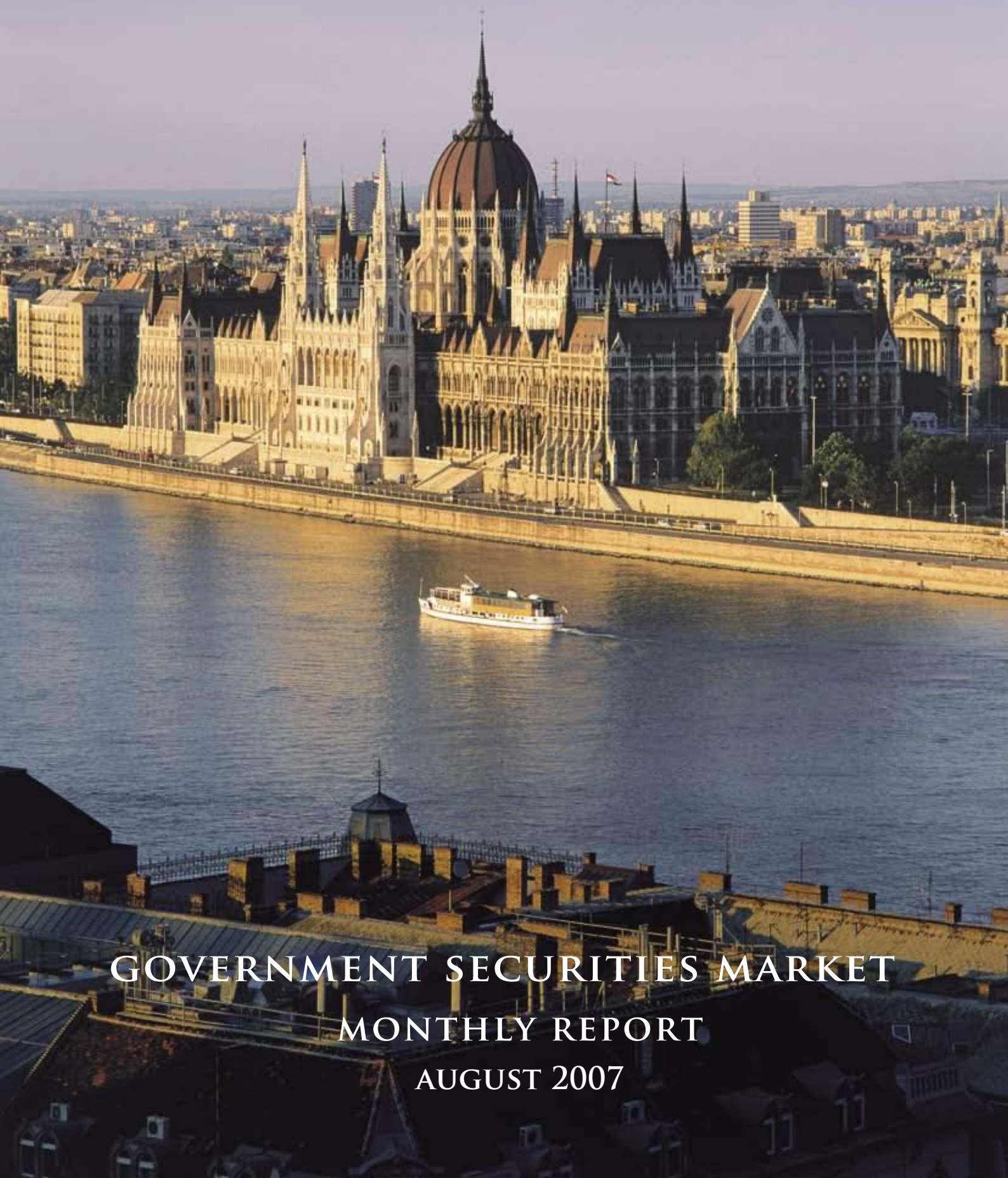




GOVERNMENT SECURITIES MARKET  
MONTHLY REPORT  
AUGUST 2007

## ■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government - without debt assumption - amounted to HUF 920.1 billion in the first eight months of 2007. The cash inflows worth HUF 157.0 billion from the EAGGF fund of the European Union decreased, while the capital transfer to the NBH worth HUF 20.6 billion increased the net borrowing requirement. Thus the total net borrowing requirement amounted to HUF 783.7 billion till the end of August. Net issuance was HUF 835.8 billion, out of which net HUF-denominated issuance was HUF 479.7 billion, net foreign currency denominated issuance was HUF 356.2 billion in the first eight months of the year.

The HUF-denominated debt of the central government increased by HUF 478.3 billion till the end of August (the difference between net change and net issuance was caused by the change in the stock of matured but unclaimed securities). Out of the increase of government debt, government bonds accounted for HUF 703.2 billion, while the stock of discount Treasury bills and retail government securities decreased by HUF 43.1 billion and HUF 71.4 billion respectively. The stock of non-marketable government bonds decreased by HUF 6.0 billion due to redemption. In the above period debt assumption took place in the amount of HUF 58.2 billion, loan prepayment amounted to HUF 241.0 billion and loans were drawn in the amount of HUF 78.5 billion from international financial institutions. These transactions resulted in the drop of the stock of HUF denominated loans by HUF 104.3 billion to HUF 252.1 billion by the end of August.

The foreign currency debt of the central government increased by HUF 381.2 billion till the end of August. The HUF 258.5 billion bond issuance, the drawdown of foreign currency denominated loans worth HUF 116.3 billion and exchange rate losses totalling HUF 25.0 billion increased, while redemptions of foreign currency loans worth HUF 18.6 billion decreased the Hungarian Forint value of the foreign currency debt.

Secondary market benchmark yields increased on all maturities in August. The 1-year yield increased by 17 basis points to 7.28%, the 3-year and 10-year yield increased by 17 and 5 basis points to 7.14% and 6.75% respectively.

Monthly OTC turnover of government securities was 34% higher in August than a month before and reached HUF 5,624.1 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 42% of their secondary government securities deals with non-resident investors.

Non-resident holdings of Hungarian government securities increased altogether by HUF 35.5 billion and amounted to HUF 3,177.5 billion at the end of August. This represented 31.2% of domestic government bonds and discount Treasury bills.

The EUR/HUF exchange rate according to the Hungarian National Bank was 254.06 on the last working day of August.

The credit rating of the long-term foreign currency debt of the Republic of Hungary was BBB+ (Standard & Poor's); A2 (Moody's); BBB+ (Fitch) on 31 August 2007.

# ■ GOVERNMENT SECURITIES MARKET ■

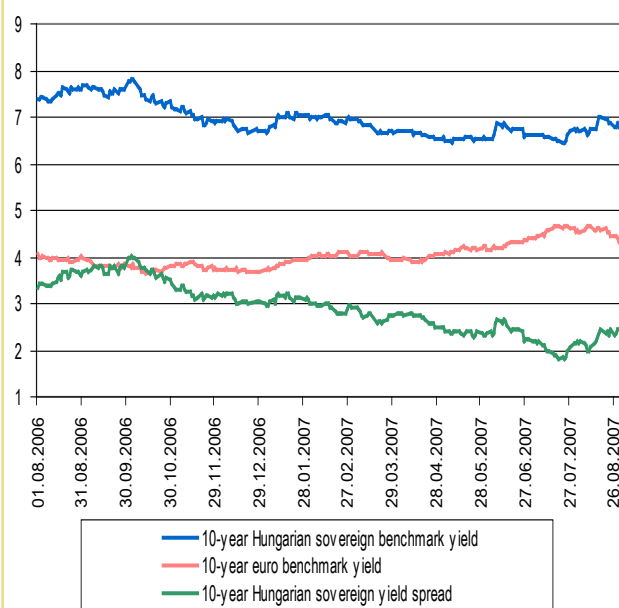
## CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

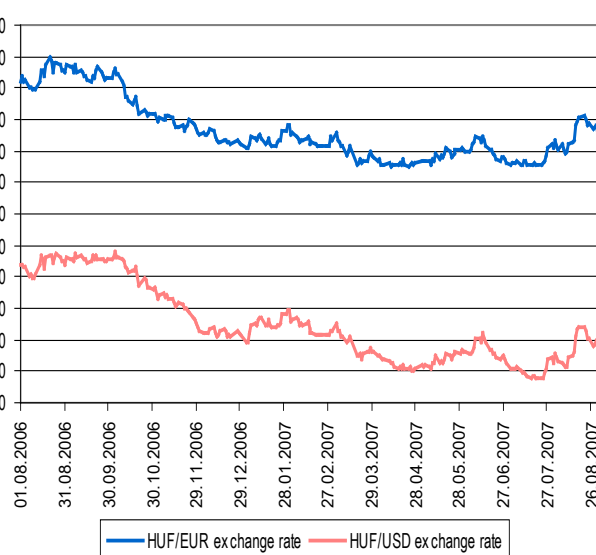
|                                                     | 2001    | 2002    | 2003     | 2004     | 2005     | 2006     | June 2007 | July 2007 | August 2007 |
|-----------------------------------------------------|---------|---------|----------|----------|----------|----------|-----------|-----------|-------------|
| 1. Forint denominated debt                          | 5,397.4 | 6,956.9 | 8,008.7  | 8,608.8  | 9,153.5  | 10,552.3 | 10,087.1  | 11,070.8  | 11,030.6    |
| 1.1. Loans                                          | 228.3   | 353.2   | 117.9    | 4.7      | 0.8      | 356.4    | 252.1     | 252.1     | 252.1       |
| 1.2. Government securities                          | 5,169.1 | 6,603.7 | 7,890.8  | 8,604.2  | 9,152.7  | 10,195.9 | 10,835.0  | 10,818.7  | 10,778.5    |
| 1.2.1. Public issues                                | 4,360.0 | 5,826.3 | 7,131.5  | 7,860.6  | 8,418.8  | 9,667.5  | 10,307.7  | 10,292.2  | 10,256.2    |
| 1.2.1.1. Bonds                                      | 2,782.0 | 3,829.2 | 5,056.5  | 5,768.9  | 6,299.1  | 7,244.2  | 7,761.5   | 7,834.1   | 7,947.4     |
| 1.2.1.2. Discount T-bills                           | 1,033.3 | 1,436.8 | 1,541.4  | 1,463.3  | 1,530.9  | 1,755.9  | 1,902.3   | 1,830.0   | 1,712.8     |
| 1.2.1.3. Retail securities                          | 544.7   | 560.3   | 533.5    | 628.4    | 588.7    | 667.4    | 644.0     | 628.1     | 596.1       |
| 1.2.2. Private placements                           | 809.1   | 777.4   | 759.3    | 743.6    | 733.9    | 528.4    | 527.3     | 526.4     | 522.3       |
| 2. Foreign currency denominated debt*               | 2,322.1 | 2,267.3 | 2,579.0  | 2,983.5  | 3,590.7  | 4,124.4  | 4,352.1   | 4,433.7   | 4,505.6     |
| 2.1. Loans                                          | 1,410.4 | 1,394.3 | 1,084.1  | 916.8    | 720.6    | 803.7    | 869.7     | 883.2     | 907.7       |
| 2.1.1. Foreign loans                                | 317.8   | 461.9   | 598.8    | 528.9    | 616.9    | 700.1    | 768.8     | 780.3     | 803.4       |
| 2.1.2. Domestic loans                               | 1,092.6 | 932.3   | 485.3    | 387.8    | 103.8    | 103.6    | 101.0     | 102.9     | 104.3       |
| 2.1.2.1. Raised from National Bank of Hungary (NBH) | 1,092.6 | 849.6   | 466.5    | 355.7    | 96.1     | 95.9     | 93.5      | 95.3      | 96.6        |
| 2.1.2.2. Other loans                                | 0.0     | 82.8    | 18.8     | 32.2     | 7.7      | 7.7      | 7.5       | 7.6       | 7.7         |
| 2.2. Government securities                          | 911.7   | 873.0   | 1,494.9  | 2,066.8  | 2,870.1  | 3,320.7  | 3,482.4   | 3,550.5   | 3,597.9     |
| 2.2.1. Issued abroad                                | 911.7   | 873.0   | 1,494.9  | 2,066.8  | 2,870.1  | 3,320.7  | 3,482.4   | 3,550.5   | 3,597.9     |
| 2.2.1.1. Foreign currency bonds                     | 911.5   | 872.9   | 1,494.7  | 2,066.7  | 2,870.0  | 3,320.6  | 3,482.3   | 3,550.4   | 3,597.9     |
| 2.2.1.2. Kingdom of Hungary 1924 issues             | 0.3     | 0.2     | 0.1      | 0.1      | 0.1      | 0.1      | 0.1       | 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                                               | 7,719.5 | 9,224.2 | 10,587.7 | 11,592.4 | 12,744.2 | 14,676.7 | 15,439.2  | 15,504.4  | 15,536.2    |
| Other liabilities                                   |         |         |          |          | 21.4     | 29.0     | 25.0      | 25.1      | 27.3        |
| Total central government debt                       |         |         |          |          | 12,765.6 | 14,705.7 | 15,464.1  | 15,529.5  | 15,563.5    |
| Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2.2.)       | 4,624.4 | 6,043.4 | 7,357.3  | 7,975.8  | 8,563.9  | 9,528.4  | 10,191.0  | 10,190.6  | 10,182.5    |
| Gross debt/GDP                                      | 50.5%   | 53.6%   | 55.9%    | 56.0%    | 57.9%    | 61.9%    |           |           |             |

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

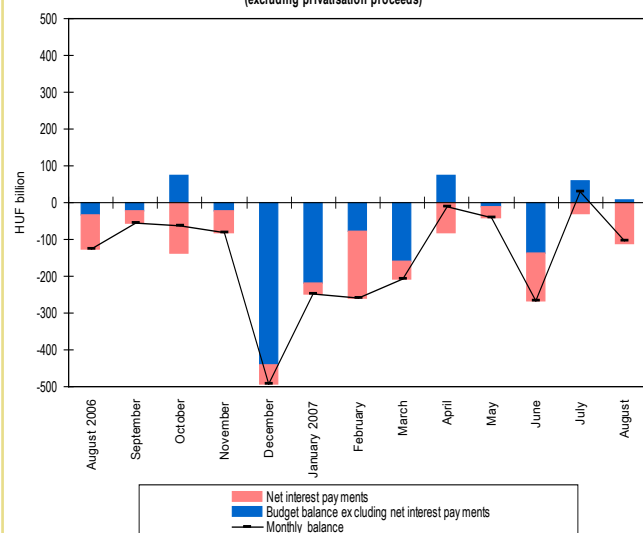
% 10-year Hungarian and eurozone benchmark yields during the last year



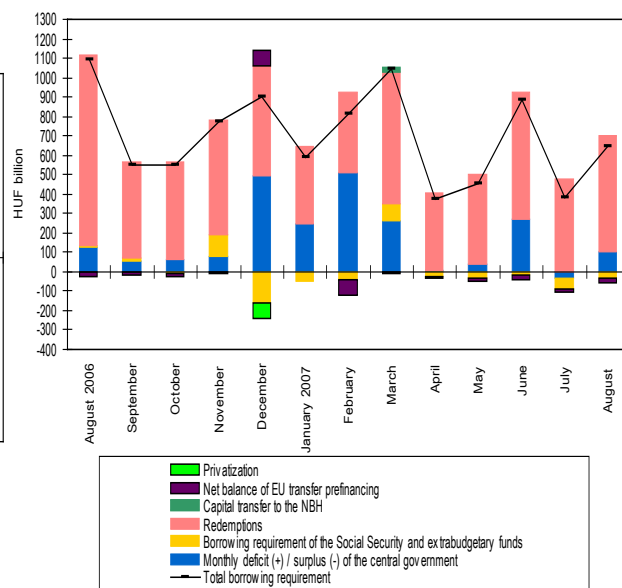
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement



# ■ GOVERNMENT SECURITIES MARKET ■

## DISCOUNT TREASURY BILL AUCTION RESULTS

|                                        | Liquidity<br>Discount<br>T-Bills | 3-month Discount T-bills |              |              |              | 6-month Discount T-bills |              | 12-month Discount T-bills |              |
|----------------------------------------|----------------------------------|--------------------------|--------------|--------------|--------------|--------------------------|--------------|---------------------------|--------------|
| Code of T-bills                        | D071017                          | D071114                  | D071121      | D071128      | D071205      | D080213                  | D080213      | D080702                   | D080827      |
| ISIN code                              | HU0000516406                     | HU0000516448             | HU0000516067 | HU0000516455 | HU0000516471 | HU0000516422             | HU0000516422 | HU0000516380              | HU0000516463 |
| Maturity in days                       | 49                               | 91                       | 91           | 91           | 91           | 182                      | 168          | 322                       | 364          |
| Date of auction                        | 27.08.2007                       | 07.08.2007               | 14.08.2007   | 21.08.2007   | 28.08.2007   | 08.08.2007               | 22.08.2007   | 09.08.2007                | 23.08.2007   |
| Date of financial settlement           | 29.08.2007                       | 15.08.2007               | 22.08.2007   | 29.08.2007   | 05.09.2007   | 15.08.2007               | 29.08.2007   | 15.08.2007                | 29.08.2007   |
| Redemption date                        | 17.10.2007                       | 14.11.2007               | 21.11.2007   | 28.11.2007   | 05.12.2007   | 13.02.2008               | 13.02.2008   | 02.07.2008                | 27.08.2008   |
| Maximum yield, (%) - ISMA              | 7.71                             | 7.48                     | 7.55         | 7.65         | 7.61         | 7.32                     | 7.61         | 7.23                      | 7.45         |
| Minimum yield (%) - ISMA               | 7.70                             | 7.40                     | 7.45         | 7.55         | 7.55         | 7.10                     | 7.54         | 7.12                      | 7.35         |
| Average yield (%) - ISMA               | 7.70                             | 7.47                     | 7.54         | 7.62         | 7.59         | 7.28                     | 7.60         | 7.20                      | 7.44         |
| Maximum yield, (%) - EHM               | 7.82                             | 7.58                     | 7.65         | 7.76         | 7.72         | 7.42                     | 7.72         | 7.33                      | 7.55         |
| Minimum yield (%) - EHM                | 7.81                             | 7.50                     | 7.55         | 7.65         | 7.65         | 7.20                     | 7.64         | 7.22                      | 7.45         |
| Average yield (%) - EHM                | 7.81                             | 7.57                     | 7.64         | 7.73         | 7.70         | 7.38                     | 7.71         | 7.30                      | 7.54         |
| Average selling price (%)              | 98.9628                          | 98.1467                  | 98.1297      | 98.1102      | 98.1175      | 96.4502                  | 96.5748      | 93.9496                   | 93.0036      |
| Amount offered for sale (HUF million)  | 30,000.00                        | 25,000.00                | 25,000.00    | 25,000.00    | 20,000.00    | 25,000.00                | 25,000.00    | 35,000.00                 | 35,000.00    |
| Amount of bids submitted (HUF million) | 68,900.00                        | 80,538.85                | 127,543.69   | 81,496.43    | 87,067.75    | 70,272.03                | 112,534.56   | 56,700.18                 | 117,400.93   |
| Amount of bids accepted (HUF million)  | 24,999.99                        | 24,999.95                | 24,999.87    | 24,999.95    | 19,999.96    | 24,999.88                | 19,999.93    | 34,999.96                 | 34,999.93    |
| Bid-to-cover ratio                     | 2.76                             | 3.22                     | 5.10         | 3.26         | 4.35         | 2.81                     | 5.63         | 1.62                      | 3.35         |
| Bids submitted (pcs)                   | 19                               | 82                       | 119          | 114          | 122          | 103                      | 128          | 102                       | 138          |
| Bids accepted (pcs)                    | 8                                | 42                       | 41           | 34           | 42           | 68                       | 37           | 73                        | 51           |
| Market sales* (HUF million)            | 24,999.99                        | 24,999.95                | 24,999.87    | 24,999.95    | 19,999.96    | 24,999.88                | 19,999.93    | 34,999.96                 | 34,999.93    |
| Retained on ÁKK's own account (HUF m.) | 0.01                             | 2,500.05                 | 2,500.13     | 2,500.05     | 2,000.04     | 5,000.12                 | 4,000.07     | 7,000.04                  | 10,500.07    |
| Total amount issued (HUF million)      | 25,000.00                        | 27,500.00                | 27,500.00    | 27,500.00    | 22,000.00    | 30,000.00                | 24,000.00    | 42,000.00                 | 45,500.00    |

\*Without issuance onto AKK's own account

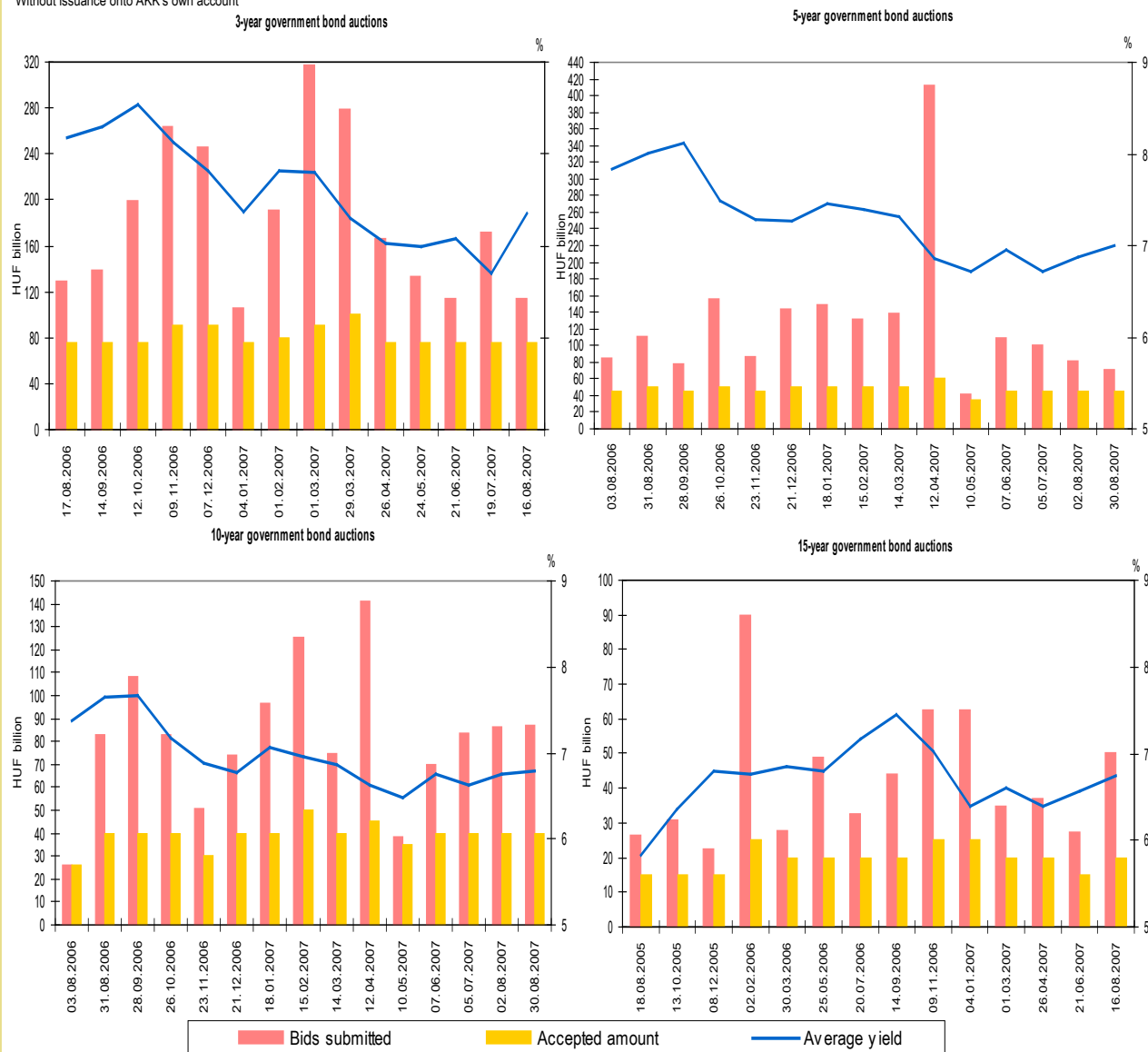


# ■ GOVERNMENT SECURITIES MARKET ■

## GOVERNMENT BOND AUCTION RESULTS

| Government Bond                             | 2012/C       | 2017/B       | 2010/D       | 2023/A       | 2012/C       | 2017/B       |
|---------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ISIN code                                   | HU0000402417 | HU0000402375 | HU0000402409 | HU0000402383 | HU0000402417 | HU0000402375 |
| Maturity (in years)                         | 5            | 10           | 3            | 15           | 5            | 10           |
| Coupon (%)                                  | 6.00%        | 6.75%        | 6.25%        | 6.00%        | 6.00%        | 6.75%        |
| Auction                                     | 1st auction  | 12th auction | 3rd auction  | 5th auction  | 2nd auction  | 13th auction |
| Date of auction                             | 02.08.2007   | 02.08.2007   | 16.08.2007   | 16.08.2007   | 30.08.2007   | 30.08.2007   |
| Date of financial settlement                | 08.08.2007   | 08.08.2007   | 22.08.2007   | 22.08.2007   | 05.09.2007   | 05.09.2007   |
| Redemption date                             | 24.10.2012   | 24.02.2017   | 24.08.2010   | 24.11.2023   | 24.10.2012   | 24.02.2017   |
| Maximum annual yield (%) - ISMA             | 6.89         | 6.77         | 7.39         | 6.77         | 7.03         | 6.80         |
| Minimum annual yield (%) - ISMA             | 6.84         | 6.72         | 7.20         | 6.68         | 6.96         | 6.76         |
| Average annual yield (%) - ISMA             | 6.87         | 6.75         | 7.36         | 6.74         | 7.00         | 6.79         |
| Maximum annual yield (%) - EHM              | 6.88         | 6.76         | 7.38         | 6.76         | 7.02         | 6.79         |
| Minimum annual yield (%) - EHM              | 6.83         | 6.71         | 7.19         | 6.67         | 6.95         | 6.75         |
| Average annual yield (%) - EHM              | 6.86         | 6.75         | 7.35         | 6.74         | 6.99         | 6.78         |
| Maximum price (%)                           | 96.4553      | 100.1522     | 97.4431      | 93.3561      | 95.9941      | 99.8766      |
| Minimum price (%)                           | 96.2476      | 99.8079      | 96.9542      | 92.5249      | 95.7088      | 99.6037      |
| Average price (%)                           | 96.3443      | 99.9379      | 97.0340      | 92.7760      | 95.8229      | 99.6772      |
| Amount offered for sale (HUF million)       | 45,000.00    | 40,000.00    | 75,000.00    | 20,000.00    | 45,000.00    | 40,000.00    |
| Amount of bids submitted (HUF million)      | 80,797.00    | 86,089.28    | 114,105.08   | 50,134.00    | 71,850.00    | 87,324.05    |
| Amount of bids accepted (HUF million)       | 44,999.95    | 39,999.87    | 75,000.00    | 19,999.98    | 44,999.95    | 39,999.94    |
| Bid-to-cover ratio                          | 1.80         | 2.15         | 1.52         | 2.51         | 1.60         | 2.18         |
| Bids submitted (pcs)                        | 97           | 123          | 92           | 48           | 87           | 85           |
| Bids accepted (pcs)                         | 63           | 77           | 65           | 27           | 78           | 57           |
| Tail (average price - minimum price)        | 0.10         | 0.13         | 0.08         | 0.25         | 0.11         | 0.07         |
| Market sales* (HUF million)                 | 44,999.95    | 39,999.87    | 75,000.00    | 19,999.98    | 44,999.95    | 39,999.94    |
| Retained on ÁKK's own account (HUF million) | 13,500.05    | 0.13         | 2,500.00     | 4,000.02     | 9,000.05     | 0.06         |
| Total amount issued (HUF million)           | 58,500.00    | 40,000.00    | 77,500.00    | 24,000.00    | 54,000.00    | 40,000.00    |

\*Without issuance onto ÁKK's own account

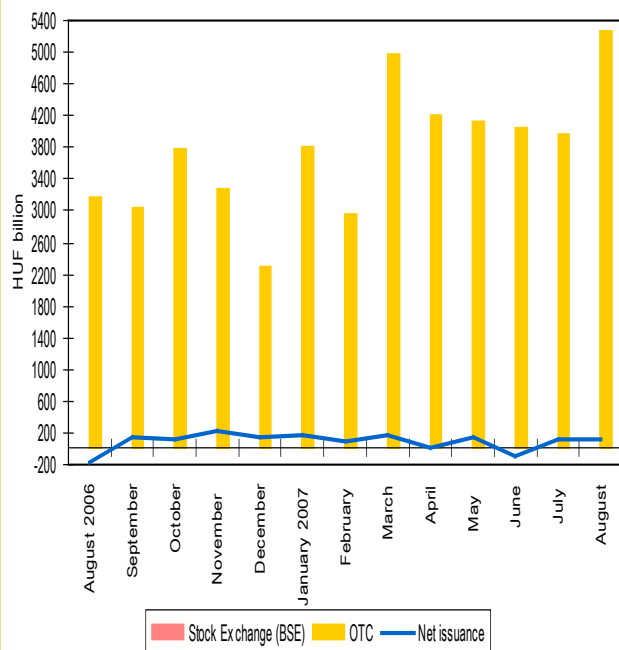


# ■ GOVERNMENT SECURITIES MARKET ■

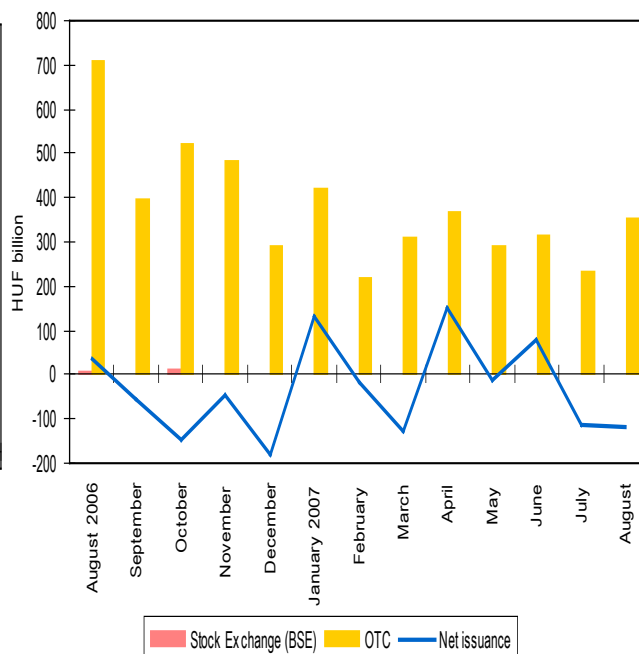
## GOVERNMENT BOND BUY-BACK AUCTION RESULTS

| Government bond                        | 2008/C       | 2008/D       | 2008/C       | 2008/D       | 2008/C       | 2008/D       |
|----------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ISIN code                              | HU0000402102 | HU0000402276 | HU0000402102 | HU0000402276 | HU0000402102 | HU0000402276 |
| Coupon (%)                             | 6.25%        | 7.25%        | 6.25%        | 7.25%        | 6.25%        | 7.25%        |
| Date of reverse auction                | 01.08.2007   | 01.08.2007   | 15.08.2007   | 15.08.2007   | 29.08.2007   | 29.08.2007   |
| Date of financial settlement           | 08.08.2007   | 08.08.2007   | 22.08.2007   | 22.08.2007   | 05.09.2007   | 05.09.2007   |
| Redemption date                        | 12.06.2008   | 24.04.2008   | 12.06.2008   | 24.04.2008   | 12.06.2008   | 24.04.2008   |
| Minimum annual yield (%)               | 7.26         | 7.25         | 7.36         | 7.40         | 7.42         | 7.50         |
| Average annual yield (%)               | 7.30         | 7.26         | 7.41         | 7.42         | 7.45         | 7.50         |
| Amount of bids submitted (HUF million) | 58,155.81    | 30,156.81    | 26,600.39    | 1,980.00     | 33,939.48    | 42,685.33    |
| Amount of bids accepted (HUF million)  | 26,686.40    | 4,156.81     | 26,579.65    | 375.04       | 22,738.48    | 25,364.35    |

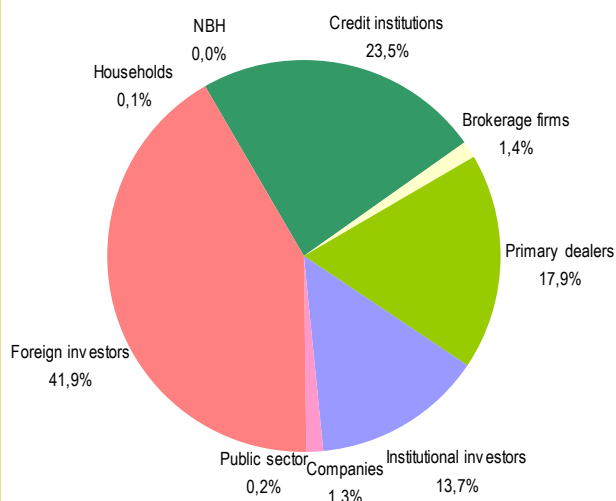
Secondary market trading of government bonds



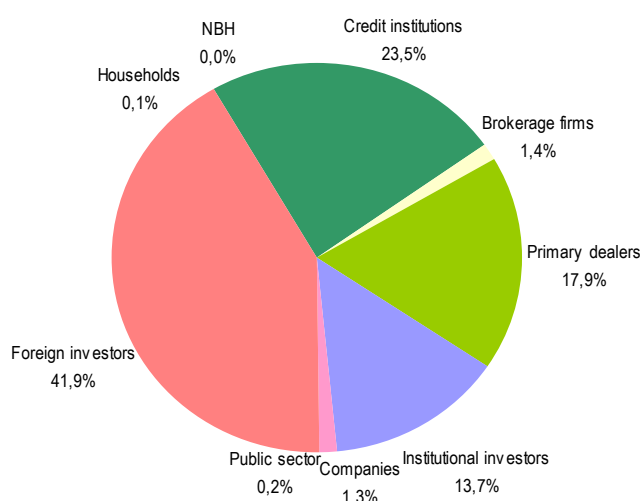
Secondary market trading of Discount Treasury Bills



Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in August 2007

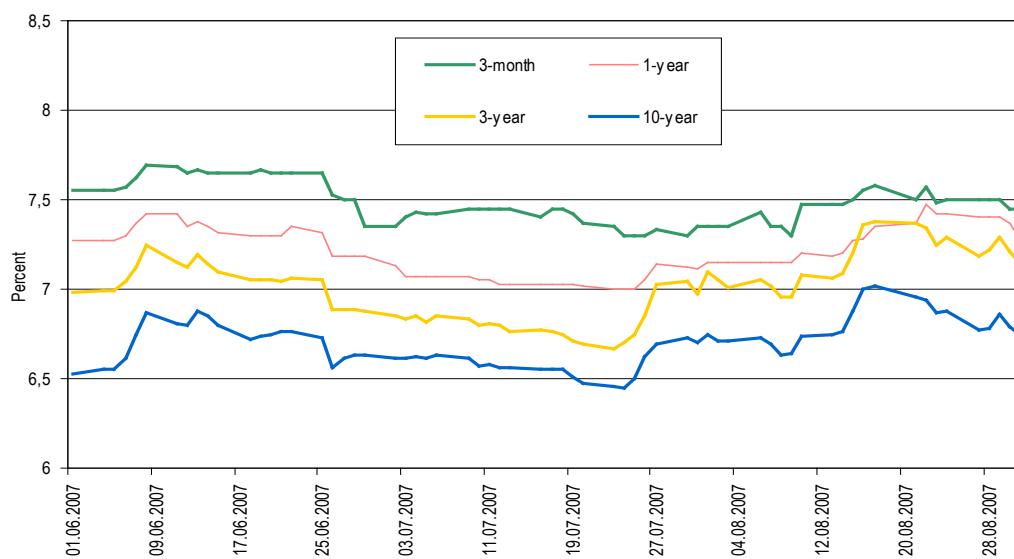


Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in August 2007



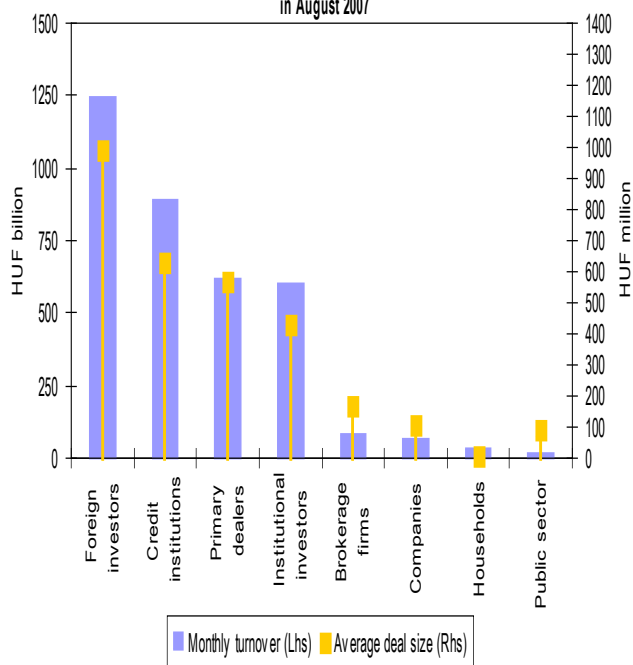
# ■ GOVERNMENT SECURITIES MARKET ■

Benchmark yields in the past three months

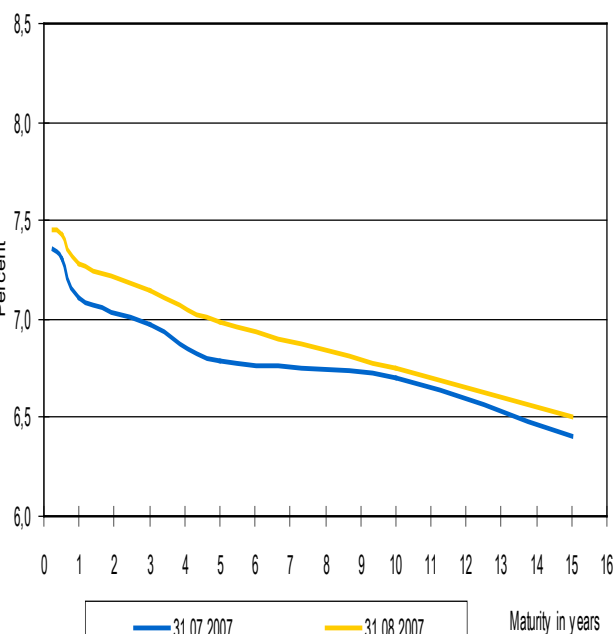


Primary dealers' trading with different investor groups

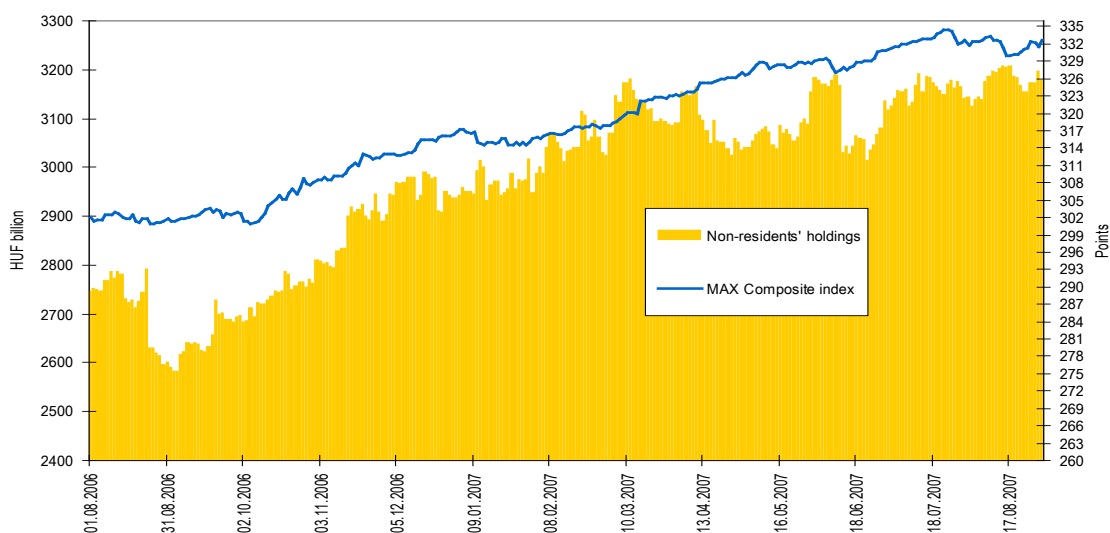
in August 2007



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 AUGUST 2007

| Government Bond | Date of<br>interest rate reset | Interest period |            | Date of<br>interest payment | Reset interest<br>rate (%) | Interest<br>payable (%) |
|-----------------|--------------------------------|-----------------|------------|-----------------------------|----------------------------|-------------------------|
| 2026/A          | 27.08.2007                     | 28.08.2007      | 28.02.2008 | 28.02.2008                  | 7.34                       | 7.78                    |
| 2008/B          | 10.08.2007                     | 12.08.2007      | 12.02.2008 | 12.02.2008                  | 7.28                       | 3.72                    |
| 2009/A          | 10.08.2007                     | 12.08.2007      | 12.02.2008 | 12.02.2008                  | 7.28                       | 3.72                    |
| 2010/A          | 10.08.2007                     | 12.08.2007      | 12.02.2008 | 12.02.2008                  | 7.28                       | 3.72                    |

## HUNGARIAN GOVERNMENT SECURITIES INDICES

|                                                 | MAX index | RMAX index | MAX Composite index | ZMAX index |
|-------------------------------------------------|-----------|------------|---------------------|------------|
| Value as at 31 August 2007                      | 338.5221  | 331.5606   | 333.3874            | 334.2063   |
| Changes compared to the end of the month before | 0.6624    | 1.6997     | 0.8368              | 2.1288     |
| Annual yield earned on the index portfolio      | 11.05%    | 8.09%      | 10.49%              | 8.12%      |

### Government securities with the highest secondary market turnover in August 2007

| Government security | Date of redemption | Turnover (HUF billion) |
|---------------------|--------------------|------------------------|
| 2017/B              | 24.02.2017         | 429.3                  |
| 2012/B              | 12.06.2012         | 382.1                  |
| 2010/D              | 24.08.2010         | 289.4                  |
| 2009/F              | 12.08.2009         | 224.8                  |
| 2015/A              | 12.02.2015         | 175.5                  |
| 2010/C              | 12.04.2010         | 120.2                  |
| 2010/B              | 12.10.2010         | 94.7                   |
| 2008/D              | 24.04.2008         | 119.1                  |
| 2011/B              | 12.10.2011         | 91.1                   |
| 2009/E              | 24.04.2009         | 81.9                   |

### The outstanding volume of government bonds with benchmark status at the end of August 2007

| Government bond | HUF billion |            |
|-----------------|-------------|------------|
|                 | 31.07.2007  | 31.08.2007 |
| 2010/D          | 150.07      | 225.33     |
| 2012/B          | 525.30      | 525.34     |
| 2017/B          | 440.10      | 480.12     |
| 2023/A          | 80.02       | 100.02     |

## PRIMARY DEALERS - AS AT 31 AUGUST 2007

| 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. |
| UniCredit Bank Hungary Zrt.              |                                                   | the branch network of the Hungarian State Treasury |