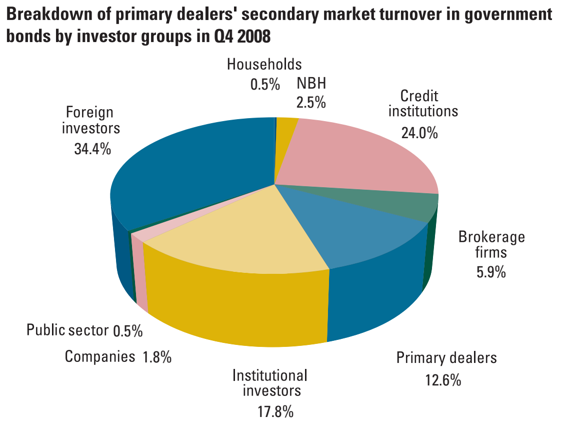


PRIMARY DEALERS - AS AT 31 DECEMBER 2008

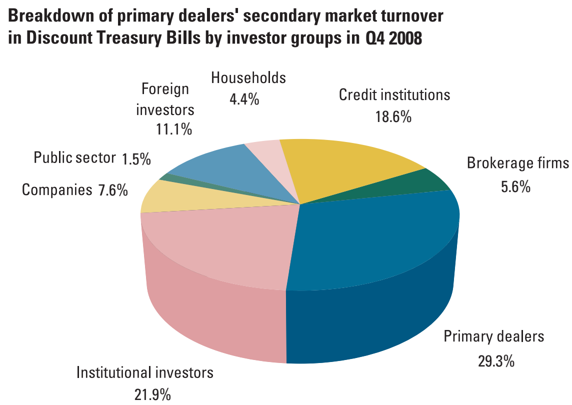
Primary dealers:		Primary dealers for retail securities:
CIB Bank Zrt.	MKB Bank Nyrt.	CIB Bank Zrt.
CITIBANK Zrt.	Magyar Takarékszövetkezeti Bank Zrt.	Kereskedelmi és Hitelbank Nyrt.
Deutsche Bank Zrt.	Országos Takarékpénztár és Kereskedelmi Bank Nyrt.	Magyar Takarékszövetkezeti Bank Zrt.
ERSTE Bank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



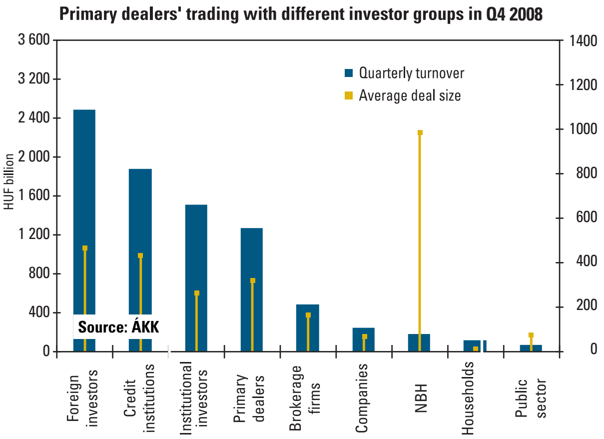




Source: ÁKK



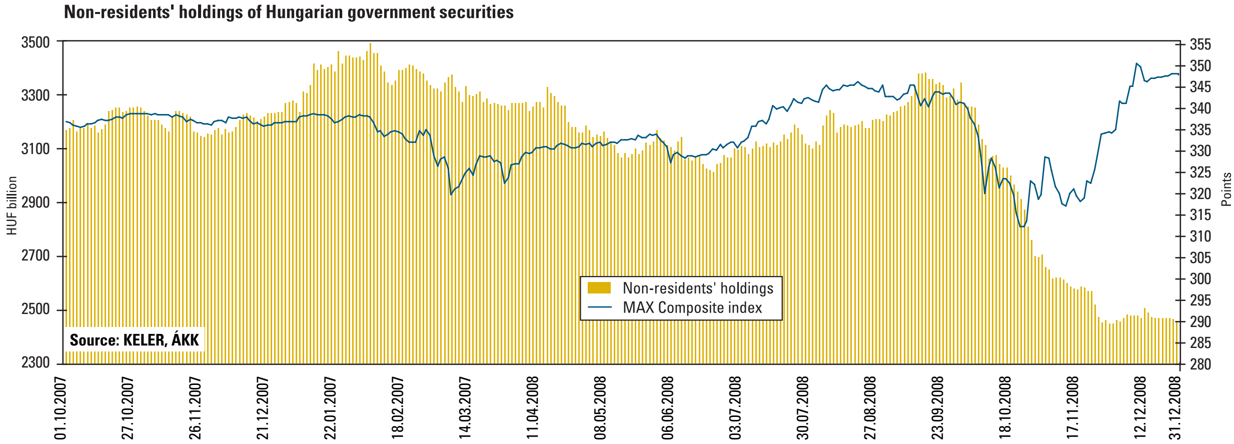
Source: ÁKK



Government securities with the highest turnover on the secondary market in Q4 2008

Government security	Date of redemption	Turnover (HUF billion)
2012/C	24.10.2012	1,385.1
2011/C	22.04.2011	1,025.4
2017/B	24.02.2017	895.0
2010/D	24.08.2010	614.1
2019/A	24.06.2019	527.3
2011/B	12.10.2011	415.5
2010/C	12.04.2010	382.4
2012/B	12.06.2012	341.0
2009/F	12.08.2009	325.6
2013/D	12.02.2013	321.2

Source: ÁKK



HUNGARIAN GOVERNMENT SECURITIES INDICES

	Value of the index				Annual yield earned on the index portfolio			
	MAX index	RMAX index	MAX Composite index	ZMAX index	MAX index	RMAX index	MAX Composite index	ZMAX index
30.09.2008	342.5887	358.1687	341.0013	363.2081	0.12%	7.35%	1.28%	8.03%
31.10.2008	320.1432	354.7523	322.6094	364.5994	-7.02%	5.61%	-4.79%	7.68%
28.11.2008	334.2162	361.0663	334.4590	368.6299	-2.22%	7.01%	-0.77%	8.33%
31.12.2008	349.8700	367.8897	347.8543	373.0173	2.56%	8.36%	3.26%	8.86%

Source: ÁKK

OUTSTANDING AMOUNT OF BENCHMARK GOVERNMENT BOND SERIES IN Q4 2008

	HUF billion		
Government Bond	31. 10. 2008	30. 11. 2008	31. 12. 2008
2011/C	555.51	555.61	555.72
2012/C	655.65	656.03	656.06
2019/A	280.15	280.17	280.17
2023/A	200.08	200.09	200.09

Source: ÁKK

REUTERS PAGES (CODES)

Main page: HUTREASURY

Auction results are available from 12.00 (CET)	
HUISSUE	Publication of the following issues and reverse auctions
HUAUCTION01	Discount T-bill auction results
HUAUCTION02	Government Bond auction results

Secondary market data	
HUBONDFIX	Benchmark yield fixing (updated at 14.00 CET)
HUBEST 3,4,5	Best secondary market quotations
HUBONDAKK, HUBONDAKK4	Best morning secondary market quotations
HUBONDAKK2, HUBONDAKK3	Best afternoon secondary market quotations
HUBONDINDEX	Hungarian Government Total Return Index (MAX), updated at 16.00 CET
HUBONDINDEX2	Benchmark Indices for Government Bonds BMX3Y-15Y (updated at 16.00 CET)
.HUMAXBOND	Hungarian Government Total Return Index (MAX) statistics

Other	
HUFLOATER	Interest rate reset of floating rate bonds
HUINDEXED	Accrued interest and capital uplift (inflation adjusted capital) of the index-linked government bond on a daily basis
HUBONDINFO	List of authorised dealers (contacts)

FURTHER INFORMATION PAGES:

Bloomberg pages (code): GDMA

Homepage: www.akk.hu, www.allampapir.hu

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