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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

OCTOBER 2007

The deficit of the central government - without debt assumption - amounted to HUF 1138.7 billion in the first ten months of 2007. The cash inflows worth HUF 202.1 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 957.2 billion till the end of October. Net issuance was HUF 875.4 billion, out of which net HUF denominated issuance was HUF 446.5 billion, net foreign currency denominated issuance was HUF 428.9 billion in the first ten months of the year. The privatisation revenues from the FHB (a Hungarian mortgage bank) in the amount of HUF 67 billion and the inflows from the EU for non-agricultural development purposes also increased the liquidity of the STA.

The HUF denominated debt of the central government increased by HUF 445.4 billion till the end of October (the difference between net change and net issuance was caused by the change in the stock of matured but unclaimed securities). Government bonds accounted for HUF 815.6 billion, while the stock of discount Treasury bills and retail government securities decreased by HUF 112.1 billion and HUF 95.9 billion respectively. The stock of non-marketable government bonds decreased by HUF 6.9 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 334.0 billion and loans in Hungarian forint were drawn in the amount of HUF 120.5 billion from international financial institutions. These transactions resulted in the drop of the stock of HUF denominated loans by HUF 155.4 billion to HUF 201.1 billion by the end of October.

The foreign currency debt of the central government increased by HUF 402.4 billion till the end of October. The HUF 297.1 billion bond issuance, the drawdown of foreign currency denominated loans worth HUF 169.3 billion increased, while the exchange rate gains totalling HUF 26.6 billion and the redemptions of foreign currency loans worth HUF 36.8 billion decreased the Hungarian Forint value of the foreign currency debt.

Secondary market benchmark yields decreased on all maturities in October. The 1-year yield decreased by 13 basis points to 7.07%, the 3-year and 10-year yield decreased by 3 and 6 basis points to 6.93% and 6.56% respectively.

Monthly OTC turnover of government securities was 13% higher in October than a month before and reached HUF 4,843.9 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.

Non-resident holdings of Hungarian government securities increased altogether by HUF 70.7 billion and amounted to HUF 3,244.4 billion at the end of October. This represented 31.7% of domestic government bonds and discount Treasury bills.

The EUR/HUF exchange rate according to the Hungarian National Bank was 251.13 on the last working day of October.

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 October 2007.

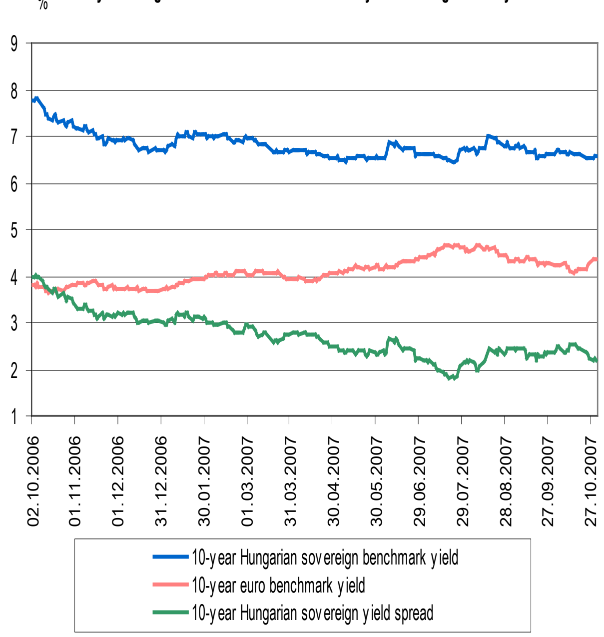
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

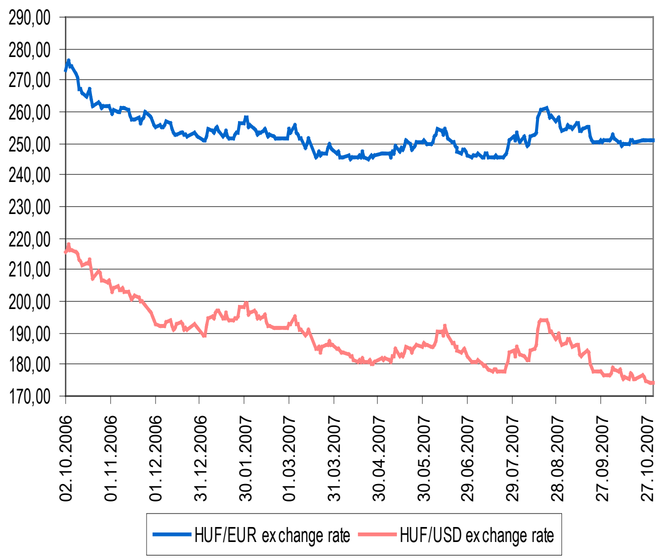
	2001	2002	2003	2004	2005	2006	August 2007	September 2007	October 2007
1. Forint denominated debt	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	10,552.3	11,030.6	11,006.9	10,997.7
1.1. Loans	228.3	353.2	117.9	4.7	0.8	356.4	252.1	159.1	201.1
1.2. Government securities	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	10,195.9	10,778.5	10,847.8	10,796.6
1.2.1. Public issues	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,667.5	10,256.2	10,325.5	10,275.1
1.2.1.1. Bonds	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	7,244.2	7,947.4	8,064.8	8,059.7
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	1,712.8	1,679.1	1,643.9
1.2.1.3. Retail securities	544.7	560.3	533.5	628.4	588.7	667.4	596.1	581.6	571.5
1.2.2. Private placements	809.1	777.4	759.3	743.6	733.9	528.4	522.3	522.3	521.5
2. Foreign currency denominated debt*	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,124.4	4,505.6	4,437.8	4,526.8
2.1. Loans	1,410.4	1,394.3	1,084.1	916.8	720.6	803.7	907.7	886.6	932.4
2.1.1. Foreign loans	317.8	461.9	598.8	528.9	616.9	700.1	803.4	783.6	829.3
2.1.2. Domestic loans	1,092.6	932.3	485.3	387.8	103.8	103.6	104.3	102.9	103.1
2.1.2.1. Raised from National Bank of Hungary (NBH)	1,092.6	849.6	466.5	355.7	96.1	95.9	96.6	95.3	95.5
2.1.2.2. Other loans	0.0	82.8	18.8	32.2	7.7	7.7	7.7	7.6	7.6
2.2. Government securities	911.7	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,597.9	3,551.2	3,594.4
2.2.1. Issued abroad	911.7	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,597.9	3,551.2	3,594.4
2.2.1.1. Foreign currency bonds	911.5	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,597.9	3,551.1	3,594.3
2.2.1.2. Kingdom of Hungary 1924 issues	0.3	0.2	0.1	0.1	0.1	0.1	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	7,719.5	9,224.2	10,587.7	11,592.4	12,744.2	14,676.7	15,536.2	15,444.6	15,524.5
Other liabilities					21.4	29.0	27.3	18.9	18.9
Total central government debt					12,765.6	14,705.7	15,563.5	15,463.5	15,543.4
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*	*10,182.5*	*10,266.2*	*10,225.1*
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.

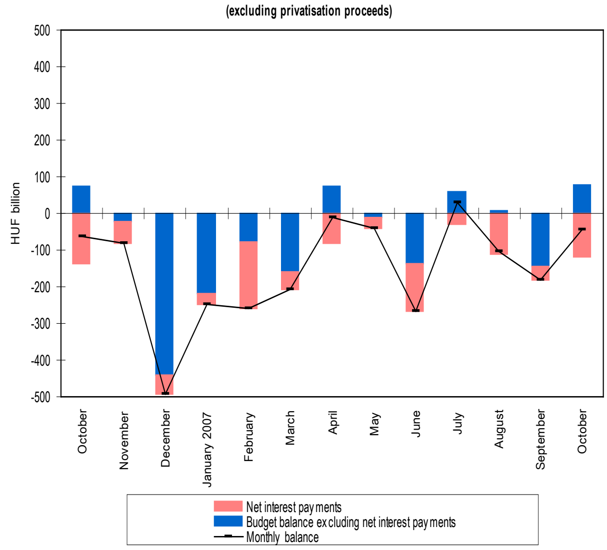
10-year Hungarian and eurozone benchmark yields during the last year



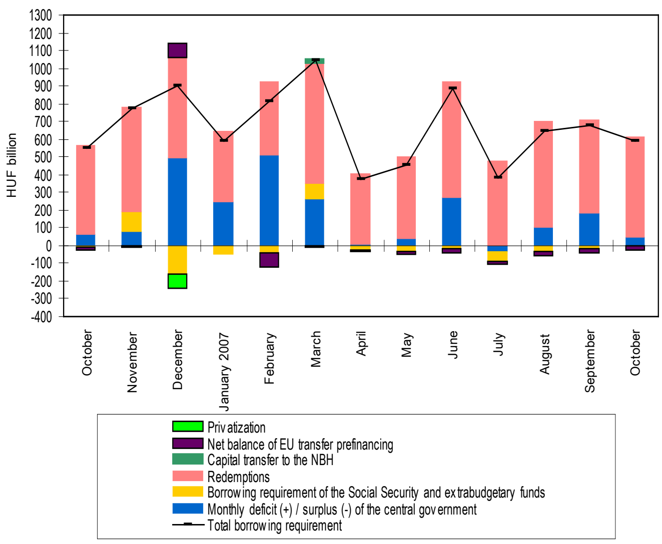
The exchange rate of the Hungarian Forint during the last year



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



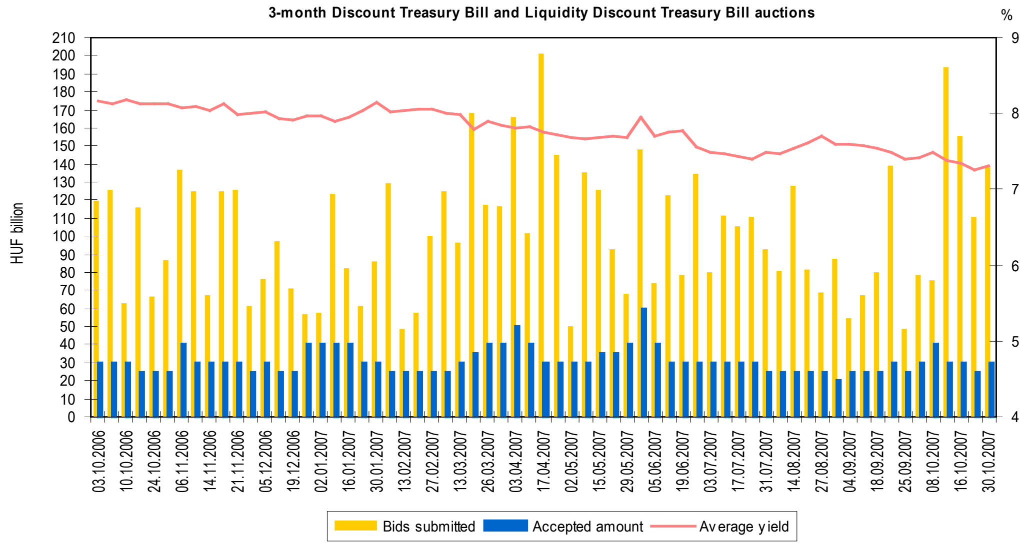
Gross borrowing requirement

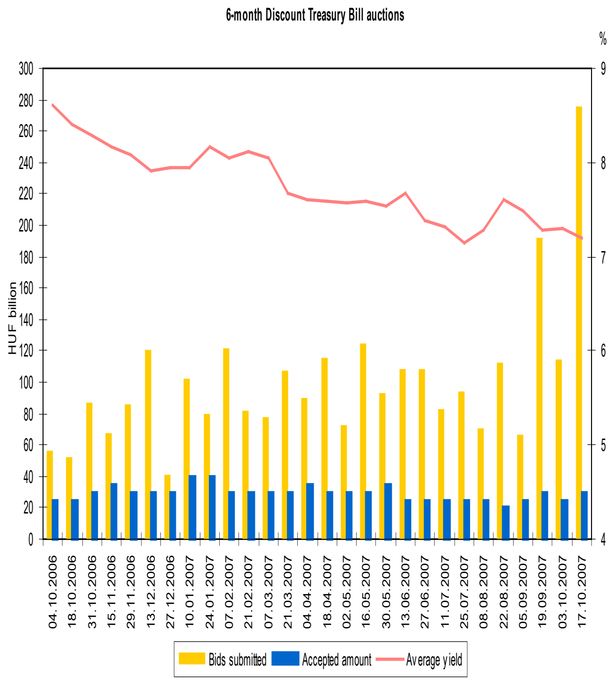


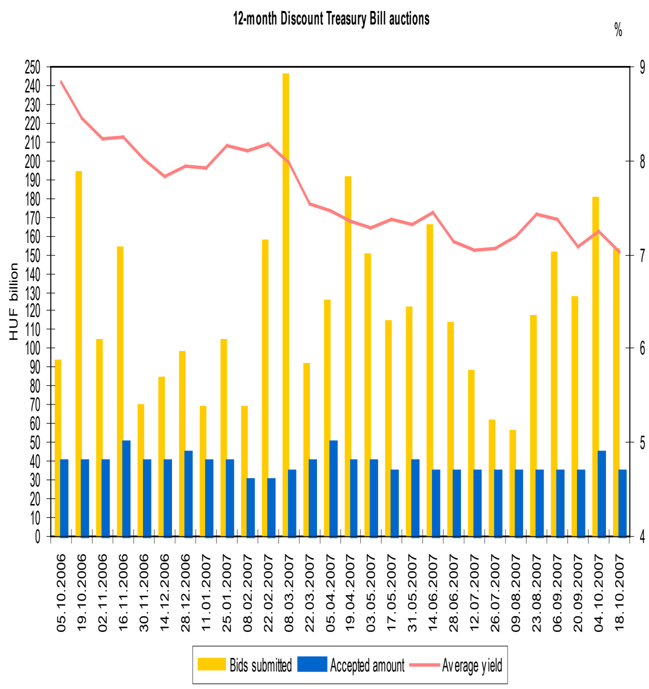
DISCOUNT TREASURY BILL AUCTION RESULTS

	Liquidity Discount T-Bills	3-month Discount T-bills					6-month Discount T-bills			12-month Discount T-bills		
Code of T-bills	D071107	D080109	D080116	D080123	D080130	D080206	D080409	D080409	D080409	D080827	D081022	D081022
ISIN code	HU0000516430	HU0000516539	HU0000516141	HU0000516547	HU0000516562	HU0000516570	HU0000516513	HU0000516513	HU0000516513	HU0000516463	HU0000516554	HU0000516554
Maturity in days	35	91	91	91	91	91	182	168	154	322	364	350
Date of auction	08.10.2007	02.10.2007	09.10.2007	16.10.2007	24.10.2007	30.10.2007	03.10.2007	17.10.2007	31.10.2007	04.10.2007	18.10.2007	31.10.2007
Date of financial settlement	10.10.2007	10.10.2007	17.10.2007	24.10.2007	31.10.2007	07.11.2007	10.10.2007	24.10.2007	07.11.2007	10.10.2007	24.10.2007	07.11.2007
Redemption date	14.11.2007	09.01.2008	16.01.2008	23.01.2008	30.01.2008	06.02.2008	09.04.2008	09.04.2008	09.04.2008	27.08.2008	22.10.2008	22.10.2008
Maximum yield, (%) - ISMA	7.50	7.43	7.38	7.35	7.28	7.33	7.33	7.21	7.24	7.27	7.05	7.16
Minimum yield (%) - ISMA	7.44	7.34	7.35	7.32	7.24	7.28	7.25	7.19	7.14	7.22	7.00	7.09
Average yield (%) - ISMA	7.48	7.41	7.38	7.34	7.26	7.31	7.30	7.20	7.21	7.25	7.02	7.15
Maximum yield, (%) - EHM	7.60	7.53	7.48	7.45	7.38	7.43	7.43	7.31	7.34	7.37	7.15	7.26
Minimum yield (%) - EHM	7.54	7.44	7.45	7.42	7.34	7.38	7.35	7.29	7.24	7.32	7.10	7.19
Average yield (%) - EHM	7.58	7.51	7.48	7.44	7.36	7.41	7.40	7.30	7.31	7.35	7.12	7.25
Average selling price (%)	99.2780	98.11614	98.1687	98.1784	98.1979	98.1857	96.4408	96.7492	97.0080	93.9102	93.3724	93.5004
Amount offered for sale (HUF m)	40,000.00	30,000.00	30,000.00	30,000.00	25,000.00	30,000.00	30,000.00	25,000.00	25,000.00	35,000.00	35,000.00	40,000.00
Amount of bids submitted (HUF m)	75,558.78	78,651.02	193,757.19	155,084.41	110,289.49	138,417.25	114,049.65	275,743.42	63,368.96	180,952.13	153,002.06	142,729.76
Amount of bids accepted (HUF m)	39,999.97	29,999.98	29,999.93	29,999.90	24,999.91	29,999.95	24,999.96	29,999.97	24,999.97	44,999.92	34,999.96	39,999.94
Bid-to-cover ratio	1.89	2.62	6.46	5.17	4.41	4.61	4.56	9.19	2.53	4.02	4.37	3.57
Bids submitted (pcs)	41	101	150	150	123	136	102	146	60	137	146	117
Bids accepted (pcs)	27	50	33	37	48	58	28	21	31	37	33	42
Market sales* (HUF million)	39,999.97	29,999.98	29,999.93	29,999.90	24,999.91	29,999.95	24,999.96	29,999.97	24,999.97	44,999.92	34,999.96	39,999.94
Retained on ÁKK's own account	0.03	3,000.02	3,000.07	3,000.10	2,500.09	3,000.05	5,000.04	6,000.03	5,000.03	9,000.08	10,500.04	8,000.06
Total amount issued (HUF million)	40,000.00	33,000.00	33,000.00	33,000.00	27,500.00	33,000.00	30,000.00	36,000.00	30,000.00	54,000.00	45,500.00	48,000.00

*Without issuance onto ÁKK's own account





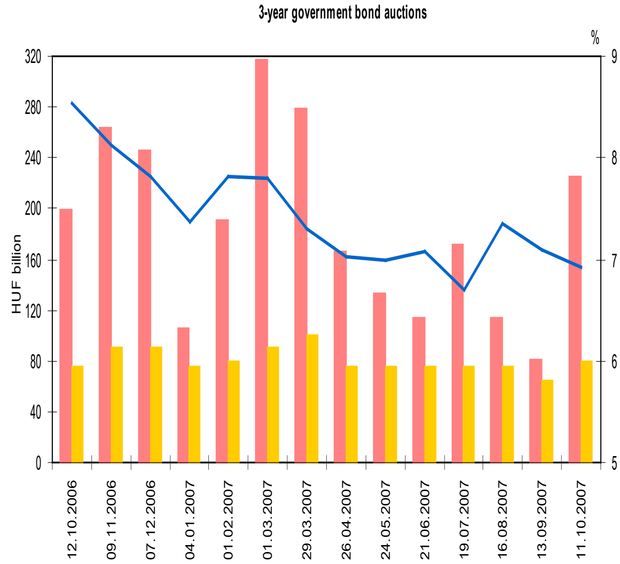


GOVERNMENT BOND AUCTION RESULTS

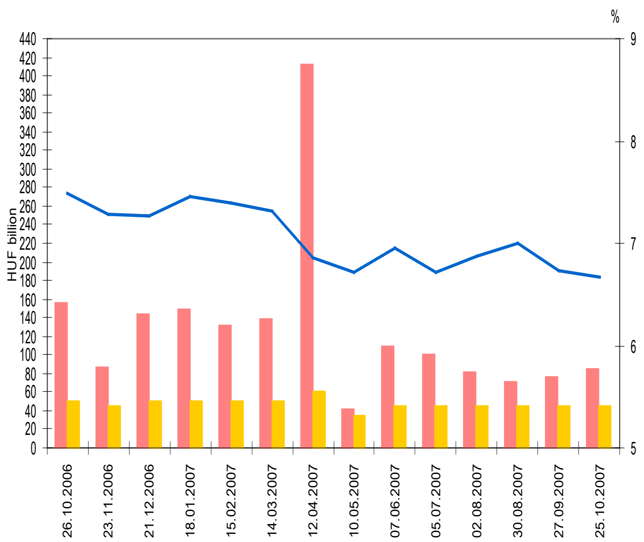
Government Bond	2010/D	2023/A	2012/C	2017/B
ISIN code	HU0000402409	HU0000402383	HU0000402417	HU0000402375
Maturity (in years)	3	15	5	10
Coupon (%)	6.25%	6.00%	6.00%	6.75%
Auction	5th auction	6th auction	4th auction	4th auction
Date of auction	11.10.2007	11.10.2007	25.10.2007	25.10.2007
Date of financial settlement	17.10.2007	17.10.2007	31.10.2007	31.10.2007
Redemption date	24.08.2010	24.11.2023	24.10.2012	24.02.2017
Maximum annual yield (%) - ISMA	6.92	6.53	6.68	6.56
Minimum annual yield (%) - ISMA	6.90	6.49	6.65	6.50
Average annual yield (%) - ISMA	6.92	6.52	6.67	6.54
Maximum annual yield (%) - EHM	6.91	6.53	6.67	6.55
Minimum annual yield (%) - EHM	6.89	6.49	6.64	6.49
Average annual yield (%) - EHM	6.91	6.51	6.66	6.53
Maximum price (%)	98.2834	95.1825	97.3148	101.6610
Minimum price (%)	98.2336	94.8040	97.1933	101.2474
Average price (%)	98.2440	94.9404	97.2505	101.4175
Amount offered for sale (HUF million)	75,000.00	20,000.00	45,000.00	40,000.00
Amount of bids submitted (HUF million)	225,633.75	64,150.00	84,750.00	37,350.00
Amount of bids accepted (HUF million)	79,999.92	24,999.89	44,999.95	29,999.94
Bid-to-cover ratio	2.82	2.57	1.88	1.25
Bids submitted (pcs)	154	97	77	55
Bids accepted (pcs)	33	40	26	48
Tail (average price - minimum price)	0.01	0.14	0.06	0.17
Market sales* (HUF million)	79,999.92	24,999.89	44,999.95	29,999.94
Retained on ÁKK's own account (HUF million)	0.08	5,000.11	8,500.05	0.06
Total amount issued (HUF million)	80,000.00	30,000.00	53,500.00	30,000.00

*Without issuance onto ÁKK's own account

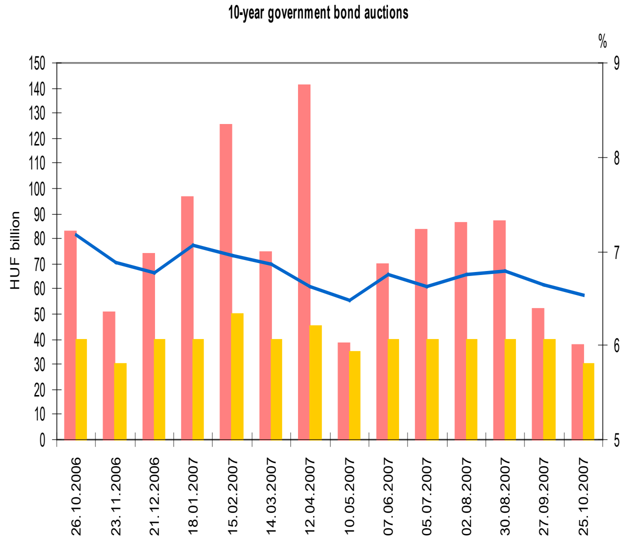
3-year government bond auctions



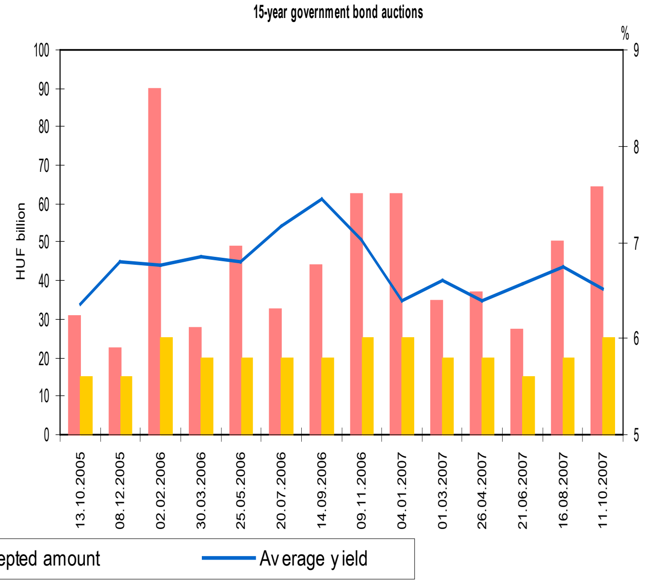
5-year government bond auctions



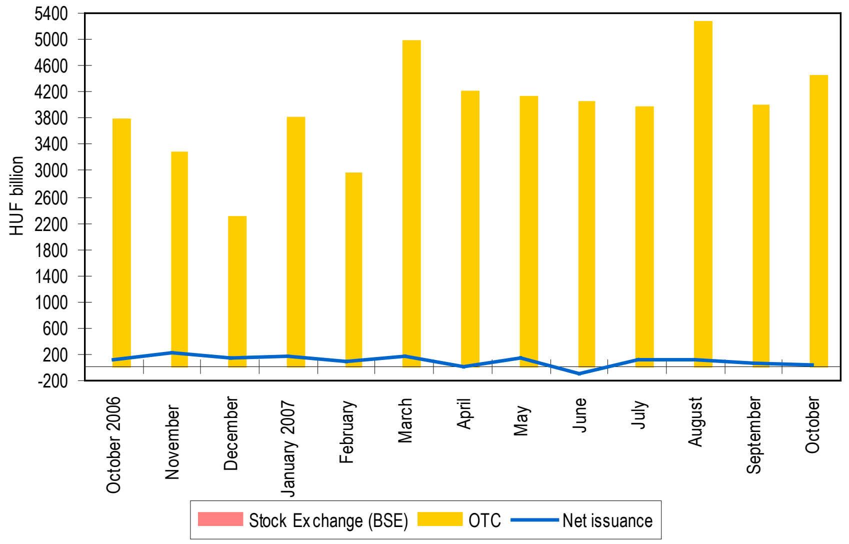
10-year government bond auctions



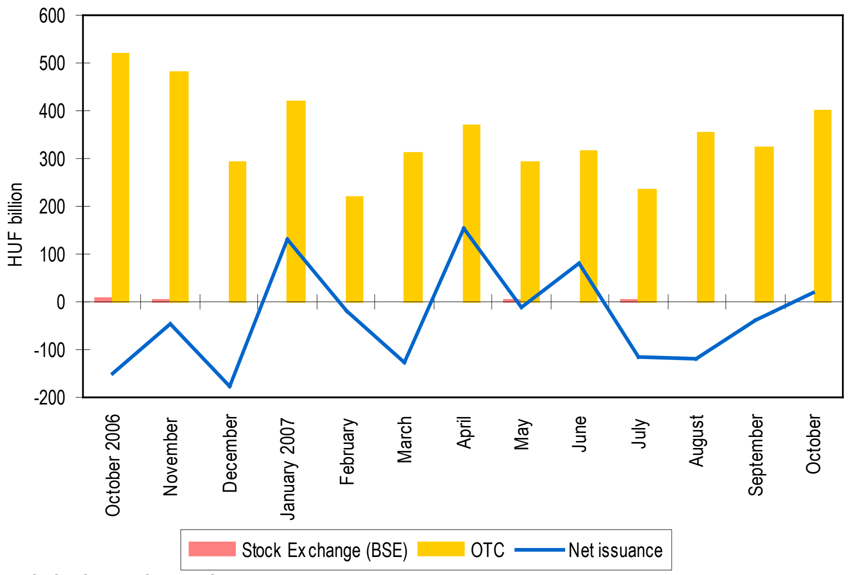
15-year government bond auctions



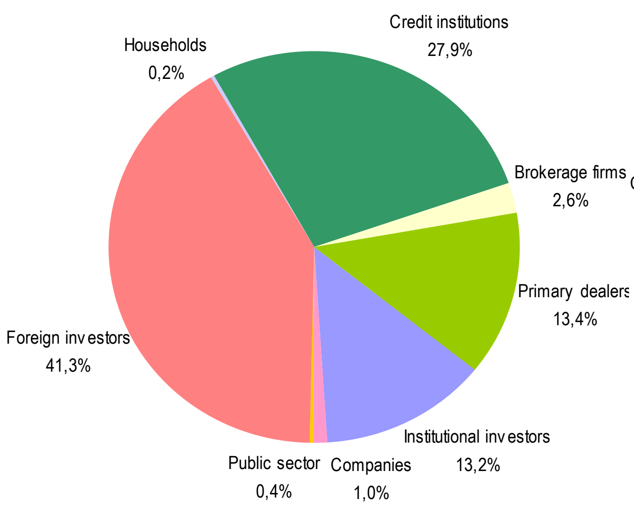
Secondary market trading of government bonds



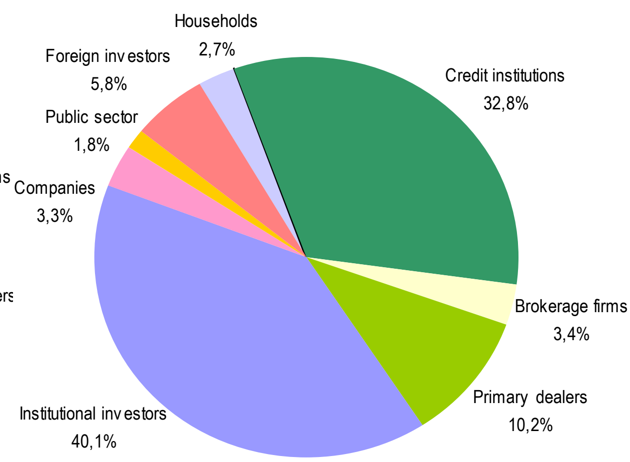
Secondary market trading of Discount Treasury Bills



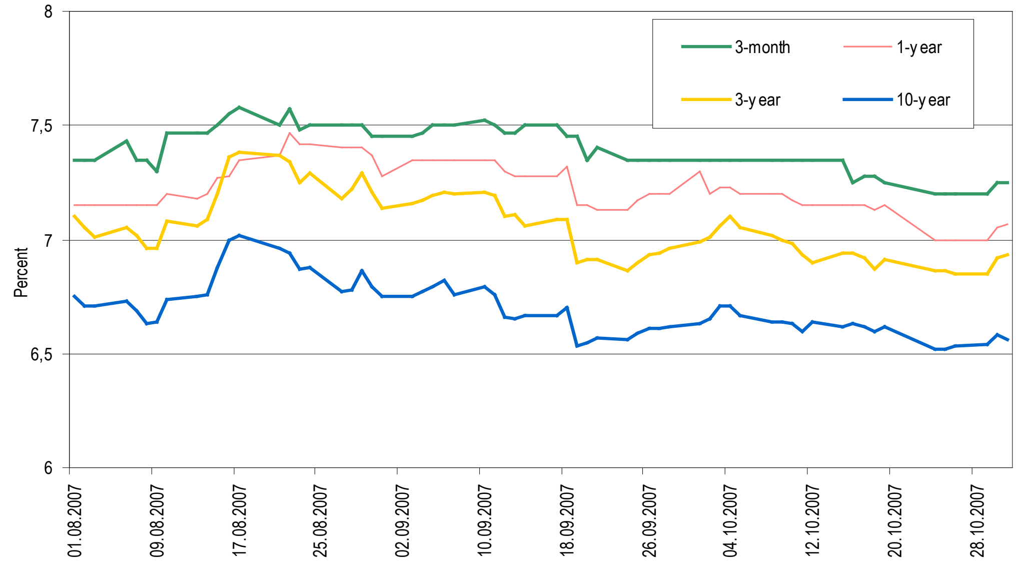
Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in October 2007



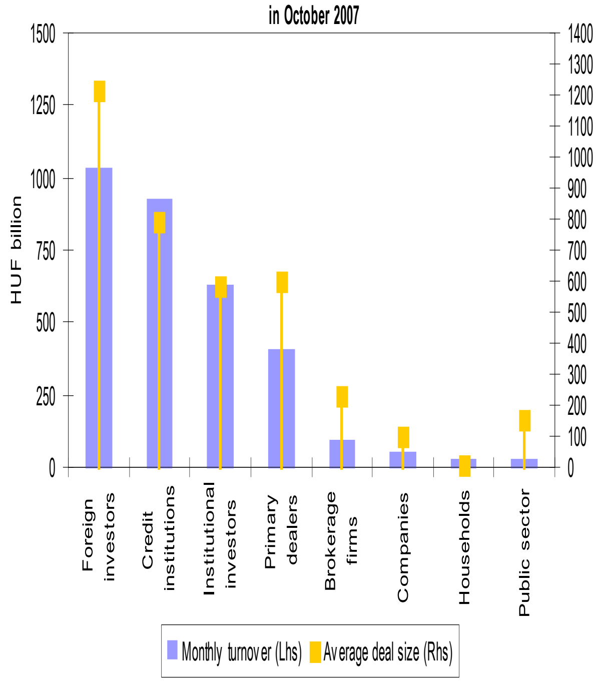
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in October 2007



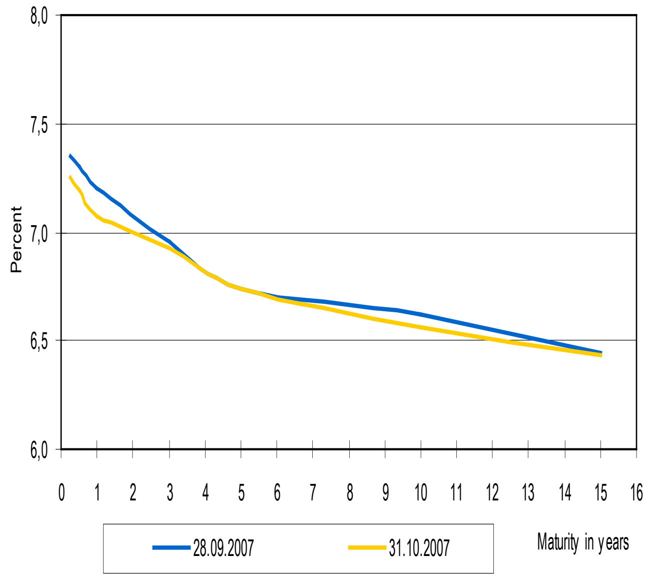
Benchmark yields in the past three months



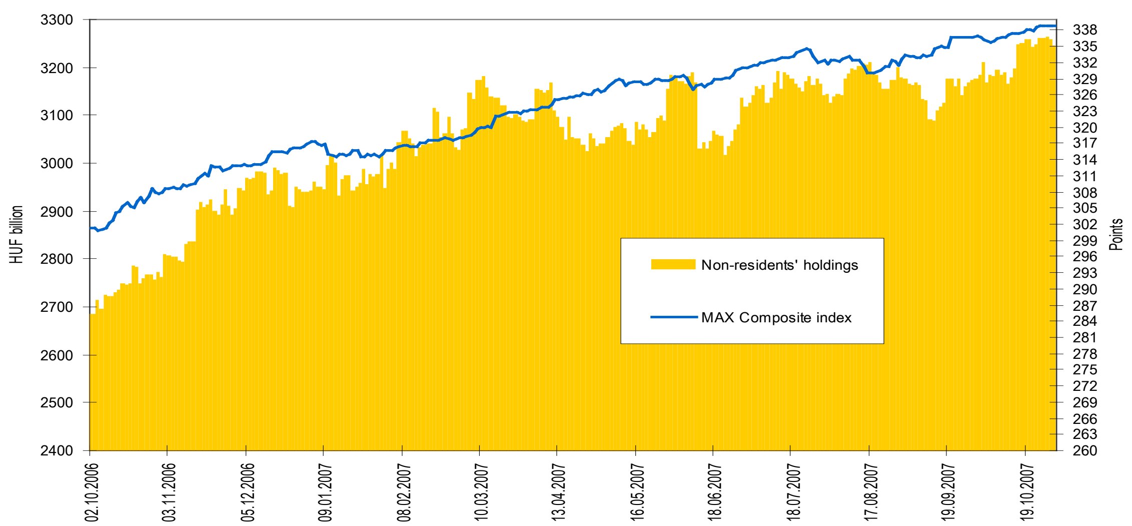
Primary dealers' trading with different investor groups in October 2007



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 OCTOBER 2007

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2026/B	19.10.2007	24.10.2007	24.04.2008	24.04.2008	7.45	7.80
2026/C	24.10.2007	24.10.2007	24.04.2008	24.04.2008	7.45	-
2008/A	19.10.2007	24.10.2007	24.01.2008	24.01.2008	7.35	-
2016/A	01.10.2007	30.09.2007	31.12.2007	02.01.2008	6.50	1.64

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 October 2007	344.4014	335.8562	338.8921	338.5418
Changes compared to the end of the month before	1.8334	2.2844	1.9052	2.4146
Annual yield earned on the index portfolio	10.46%	8.21%	10.04%	8.17%

Government securities with the highest secondary market turnover in October 2007

Government security	Date of redemption	Turnover (HUF billion)
2017/B	24.02.2017	364.5
2010/D	24.08.2010	318.6
2012/B	12.06.2012	281.1
2009/F	12.08.2009	271.6
2010/C	12.04.2010	166.3
D080312	12.03.2008	163.4
2012/C	24.10.2012	160.1
D080116	16.01.2008	102.3
20013/D	12.02.2013	101.2
D080827	27.08.2008	92.7

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

Government bond	HUF billion 28.09.2007	HUF billion 28.09.2007
2010/D	290.44	370.73
2012/C	90.03	180.07
2017/B	520.13	590.13
2023/A	100.03	125.04

PRIMARY DEALERS - AS AT 31 OCTOBER 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