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ÁLLAMADÓSSÁG KEZELŐ KÖZPONT RT.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

JUNE 2006

The deficit of the central government amounted to HUF 1,285 billion in the first six months of 2006. The net prefinancing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 26 billion, as did the capital transfer to the National Bank of Hungary (NBH) by law by HUF 15 billion. Total net funding need was however decreased by privatisation revenues of HUF 190 billion. The total net financing requirement of HUF 1,136 billion (ca. EUR 4 billion) until the end of June 2006 and was met by a net issuance of HUF 1,224 billion (ca. EUR 4.3 billion) out of which net domestic currency issuance was HUF 780 billion (ca. EUR 2.75 billion) and net foreign exchange issuance totalled HUF 444 billion (ca. EUR 1.6 billion).

The HUF denominated debt of the central government increased by HUF 780 billion until the end of June (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 320 billion, discount Treasury bills for HUF 548 billion and retail government securities for HUF 31 billion. The stock of non-marketable bonds decreased by HUF 119 billion, while that of domestic loans remained unchanged.

The foreign currency debt of the central government increased by HUF 905 billion in the first six months of the year. The foreign currency bond issues increased the debt by HUF 538 billion, loan draw-downs by HUF 102 billion, while the redemptions of foreign currency bonds amounted to HUF 187 billion and that of foreign currency loans reached HUF 10 billion. Exchange rate losses of HUF 461 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of June 2006, 66.7% of the domestic government securities were fixed rate, 33.3% 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.

Secondary market yields increased on all maturities in June, mainly at the end of month. T-bill yields increased by 72-170 basis points, bond yields by 82-163 basis points. In the course of the month the 1-year yield increased by 170 basis points to 8.13%, the 3-year yield rose by 163 bps and amounted to 8.55%, the 10-year benchmark yield reached 7.94% at the end of June after increasing by 113 basis points.

Monthly OTC turnover of government securities was 1% lower in June than a month before and reached HUF 4,211 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 40% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 15 billion in June, and amounted to HUF 2,725 billion at the end of the month. This volume represented 29.3% of the total amount of domestic government bonds and discount Treasury bills.

The HUF/EUR mid exchange rate at the end of June 2006 was 281.93

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

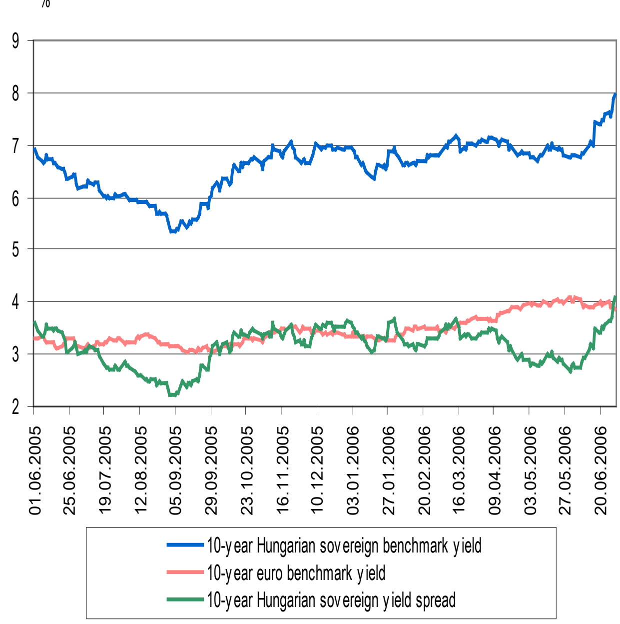
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

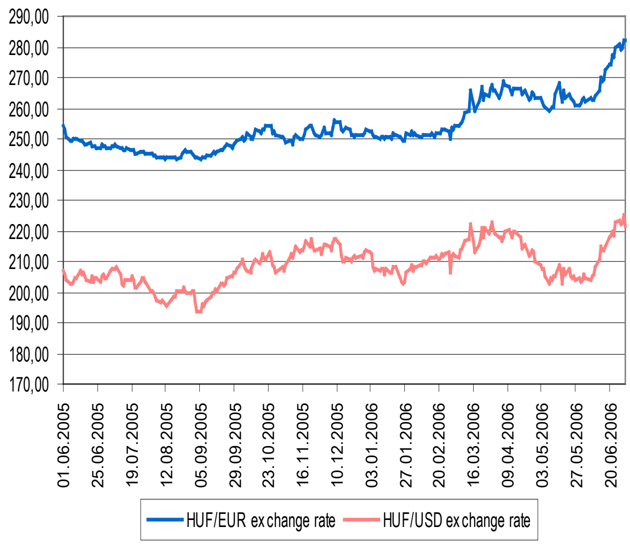
	2000	2001	2002	2003	2004	2005	Apr 2006	May 2006	Jun 2006
1. Forint denominated debt	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	9,767.6	9,848.5	9,933.4
1.1. Loans	303.8	228.3	353.2	117.9	4.7	0.8	0.8	0.8	0.8
1.2. Government securities	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	9,766.8	9,847.7	9,932.6
1.2.1. Public issues	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,151.3	9,232.1	9,317.9
1.2.1.1. Bonds	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	6,488.2	6,483.4	6,619.34
1.2.1.2. Discount T-bills	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,530.9	2,047.8	2,131.0	2,078.6
1.2.1.3. Retail securities	523.3	544.7	560.3	533.5	628.4	588.7	615.3	617.8	620.1
1.2.2. Private placements	831.3	809.1	777.4	759.3	743.6	733.9	615.5	615.5	614.7
2. Foreign currency denominated debt*	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,149.8	4,193.3	4,496.0
2.1. Loans	1,772.8	1,410.4	1,394.3	1,084.1	916.8	720.6	792.3	847.2	905.1
2.1.1. Foreign loans	368.8	317.8	461.9	598.8	528.9	616.9	684.0	739.3	789.4
2.1.2. Domestic loans	1,404.0	1,092.6	932.3	485.3	387.8	103.8	108.2	107.9	115.7
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	100.2	99.9	107.2
2.1.2.2. Other loans	0.0	0.0	82.8	18.8	32.2	7.7	8.0	8.0	8.6
2.2. Government securities	736.0	911.7	873.0	1,494.9	2,066.8	2,870.1	3,357.6	3,346.1	3,590.9
2.2.1. Issued abroad	715.7	911.7	873.0	1,494.9	2,066.8	2,870.1	3,357.6	3,346.1	3,590.9
2.2.1.1. Foreign currency bonds	715.4	911.5	872.9	1,494.7	2,066.7	2,870.0	3,357.5	3,346.1	3,590.9
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	13,917.4	14,041.8	14,429.5
Mark-to-market deposits placed at ÁKK Rt.						21,4	14,5	14,5	3,13
Total central government debt						12,765.6	13,931.9	14,056.3	14,432.6
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*	*9,151.5*	*9,229.9*	*9,312.5*
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.

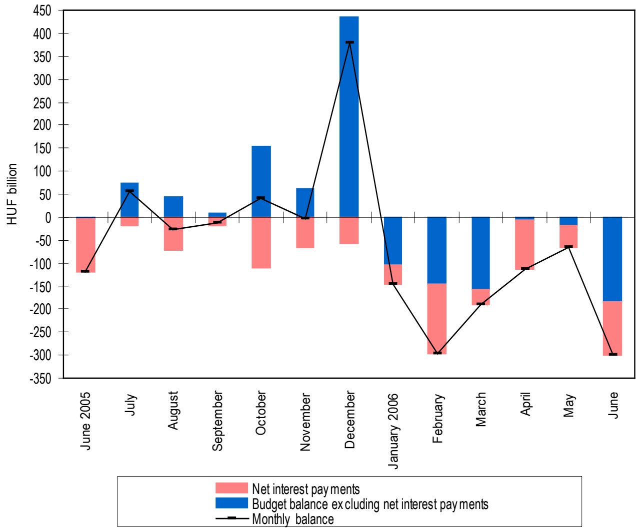
10-year Hungarian and eurozone benchmark yields during the last year



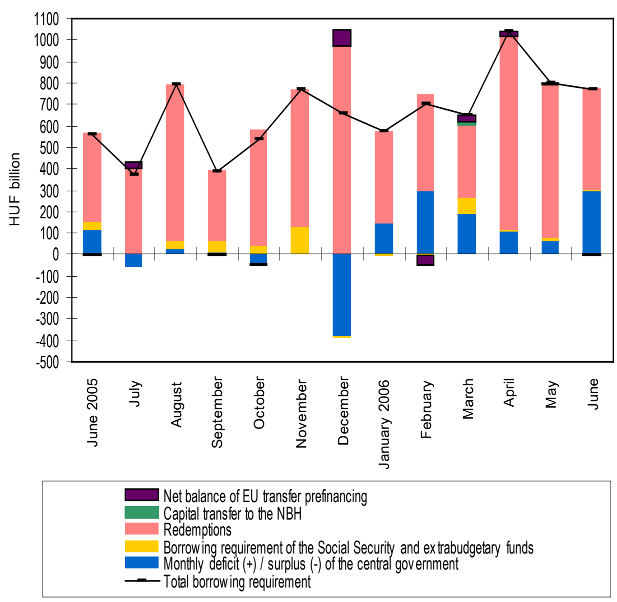
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

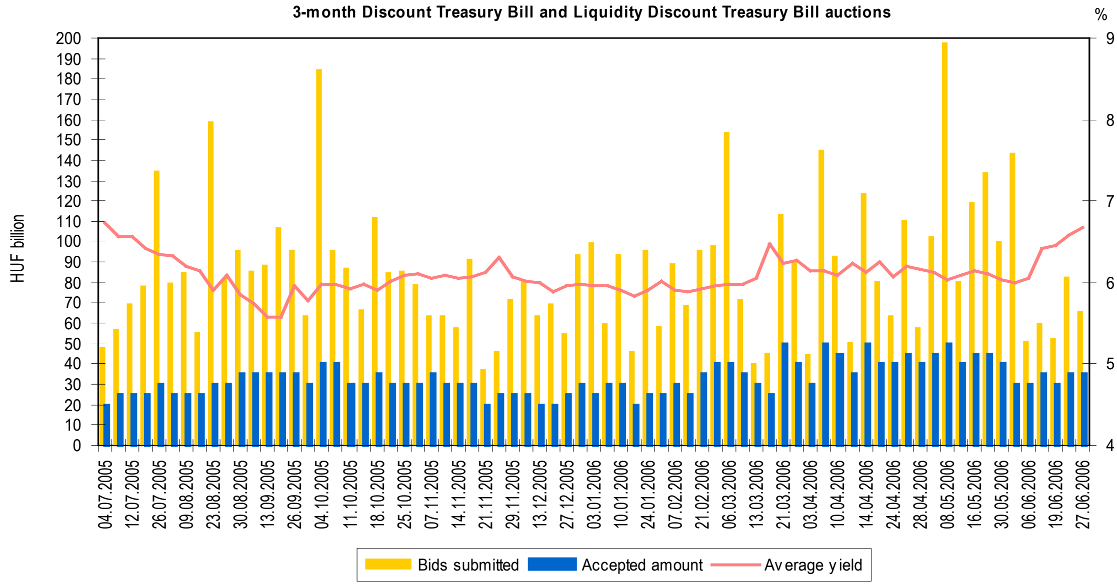


DISCOUNT TREASURY BILL AUCTION RESULTS

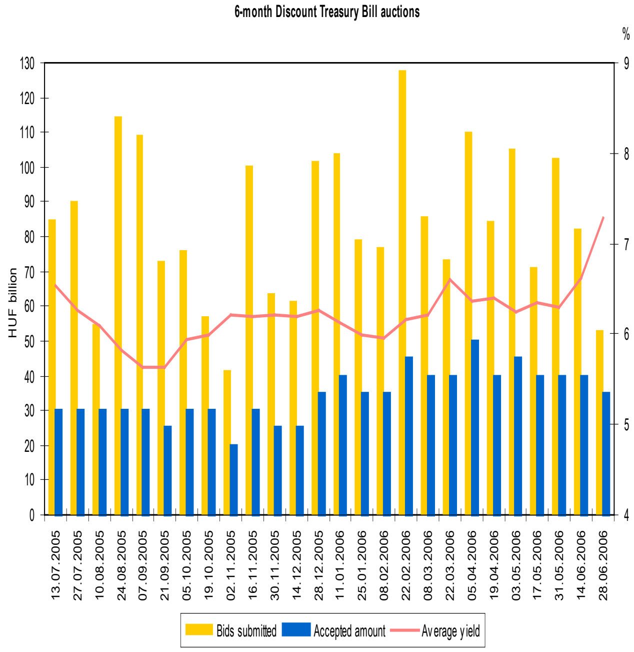
	Liquidity Discount T-Bills		3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills		
Code of T-bills	D060719	D060816	D060913	D060920	D060927	D061004	D061122	D070117	D070606	D070606	D070606
ISIN code	HU0000515754	HU0000515796	HU0000515838	HU0000515846	HU0000515705	HU0000515853	HU0000515788	HU0000515861	HU0000515820	HU0000515820	HU0000515820
Maturity in days	42	56	91	91	91	91	154	196	364	350	336
Date of auction	02.06.2006	19.06.2006	06.06.2006	13.06.2006	20.06.2006	27.06.2006	14.06.2006	28.06.2006	01.06.2006	15.06.2006	29.06.2006
Date of financial settlement	07.06.2006	21.06.2006	14.06.2006	21.06.2006	28.06.2006	05.07.2006	21.06.2006	05.07.2006	07.06.2006	21.06.2006	05.07.2006
Redemption date	19.07.2006	16.08.2006	13.09.2006	20.09.2006	27.09.2006	04.10.2006	22.11.2006	17.01.2007	06.06.2007	06.06.2007	06.06.2007
Maximum yield (%) - ISMA	6.00	6.75	6.06	6.46	6.60	6.73	6.64	7.33	6.62	7.02	8.13
Minimum yield (%) - ISMA	5.97	6.39	5.90	6.15	6.40	6.50	6.20	6.80	6.40	6.80	7.90
Average yield (%) - ISMA	5.99	6.45	6.04	6.42	6.58	6.68	6.62	7.29	6.60	6.99	8.08
Maximum yield (%) - EHM	6.08	6.84	6.14	6.55	6.69	6.82	6.73	7.43	6.71	7.12	8.24
Minimum yield (%) - EHM	6.05	6.48	5.98	6.24	6.49	6.59	6.29	6.89	6.49	6.89	8.01
Average yield (%) - EHM	6.07	6.54	6.12	6.51	6.67	6.77	6.71	7.39	6.69	7.09	8.19
Average selling price (%)	99.3060	99.0066	98.4962	98.4031	98.3639	98.3395	97.2461	96.1825	93.7441	93.6366	92.9875
Amount offered for sale (HUF million)	30,000.00	30,000.00	35,000.00	35,000.00	35,000.00	35,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	143,357.00	53,100.00	51,307.00	60,193.65	82,820.40	65,916.79	82,120.65	53,157.57	103,049.33	89,731.52	46,176.82
Amount of bids accepted (HUF million)	30,000.00	30,000.00	29,999.91	34,999.98	34,999.91	34,999.95	39,999.92	34,999.96	39,999.94	39,999.93	29,999.99
Bid-to-cover ratio	4.78	1.77	1.71	1.72	2.37	1.88	2.05	1.52	2.58	2.24	1.54
Bids submitted (pcs)	65	26	93	86	105	106	121	106	133	118	70
Bids accepted (pcs)	10	14	72	55	46	59	71	88	84	55	55
Market sales* (HUF million)	30,000.00	30,000.00	29,999.91	34,999.98	34,999.91	34,999.95	39,999.92	34,999.96	39,999.94	39,999.93	29,999.99
Retained on ÁKK's own account (HUF m.)	0.00	0.00	3,000.09	3,500.02	3,500.09	3,500.05	8,000.08	10,500.04	12,000.06	8,000.07	6,000.01
Total amount issued (HUF million)	30,000.00	30,000.00	33,000.00	38,500.00	38,500.00	38,500.00	48,000.00	45,500.00	52,000.00	48,000.00	36,000.00

* Without issuance onto ÁKK's own account

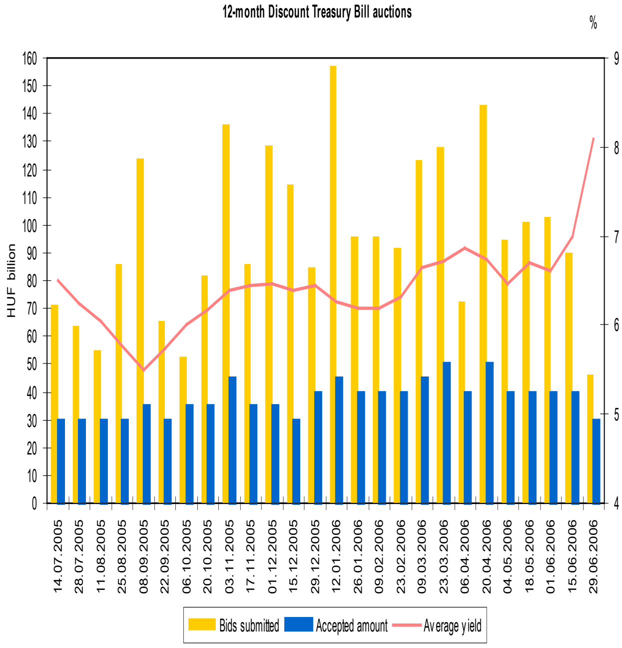
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



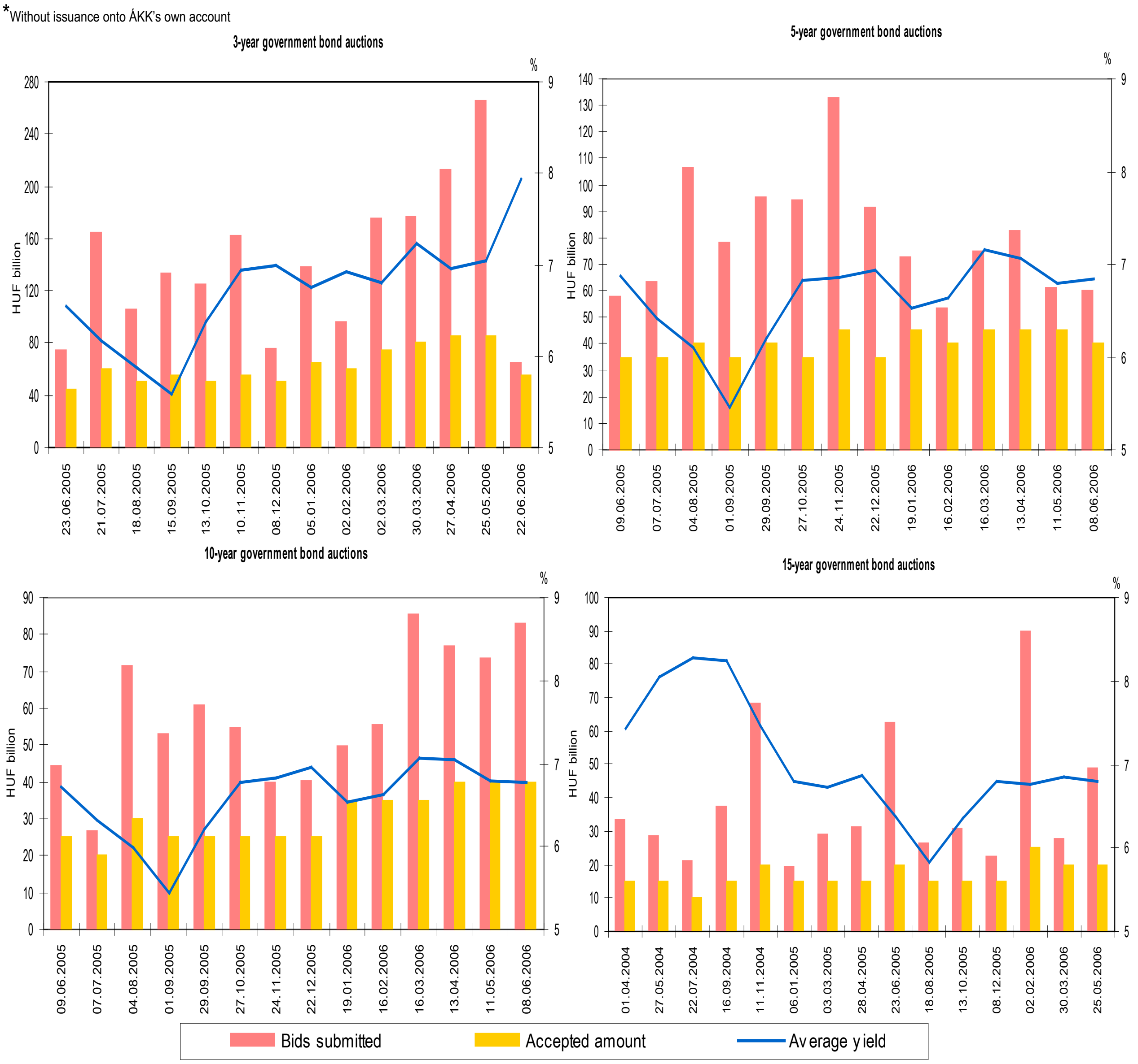
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2011/B	2016/C	2009/F
ISIN code	HU0000402334	HU0000402318	HU0000402359
Maturity (in years)	5	10	3
Coupon (%)	6.00%	5.50%	6.50%
Auction	6th auction	10th auction	1st auction
Date of auction	08.06.2006	08.06.2006	22.06.2006
Date of financial settlement	14.06.2006	14.06.2006	28.06.2006
Redemption date	12.10.2011	12.02.2016	12.08.2009
Maximum annual yield (%) - ISMA	6.87	6.78	8.00
Minimum annual yield (%) - ISMA	6.77	6.72	7.80
Average annual yield (%) - ISMA	6.85	6.77	7.93
Maximum annual yield (%) - EHM	6.87	6.78	7.99
Minimum annual yield (%) - EHM	6.77	6.72	7.79
Average annual yield (%) - EHM	6.85	6.76	7.93
Maximum price (%)	96.6380	91.4877	96.4822
Minimum price (%)	96.2133	91.0948	95.9603
Average price (%)	96.2993	91.1917	96.1310
Amount offered for sale (HUF million)	45,000.00	40,000.00	70,000.00
Amount of bids submitted (HUF million)	60,000.00	83,020.33	64,823.56
Amount of bids accepted (HUF million)	39,999.96	39,999.91	54,999.98
Bid-to-cover ratio	1.50	2.08	1.18
Bids submitted (pcs)	79	113	92
Bids accepted (pcs)	50	56	88
Tail (average price - minimum price)	0.09	0.10	0.17
Market sales* (HUF million)	39,999.96	39,999.91	54,999.98
Retained on ÁKK's own account (HUF million)	0.04	0.09	16,500.02
Total amount issued (HUF million)	40,000.00	40,000.00	71,500.00

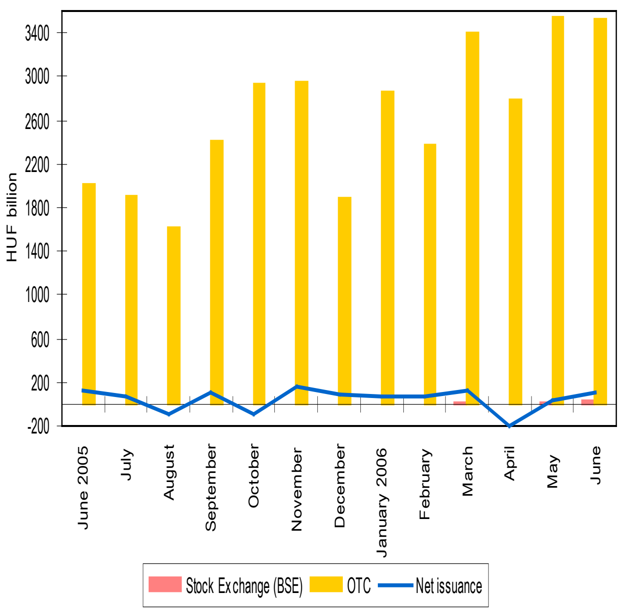
*Without issuance onto ÁKK's own account



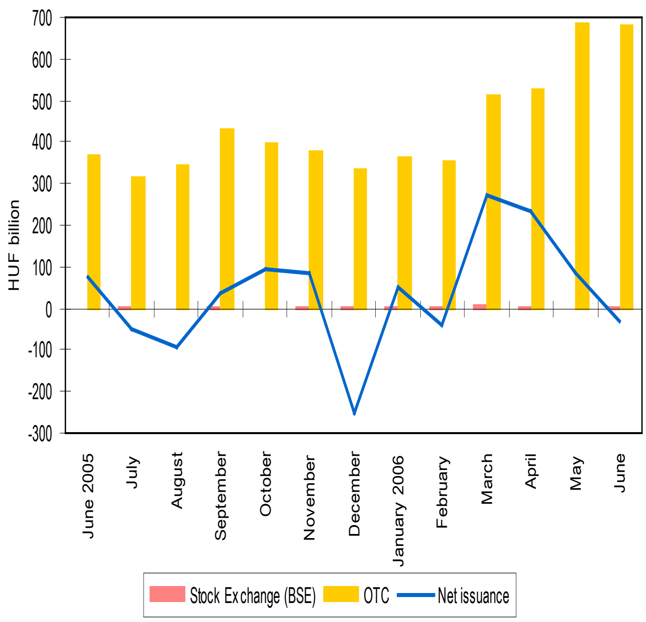
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2006/E	2006/G	2006/E	2006/G
ISIN code	HU0000401963	HU0000402201	HU0000401963	HU0000402201
Coupon (%)	8.50%	6.50%	8.50%	6.50%
Date of reverse auction	01.03.2006	01.03.2006	14.03.2006	14.03.2006
Date of financial settlement	08.03.2006	08.03.2006	22.03.2006	22.03.2006
Redemption date	12.05.2006	24.08.2006	12.05.2006	24.08.2008
Minimum annual yield (%)	6.00	6.11	-	6.45
Average annual yield (%)	6.07	6.14	-	6.52
Amount of bids submitted (HUF million)	13,739.17	41,814.98	9,259.99	28,777.76
Amount of bids accepted (HUF million)	13,739.17	13,786.95	0.00	10,277.76

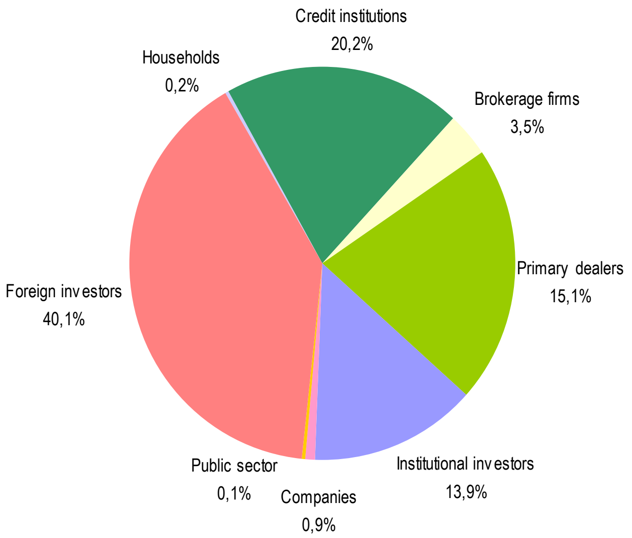
Secondary market trading of government bonds



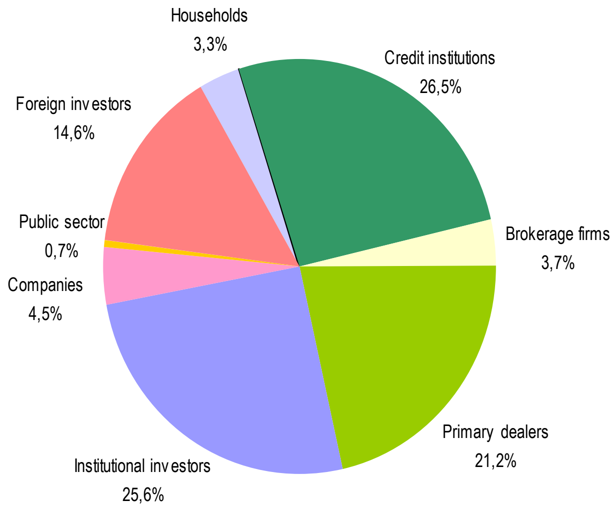
Secondary market trading of Discount Treasury Bills



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

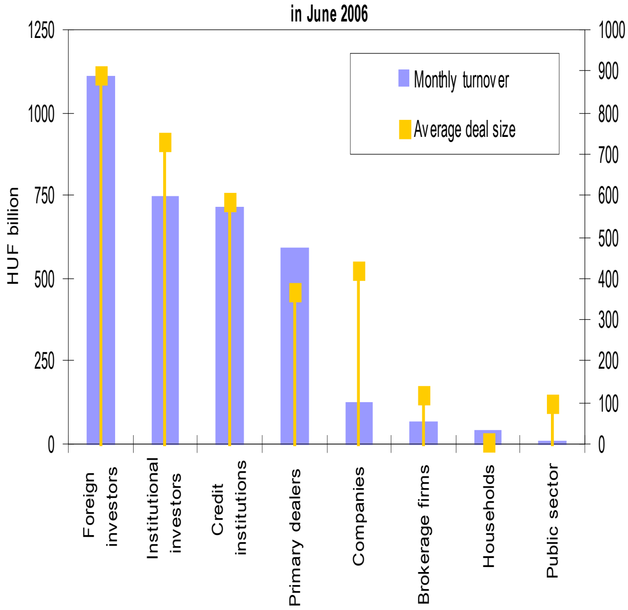


Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in June 2006

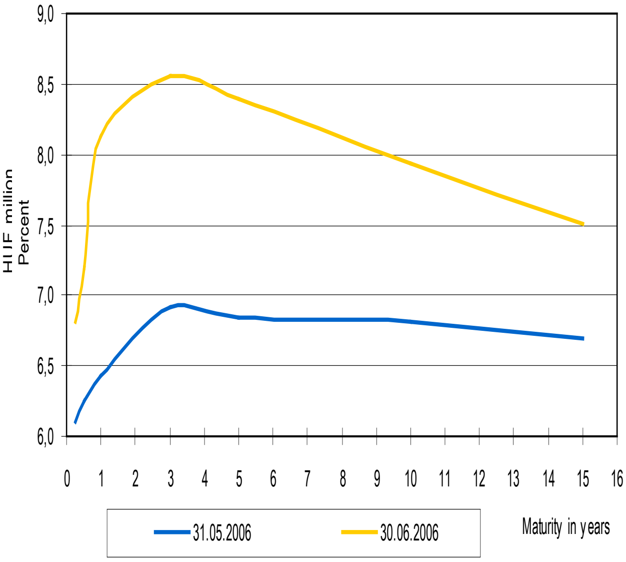


Benchmark yields in the past three months

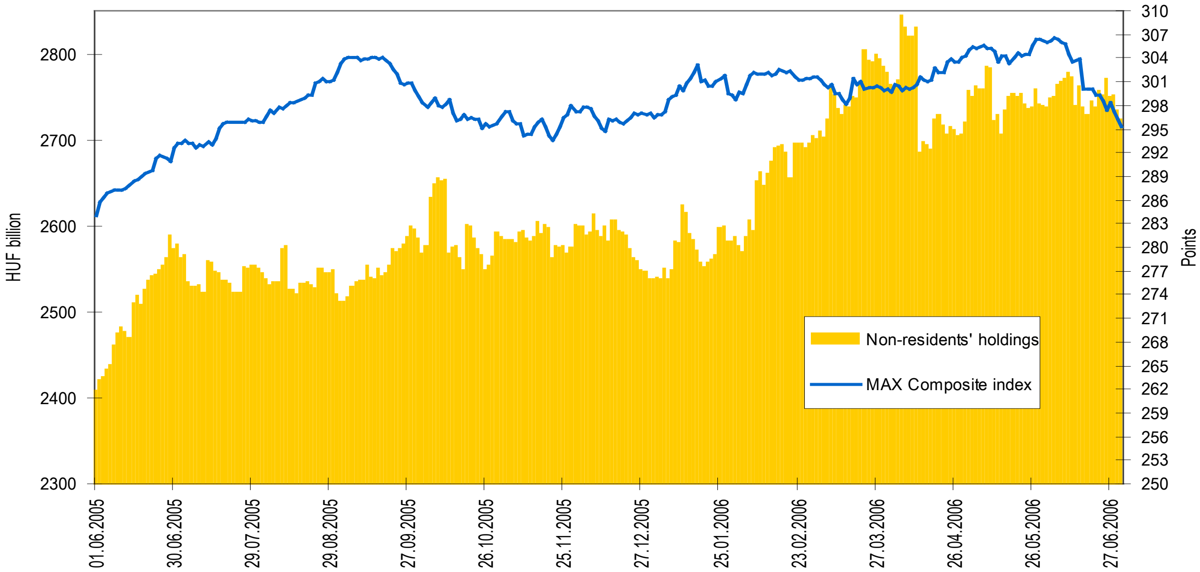
Primary dealers' trading with different investor groups in June 2006



Benchmark yield curves



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



INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JUNE 2006

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2007/B	09.06.2006	12.06.2006	12.12.2006	12.12.2006	6.29	3.20
2013/C	19.06.2006	20.06.2006	20.12.2006	20.12.2006	6,10	3,10
2014/B	19.06.2006	20.06.2006	20.12.2006	20.12.2006	6,10	3,10
2016/A	29.06.2006	30.06.2006	30.09.2006	02.10.2006	6,00	1,51

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 June 2006	297.6482	302.7175	295.3333	305.6547
Changes compared to the end of the month before	-13.3583	-0.5424	-11.0386	1.2279
Annual yield earned on the index portfolio	-0.41%	5.68%	0.93%	6.25%

Government securities with the highest secondary market turnover in June 2006

Government security	Date of redemption	Turnover (HUF billion)
2009/E	24.04.2009	480.6
2011/B	12.10.2011	343.2
2016/C	12.02.2016	321.4
2015/A	12.02.2015	203.8
D061122	22.11.2006	198.1
2008/E	12.08.2008	151.6
D070606	06.06.2007	144.8
D060927	27.09.2006	134.4
2010/B	12.10.2010	123.4
2009/C	24.06.2009	101.2

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

	HUF billion	
Government bond	31.05.2006	30.06.2006
2009/E	454.06	455.01
2011/B	221.71	262.32
2016/C	289.17	330.52
2020/A	265.06	262.77

PRIMARY DEALERS - AS AT 30 JUNE 2006

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