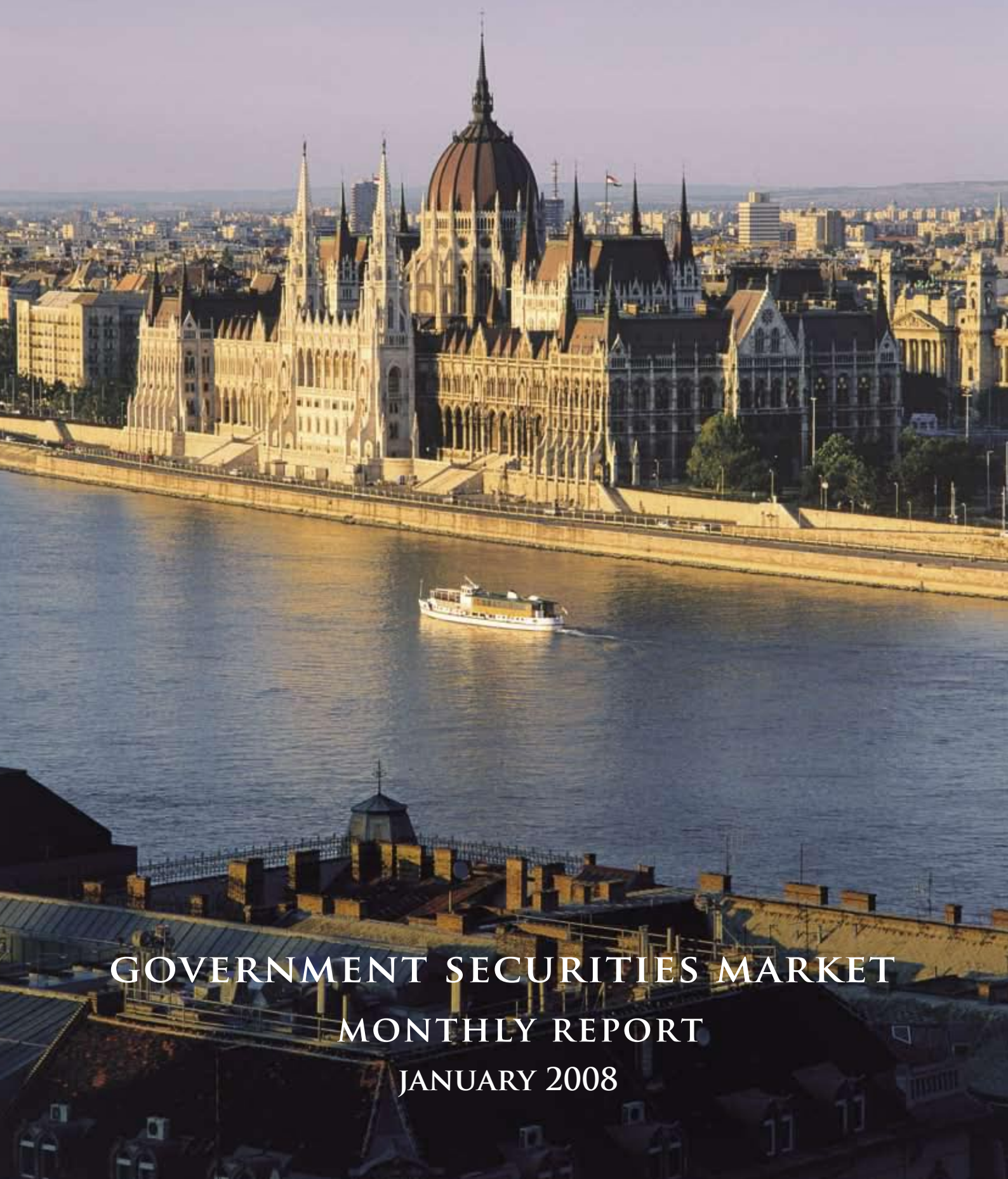




GOVERNMENT SECURITIES MARKET  
MONTHLY REPORT  
JANUARY 2008

## ■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 33.8 billion in January 2008. The prefinancing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 24.7 billion. The total net financing requirement of HUF –9,1 billion was met by a net issuance of HUF 149.2 billion (ca. EUR 0.6 billion) out of which net domestic currency issuance was HUF 173.1 billion and net foreign exchange issuance totalled HUF –23.9 billion.

The HUF denominated debt of the central government increased by HUF 173.3 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 133.3 billion, discount Treasury bills for HUF 50.7 billion, while retail government securities decreased by HUF 10.7 billion. The stock of domestic loans remained unchanged.

The foreign currency debt of the central government increased by HUF 84.8 billion in the month. The redemptions of foreign currency loans was HUF 29.3 billion, the drawdown of foreign currency denominated loans worth HUF 5.4 billion. Exchange rate losses of HUF 108.7 billion increased the HUF value of the foreign currency debt compared to the end of last year.

Short-term secondary and 3-year and 5-year yields declined by 2-5 basis points in January, while the 10-year and 15-year yields increased by 8-12 basis points. The 1-year yield decreased to 7.42% by 5 basis points, the 3-year yield decreased by 5 bps and amounted to 7.47%, the 10-year benchmark yield reached 7.20% at the end of January after increasing by 12 basis points.

Monthly OTC turnover of government securities was 48% higher in January than a month before and reached HUF 6,065.3 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 40% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 208.3 in January, and amounted to HUF 3,449.5 billion at the end of the month. This volume represented 32.6% of the total amount of domestic government bonds and discount Treasury bills.

The EUR/HUF exchange rate according to the Hungarian National Bank was 253.35 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).

# ■ GOVERNMENT SECURITIES MARKET ■

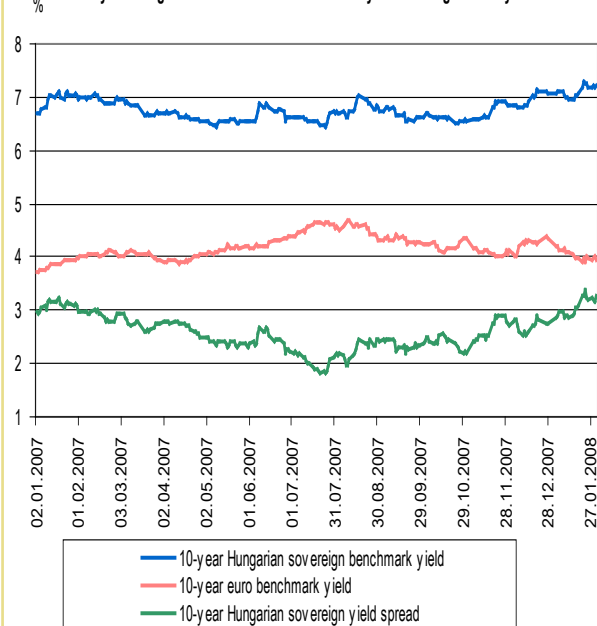
## CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

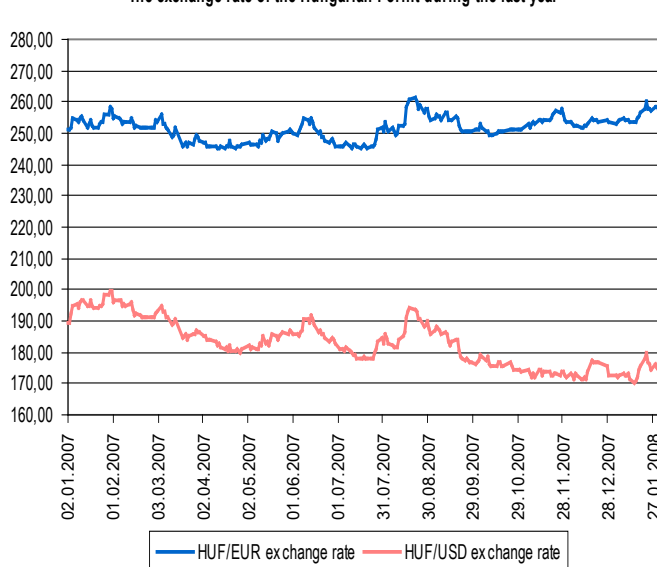
|                                                     | 2001    | 2002    | 2003     | 2004     | 2005     | 2006     | November 2007 | December 2007 | January 2008 |
|-----------------------------------------------------|---------|---------|----------|----------|----------|----------|---------------|---------------|--------------|
| 1. Forint denominated debt                          | 5,397.4 | 6,956.9 | 8,008.7  | 8,608.8  | 9,153.5  | 10,552.3 | 11,125.0      | 11,103.8      | 11,277.1     |
| 1.1. Loans                                          | 228.3   | 353.2   | 117.9    | 4.7      | 0.8      | 356.4    | 201.1         | 145.7         | 145.7        |
| 1.2. Government securities                          | 5,169.1 | 6,603.7 | 7,890.8  | 8,604.2  | 9,152.7  | 10,195.9 | 10,923.9      | 10,958.1      | 11,131.4     |
| 1.2.1. Public issues                                | 4,360.0 | 5,826.3 | 7,131.5  | 7,860.6  | 8,418.8  | 9,667.5  | 10,402.4      | 10,465.4      | 10,638.8     |
| 1.2.1.1. Bonds                                      | 2,782.0 | 3,829.2 | 5,056.5  | 5,768.9  | 6,299.1  | 7,244.2  | 8,172.5       | 8,245.3       | 8,378.7      |
| 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  | 1,665.6       | 1,664.9       | 1,715.6      |
| 1.2.1.3. Retail securities                          | 544.7   | 560.3   | 533.5    | 628.4    | 588.7    | 667.4    | 564.3         | 555.2         | 544.5        |
| 1.2.2. Private placements                           | 809.1   | 777.4   | 759.3    | 743.6    | 733.9    | 528.4    | 521.5         | 492.7         | 492.7        |
| 2. Foreign currency denominated debt*               | 2,322.1 | 2,267.3 | 2,579.0  | 2,983.5  | 3,590.7  | 4,124.4  | 4,568.2       | 4,472.6       | 4,557.4      |
| 2.1. Loans                                          | 1,410.4 | 1,394.3 | 1,084.1  | 916.8    | 720.6    | 803.7    | 940.9         | 846.5         | 843.0        |
| 2.1.1. Foreign loans                                | 317.8   | 461.9   | 598.8    | 528.9    | 616.9    | 700.1    | 836.9         | 838.8         | 835.1        |
| 2.1.2. Domestic loans                               | 1,092.6 | 932.3   | 485.3    | 387.8    | 103.8    | 103.6    | 104.0         | 104.0         | 7.9          |
| 2.1.2.1. Raised from National Bank of Hungary (NBH) | 1,092.6 | 849.6   | 466.5    | 355.7    | 96.1     | 95.9     | 96.3          | 0.0           | 0.0          |
| 2.1.2.2. Other loans                                | 0.0     | 82.8    | 18.8     | 32.2     | 7.7      | 7.7      | 7.7           | 7.7           | 7.9          |
| 2.2. Government securities                          | 911.7   | 873.0   | 1,494.9  | 2,066.8  | 2,870.1  | 3,320.7  | 3,627.3       | 3,626.1       | 3,714.4      |
| 2.2.1. Issued abroad                                | 911.5   | 872.9   | 1,494.7  | 2,066.7  | 2,870.0  | 3,320.6  | 3,627.2       | 3,626.1       | 3,714.4      |
| 2.2.1.1. Foreign currency bonds                     | 911.5   | 872.9   | 1,494.7  | 2,066.7  | 2,870.0  | 3,320.6  | 3,627.2       | 3,626.1       | 3,714.4      |
| 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 | 15,693.1      | 15,576.4      | 15,834.5     |
| Other liabilities                                   |         |         |          |          | 21.4     | 29.0     | 19.0          | 9.1           | 19.1         |
| Total central government debt                       |         |         |          |          | 12,765.6 | 14,705.7 | 15,712.1      | 15,585.5      | 15,853.6     |
| 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  | 10,359.6      | 10,402.9      | 10,586.9     |
| Gross debt/GDP                                      | 50.5%   | 53.6%   | 55.9%    | 56.0%    | 57.9%    | 61.9%    |               | 60.6%         |              |

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

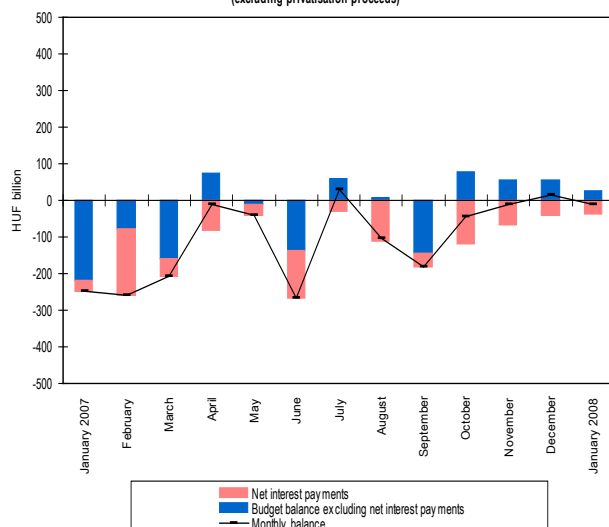
10-year Hungarian and eurozone benchmark yields during the last year



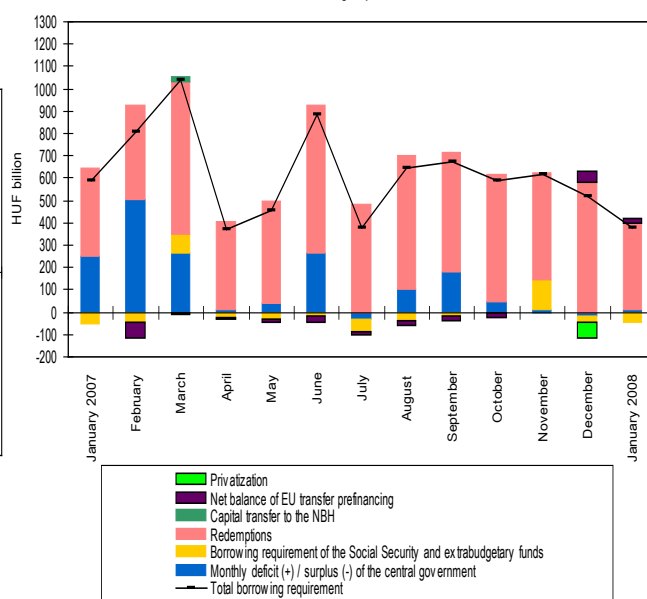
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

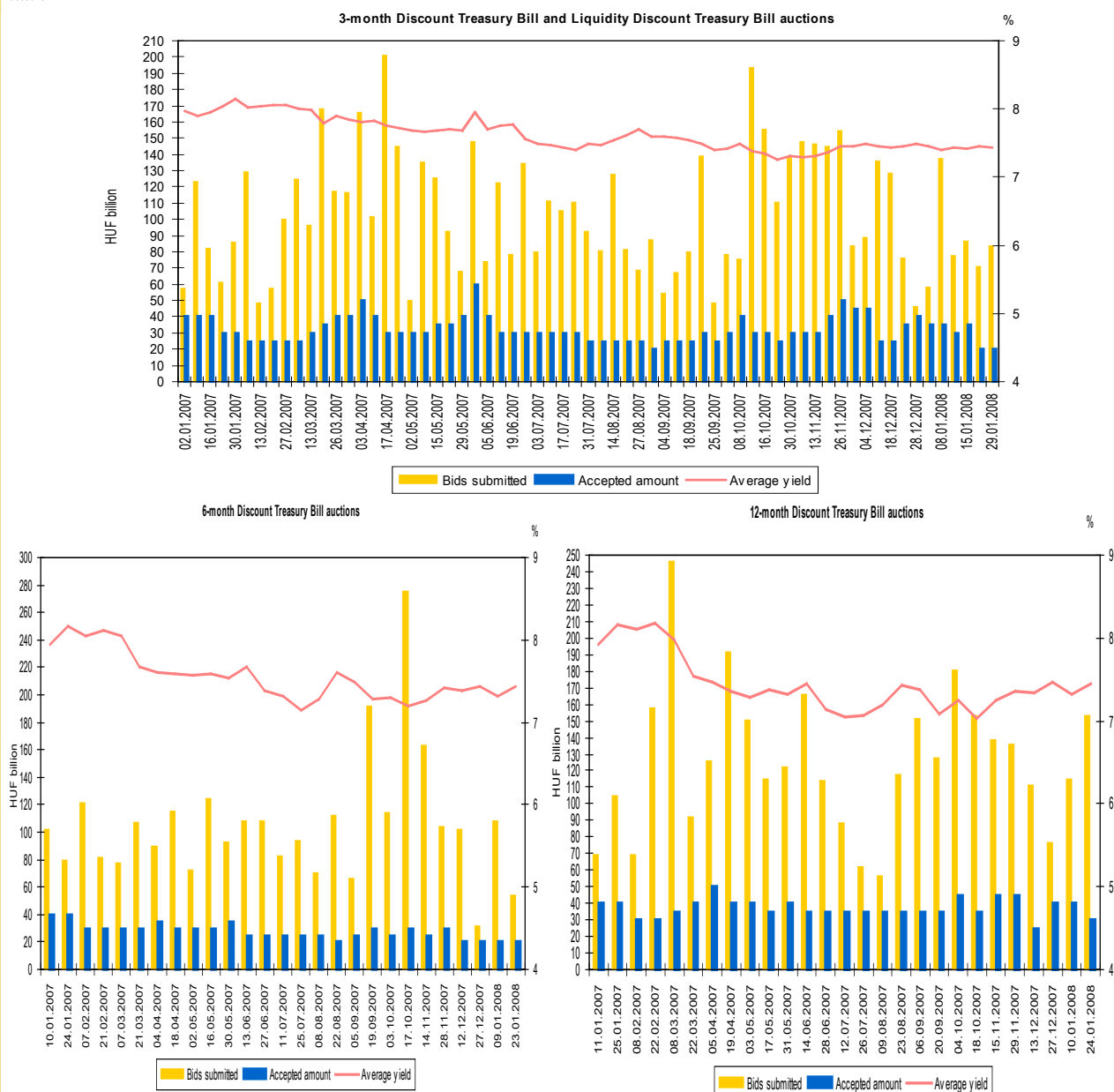


# ■ GOVERNMENT SECURITIES MARKET ■

## 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                   | D080227                    | D080409                  | D080416      | D080423      | D080430      | D080507      | D080730                  | D080730      | D081217                   | D081217      |
| ISIN code                         | HU0000516604               | HU0000516513             | HU0000516661 | HU0000516687 | HU0000516695 | HU0000516307 | HU0000516679             | HU0000516679 | HU0000516646              | HU0000516646 |
| Maturity in days                  | 42                         | 91                       | 91           | 91           | 91           | 91           | 196                      | 182          | 336                       | 322          |
| Date of auction                   | 14.01.2008                 | 02.01.2008               | 08.01.2008   | 15.01.2008   | 22.01.2008   | 29.01.2008   | 09.01.2008               | 23.01.2008   | 10.01.2008                | 24.02.2008   |
| Date of financial settlement      | 16.01.2008                 | 09.01.2008               | 16.01.2008   | 23.01.2008   | 30.01.2008   | 06.02.2008   | 16.01.2008               | 30.01.2008   | 16.01.2008                | 30.01.2008   |
| Redemption date                   | 27.02.2008                 | 09.04.2008               | 16.04.2008   | 23.04.2008   | 30.04.2008   | 07.05.2008   | 30.07.2008               | 30.07.2008   | 17.12.2008                | 17.12.2008   |
| Maximum yield (%) - ISMA          | 7.48                       | 7.47                     | 7.40         | 7.44         | 7.49         | 7.44         | 7.33                     | 7.46         | 7.34                      | 7.46         |
| Minimum yield (%) - ISMA          | 7.35                       | 7.43                     | 7.37         | 7.37         | 7.40         | 7.43         | 7.32                     | 7.40         | 7.29                      | 7.41         |
| Average yield (%) - ISMA          | 7.44                       | 7.45                     | 7.39         | 7.41         | 7.46         | 7.43         | 7.32                     | 7.44         | 7.32                      | 7.46         |
| Maximum yield (%) - EHM           | 7.58                       | 7.57                     | 7.50         | 7.54         | 7.59         | 7.54         | 7.43                     | 7.56         | 7.44                      | 7.56         |
| Minimum yield (%) - EHM           | 7.45                       | 7.53                     | 7.47         | 7.47         | 7.50         | 7.53         | 7.42                     | 7.50         | 7.39                      | 7.51         |
| Average yield (%) - EHM           | 7.54                       | 7.55                     | 7.49         | 7.51         | 7.56         | 7.53         | 7.42                     | 7.54         | 7.42                      | 7.56         |
| Average selling price (%)         | 99.1395                    | 98.1516                  | 98.1662      | 98.1614      | 98.1492      | 98.1565      | 96.1674                  | 96.3750      | 93.6049                   | 93.7448      |
| Amount offered for sale (HUF m)   | 30,000.00                  | 35,000.00                | 35,000.00    | 35,000.00    | 20,000.00    | 20,000.00    | 20,000.00                | 20,000.00    | 40,000.00                 | 30,000.00    |
| Amount of bids submitted (HUF m)  | 77,776.00                  | 58,296.10                | 137,504.98   | 86,548.23    | 70,892.29    | 84,005.00    | 108,217.29               | 53,937.04    | 114,732.23                | 153,138.64   |
| Amount of bids accepted (HUF m)   | 29,999.98                  | 34,999.95                | 34,999.95    | 34,999.98    | 19,999.98    | 19,999.99    | 19,999.96                | 19,999.99    | 39,999.94                 | 29,999.97    |
| Bid-to-cover ratio                | 2.59                       | 1.67                     | 3.93         | 2.47         | 3.54         | 4.20         | 5.41                     | 2.70         | 2.87                      | 5.10         |
| Bids submitted (pcs)              | 45                         | 61                       | 100          | 78           | 63           | 59           | 82                       | 77           | 99                        | 81           |
| Bids accepted (pcs)               | 27                         | 35                       | 32           | 43           | 34           | 15           | 22                       | 39           | 51                        | 21           |
| Market sales* (HUF million)       | 29,999.98                  | 34,999.95                | 34,999.95    | 34,999.98    | 19,999.98    | 19,999.99    | 19,999.96                | 19,999.99    | 39,999.94                 | 29,999.97    |
| Retained on ÁKK's own account     | 0.02                       | 3,500.05                 | 3,500.05     | 3,500.02     | 2,000.02     | 2,000.01     | 6,000.04                 | 4,000.01     | 8,000.06                  | 6,000.03     |
| Total amount issued (HUF million) | 30,000.00                  | 38,500.00                | 38,500.00    | 38,500.00    | 22,000.00    | 22,000.00    | 26,000.00                | 24,000.00    | 48,000.00                 | 36,000.00    |

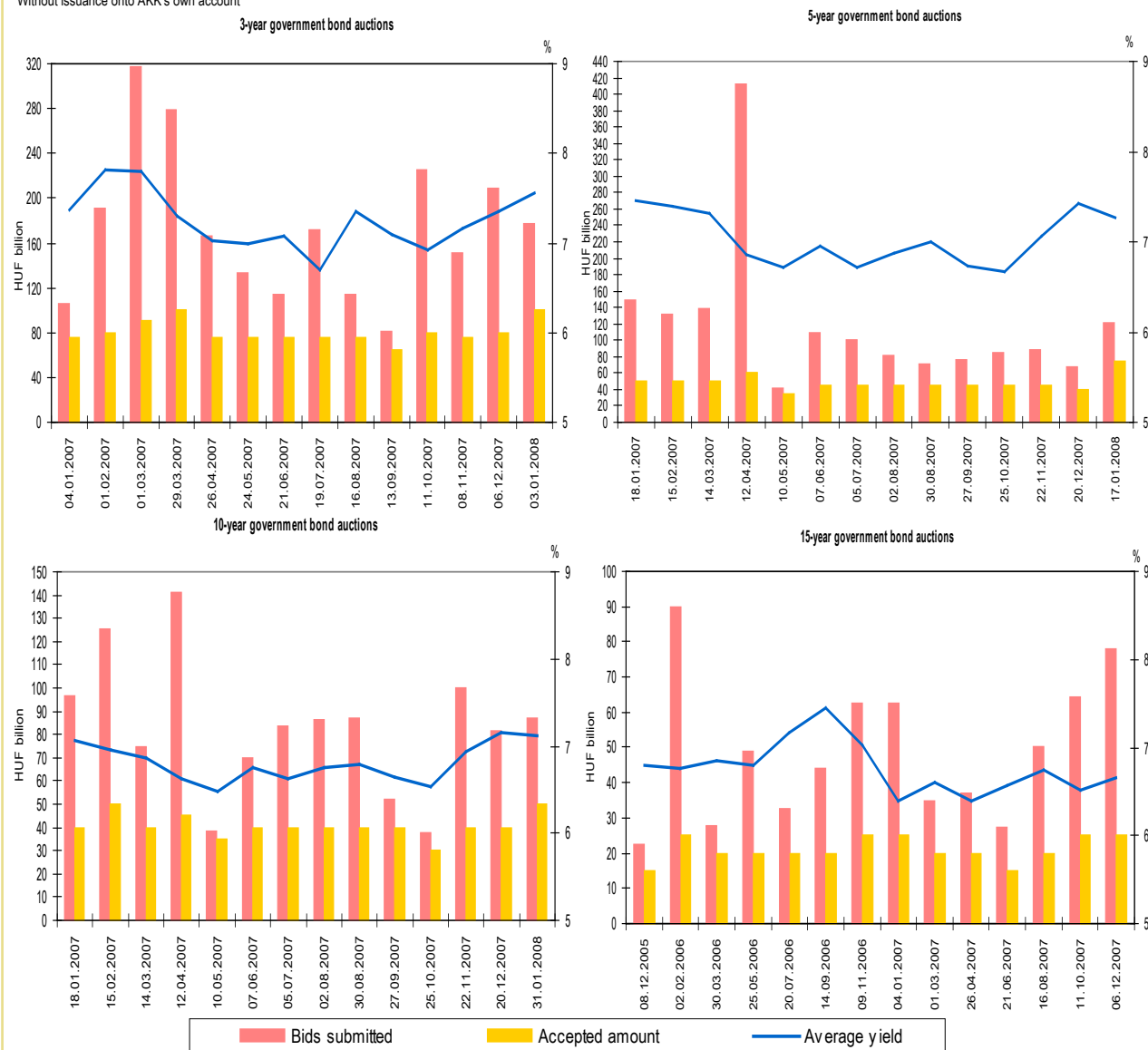
\*Without issuance onto ÁKK's own account



## GOVERNMENT BOND AUCTION RESULTS

| Government Bond                             | 2011/C       | 2012/C       | 2019/A       |
|---------------------------------------------|--------------|--------------|--------------|
| ISIN code                                   | HU0000402425 | HU0000402417 | HU0000402433 |
| Maturity (in years)                         | 3            | 5            | 10           |
| Coupon (%)                                  | 6.75%        | 6.00%        | 6.50%        |
| Auction                                     | 1st auction  | 7th auction  | 1st auction  |
| Date of auction                             | 03.01.2008   | 17.01.2008   | 31.01.2008   |
| Date of financial settlement                | 09.01.2008   | 23.01.2008   | 06.02.2008   |
| Redemption date                             | 22.04.2011   | 24.10.2012   | 24.06.2019   |
| Maximum annual yield (%) - ISMA             | 7.57         | 7.29         | 7.17         |
| Minimum annual yield (%) - ISMA             | 7.54         | 7.24         | 7.05         |
| Average annual yield (%) - ISMA             | 7.56         | 7.27         | 7.12         |
| Maximum annual yield (%) - EHM              | 7.57         | 7.28         | 7.17         |
| Minimum annual yield (%) - EHM              | 7.54         | 7.23         | 7.05         |
| Average annual yield (%) - EHM              | 7.56         | 7.26         | 7.11         |
| Maximum price (%)                           | 97.8254      | 95.1210      | 95.8439      |
| Minimum price (%)                           | 97.7424      | 94.9320      | 94.9578      |
| Average price (%)                           | 97.7781      | 95.0257      | 95.3385      |
| Amount offered for sale (HUF million)       | 100,000.00   | 75,000.00    | 55,000.00    |
| Amount of bids submitted (HUF million)      | 176,805.00   | 120,476.77   | 87,010.00    |
| Amount of bids accepted (HUF million)       | 99,999.98    | 74,999.87    | 49,999.99    |
| Bid-to-cover ratio                          | 1.77         | 1.61         | 1.74         |
| Bids submitted (pcs)                        | 124          | 126          | 94           |
| Bids accepted (pcs)                         | 18           | 82           | 83           |
| Tail (average price - minimum price)        | 0.04         | 0.09         | 0.38         |
| Market sales* (HUF million)                 | 99,999.98    | 74,999.87    | 49,999.99    |
| Retained on ÁKK's own account (HUF million) | 30,000.02    | 0.13         | 15,000.01    |
| Total amount issued (HUF million)           | 130,000.00   | 75,000.00    | 65,000.00    |

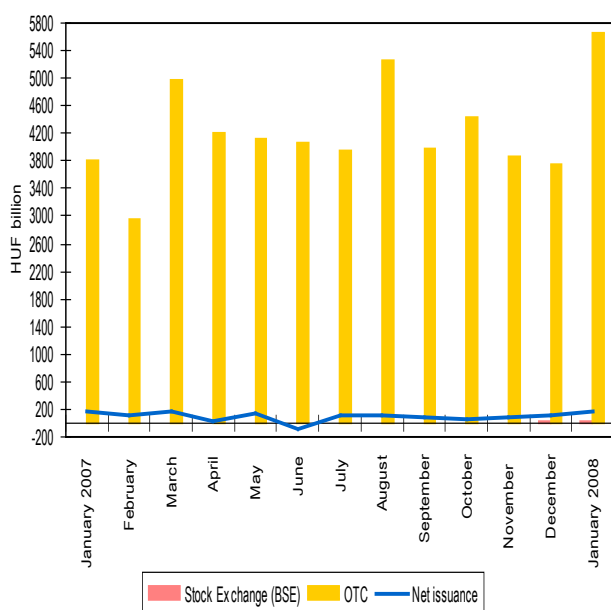
\*Without issuance onto ÁKK's own account



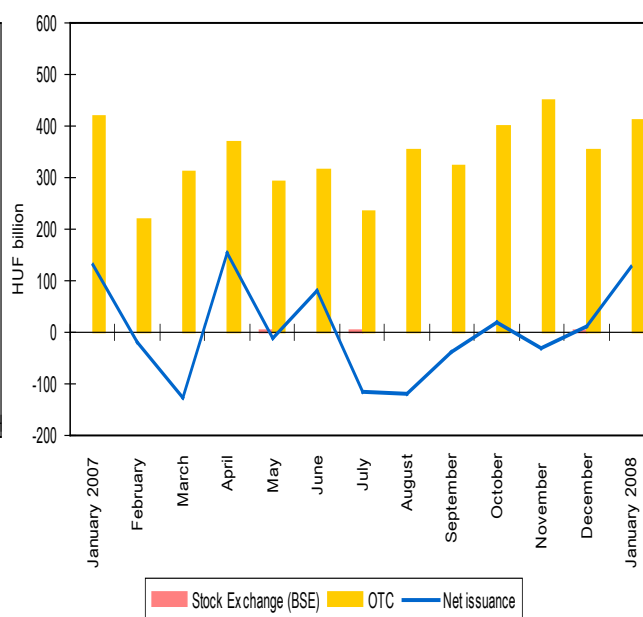
## GOVERNMENT BOND BUY-BACK AUCTION RESULTS

| Government bond                        | 2008/C       | 2008/E       | 2008/C       | 2008/E       | 2009/E       |
|----------------------------------------|--------------|--------------|--------------|--------------|--------------|
| ISIN code                              | HU0000402102 | HU0000402300 | HU0000402102 | HU0000402300 | HU0000402326 |
| Coupon (%)                             | 6.25%        | 6.50%        | 6.25%        | 6.50%        | 6.25%        |
| Date of reverse auction                | 16.01.2008   | 16.01.2008   | 30.01.2008   | 30.01.2008   | 30.01.2008   |
| Date of financial settlement           | 23.01.2008   | 23.01.2008   | 06.02.2008   | 06.02.2008   | 06.02.2008   |
| Redemption date                        | 12.06.2008   | 12.08.2008   | 12.06.2008   | 12.08.2008   | 24.04.2009   |
| Minimum annual yield (%)               | 7.48         | 7.45         | 7.50         | 7.45         | 7.45         |
| Average annual yield (%)               | 7.53         | 7.47         | 7.51         | 7.48         | 7.46         |
| Amount of bids submitted (HUF million) | 5,567.32     | 14,640.89    | 19,410.30    | 15,036.86    | 76,492.93    |
| Amount of bids accepted (HUF million)  | 5,567.32     | 12,640.89    | 18,376.11    | 12,036.86    | 65,287.50    |

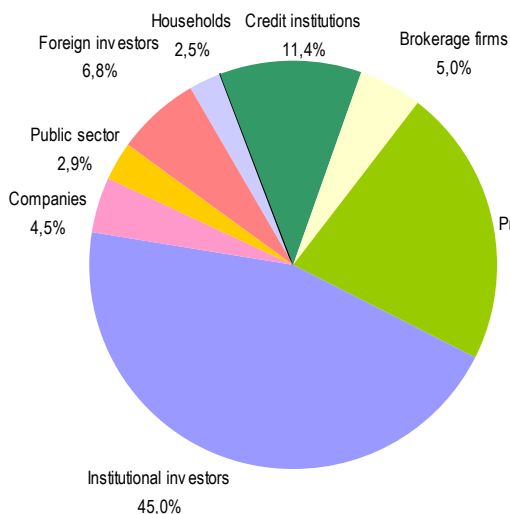
Secondary market trading of government bonds



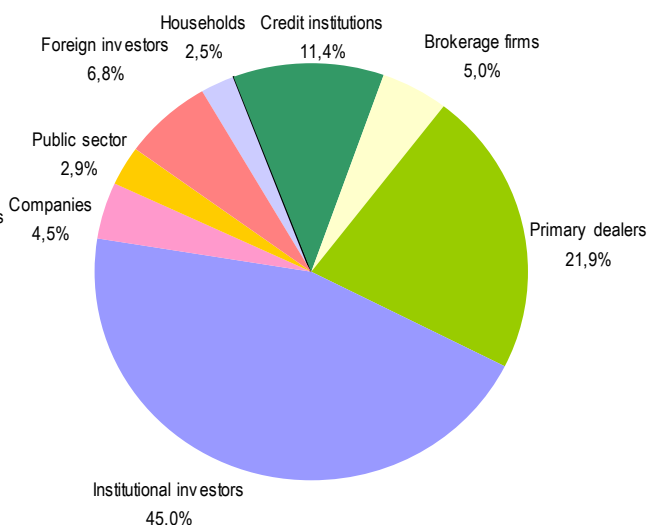
Secondary market trading of Discount Treasury Bills



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in January 2008

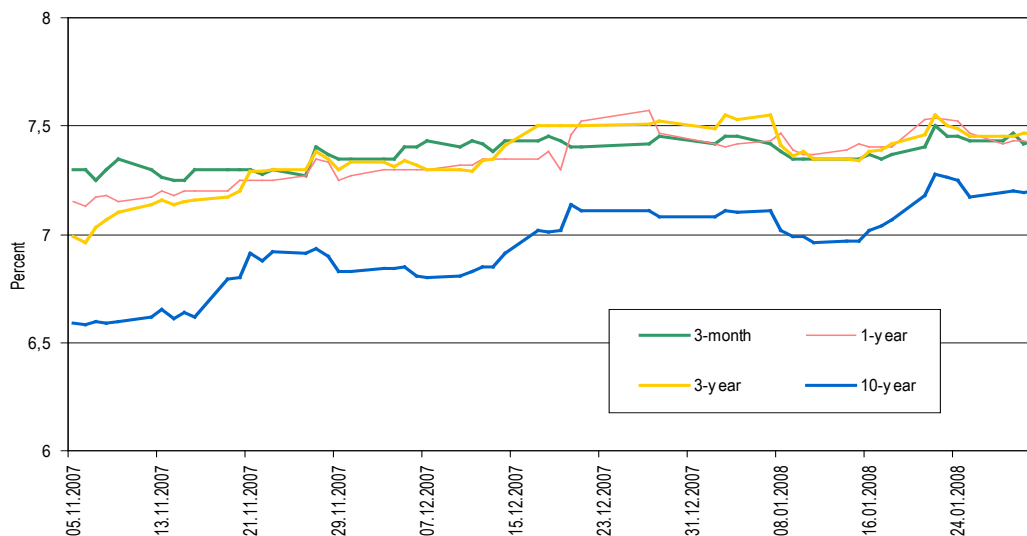


Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in January 2008



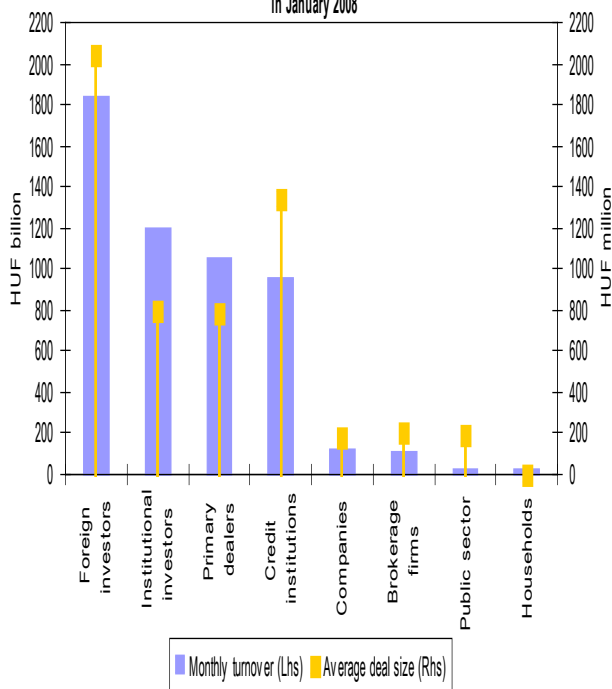
# ■ GOVERNMENT SECURITIES MARKET ■

Benchmark yields in the past three months

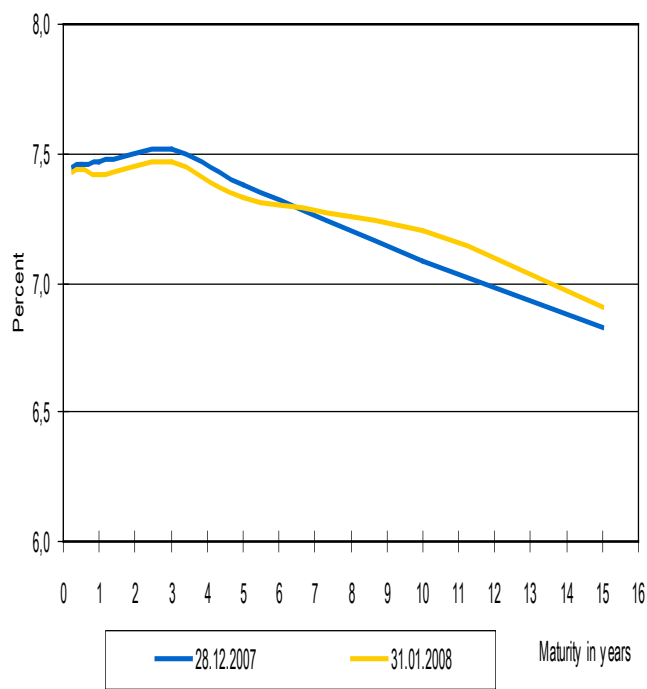


Primary dealers' trading with different investor groups

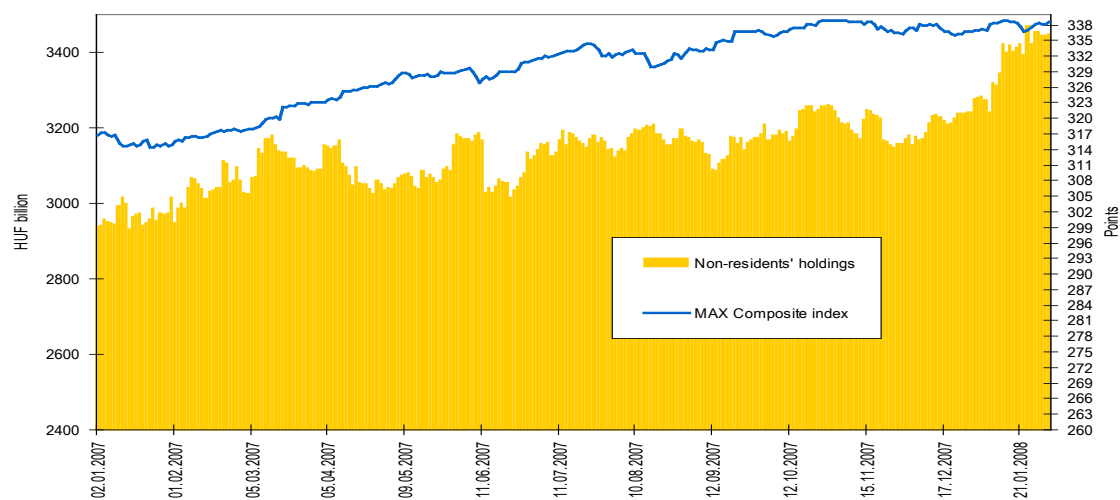
in January 2008



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 JANUARY 2008

| Government Bond | Date of<br>interest rate reset | Interest period | Date of<br>interest payment | Reset interest<br>rate (%) | Interest<br>payable (%) |
|-----------------|--------------------------------|-----------------|-----------------------------|----------------------------|-------------------------|
| 2008/A          | 23.01.2008                     | 24.01.2008      | 24.04.2008                  | 7,38                       | 3,75                    |

## HUNGARIAN GOVERNMENT SECURITIES INDICES

|                                                 | MAX index | RMAX index | MAX Composite index | ZMAX index |
|-------------------------------------------------|-----------|------------|---------------------|------------|
| Value as at 31 January 2008                     | 342.7888  | 341.3859   | 338.5319            | 344.5361   |
| Changes compared to the end of the month before | 1.7423    | 2.1693     | 1.7771              | 2.1697     |
| Annual yield earned on the index portfolio      | 7.37%     | 7.84%      | 7.48%               | 7.91%      |

### Government securities with the highest secondary market turnover in January 2008

| Government security | Date of redemption | Turnover (HUF billion) |
|---------------------|--------------------|------------------------|
| 2010/D              | 24.08.2010         | 753.6                  |
| 2010/C              | 12.04.2010         | 680.9                  |
| 2017/B              | 24.02.2017         | 492.8                  |
| 2012/B              | 12.06.2012         | 371.8                  |
| 2012/C              | 24.10.2012         | 350.1                  |
| 2009/E              | 24.04.2009         | 222.8                  |
| 2009/F              | 12.08.2009         | 195.8                  |
| 2009/D              | 12.10.2009         | 171.2                  |
| 2013/D              | 12.02.2013         | 171.1                  |
| 2011/C              | 22.04.2011         | 170.9                  |

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

| Government bond | HUF billion |            |
|-----------------|-------------|------------|
|                 | 31.12.2007  | 31.01.2008 |
| 2010/D          | 525.80      | 525.83     |
| 2012/C          | 265.09      | 340.10     |
| 2017/B          | 670.14      | 670.14     |
| 2023/A          | 150.05      | 150.05     |

## PRIMARY DEALERS - AS AT 31 JANUARY 2008

| Primary dealers:                                   | Primary dealers for retail securities:             |
|----------------------------------------------------|----------------------------------------------------|
| CIB Bank Zrt.                                      | CIB Bank Zrt.                                      |
| CITIBANK Zrt.                                      | HVB Bank Hungary Zrt.                              |
| Deutsche Bank Zrt.                                 | Kereskedelmi és Hitelbank Zrt.                     |
| ERSTE Bank Befektetési Magyarország Zrt.           | Magyar Takarékszövetkezeti Bank Zrt.               |
| ING Bank Zrt.                                      | Országos Takarékpénztár és Kereskedelmi Bank Nyrt. |
| Kereskedelmi és Hitelbank Zrt.                     | the branch network of the Hungarian State Treasury |
| Magyar Külkereskedelmi Bank Zrt.                   |                                                    |
| Magyar Takarékszövetkezeti Bank Zrt.               |                                                    |
| Országos Takarékpénztár és Kereskedelmi Bank Nyrt. |                                                    |
| Raiffeisen Bank Zrt.                               |                                                    |
| UniCredit Bank Hungary Zrt.                        |                                                    |