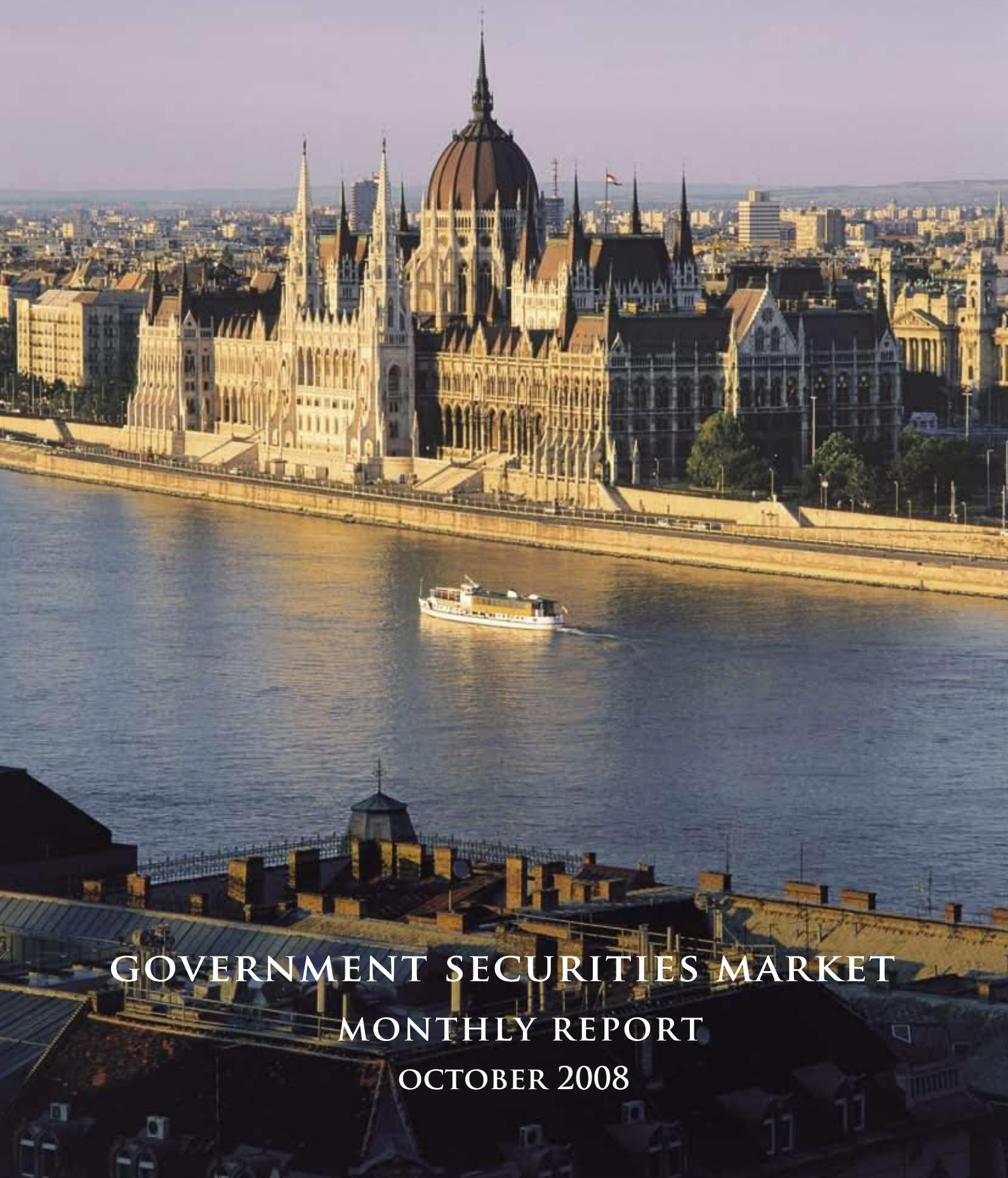




GOVERNMENT SECURITIES MARKET  
MONTHLY REPORT  
OCTOBER 2008

## ■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 742.6 billion in the first ten 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 221.1 billion. The total net financing requirement of HUF 524.3 billion was met by a net issuance of HUF 553.8 billion (ca. EUR 2.1 billion) out of which net domestic currency issuance was HUF 176.7 billion and net foreign exchange issuance totalled HUF 377.1 billion. The total amount of outstanding other liabilities decreased by HUF 1.5 billion in the first ten months of 2008.

The HUF denominated debt of the central government increased by HUF 177.2 billion in the first ten 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 292.8 billion, while discount Treasury bills for HUF 76.8 billion and retail government securities decreased by HUF 17.2 billion. The stock of domestic loans increased by HUF 37.8 billion.

The foreign currency debt of the central government increased by HUF 527.4 billion in the first ten months of 2008. The HUF 426.4 billion bond issuance and the drawdown of foreign currency denominated loans worth HUF 232.5 increased, while redemptions of foreign currency loans worth HUF 274.5 billion decreased and exchange rate losses totalling HUF 150.3 billion increased the Hungarian Forint value of the foreign currency debt.

Short-term secondary market yields increased by 268-277 basis points, while the long term yields increased by 44-300 basis points in October. The 1-year yield increased by 270 bps to 11.80%, the 3-year yield increased by 300 bps to 12.66%, the 10-year benchmark yield reached 9.79% at the end of October after increasing by 162 basis points.

Monthly OTC turnover of government securities was 7 % higher in October than a month before and reached HUF 5,402 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 decreased altogether by HUF 586.5 in October, and amounted to HUF 2,703 billion at the end of the month. This volume represented 25.6% of the total amount of domestic government bonds and discount Treasury bills.

The issuance of the 6-month discount T-bill auctions was 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 261.10 at the last working day of October.

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

# ■ GOVERNMENT SECURITIES MARKET ■

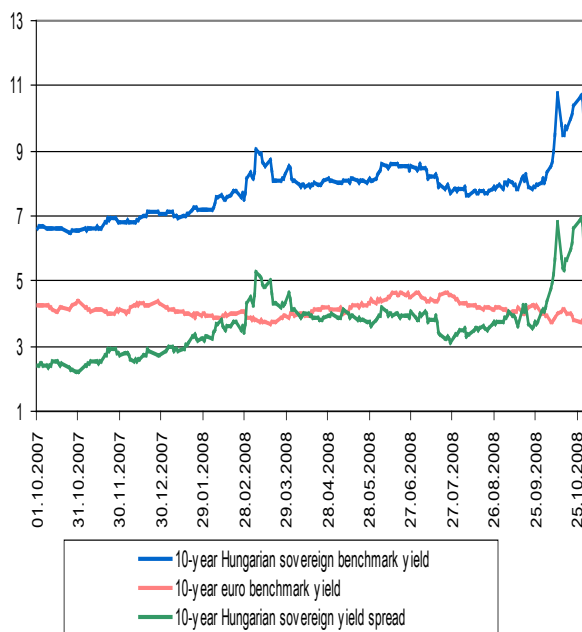
## CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

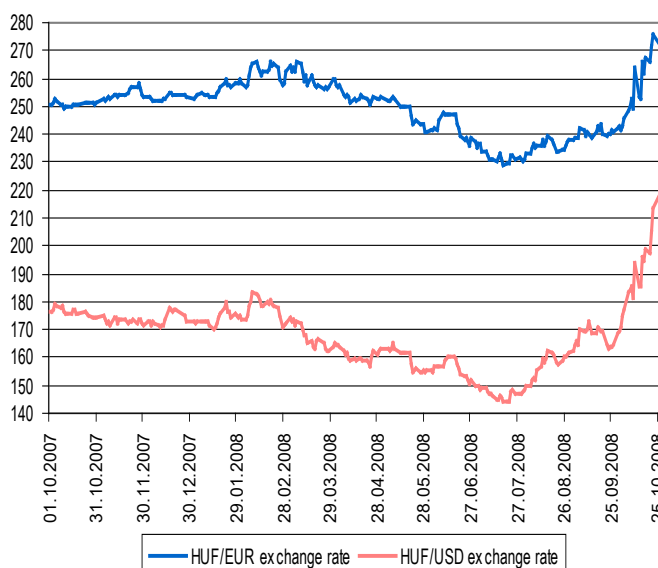
|                                                     | 2002    | 2003     | 2004     | 2005     | 2006     | 2007     | August 2008 | September 2008 | October 2008 |
|-----------------------------------------------------|---------|----------|----------|----------|----------|----------|-------------|----------------|--------------|
| 1. Forint denominated debt                          | 6,956.9 | 8,008.7  | 8,608.8  | 9,153.5  | 10,552.3 | 11,103.8 | 11,287.9    | 11,322.3       | 11,281.0     |
| 1.1. Loans                                          | 353.2   | 117.9    | 4.7      | 0.8      | 356.4    | 145.7    | 145.5       | 145.5          | 183.5        |
| 1.2. Government securities                          | 6,603.7 | 7,890.8  | 8,604.2  | 9,152.7  | 10,195.9 | 10,958.1 | 11,142.4    | 11,176.8       | 11,097.5     |
| 1.2.1. Public issues                                | 5,826.3 | 7,131.5  | 7,860.6  | 8,418.8  | 9,667.5  | 10,465.4 | 10,653.2    | 10,688.6       | 10,664.3     |
| 1.2.1.1. Bonds                                      | 3,829.2 | 5,056.5  | 5,768.9  | 6,299.1  | 7,244.2  | 8,245.3  | 8,421.1     | 8,424.3        | 8,538.1      |
| 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  | 1,703.6     | 1,723.7        | 1,588.2      |
| 1.2.1.3. Retail securities                          | 560.3   | 533.5    | 628.4    | 588.7    | 667.4    | 555.2    | 528.6       | 540.5          | 538.0        |
| 1.2.2. Private placements                           | 777.4   | 759.3    | 743.6    | 733.9    | 528.4    | 492.7    | 489.1       | 488.2          | 433.2        |
| 2. Foreign currency denominated debt*               | 2,267.3 | 2,579.0  | 2,983.5  | 3,590.7  | 4,124.4  | 4,472.6  | 4,560.5     | 4,650.3        | 5,000.0      |
| 2.1. Loans                                          | 1,394.3 | 1,084.1  | 916.8    | 720.6    | 803.7    | 846.5    | 741.1       | 751.4          | 813.6        |
| 2.1.1. Foreign loans                                | 461.9   | 598.8    | 528.9    | 616.9    | 700.1    | 838.8    | 741.1       | 751.4          | 813.6        |
| 2.1.2. Domestic loans                               | 932.3   | 485.3    | 387.8    | 103.8    | 103.6    | 104.0    | 0.0         | 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      | 0.0         | 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  | 3,819.4     | 3,899.0        | 4,186.5      |
| 2.2.1. Issued abroad                                | 873.0   | 1,494.9  | 2,066.8  | 2,870.1  | 3,320.7  | 3,626.1  | 3,819.4     | 3,899.0        | 4,186.5      |
| 2.2.1.1. Foreign currency bonds                     | 872.9   | 1,494.7  | 2,066.7  | 2,870.0  | 3,320.6  | 3,626.1  | 3,819.4     | 3,898.9        | 4,186.4      |
| 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 | 15,848.5    | 15,972.7       | 16,281.0     |
| Other liabilities                                   |         |          |          | 21.4     | 29.0     | 9.1      | 6.9         | 7.0            | 7.6          |
| Total central government debt                       |         |          |          | 12,765.6 | 14,705.7 | 15,585.5 | 15,855.4    | 15,979.7       | 16,288.6     |
| 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 | 10,613.8    | 10,636.3       | 10,559.5     |
| 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.

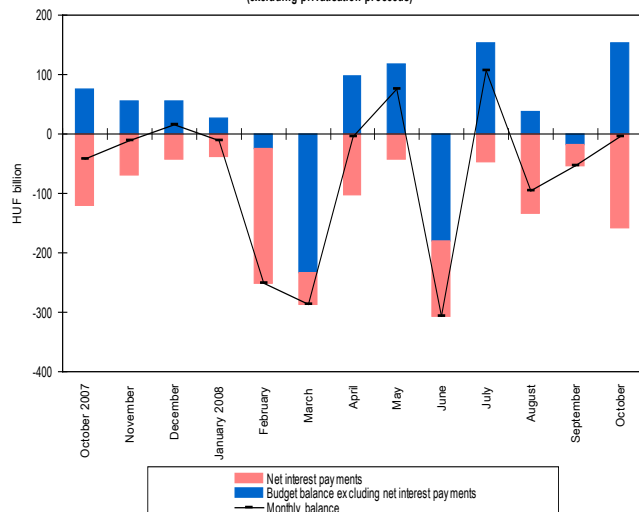
% 10-year Hungarian and eurozone benchmark yields during the last year



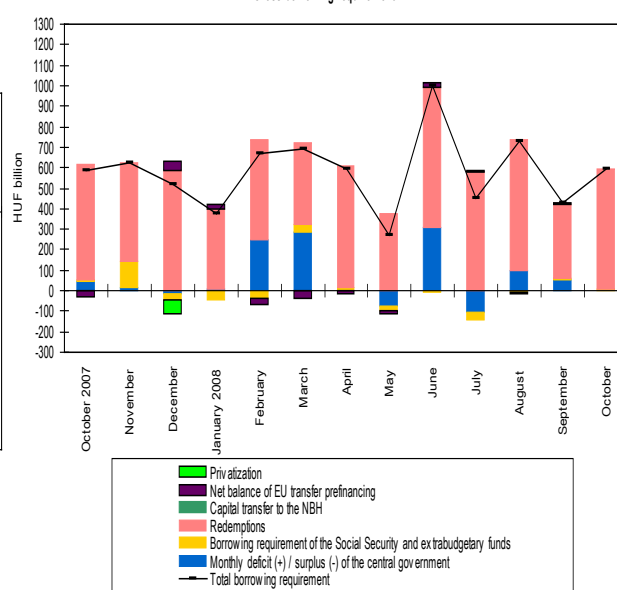
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement



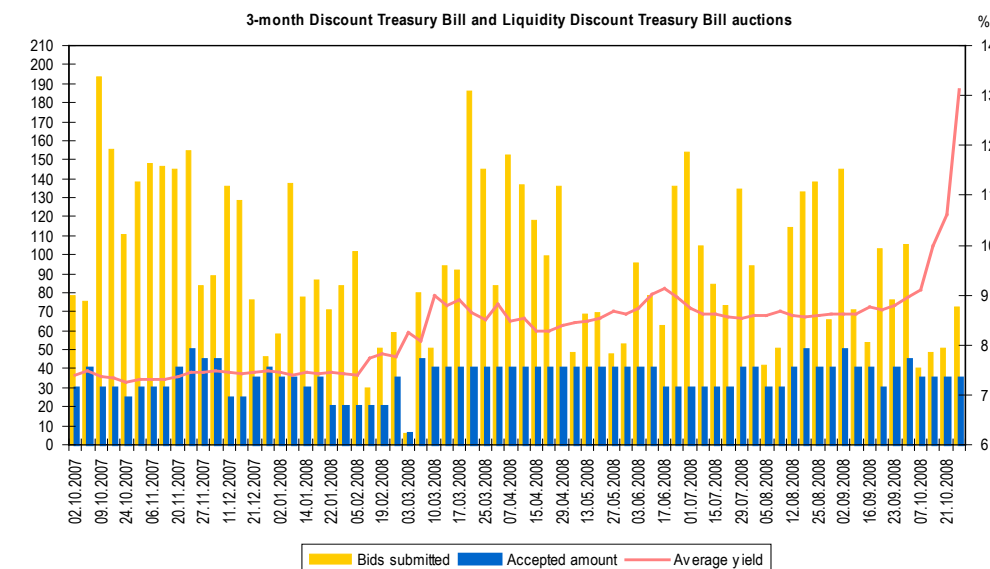
# ■ GOVERNMENT SECURITIES MARKET ■

## DISCOUNT TREASURY BILL AUCTION RESULTS

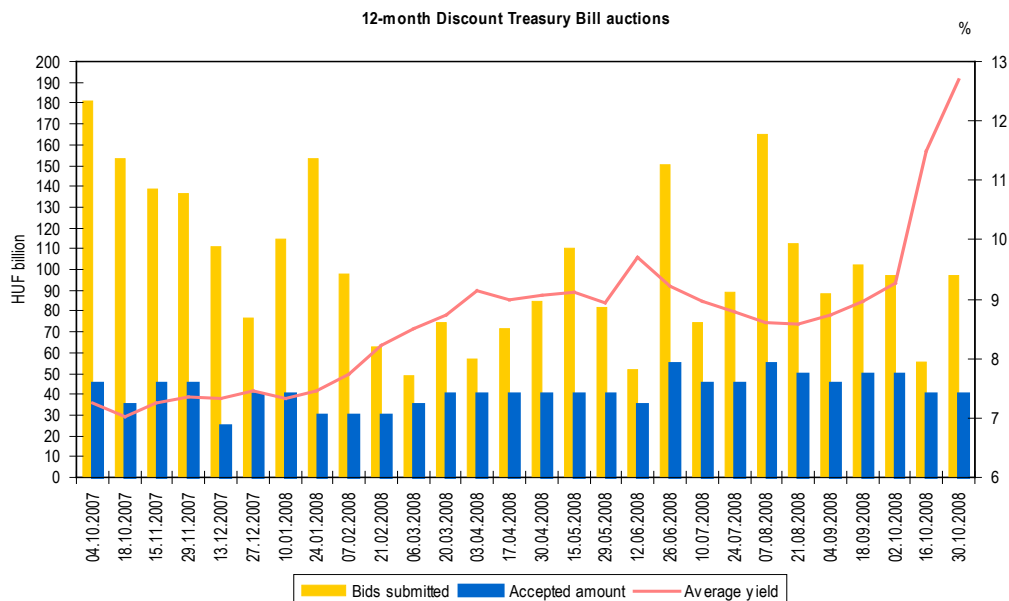
|                                   | Liquidity Discount T-bills |              | 3-month Discount T-bills |              |              |              | 12-month Discount T-bills |              |              |
|-----------------------------------|----------------------------|--------------|--------------------------|--------------|--------------|--------------|---------------------------|--------------|--------------|
| Code of T-bills                   | D090408                    | D081231      | D090114                  | D090121      | D090128      | D090204      | D090923                   | D090923      | D090923      |
| ISIN code                         | HU0000516794               | HU0000516008 | HU0000517040             | HU0000517057 | HU0000516778 | HU0000517065 | HU0000517032              | HU0000517032 | HU0000517032 |
| Maturity in days                  | 168                        | 63           | 91                       | 91           | 91           | 91           | 350                       | 336          | 322          |
| Date of auction                   | 20.10.2008                 | 27.10.2008   | 07.10.2008               | 14.10.2008   | 21.10.2008   | 28.10.2008   | 02.10.2008                | 16.10.2008   | 30.10.2008   |
| Date of financial settlement      | 22.10.2008                 | 29.10.2008   | 15.10.2008               | 22.10.2008   | 29.10.2008   | 05.11.2008   | 08.10.2008                | 22.10.2008   | 05.11.2008   |
| Redemption date                   | 08.04.2009                 | 31.12.2008   | 14.01.2009               | 21.01.2009   | 28.01.2009   | 04.02.2009   | 23.09.2009                | 23.09.2009   | 23.09.2009   |
| Maximum yield, (%) - ISMA         | 0.00                       | 0.00         | 9.18                     | 10.20        | 11.60        | 13.75        | 9.31                      | 11.90        | 12.95        |
| Minimum yield (%) - ISMA          | 0.00                       | 0.00         | 8.95                     | 9.60         | 10.00        | 10.90        | 9.10                      | 11.20        | 11.38        |
| Average yield (%) - ISMA          | 0.00                       | 0.00         | 9.09                     | 9.98         | 10.61        | 13.11        | 9.26                      | 11.49        | 12.68        |
| Maximum yield, (%) - EHM          | 0.00                       | 0.00         | 9.31                     | 10.34        | 11.76        | 13.94        | 9.44                      | 12.07        | 13.13        |
| Minimum yield (%) - EHM           | 0.00                       | 0.00         | 9.07                     | 9.73         | 10.14        | 11.05        | 9.23                      | 11.36        | 11.54        |
| Average yield (%) - EHM           | 0.00                       | 0.00         | 9.22                     | 10.12        | 10.76        | 13.29        | 9.39                      | 11.65        | 12.86        |
| Average selling price (%)         | 0.0000                     | 0.0000       | 97.7539                  | 97.5394      | 97.3881      | 96.7924      | 91.7408                   | 90.3147      | 89.8137      |
| Amount offered for sale (HUF m)   | 30,000.00                  | 40,000.00    | 45,000.00                | 45,000.00    | 40,000.00    | 40,000.00    | 50,000.00                 | 50,000.00    | 40,000.00    |
| Amount of bids submitted (HUF m)  | 10,405.03                  | 5,095.71     | 40,716.02                | 48,471.50    | 50,983.24    | 72,433.84    | 96,800.00                 | 55,752.71    | 97,280.03    |
| Amount of bids accepted (HUF m)   | 0.00                       | 0.00         | 35,000.00                | 35,000.00    | 34,999.99    | 35,000.00    | 49,999.99                 | 39,999.98    | 39,999.96    |
| Bid-to-cover ratio                | -                          | -            | 1.16                     | 1.38         | 1.46         | 2.07         | 1.94                      | 1.39         | 2.43         |
| Bids submitted (pcs)              | 26                         | 16           | 78                       | 58           | 91           | 81           | 107                       | 69           | 119          |
| Bids accepted (pcs)               | 0                          | 0            | 59                       | 47           | 64           | 64           | 74                        | 48           | 55           |
| Market sales* (HUF million)       | 0.00                       | 0.00         | 35,000.00                | 35,000.00    | 34,999.99    | 35,000.00    | 49,999.99                 | 39,999.98    | 39,999.96    |
| Retained on ÁKK's own account     | 0.00                       | 0.00         | 10,500.00                | 10,500.00    | 10,500.01    | 10,500.00    | 15,000.01                 | 12,000.02    | 12,000.04    |
| Total amount issued (HUF million) | 0.00                       | 0.00         | 45,500.00                | 45,500.00    | 45,500.00    | 45,500.00    | 65,000.00                 | 52,000.00    | 52,000.00    |

\*Without issuance onto ÁKK's own account

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



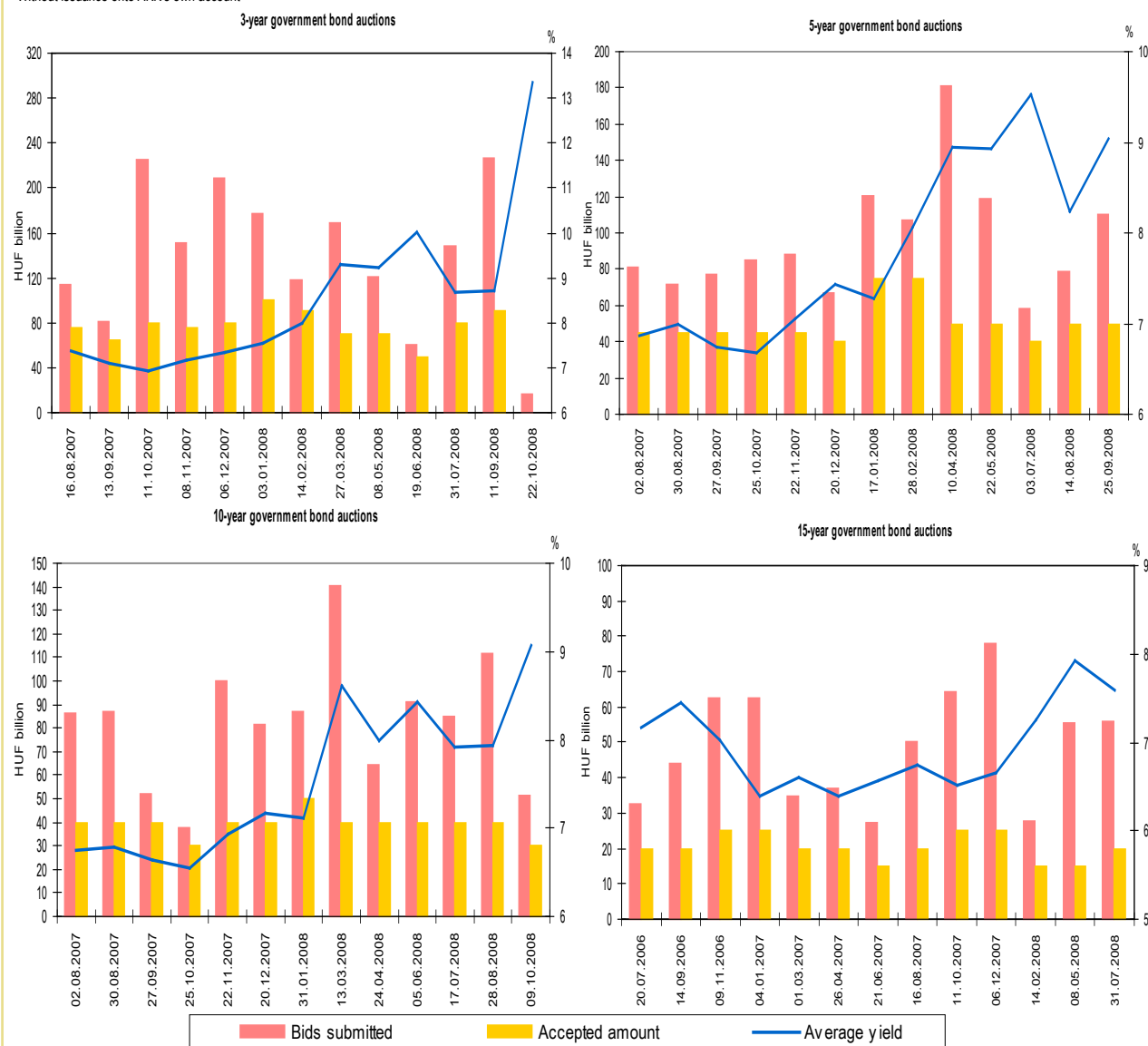
12-month Discount Treasury Bill auctions



## GOVERNMENT BOND AUCTION RESULTS

| Government Bond                             | 2019/A       | 2012/D       |
|---------------------------------------------|--------------|--------------|
| ISIN code                                   | HU0000402433 | HU0000402441 |
| Maturity (in years)                         | 10           | 3            |
| Coupon (%)                                  | 6.50%        | 12.50%       |
| Auction                                     | 7th auction  | 1st auction  |
| Date of auction                             | 09.10.2008   | 22.10.2008   |
| Date of financial settlement                | 15.10.2008   | 29.10.2008   |
| Redemption date                             | 24.06.2019   | 24.04.2012   |
| Maximum annual yield (%) - ISMA             | 9.20         | 0.00         |
| Minimum annual yield (%) - ISMA             | 8.99         | 0.00         |
| Average annual yield (%) - ISMA             | 9.07         | 0.00         |
| Maximum annual yield (%) - EHM              | 9.20         | 0.00         |
| Minimum annual yield (%) - EHM              | 8.99         | 0.00         |
| Average annual yield (%) - EHM              | 9.07         | 0.00         |
| Maximum price (%)                           | 83.2778      | 0.0000       |
| Minimum price (%)                           | 82.0455      | 0.0000       |
| Average price (%)                           | 82.8008      | 0.0000       |
| Amount offered for sale (HUF million)       | 40,000.00    | 40,000.00    |
| Amount of bids submitted (HUF million)      | 51,643.32    | 16,911.30    |
| Amount of bids accepted (HUF million)       | 29,999.96    | 0.00         |
| Bid-to-cover ratio                          | 1.72         | -            |
| Bids submitted (pcs)                        | 99           | 62           |
| Bids accepted (pcs)                         | 64           | 0            |
| Tail (average price - minimum price)        | 0.76         | 0.00         |
| Market sales* (HUF million)                 | 29,999.96    | 0.00         |
| Retained on ÁKK's own account (HUF million) | 0.04         | 0.00         |
| Total amount issued (HUF million)           | 30,000.00    | 0.00         |

\*Without issuance onto ÁKK's own account

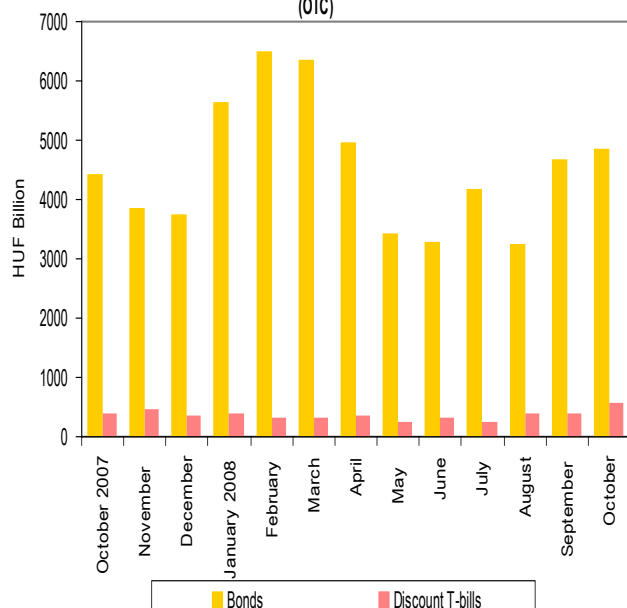


# ■ GOVERNMENT SECURITIES MARKET ■

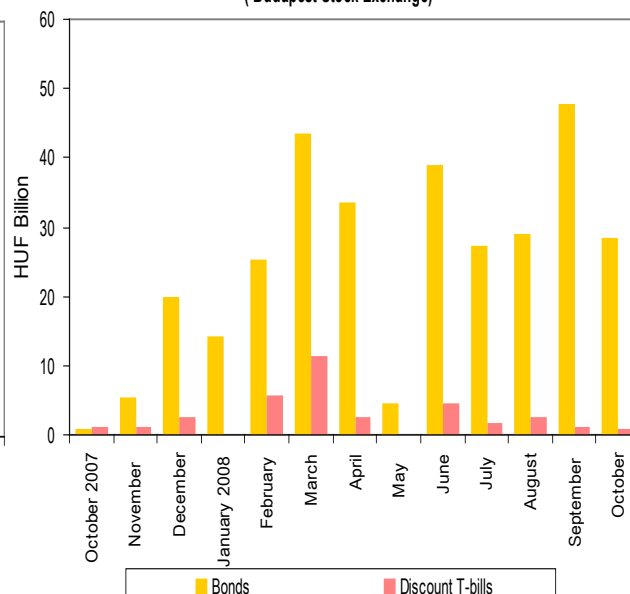
## GOVERNMENT SECURITIES BUY-BACK AUCTION

| Government bond                        | D090408      | D090603      |
|----------------------------------------|--------------|--------------|
| ISIN code                              | HU0000516794 | HU0000516877 |
| Coupon (%)                             |              |              |
| Date of reverse auction                | 27.10.2008   | 27.10.2008   |
| Date of financial settlement           | 29.10.2008   | 29.10.2008   |
| Redemption date                        | 08.04.2009   | 03.06.2009   |
| Minimum annual yield (%)               | 11.00        | 11.20        |
| Average annual yield (%)               | 11.31        | 11.53        |
| Amount of bids submitted (HUF million) | 19,542.91    | 33,124.04    |
| Amount of bids accepted (HUF million)  | 15,242.91    | 9,034.54     |

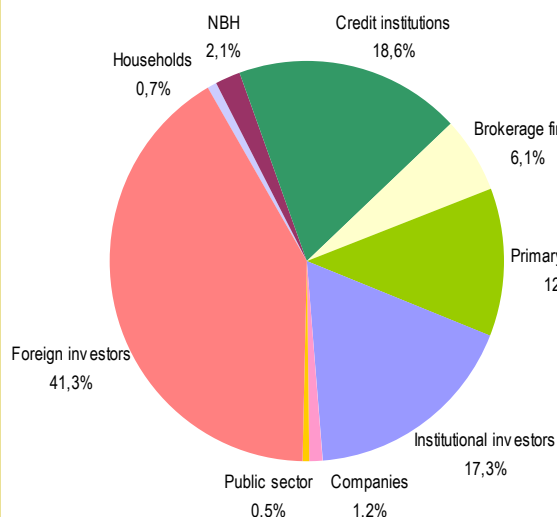
Secondary market trading of Hungarian government securities  
(OTC)



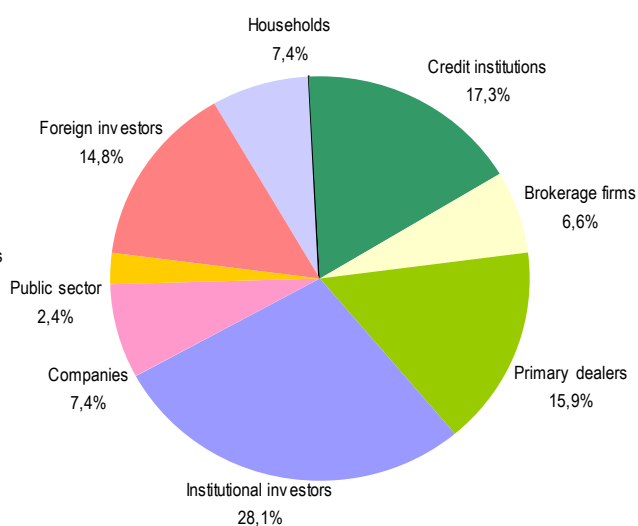
Secondary market trading of Hungarian government securities  
(Budapest Stock Exchange)



Breakdown of primary dealers' secondary market turnover  
in government bonds by investor groups in October 2008

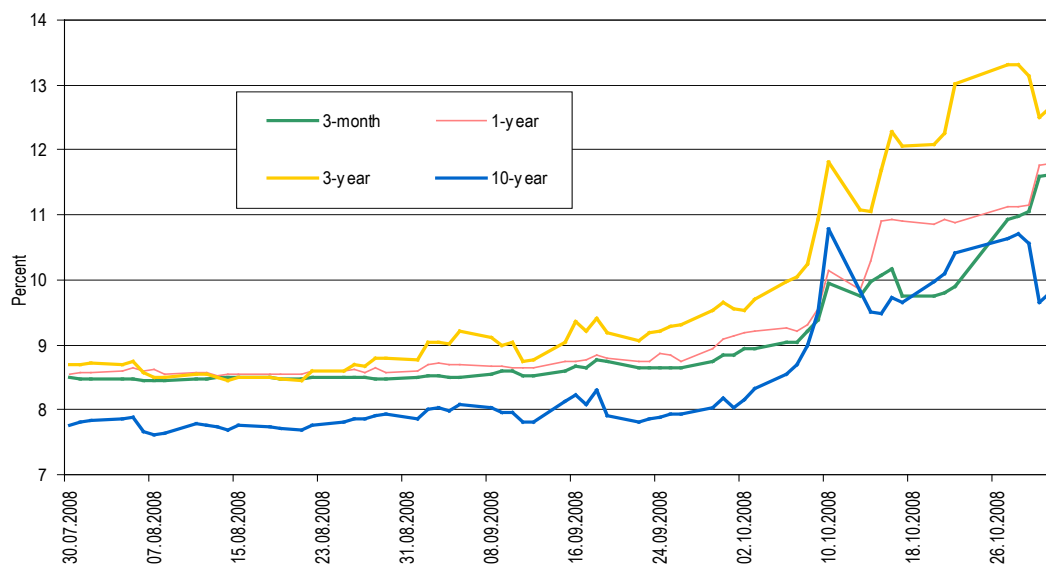


Breakdown of primary dealers' secondary market turnover  
in Discount Treasury Bills by investor groups in October 2008

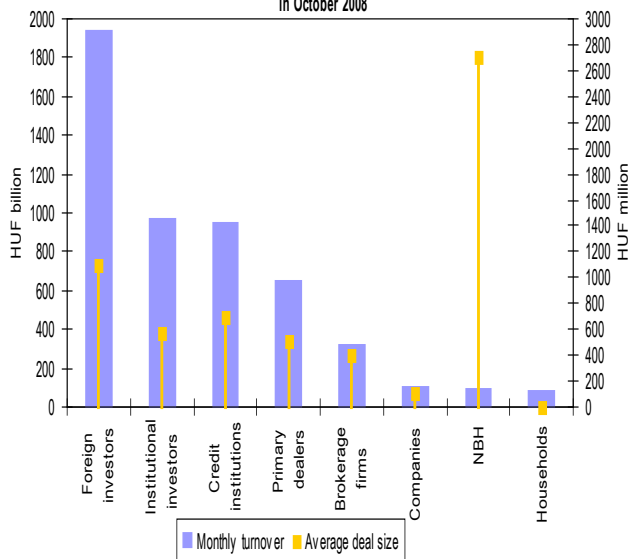


# ■ GOVERNMENT SECURITIES MARKET ■

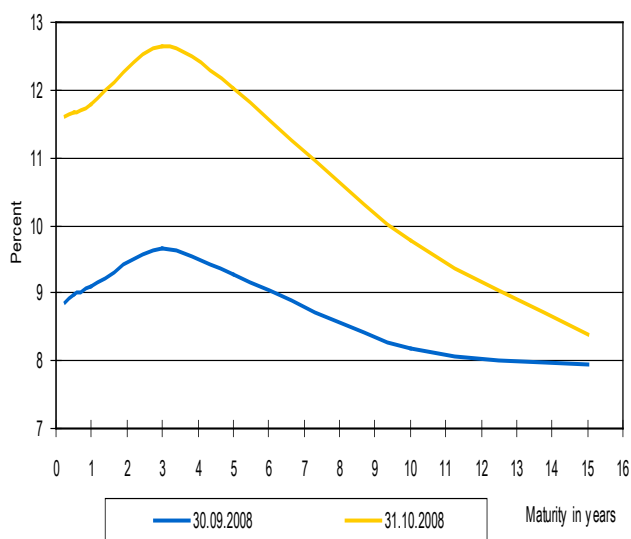
Benchmark yields in the past three months



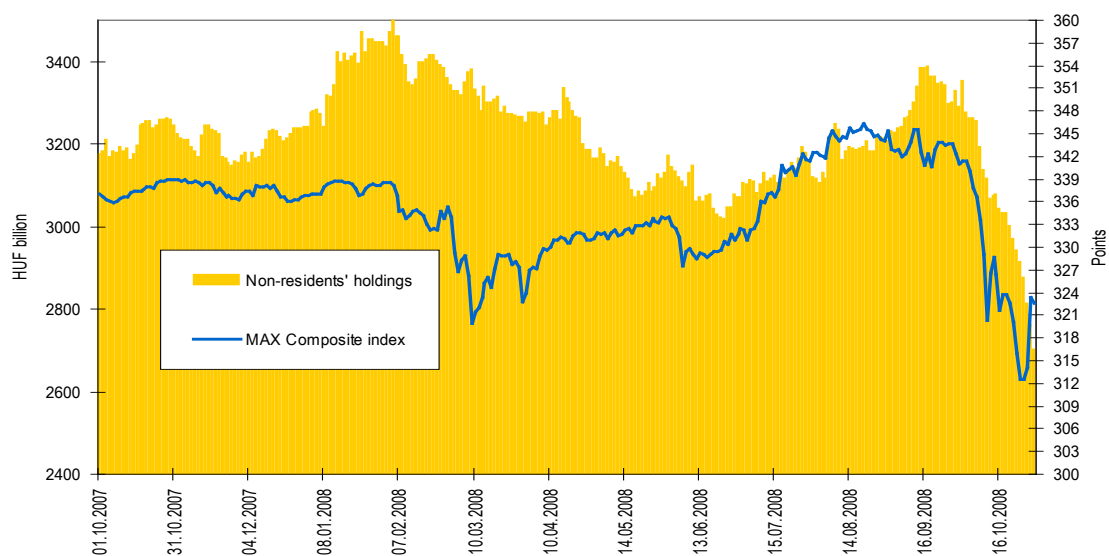
Primary dealers' trading with different investor groups in October 2008



Benchmark yield curves



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



# ■ GOVERNMENT SECURITIES MARKET ■

## INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN OCTOBER 2008

| Government Bond | Date of<br>interest rate reset | Interest period | Date of<br>interest payment | Reset interest<br>rate (%) | Interest<br>payable (%) |
|-----------------|--------------------------------|-----------------|-----------------------------|----------------------------|-------------------------|
| 2026/B          | 22.10.2008                     | 24.10.2008      | 24.04.2009                  | 8.75                       | 8.70                    |
| 2026/C          | 27.10.2008                     | 24.10.2008      | 24.04.2009                  | 8.75                       | 4.42                    |

## HUNGARIAN GOVERNMENT SECURITIES INDICES

|                                                 | MAX index | RMAX index | MAX Composite index | ZMAX index |
|-------------------------------------------------|-----------|------------|---------------------|------------|
| Value as at 31 October 2008                     | 320.1432  | 354.7523   | 322.6094            | 364.5994   |
| Changes compared to the end of the month before | -22.4455  | -3.4164    | -18.3919            | 1.3913     |
| Annual yield earned on the index portfolio      | -7.02%    | 5.61%      | -4.79%              | 7.68%      |

### Government securities with the highest secondary market turnover in October 2008

| Government security | Date of redemption | Turnover (HUF billion) |
|---------------------|--------------------|------------------------|
| 2012/C              | 24.10.2012         | 784.5                  |
| 2017/B              | 24.02.2017         | 527.8                  |
| 2011/C              | 22.04.2011         | 506.3                  |
| 2019/A              | 24.06.2019         | 278.6                  |
| 2010/D              | 24.08.2010         | 245.1                  |
| 2010/C              | 12.04.2010         | 228.4                  |
| 2011/B              | 12.10.2011         | 209.4                  |
| 2013/D              | 12.02.2013         | 203.5                  |
| 2012/B              | 12.06.2012         | 185.3                  |
| 2015/A              | 12.02.2015         | 145.0                  |

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

| Government bond | HUF billion |            |
|-----------------|-------------|------------|
|                 | 30.09.2008  | 31.10.2008 |
| 2011/C          | 553.83      | 555.51     |
| 2012/C          | 605.35      | 655.65     |
| 2019/A          | 250.04      | 280.15     |
| 2023/A          | 200.08      | 200.08     |

## PRIMARY DEALERS - AS AT 31 OCTOBER 2008

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