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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

JANUARY 2007

The deficit of the central government amounted to HUF 196.1 billion in January 2007. The prefinancing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 0.9 billion. The total net financing requirement of HUF 197 billion was met by a net issuance of HUF 158.5 billion (ca. EUR 0.6 billion) out of which net domestic currency issuance was HUF 162.1 billion and net foreign exchange issuance totalled HUF –3.6 billion.

The HUF denominated debt of the central government increased by HUF 159.3 billion in January (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 82.0 billion, discount Treasury bills for HUF 79.9 billion, while retail government securities decrease accounted for HUF 2.6 billion. The stock of domestic loans remained unchanged.

The foreign currency debt of the central government increased by HUF 90.2 billion in the month. The redemptions of foreign currency loans decreased it by HUF 3.6 billion. Exchange rate gains of HUF 93.8 billion increased the HUF value of the foreign currency debt compared to the end of last year.

Secondary market yields increased on all maturities in January. The 1-year yield rose to 8.20% by 22 basis points, the 3-year yield increased by 37 bps and amounted to 7.96%, the 10-year benchmark yield reached 7.05% at the end of January after increasing by 34 basis points.

Monthly OTC turnover of government securities was 64% higher in January than a month before and reached HUF 4,225.2 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 44% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 78.0 in January, and amounted to HUF 3,015.9 billion at the end of the month. This volume represented 31.1% of the total amount of domestic government bonds and discount Treasury bills.

The EUR/HUF exchange rate according to the Hungarian National Bank was 258.04 at the last working day of January.

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).

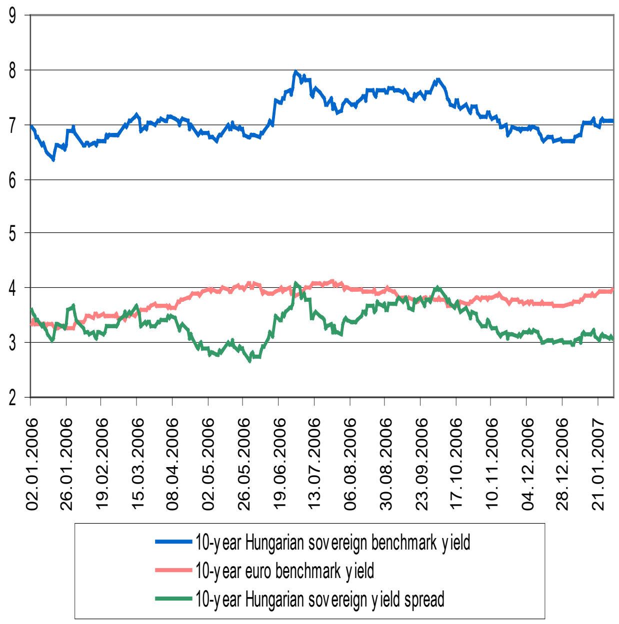
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

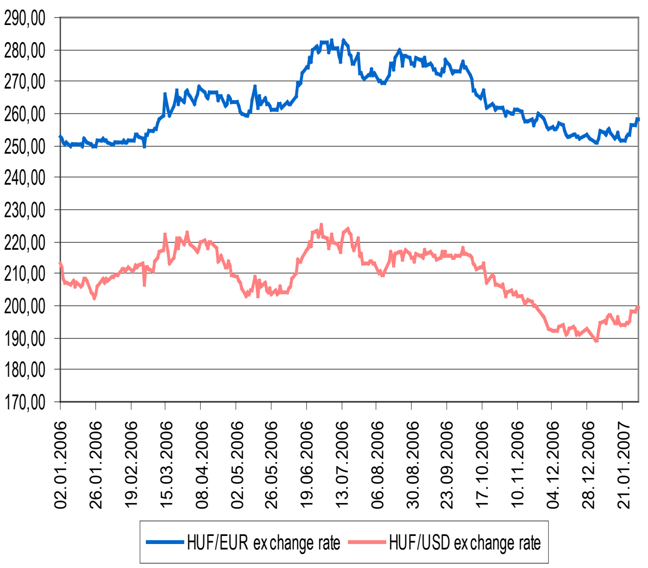
	2000	2001	2002	2003	2004	2005	Nov 2006	Dec 2006	Jan 2007
1. Forint denominated debt	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	10,205.5	10,552.3	10,711.6
1.1. Loans	303.8	228.3	353.2	117.9	4.7	0.8	0.8	356.4	356.4
1.2. Government securities	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	10,204.7	10,195.9	10,355.2
1.2.1. Public issues	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,671.5	9,667.5	9,826.8
1.2.1.1. Bonds	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	7,076.3	7,244.2	7,326.2
1.2.1.2. Discount T-bills	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,530.9	1,924.8	1,755.9	1,835.8
1.2.1.3. Retail securities	523.3	544.7	560.3	533.5	628.4	588.7	670.4	667.4	664.8
1.2.2. Private placements	831.3	809.1	777.4	759.3	743.6	733.9	533.2	528.4	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	4,211.6	4,124.4	4,214.6
2.1. Loans	1,772.8	1,410.4	1,394.3	1,084.1	916.8	720.6	823.2	803.7	818.3
2.1.1. Foreign loans	368.8	317.8	461.9	598.8	528.9	616.9	718.2	700.1	712.4
2.1.2. Domestic loans	1,404.0	1,092.6	932.3	485.3	387.8	103.8	105.1	103.6	105.9
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	97.3	95.9	98.1
2.1.2.2. Other loans	0.0	0.0	82.8	18.8	32.2	7.7	7.8	7.7	7.9
2.2. Government securities	736.0	911.7	873.0	1,494.9	2,066.8	2,870.1	3,388.4	3,320.7	3,396.2
2.2.1. Issued abroad	715.7	911.7	873.0	1,494.9	2,066.8	2,870.1	3,388.4	3,320.7	3,396.2
2.2.1.1. Foreign currency bonds	715.4	911.5	872.9	1,494.7	2,066.7	2,870.0	3,888.3	3,320.6	3,396.2
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	14,417.1	14,676.7	14,926.2
Other liabilities						21.4	6.1	29.0	24.7
Total central government debt						12,765.6	14,423.3	14,705.7	14,950.8
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*	*9,534.3*	*9,528.4*	*9,690.4*
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.

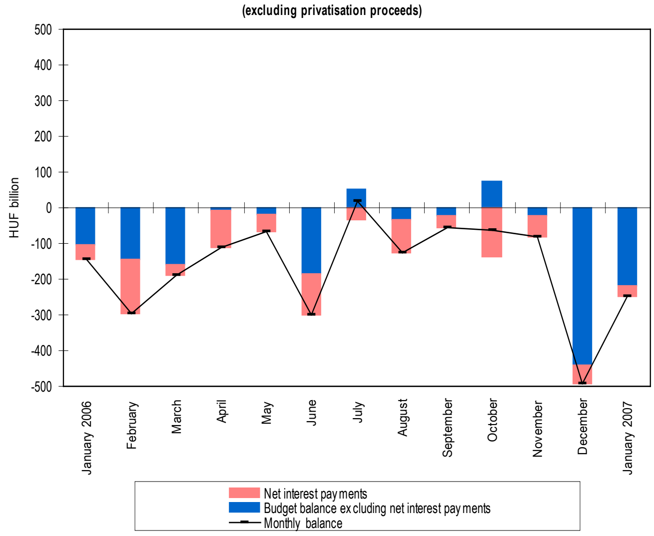
10-year Hungarian and eurozone benchmark yields during the last year



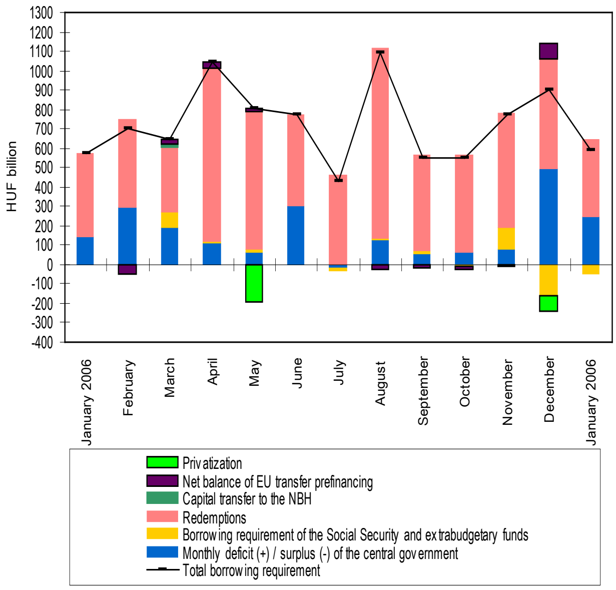
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

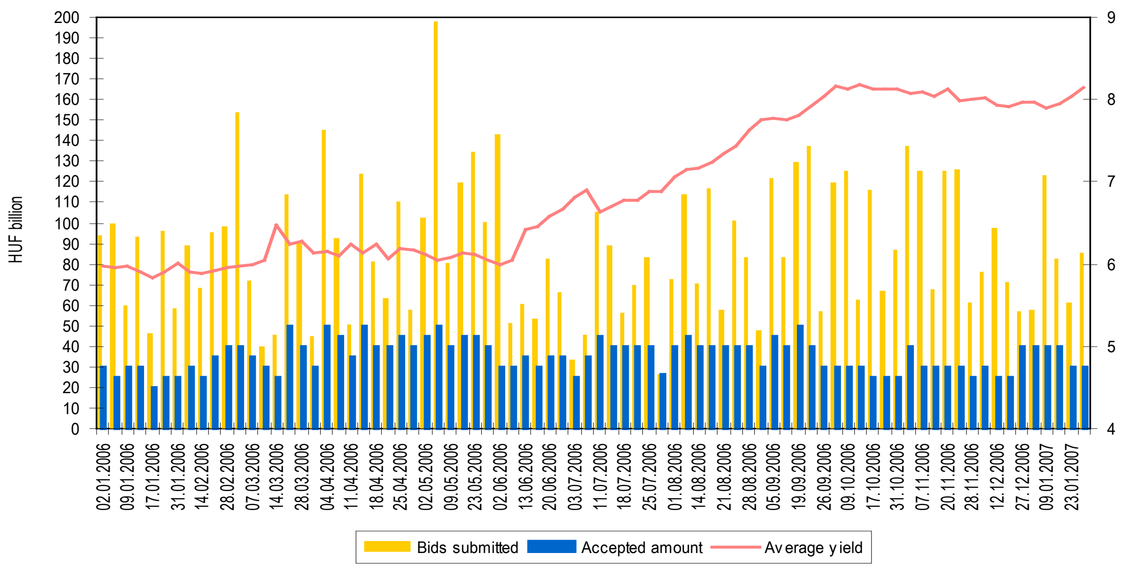


DISCOUNT TREASURY BILL AUCTION RESULTS

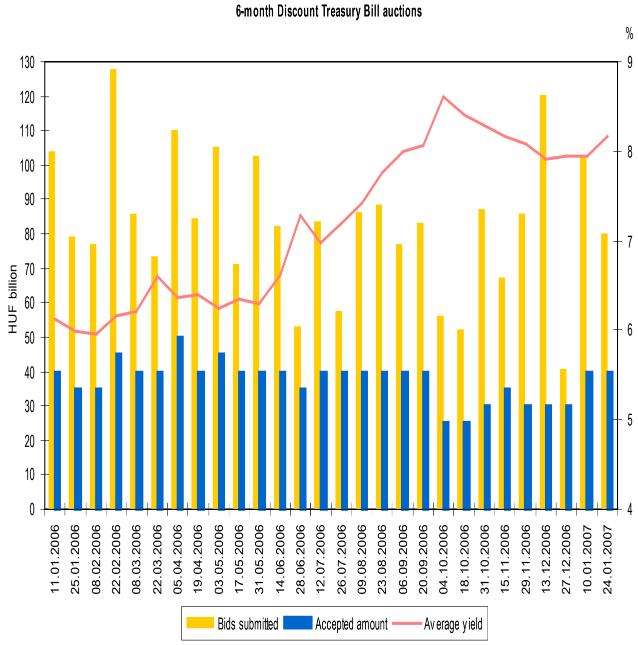
	3-month Discount T-bills					6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D070411	D070418	D070425	D070502	D070509	D070704	D070704	D080116	D080116
ISIN code	HU0000516125	HU0000516133	HU0000516158	HU0000516166	HU0000516026	HU0000516109	HU0000516109	HU0000516141	HU0000516141
Maturity in days	91	91	91	91	91	168	154	364	350
Date of auction	02.01.2007	09.01.2007	16.01.2007	23.01.2007	30.01.2007	10.01.2007	24.01.2007	11.01.2007	25.01.2007
Date of financial settlement	10.01.2007	17.01.2007	24.01.2007	31.01.2007	07.02.2007	17.01.2007	31.01.2007	17.01.2007	31.01.2007
Redemption date	11.04.2007	18.04.2007	25.04.2007	02.05.2007	09.05.2007	04.07.2007	04.07.2007	16.01.2008	16.01.2008
Maximum yield, (%) - ISMA	8.00	7.91	7.98	8.06	8.15	7.97	8.20	7.97	8.18
Minimum yield (%) - ISMA	7.81	7.81	7.85	7.90	8.05	7.71	8.14	7.76	8.05
Average yield (%) - ISMA	7.97	7.89	7.95	8.03	8.14	7.94	8.17	7.93	8.16
Maximum yield, (%) - EHM	8.11	8.02	8.09	8.17	8.26	8.08	8.31	8.08	8.29
Minimum yield (%) - EHM	7.92	7.92	7.96	8.01	8.16	7.82	8.25	7.87	8.16
Average yield (%) - EHM	8.08	8.00	8.06	8.14	8.25	8.05	8.28	8.04	8.27
Average selling price (%)	98.0251	98.0446	98.0300	98.0106	97.9839	96.4271	96.6231	92.5771	92.6498
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	30,000.00	30,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	57,818.33	123,396.52	82,528.25	61,387.19	85,751.69	101,965.97	79,871.64	69,702.42	105,103.09
Amount of bids accepted (HUF million)	39,999.84	39,999.93	39,999.99	29,999.95	29,999.93	39,999.90	39,999.98	39,999.98	39,999.86
Bid-to-cover ratio	1.45	3.08	2.06	2.05	2.86	2.55	2.00	1.74	2.63
Bids submitted (pcs)	114	151	121	120	112	138	111	137	143
Bids accepted (pcs)	93	66	83	51	38	73	84	116	76
Market sales* (HUF million)	39,999.84	39,999.93	39,999.99	29,999.95	29,999.93	39,999.90	39,999.98	39,999.98	39,999.86
Retained on ÁKK's own account (HUF m.)	4,000.16	4,000.07	4,000.01	3,000.05	3,000.07	8,000.10	8,000.02	12,000.02	8,000.14
Total amount issued (HUF million)	44,000.00	44,000.00	44,000.00	33,000.00	33,000.00	48,000.00	48,000.00	52,000.00	48,000.00

*Without issuance onto ÁKK's own account

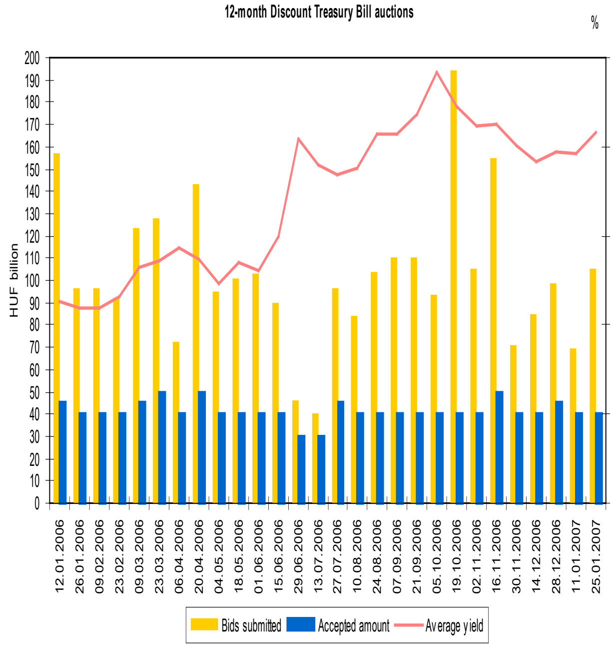
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions

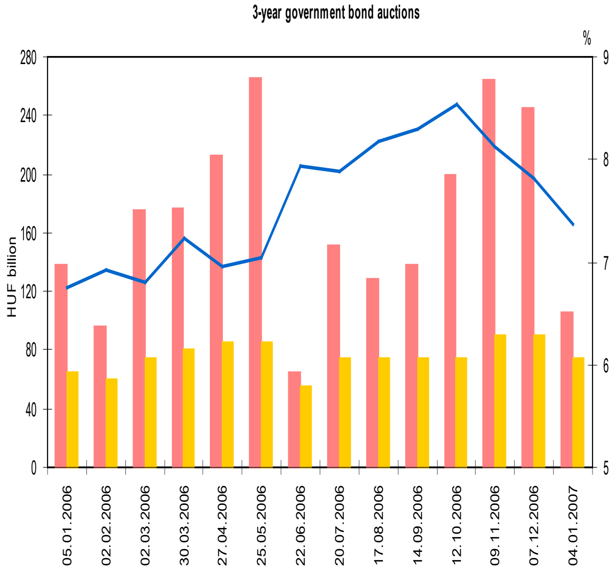


GOVERNMENT BOND AUCTION RESULTS

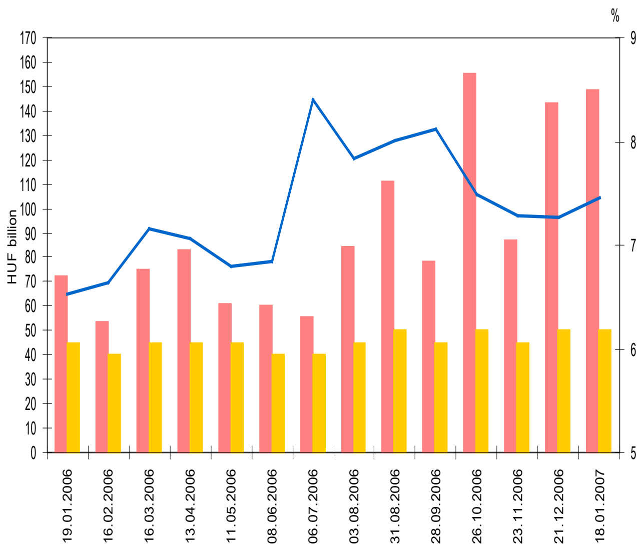
Government Bond	2010/C	2023/A	2012/B	2017/B
ISIN code	HU0000402391	HU0000402383	HU0000402367	HU0000402375
Maturity (in years)	3	15	5	10
Coupon (%)	6.75%	6.00%	7.25%	6.75%
Auction	1st auction	1st auction	5th auction	5th auction
Date of auction	04.01.2007	04.01.2007	18.01.2007	18.01.2007
Date of financial settlement	10.01.2007	10.01.2007	24.01.2007	24.01.2007
Redemption date	12.04.2010	24.11.2023	12.06.2012	24.02.2017
Maximum annual yield (%) - ISMA	7.40	6.40	7.48	7.08
Minimum annual yield (%) - ISMA	7.31	6.34	7.44	7.05
Average annual yield (%) - ISMA	7.37	6.39	7.46	7.07
Maximum annual yield (%) - EHM	7.39	6.40	7.47	7.07
Minimum annual yield (%) - EHM	7.30	6.34	7.43	7.04
Average annual yield (%) - EHM	7.36	6.38	7.45	7.06
Maximum price (%)	98.4719	96.5605	99.1857	97.8866
Minimum price (%)	98.2231	95.9669	99.0146	97.6784
Average price (%)	98.3073	96.0933	99.1136	97.7662
Amount offered for sale (HUF million)	75,000.00	20,000.00	45,000.00	40,000.00
Amount of bids submitted (HUF million)	105,700.00	62,385.00	148,410.00	96,390.00
Amount of bids accepted (HUF million)	74,999.93	24,999.88	49,999.92	39,999.87
Bid-to-cover ratio	1.41	2.50	2.97	2.41
Bids submitted (pcs)	124	112	113	102
Bids accepted (pcs)	101	63	64	48
Tail (average price - minimum price)	0.08	0.13	0.10	0.09
Market sales* (HUF million)	74,999.93	24,999.88	49,999.92	39,999.87
Retained on ÁKK's own account (HUF million)	22,500.07	7,500.12	0.08	6,000.13
Total amount issued (HUF million)	97,500.00	32,500.00	50,000.00	46,000.00

*Without issuance onto ÁKK's own account

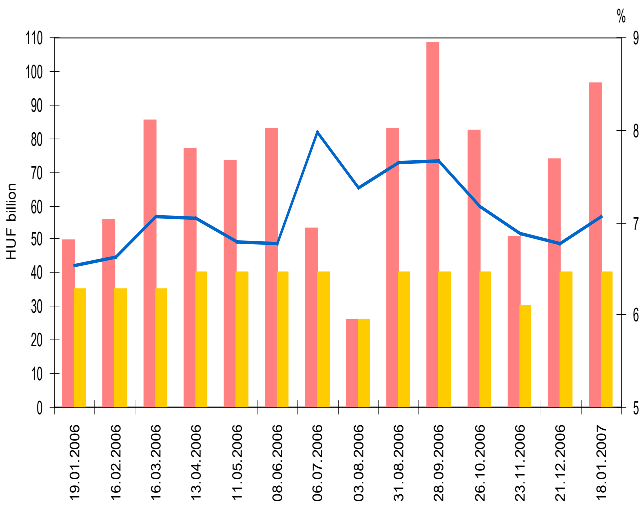
3-year government bond auctions



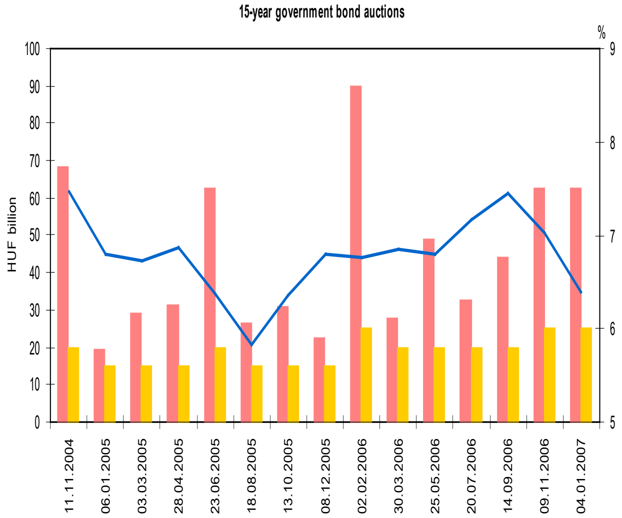
5-year government bond auctions



10-year government bond auctions



15-year government bond auctions

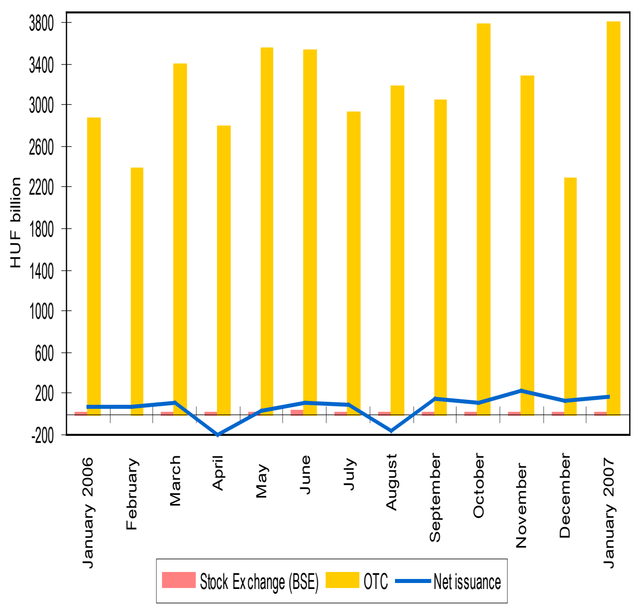


Bids submitted | Accepted amount | Average yield

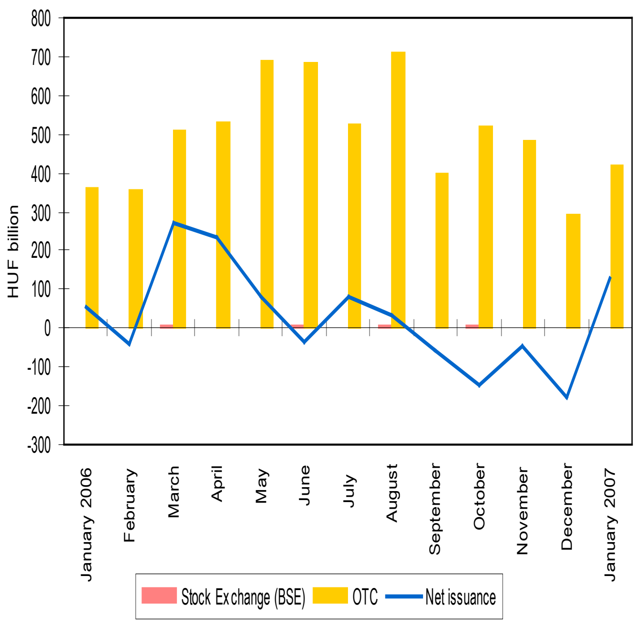
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	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	03.01.2007	03.01.2007	17.01.2007	17.01.2007
Date of financial settlement	10.01.2007	10.01.2007	24.01.2007	24.01.2007
Redemption date	12.06.2007	12.04.2007	12.06.2007	12.04.2007
Minimum annual yield (%)	8.00	8.05	8.00	8.05
Average annual yield (%)	8.00	8.05	8.08	8.10
Amount of bids submitted (HUF million)	1,049.00	4,770.00	9,568.61	7,818.92
Amount of bids accepted (HUF million)	900.00	4,200.00	9,367.85	7,217.42

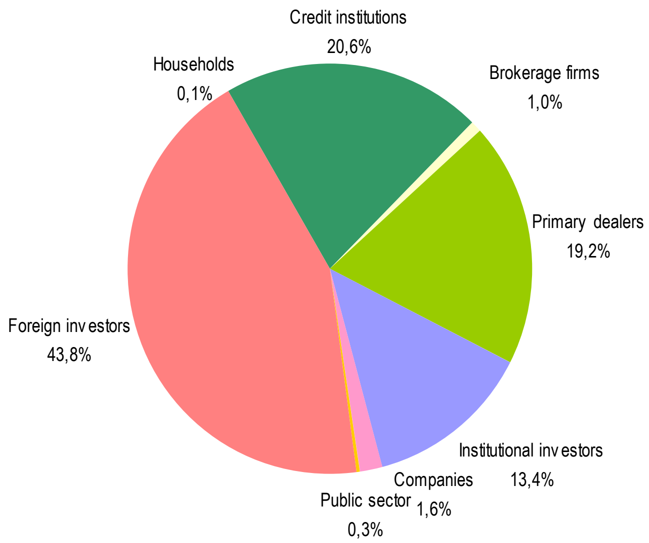
Secondary market trading of government bonds



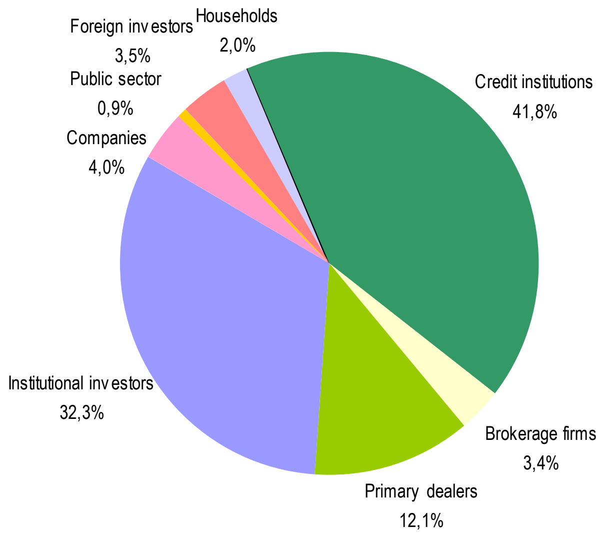
Secondary market trading of Discount Treasury Bills

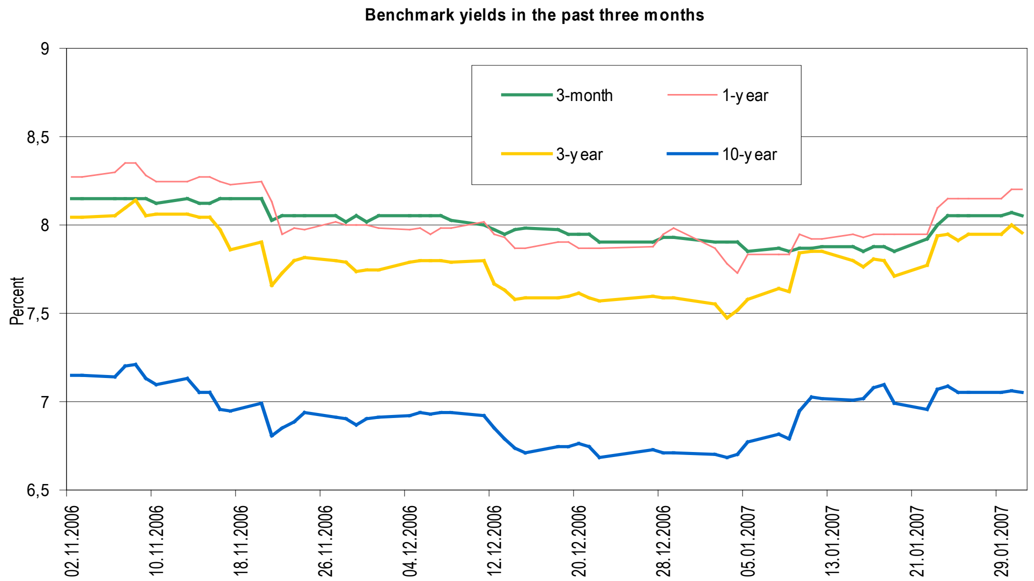


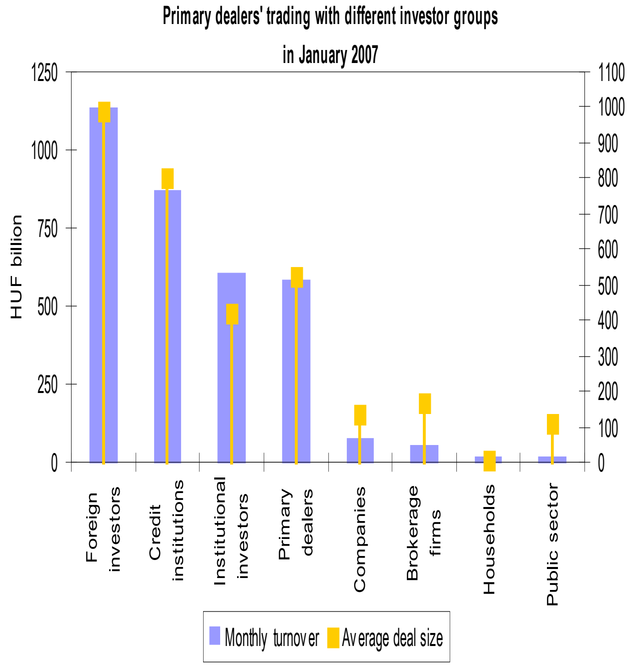
Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in January 2007

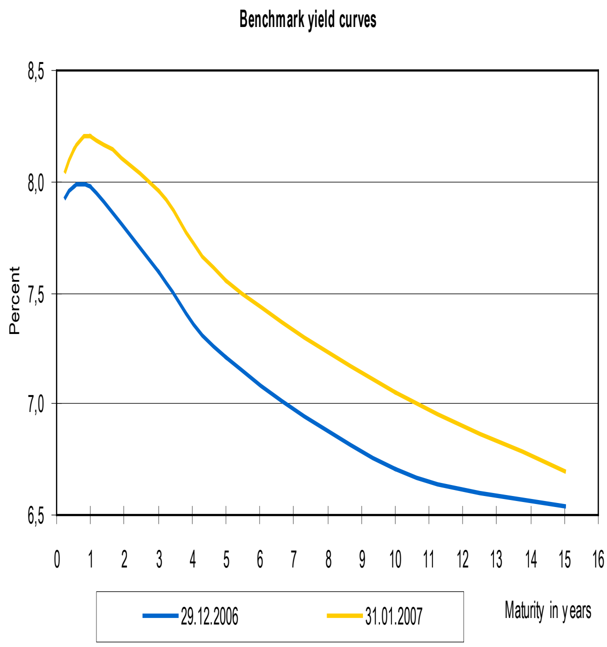


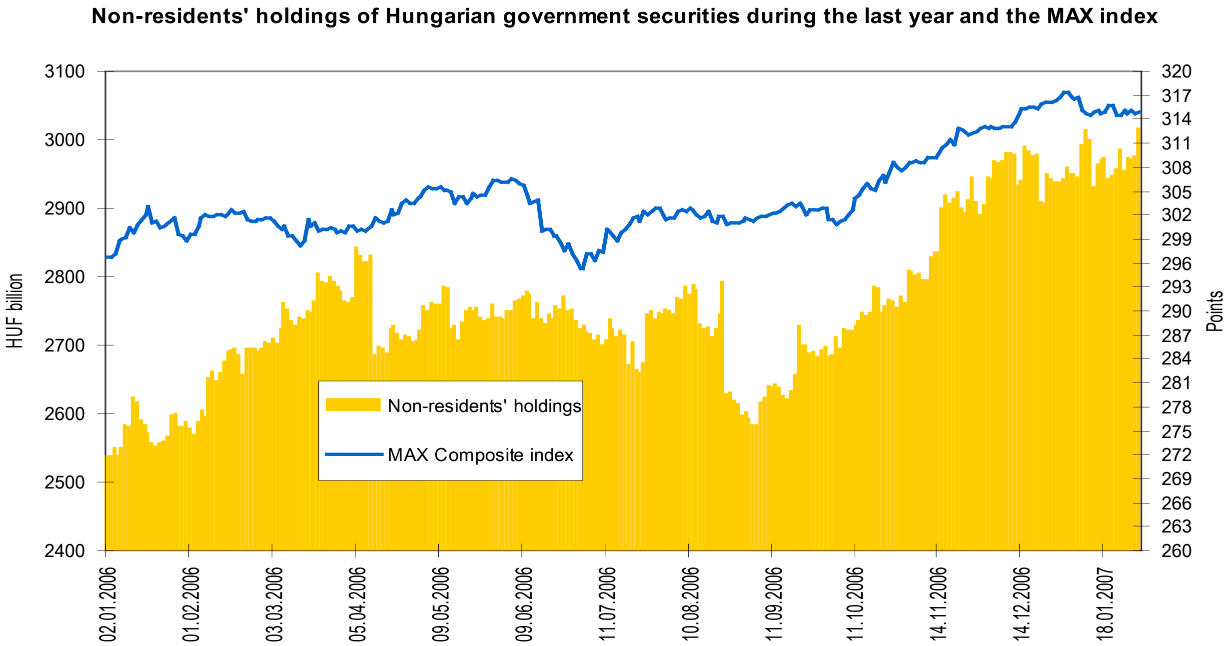
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in January 2007




Benchmark yields in the past three months
3-month
1-year
3-year
10-year
Percent


Primary dealers' trading with different investor groups in January 2007
HUF billion
HUF million
Foreign investors
Credit institutions
Institutional investors
Primary dealers
Companies
Brokerage firms
Households
Public sector
Monthly turnover
Average deal size


Benchmark yield curves
Percent
29.12.2006
31.01.2007
Maturity in years


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

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JANUARY 2007

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2008/A	23.01.2007	24.01.2007	24.04.2007	24.04.2007	7.93	4.07

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 January 2007	319.2717	316.5777	314.9655	319.2699
Changes compared to the end of the month before	-2.1464	1.5170	-1.4595	1.9418
Annual yield earned on the index portfolio	5.38%	6.49%	5.42%	7.00%

Government securities with the highest secondary market turnover in January 2007

Government security	Date of redemption	Turnover (HUF billion)
2016/C	12.02.2016	327.2
2011/B	12.10.2011	266.4
2009/F	12.08.2009	242.9
2012/B	12.06.2012	205.2
D071121	21.11.2007	199.4
2017/B	24.02.2017	185.3
2009/E	24.04.2009	157.8
2015/A	12.02.2015	135.1
2010/C	12.04.2010	108.4
D070704	04.07.2007	97.9

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

	HUF billion	
Government bond	31.12.2006	31.01.2007
2009/F	537.64	537.65
2012/B	190.05	240.06
2017/B	150.01	190.01
2020/A	325.68	325.68

PRIMARY DEALERS - AS AT 31 JANUARY 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.
HVB Bank Hungary Zrt.		the branch network of the Hungarian State Treasury