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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

JULY 2008

The deficit of the central government amounted to HUF 581.3 billion in the first seven months of 2008. The capital transfers to the NBH worth HUF 2.8 billion increased the net borrowing requirement. The prefinancing of cash transfers from the EU decreased the net borrowing requirement by HUF 217.1 billion. The total net financing requirement of HUF 367.0 billion was met by a net issuance of HUF 537.5 billion (ca. EUR 2.9 billion) out of which net domestic currency issuance was HUF 185.4 billion and net foreign exchange issuance totalled HUF 352.1 billion. The total amount outstanding of other liabilities decreased by HUF 4.2 billion in the first seven months of 2008.

The HUF denominated debt of the central government increased by HUF 185.7 billion in the first seven months of 2008 (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, government bonds accounted for HUF 276.6 billion, while discount Treasury bills for HUF 70.7 billion and retail government securities decreased by HUF 18.1 billion. The stock of domestic loans decreased by HUF 0.2 billion.

The foreign currency debt of the central government increased by HUF 69.6 billion in the first seven months of 2008. The HUF 426.4 billion bond issuance and the drawdown of foreign currency denominated loans worth HUF 164.8 increased, while redemptions of foreign currency loans worth HUF 239.0 billion and exchange rate gains totalling HUF 421.8 billion decreased the Hungarian Forint value of the foreign currency debt.

Short-term secondary yields decreased by 38-60 basis points in June, while long term yields decreased by 67-86 basis points. The 1-year yield decreased to 8.58% by 60 basis points, the 3-year yield decreased by 86 bps and amounted to 8.69%, the 10-year benchmark yield reached 7.81% at the end of July after decreasing by 69 basis points.

Monthly OTC turnover of government securities was 24% higher in July than a month before and reached HUF 4,454.9 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 41% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 46.6 in July, and amounted to HUF 3,116.7 billion at the end of the month. This volume represented 29.4% of the total amount of domestic government bonds and discount Treasury bills.

The issuance of the 6-month discount T-bill auctions have been suspended by the decision of ÁKK, the last auction was held on 11 June 2008.

The EUR/HUF exchange rate according to the Hungarian National Bank was 231.19 at the last working day of July.

The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows: BBB+ (Standard & Poor's); A2 (Moody's); BBB+ (Fitch).

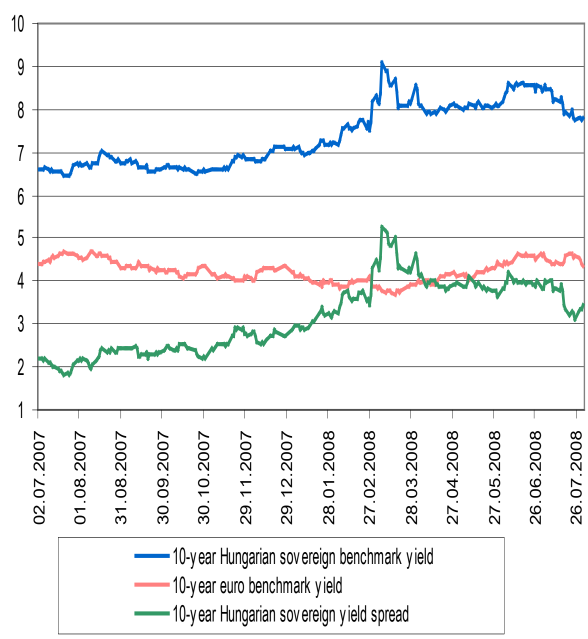
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

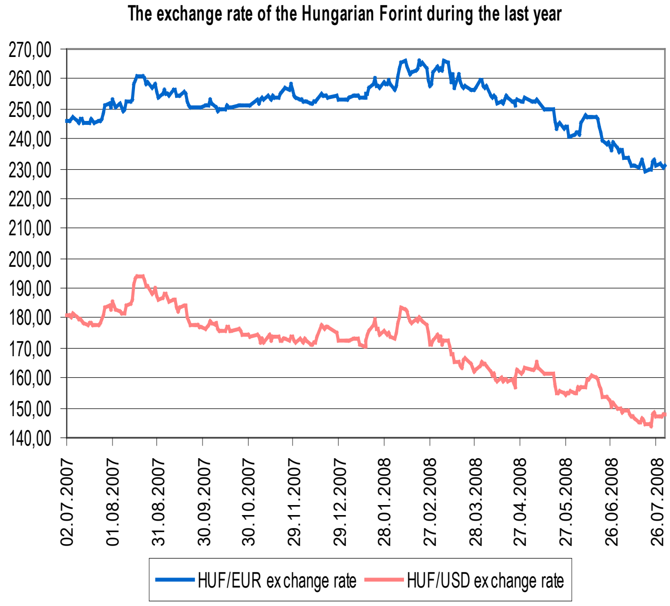
	2002	2003	2004	2005	2006	2007	May 2008	June 2008	July 2008
1. Forint denominated debt	6,956.9	8,008.7	8,608.8	9,153.5	10,552.3	11,103.8	11,385.8	11,454.2	11,289.5
1.1. Loans	353.2	117.9	4.7	0.8	356.4	145.7	145.7	145.5	145.5
1.2. Government securities	6,603.7	7,890.8	8,604.2	9,152.7	10,195.9	10,958.1	11,240.1	11,308.7	11,144.0
1.2.1. Public issues	5,826.3	7,131.5	7,860.6	8,418.8	9,667.5	10,465.4	10,748.4	10,817.9	10,653.1
1.2.1.1. Bonds	3,829.2	5,056.5	5,768.9	6,299.1	7,244.2	8,245.3	8,508.9	8,505.8	8,521.9
1.2.1.2. Discount T-bills	1,436.8	1,541.4	1,463.3	1,530.9	1,755.9	1,664.9	1,712.3	1,778.9	1,594.2
1.2.1.3. Retail securities	560.3	533.5	628.4	588.7	667.4	555.2	527.2	533.2	537.1
1.2.2. Private placements	777.4	759.3	743.6	733.9	528.4	492.7	491.7	490.9	490.9
2. Foreign currency denominated debt*	2,267.3	2,579.0	2,983.5	3,590.7	4,124.4	4,472.6	4,379.8	4,506.6	4,403.0
2.1. Loans	1,394.3	1,084.1	916.8	720.6	803.7	846.5	880.1	706.1	696.1
2.1.1. Foreign loans	461.9	598.8	528.9	616.9	700.1	838.8	872.7	706.1	696.1
2.1.2. Domestic loans	932.3	485.3	387.8	103.8	103.6	104.0	7.3	0.0	0.0
2.1.2.1. Raised from National Bank of Hungary (NBH)	849.6	466.5	355.7	96.1	95.9	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	82.8	18.8	32.2	7.7	7.7	7.7	7.3	0.0	0.0
2.2. Government securities	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,499.8	3,800.5	3,706.9
2.2.1. Issued abroad	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,499.8	3,800.5	3,706.9
2.2.1.1. Foreign currency bonds	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,626.1	3,499.7	3,800.5	3,706.8
2.2.1.2. Kingdom of Hungary 1924 issues	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	9,224.2	10,587.7	11,592.4	12,744.2	14,676.7	15,576.4	15,765.6	15,960.8	15,692.5
Other liabilities				21.4	29.0	9.1	5.1	5.0	4.9
Total central government debt				12,765.6	14,705.7	15,585.5	15,770.7	15,965.8	15,697.4
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*6,043.4*	*7,357.3*	*7,975.8*	*8,563.9*	*9,528.4*	*10,402.9*	*10,712.9*	*10,775.5*	*10,606.9*
Gross debt/GDP	*53.6%*	*55.9%*	*56.0%*	*57.9%*	*61.8%*	*61.3%*			

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

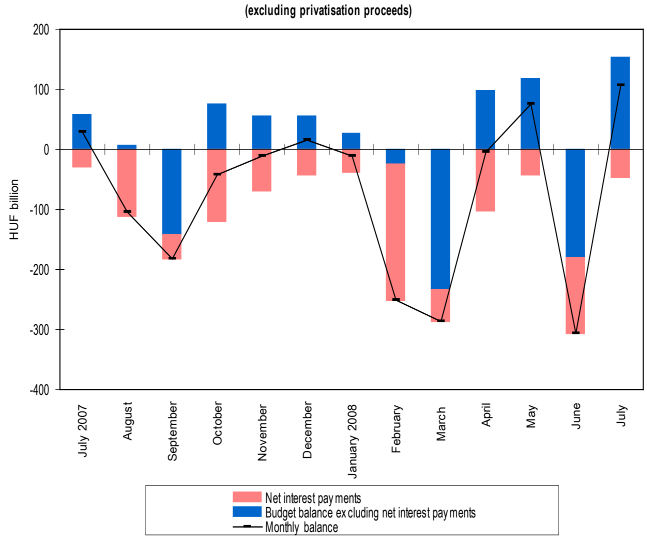
% 10-year Hungarian and eurozone benchmark yields during the last year



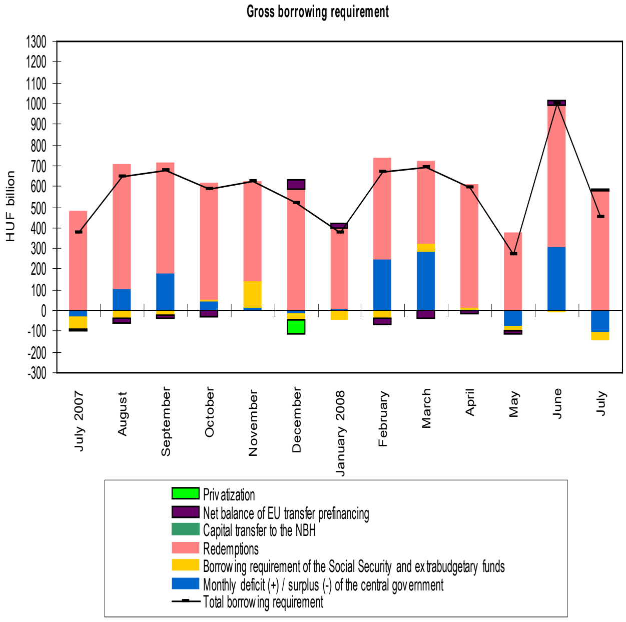
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

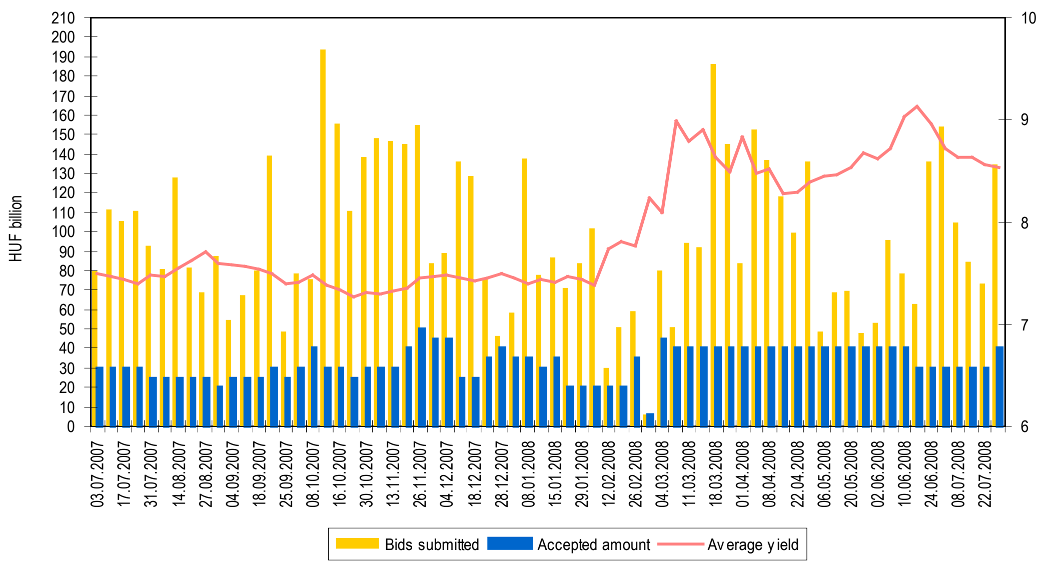


DISCOUNT TREASURY BILL AUCTION RESULTS

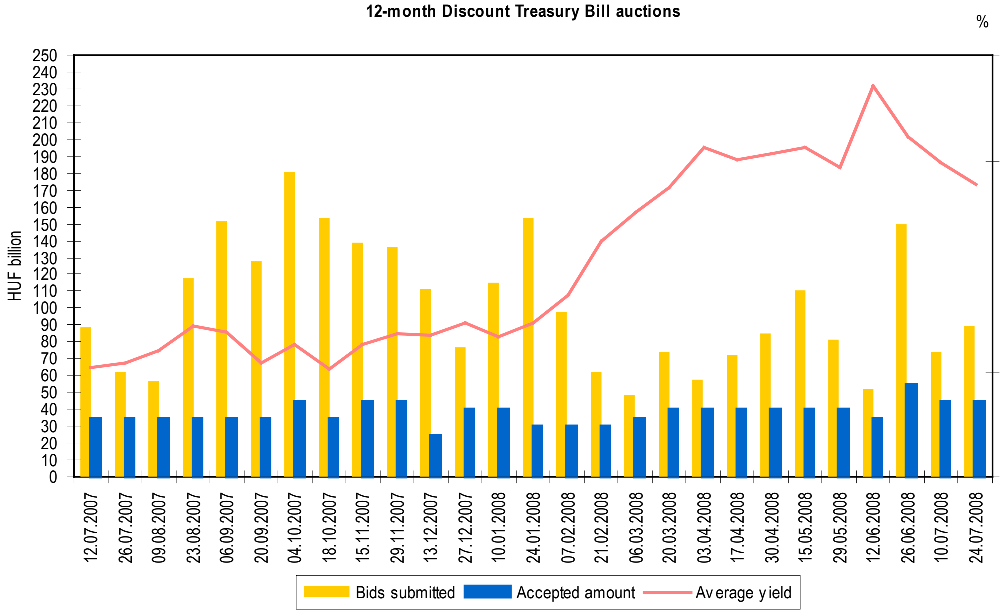
	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D081008	D081015	D081022	D081029	D081105	D090603	D090729
ISIN code	HU0000516919	HU0000516927	HU0000516554	HU0000516935	HU0000516943	HU0000516877	HU0000516024
Maturity in days	91	91	91	91	91	322	364
Date of auction	01.07.2008	08.07.2008	15.07.2008	22.07.2008	29.07.2008	10.07.2008	24.07.2008
Date of financial settlement	09.07.2008	16.07.2008	23.07.2008	30.07.2008	06.08.2008	16.07.2008	30.07.2008
Redemption date	08.10.2008	15.10.2008	22.10.2008	29.10.2008	05.11.2008	03.06.2009	29.07.2009
Maximum yield, (%) - ISMA	8.75	8.65	8.66	8.59	8.55	9.02	8.83
Minimum yield (%) - ISMA	8.67	8.54	8.50	8.25	8.40	8.75	8.65
Average yield (%) - ISMA	8.72	8.63	8.63	8.56	8.54	8.97	8.77
Maximum yield, (%) - EHM	8.87	8.77	8.78	8.71	8.67	9.15	8.95
Minimum yield (%) - EHM	8.79	8.66	8.62	8.36	8.52	8.87	8.77
Average yield (%) - EHM	8.84	8.75	8.75	8.68	8.66	9.09	8.89
Average selling price (%)	97.8433	97.8651	97.8651	97.8820	97.8869	92.5727	91.8548
Amount offered for sale (HUF m)	30,000.00	30,000.00	30,000.00	30,000.00	40,000.00	45,000.00	45,000.00
Amount of bids submitted (HUF m)	154,273.12	104,343.58	84,757.72	73,527.64	134,859.49	74,105.89	89,310.00
Amount of bids accepted (HUF m)	29,999.93	29,999.93	29,999.98	30,000.00	39,999.96	44,999.98	44,999.93
Bid-to-cover ratio	5.14	3.48	2.83	2.45	3.37	1.65	1.98
Bids submitted (pcs)	104	96	85	85	82	110	133
Bids accepted (pcs)	40	44	50	26	29	83	76
Market sales* (HUF million)	29,999.93	29,999.93	29,999.98	30,000.00	39,999.96	44,999.98	44,999.93
Retained on ÁKK's own account	3,000.07	3,000.07	3,000.02	3,000.00	12,000.04	9,000.02	13,500.07
Total amount issued (HUF million)	33,000.00	33,000.00	33,000.00	33,000.00	52,000.00	54,000.00	58,500.00

*Without issuance onto ÁKK's own account

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



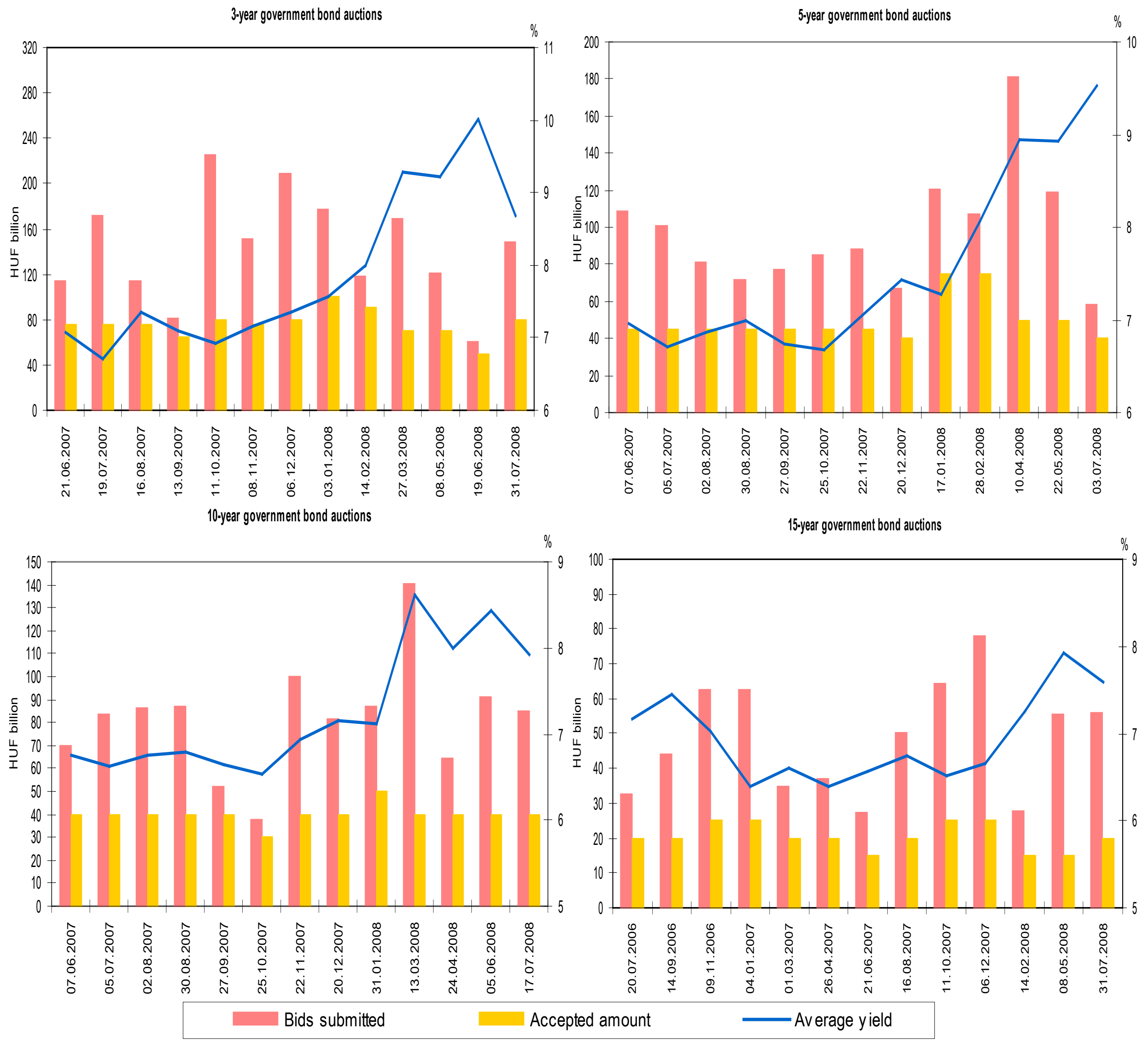
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

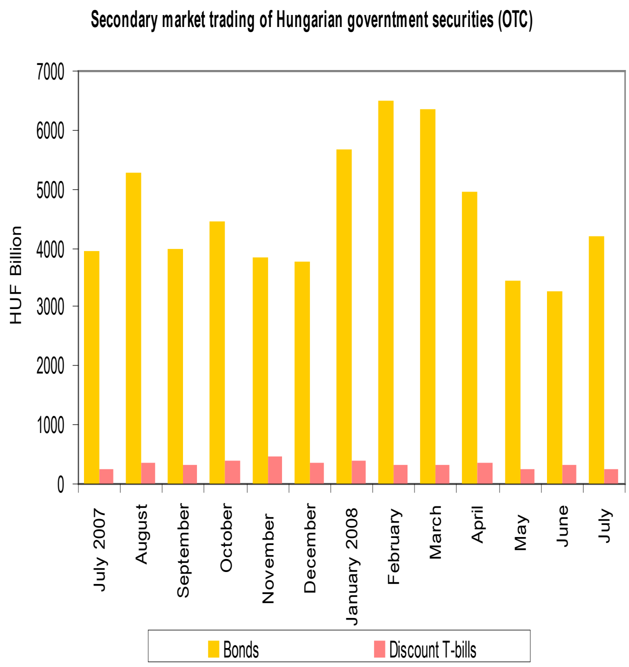
Government Bond	2012/C	2019/A	2011/C	2023/A
ISIN code	HU0000402417	HU0000402433	HU0000402425	HU0000402383
Maturity (in years)	5	10	3	15
Coupon (%)	6.00%	6.50%	6.75%	6.00%
Auction	11th auction	5th auction	6th auction	10th auction
Date of auction	03.07.2008	17.07.2008	31.07.2008	31.07.2008
Date of financial settlement	09.07.2008	23.07.2008	06.08.2008	06.08.2008
Redemption date	24.10.2012	24.06.2019	22.04.2011	24.11.2023
Maximum annual yield (%) - ISMA	9.56	7.95	8.69	7.59
Minimum annual yield (%) - ISMA	9.30	7.90	8.69	7.57
Average annual yield (%) - ISMA	9.52	7.92	8.69	7.59
Maximum annual yield (%) - EHM	9.55	7.95	8.69	7.59
Minimum annual yield (%) - EHM	9.29	7.90	8.69	7.57
Average annual yield (%) - EHM	9.51	7.92	8.69	7.58
Maximum price (%)	88.6854	89.9855	95.4303	86.0047
Minimum price (%)	88.8692	89.6533	95.4303	85.8446
Average price (%)	88.9915	89.8506	95.4303	85.8488
Amount offered for sale (HUF million)	50,000.00	40,000.00	80,000.00	15,000.00
Amount of bids submitted (HUF million)	58,175.32	85,100.00	148,659.42	55,925.00
Amount of bids accepted (HUF million)	39,999.99	39,999.99	79,999.99	19,999.97
Bid-to-cover ratio	1.45	2.13	1.86	2.80
Bids submitted (pcs)	92	88	89	69
Bids accepted (pcs)	65	22	14	18
Tail (average price - minimum price)	0.12	0.20	0.00	0.00
Market sales* (HUF million)	39,999.99	39,999.99	79,999.99	19,999.97
Retained on ÁKK's own account (HUF million)	0.01	1,000.01	0.01	1,500.03
Total amount issued (HUF million)	40,000.00	41,000.00	80,000.00	21,500.00

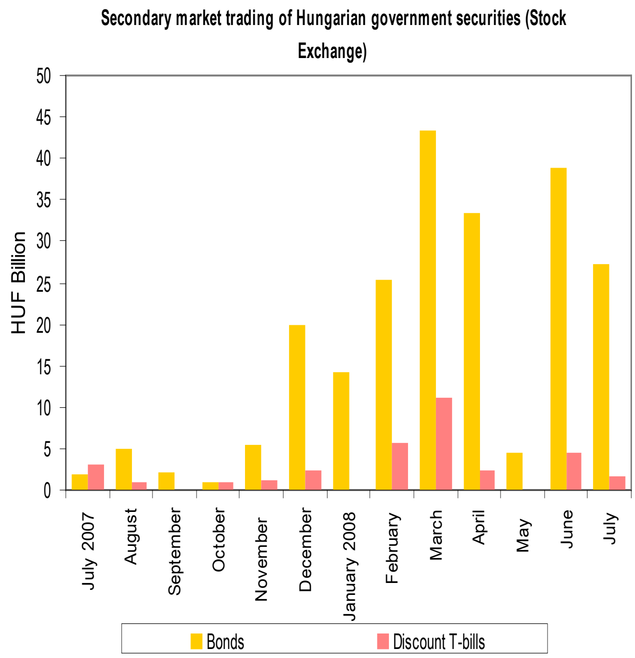
*Without issuance onto ÁKK's own account

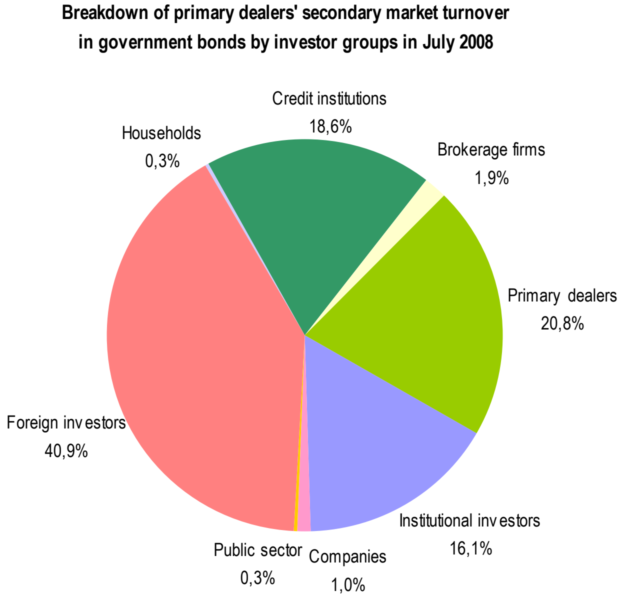


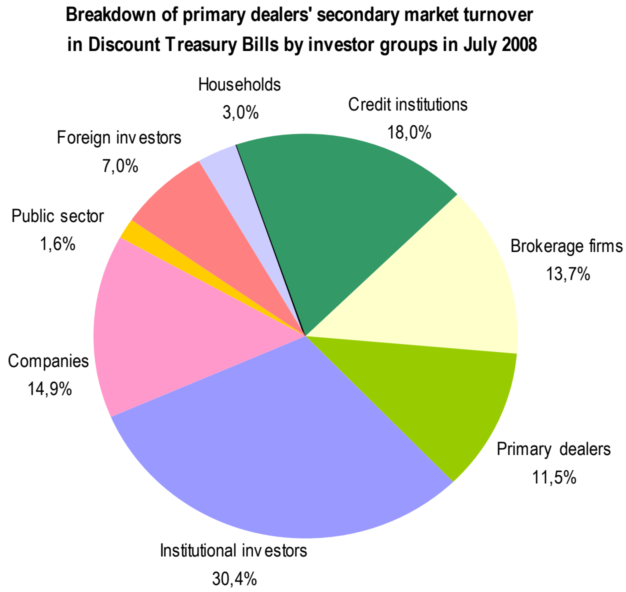
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2009/C	2009/E	2009/C	2009/E
ISIN code	HU0000402219	HU0000402326	HU0000402219	HU0000402326
Coupon (%)	7.00%	6.25%	7.00%	6.25%
Date of reverse auction	02.07.2008	02.07.2008	16.07.2008	16.07.2008
Date of financial settlement	09.07.2008	09.07.2008	23.07.2008	23.07.2008
Redemption date	24.06.2009	24.04.2009	24.06.2009	24.04.2009
Minimum annual yield (%)	9.25	9.20	8.90	8.87
Average annual yield (%)	9.27	9.20	8.90	8.91
Amount of bids submitted (HUF million)	32,667.26	26,019.57	35,369.15	43,338.08
Amount of bids accepted (HUF million)	22,704.63	8,364.90	8,330.58	12,322.92

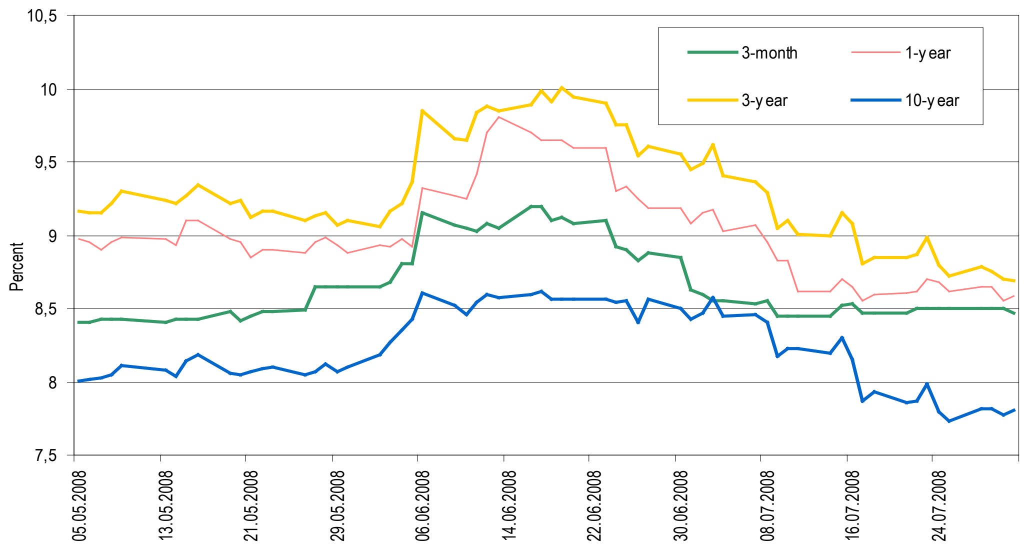




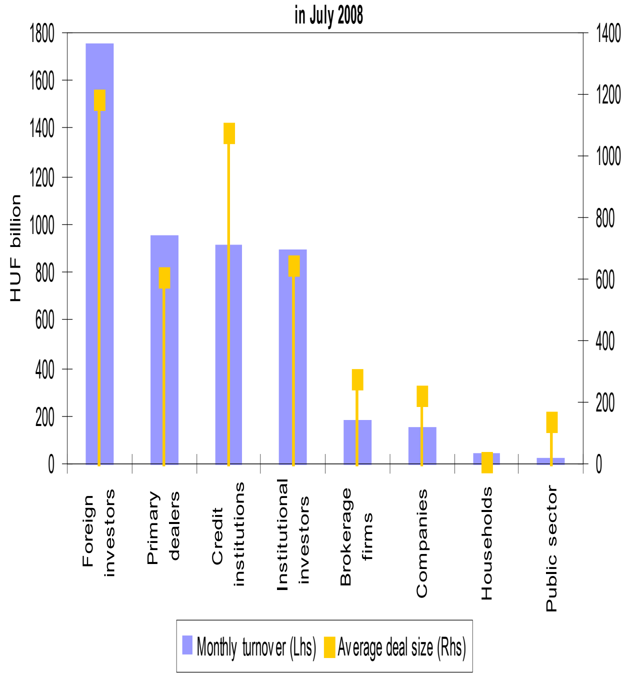




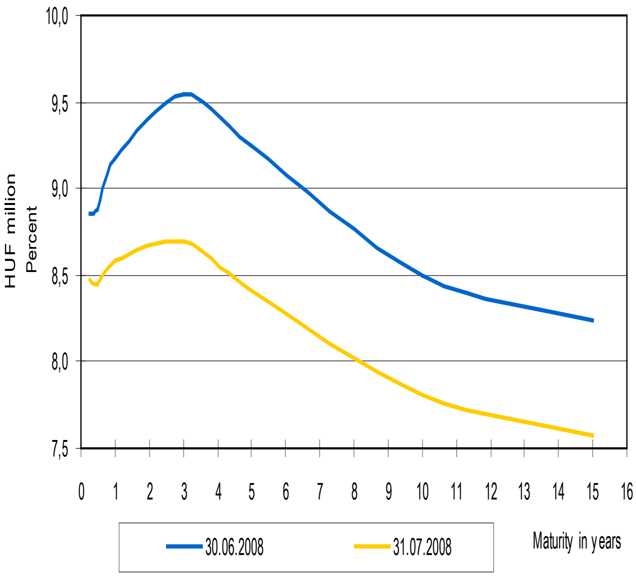
Benchmark yields in the past three months



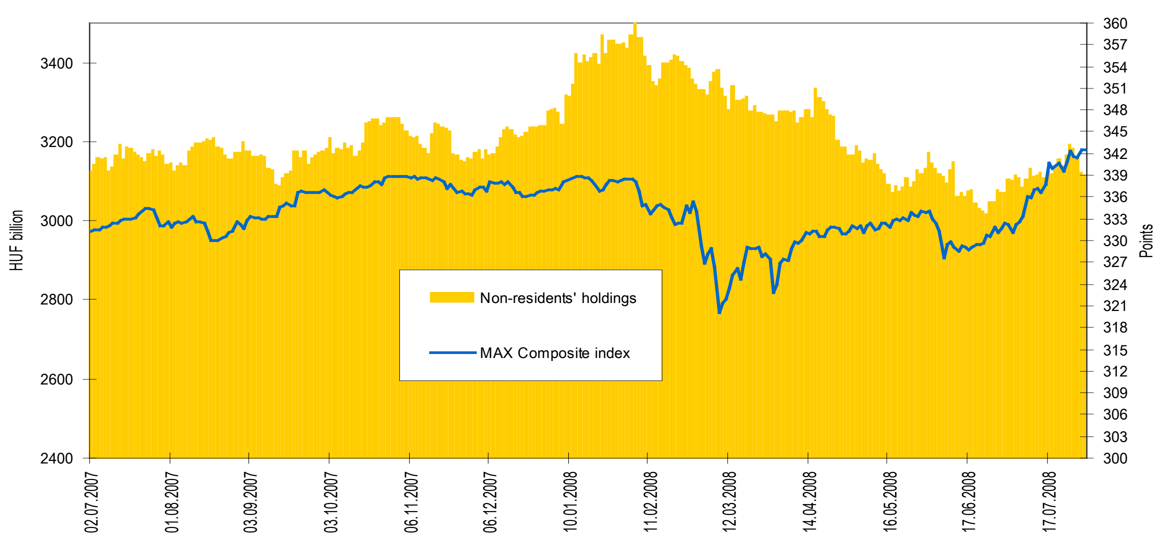
Primary dealers' trading with different investor groups in July 2008



Benchmark yield curves



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



INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JULY 2008

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2008/A	23.07.2008	24.07.2008	24.10.2008	27.10.2008	8.86	4.42
2016/B	01.07.2008	02.07.2008	02.01.2009	05.01.2009	8.54	4.36

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 July 2008	345.4766	354.4852	342.5082	358.4156
Changes compared to the end of the month before	12.2883	3.8116	10.8510	2.9719
Annual yield earned on the index portfolio	2.53%	7.49%	3.23%	7.92%

Government securities with the highest secondary market turnover in July 2008

Government security	Date of redemption	Turnover (HUF billion)
2012/C	24.10.2012	662.8
2010/D	24.08.2010	401.9
2012/B	12.06.2012	324.6
2015/A	12.02.2015	318.8
2011/C	22.04.2011	314.6
2014/C	12.02.2014	268.3
2013/D	12.02.2013	235.7
D090603	03.06.2009	206.2
2019/A	24.06.2019	203.8
2017/B	24.02.2017	196.2

The outstanding volume of government bonds with benchmark status at the end of July 2008

	HUF billion	
Government bond	30.06.2008	31.07.2008
2011/C	382.99	383.23
2012/C	515.24	555.28
2019/A	170.04	210.04
2023/A	180.08	180.08

PRIMARY DEALERS - AS AT 31 JULY 2008

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