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ÁLLAMADÓSSÁG KEZELŐ KÖZPONT RT.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

MAY 2006

The deficit of the central government amounted to HUF 981.0 billion in the first five months of 2006. The net prefinancing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 27.8 billion, as did the capital transfer to the National Bank of Hungary (NBH) by law by HUF 14.8 billion. The total net financing requirement was met by a net issuance of HUF 1141.5 billion (ca. EUR 4.4 billion), out of which net domestic currency issuance was HUF 693.4 billion (ca. EUR 2.7 billion) and net foreign exchange issuance totalled HUF 448.1 billion (ca. EUR 1.7 billion).

The HUF denominated debt of the central government increased by HUF 695.0 billion until the end of May (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, marketable government bonds accounted for HUF 184.3 billion, discount Treasury bills for HUF 600.1 billion and retail government securities for HUF 29.0 billion. The stock of non-marketable bonds deceased by HUF 118.3 billion, while that of domestic loans remained unchanged.

The foreign currency debt of the central government increased by HUF 602.6 billion in the first five months of the year. The foreign currency bond issues increased the debt by HUF 538.2 billion, loan draw-downs by HUF 102.4 billion, while the redemptions of foreign currency bonds amounted to HUF 186.7 billion and that of foreign currency loans reached HUF 5.8 billion. Exchange rate losses of HUF 154.6 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of May 2006, 66.1% of the domestic government securities were fixed rate, 33.9% floating rate securities, compared to 69.0% and 31.0% at the end of 2005, which means that the proportion of fixed rate securities decreased due to the rise in the stock of discount Treasury bills.

Short-term secondary market yields and the 10-year yield declined by 3-15 basis points in May, while the 3-year yield rose by 4 basis points and the 5 and 15-year yields remained unchanged. Yield movements reflected international factors and decreasing domestic political uncertainty. In the course of the month the 1-year yield decreased by 15 basis points to 6.43%, the 3-year yield rose by 4 bps and amounted to 6.92%, while the 10-year benchmark yield reached 6.81% at the end of May after decreasing by 3 basis points.

Monthly OTC turnover of government securities was 28% higher in May than a month before and reached HUF 4239,8 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 46% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 33.2 in May, and amounted to HUF 2739,6 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 HUF/EUR mid exchange rate at the end of May 2006 was 262.71

The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows: A- / A1 / BBB+

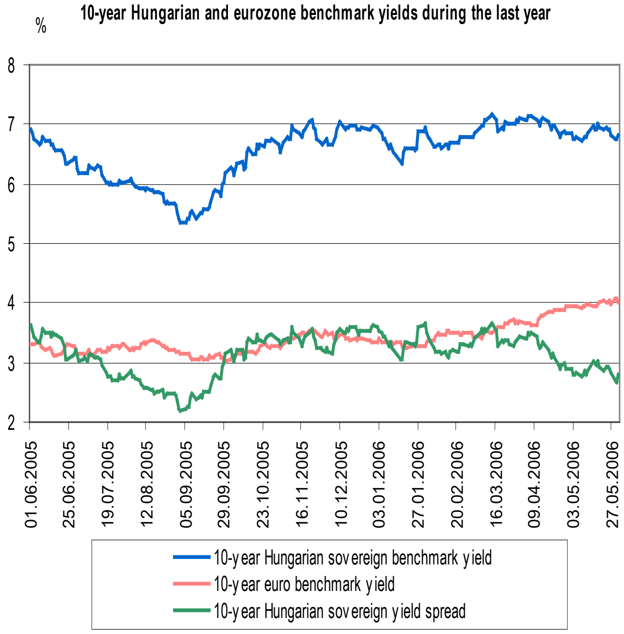
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

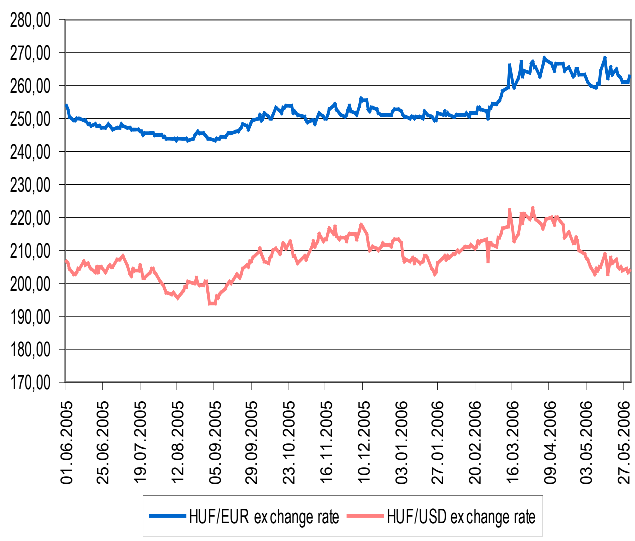
	2000	2001	2002	2003	2004	2005	Mar 2006	Apr 2006	May 2006
1. Forint denominated debt	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	9,735.8	9,767.6	9,848.5
1.1. Loans	303.8	228.3	353.2	117.9	4.7	0.8	0.8	0.8	0.8
1.2. Government securities	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	9,735.0	9,766.8	9,847.7
1.2.1. Public issues	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,119.4	9,151.3	9,232.1
1.2.1.1. Bonds	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	6,668.7	6,488.2	6,483.4
1.2.1.2. Discount T-bills	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,530.9	1,817.9	2,047.8	2,131.0
1.2.1.3. Retail securities	523.3	544.7	560.3	533.5	628.4	588.7	612.9	615.3	617.8
1.2.2. Private placements	831.3	809.1	777.4	759.3	743.6	733.9	615.5	615.5	615.5
2. Foreign currency denominated debt*	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,367.1	4,149.8	4,193.3
2.1. Loans	1,772.8	1,410.4	1,394.3	1,084.1	916.8	720.6	799.1	792.3	847.2
2.1.1. Foreign loans	368.8	317.8	461.9	598.8	528.9	616.9	690.0	684.0	739.3
2.1.2. Domestic loans	1,404.0	1,092.6	932.3	485.3	387.8	103.8	109.0	108.2	107.9
2.1.2.1. Raised from National Bank of Hungary (NBH)	1,404.0	1,092.6	849.6	466.5	355.7	96.1	100.9	100.2	99.9
2.1.2.2. Other loans	0.0	0.0	82.8	18.8	32.2	7.7	8.1	8.0	8.0
2.2. Government securities	736.0	911.7	873.0	1,494.9	2,066.8	2,870.1	3,568.1	3,357.6	3,346.1
2.2.1. Issued abroad	715.7	911.7	873.0	1,494.9	2,066.8	2,870.1	3,568.1	3,357.6	3,346.1
2.2.1.1. Foreign currency bonds	715.4	911.5	872.9	1,494.7	2,066.7	2,870.0	3,568.0	3,357.5	3,346.1
2.2.1.2. Kingdom of Hungary 1924 issues	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1
2.2.2. Issued domestically	20.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	7,226.2	7,719.5	9,224.2	10,587.7	11,592.4	12,744.2	14,102.9	13,917.4	14,041.8
Mark-to-market deposits placed at ÁKK Rt.						21,4	27,4	14,5	14,5
Total central government debt						12,765.6	14,130.4	13,931.9	14,056.3
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*3,890.4*	*4,624.4*	*6,043.4*	*7,357.3*	*7,975.8*	*8,563.9*	*9,122.1*	*9,151.5*	*9,229.9*
Gross debt/GDP	*54.4%*	*51.5%*	*54.5%*	*56.8%*	*56.7%*	*58.6%*			

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

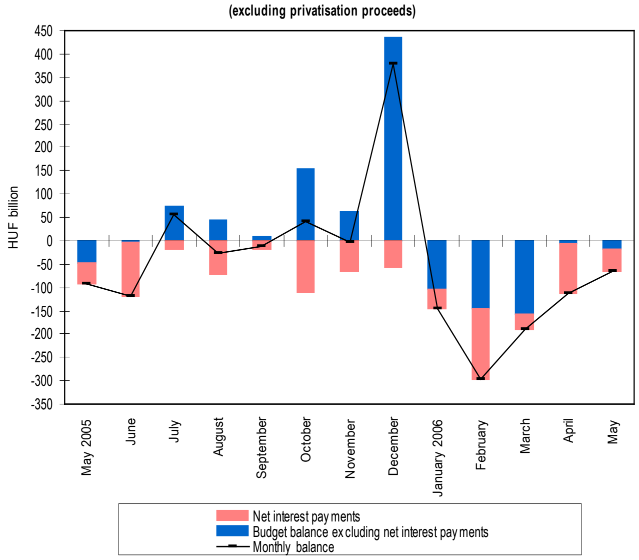
10-year Hungarian and eurozone benchmark yields during the last year



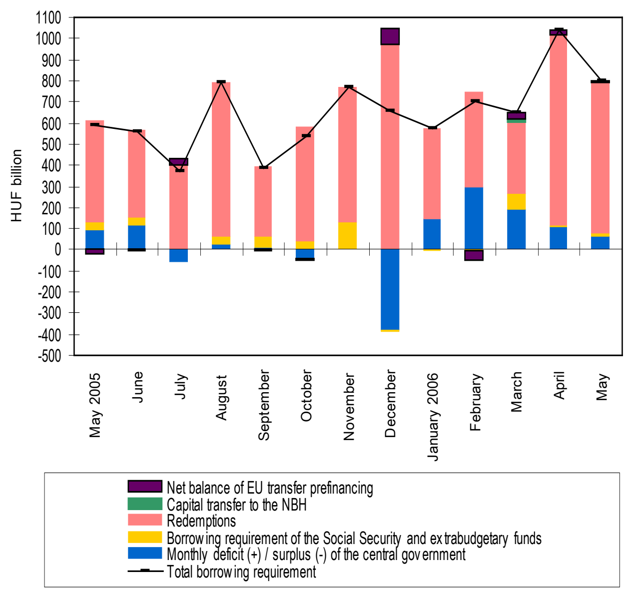
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

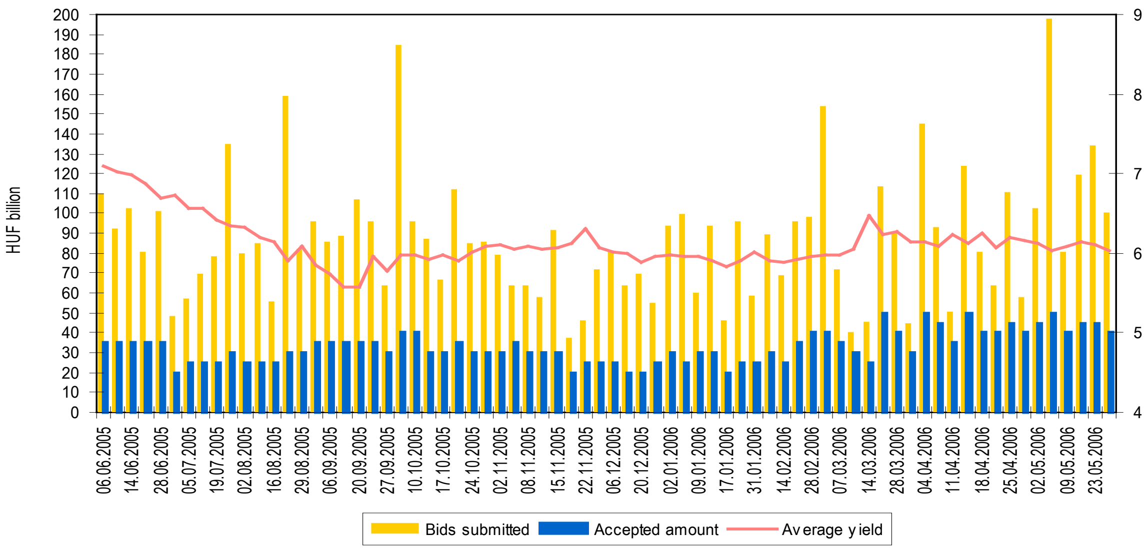


DISCOUNT TREASURY BILL AUCTION RESULTS

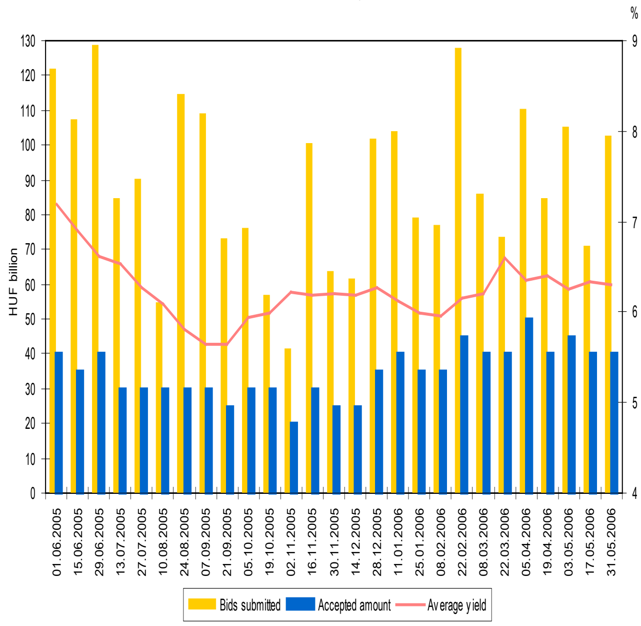
	Liquidity Discount T-Bills	3-month Discount T-bills					6-month Discount T-bills			12-month Discount T-bills	
Code of T-bills	D060621	D060809	D060816	D060823	D060830	D060906	D061122	D061122	D061122	D070328	D070328
ISIN code	HU0000515713	HU0000515770	HU0000515796	HU0000515804	HU0000515424	HU0000515812	HU0000515788	HU0000515788	HU0000515788	HU0000515747	HU0000515747
Maturity in days	42	91	91	91	91	91	196	182	168	322	308
Date of auction	08.05.2006	03.05.2006	09.05.2006	16.05.2006	23.05.2006	30.05.2006	03.05.2006	17.05.2006	31.05.2006	04.05.2006	18.05.2006
Date of financial settlement	10.05.2006	10.05.2006	17.05.2006	24.05.2006	31.05.2006	07.06.2006	10.05.2006	24.05.2006	07.06.2006	10.05.2006	24.05.2006
Redemption date	21.06.2006	09.08.2006	16.08.2006	23.08.2006	30.08.2006	06.09.2006	22.11.2006	22.11.2006	22.11.2006	28.03.2007	28.03.2007
Maximum yield (%) - ISMA	6.05	6.14	6.10	6.15	6.13	6.07	6.27	6.37	6.31	6.48	6.72
Minimum yield (%) - ISMA	6.02	6.06	6.00	6.12	6.05	6.00	6.22	6.05	6.15	6.44	6.64
Average yield (%) - ISMA	6.04	6.12	6.09	6.14	6.11	6.04	6.25	6.34	6.30	6.47	6.69
Maximum yield (%) - EHM	6.13	6.23	6.18	6.24	6.22	6.15	6.36	6.46	6.40	6.57	6.81
Minimum yield (%) - EHM	6.10	6.14	6.08	6.21	6.13	6.08	6.34	6.13	6.24	6.53	6.73
Average yield (%) - EHM	6.12	6.21	6.17	6.23	6.19	6.12	6.34	6.43	6.39	6.56	6.78
Average selling price (%)	99.3003	98.4766	98.4839	98.4717	98.4790	98.4962	96.7092	96.8943	97.1440	94.5295	94.5862
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	198,080.90	102,654.30	80,386.54	119,313.15	134,332.92	100,216.46	105,035.11	71,143.77	102,483.07	94,780.00	100,837.17
Amount of bids accepted (HUF million)	49,999.99	44,999.96	39,999.87	44,999.87	44,999.99	39,999.96	44,999.96	39,999.94	39,999.96	39,999.97	39,999.97
Bid-to-cover ratio	3.96	2.28	2.01	2.65	2.99	2.51	2.33	1.78	2.56	2.37	2.52
Bids submitted (pcs)	83	97	107	132	85	105	136	118	120	113	120
Bids accepted (pcs)	30	69	74	70	42	51	59	93	36	65	49
Market sales* (HUF million)	49,999.99	44,999.96	39,999.87	44,999.87	44,999.99	39,999.96	44,999.96	39,999.94	39,999.96	39,999.97	39,999.97
Retained on ÁKK's own account (HUF m.)	0.01	4,500.04	4,000.13	4,500.13	4,500.01	4,000.04	13,500.04	8,000.06	8,000.04	8,000.03	8,000.03
Total amount issued (HUF million)	50,000.00	49,500.00	44,000.00	49,500.00	49,500.00	44,000.00	58,500.00	48,000.00	48,000.00	48,000.00	48,000.00

* Without issuance onto ÁKK's own account

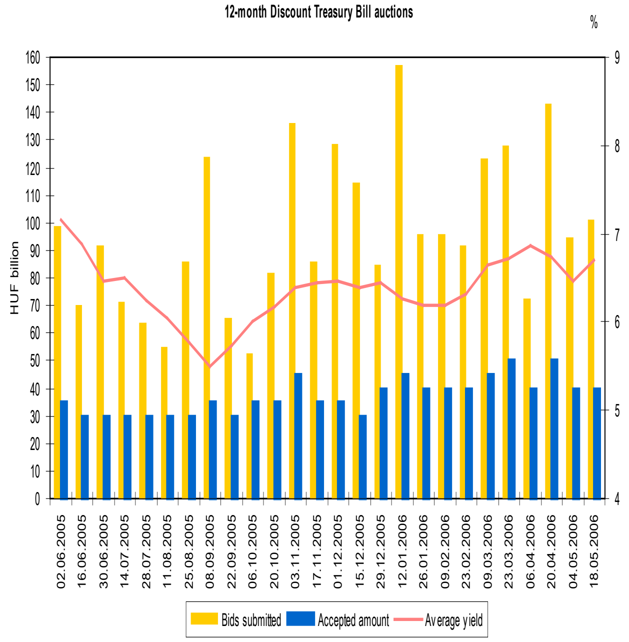
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions

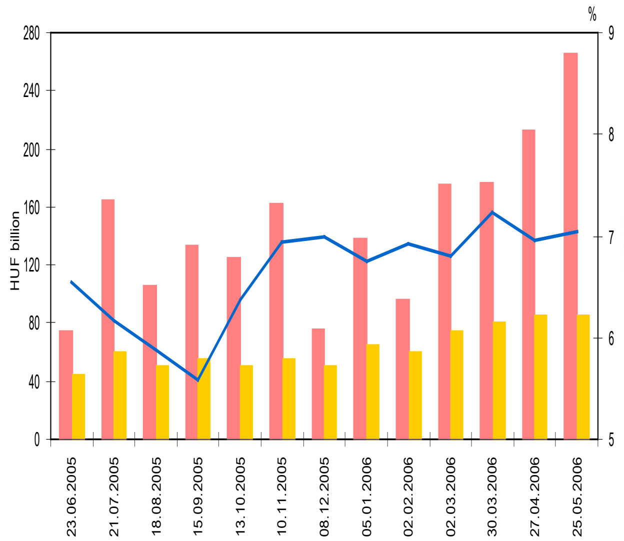


GOVERNMENT BOND AUCTION RESULTS

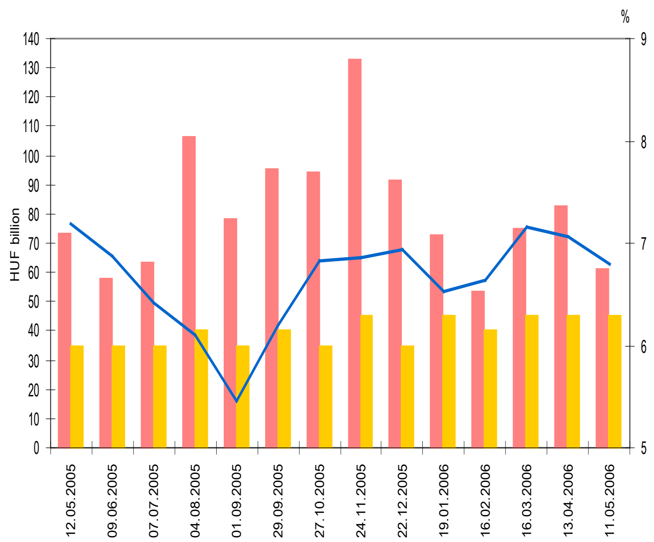
Government Bond	2011/B	2016/C	2009/E	2009/E
ISIN code	HU0000402334	HU0000402318	HU0000402326	HU0000402235
Maturity (in years)	5	10	3	15
Coupon (%)	6.00%	5.50%	6.25%	7.50%
Auction	5th auction	9th auction	6th auction	16th auction
Date of auction	11.05.2006	11.05.2006	25.05.2006	25.05.2006
Date of financial settlement	17.05.2006	17.05.2006	31.05.2006	31.05.2006
Redemption date	12.10.2011	12.02.2016	24.04.2009	12.11.2020
Maximum annual yield (%) - ISMA	6.82	6.80	7.08	6.81
Minimum annual yield (%) - ISMA	6.76	6.74	7.00	6.78
Average annual yield (%) - ISMA	6.80	6.79	7.05	6.80
Maximum annual yield (%) - EHM	6.82	6.80	7.07	6.80
Minimum annual yield (%) - EHM	6.76	6.74	6.99	6.77
Average annual yield (%) - EHM	6.80	6.78	7.04	6.80
Maximum price (%)	96.6454	91.3134	98.0728	106.4435
Minimum price (%)	96.3873	90.9192	97.8721	106.1607
Average price (%)	96.4663	91.0071	97.9433	106.2470
Amount offered for sale (HUF million)	45,000.00	40,000.00	70,000.00	20,000.00
Amount of bids submitted (HUF million)	61,050.00	73,560.00	265,080.99	48,776.58
Amount of bids accepted (HUF million)	44,999.88	39,999.94	85,000.00	19,999.95
Bid-to-cover ratio	1.36	1.84	3.12	2.44
Bids submitted (pcs)	106	90	148	87
Bids accepted (pcs)	80	72	82	30
Tail (average price - minimum price)	0.08	0.09	0.07	0.09
Market sales* (HUF million)	44,999.88	39,999.94	85,000.00	19,999.95
Retained on ÁKK's own account (HUF million)	500.12	0.06	0.00	1,000.05
Total amount issued (HUF million)	45,500.00	40,000.00	85,000.00	21,000.00

*Without issuance onto ÁKK's own account

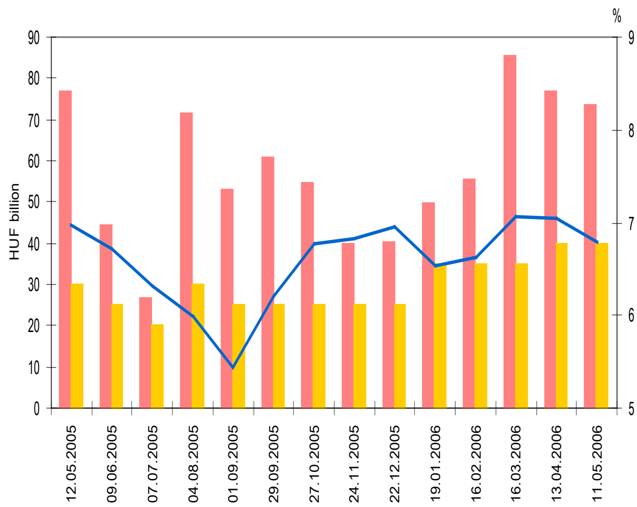
3-year government bond auctions



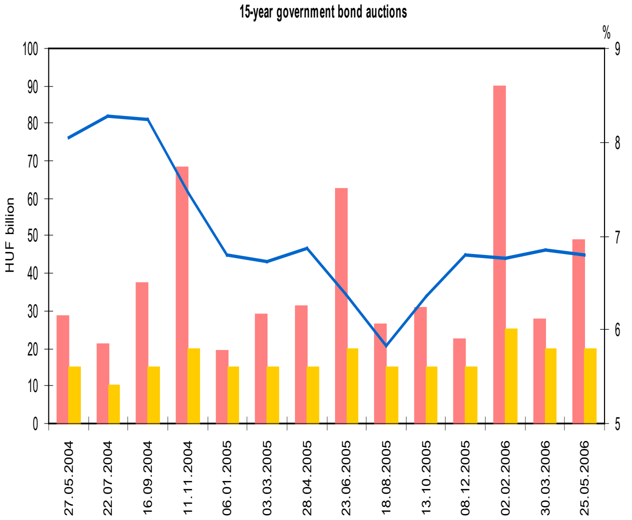
5-year government bond auctions



10-year government bond auctions

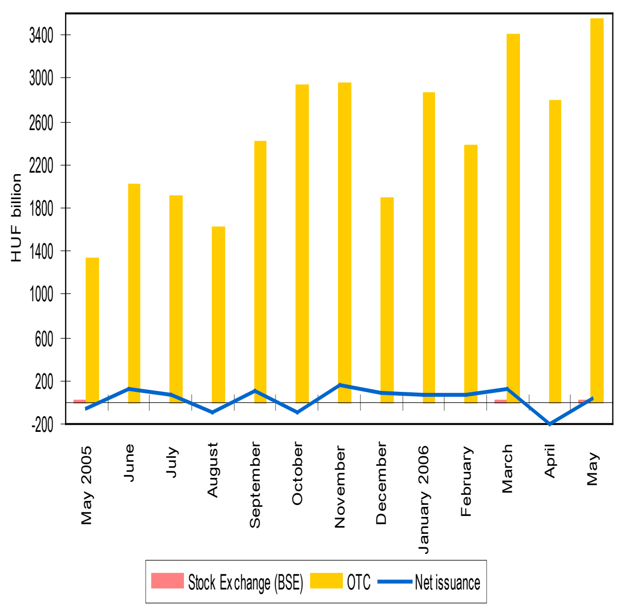


15-year government bond auctions

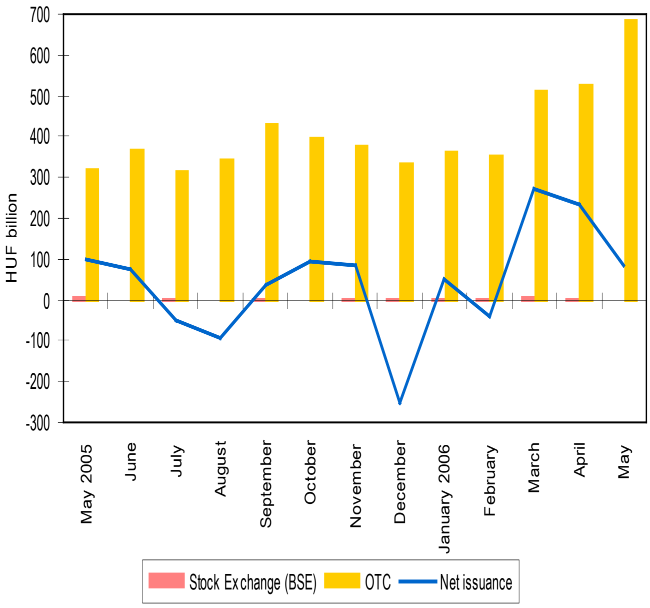


Bids submitted | Accepted amount | Average yield

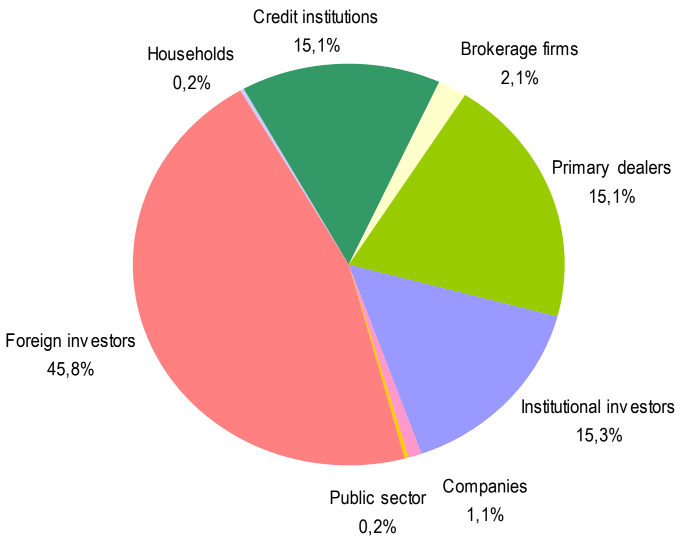
Secondary market trading of government bonds



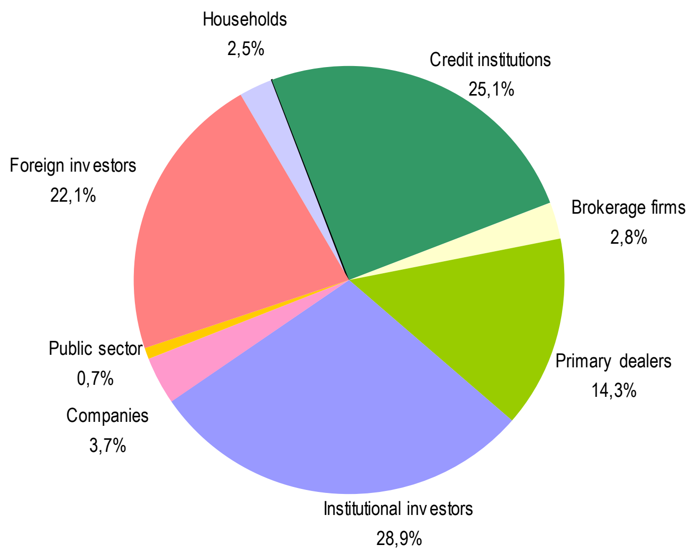
Secondary market trading of Discount Treasury Bills



Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in May 2006

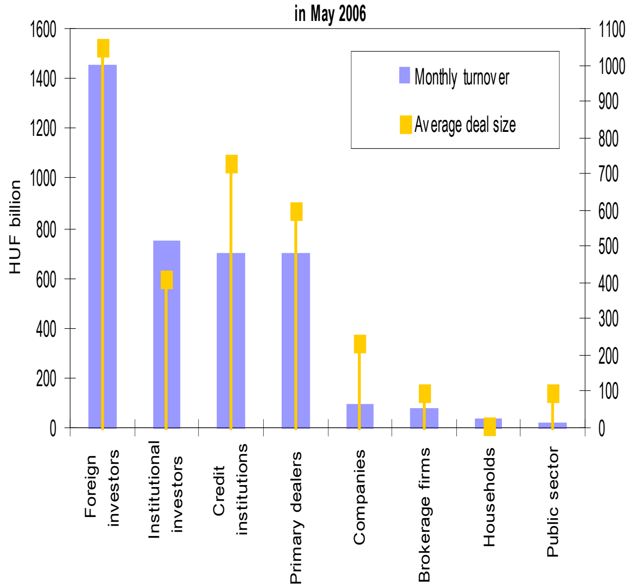


Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in May 2006

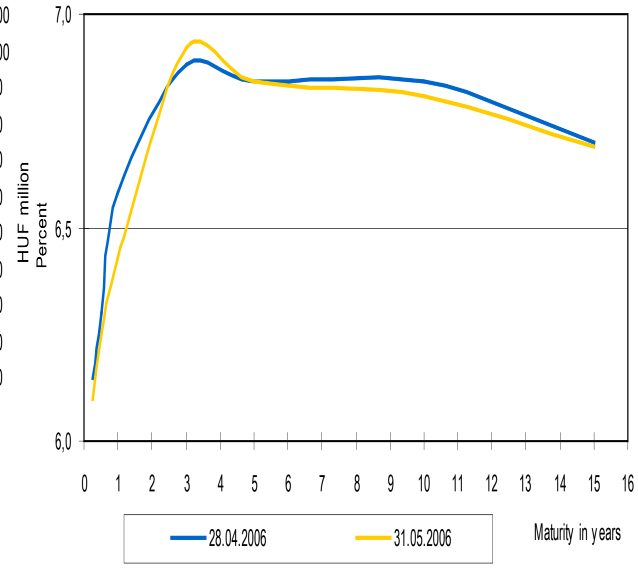


Benchmark yields in the past three months

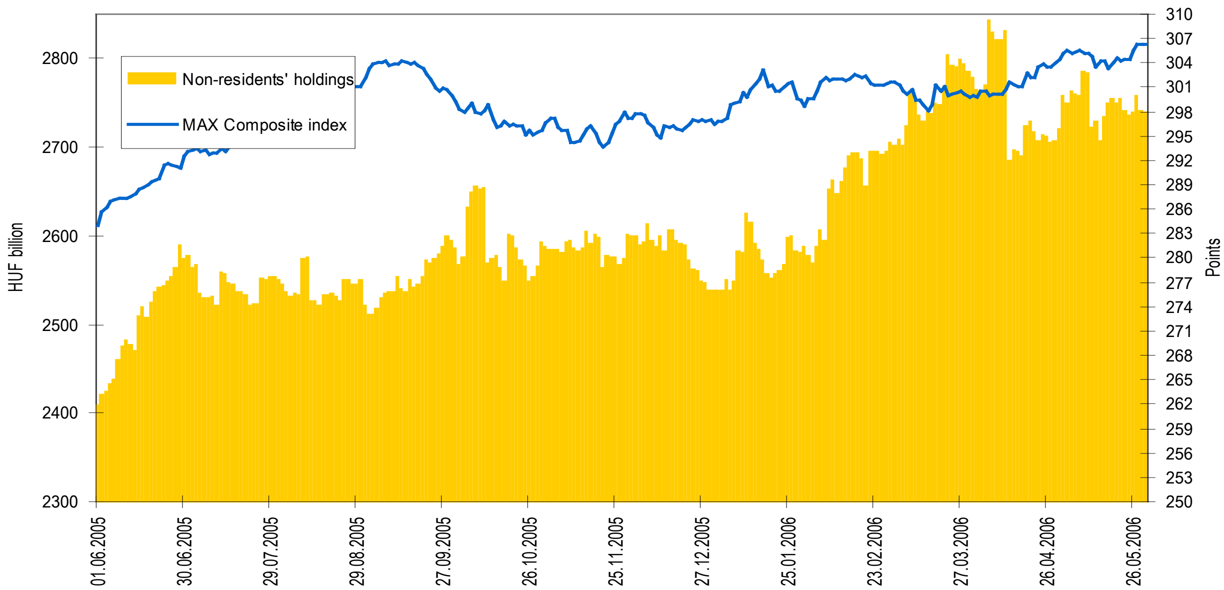
Primary dealers' trading with different investor groups in May 2006



Benchmark yield curves



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



INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MAY 2006

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2014/A	28.04.2006	02.05.2006	02.11.2006	02.11.2006	6.10	3.12

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 May 2006	311.0065	303.2599	306.3719	304.4268
Changes compared to the end of the month before	2.4413	1.6371	2.3365	1.5884
Annual yield earned on the index portfolio	8.09%	7.04%	8.02%	6.62%

Government securities with the highest secondary market turnover in May 2006

Government security	Date of redemption	Turnover (HUF billion)
2009/E	24.04.2009	663.7
2011/B	12.10.2011	261.8
D070328	28.03.2007	236.7
2016/C	12.02.2016	236.3
D060927	27.09.2006	210.5
D060621	21.06.2006	198.9
2015/A	12.02.2015	156.1
2010/B	12.10.2010	118.0
2008/E	12.08.2008	114.4
2013/C	20.12.2013	110.9

The outstanding volume of government bonds with benchmark status at the end of May 2006

	HUF billion	
Government bond	30.04.2006	31.05.2006
2009/E	283.65	454.06
2011/B	177.14	221.71
2016/C	246.78	289.17
2020/A	242.44	265.06

PRIMARY DEALERS - AS AT 31 MAY 2006

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