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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

OCTOBER 2006

The deficit of the central government amounted to HUF 1,510 billion in the first ten months of 2006. The net prefinancing of cash transfers from the EU's EAGGF fund decreased the net borrowing requirement by HUF 31 billion, however, the capital transfer to the National Bank of Hungary (NBH) increased the financing needs by HUF 15 billion. Total net funding need was however decreased by privatisation revenues of HUF 190 billion. The total net financing requirement of HUF 1,304 billion (ca. EUR 5 billion) was met by a net issuance of HUF 1,446 billion (ca. EUR 5.5 billion) out of which net domestic currency issuance was HUF 861 billion (ca. EUR 3.3 billion) and net foreign exchange issuance totalled HUF 586 billion (ca. EUR 2.2 billion).

The domestic debt of the central government increased by HUF 861 billion until the end of October. Out of the increase in domestic debt, marketable government bonds accounted for HUF 518 billion, discount Treasury bills for HUF 457 billion and retail government securities for HUF 87 billion. The stock of non-marketable bonds decreased by HUF 201 billion.

The foreign currency debt of the central government increased by HUF 722 billion in the first ten months of the year. 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 187 billion and that of foreign currency loans reached HUF 15 billion. Exchange rate losses of HUF 136 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of October 2006, 68.3% of the domestic government securities were fixed rate, 31.7% floating rate securities, compared to 69.0% and 31.0% at the end of 2005, which means that the proportion of fixed rate securities decreased due to the rise in the stock of discount Treasury bills.

Secondary market yields with the exception of the 3- and 6-month yields decreased in October. In the secondary market, short-term yields increased by 5-15 basis points compared to the end of September. The 3-year yield decreased by 51 basis points and amounted to 8,04%, the 10-year benchmark yield decreased by 38 basis points and amounted to 7.22%

Monthly OTC turnover of government securities was 25% higher in October than a month before and reached HUF 4,305 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 33% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 64 billion in October, and amounted to HUF 2,761 billion at the end of the month. This volume represented 29.6% of the total amount of domestic government bonds and discount Treasury bills.

The HUF/EUR mid exchange rate at the end of October 2006 was 261.97.

The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows:BBB+ (Standard & Poor's); A1 (Moody's); BBB+ (Fitch).

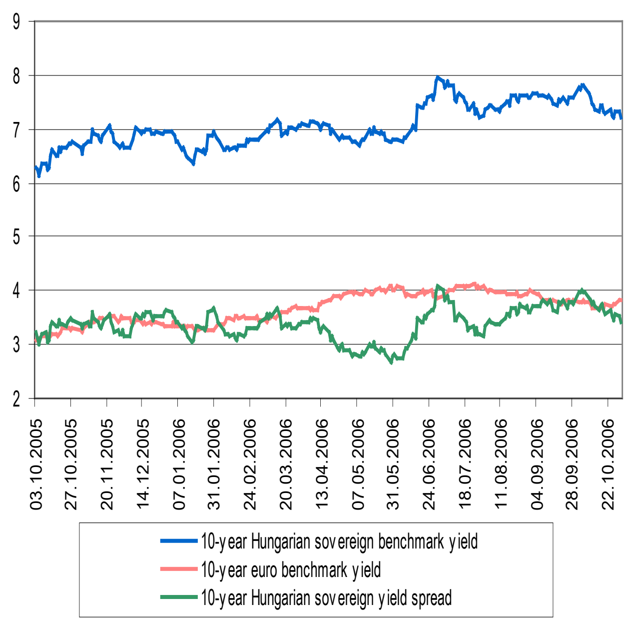
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

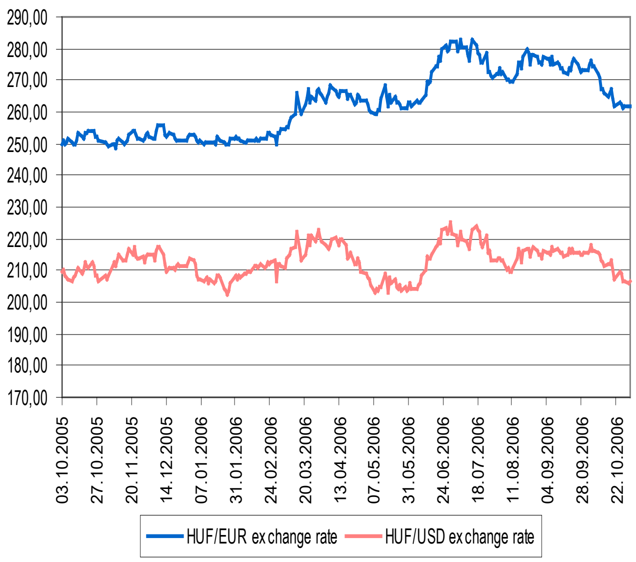
	2000	2001	2002	2003	2004	2005	Aug 2006	Sep 2006	Oct 2006
1. Forint denominated debt	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	10,030.8	10,106.8	10,014.9
1.1. Loans	303.8	228.3	353.2	117.9	4.7	0.8	0.8	0.8	0.8
1.2. Government securities	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	10,030.0	10,105.9	10,014.0
1.2.1. Public issues	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,495.9	9,571.9	9,480.9
1.2.1.1. Bonds	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	6,611.7	6,753.5	6,817.0
1.2.1.2. Discount T-bills	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,530.9	2,119.5	2,145.2	1,987.8
1.2.1.3. Retail securities	523.3	544.7	560.3	533.5	628.4	588.7	664.7	673.2	676.0
1.2.2. Private placements	831.3	809.1	777.4	759.3	743.6	733.9	534.0	534.0	533.2
2. Foreign currency denominated debt*	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,377.8	4,493.7	4,312.9
2.1. Loans	1,772.8	1,410.4	1,394.3	1,084.1	916.8	720.6	878.2	873.6	845.2
2.1.1. Foreign loans	368.8	317.8	461.9	598.8	528.9	616.9	765.4	761.3	737.6
2.1.2. Domestic loans	1,404.0	1,092.6	932.3	485.3	387.8	103.8	112.8	112.3	107.6
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	104.4	104.0	99.6
2.1.2.2. Other loans	0.0	0.0	82.8	18.8	32.2	7.7	8.4	8.3	8.0
2.2. Government securities	736.0	911.7	873.0	1,494.9	2,066.8	2,870.1	3,499.6	3,620.2	3,467.7
2.2.1. Issued abroad	715.7	911.7	873.0	1,494.9	2,066.8	2,870.1	3,499.6	3,620.2	3,467.7
2.2.1.1. Foreign currency bonds	715.4	911.5	872.9	1,494.7	2,066.7	2,870.0	3,499.5	3,620.1	3,467.6
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	14,408.6	14,600.5	14,327.7
Mark-to-market deposits placed at ÁKK Rt.						21,4	6,6	6,6	6,28
Total central government debt						12,765.6	14,415.2	14,607.1	14,334.0
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*	*9,365.2*	*9,432.7*	*9,338.0*
Gross debt/GDP	*54.4%*	*51.5%*	*54.5%*	*56.8%*	*56.7%*	*58.6%*			

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

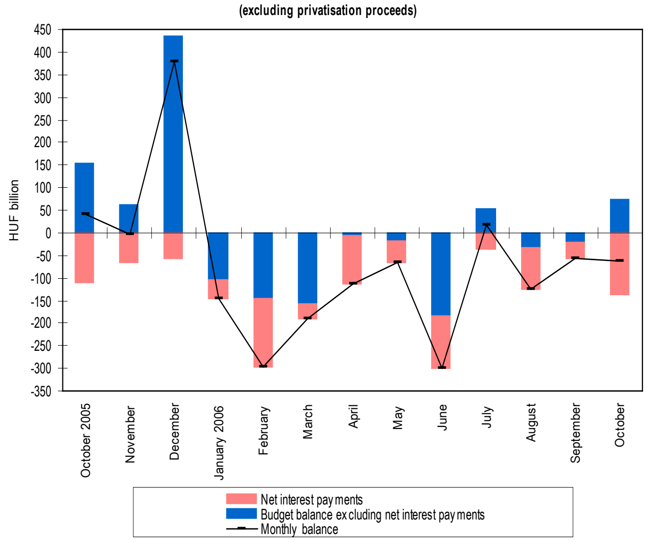
10-year Hungarian and eurozone benchmark yields during the last year



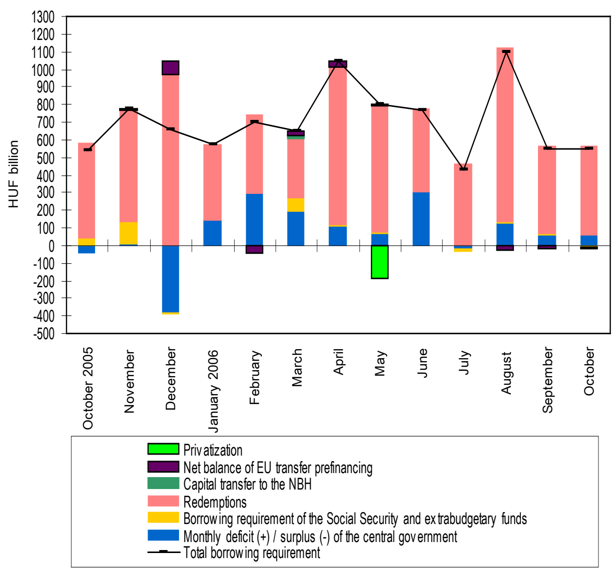
The exchange rate of the Hungarian Forint during the last year



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



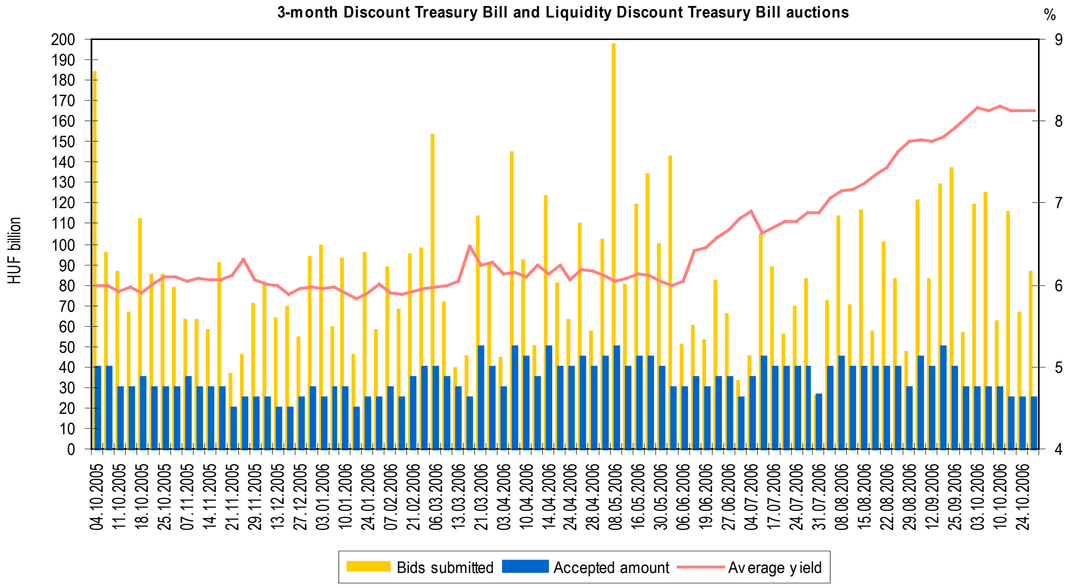
Gross borrowing requirement

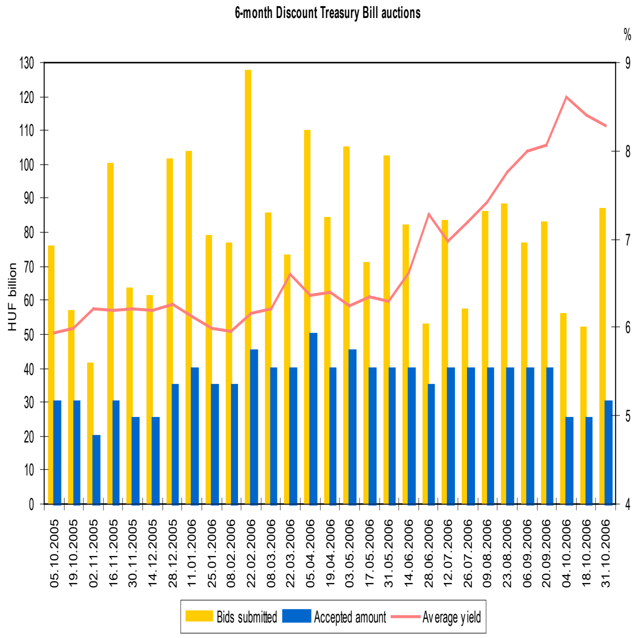


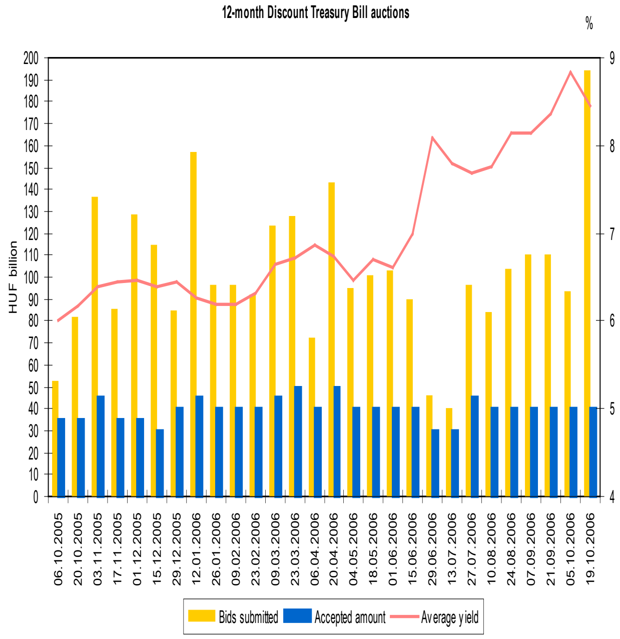
DISCOUNT TREASURY BILL AUCTION RESULTS

	Liquidity Discount T-Bills	3-month Discount T-bills					6-month Discount T-bills			12-month Discount T-bills	
Code of T-bills	D061206	D070110	D070117	D070124	D070131	D070207	D070314	D070509	D070509	D070926	D070926
ISIN code	HU0000515945	HU0000516000	HU0000515861	HU0000516018	HU0000516034	HU0000516042	HU0000515937	HU0000516026	HU0000516026	HU0000515978	HU0000515978
Maturity in days	56	91	91	91	90	91	154	196	182	350	336
Date of auction	09.10.2006	03.10.2006	10.10.2006	17.10.2006	24.10.2006	31.10.2006	04.10.2006	18.10.2006	31.10.2006	05.10.2006	19.10.2006
Date of financial settlement	11.10.2006	11.10.2006	18.10.2006	25.10.2006	02.11.2006	08.11.2006	11.10.2006	25.10.2006	08.11.2006	11.10.2006	25.10.2006
Redemption date	06.12.2006	10.01.2007	17.01.2006	24.01.2007	31.01.2007	07.02.2007	14.03.2007	09.05.2007	09.05.2007	26.09.2007	26.09.2007
Maximum yield, (%) - ISMA	8.14	8.18	8.22	8.15	8.20	8.13	8.70	8.43	8.33	8.88	8.46
Minimum yield (%) - ISMA	8.05	8.10	8.12	8.08	7.90	7.88	8.40	8.35	8.00	8.70	8.44
Average yield (%) - ISMA	8.13	8.16	8.17	8.13	8.13	8.12	8.62	8.41	8.29	8.84	8.46
Maximum yield, (%) - EHM	8.25	8.29	8.33	8.26	8.31	8.24	8.82	8.55	8.45	9.00	8.58
Minimum yield (%) - EHM	8.16	8.21	8.23	8.19	8.01	7.99	8.52	8.47	8.11	8.82	8.56
Average yield (%) - EHM	8.24	8.27	8.28	8.24	8.24	8.23	8.74	8.53	8.41	8.96	8.58
Average selling price (%)	98.7511	97.9790	97.9766	97.9863	98.0080	97.9887	96.4437	95.6217	95.9775	92.0857	92.6818
Amount offered for sale (HUF million)	30,000.00	30,000.00	30,000.00	25,000.00	25,000.00	25,000.00	35,000.00	25,000.00	30,000.00	40,000.00	35,000.00
Amount of bids submitted (HUF million)	125,220.00	119,585.29	62,457.30	115,957.65	66,715.32	86,656.41	56,135.30	51,967.37	87,166.00	93,689.09	194,063.32
Amount of bids accepted (HUF million)	29,999.95	29,999.93	29,999.99	24,999.95	24,999.94	24,999.94	25,000.00	24,999.97	29,999.95	39,999.93	39,999.97
Bid-to-cover ratio	4.17	3.99	2.08	4.64	2.67	3.47	2.25	2.08	2.91	2.34	4.85
Bids submitted (pcs)	130	159	115	125	101	129	82	115	104	146	174
Bids accepted (pcs)	34	40	67	42	51	31	60	63	33	81	36
Market sales* (HUF million)	29,999.95	29,999.93	29,999.99	24,999.95	24,999.94	24,999.94	25,000.00	24,999.97	29,999.95	39,999.93	39,999.97
Retained on ÁKK's own account	0.05	3,000.07	3,000.01	2,500.05	2,500.06	2,500.06	5,000.00	7,500.03	6,000.05	8,000.07	8,000.03
Total amount issued (HUF million)	30,000.00	33,000.00	33,000.00	27,500.00	27,500.00	27,500.00	30,000.00	32,500.00	36,000.00	48,000.00	48,000.00

*Without issuance onto ÁKK's own account



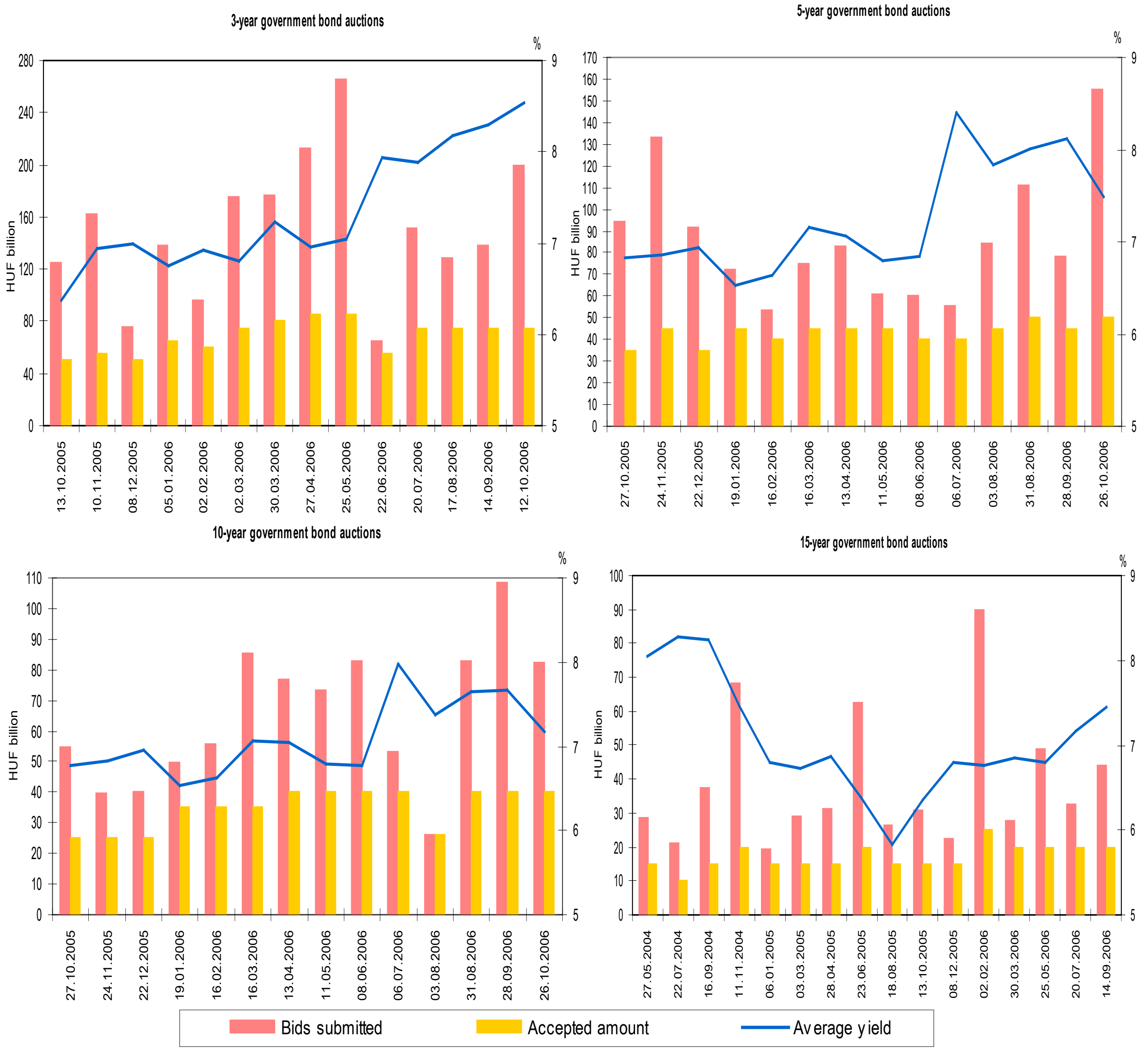




GOVERNMENT BOND AUCTION RESULTS

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	5th auction	2nd auction	2nd auction
Date of auction	12.10.2006	26.10.2006	26.10.2006
Date of financial settlement	18.10.2006	02.11.2006	02.11.2006
Redemption date	12.08.2009	12.06.2012	24.02.2017
Maximum annual yield (%) - ISMA	8.55	7.50	7.22
Minimum annual yield (%) - ISMA	8.52	7.49	7.17
Average annual yield (%) - ISMA	8.54	7.49	7.18
Maximum annual yield (%) - EHM	8.54	7.49	7.21
Minimum annual yield (%) - EHM	8.51	7.48	7.16
Average annual yield (%) - EHM	8.53	7.48	7.17
Maximum price (%)	95.0308	98.9721	97.0434
Minimum price (%)	94.9606	98.9280	96.6957
Average price (%)	94.9804	98.9649	96.9692
Amount offered for sale (HUF million)	75,000.00	45,000.00	40,000.00
Amount of bids submitted (HUF million)	199,550.00	155,450.00	82,600.00
Amount of bids accepted (HUF million)	74,999.94	49,999.98	39,999.96
Bid-to-cover ratio	2.66	3.11	2.07
Bids submitted (pcs)	144	105	97
Bids accepted (pcs)	39	17	26
Tail (average price - minimum price)	0.02	0.04	0.27
Market sales* (HUF million)	74,999.94	49,999.98	39,999.96
Retained on ÁKK's own account (HUF million)	0.06	10,000.02	8,000.04
Total amount issued (HUF million)	75,000.00	60,000.00	48,000.00

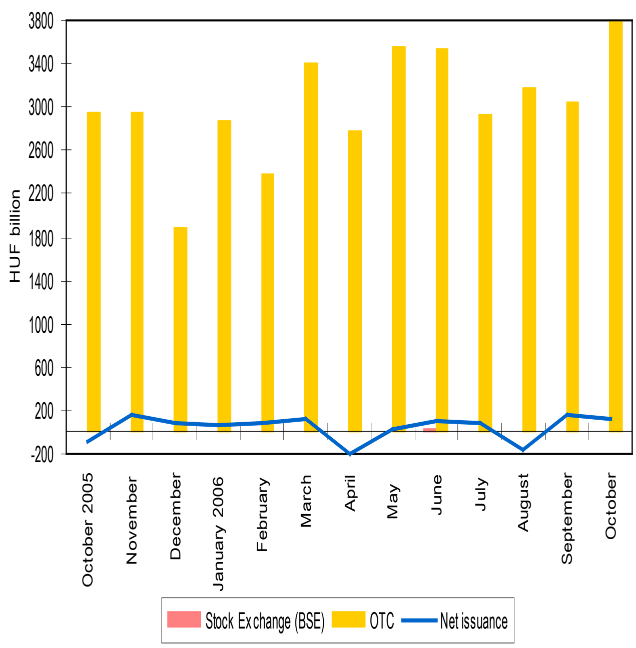
*Without issuance onto ÁKK's own account



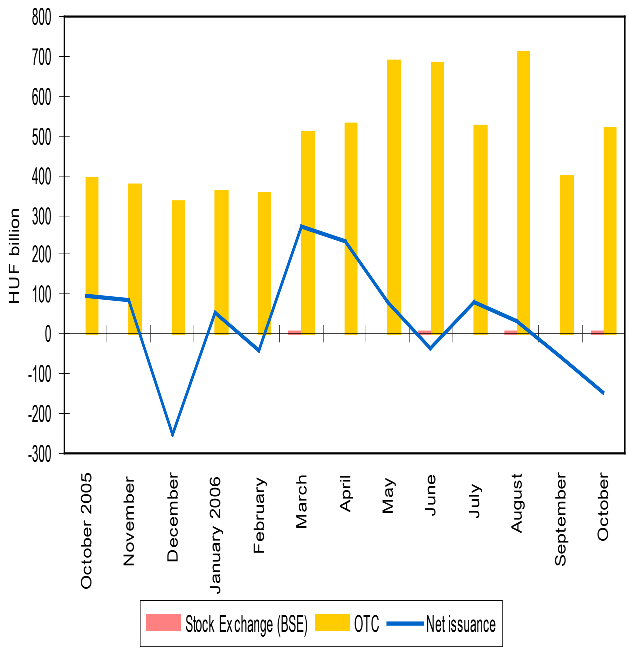
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

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	11.10.2006	11.10.2006	25.10.2006	25.10.2006
Date of financial settlement	18.10.2006	18.10.2006	02.11.2006	02.11.2006
Redemption date	12.06.2007	12.04.2007	12.06.2007	12.04.2007
Minimum annual yield (%)	8.60	8.60	8.35	8.42
Average annual yield (%)	8.61	8.61	8.35	8.42
Amount of bids submitted (HUF million)	52,374.53	29,986.45	9,606.00	6,845.00
Amount of bids accepted (HUF million)	10,445.06	5,279.45	2,000.00	2,000.00

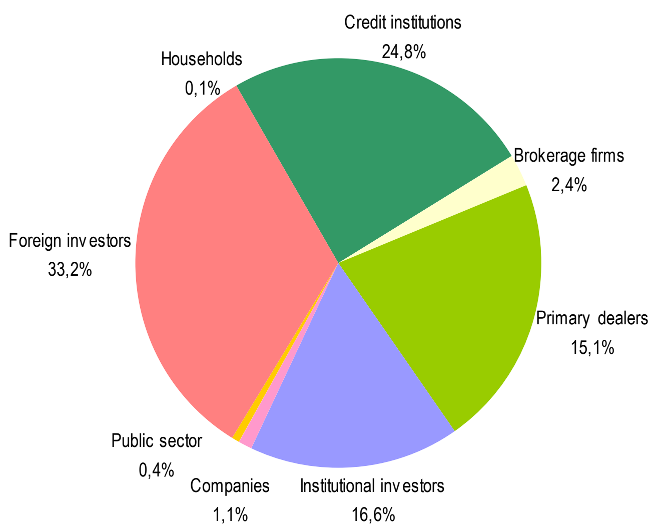
Secondary market trading of government bonds



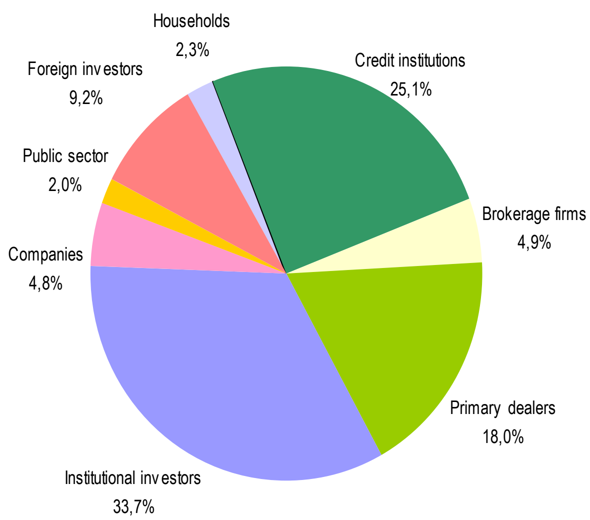
Secondary market trading of Discount Treasury Bills

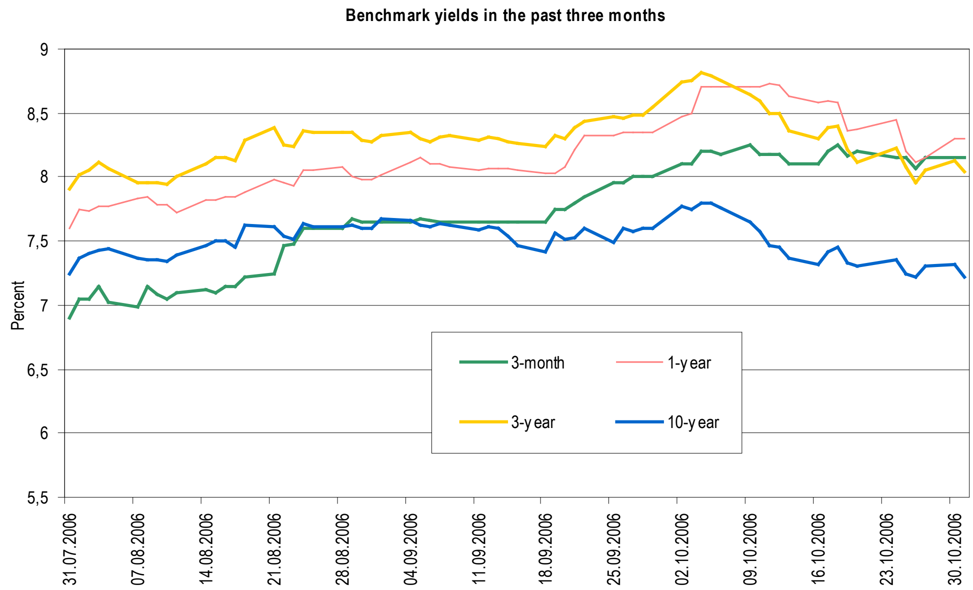


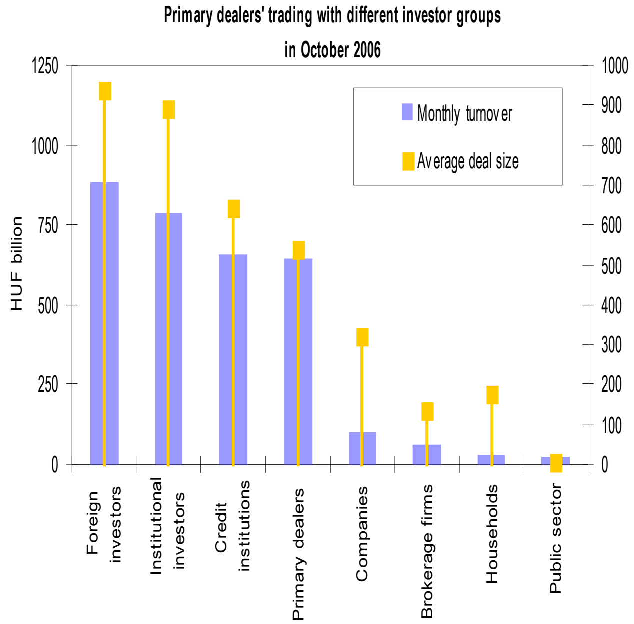
Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in October 2006

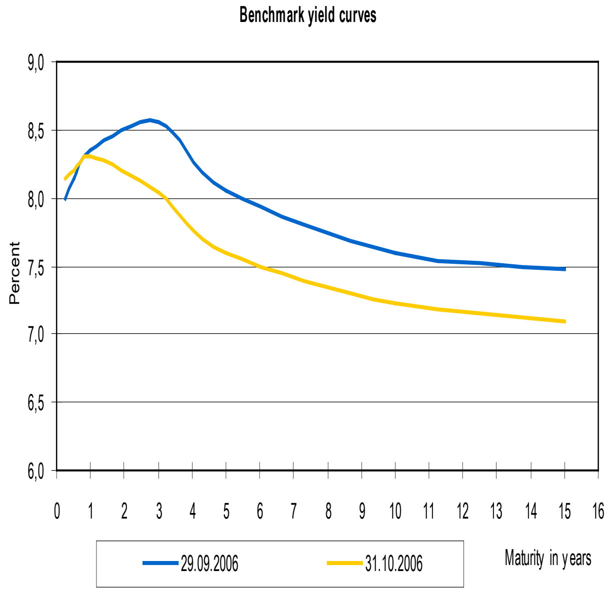


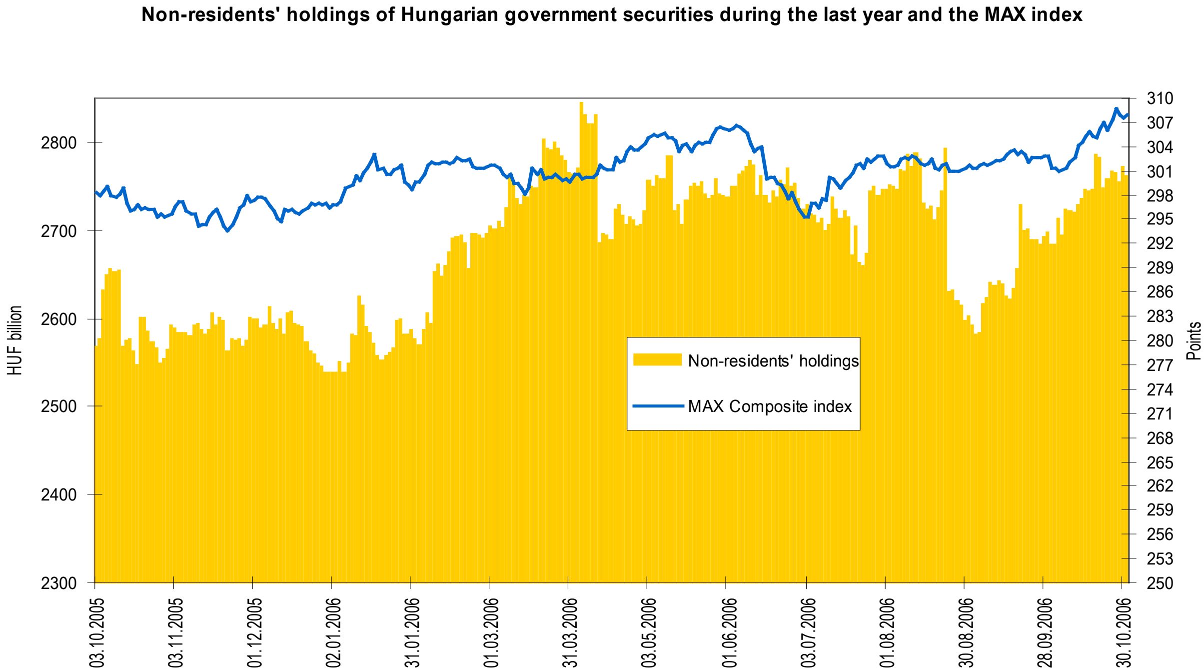
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in October 2006




Benchmark yields in the past three months
Percent
3-month
1-year
3-year
10-year
31.07.2006
07.08.2006
14.08.2006
21.08.2006
28.08.2006
04.09.2006
11.09.2006
18.09.2006
25.09.2006
02.10.2006
09.10.2006
16.10.2006
23.10.2006
30.10.2006


Primary dealers' trading with different investor groups
in October 2006
HUF billion
HUF million
Monthly turnover
Average deal size
Foreign investors
Institutional investors
Credit institutions
Primary dealers
Companies
Brokerage firms
Households
Public sector


Benchmark yield curves
Percent
29.09.2006
31.10.2006
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
03.10.2005
03.11.2005
01.12.2005
02.01.2006
31.01.2006
01.03.2006
31.03.2006
03.05.2006
01.06.2006
03.07.2006
01.08.2006
30.08.2006
28.09.2006
30.10.2006

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN OCTOBER 2006

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2026/B	20.12.2006	24.10.2006	24.04.2007	24.04.2007	7.93	7.22
2026/C	20.10.2006	24.10.2006	24.04.2007	24.04.2007	7.93	-
2008/A	20.10.2006	24.10.2006	24.04.2007	24.04.2007	8.17	-

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 October 2006	311.7961	310.3863	307.9756	312.9637
Changes compared to the end of the month before	6.0249	2.186	5.2193	2.1343
Annual yield earned on the index portfolio	3.84%	6.14%	4.21%	6.52%

Government securities with the highest secondary market turnover in October 2006

Government security	Date of redemption	Turnover (HUF billion)
2009/F	12.08.2009	531.6
2016/C	12.02.2016	419.6
2011/B	12.10.2011	238.7
2009/E	24.04.2009	202.5
2015/A	12.02.2015	199.6
D070926	26.09.2007	182.3
2008/D	24.04.2008	175.5
2007/F	12.04.2007	122.6
2007/G	12.10.2007	118.6
2020/A	12.11.2020	116.6

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

	HUF billion	
Government bond	29.09.2006	31.10.2006
2009/F	282.60	357.63
2011/B	395.79	395.80
2016/C	432.43	432.43
2020/A	300.70	300.71

PRIMARY DEALERS - AS AT 31 OCTOBER 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 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