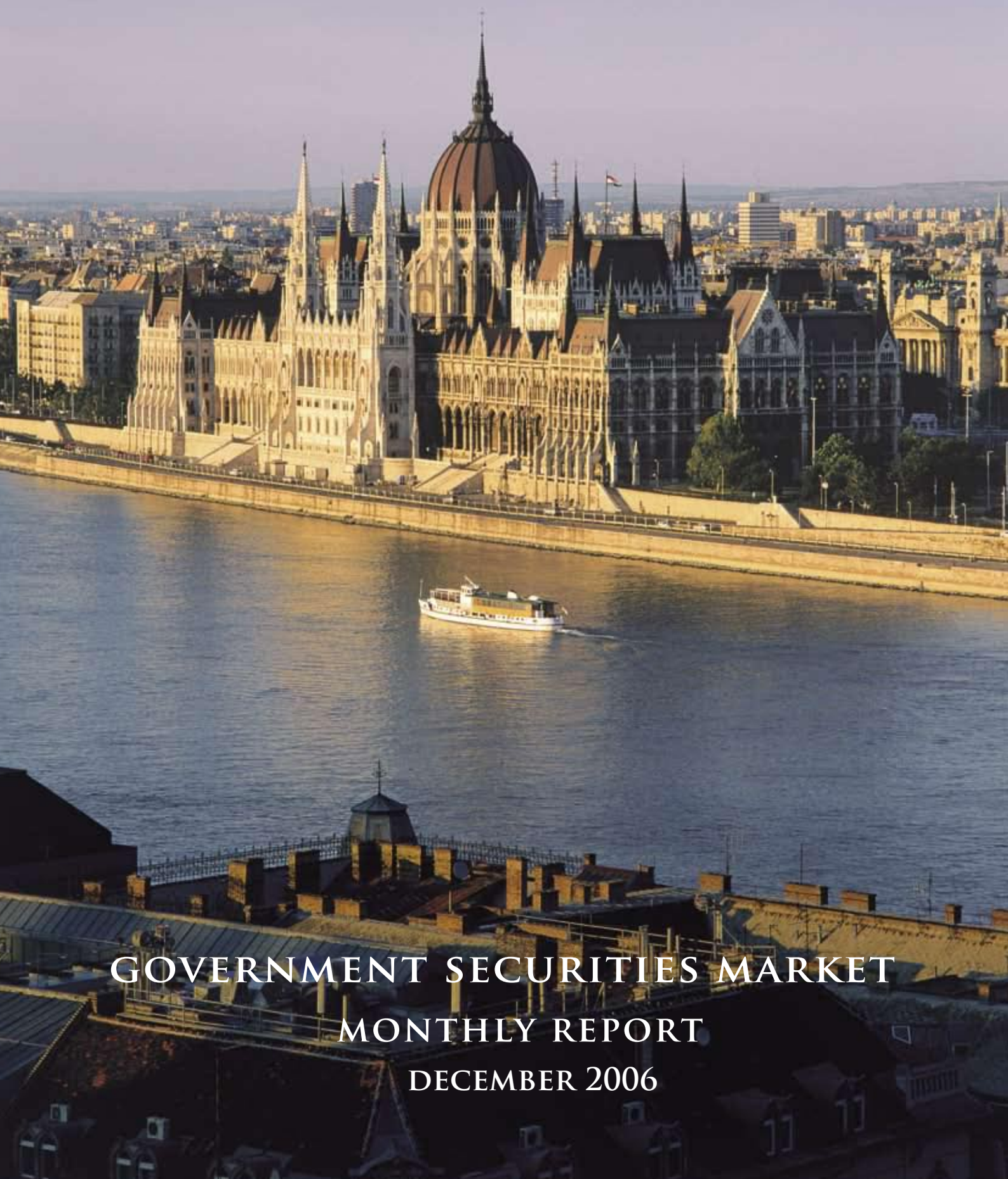




GOVERNMENT SECURITIES MARKET
MONTHLY REPORT
DECEMBER 2006

■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 2,034 billion in 2006. The net prefinancing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 36 billion, the capital transfer to the National Bank of Hungary (NBH) increased the financing needs by HUF 15 billion. Total net funding need was decreased by privatisation revenues of HUF 269 billion. The total net financing requirement of HUF 1,816 billion including the HUF 416 billion debt-assumption was met by a net issuance of HUF 1,953 billion (ca. EUR 7.7 billion) out of which net domestic currency issuance was HUF 1,397 billion (ca. EUR 5.5 billion) and net foreign exchange issuance totalled HUF 556 billion (ca. EUR 2.2 billion).

The domestic debt of the central government increased by HUF 1,399 billion in 2006. Out of the increase in domestic debt, marketable government bonds accounted for HUF 945 billion, discount Treasury bills for HUF 225 billion and retail government securities for HUF 79 billion. The stock of non-marketable bonds decreased by HUF 206 billion. The balance of HUF-denominated loans in 2006 increased by HUF 355.6 billion as a result of HUF 415.9 billion debt assumption and HUF 60.3 billion debt redemption.

The foreign currency debt of the central government increased by HUF 534 billion in 2006. The foreign currency bond issues increased the debt by HUF 676 billion, loan draw-downs by HUF 111 billion, while the redemptions of foreign currency bonds amounted to HUF 206 billion and that of foreign currency loans reached HUF 25 billion. Exchange rate losses of HUF 22 billion decreased the HUF value of the foreign currency debt compared to the end of 2005.

Secondary market yields decreased in December on all maturities, T-bill yields fell by 2-12 basis points, bond yields by 8-22 basis points. The 3-year yield decreased by 16 basis points and amounted to 7.59%, the 10-year benchmark yield decreased by 19 basis points and amounted to 6.71%.

Monthly OTC turnover of government securities was 31% lower in December than a month before and reached HUF 2,577 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 34 billion in December, and amounted to HUF 2,938 billion at the end of the month. This volume represented 30.8% of the total amount of domestic government bonds and discount Treasury bills.

The EUR/HUF exchange rate according to the Hungarian National Bank was 252.30 at the last working day of December.

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).

■ GOVERNMENT SECURITIES MARKET ■

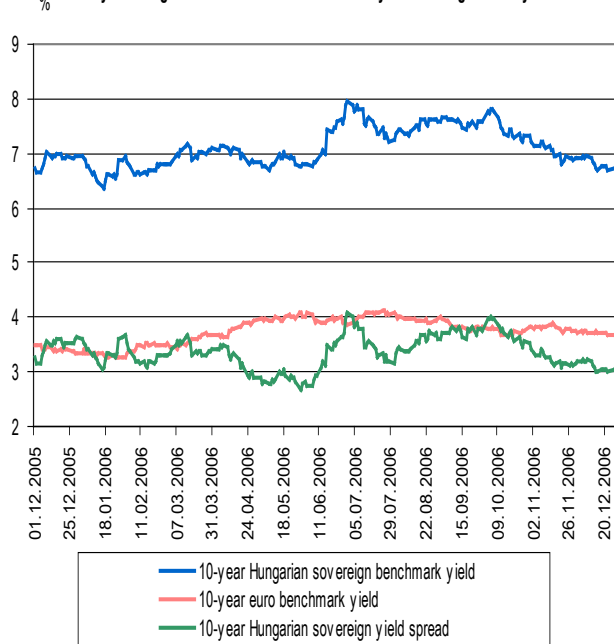
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

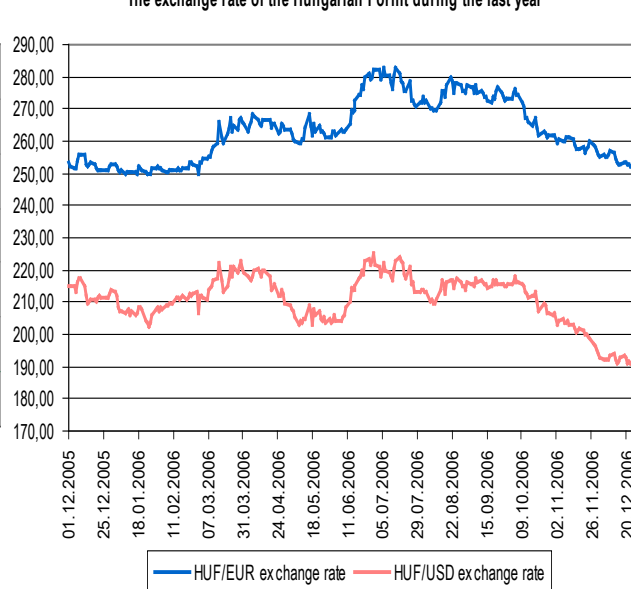
	2000	2001	2002	2003	2004	2005	Oct 2006	Nov 2006	Dec 2006
1. Forint denominated debt	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	10,014.9	10,205.5	10,552.3
1.1. Loans	303.8	228.3	353.2	117.9	4.7	0.8	0.8	0.8	356.4
1.2. Government securities	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	10,014.0	10,204.7	10,195.9
1.2.1. Public issues	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,480.9	9,671.5	9,667.5
1.2.1.1. Bonds	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	6,817.0	7,076.3	7,244.2
1.2.1.2. Discount T-bills	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,530.9	1,987.8	1,924.8	1,755.9
1.2.1.3. Retail securities	523.3	544.7	560.3	533.5	628.4	588.7	676.0	670.4	667.4
1.2.2. Private placements	831.3	809.1	777.4	759.3	743.6	733.9	533.2	533.2	528.4
2. Foreign currency denominated debt*	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,312.9	4,211.6	4,124.4
2.1. Loans	1,772.8	1,410.4	1,394.3	1,084.1	916.8	720.6	845.2	823.2	803.7
2.1.1. Foreign loans	368.8	317.8	461.9	598.8	528.9	616.9	737.6	718.2	700.1
2.1.2. Domestic loans	1,404.0	1,092.6	932.3	485.3	387.8	103.8	107.6	105.1	103.6
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	99.6	97.3	95.9
2.1.2.2. Other loans	0.0	0.0	82.8	18.8	32.2	7.7	8.0	7.8	7.7
2.2. Government securities	736.0	911.7	873.0	1,494.9	2,066.8	2,870.1	3,467.7	3,388.4	3,320.7
2.2.1. Issued abroad	715.7	911.7	873.0	1,494.9	2,066.8	2,870.1	3,467.7	3,388.4	3,320.7
2.2.1.1. Foreign currency bonds	715.4	911.5	872.9	1,494.7	2,066.7	2,870.0	3,467.6	3,888.3	3,320.6
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	14,327.7	14,417.1	14,676.7
Other liabilities						21.4	6.3	6.1	29.0
Total central government debt						12,765.6	14,334.0	14,423.3	14,705.7
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	9,338.0	9,534.3	9,528.4
Gross debt/GDP	53.4%	50.5%	53.6%	55.9%	56.0%	58.0%			62.4%

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

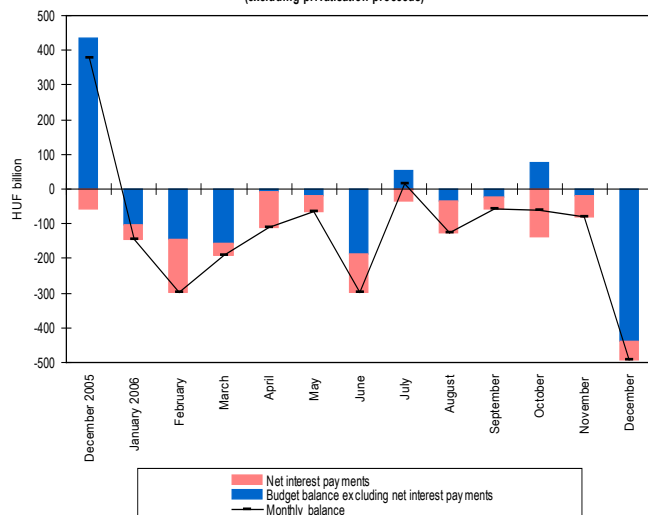
10-year Hungarian and eurozone benchmark yields during the last year



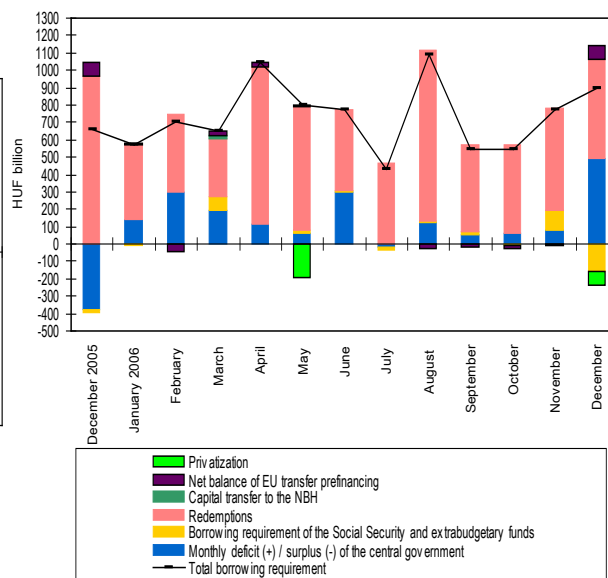
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

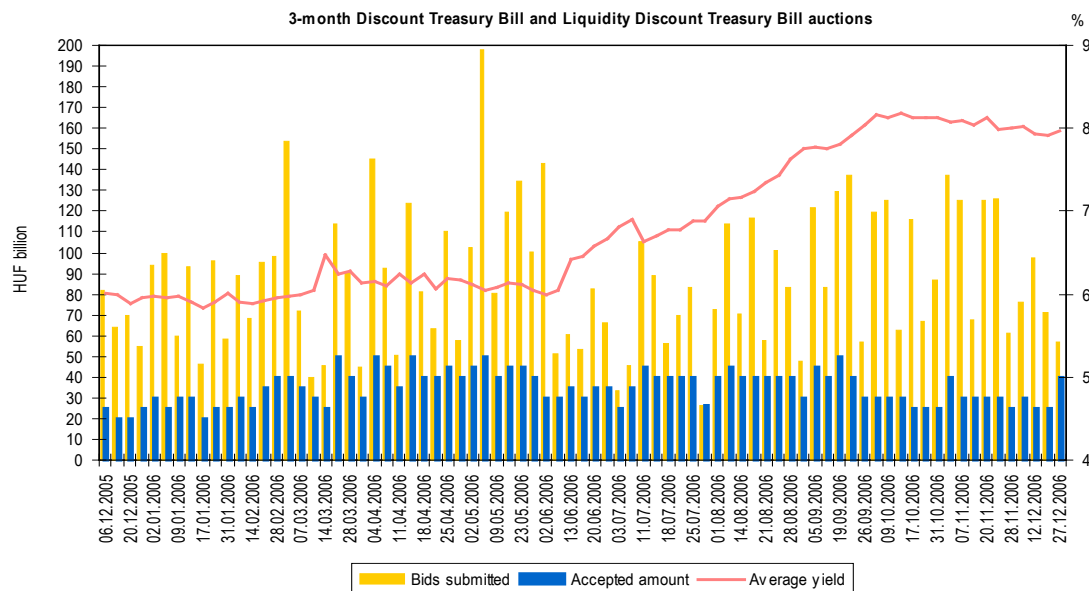


DISCOUNT TREASURY BILL AUCTION RESULTS

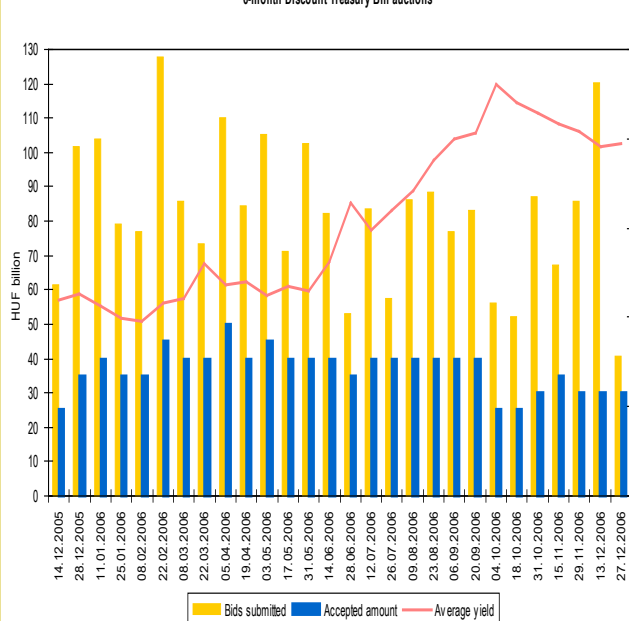
	3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D070314	D070321	D070328	D070404	D070704	D070704	D071121	D071121
ISIN code	HU0000515937	HU0000516091	HU0000515747	HU0000516117	HU0000516109	HU0000516109	HU0000515067	HU0000516067
Maturity in days	91	91	91	91	196	182	336	322
Date of auction	05.12.2006	12.12.2006	19.12.2006	27.12.2006	13.12.2006	27.12.2006	14.12.2006	28.12.2006
Date of financial settlement	13.12.2006	20.12.2006	27.12.2006	03.01.2007	20.12.2006	03.01.2007	20.12.2006	03.01.2007
Redemption date	14.03.2007	21.03.2007	28.03.2007	04.04.2007	04.07.2007	04.07.2007	21.11.2007	21.11.2007
Maximum yield, (%) - ISMA	8.04	7.94	7.93	8.03	7.92	7.99	7.87	7.97
Minimum yield (%) - ISMA	7.95	7.90	7.85	7.89	7.85	7.89	7.81	7.88
Average yield (%) - ISMA	8.02	7.94	7.92	7.97	7.91	7.95	7.84	7.94
Maximum yield, (%) - EHM	8.15	8.05	8.04	8.14	8.03	8.10	7.98	8.08
Minimum yield (%) - EHM	8.06	8.01	7.96	8.00	7.96	8.00	7.92	7.99
Average yield (%) - EHM	8.13	8.05	8.03	8.08	8.02	8.06	7.95	8.05
Average selling price (%)	98.0130	98.0324	98.0373	98.0251	95.8713	96.1361	93.1816	93.3690
Amount offered for sale (HUF million)	25,000.00	25,000.00	25,000.00	40,000.00	30,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	76,042.12	97,400.71	70,873.68	56,878.48	120,160.01	40,840.00	84,431.00	98,543.11
Amount of bids accepted (HUF million)	29,999.94	24,999.97	24,999.97	40,000.00	29,999.96	29,999.99	39,999.91	44,999.90
Bid-to-cover ratio	2.53	3.90	2.83	1.42	4.01	1.36	2.11	2.19
Bids submitted (pcs)	122	98	99	87	117	71	117	131
Bids accepted (pcs)	82	25	41	81	31	62	79	73
Market sales* (HUF million)	29,999.94	24,999.97	24,999.97	40,000.00	29,999.96	29,999.99	39,999.91	44,999.90
Retained on ÁKK's own account (HUF m.)	3,000.06	2,500.03	2,500.03	4,000.00	9,000.04	6,000.01	8,000.09	9,000.10
Total amount issued (HUF million)	33,000.00	27,500.00	27,500.00	44,000.00	39,000.00	36,000.00	48,000.00	54,000.00

*Without issuance onto ÁKK's own account

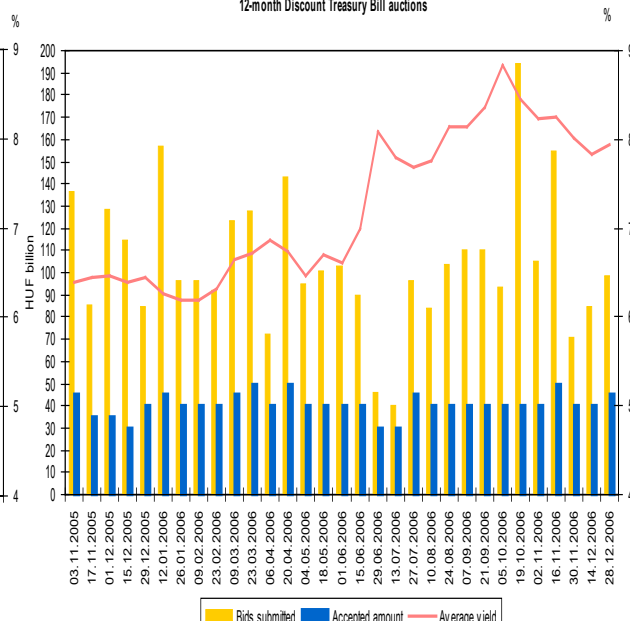
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



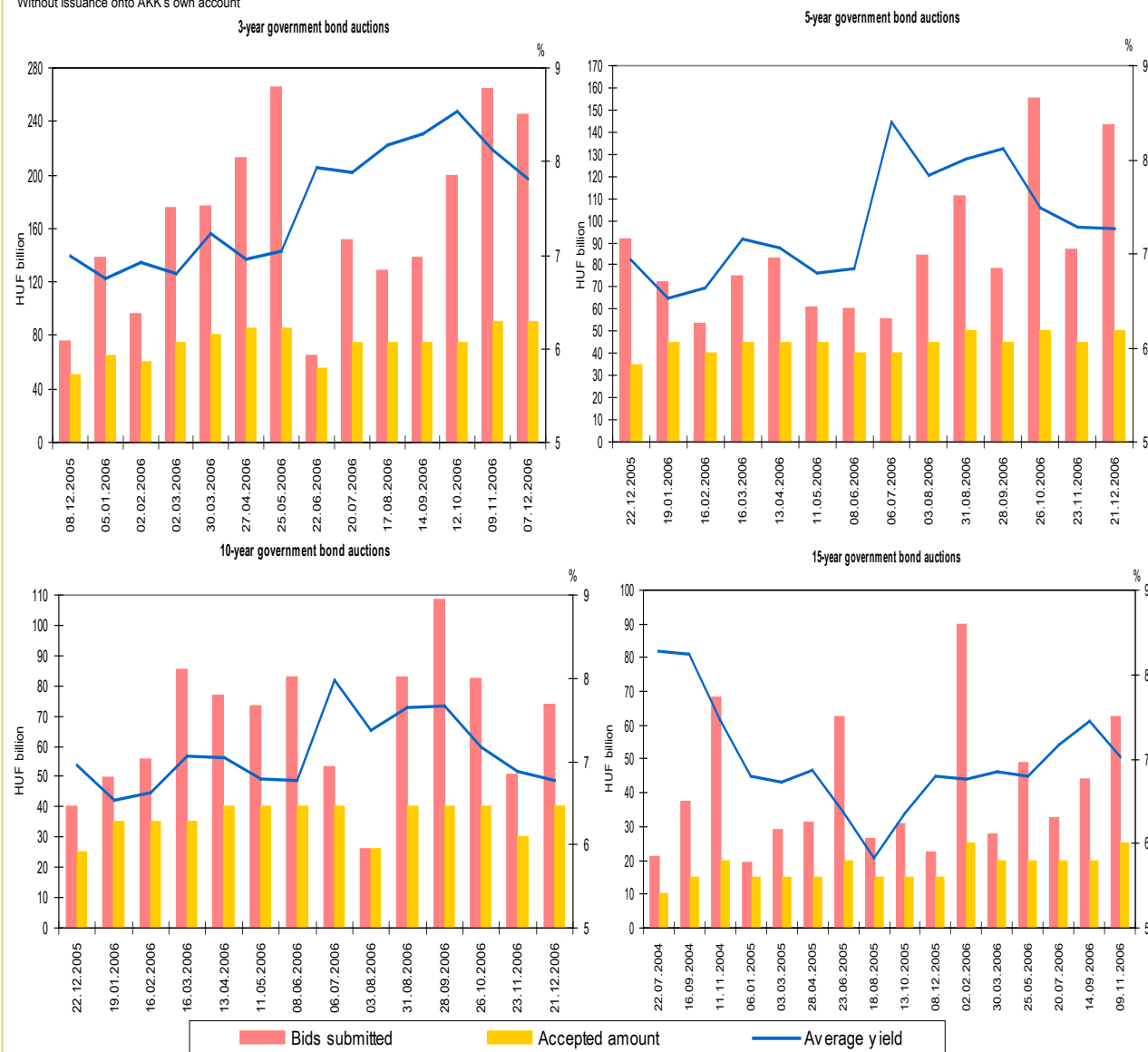
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2009/F	2012/B	2017/B
ISIN code	HU0000402359	HU0000402367	HU0000402375
Maturity (in years)	3	5	10
Coupon (%)	6.50%	7.25%	6.75%
Auction	7th auction	4th auction	4th auction
Date of auction	07.12.2006	21.12.2006	21.12.2006
Date of financial settlement	13.12.2006	27.12.2006	27.12.2006
Redemption date	12.08.2009	12.06.2012	24.02.2017
Maximum annual yield (%) - ISMA	7.83	7.29	6.79
Minimum annual yield (%) - ISMA	7.76	7.25	6.74
Average annual yield (%) - ISMA	7.81	7.27	6.77
Maximum annual yield (%) - EHM	7.82	7.28	6.78
Minimum annual yield (%) - EHM	7.75	7.24	6.73
Average annual yield (%) - EHM	7.80	7.26	6.76
Maximum price (%)	96.9756	100.0126	100.0805
Minimum price (%)	96.8156	99.8376	99.7217
Average price (%)	96.8538	99.9397	99.8800
Amount offered for sale (HUF million)	75,000.00	45,000.00	40,000.00
Amount of bids submitted (HUF million)	245,673.00	143,350.00	74,050.00
Amount of bids accepted (HUF million)	89,999.86	49,999.95	39,999.92
Bid-to-cover ratio	2.73	2.87	1.85
Bids submitted (pcs)	184	109	104
Bids accepted (pcs)	74	58	80
Tail (average price - minimum price)	0.04	0.10	0.16
Market sales* (HUF million)	89,999.86	49,999.95	39,999.92
Retained on ÁKK's own account (HUF million)	0.14	7,500.05	8,000.08
Total amount issued (HUF million)	90,000.00	57,500.00	48,000.00

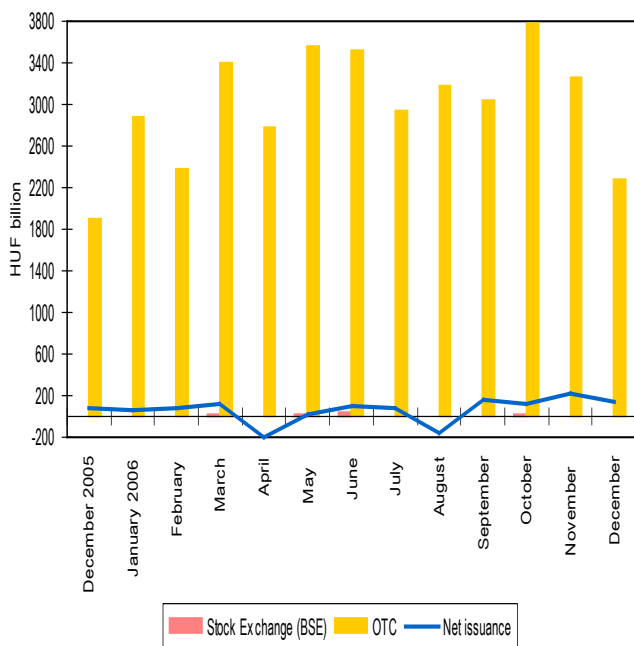
*Without issuance onto ÁKK's own account



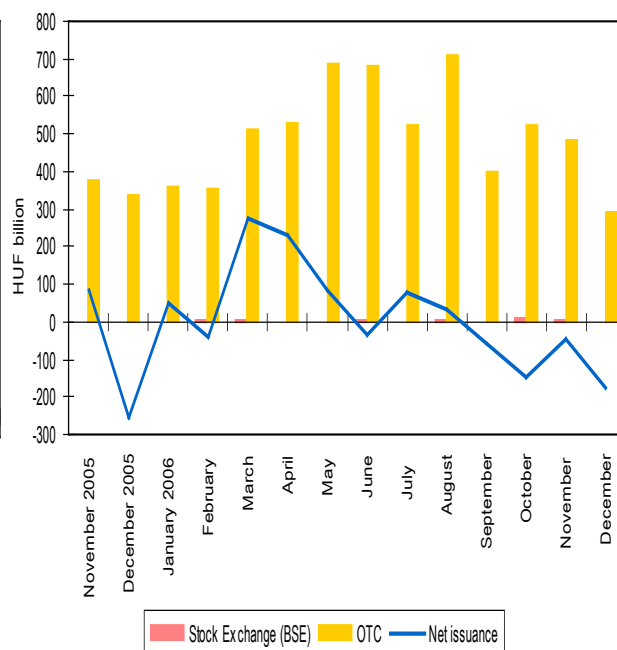
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

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	06.12.2006	06.12.2006	20.12.2006	20.12.2006
Date of financial settlement	13.12.2006	13.12.2006	27.12.2006	27.12.2006
Redemption date	12.06.2007	12.04.2007	12.06.2007	12.04.2007
Minimum annual yield (%)	8.15	8.15	8.03	8.05
Average annual yield (%)	8.17	8.15	8.04	8.10
Amount of bids submitted (HUF million)	30,276.08	13,270.42	30,392.44	1,252.37
Amount of bids accepted (HUF million)	1,072.69	13,270.42	30,392.44	1,252.37

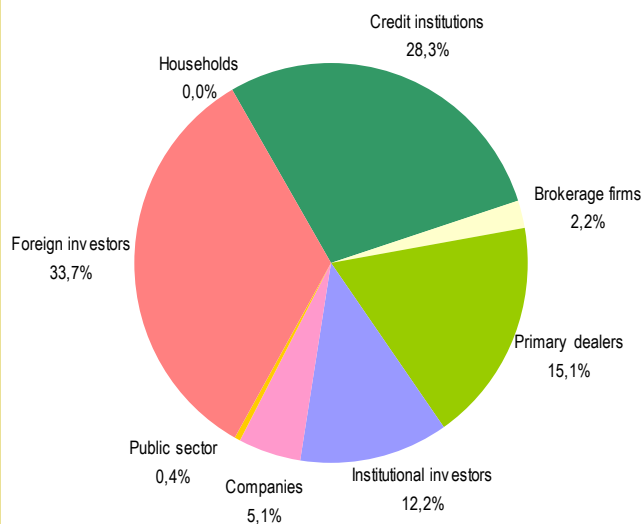
Secondary market trading of government bonds



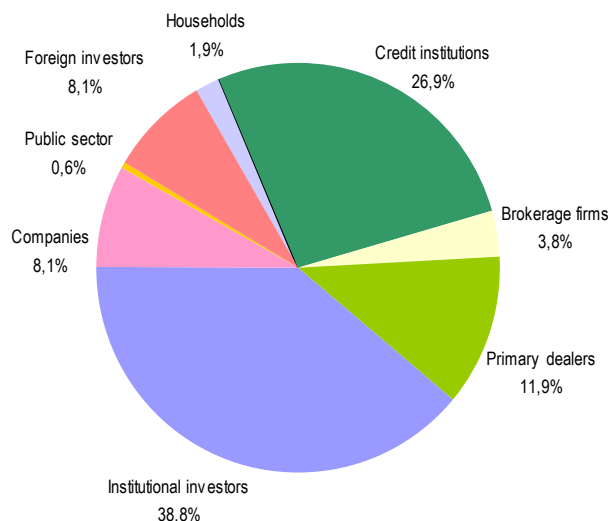
Secondary market trading of Discount Treasury Bills



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

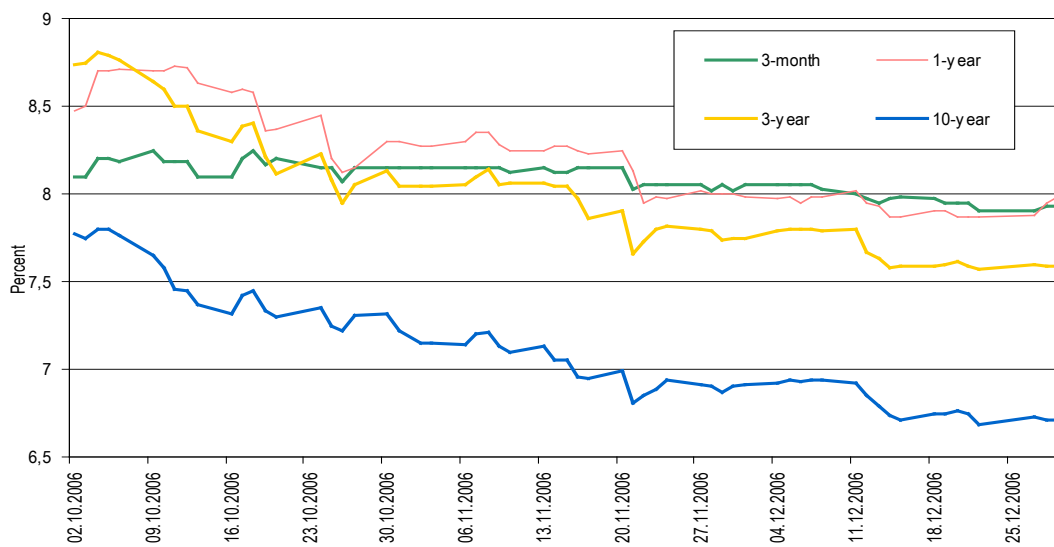


Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in December 2006

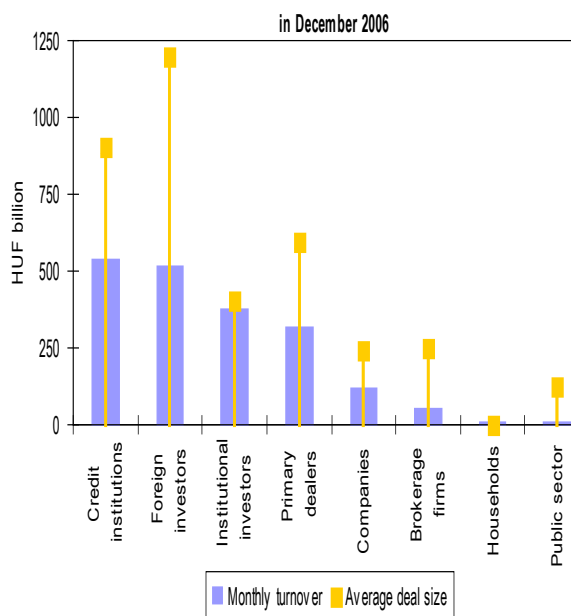


■ GOVERNMENT SECURITIES MARKET ■

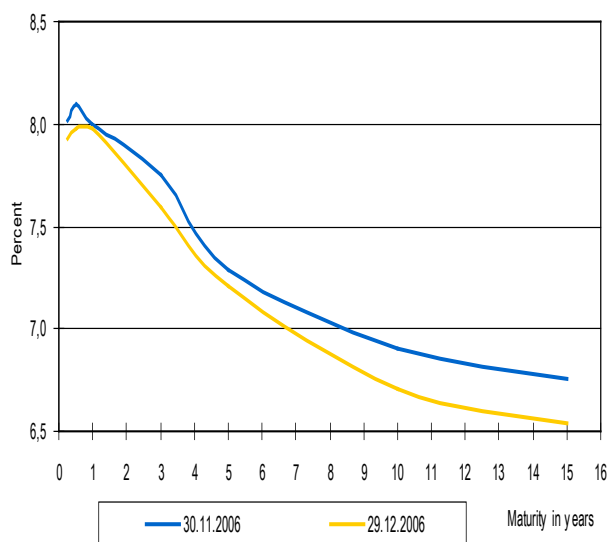
Benchmark yields in the past three months



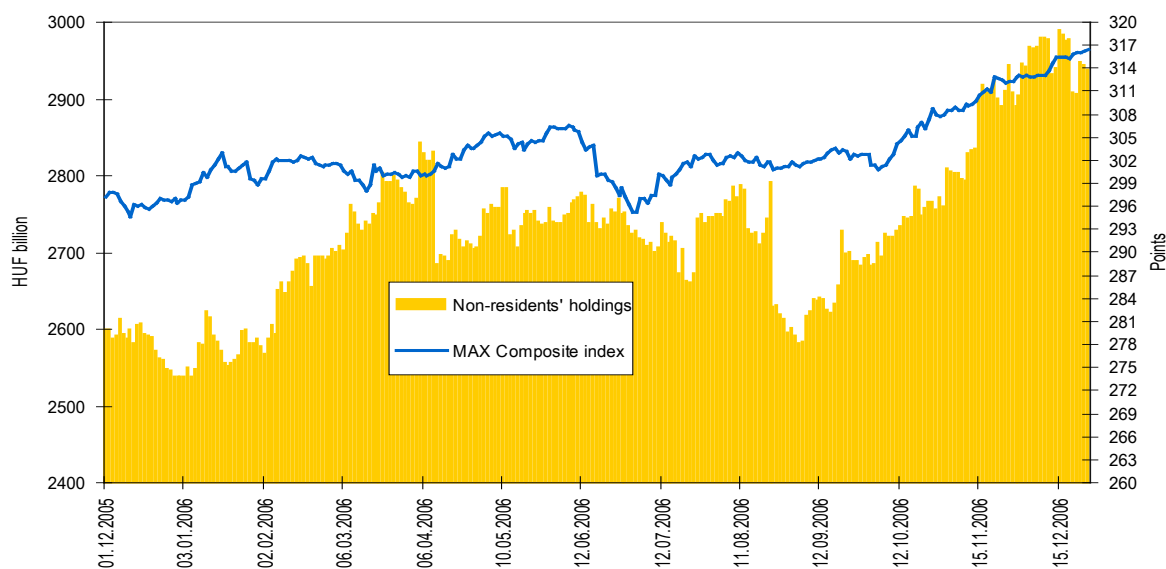
Primary dealers' trading with different investor groups



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 DECEMBER 2006

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2007/B	11.12.2006	12.12.2006	12.06.2007	12.06.2007	8.18	4.14
2013/C	19.12.2006	20.12.2006	20.06.2007	20.06.2007	7.50	3.79
2014/B	19.12.2006	20.12.2006	20.06.2007	20.06.2007	7.50	3.79
2016/B	29.12.2006	02.01.2007	02.07.2007	02.07.2007	8.03	4.04
2016/A	29.12.2006	31.12.2006	31.03.2007	02.04.2007	7.50	1.85

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 29 December 2006	321.4181	315.0607	316.4250	317.3281
Changes compared to the end of the month before	3.8133	2.2722	3.4481	2.1404
Annual yield earned on the index portfolio	6.69%	6.60%	6.52%	6.92%

Government securities with the highest secondary market turnover in December 2006

Government security	Date of redemption	Turnover (HUF billion)
2009/F	12.08.2009	281.8
2017/B	24.02.2017	159.3
2015/A	12.02.2015	144.0
2016/C	12.02.2016	120.8
D071121	21.11.2007	105.3
2008/E	12.08.2008	93.8
2012/B	12.06.2012	93.1
2011B	12.10.2011	79.8
D070926	26.09.2007	78.1
D070328	28.03.2007	75.2

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

Government bond	HUF billion	
	30.11.2006	31.12.2006
2009/F	447.64	447.64
2012/B	140.01	190.05
2017/B	110.01	150.01
2020/A	325.68	325.68

PRIMARY DEALERS - AS AT 31 DECEMBER 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 Kereskedelmi 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