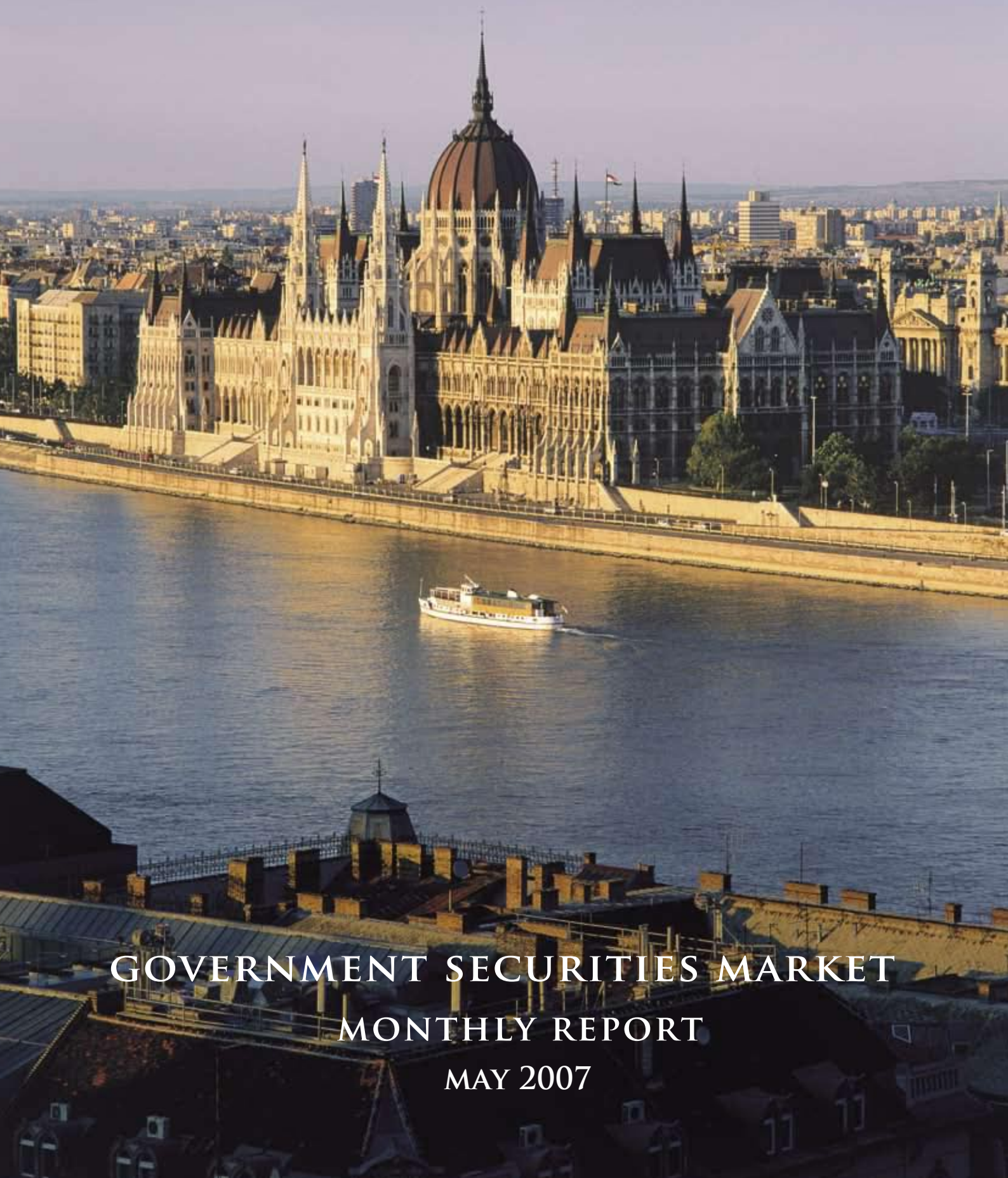




GOVERNMENT SECURITIES MARKET
MONTHLY REPORT
MAY 2007

■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 694.7 billion in the first five months of 2007 without debt-assumption. The cash inflows worth HUF 99.2 billion from the EAGGF fund of the European Union decreased, the capital transfers to the NBH worth HUF 20.6 billion increased the net borrowing requirement. Thus the total net borrowing requirement was HUF 616.1 billion till the end of May. Net issuance was HUF 693.4 billion, out of which net HUF-denominated issuance was HUF 446.9 billion, net foreign currency denominated issuance was HUF 246.5 billion in the first five months.

The HUF-denominated debt of the central government increased by HUF 445.0 billion till the end of May (the difference between net change and net issuance was caused by the change in the stock of matured but unclaimed securities). Out of the increase of government debt, government bonds and discount Treasury bills accounted for HUF 439.6 billion and HUF 69.1 billion respectively, while the stock of retail government securities decreased by HUF 19.5 billion. The stock of non-marketable government bonds decreased by HUF 1.1 billion because of redemption. In the above period there took place debt-assumption worth HUF 58.2 billion, prepayment worth HUF 164.3 billion and take-up of a loan worth HUF 63.0 billion from foreign lenders. These resulted in the drop of the volume of HUF-denominated loans by HUF 43.1 billion to HUF 313.3 billion.

The foreign currency debt of the central government increased by HUF 206.5 billion till the end of May. The HUF 258.5 billion worth of issuance increased and redemptions of foreign currency loans worth HUF 12.0 billion and exchange rate gains totalling HUF 39.9 billion decreased the Hungarian forint value of the foreign currency debt.

Secondary market yields remained approximately the same on all maturities in May. The 1-year yield fell by 5 basis points to 7.30%, the 3-year yield dropped by 2 basis points to 6.98%, the 10-year benchmark yield came down by 1 basis points to 6.54%.

Monthly OTC turnover of government securities was 3% lower in May than a month before and reached HUF 4,415.9 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 47% of their secondary government securities deals with non-resident investors.

Non-resident holdings of Hungarian government securities increased altogether by HUF 148.3 billion and amounted to HUF 3,182.3 billion at the end of May. This represented 31.7% of domestic government bonds and discount Treasury bills.

The EUR/HUF exchange rate according to the Hungarian National Bank was 250.35 at the last working day of May.

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

■ GOVERNMENT SECURITIES MARKET ■

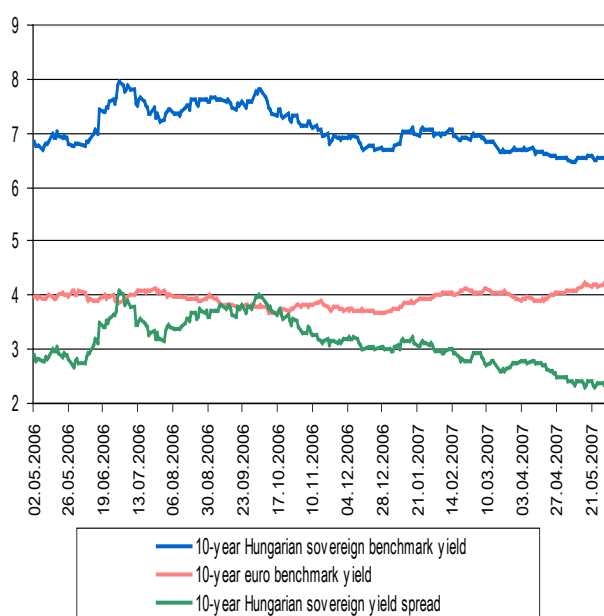
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

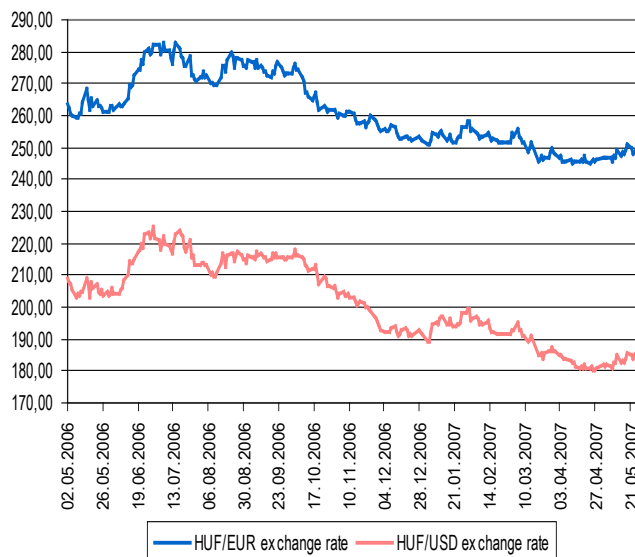
	2001	2002	2003	2004	2005	2006	Mar 2007	Apr 2007	May 2007
1. Forint denominated debt	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	10,552.3	10,892.4	10,848.9	10,997.3
1.1. Loans	228.3	353.2	117.9	4.7	0.8	356.4	250.3	250.3	313.3
1.2. Government securities	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	10,195.9	10,642.1	10,598.6	10,684.0
1.2.1. Public issues	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,667.5	10,114.0	10,071.3	10,156.7
1.2.1.1. Bonds	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	7,244.2	7,721.8	7,622.6	7,683.8
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	1,727.9	1,787.0	1,825.0
1.2.1.3. Retail securities	544.7	560.3	533.5	628.4	588.7	667.4	664.3	661.7	648.0
1.2.2. Private placements	809.1	777.4	759.3	743.6	733.9	528.4	528.1	527.3	527.3
2. Foreign currency denominated debt*	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,124.4	4,295.6	4,265.2	4,331.0
2.1. Loans	1,410.4	1,394.3	1,084.1	916.8	720.6	803.7	785.9	775.5	785.6
2.1.1. Foreign loans	317.8	461.9	598.8	528.9	616.9	700.1	684.2	674.4	682.8
2.1.2. Domestic loans	1,092.6	932.3	485.3	387.8	103.8	103.6	101.7	101.2	102.8
2.1.2.1. Raised from National Bank of Hungary (NBH)	1,092.6	849.6	466.5	355.7	96.1	95.9	94.2	93.7	95.2
2.1.2.2. Other loans	0.0	82.8	18.8	32.2	7.7	7.7	7.5	7.5	7.6
2.2. Government securities	911.7	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,509.7	3,489.7	3,545.4
2.2.1. Issued abroad	911.5	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,509.6	3,489.7	3,545.3
2.2.1.1. Foreign currency bonds	911.5	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,509.6	3,489.7	3,545.3
2.2.1.2. Kingdom of Hungary 1924 issues	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
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	15,188.1	15,114.2	15,328.3
Other liabilities					21.4	29.0	25.4	25.3	25.5
Total central government debt					12,765.6	14,705.7	15,213.5	15,139.5	15,353.7
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	9,977.8	9,936.9	10,036.1
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.

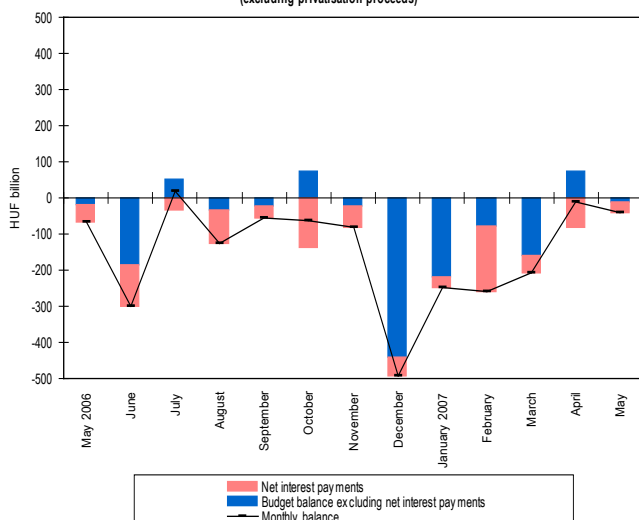
% 10-year Hungarian and eurozone benchmark yields during the last year



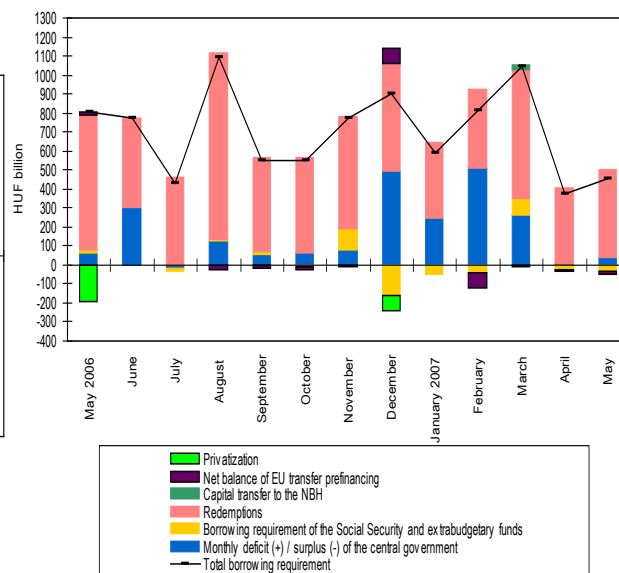
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement



■ GOVERNMENT SECURITIES MARKET ■

DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills					6-month Discount T-bills			12-month Discount T-bills		
Code of T-bills	D070808	D070815	D070822	D070829	D070905	D071024	D071024	D071219	D080507	D080507	D080507
ISIN code	HU0000516299	HU0000516315	HU0000516323	HU0000516182	HU0000516331	HU0000516265	HU0000516265	HU0000516349	HU0000516307	HU0000516307	HU0000516307
Maturity in days	91	91	91	91	91	168	154	196	364	350	336
Date of auction	02.05.2007	08.05.2007	15.05.2007	22.05.2007	29.05.2007	02.05.2007	16.05.2007	30.05.2007	03.05.2007	17.05.2007	31.05.2007
Date of financial settlement	09.05.2007	16.05.2007	23.05.2007	30.05.2007	06.06.2007	09.05.2007	23.05.2007	06.06.2007	09.05.2007	23.05.2007	06.06.2007
Redemption date	08.08.2007	15.08.2007	22.08.2007	29.08.2007	05.09.2007	24.10.2007	24.10.2007	19.12.2007	07.05.2008	07.05.2008	07.05.2008
Maximum yield, (%) - ISMA	7.72	7.68	7.71	7.72	7.71	7.58	7.61	7.55	7.30	7.40	7.34
Minimum yield, (%) - ISMA	7.54	7.45	7.65	7.64	7.65	7.35	7.51	7.50	7.25	7.32	7.20
Average yield, (%) - ISMA	7.69	7.67	7.68	7.70	7.69	7.56	7.59	7.53	7.28	7.37	7.32
Maximum yield, (%) - EHM	7.83	7.79	7.82	7.83	7.82	7.69	7.72	7.65	7.40	7.50	7.77
Minimum yield, (%) - EHM	7.64	7.55	7.76	7.75	7.76	7.45	7.61	7.60	7.35	7.42	7.30
Average yield, (%) - EHM	7.80	7.78	7.79	7.81	7.80	7.67	7.70	7.63	7.38	7.47	7.42
Average selling price (%)	98.0932	98.0981	98.0956	98.0908	98.0932	96.5922	96.8553	96.0618	93.1438	93.3138	93.6049
Amount offered for sale (HUF million)	30,000.00	30,000.00	30,000.00	30,000.00	40,000.00	30,000.00	30,000.00	30,000.00	30,000.00	35,000.00	35,000.00
Amount of bids submitted (HUF million)	50,069.44	135,112.77	125,180.22	92,778.90	68,167.04	72,744.86	124,882.06	92,393.33	150,947.00	114,930.32	122,196.04
Amount of bids accepted (HUF million)	29,999.92	29,999.88	34,999.96	34,999.98	39,999.95	29,999.98	29,999.95	34,999.94	39,999.90	34,999.91	39,999.97
Bid-to-cover ratio	1.67	4.50	3.58	2.65	1.70	2.42	4.16	2.64	3.77	3.28	3.05
Bids submitted (pcs)	89	113	111	92	101	99	112	116	139	125	136
Bids accepted (pcs)	71	75	69	43	74	60	30	54	65	87	34
Market sales* (HUF million)	29,999.92	29,999.88	34,999.96	34,999.98	39,999.95	29,999.98	29,999.95	34,999.94	39,999.90	34,999.91	39,999.97
Retained on AKK's own account	3,000.08	3,000.12	3,500.04	3,500.02	4,000.05	6,000.02	6,000.05	10,500.06	12,000.10	7,000.09	8,000.03
Total amount issued (HUF million)	33,000.00	33,000.00	38,500.00	38,500.00	44,000.00	36,000.00	36,000.00	45,500.00	52,000.00	42,000.00	48,000.00

*Without issuance onto AKK's own account

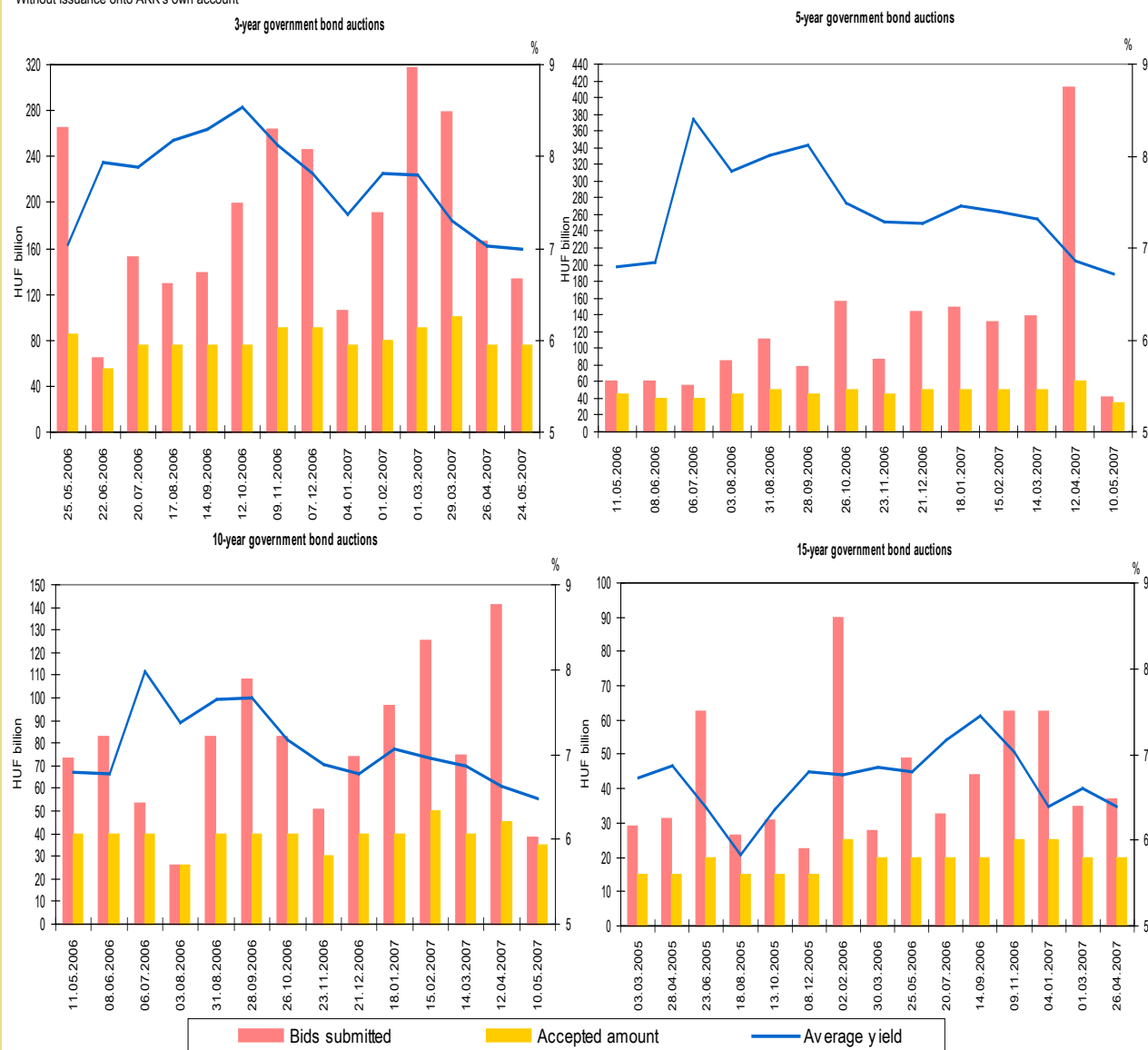


■ GOVERNMENT SECURITIES MARKET ■

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2012/B	2017/B	2010/C
ISIN code	HU0000402367	HU0000402375	HU0000402391
Maturity (in years)	5	10	3
Coupon (%)	7.25%	6.75%	6.75%
Auction	9th auction	9th auction	6th auction
Date of auction	10.05.2007	10.05.2007	24.05.2007
Date of financial settlement	16.05.2007	16.05.2007	30.05.2007
Redemption date	12.06.2012	24.02.2017	12.04.2010
Maximum annual yield (%) - ISMA	6.73	6.50	7.03
Minimum annual yield (%) - ISMA	6.68	6.43	6.93
Average annual yield (%) - ISMA	6.71	6.48	7.00
Maximum annual yield (%) - EHM	6.72	6.49	7.02
Minimum annual yield (%) - EHM	6.67	6.42	6.92
Average annual yield (%) - EHM	6.70	6.47	7.00
Maximum price (%)	102.3857	102.2348	99.5203
Minimum price (%)	102.1734	101.7319	99.2688
Average price (%)	102.2504	101.9029	99.3361
Amount offered for sale (HUF million)	45,000.00	40,000.00	75,000.00
Amount of bids submitted (HUF million)	41,793.75	38,543.00	132,737.19
Amount of bids accepted (HUF million)	34,999.96	34,999.98	74,999.90
Bid-to-cover ratio	1.19	1.10	1.77
Bids submitted (pcs)	87	60	126
Bids accepted (pcs)	71	54	89
Tail (average price - minimum price)	0.08	0.17	0.07
Market sales* (HUF million)	34,999.96	34,999.98	74,999.90
Retained on ÁKK's own account (HUF million)	0.04	0.02	0.10
Total amount issued (HUF million)	35,000.00	35,000.00	75,000.00

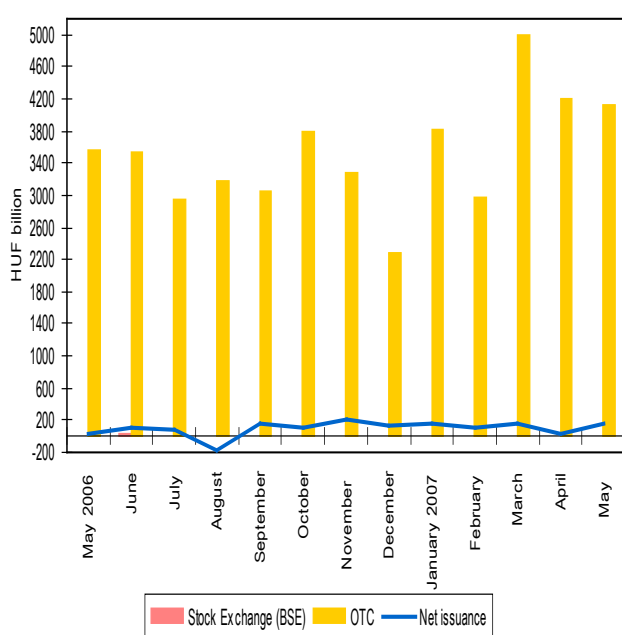
*Without issuance onto ÁKK's own account



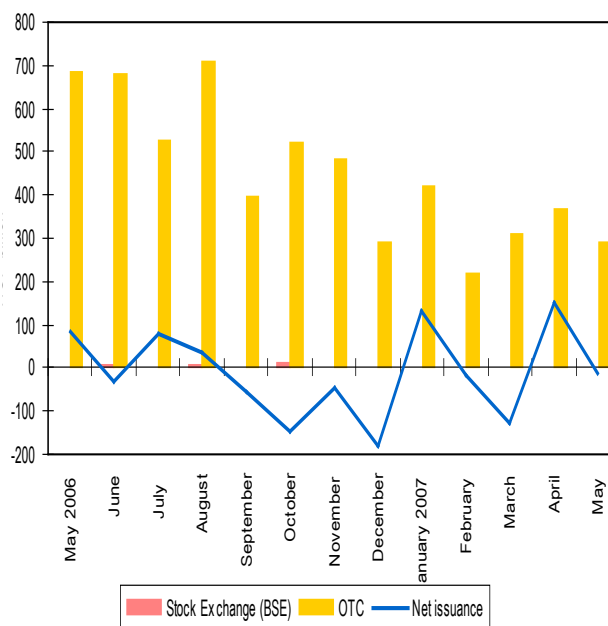
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2008/D	2007/G	2008/D	2007/G
ISIN code	HU0000402276	HU0000402250	HU0000402276	HU0000402250
Coupon (%)	7.25%	9.25%	7.25%	9.25%
Date of reverse auction	09.05.2007	09.05.2007	23.05.2007	23.05.2007
Date of financial settlement	16.05.2007	16.05.2007	30.05.2007	30.05.2007
Redemption date	24.04.2008	12.10.2007	24.04.2008	12.10.2007
Minimum annual yield (%)	7.26	7.60	7.30	7.64
Average annual yield (%)	7.27	7.67	7.33	7.66
Amount of bids submitted (HUF million)	38,282.53	15,927.68	28,644.68	20,747.02
Amount of bids accepted (HUF million)	6,563.42	15,927.68	16,991.50	14,454.02

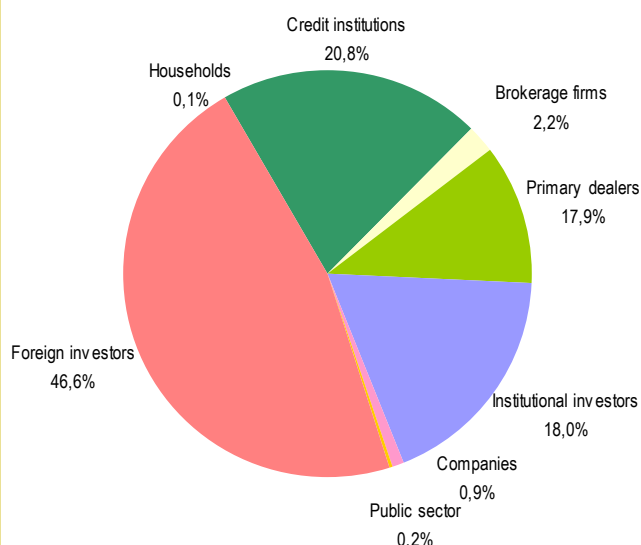
Secondary market trading of government bonds



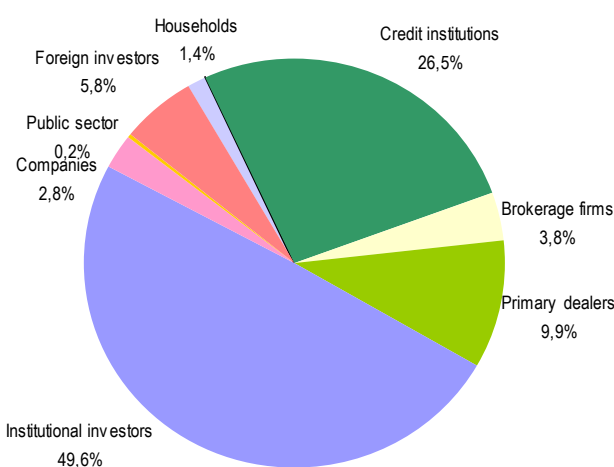
Secondary market trading of Discount Treasury Bills



Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in May 2007

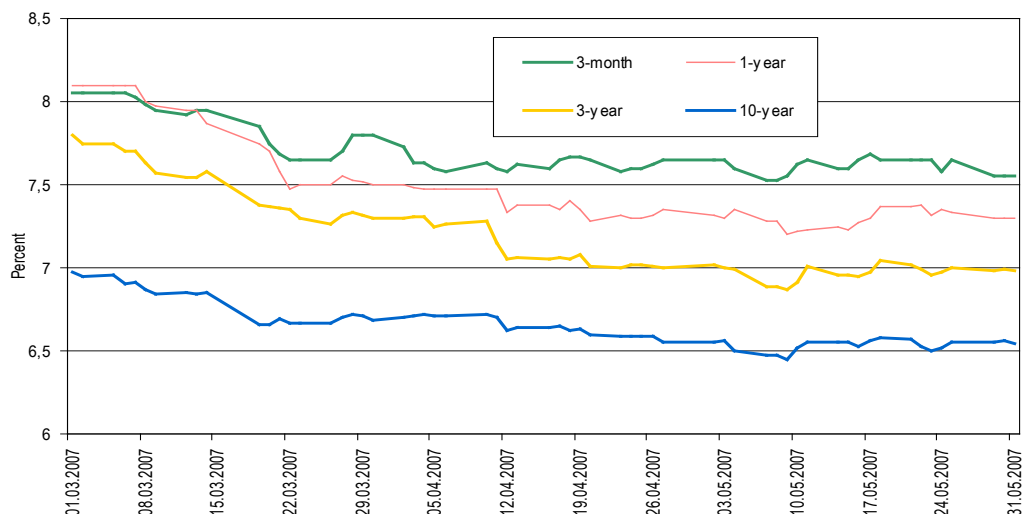


Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in May 2007

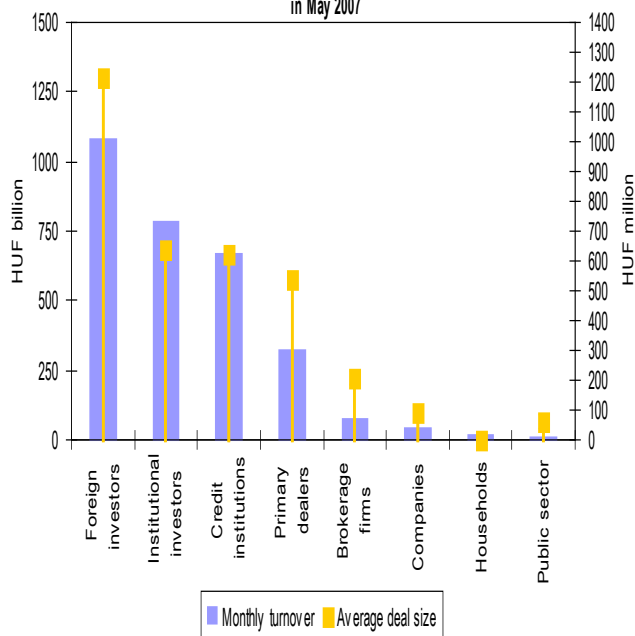


■ GOVERNMENT SECURITIES MARKET ■

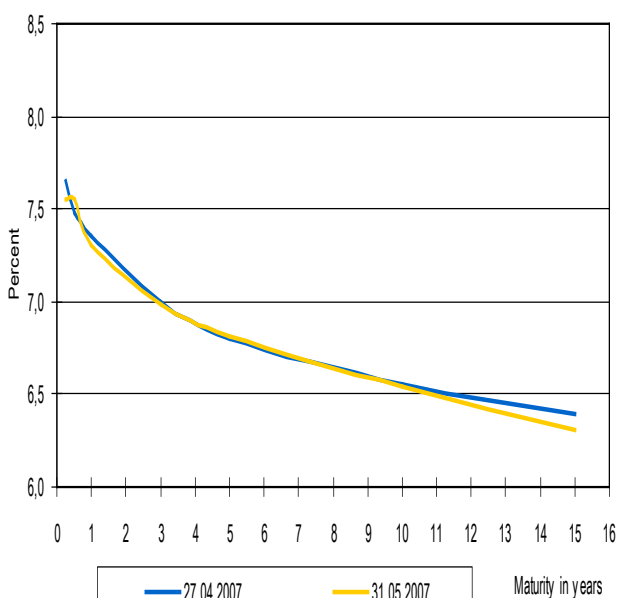
Benchmark yields in the past three months



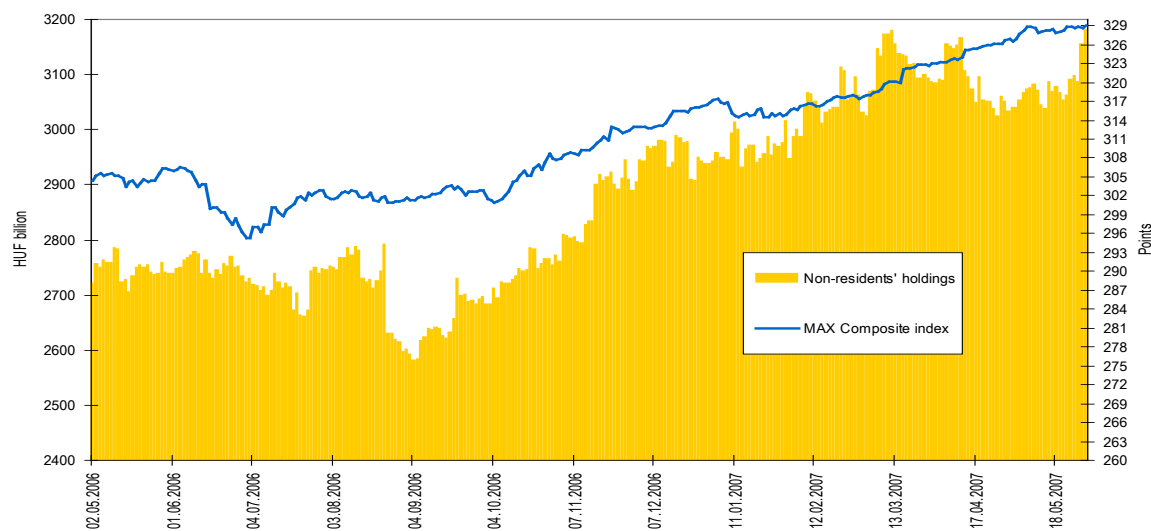
Primary dealers' trading with different investor groups
in May 2007



Benchmark yield curves



Non-residents' holdings of Hungarian government securities during the last year and the MAX index



■ GOVERNMENT SECURITIES MARKET ■

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MAY 2007

Government Bond	Date of interest rate reset	Interest period	Date of interest payment	Reset interest rate (%)	Interest payable (%)
2014/A	27.04.2007	02.05.2007 02.11.2007	05.11.2007	7.90	4.04

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 May 2007	334.3761	325.6872	328.9946	327.9721
Changes compared to the end of the month before	2.0755	2.0083	2.0327	2.1762
Annual yield earned on the index portfolio	7.51%	7.40%	7.38%	7.73%

Government securities with the highest secondary market turnover in May 2007

Government security	Date of redemption	Turnover (HUF billion)
2010/C	12.04.2010	445.4
2012/B	12.06.2012	282.1
2009/F	12.08.2009	195.8
2011/B	12.10.2011	173.1
D071121	21.11.2007	163.4
2017/B	24.02.2017	162.8
D080312	12.03.2008	144.4
2015/A	12.02.2015	135.7
2008/D	24.04.2008	115.0
2014/C	12.02.2014	100.5

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

Government bond	HUF billion	
	27.04.2007	31.05.2007
2010/C	346.59	496.68
2012/B	400.17	435.17
2017/B	325.06	360.07
2023/A	45.01	65.01

PRIMARY DEALERS - AS AT 31 MAY 2007

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