Á·K·K
ÁLLAMADÓSSÁG KEZELŐ KÖZPONT RT.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

JULY 2006

The deficit of the central government amounted to HUF 1,252 billion in the first seven months of 2006. The net prefinancing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 29 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 1,105 billion (ca. EUR 4,1 billion) until the end of July 2006 and was met by a net issuance of HUF 1,312 billion (ca. EUR 4.8 billion) out of which net domestic currency issuance was HUF 872 billion (ca. EUR 3.2 billion) and net foreign exchange issuance totalled HUF 440 billion (ca. EUR 1.6 billion).

The HUF denominated debt of the central government increased by HUF 871 billion until the end of July (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 423 billion, discount Treasury bills for HUF 595 billion and retail government securities for HUF 50 billion. The stock of non-marketable bonds decreased by HUF 197 billion, while that of domestic loans remained unchanged.

The foreign currency debt of the central government increased by HUF 742 billion in the first seven 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 14 billion. Exchange rate losses of HUF 302 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of July 2006, 67.1% of the domestic government securities were fixed rate, 32.9% 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.

Secondary market yields with the exception of the 3-month yield decreased in July. In the secondary market, the 3-month yield increased by 8 basis points, the 6 and 12-month yields decreased by 10-53 basis points compared to the end of June. The 3-year yield decreased by 64 basis points and amounted to 7,91%, the 10-year benchmark yield reached 7.24% at the end of July after an decrease of 70 basis points.

Monthly OTC turnover of government securities was 18% lower in July than a month before and reached HUF 3,461 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 38% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 22 billion in July, and amounted to HUF 2,747 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 July 2006 was 271.95

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

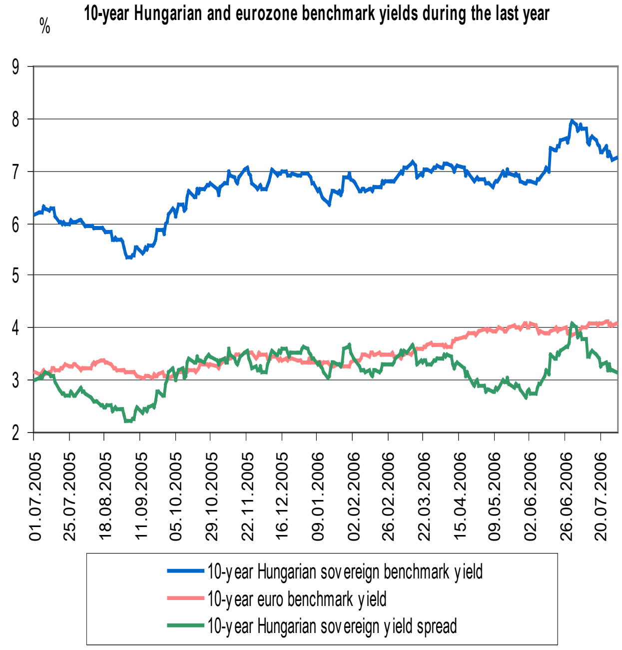
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

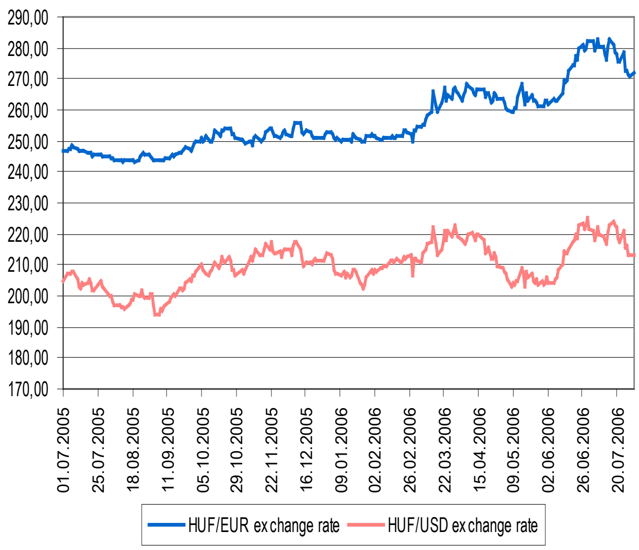
	2000	2001	2002	2003	2004	2005	May 2006	Jun 2006	Jul 2006
1. Forint denominated debt	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	9,848.5	9,933.4	10,024.8
1.1. Loans	303.8	228.3	353.2	117.9	4.7	0.8	0.8	0.8	0.8
1.2. Government securities	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	9,847.7	9,932.6	10,023.9
1.2.1. Public issues	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,232.1	9,317.9	9,487.2
1.2.1.1. Bonds	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	6,483.4	6,619.34	6,722.3
1.2.1.2. Discount T-bills	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,530.9	2,131.0	2,078.6	2,126.3
1.2.1.3. Retail securities	523.3	544.7	560.3	533.5	628.4	588.7	617.8	620.1	638.6
1.2.2. Private placements	831.3	809.1	777.4	759.3	743.6	733.9	615.5	614.7	536.7
2. Foreign currency denominated debt*	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,193.3	4,496.0	4,333.0
2.1. Loans	1,772.8	1,410.4	1,394.3	1,084.1	916.8	720.6	847.2	905.1	869.2
2.1.1. Foreign loans	368.8	317.8	461.9	598.8	528.9	616.9	739.3	789.4	757.6
2.1.2. Domestic loans	1,404.0	1,092.6	932.3	485.3	387.8	103.8	107.9	115.7	111.6
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	99.9	107.2	103.4
2.1.2.2. Other loans	0.0	0.0	82.8	18.8	32.2	7.7	8.0	8.6	8.3
2.2. Government securities	736.0	911.7	873.0	1,494.9	2,066.8	2,870.1	3,346.1	3,590.9	3,463.8
2.2.1. Issued abroad	715.7	911.7	873.0	1,494.9	2,066.8	2,870.1	3,346.1	3,590.9	3,463.8
2.2.1.1. Foreign currency bonds	715.4	911.5	872.9	1,494.7	2,066.7	2,870.0	3,346.1	3,590.9	3,463.7
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	14,041.8	14,429.5	14,357.8
Mark-to-market deposits placed at ÁKK Rt.						21,4	14,5	3,13	3,02
Total central government debt						12,765.6	14,056.3	14,432.6	14,360.8
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*	*9,229.9*	*9,312.5*	*9,385.3*
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.

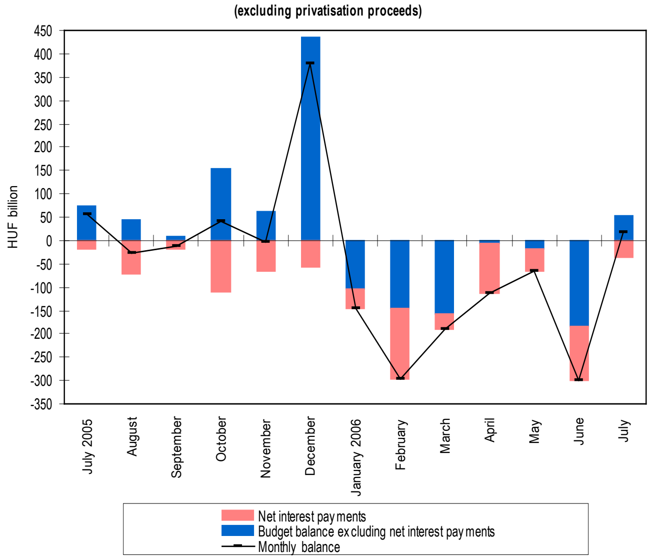
10-year Hungarian and eurozone benchmark yields during the last year



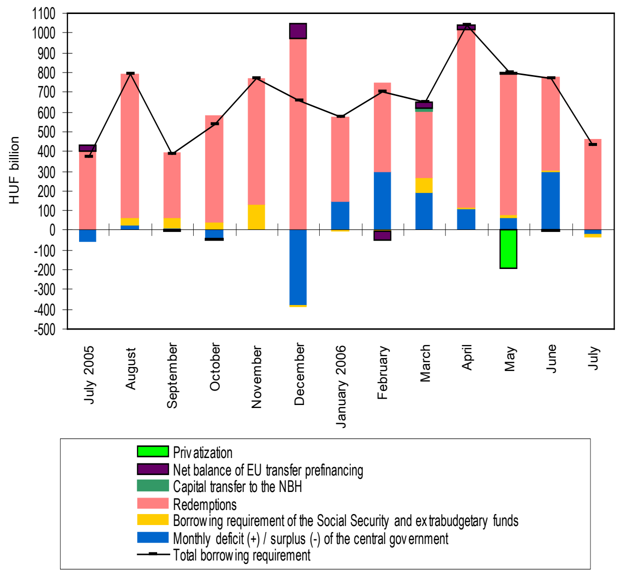
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

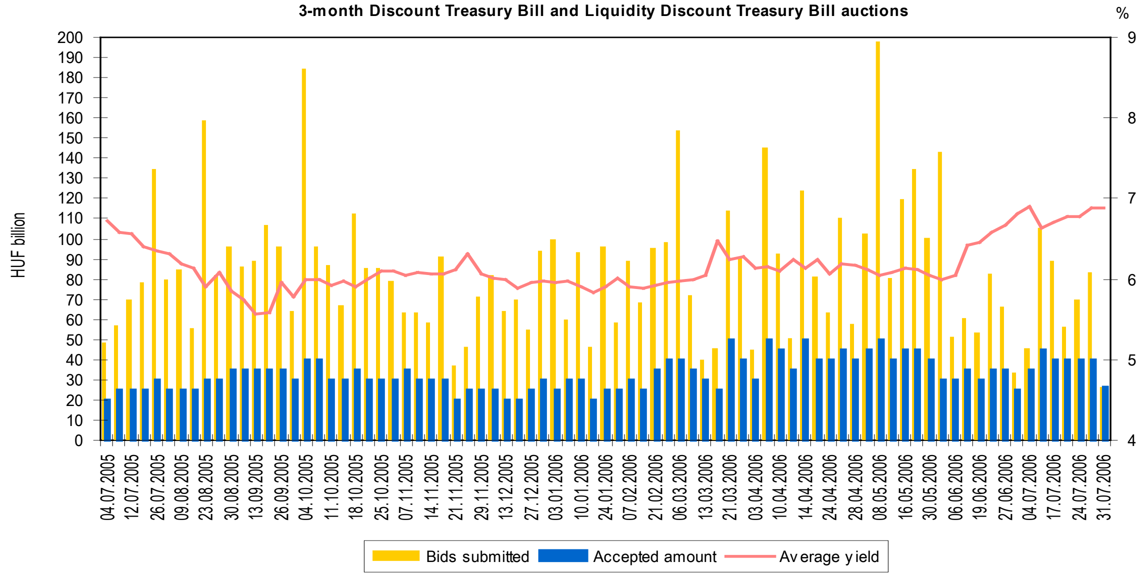


DISCOUNT TREASURY BILL AUCTION RESULTS

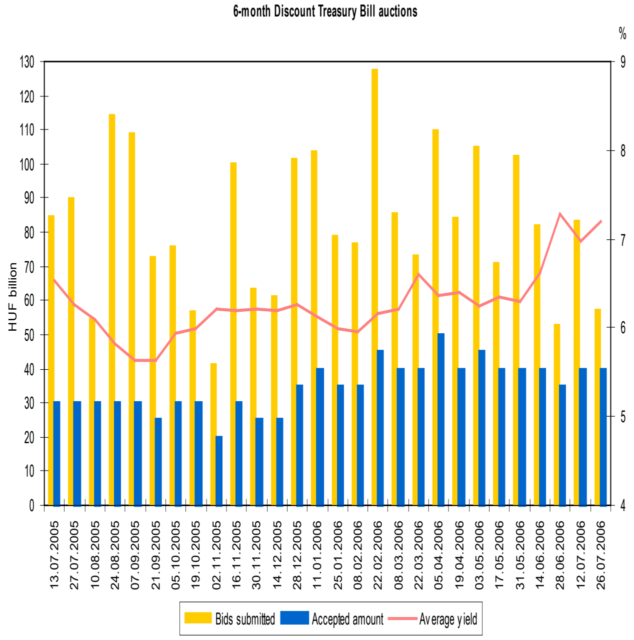
	Liquidity Discount T-Bills				3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D060816	D060913	D060913	D060913	D061011	D061018	D061025	D061102	D070117	D070117	D070606	D070801
ISIN code	HU0000515796	HU0000515838	HU0000515838	HU0000515838	HU0000515879	HU0000515986	HU0000515507	HU0000515887	HU0000515861	HU0000515861	HU0000515820	HU0000515895
Maturity in days	42	56	49	42	91	91	91	92	182	168	322	364
Date of auction	03.07.2006	17.07.2006	24.07.2006	31.07.2006	04.07.2006	11.07.2006	18.07.2006	25.07.2006	12.07.2006	26.07.2006	13.07.2006	27.07.2006
Date of financial settlement	05.07.2006	19.07.2006	26.07.2006	02.08.2006	12.07.2006	19.07.2006	26.07.2006	02.08.2006	19.07.2006	02.08.2006	19.07.2006	02.08.2006
Redemption date	16.08.2006	13.09.2006	13.09.2006	13.09.2006	11.10.2006	18.10.2006	25.10.2006	02.11.2006	17.01.2007	17.01.2007	06.06.2007	01.08.2007
Maximum yield (%) - ISMA	7.10	6.80	6.85	7.05	6.98	6.65	6.83	6.91	7.00	7.26	7.89	7.72
Minimum yield (%) - ISMA	6.60	6.45	6.72	6.75	6.75	6.60	6.70	6.80	6.95	6.95	7.62	7.55
Average yield (%) - ISMA	6.80	6.70	6.78	6.88	6.89	6.63	6.78	6.87	6.98	7.19	7.79	7.69
Maximum yield (%) - EHM	7.20	6.89	6.95	7.15	7.08	6.74	6.92	7.01	7.10	7.36	8.00	7.83
Minimum yield (%) - EHM	6.69	6.54	6.81	6.84	6.84	6.69	6.79	6.89	7.05	7.05	7.73	7.65
Average yield (%) - EHM	6.89	6.79	6.87	6.98	6.99	6.72	6.87	6.97	7.08	7.29	7.90	7.80
Average selling price (%)	99.2129	98.9685	99.0856	99.2037	98.2882	98.3517	98.3150	98.2746	96.5915	96.7536	93.4861	92.7855
Amount offered for sale (HUF million)	30,000.00	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	40,000.00
Amount of bids submitted (HUF million)	33,350.00	88,888.03	70,035.00	26,021.00	45,894.32	105,687.09	56,347.02	82,929.58	83,432.00	57,336.50	40,055.56	96,049.51
Amount of bids accepted (HUF million)	24,999.98	39,999.96	39,999.95	26,021.00	34,999.97	44,999.99	39,999.97	39,999.93	39,999.95	39,999.98	29,999.99	44,999.93
Bid-to-cover ratio	1.33	2.22	1.75	1.00	1.31	2.35	1.41	2.07	2.09	1.43	1.34	2.13
Bids submitted (pcs)	28	93	79	35	114	92	84	122	96	117	113	154
Bids accepted (pcs)	27	45	68	35	106	22	66	72	26	105	100	80
Market sales* (HUF million)	24,999,98	39,999.96	39,999.95	26,021.00	34,999.97	44,999.99	39,999.97	39,999.93	39,999.95	39,999.98	29,999.99	44,999.93
Retained on ÁKK's own account (HUF m.)	0.02	0.04	0.05	0.00	3,500.03	4,500.01	4,000.03	4,000.07	8,000.05	8,000.02	6,000.01	13,500.07
Total amount issued (HUF million)	25,000.00	40,000.00	40,000.00	26,021.00	38,500.00	49,500.00	44,000.00	44,000.00	48,000.00	48,000.00	36,000.00	58,500.00

* Without issuance onto ÁKK's own account

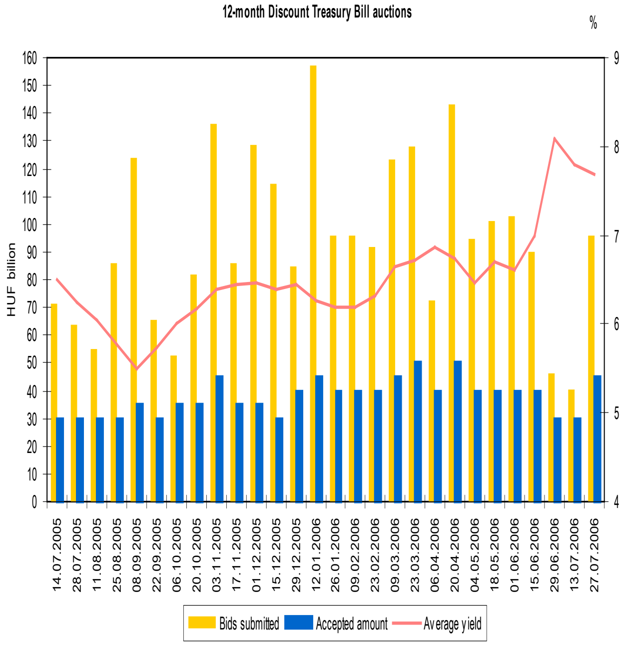
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions

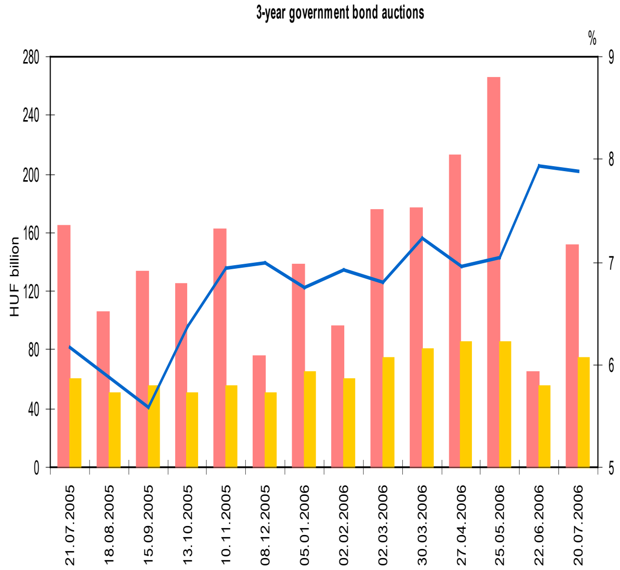


GOVERNMENT BOND AUCTION RESULTS

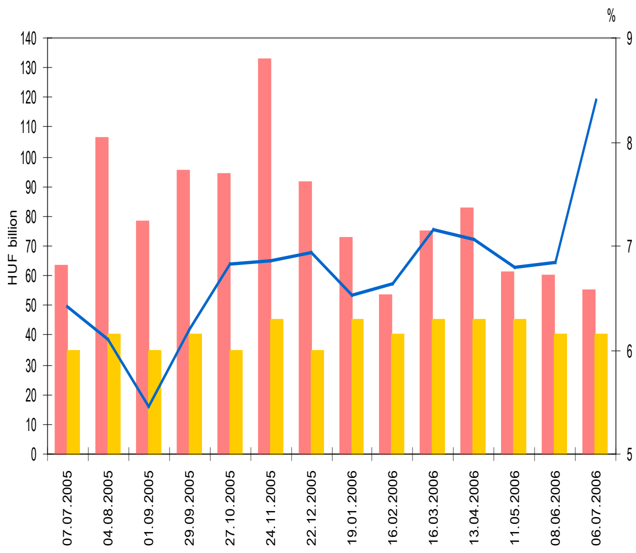
Government Bond	2011/B	2016/C	2009/F	2020/A
ISIN code	HU0000402334	HU0000402318	HU0000402359	HU0000402235
Maturity (in years)	5	10	3	15
Coupon (%)	6.00%	5.50%	6.50%	7.50%
Auction	7th auction	11th auction	2nd auction	17th auction
Date of auction	06.07.2006	06.07.2006	20.07.2006	20.07.2006
Date of financial settlement	12.07.2006	12.07.2006	26.07.2006	26.07.2006
Redemption date	12.10.2011	12.02.2016	12.08.2009	12.11.2020
Maximum annual yield (%) - ISMA	8.42	8.00	7.90	7.20
Minimum annual yield (%) - ISMA	8.36	7.91	7.86	7.10
Average annual yield (%) - ISMA	8.40	7.97	7.88	7.16
Maximum annual yield (%) - EHM	8.42	8.00	7.89	7.19
Minimum annual yield (%) - EHM	8.36	7.91	7.85	7.09
Average annual yield (%) - EHM	8.39	7.96	7.87	7.16
Maximum price (%)	90.2724	84.1645	96.3873	103.4669
Minimum price (%)	90.0416	83.6388	96.2850	102.5699
Average price (%)	90.1211	83.8372	96.3350	102.9022
Amount offered for sale (HUF million)	45,000.00	40,000.00	70,000.00	20,000.00
Amount of bids submitted (HUF million)	55,251.39	53,124.33	151,803.86	32,466.58
Amount of bids accepted (HUF million)	39,999.93	39,999.94	74,999.98	19,999.94
Bid-to-cover ratio	1.38	1.33	2.02	1.62
Bids submitted (pcs)	86	117	127	94
Bids accepted (pcs)	67	91	44	69
Tail (average price - minimum price)	0.08	0.20	0.05	0.33
Market sales* (HUF million)	39,999.93	39,999.94	74,999.98	19,999.94
Retained on ÁKK's own account (HUF million)	0.07	0.06	15,000.02	0.06
Total amount issued (HUF million)	40,000.00	40,000.00	90,000.00	20,000.00

*Without issuance onto ÁKK's own account

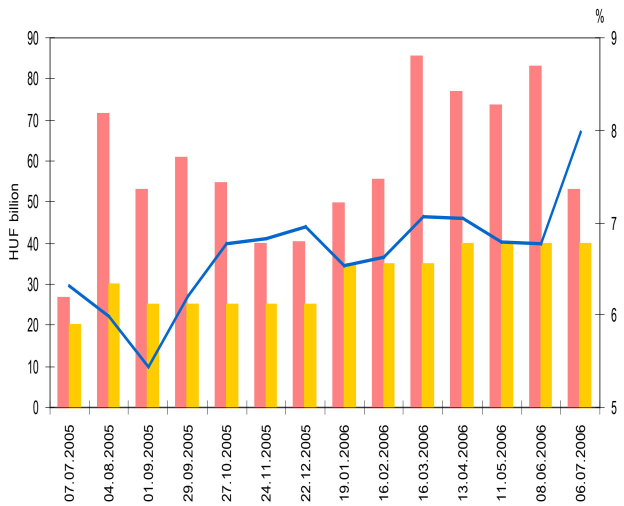
3-year government bond auctions



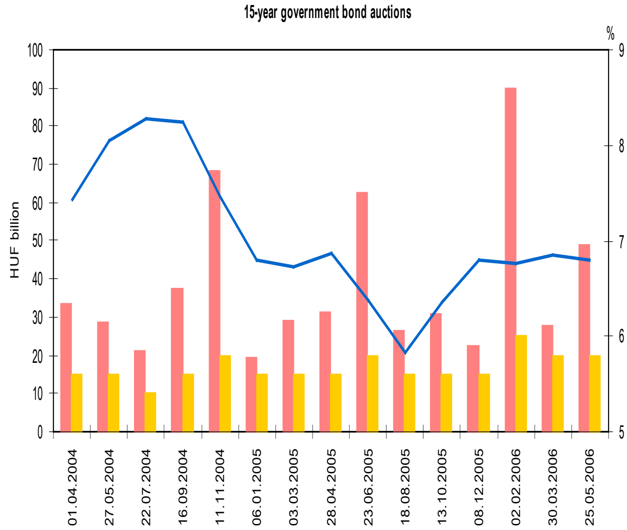
5-year government bond auctions



10-year government bond auctions



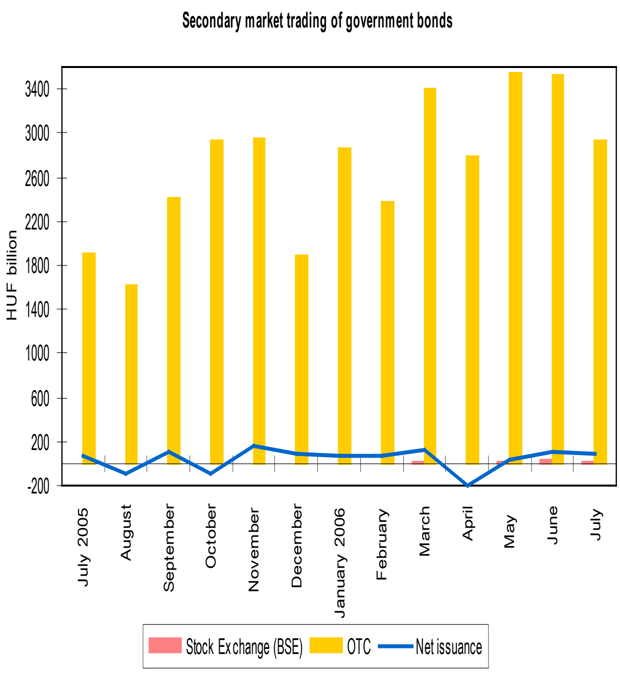
15-year government bond auctions

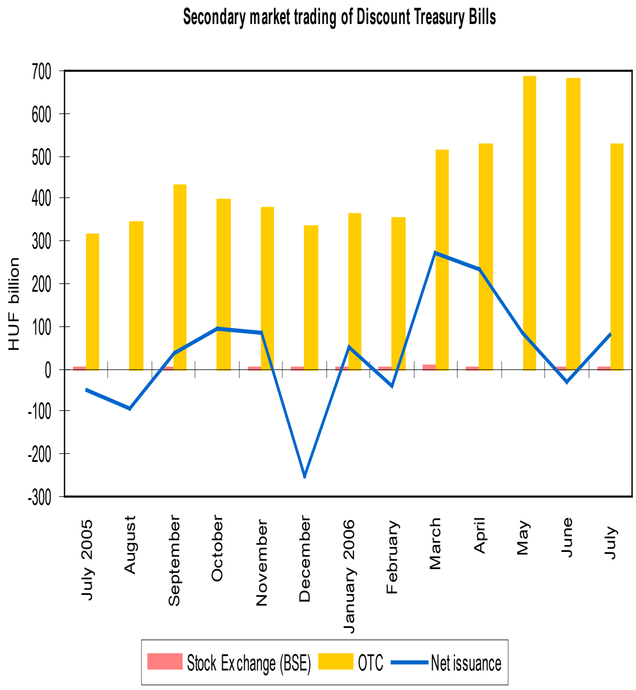


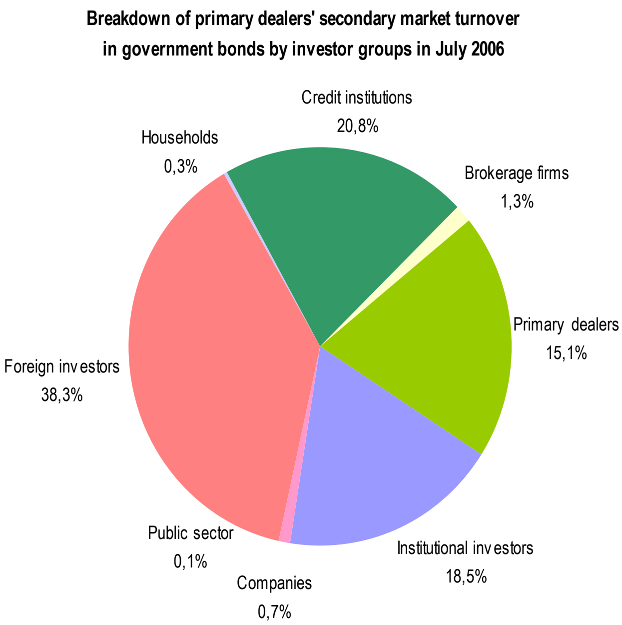
Bids submitted   Accepted amount   Average yield

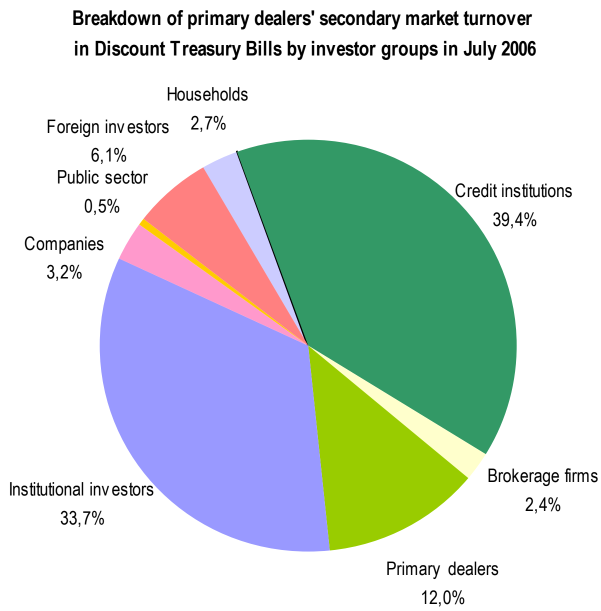
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

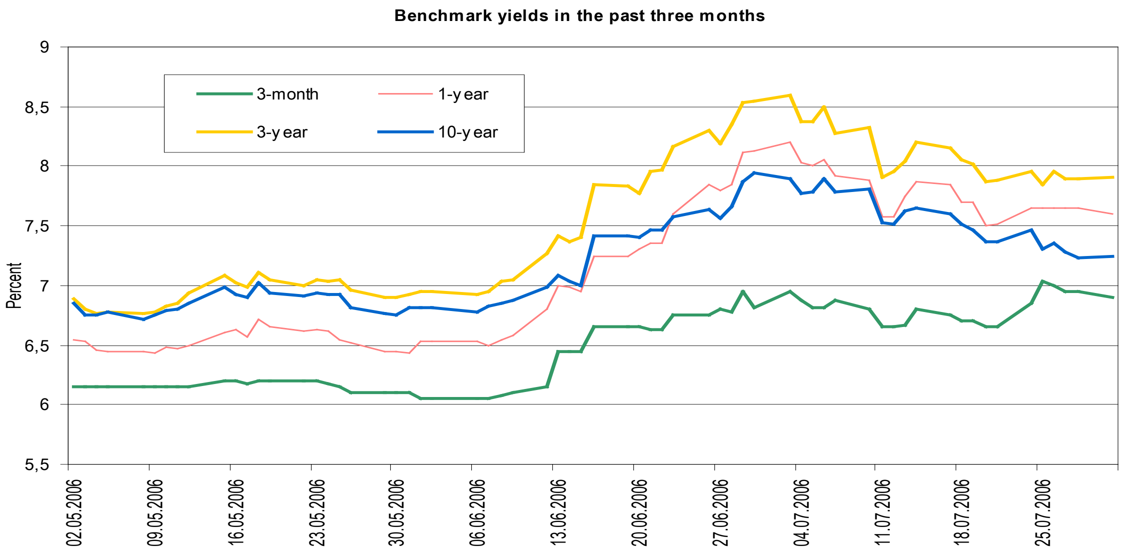
Government bond	2006/G	2007/F
ISIN code	HU0000402201	HU0000402227
Coupon (%)	6.50%	9.00%
Date of reverse auction	05.07.2006	05.07.2006
Date of financial settlement	12.07.2006	12.07.2006
Redemption date	24.08.2006	12.04.2007
Minimum annual yield (%)	-	7.90
Average annual yield (%)	-	7.94
Amount of bids submitted (HUF million)	16,634.52	18,057.50
Amount of bids accepted (HUF million)	0.00	15,197.30



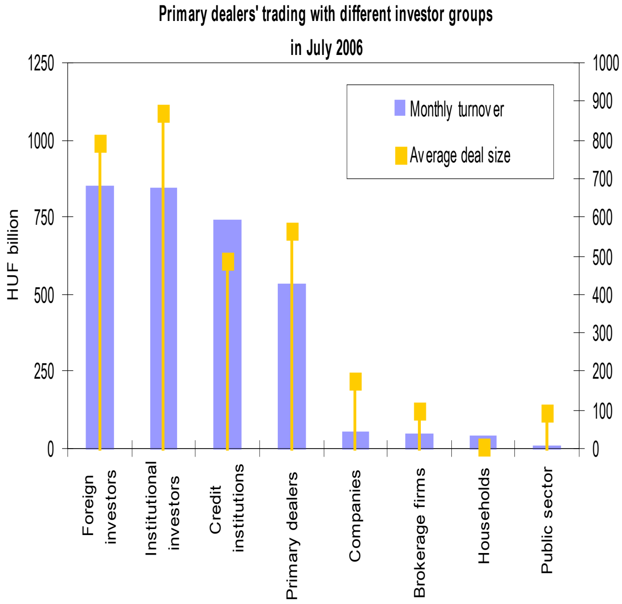




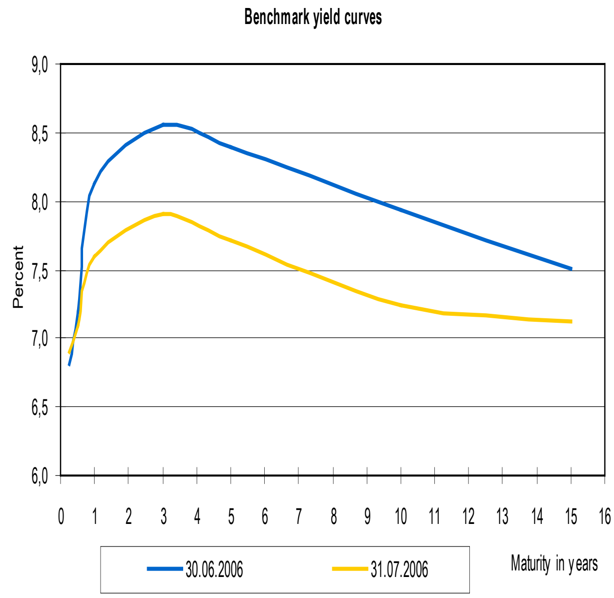




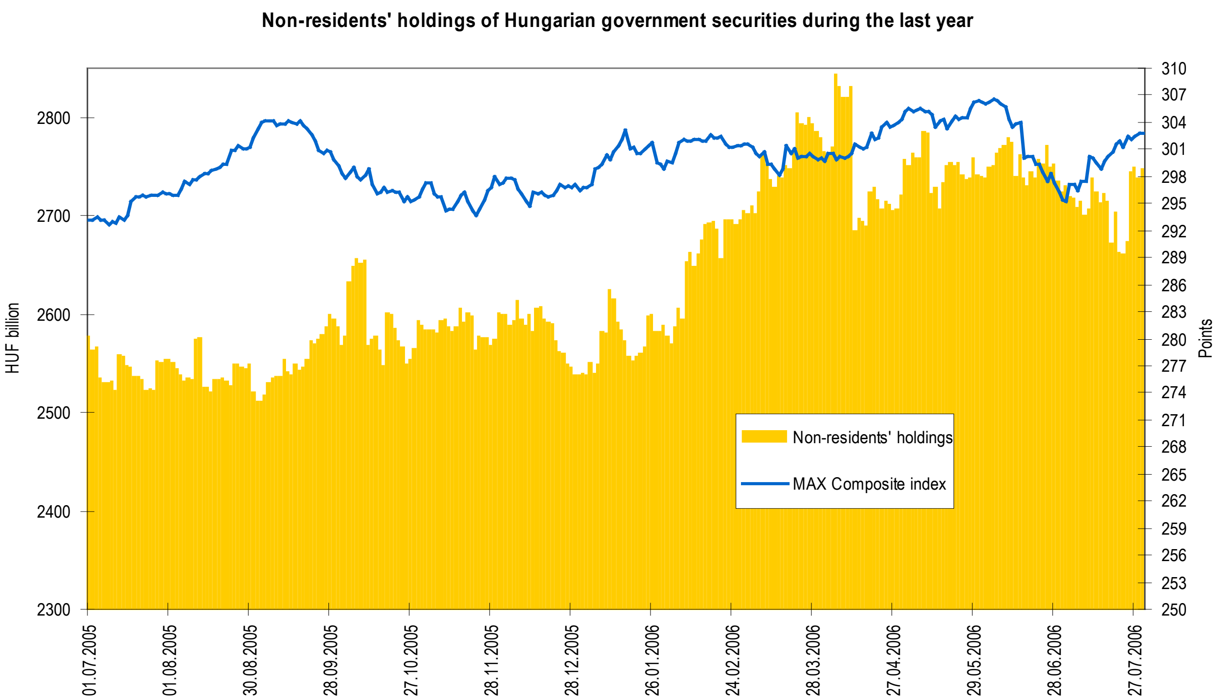
Benchmark yields in the past three months
Percent
3-month
1-year
3-year
10-year
9
8,5
8
7,5
7
6,5
6
5,5
02.05.2006
09.05.2006
16.05.2006
23.05.2006
30.05.2006
06.06.2006
13.06.2006
20.06.2006
27.06.2006
04.07.2006
11.07.2006
18.07.2006
25.07.2006



Primary dealers' trading with different investor groups in July 2006
HUF billion
HUF million
Monthly turnover
Average deal size
1250
1000
750
500
250
0
1000
900
800
700
600
500
400
300
200
100
0
Foreign investors
Institutional investors
Credit institutions
Primary dealers
Companies
Brokerage firms
Households
Public sector



Benchmark yield curves
Percent
9,0
8,5
8,0
7,5
7,0
6,5
6,0
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
30.06.2006
31.07.2006
Maturity in years



Non-residents' holdings of Hungarian government securities during the last year
HUF billion
Points
Non-residents' holdings
MAX Composite index
2800
2700
2600
2500
2400
2300
310
307
304
301
298
295
292
289
286
283
280
277
274
271
268
265
262
259
256
253
250
01.07.2005
01.08.2005
30.08.2005
28.09.2005
27.10.2005
28.11.2005
28.12.2005
26.01.2006
24.02.2006
28.03.2006
27.04.2006
29.05.2006
28.06.2006
27.07.2006

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JULY 2006

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2008/A	21.07.2006	24.07.2006	24.10.2006	24.10.2006	6.95	3.40
2016/B	30.06.2006	02.07.2006	02.01.2007	02.01.2007	6,10	3,12

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 July 2006	306.5803	302.7175	295.3333	305.6547
Changes compared to the end of the month before	8.9321	2.8909	7.518	1.7983
Annual yield earned on the index portfolio	1.18%	6.01%	2.26%	6.26%

Government securities with the highest secondary market turnover in July 2006

Government security	Date of redemption	Turnover (HUF billion)
2016/C	12.02.2016	337.4
2009/E	24.04.2009	294.3
2011/B	12.10.2011	260.5
D061122	22.11.2006	217.5
D060927	27.09.2006	198.2
D070606	12.08.2008	151.6
2009/F	06.06.2007	143.1
2007/D	12.06.2007	128.4
2008/D	24.04.2008	124.3
2015/A	12.02.2015	109.1

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

	HUF billion	
Government bond	30.06.2006	31.07.2006
2009/F	55.01	127.05
2011/B	262.32	304.26
2016/C	330.52	370.14
2020/A	262.77	280.68

PRIMARY DEALERS - AS AT 31 JULY 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