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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

AUGUST 2008

The deficit of the central government amounted to HUF 672.5 billion in the first eight 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 226.0 billion. The total net financing requirement of HUF 449.3 billion was met by a net issuance of HUF 557.5 billion (ca. EUR 2.3 billion) out of which net domestic currency issuance was HUF 181.9 billion and net foreign exchange issuance totalled HUF 375.6 billion. The total amount outstanding of other liabilities decreased by HUF 2.2 billion in the first eight months of 2008.

The HUF denominated debt of the central government increased by HUF 184.2 billion in the first eight 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 175.8 billion, discount Treasury bills for HUF 38.7 billion, while retail government securities decreased by HUF 26.6 billion. The stock of domestic loans decreased by HUF 0.2 billion.

The foreign currency debt of the central government increased by HUF 87.9 billion in the first eight months of 2008. The HUF 426.4 billion bond issuance and the drawdown of foreign currency denominated loans worth HUF 188.2 increased, while redemptions of foreign currency loans worth HUF 239.0 billion and exchange rate gains totalling HUF 287.7 billion decreased the Hungarian Forint value of the foreign currency debt.

Short-term secondary yields remained unchanged, while the long term yields increased by 3-15 basis points in August. The 1-year yield remained at 8.57%, the 3-year yield increased by 11 bps to 8.80%, the 10-year benchmark yield reached 7.93% at the end of August after increasing by 12 basis points.

Monthly OTC turnover of government securities was 18% lower in August than a month before and reached HUF 3,634.6 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 43% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 98.2 in August, and amounted to HUF 3,214.9 billion at the end of the month. This volume represented 30.3% 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 238.21 at the last working day of August.

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).

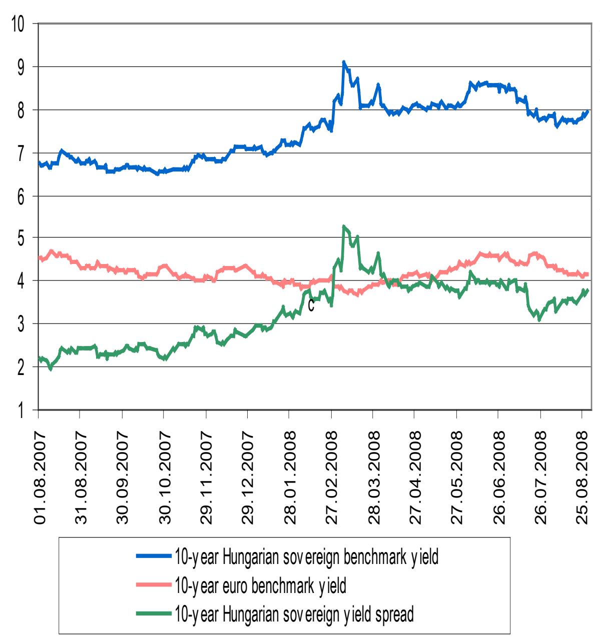
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

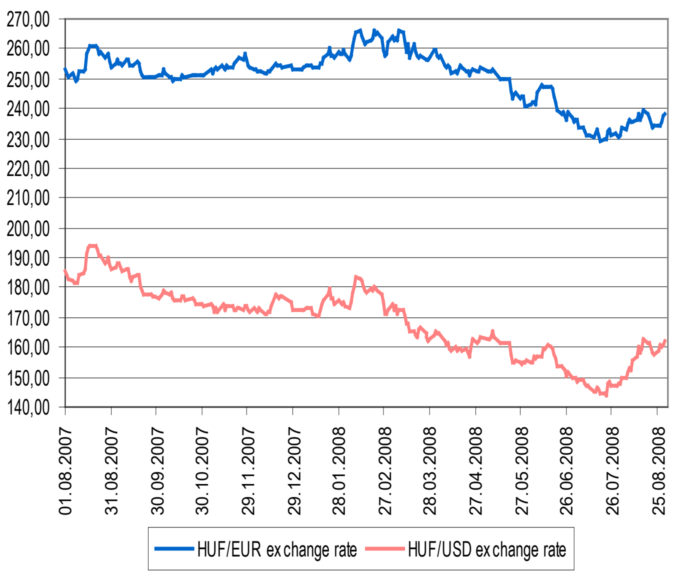
	2002	2003	2004	2005	2006	2007	June 2008	July 2008	August 2008
1. Forint denominated debt	6,956.9	8,008.7	8,608.8	9,153.5	10,552.3	11,103.8	11,454.2	11,289.5	11,287.9
1.1. Loans	353.2	117.9	4.7	0.8	356.4	145.7	145.5	145.5	145.5
1.2. Government securities	6,603.7	7,890.8	8,604.2	9,152.7	10,195.9	10,958.1	11,308.7	11,144.0	11,142.4
1.2.1. Public issues	5,826.3	7,131.5	7,860.6	8,418.8	9,667.5	10,465.4	10,817.9	10,653.1	10,653.2
1.2.1.1. Bonds	3,829.2	5,056.5	5,768.9	6,299.1	7,244.2	8,245.3	8,505.8	8,521.9	8,421.1
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	1,778.9	1,594.2	1,703.6
1.2.1.3. Retail securities	560.3	533.5	628.4	588.7	667.4	555.2	533.2	537.1	528.6
1.2.2. Private placements	777.4	759.3	743.6	733.9	528.4	492.7	490.9	490.9	489.1
2. Foreign currency denominated debt*	2,267.3	2,579.0	2,983.5	3,590.7	4,124.4	4,472.6	4,506.6	4,403.0	4,560.5
2.1. Loans	1,394.3	1,084.1	916.8	720.6	803.7	846.5	706.1	696.1	741.1
2.1.1. Foreign loans	461.9	598.8	528.9	616.9	700.1	838.8	706.1	696.1	741.1
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	3,800.5	3,706.9	3,819.4
2.2.1. Issued abroad	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,800.5	3,706.9	3,819.4
2.2.1.1. Foreign currency bonds	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,626.1	3,800.5	3,706.8	3,819.4
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	15,960.8	15,692.5	15,848.5
Other liabilities				21.4	29.0	9.1	5.0	4.9	6.9
Total central government debt				12,765.6	14,705.7	15,585.5	15,965.8	15,697.4	15,855.4
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*	*10,775.5*	*10,606.9*	*10,613.8*
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.

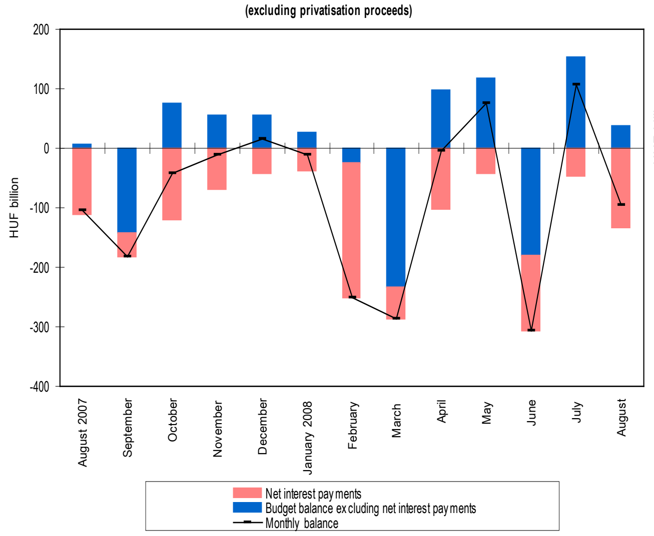
10-year Hungarian and eurozone benchmark yields during the last year



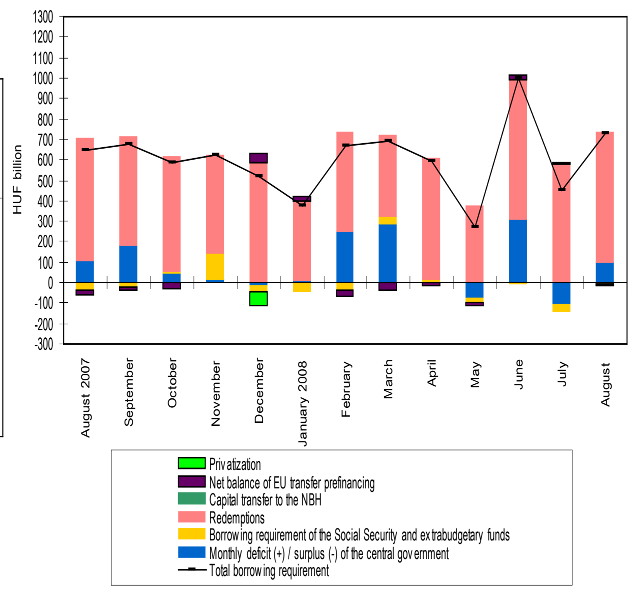
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

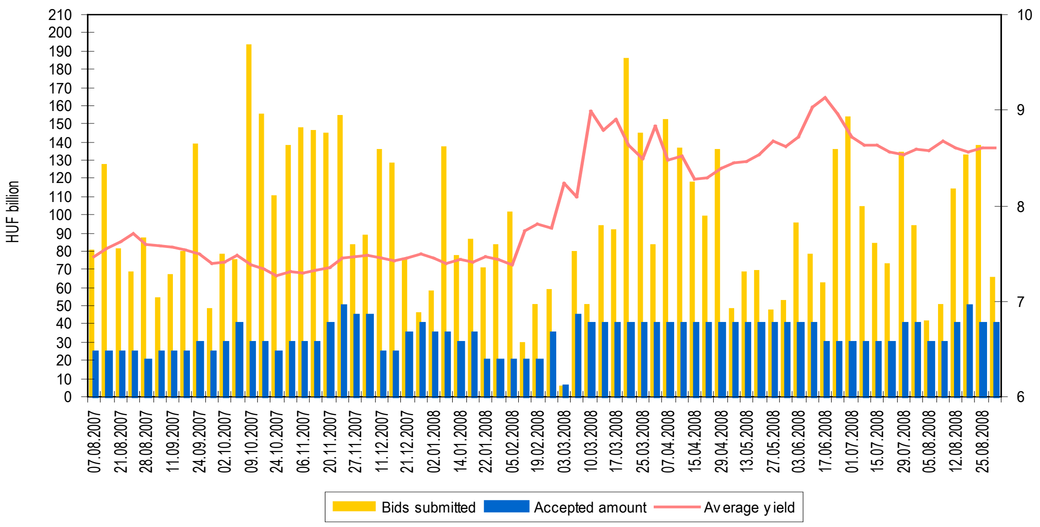


DISCOUNT TREASURY BILL AUCTION RESULTS

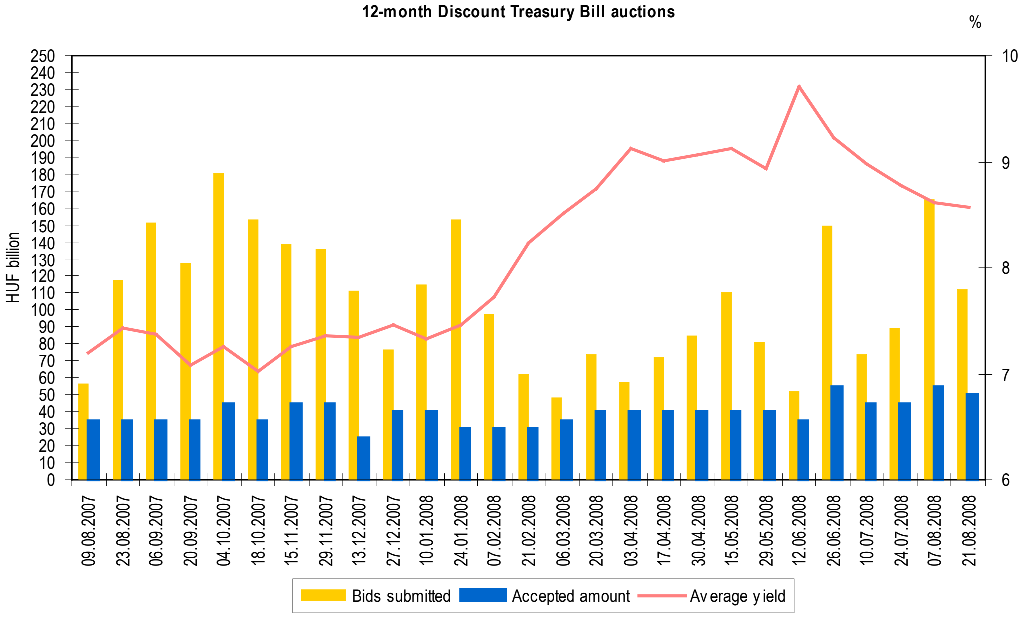
	Liquidity Discount T-bills			3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D081008	D081008	D081008	D081112	D081119	D081126	D081203	D090729	D090729
ISIN code	HU0000516919	HU0000516919	HU0000516919	HU0000516950	HU0000516836	HU0000516968	HU0000516976	HU0000517024	HU0000516024
Maturity in days	63	56	42	91	90	91	91	350	336
Date of auction	04.08.2008	11.08.2008	25.08.2008	05.08.2008	12.08.2008	19.08.2008	26.08.2008	07.08.2008	21.08.2008
Date of financial settlement	06.08.2008	13.08.2008	27.08.2008	13.08.2008	21.08.2008	27.08.2008	03.09.2008	13.08.2008	27.08.2008
Redemption date	08.10.2008	08.10.2008	08.10.2008	12.11.2008	19.11.2008	26.11.2008	03.12.2008	29.07.2009	29.07.2009
Maximum yield, (%) - ISMA	8.61	8.70	8.61	8.63	8.62	8.59	8.65	8.63	8.60
Minimum yield (%) - ISMA	8.49	8.57	8.57	8.25	8.40	8.30	8.40	8.55	8.50
Average yield (%) - ISMA	8.60	8.68	8.60	8.58	8.60	8.57	8.61	8.61	8.57
Maximum yield, (%) - EHM	8.73	8.82	8.73	8.75	8.74	8.71	8.77	8.75	8.72
Minimum yield (%) - EHM	8.61	8.69	8.69	8.36	8.52	8.42	8.52	8.67	8.62
Average yield (%) - EHM	8.72	8.80	8.72	8.70	8.72	8.69	8.73	8.73	8.69
Average selling price (%)	98.5173	98.6678	99.0066	97.8772	97.8953	97.8796	97.8699	92.2758	92.5937
Amount offered for sale (HUF m)	30,000.00	30,000.00	30,000.00	40,000.00	40,000.00	40,000.00	40,000.00	45,000.00	45,000.00
Amount of bids submitted (HUF m)	93,915.05	50,800.00	138,452.01	41,739.09	113,970.37	133,388.07	65,541.18	164,913.28	112,246.67
Amount of bids accepted (HUF m)	39,999.99	29,999.98	39,999.99	29,999.98	39,999.91	49,999.96	39,999.91	54,999.95	49,999.91
Bid-to-cover ratio	2.35	1.69	3.46	1.39	2.85	2.67	1.64	3.00	2.24
Bids submitted (pcs)	32	17	69	92	98	126	90	150	108
Bids accepted (pcs)	19	15	25	75	54	42	67	46	60
Market sales* (HUF million)	39,999.99	29,999.98	39,999.99	29,999.98	39,999.91	49,999.96	39,999.91	54,999.95	49,999.91
Retained on ÁKK's own account	0.01	0.02	0.01	9,000.02	12,000.09	15,000.04	12,000.09	16,500.05	15,000.09
Total amount issued (HUF million)	40,000.00	30,000.00	40,000.00	39,000.00	52,000.00	65,000.00	52,000.00	71,500.00	65,000.00

*Without issuance onto ÁKK's own account

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



12-month Discount Treasury Bill auctions

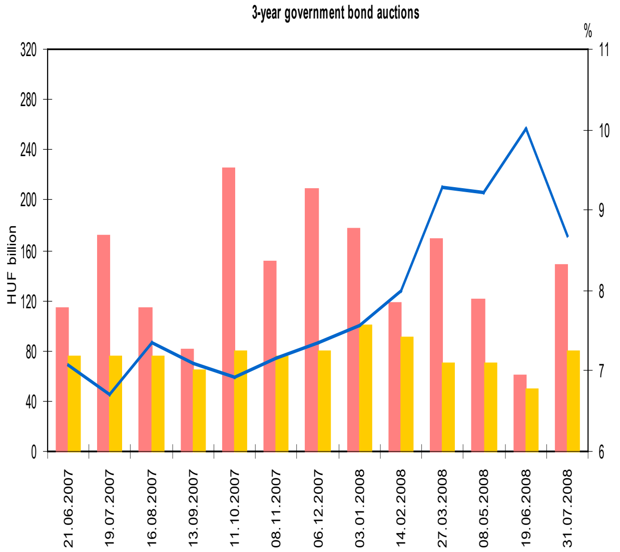


GOVERNMENT BOND AUCTION RESULTS

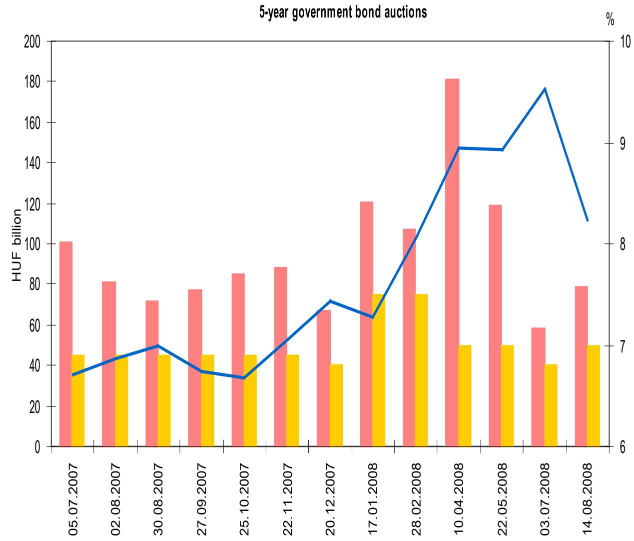
Government Bond	2012/C	2019/A
ISIN code	HU0000402417	HU0000402433
Maturity (in years)	5	10
Coupon (%)	6.00%	6.50%
Auction	12th auction	6th auction
Date of auction	14.08.2008	28.08.2008
Date of financial settlement	21.08.2008	03.09.2008
Redemption date	24.10.2012	24.06.2019
Maximum annual yield (%) - ISMA	8.27	7.95
Minimum annual yield (%) - ISMA	8.20	7.90
Average annual yield (%) - ISMA	8.23	7.93
Maximum annual yield (%) - EHM	8.26	7.95
Minimum annual yield (%) - EHM	8.19	7.90
Average annual yield (%) - EHM	8.23	7.93
Maximum price (%)	92.4433	90.0328
Minimum price (%)	92.2161	89.7026
Average price (%)	92.3298	89.8238
Amount offered for sale (HUF million)	50,000.00	40,000.00
Amount of bids submitted (HUF million)	78,350.00	111,531.00
Amount of bids accepted (HUF million)	49,999.98	39,999.98
Bid-to-cover ratio	1.57	2.79
Bids submitted (pcs)	89	99
Bids accepted (pcs)	62	29
Tail (average price - minimum price)	0.11	0.12
Market sales* (HUF million)	49,999.98	39,999.98
Retained on ÁKK's own account (HUF million)	0.02	0.02
Total amount issued (HUF million)	50,000.00	40,000.00

*Without issuance onto ÁKK's own account

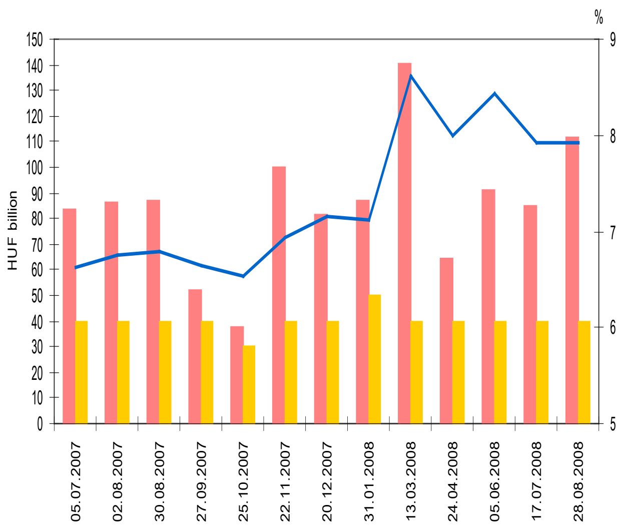
3-year government bond auctions



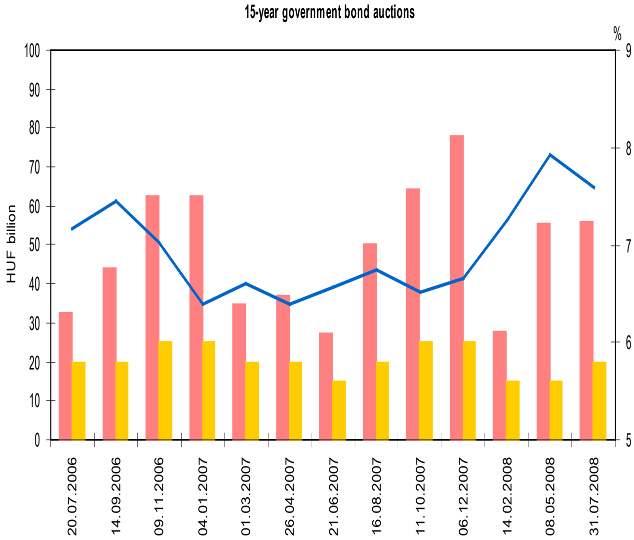
5-year government bond auctions



10-year government bond auctions



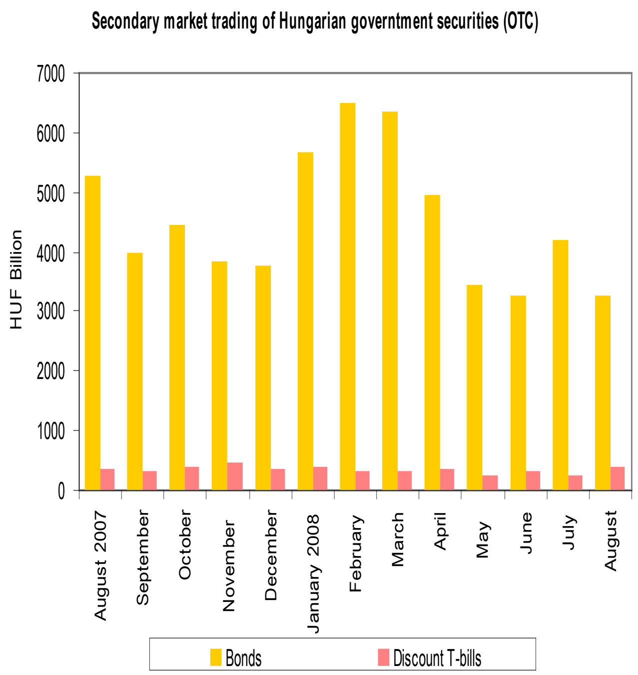
15-year government bond auctions

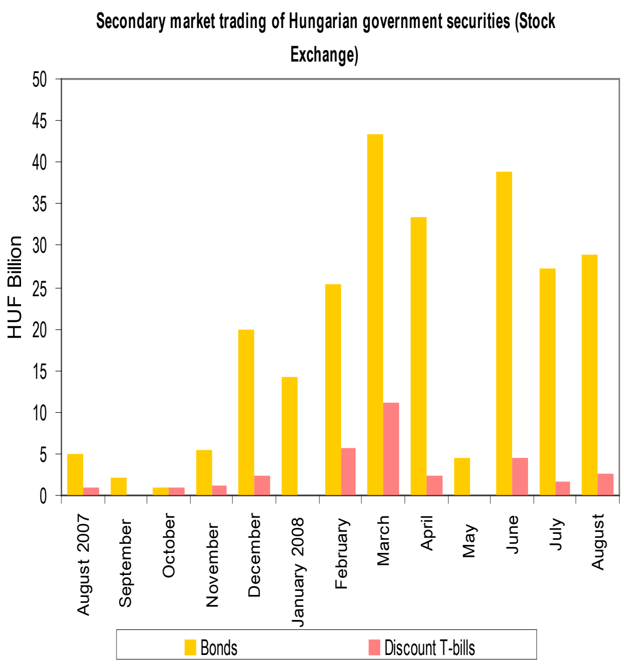


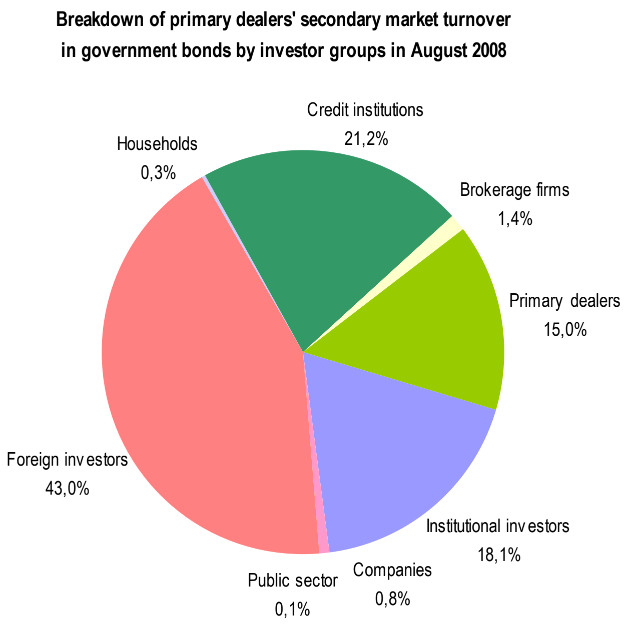
Bids submitted — Accepted amount — Average yield

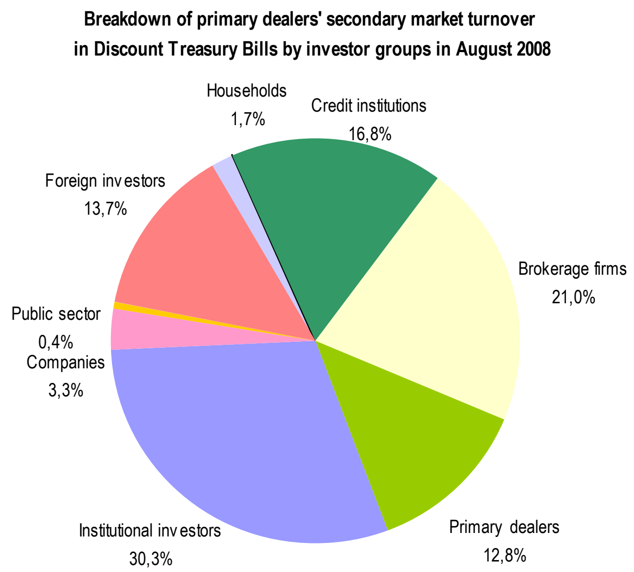
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2009/C	2009/E
ISIN code	HU0000402219	HU0000402326
Coupon (%)	7.00%	6.25%
Date of reverse auction	27.08.2008	27.08.2008
Date of financial settlement	03.09.2008	03.09.2008
Redemption date	24.06.2009	24.04.2009
Minimum annual yield (%)	8.78	8.70
Average annual yield (%)	8.78	8.73
Amount of bids submitted (HUF million)	37,503.15	47,992.73
Amount of bids accepted (HUF million)	13,219.28	18,136.70

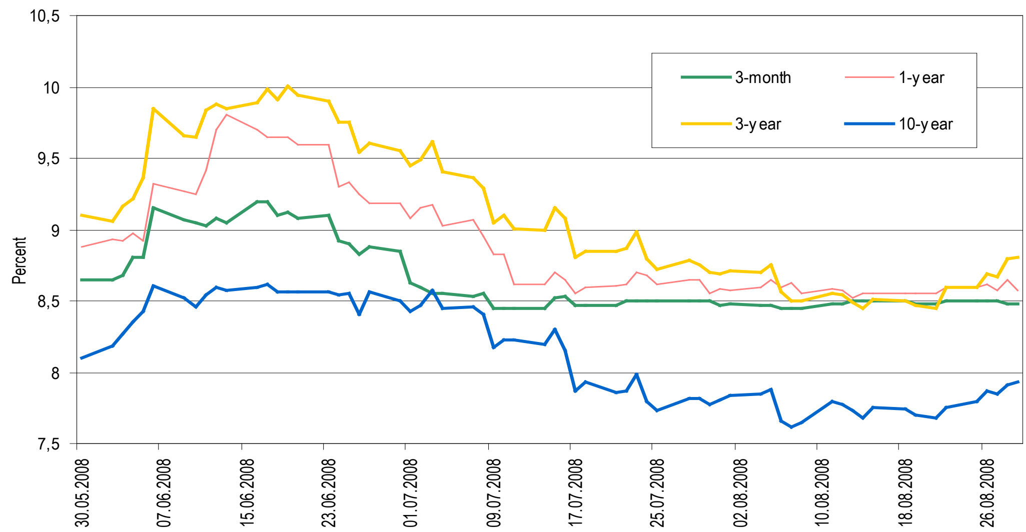




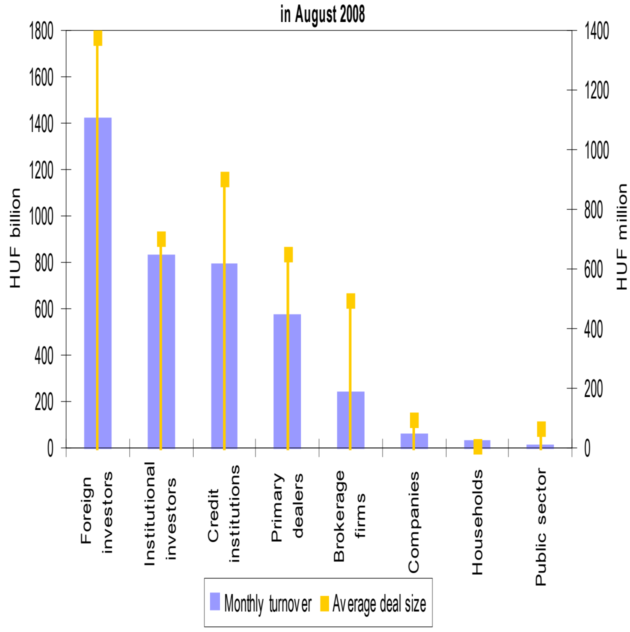




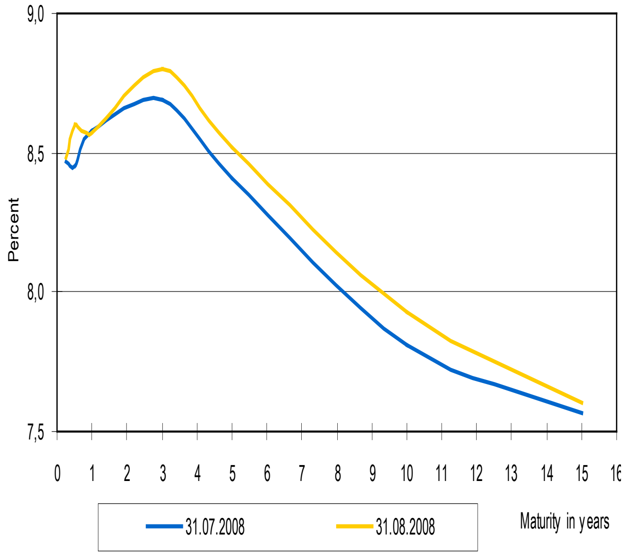
Benchmark yields in the past three months



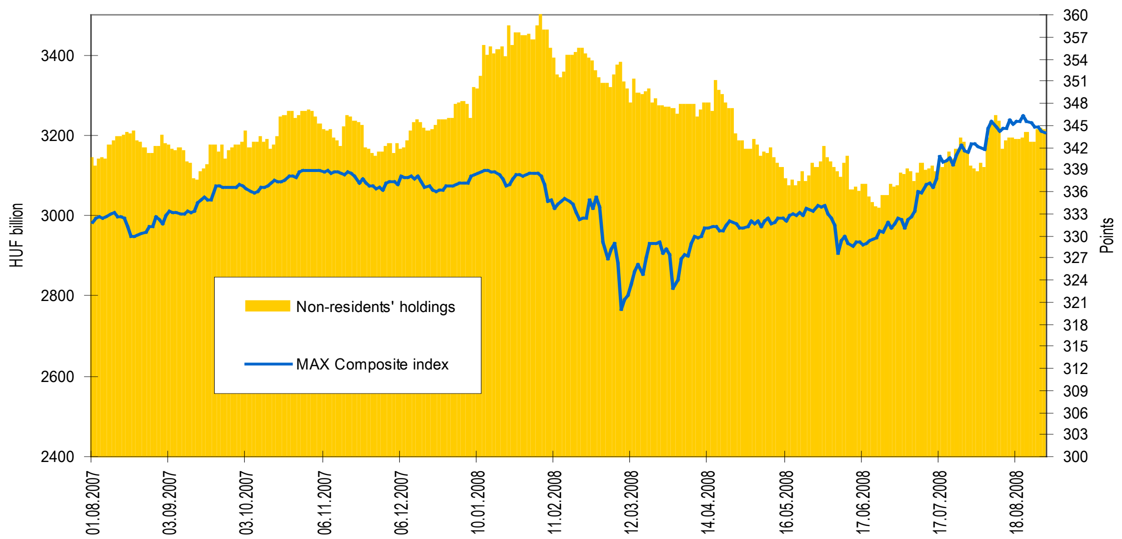
Primary dealers' trading with different investor groups in August 2008



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 AUGUST 2008

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2026/A	27.08.2008	28.08.2008	28.02.2009	02.03.2009	8.61	8.14
2009/A	11.08.2008	12.08.2008	12.02.2009	12.02.2009	8.57	4.38
2010/A	11.08.2008	12.08.2008	12.02.2009	12.02.2009	8.57	4.38

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 August 2008	346.8877	356.8454	344.0430	360.8108
Changes compared to the end of the month before	1.4111	2.3602	1.5348	2.3952
Annual yield earned on the index portfolio	2.71%	7.69%	3.40%	7.99%

Government securities with the highest secondary market turnover in August 2008

Government security	Date of redemption	Turnover (HUF billion)
2011/C	22.04.2011	548.3
2012/C	24.10.2012	420.3
2010/D	24.08.2010	259.5
2012/B	12.06.2012	219.8
2013/D	12.02.2013	212.1
2017/B	24.02.2017	211.8
D080827	27.08.2008	186.8
D081008	08.10.2008	169.7
2023/A	24.11.2023	143.9
2015/A	12.02.2015	125.5

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

	HUF billion	
Government bond	31.07.2008	31.08.2008
2011/C	383.23	463.57
2012/C	555.28	605.34
2019/A	210.04	210.04
2023/A	180.08	200.08

PRIMARY DEALERS - AS AT 31 AUGUST 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