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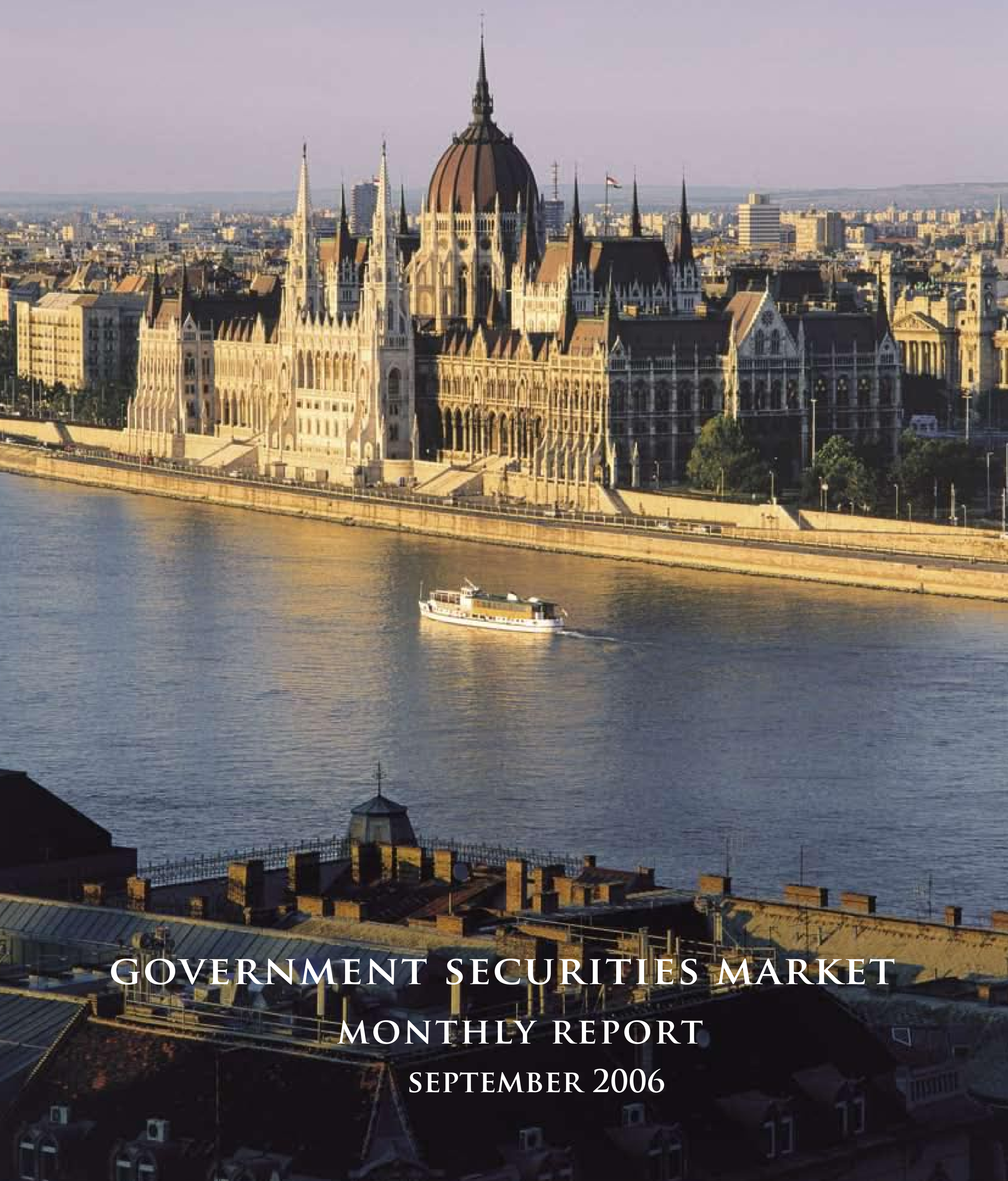
GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.



# GOVERNMENT SECURITIES MARKET

## MONTHLY REPORT

### SEPTEMBER 2006

The deficit of the central government amounted to HUF 1,457 billion in the first nine months of 2006. The net prefinancing of cash transfers from the EU's EAGGF fund decreased the net borrowing requirement by HUF 18 billion, however, the capital transfer to the National Bank of Hungary (NBH) by law increased the financing needs 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 1,264 billion (ca. EUR 4.6 billion) was met by a net issuance of HUF 1,530 billion (ca. EUR 5.6 billion) out of which net domestic currency issuance was HUF 953 billion (ca. EUR 3.5 billion) and net foreign exchange issuance totalled HUF 577 billion (ca. EUR 2.1 billion).

The HUF denominated debt of the central government increased by HUF 953 billion until the end of September. Out of the increase in domestic debt, marketable government bonds accounted for HUF 454 billion, discount Treasury bills for HUF 614 billion and retail government securities for HUF 85 billion. The stock of non-marketable bonds decreased by HUF 200 billion, while that of domestic loans remained unchanged.

The foreign currency debt of the central government increased by HUF 903 billion in the first nine months of the year. The foreign currency bond issues increased the debt by HUF 676 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 14 billion. Exchange rate losses of HUF 326 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of September 2006, 67.0% of the domestic government securities were fixed rate, 33.0% 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 with the exception of the 10-year yield increased in September. In the secondary market, short-term yields increased by 30-37 basis points compared to the end of August. The 3-year yield increased by 27 basis points and amounted to 8,55%, the 10-year benchmark yield did not change and amounted to 7.60%

Monthly OTC turnover of government securities was 11% lower in September than a month before and reached HUF 3,444.6 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.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 95 billion in September, and amounted to HUF 2,697 billion at the end of the month. This volume represented 28.6% of the total amount of domestic government bonds and discount Treasury bills.

The HUF/EUR mid exchange rate at the end of September 2006 was 273.49.

The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows:BBB+ (Standard & Poor's); A1 (Moody's); BBB+ (Fitch).

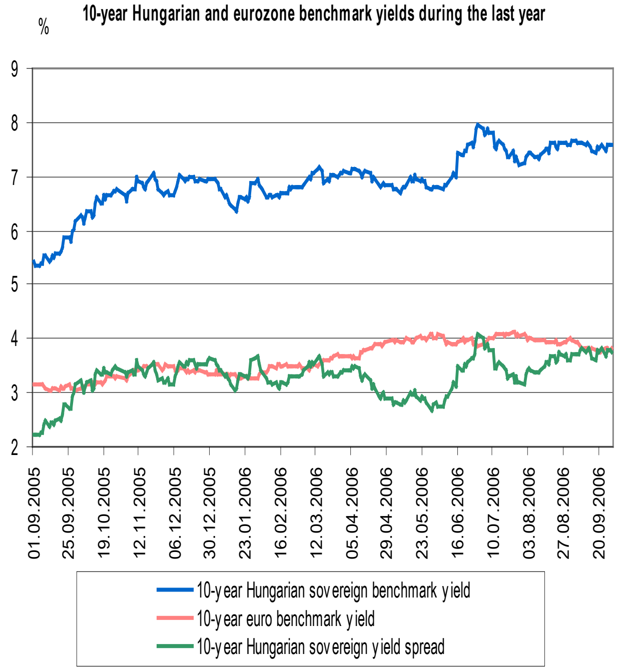
## CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

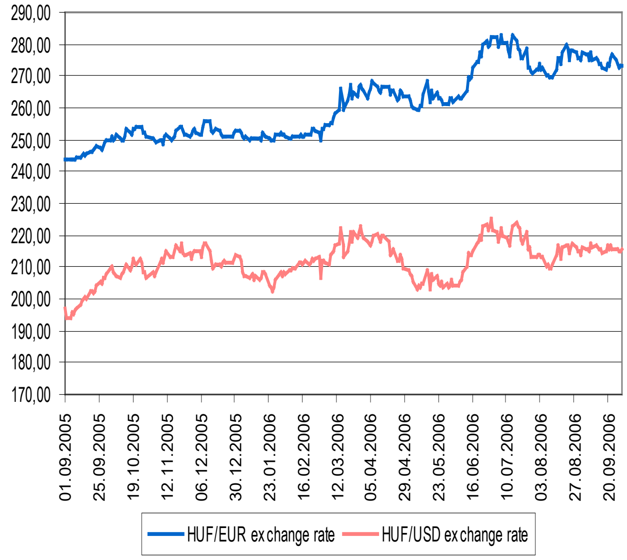
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Jul 2006 | Aug 2006 | Sep 2006 |
|---|---|---|---|---|---|---|---|---|---|
| 1. Forint denominated debt | 4,717.5 | 5,397.4 | 6,956.9 | 8,008.7 | 8,608.8 | 9,153.5 | 10,024.8 | 10,030.8 | 10,106.8 |
| 1.1. Loans | 303.8 | 228.3 | 353.2 | 117.9 | 4.7 | 0.8 | 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 | 10,023.9 | 10,030.0 | 10,105.9 |
| 1.2.1. Public issues | 3,582.4 | 4,360.0 | 5,826.3 | 7,131.5 | 7,860.6 | 8,418.8 | 9,487.2 | 9,495.9 | 9,571.9 |
| 1.2.1.1. Bonds | 2,221.2 | 2,782.0 | 3,829.2 | 5,056.5 | 5,768.9 | 6,299.1 | 6,722.3 | 6,611.7 | 6,753.5 |
| 1.2.1.2. Discount T-bills | 837.9 | 1,033.3 | 1,436.8 | 1,541.4 | 1,463.3 | 1,530.9 | 2,126.3 | 2,119.5 | 2,145.2 |
| 1.2.1.3. Retail securities | 523.3 | 544.7 | 560.3 | 533.5 | 628.4 | 588.7 | 638.6 | 664.7 | 673.2 |
| 1.2.2. Private placements | 831.3 | 809.1 | 777.4 | 759.3 | 743.6 | 733.9 | 536.7 | 534.0 | 534.0 |
| 2. Foreign currency denominated debt* | 2,508.8 | 2,322.1 | 2,267.3 | 2,579.0 | 2,983.5 | 3,590.7 | 4,333.0 | 4,377.8 | 4,493.7 |
| 2.1. Loans | 1,772.8 | 1,410.4 | 1,394.3 | 1,084.1 | 916.8 | 720.6 | 869.2 | 878.2 | 873.6 |
| 2.1.1. Foreign loans | 368.8 | 317.8 | 461.9 | 598.8 | 528.9 | 616.9 | 757.6 | 765.4 | 761.3 |
| 2.1.2. Domestic loans | 1,404.0 | 1,092.6 | 932.3 | 485.3 | 387.8 | 103.8 | 111.6 | 112.8 | 112.3 |
| 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 | 103.4 | 104.4 | 104.0 |
| 2.1.2.2. Other loans | 0.0 | 0.0 | 82.8 | 18.8 | 32.2 | 7.7 | 8.3 | 8.4 | 8.3 |
| 2.2. Government securities | 736.0 | 911.7 | 873.0 | 1,494.9 | 2,066.8 | 2,870.1 | 3,463.8 | 3,499.6 | 3,620.2 |
| 2.2.1. Issued abroad | 715.7 | 911.7 | 873.0 | 1,494.9 | 2,066.8 | 2,870.1 | 3,463.8 | 3,499.6 | 3,620.2 |
| 2.2.1.1. Foreign currency bonds | 715.4 | 911.5 | 872.9 | 1,494.7 | 2,066.7 | 2,870.0 | 3,463.7 | 3,499.5 | 3,620.1 |
| 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 | 14,357.8 | 14,408.6 | 14,600.5 |
| Mark-to-market deposits placed at ÁKK Rt. | | | | | | 21,4 | 3,02 | 6,6 | 6,6 |
| Total central government debt | | | | | | 12,765.6 | 14,360.8 | 14,415.2 | 14,607.1 |
| *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* | *9,385.3* | *9,365.2* | *9,432.7* |
| *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.

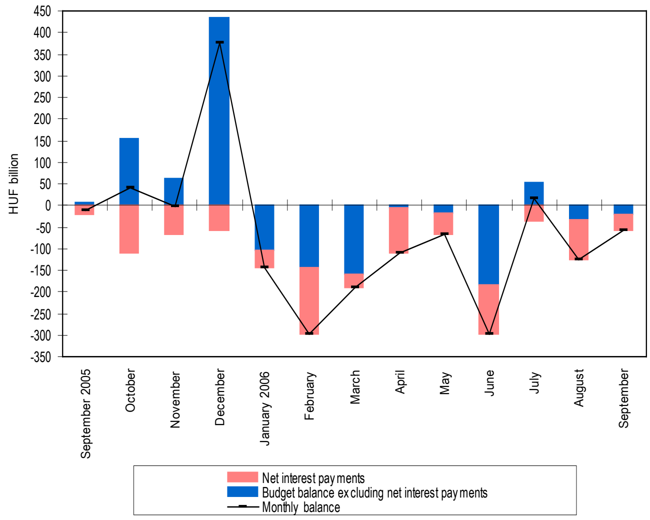
**10-year Hungarian and eurozone benchmark yields during the last year**



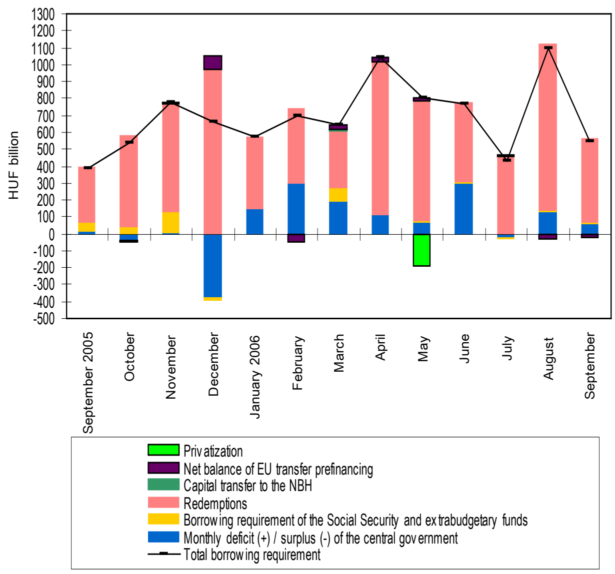

**The exchange rate of the Hungarian Forint during the last year**




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




**Gross borrowing requirement**

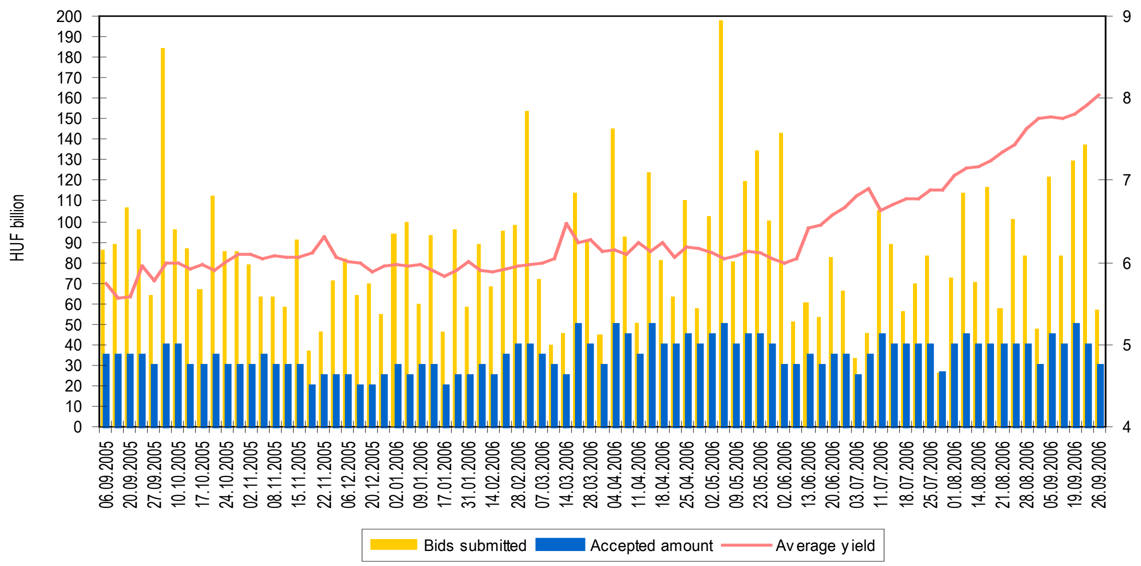


## DISCOUNT TREASURY BILL AUCTION RESULTS

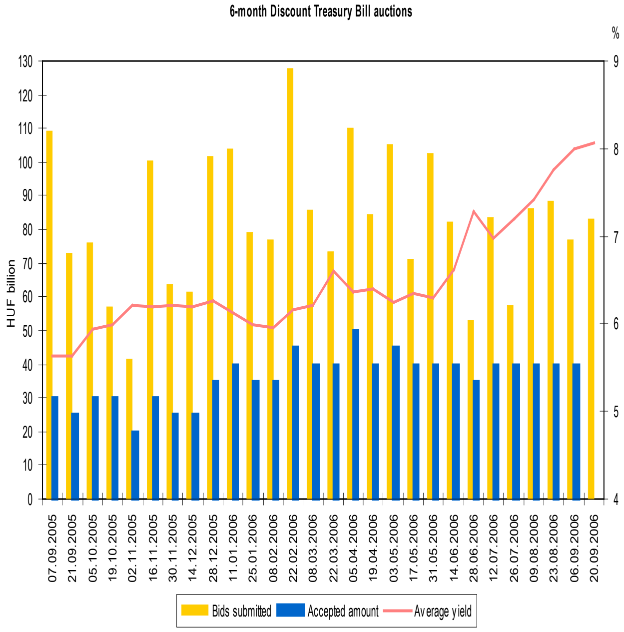
| | Liquidity Discount T-Bills | 3-month Discount T-bills | | | | 6-month Discount T-bills | | 12-month Discount T-bills | |
|---|---|---|---|---|---|---|---|---|---|
| Code of T-bills | D061108 | D061213 | D061220 | D061227 | D070103 | D070314 | D070314 | D070801 | D070926 |
| ISIN code | HU0000515903 | HU0000515952 | HU0000515580 | HU0000515960 | HU0000515994 | HU0000515937 | HU0000515937 | HU0000515895 | HU0000515978 |
| Maturity in days | 42 | 91 | 91 | 91 | 91 | 182 | 168 | 322 | 364 |
| Date of auction | 25.09.2006 | 05.09.2006 | 12.09.2006 | 19.09.2006 | 26.09.2006 | 06.09.2006 | 20.09.2006 | 07.09.2006 | 21.09.2006 |
| Date of financial settlement | 27.09.2006 | 13.09.2006 | 20.09.2006 | 27.09.2006 | 04.10.2006 | 13.09.2006 | 27.09.2006 | 13.09.2006 | 27.09.2006 |
| Redemption date | 08.11.2006 | 13.12.2006 | 20.12.2006 | 27.12.2006 | 03.01.2007 | 14.03.2007 | 14.03.2007 | 01.08.2007 | 26.09.2007 |
| Maximum yield, (%) - ISMA | 7.96 | 7.81 | 7.78 | 7.83 | 8.10 | 8.04 | 8.11 | 8.19 | 8.39 |
| Minimum yield (%) - ISMA | 7.65 | 7.74 | 7.69 | 7.68 | 7.87 | 7.92 | 7.93 | 7.48 | 8.23 |
| Average yield (%) - ISMA | 7.92 | 7.78 | 7.76 | 7.82 | 8.04 | 8.00 | 8.06 | 8.15 | 8.36 |
| Maximum yield, (%) - EHM | 8.07 | 7.92 | 7.89 | 7.94 | 8.21 | 8.15 | 8.22 | 8.30 | 8.51 |
| Minimum yield (%) - EHM | 7.76 | 7.85 | 7.80 | 7.79 | 7.98 | 8.03 | 8.04 | 7.58 | 8.34 |
| Average yield (%) - EHM | 8.03 | 7.89 | 7.87 | 7.93 | 8.15 | 8.11 | 8.17 | 8.26 | 8.48 |
| Average selling price (%) | 99.0845 | 98.0713 | 98.0762 | 98.0616 | 98.0081 | 96.1128 | 96.3750 | 93.2056 | 92.2059 |
| Amount offered for sale (HUF million) | 30,000.00 | 40,000.00 | 40,000.00 | 40,000.00 | 30,000.00 | 40,000.00 | 40,000.00 | 40,000.00 | 40,000.00 |
| Amount of bids submitted (HUF million) | 137,654.54 | 121,387.79 | 83,050.70 | 129,561.74 | 56,923.97 | 76,940.00 | 83,202.54 | 110,547.76 | 110,265.83 |
| Amount of bids accepted (HUF million) | 39,999.95 | 44,999.96 | 34,999.86 | 49,999.90 | 29,999.97 | 39,999.99 | 39,999.98 | 39,999.94 | 39,999.92 |
| Bid-to-cover ratio | 3.44 | 2.70 | 2.08 | 2.59 | 1.90 | 1.92 | 2.08 | 2.76 | 2.76 |
| Bids submitted (pcs) | 120 | 194 | 136 | 157 | 101 | 156 | 116 | 123 | 157 |
| Bids accepted (pcs) | 56 | 76 | 68 | 58 | 77 | 117 | 88 | 51 | 62 |
| Market sales* (HUF million) | 39,999.95 | 44,999.96 | 39,999.86 | 49,999.90 | 29,999.97 | 39,999.99 | 39,999.98 | 39,999.94 | 39,999.92 |
| Retained on ÁKK's own account (HUF m.) | 0.05 | 4,500.04 | 4,000.14 | 5,000.10 | 3,000.03 | 8,000.01 | 8,000.02 | 8,000.06 | 12,000.08 |
| Total amount issued (HUF million) | 40,000.00 | 49,500.00 | 44,000.00 | 55,000.00 | 33,000.00 | 48,000.00 | 48,000.00 | 48,000.00 | 52,000.00 |

*Without issuance onto ÁKK's own account

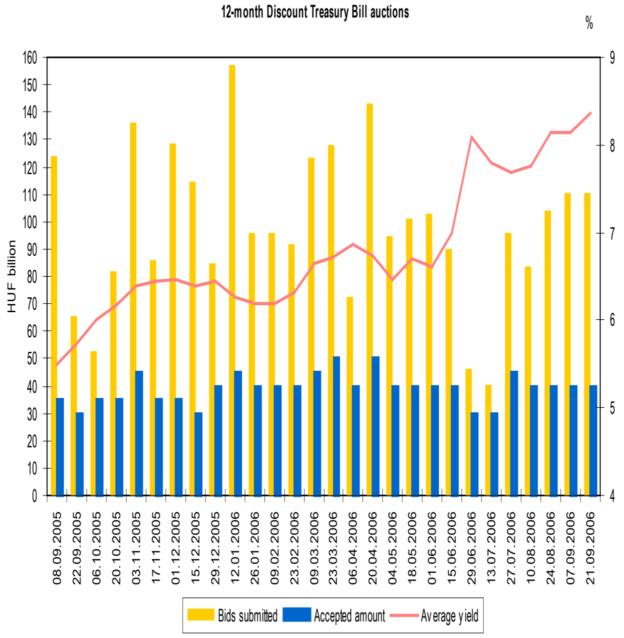
**3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions**




**6-month Discount Treasury Bill auctions**




**12-month Discount Treasury Bill auctions**

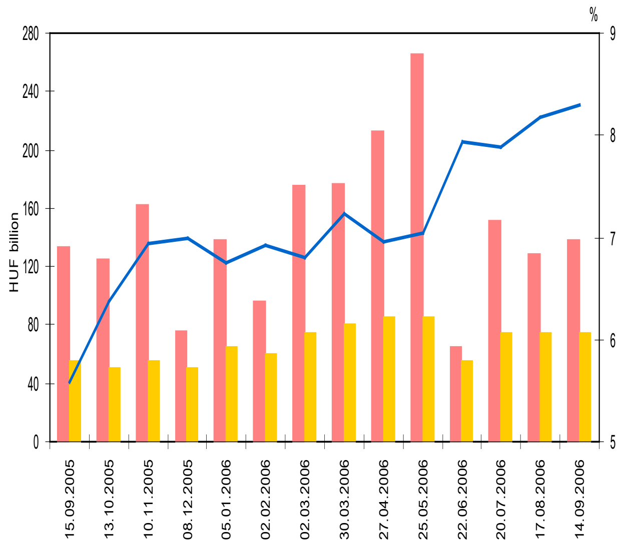


## GOVERNMENT BOND AUCTION RESULTS

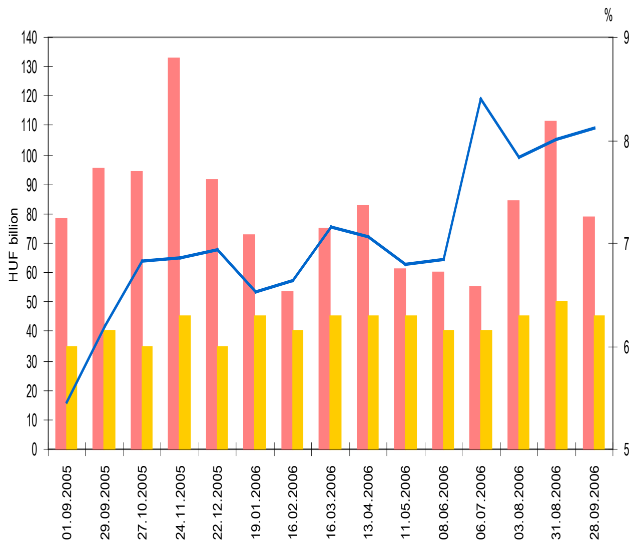
| Government Bond | 2009/F | 2020/A | 2012/B | 2017/B |
|---|---|---|---|---|
| ISIN code | HU0000402359 | HU0000402235 | HU0000402367 | HU0000402375 |
| Maturity (in years) | 3 | 15 | 5 | 10 |
| Coupon (%) | 6.50% | 7.50% | 7.25% | 6.75% |
| Auction | 4th auction | 8th auction | 1st auction | 1st auction |
| Date of auction | 14.09.2006 | 14.09.2006 | 28.09.2006 | 28.09.2006 |
| Date of financial settlement | 20.09.2006 | 20.09.2006 | 04.10.2006 | 04.10.2006 |
| Redemption date | 12.08.2009 | 12.11.2020 | 12.06.2012 | 24.02.2017 |
| Maximum annual yield (%) - ISMA | 8.33 | 7.47 | 8.14 | 7.67 |
| Minimum annual yield (%) - ISMA | 8.27 | 7.39 | 8.06 | 7.60 |
| Average annual yield (%) - ISMA | 8.30 | 7.45 | 8.12 | 7.66 |
| Maximum annual yield (%) - EHM | 8.32 | 7.46 | 8.13 | 7.66 |
| Minimum annual yield (%) - EHM | 8.26 | 7.38 | 8.05 | 7.59 |
| Average annual yield (%) - EHM | 8.30 | 7.44 | 8.11 | 7.65 |
| Maximum price (%) | 95.5239 | 100.9120 | 96.4786 | 94.0927 |
| Minimum price (%) | 95.3791 | 100.2228 | 96.1344 | 93.6235 |
| Average price (%) | 95.4412 | 100.4307 | 96.2100 | 93.7104 |
| Amount offered for sale (HUF million) | 75,000.00 | 20,000.00 | 45,000.00 | 40,000.00 |
| Amount of bids submitted (HUF million) | 138,680.00 | 44,110.00 | 78,622.00 | 108,320.81 |
| Amount of bids accepted (HUF million) | 74,999.89 | 19,999.97 | 44,999.93 | 39,999.81 |
| Bid-to-cover ratio | 1.85 | 2.21 | 1.75 | 2.71 |
| Bids submitted (pcs) | 151 | 100 | 105 | 153 |
| Bids accepted (pcs) | 101 | 61 | 66 | 77 |
| Tail (average price - minimum price) | 0.06 | 0.21 | 0.08 | 0.09 |
| Market sales* (HUF million) | 74,999.89 | 19,999.97 | 44,999.93 | 39,999.81 |
| Retained on ÁKK's own account (HUF million) | 0.11 | 0.03 | 13,500.07 | 12,000.19 |
| Total amount issued (HUF million) | 75,000.00 | 20,000.00 | 58,500.00 | 52,000.00 |

*Without issuance onto ÁKK's own account

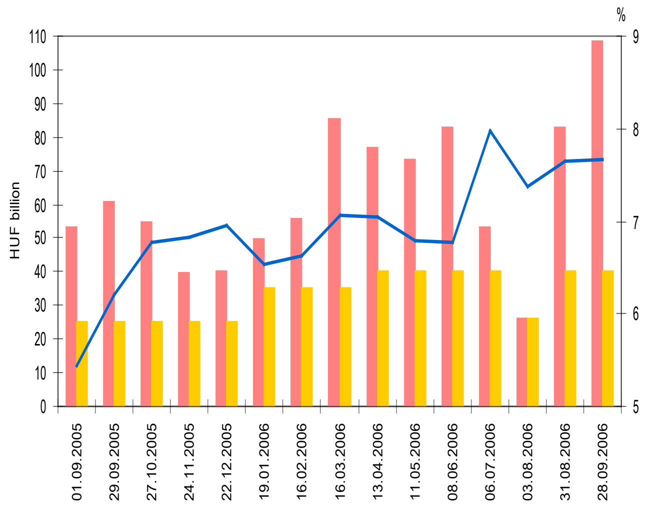
3-year government bond auctions



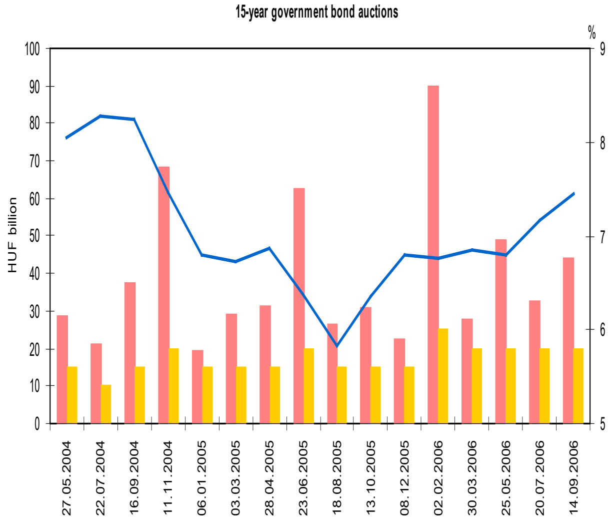

5-year government bond auctions




10-year government bond auctions



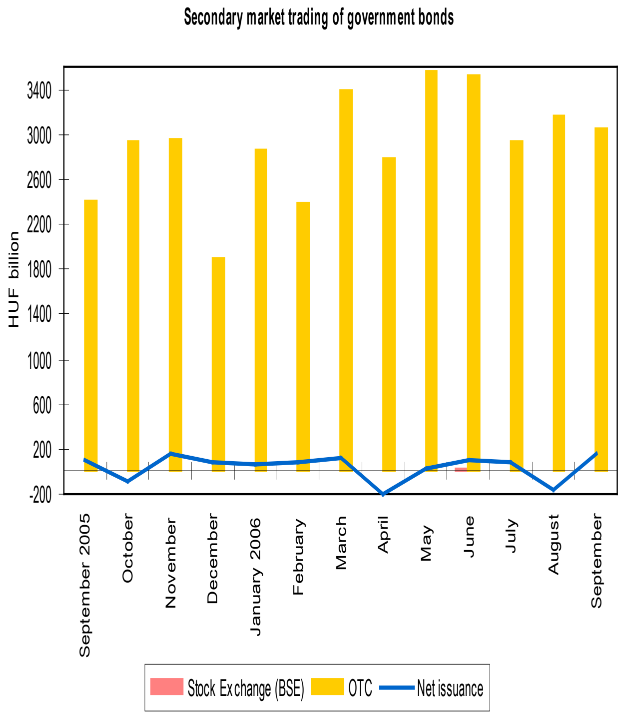

15-year government bond auctions

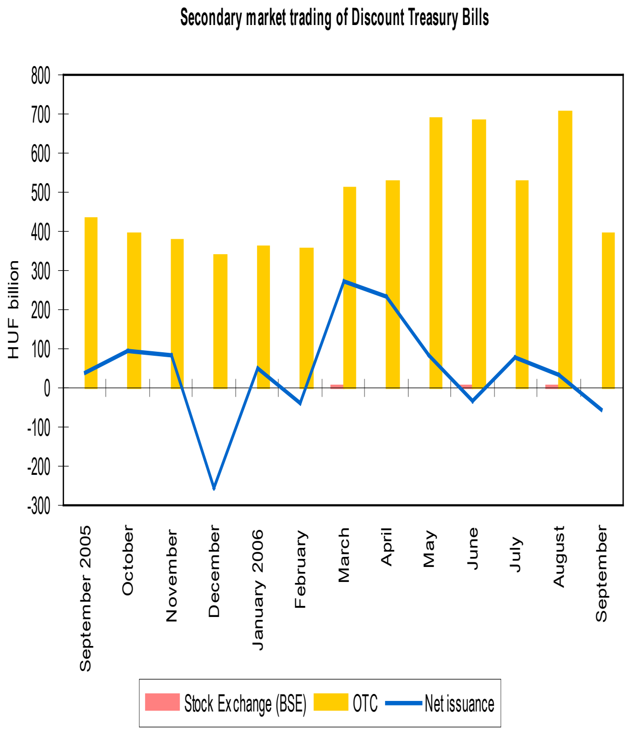


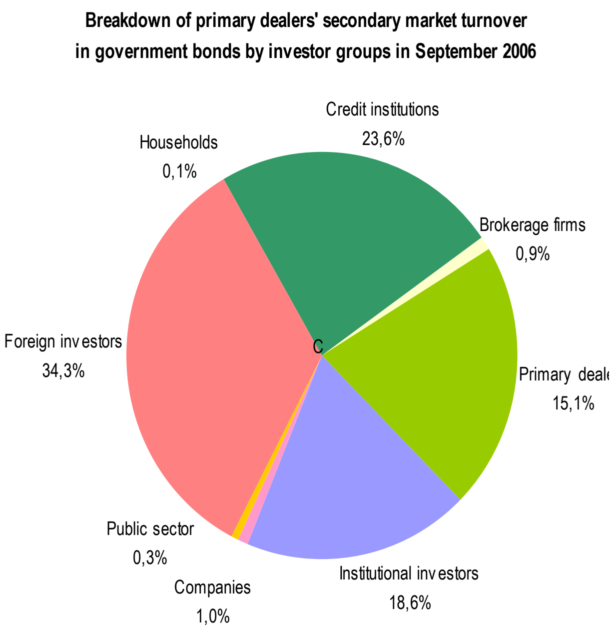

Bids submitted | Accepted amount | Average yield

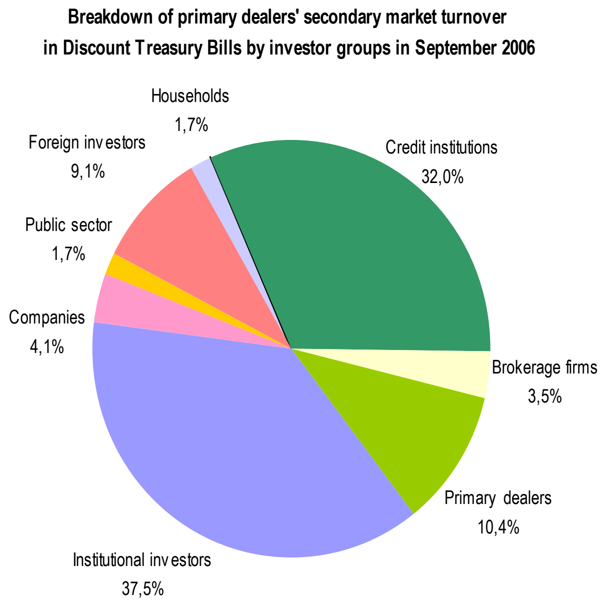
## GOVERNMENT BOND BUY-BACK AUCTION RESULTS

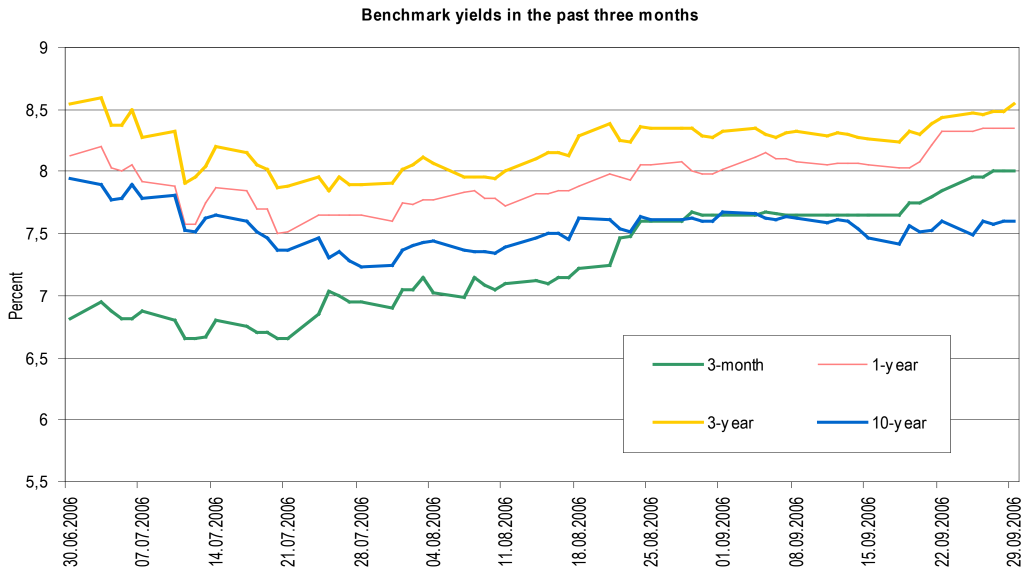
| Government bond | 2007/D | 2007/F | 2007/D | 2007/F |
|---|---|---|---|---|
| ISIN code | HU0000402052 | HU0000402227 | HU0000402052 | HU0000402227 |
| Coupon (%) | 6.25% | 9.00% | 6.25% | 9.00% |
| Date of reverse auction | 13.09.2006 | 13.09.2006 | 27.09.2006 | 27.09.2006 |
| Date of financial settlement | 20.09.2006 | 20.09.2006 | 04.10.2006 | 04.10.2006 |
| Redemption date | 12.06.2006 | 12.04.2007 | 12.06.2006 | 12.04.2007 |
| Minimum annual yield (%) | 8.21 | 8.15 | 8.40 | 8.34 |
| Average annual yield (%) | 8.21 | 8.15 | 8.43 | 8.38 |
| Amount of bids submitted (HUF million) | 67,275.76 | 25,702.73 | 59,772.07 | 21,334.35 |
| Amount of bids accepted (HUF million) | 13,145.00 | 1,000.00 | 10,053.81 | 16,959.35 |

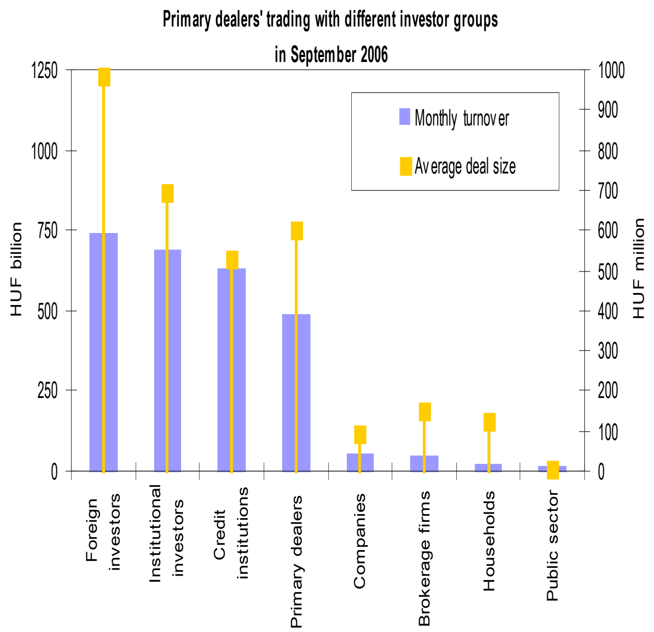


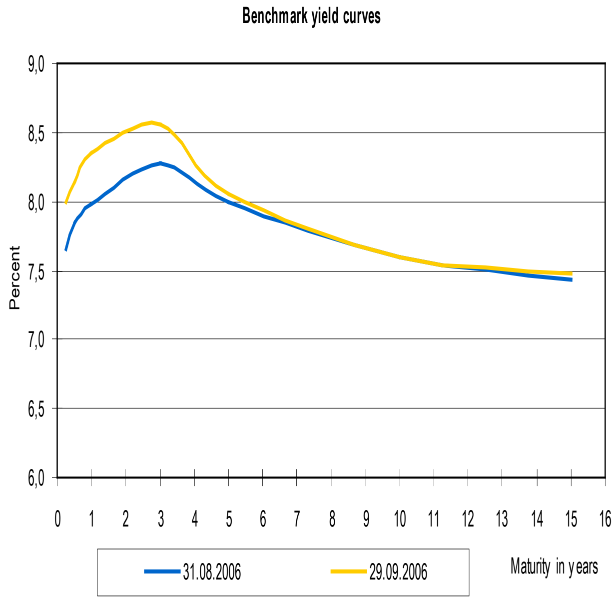



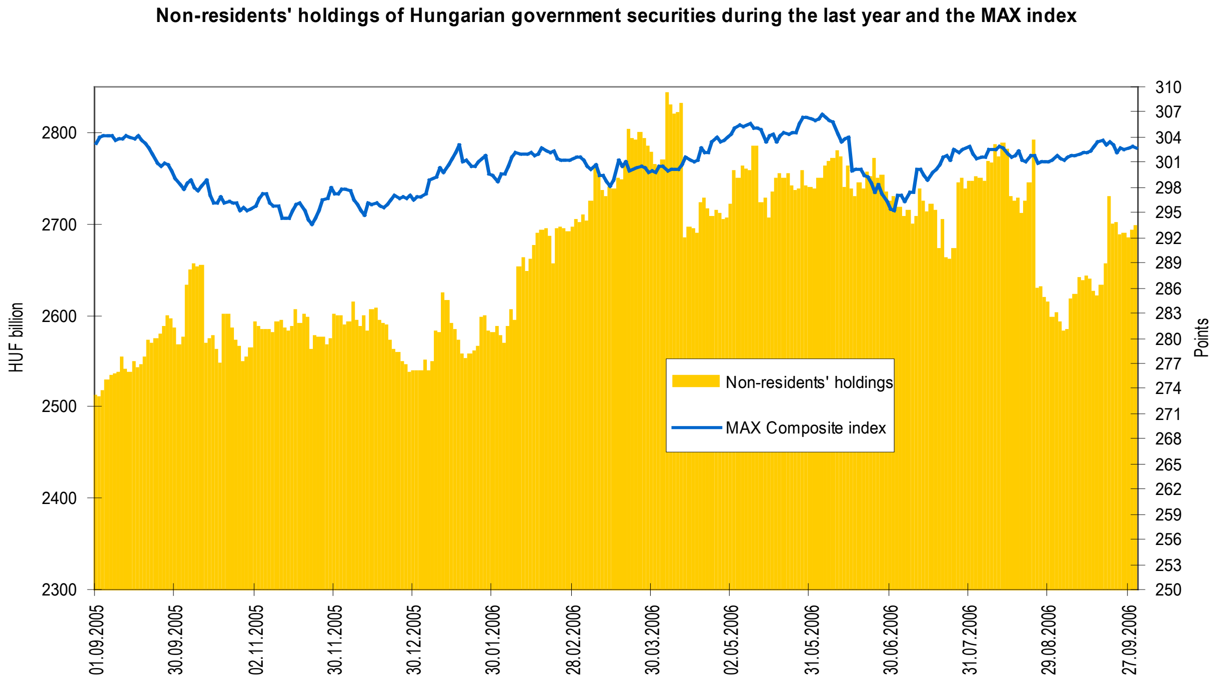




Benchmark yields in the past three months
Percent
9
8,5
8
7,5
7
6,5
6
5,5
3-month
1-year
3-year
10-year
30.06.2006
07.07.2006
14.07.2006
21.07.2006
28.07.2006
04.08.2006
11.08.2006
18.08.2006
25.08.2006
01.09.2006
08.09.2006
15.09.2006
22.09.2006
29.09.2006


Primary dealers' trading with different investor groups in September 2006
HUF billion
HUF million
Monthly turnover
Average deal size
Foreign investors
Institutional investors
Credit institutions
Primary dealers
Companies
Brokerage firms
Households
Public sector


Benchmark yield curves
Percent
31.08.2006
29.09.2006
Maturity in years


Non-residents' holdings of Hungarian government securities during the last year and the MAX index
HUF billion
Points
Non-residents' holdings
MAX Composite index
01.09.2005
30.09.2005
02.11.2005
30.11.2005
30.12.2005
30.01.2006
28.02.2006
30.03.2006
02.05.2006
31.05.2006
30.06.2006
31.07.2006
29.08.2006
27.09.2006

## INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN SEPTEMBER 2006

| Government Bond | Date of interest rate reset | Interest period | | Date of interest payment | Reset interest rate (%) | Interest payable (%) |
|---|---|---|---|---|---|---|
| 2013/A | 19.09.2006 | 20.09.2006 | 20.03.2007 | 20.03.2007 | 6.70 | 6.44 |
| 2016/A | 29.09.2006 | 30.09.2006 | 31.12.2006 | 29.12.2006 | 7.25 | 1.83 |

## HUNGARIAN GOVERNMENT SECURITIES INDICES

| | MAX index | RMAX index | MAX Composite index | ZMAX index |
|---|---|---|---|---|
| Value as at 29 September 2006 | 305.7712 | 308.2003 | 302.7563 | 310.8294 |
| Changes compared to the end of the month before | 0.9367 | 1.4525 | 1.0306 | 1.7229 |
| Annual yield earned on the index portfolio | -0.26% | 5.70% | 0.96% | 6.31% |

**Government securities with the highest secondary market turnover in September 2006**

| Government security | Date of redemption | Turnover (HUF billion) |
|---|---|---|
| 2009/F | 12.08.2009 | 344.7 |
| 2016/C | 12.02.2016 | 289.7 |
| 2011/B | 12.10.2011 | 274.9 |
| 2008/E | 12.08.2008 | 250.6 |
| 2009/E | 24.04.2009 | 161.6 |
| 2007/G | 12.10.2007 | 141.2 |
| D070606 | 06.06.2007 | 85.9 |
| 2010/B | 12.10.2010 | 84.6 |
| 2008/C | 12.06.2008 | 82.2 |
| 2008/D | 24.04.2008 | 77.6 |

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

| | HUF billion | |
|---|---|---|
| Government bond | 31.08.2006 | 29.09.2006 |
| 2009/F | 208.53 | 283.90 |
| 2011/B | 348.09 | 398.39 |
| 2016/C | 393.52 | 435.43 |
| 2020/A | 280.70 | 300.70 |

## PRIMARY DEALERS - AS AT 30 SEPTEMBER 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 Zrt. | Magyar Takarékszövetkezeti Bank Zrt. |
| 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 |