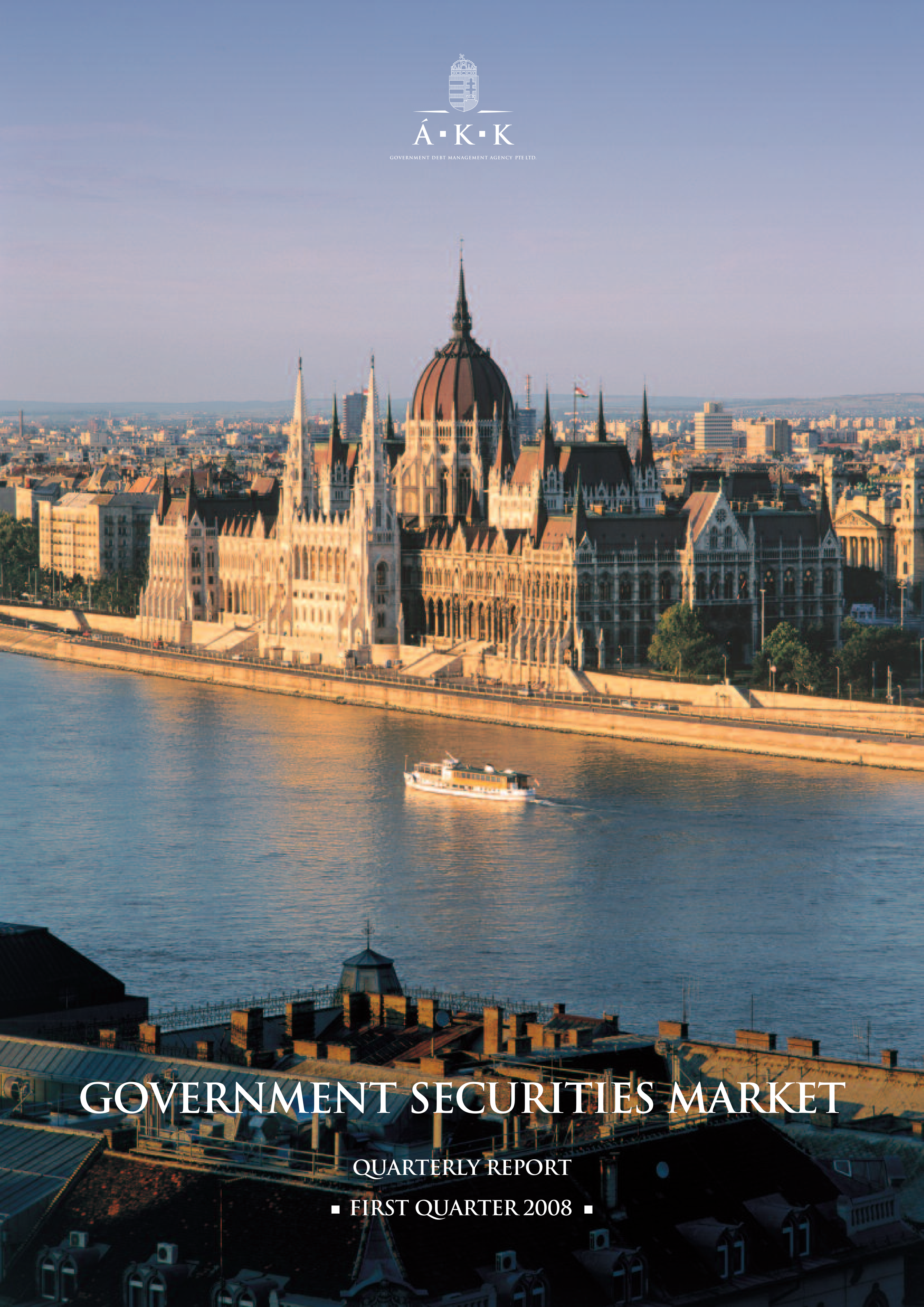

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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

QUARTERLY REPORT

▪ FIRST QUARTER 2008 ▪

GOVERNMENT SECURITIES MARKET

The deficit of the central government amounted to HUF 508 (about EUR 2 bn) billion in the first three months of 2008. The cash inflows worth HUF 45.5 billion from the EAGGF fund of the European Union decreased, the capital transfers to the National Bank of Hungary worth HUF 2.8 billion increased the net borrowing requirement. Thus total net borrowing requirement was HUF 465.4 billion in Q1 2008. Net issuance was HUF 459.1 billion, out of which net HUF-denominated issuance was HUF 373.0 billion, net foreign currency denominated issuance was HUF 86.1 billion.

ÁKK set up benchmarks to maintain optimal cost-risk characteristics of public debt. The 90-day moving average values of those benchmarks at the end of Q1 were as follows:

- The proportion of HUF- and foreign currency denominated debt was 71.8% and 28.2% respectively.
- Almost 100% of foreign currency denominated debt was denominated in euro.
- The fixed-floating mix of HUF-denominated debt was 74.3% and 25.7% respectively.
- The fixed-floating mix of the foreign currency portfolio was 65.1%-34.9% respectively.
- The duration of HUF-denominated debt was 2.73 years.

Those data were in line with ÁKK's benchmark targets.

The base rate of the NBH had not changed and remained at 7.50% during the first quarter of 2008. Short-term market yields increased by 119-170 basis points, while yields on more than 1-year term-to-maturity increased 134-244 basis points. At the end of Q1 the 1-year benchmark yield stood at 9.17%, the 3-year yield at 9.96%, the 10-year yield at 8.56%.

2010/D and 2017/B bond series were replaced by 2011/C and 2019/A as new 3-year and 10-year reference securities. The stock of 2010/D and 2017/B reached HUF 526 billion and HUF 670 billion respectively, facilitating a liquid secondary market for those bonds.

OTC turnover of government securities was 48% higher than in the previous quarter and reached HUF 19,552 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 25.6 billion and amounted to HUF 3,266.9 billion at the end of March 2008. This represented 30.2% of domestic government bonds and discount Treasury bills.
ÁKK held a press conference on the 24th January 2008 and informed market participants on financing in 2007. More information on that press conference can be found at ÁKK's webpage (www.akk.hu).

The EUR/HUF exchange rate according to the Hungarian National Bank was 259.36 at the last working day of March.

The credit rating of long-term foreign currency denominated debt of the Republic of Hungary at 31 March 2008 was: BBB+ (Standard & Poor's); A2 (Moody's); BBB+ (Fitch).

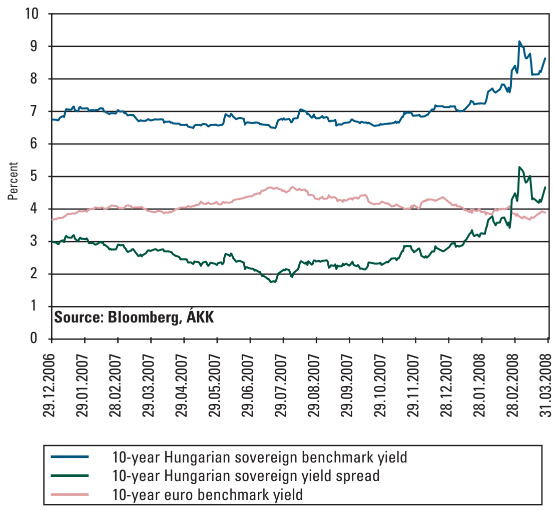
MACROECONOMIC INDICATORS

	2000	2001	2002	2003	2004	2005	2006	2007	January 2008	February 2008	March 2008
GDP growth (yearly average) [1 9]	5.1	4.6	3.8	4.1	4.6	4.3	4.0	1.3			
Industrial production [1]	18.1	3.6	2.8	5.9	8.3	7.3	10.1	8.1	6.1	9.8	
Unemployment rate (%, 3-month average)	6.4	5.7	5.9	5.9	6.1	7.2	7.5	7.4			
Consumer price index (yearly change) [2]	10.1	6.8	4.8	5.7	5.5	3.3	6.5		7.1	6.9	6.7
Consumer price index (yearly average)	9.8	9.2	5.3	4.7	6.8	3.6	3.9	8.0			
Consumer price index (monthly change)									1.0	1.1	0.6
Producer price index (yearly change) [2]	12.4	-0.4	-1.3	6.2	1.6	4.5	4.5		4.3	4.9	
Producer price index (yearly average)	11.6	5.2	-1.8	2.4	3.5	4.3	6.5	0.2			
Producer price index (monthly change)									3.0	0.7	
Net lending position of households (HUF Bn) [3]	776.3	799.6	454.4	38.1	498.6	918.8	752.9	436.6			
Current account of balance of payments (EUR M) [4]	-4,352.5	-3,576.5	-4,929.2	-5,933.0	-6,915.5	-6,013.3	-5,834.7	-5 060,0*			
Net direct investments (EUR M) [5]	2,334.0	3,992.2	2,889.4	424.1	2,741.3	4,395.2	2,766.8	1 045,2			
Balance of the central government budget (HUF Bn) [6]	-367.8	-402.9	-957,7 [7]	-733.6	-890.0	-545.0	-1,959.2	-1,389.9	-10.5	-261.0	-547.9
Central government gross debt (HUF Bn)	7,226.2	7,719.5	9,224.2	10,587.7	11,592.4	12,765.6	14,705.7	15,585.5	15,853.6	15,932.1	16,155.1
Central government gross debt (per cent of GDP)	53.4%	50.5%	53.6%	55.9%	56.0%	57.9%	61.9%	61.4%			
Net foreign debt (EUR M) [8]	9,686.8	8,398.1	11,519.8	16,122.6	21,184.8	24,889.2	30,966.2	40,716.1			
Net foreign debt (per cent of GDP)	19.1%	14.5%	16.5%	21.6%	25.7%	28.0%	34.4%	40.3%			
HUF/USD mid exchange rate at the end of period	284.73	279.03	225.16	207.92	180.29	213.58	191.62	172.61	174.84	171.16	163.90
HUF/EUR mid exchange rate at the end of period	264.94	246.33	235.90	262.23	245.93	252.73	252.30	253.35	253.35	258.54	259.36

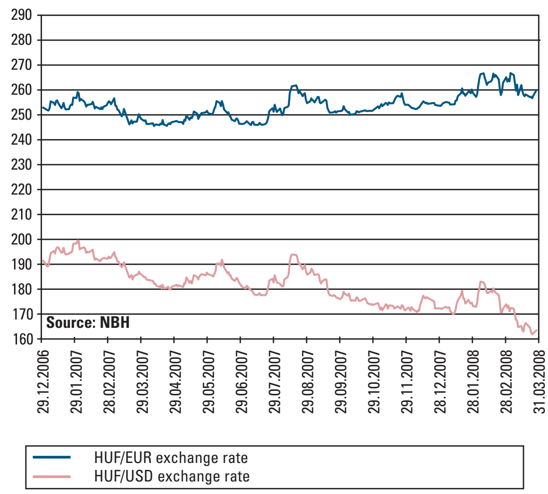
Source: Central Statistical Office, National Bank of Hungary (NBH), Ministry of Finance

[1] Same period of previous year = 100%, working-days adjusted
[2] In case of yearly data: December / previous December; otherwise: month/same month of the previous year
[3] Non-consolidated data
[4] Data compiled in accordance with the new methodology used by the NBH from 2004
[5] Including intercompany loans
[6] Excluding privatisation proceeds and transfers to the NBH
[7] Excluding debt assumptions and bond-transfers amounting to HUF 512.05 billion at the end of 2002
[8] Excluding intercompany loans
[9] FISIM with new methodology as from 2001

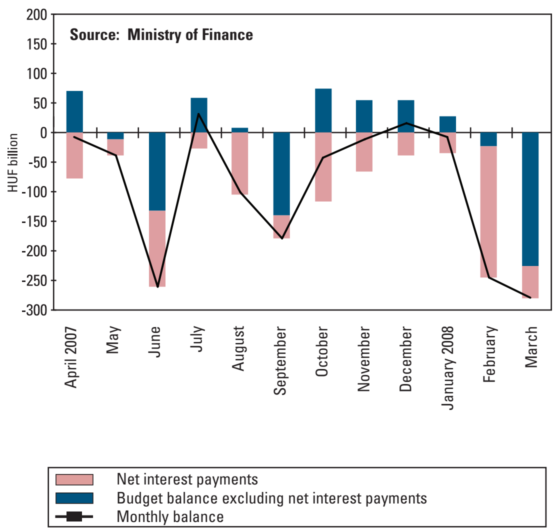
10-year Hungarian and eurozone benchmark yields



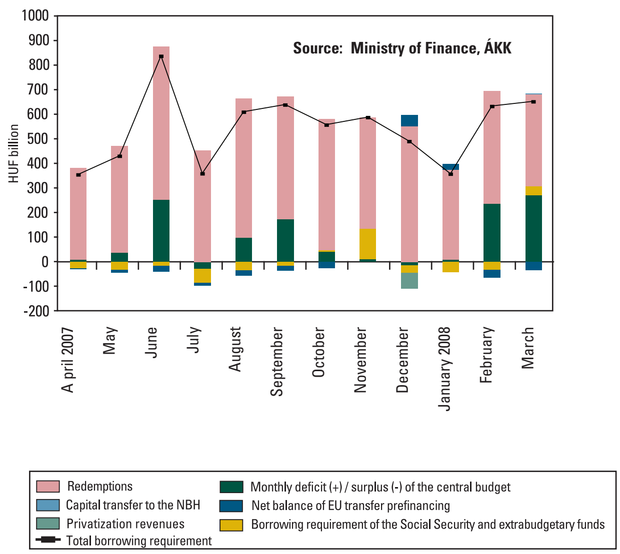
The exchange rate of the Hungarian Forint



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



Gross borrowing requirement



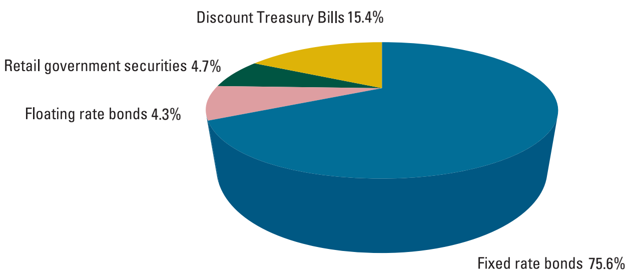
CENTRAL GOVERNMENT GROSS DEBT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	January 2008	February 2008	March 2008
1. Forint denominated debt	3,733.9	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	10,552.3	11,103.8	11,277.1	11,325.7	11,476.4
1.1. Loans	435.0	380.2	303.8	228.3	353.2	117.9	4.7	0.8	356.4	145.7	145.7	145.7	145.7
1.1.1. Foreign loans	0.0	0.0	0.0	0.0	1.7	1.4	1.1	0.8	0.5	145.7	145.7	145.7	145.7
1.1.2. Domestic loans	435.0	380.2	303.8	228.3	351.5	116.5	3.5	0.0	355.9	0.0	0.0	0.0	0.0
1.1.2.1. Raised from National Bank of Hungary (NBH)	434.9	362.4	289.5	217.4	144.0	71.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2.2. Other loans	0.1	17.8	14.3	10.9	207.5	45.3	3.5	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Government securities	3,299.0	3,970.0	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	10,195.9	10,958.1	11,131.4	11,180.0	11,330.7
1.2.1. Public issues	2,432.8	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,667.5	10,465.4	10,638.8	10,687.5	10,839.0
1.2.1.1. Bonds	1,386.5	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	7,244.2	8,245.3	8,378.7	8,460.7	8,588.0
1.2.1.2. Discount T-bills	689.9	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,530.9	1,755.9	1,664.9	1,715.6	1,691.7	1,718.5
1.2.1.3. Retail securities	356.5	499.3	523.3	544.7	560.3	533.5	628.4	588.7	667.4	555.2	544.5	535.0	532.5
1.2.2. Private placements	866.1	853.2	831.3	809.1	777.4	759.3	743.6	733.9	528.4	492.7	492.7	492.5	491.7
2. Foreign currency denominated debt*	2,431.9	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,124.4	4,472.6	4,557.4	4,591.0	4,663.5
2.1. Loans	2,367.8	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	720.6	803.7	846.5	843.0	838.6	951.4
2.1.1. Foreign loans	249.6	361.2	368.8	317.8	461.9	598.8	528.9	616.9	700.1	838.8	835.1	830.6	943.5
2.1.2. Domestic loans	2,118.2	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	103.8	103.6	7.7	7.9	8.0	7.9
2.1.2.1. Raised from National Bank of Hungary (NBH)	2,118.2	1,568.4	1,404.0	1,092.6	849.6	466.5	355.7	96.1	95.9	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	0.0	0.0	0.0	0.0	82.8	18.8	32.2	7.7	7.7	7.7	7.9	8.0	7.9
2.2. Government securities	64.0	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,714.4	3,752.4	3,712.2
2.2.1. Issued abroad	44.4	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,870.1	3,320.7	3,626.1	3,714.4	3,752.4	3,712.2
2.2.1.1. Foreign currency bonds	43.8	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,870.0	3,320.6	3,626.1	3,714.4	3,752.3	3,712.1
2.2.1.2. Kingdom of Hungary 1924 issues	0.6	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
2.2.2 Issued domestically	19.6	19.6	20.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	6,165.8	6,886.4	7,226.2	7,719.5	9,224.2	10,587.7	11,592.4	12,744.2	14,676.7	15,576.4	15,834.5	15,916.6	16,139.9
Other liabilities								21.4	29.0	9.1	19.1	15.4	15.3
Total central government debt								12,765.6	14,705.7	15,585.5	15,853.6	15,932.1	16,155.1
Gross debt/GDP	61.1%	60.4%	53.4%	50.5%	53.6%	55.9%	56.0%	57.9%	61.9%	61.4%			

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

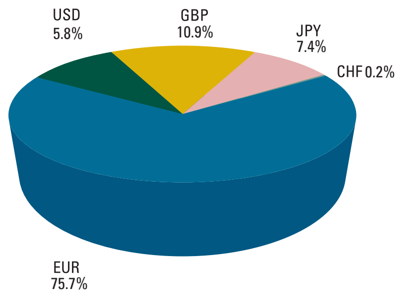
Source: ÁKK

Composition of HUF government securities as at 31. 03. 2008.



Source: ÁKK

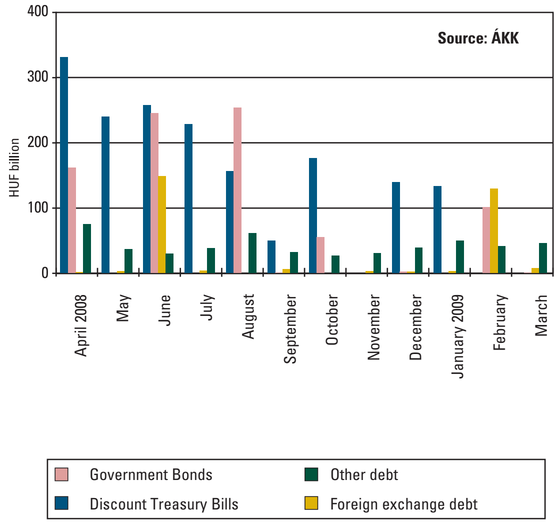
Currency composition of the foreign exchange debt portfolio as at 31. 03. 2008*



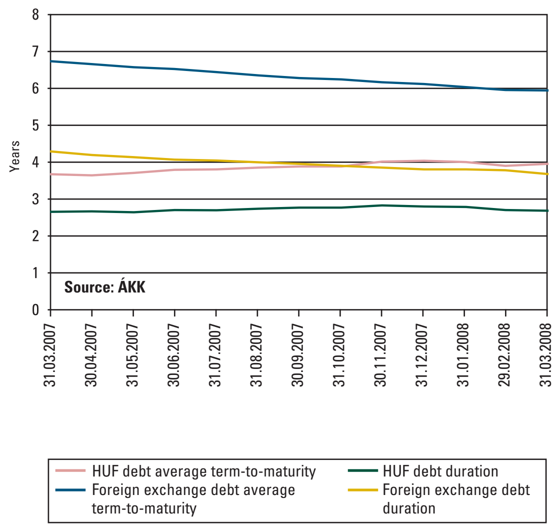
Source: ÁKK

*** Composition before swaps. By using cross-currency swaps, 99.99% of the actual foreign exchange debt of the central government was due in euros.**

Maturity profile of the central government gross debt over the next 12 months, as at 31.03.2008



Duration and average term-to-maturity of the HUF and foreign currency debt portfolios



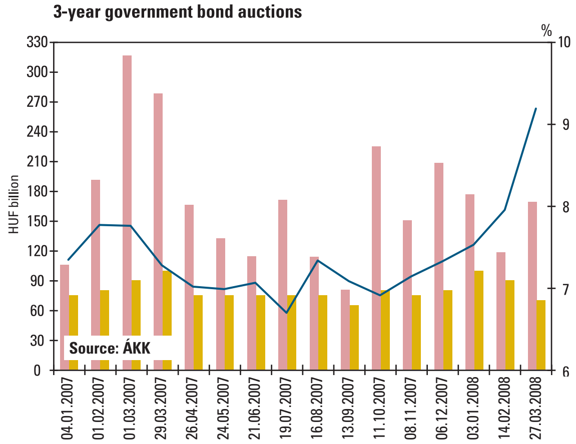
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2011/C	2012/C	2019/A	2011/C	2023/A	2012/C	2019/A	2011/C
ISIN code	HU0000402425	HU0000402417	HU0000402433	HU0000402425	HU0000402383	HU0000402417	HU0000402433	HU0000402425
Maturity (in years)	3	5	10	3	15	5	10	3
Coupon (%)	6.75%	6.00%	6.50%	6.75%	6.00%	6.00%	6.50%	6.75%
Auction	1. auction	6. auction	1. auction	2. auction	8. auction	8. auction	2. auction	3. auction
Date of auction	03.01.2008	17.01.2008	31.01.2008	14.02.2008	14.02.2008	28.02.2008	13.03.2008	27.03.2008
Date of financial settlement	09.01.2008	23.01.2008	06.02.2008	20.02.2008	20.02.2008	05.03.2008	19.03.2008	02.04.2008
Date of redemption	22.04.2011	24.10.2012	24.06.2019	22.04.2011	24.11.2023	24.10.2012	24.06.2019	22.04.2011
Maximum annual yield (%) - ISMA	7.57	7.29	7.17	8.05	7.27	8.10	8.72	9.30
Minimum annual yield (%) - ISMA	7.54	7.24	7.05	7.89	7.20	8.03	8.58	9.20
Average annual yield (%) - ISMA	7.56	7.27	7.12	8.00	7.25	8.07	8.62	9.28
Maximum annual yield (%) - EHM	7.57	7.28	7.17	8.05	7.26	8.09	8.71	9.30
Minimum annual yield (%) - EHM	7.54	7.23	7.05	7.89	7.19	8.02	8.57	9.20
Average annual yield (%) - EHM	7.56	7.26	7.11	8.00	7.24	8.06	8.61	9.28
Maximum price (%)	97.8254	95.1210	95.8439	96.9365	88.8673	92.3369	85.3843	93.7318
Minimum price (%)	97.7424	94.9320	94.9578	96.5138	88.2730	92.0877	84.5046	93.4874
Average price (%)	97.7781	95.0257	95.3385	96.6431	88.4615	92.2090	85.1403	93.5426
Amount offered for sale (HUF million)	100,000.00	75,000.00	55,000.00	100,000.00	20,000.00	75,000.00	40,000.00	70,000.00
Amount of bids submitted (HUF million)	176,805.00	120,476.77	87,010.00	118,208.56	27,700.00	107,403.00	140,220.00	169,452.82
Amount of bids accepted (HUF million)	99,999.98	74,999.87	49,999.99	89,999.94	14,999.93	74,999.92	39,999.96	69,999.90
Bid-to-cover ratio	1.77	1.61	1.74	1.31	1.85	1.43	3.51	2.42
Bids submitted (pcs)	124	126	94	117	58	86	118	167
Bids accepted (pcs)	18	82	83	96	40	67	38	95
Tail (average price - minimum price)	0.04	0.09	0.38	0.13	0.19	0.12	0.64	0.06
Market sales* (HUF million)	99,999.98	74,999.87	49,999.99	89,999.94	14,999.93	74,999.92	39,999.96	69,999.90
Retained on ÁKK's own account (HUF million)	30,000.02	0.13	15,000.01	10,000.06	3,000.07	0.08	8,000.04	0.10
Total amount issued (HUF million)	130,000.00	75,000.00	65,000.00	100,000.00	18,000.00	75,000.00	48,000.00	70,000.00

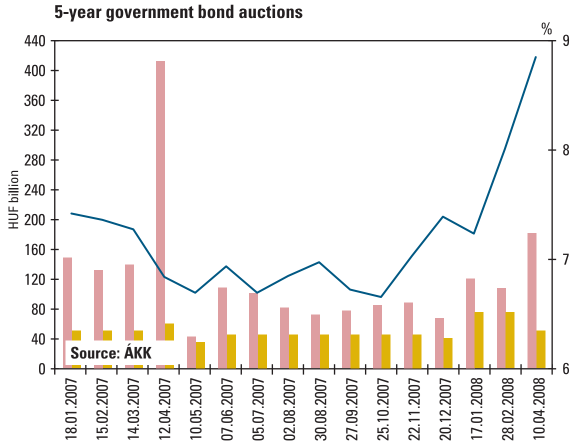
* Without issuance onto ÁKK's own account

Source: ÁKK

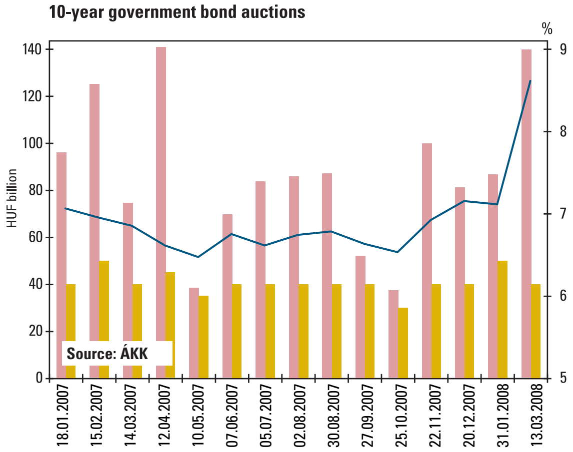
3-year government bond auctions



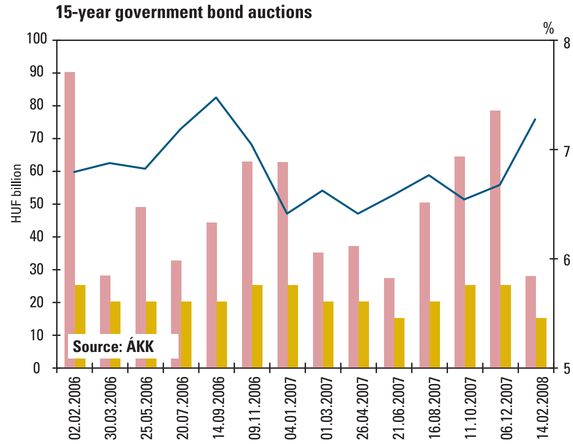
5-year government bond auctions



10-year government bond auctions



15-year government bond auctions



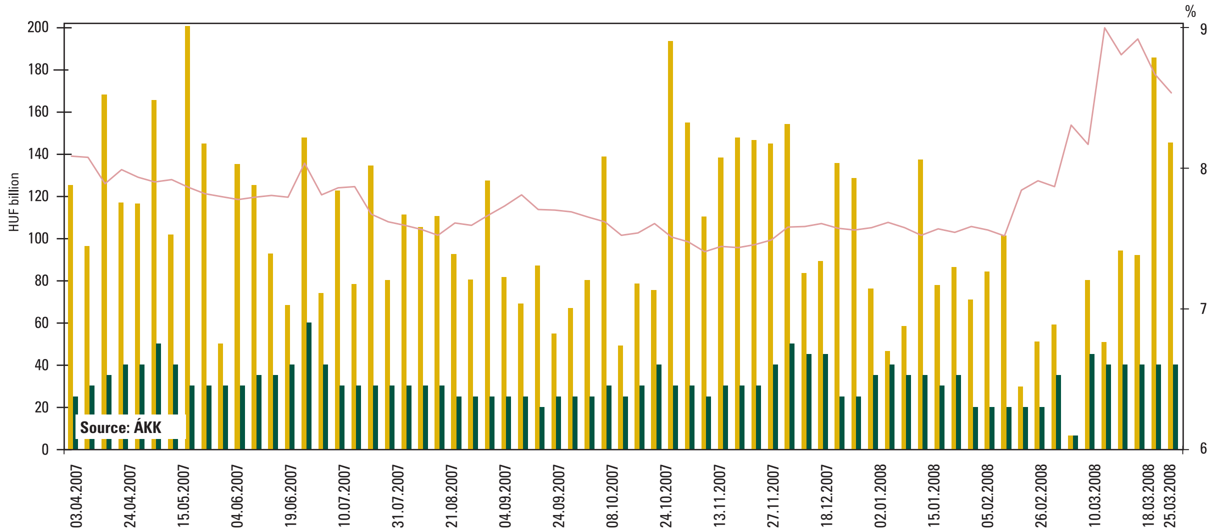
Bids submitted   Accepted amount   Average yield

GOVERNMENT BOND BUY-BACK AUCTION RESULTS

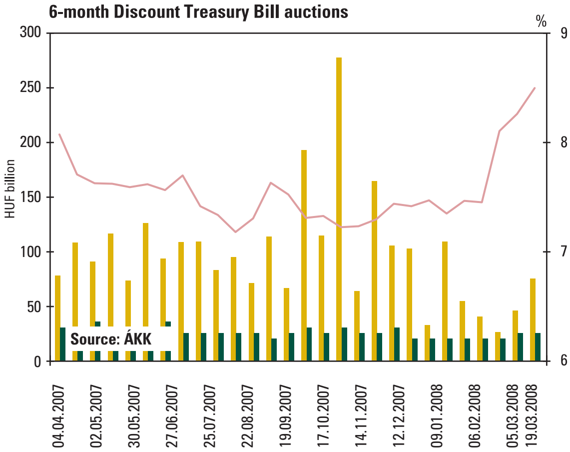
Government bond	2008/C	2008/E	2008/C	2008/E	2009/E	2008/C	2008/E	2009/E	2008/E	2009/E	2008/E	2009/E
ISIN code	HU0000402102	HU0000402300	HU0000402102	HU0000402300	HU0000402326	HU0000402102	HU0000402300	HU0000402326	HU0000402300	HU0000402326	HU0000402300	HU0000402326
Coupon (%)	6.25%	6.50%	6.25%	6.50%	6.25%	6.25%	6.50%	6.25%	6.50%	6.25%	6.50%	6.25%
Date of buy-back auction	16.01.2008	16.01.2008	30.01.2008	30.01.2008	30.01.2008	13.02.2008	13.02.2008	13.02.2008	27.02.2008	27.02.2008	12.03.2008	12.03.2008
Date of financial settlement	23.01.2008	23.01.2008	06.02.2008	06.02.2008	06.02.2008	20.02.2008	20.02.2008	20.02.2008	05.03.2008	05.03.2008	19.03.2008	19.03.2008
Date of redemption	12.06.2008	12.08.2008	12.06.2008	12.08.2008	24.04.2009	12.06.2008	12.08.2008	24.04.2009	12.08.2008	24.04.2009	12.08.2008	24.04.2009
Minimum annual yield (%)	7.48	7.45	7.50	7.45	7.45	7.95	7.90	8.00	8.00	8.05	8.90	9.21
Average annual yield (%) - ISMA	7.53	7.47	7.51	7.48	7.46	7.96	7.93	8.01	8.01	8.06	8.94	9.31
Amount of bids submitted (HUF million)	5,567.32	14,640.89	19,410.30	15,036.86	76,492.93	1,136.94	8,992.53	69,504.98	9,217.12	33,817.80	4,200.35	21,160.08
Amount of bids accepted (HUF million)	5,567.32	12,640.89	18,376.11	12,036.86	65,287.50	536.94	3,497.53	28,209.98	1,610.69	14,569.92	1,040.35	3,160.08
Bids submitted (pcs)	13	15	21	19	31	6	10	24	13	19	5	12
Bids accepted (pcs)	13	14	18	18	17	4	5	8	6	5	4	10

Source: ÁKK

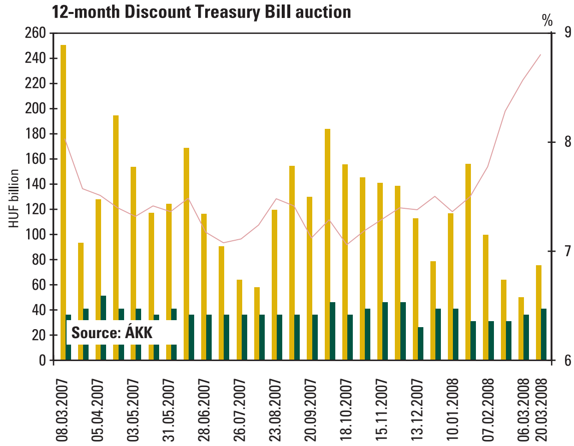
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auction



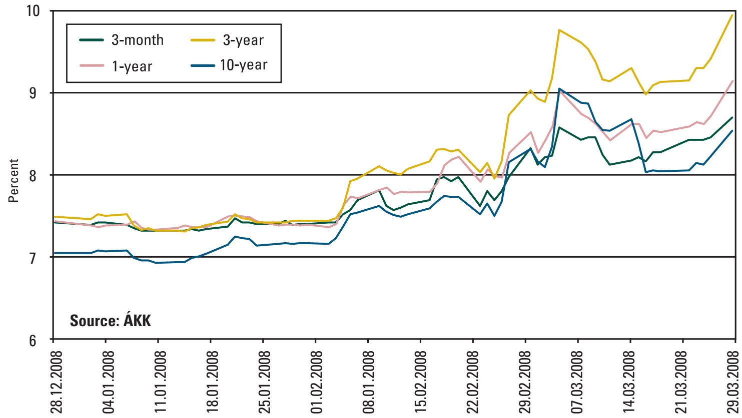
DETERMINATION OF INTEREST RATE FOR FLOATING RATE GOVERNMENT BONDS IN Q1 2008

Government Bond	Date of determination rate reset	Interest period		Date of interest payment	Applicable interest rate (%)	Interest payable (%)
2008/A	23.01.2008	24.01.2008	24.04.2008	24.04.2008	7.38%	3.75%
2026/A	27.02.2008	28.02.2008	28.08.2008	28.08.2008	7.40%	3.74%
2008/B	11.02.2008	12.02.2008	12.08.2008	12.08.2008	7.45%	3.77%
2009/A	11.02.2008	12.02.2008	12.08.2008	12.08.2008	7.45%	3.77%
2010/A	11.02.2008	12.02.2008	12.08.2008	12.08.2008	7.45%	3.77%
2013/A	19.03.2008	20.03.2008	20.09.2008	20.03.2009	7.60%	-
2008/A*	01.03.2008	31.03.2008	30.06.2008	30.06.2008	7.75%	1.93%

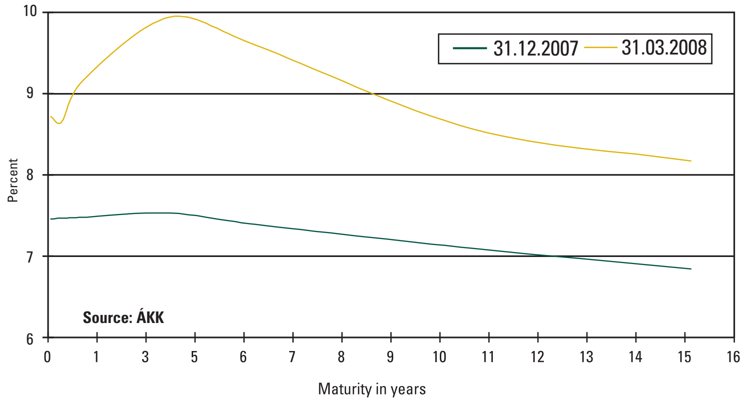
Source: ÁKK

* Determination of interest rate takes place quarterly, while payment of interest semiannually.

Benchmark yields



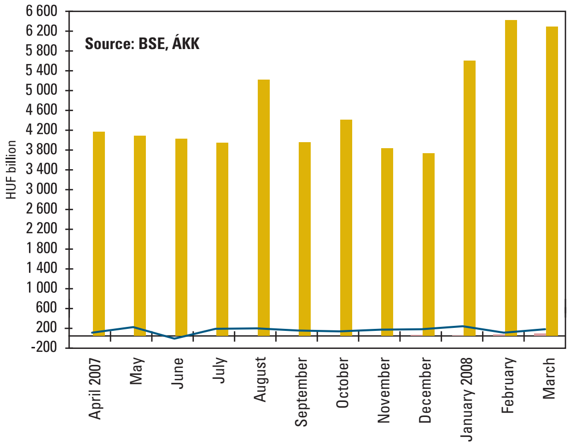
Benchmark yield curves



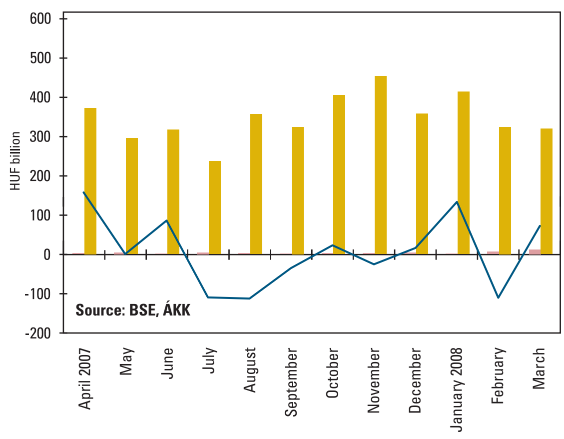
PRIMARY DEALERS - AS AT 31 MARCH 2008

Primary dealers:		Primary dealers for retail securities:
CIB Bank Zrt.	MKB Bank Nyrt.	CIB Bank Zrt.
CITIBANK Zrt.	Magyar Takarékszövetkezeti Bank Zrt.	Kereskedelmi és Hitelbank Nyrt.
Deutsche Bank ZRt.	Országos Takarékpénztár és Kereskedelmi Bank Nyrt.	Magyar Takarékszövetkezeti Bank Zrt.
ERSTE Bank Befektetési Magyarország Zrt.	Raiffeisen Bank Zrt.	Országos Takarékpénztár és Kereskedelmi Bank Nyrt.
ING Bank (Magyarország) Zrt.	UniCredit Bank Hungary Zrt.	UniCredit Bank Hungary Zrt.
Kereskedelmi és Hitelbank Nyrt.		The branch network of the Hungarian State Treasury

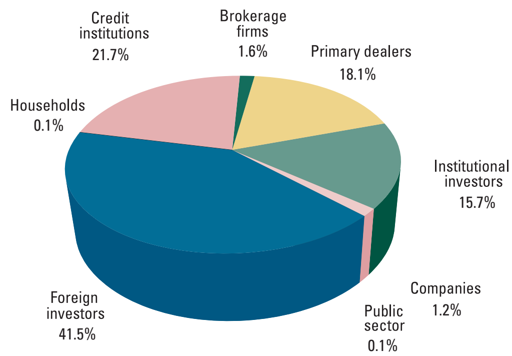
Secondary market trading of government bonds



Secondary market trading of Discount Treasury Bills

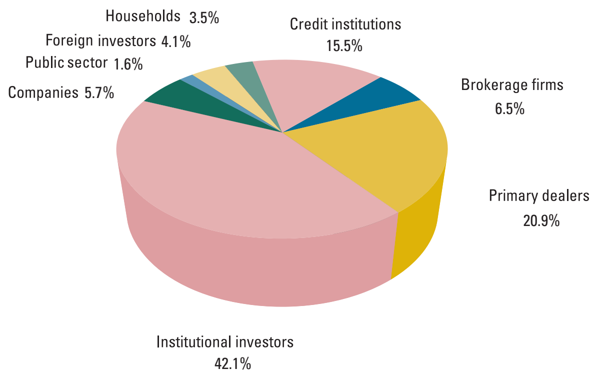


Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in Q1 2008



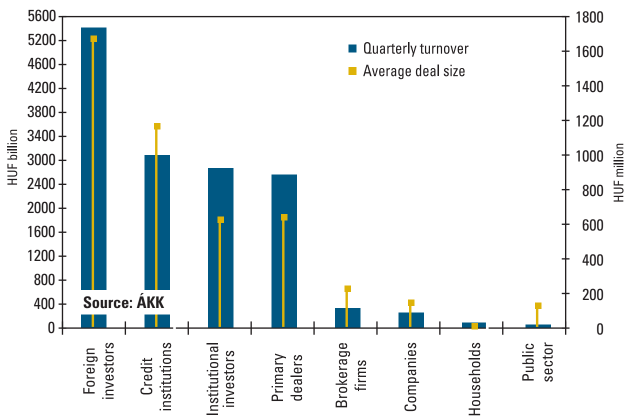
Source: ÁKK

Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in Q1 2008



Source: ÁKK

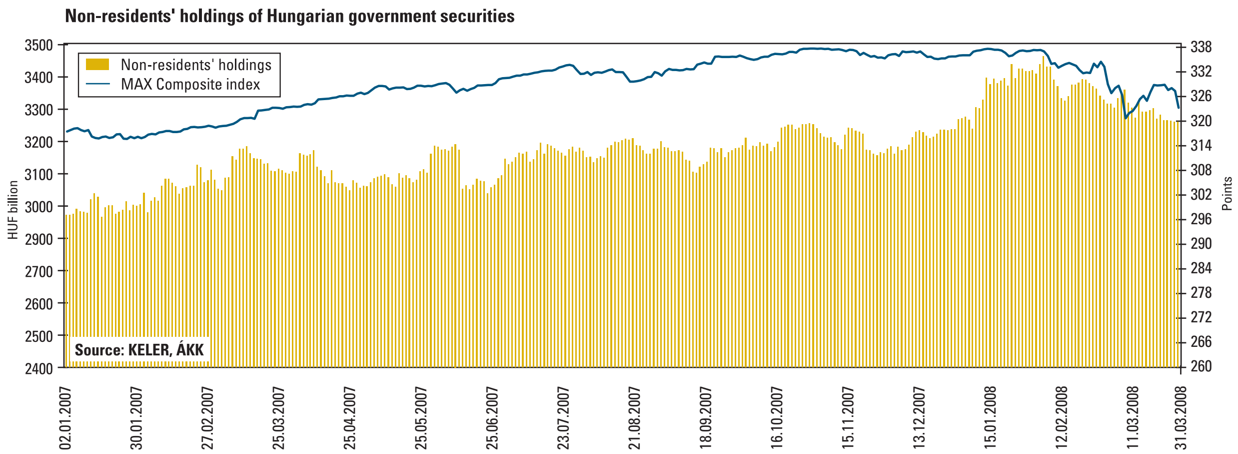
Primary dealers' trading with different investor groups in Q1 2008



Government securities with the highest turnover on the secondary market in Q1 2008

Government security	Date of redemption	Turnover (HUF billion)
2010/D	24.08.2010	1,924.8
2017/B	24.02.2017	1,576.0
2010/C	12.04.2010	1,411.0
2012/C	24.10.2012	1,401.2
2012/B	12.06.2012	1,031.0
2011/C	22.04.2011	745.4
2009/F	12.08.2009	559.6
2009/E	24.04.2009	542.4
2011/B	12.10.2011	426.7
2009/D	12.10.2009	413.1

Source: ÁKK



HUNGARIAN GOVERNMENT SECURITIES INDICES

	Value of the index				Annual yield earned on the index portfolio			
	MAX index	RMAX index	MAX Composite index	ZMAX index	MAX index	RMAX index	MAX Composite index	ZMAX index
28.12.2007	341.0465	339.2166	336.7548	342.3664	6.22%	7.69%	6.52%	7.91%
31.01.2008	342.7888	341.3859	338.5319	344.5361	7.37%	7.84%	7.48%	7.91%
29.02.2008	331.7373	342.2702	329.2100	346.1426	2.94%	7.34%	3.59%	7.67%
31.03.2008	324.1924	343.1753	322.8721	347.9621	-1.18%	6.69%	-0.07%	7.44%

Source: ÁKK

OUTSTANDING AMOUNT OF BENCHMARK GOVERNMENT BOND SERIES IN Q1 2008

	HUF billion		
Government Bond	31. 01. 2008	29 .02. 2008	31. 03. 2008
2011/C	100.09	190.16	190.41
2012/C	340.10	340.12	415.13
2019/A	0.00	0.00	90.02
2023/A	150.05	165.05	165.08

Source: ÁKK

REUTERS PAGES (CODES)

Main page: HUTREASURY

Auction results are available from 12.00 (CET)	
HUISSUE	Publication of the following issues and reverse auctions
HUAUCTION01	Discount T-bill auction results
HUAUCTION02	Government Bond auction results

Secondary market data	
HUBONDFIX	Benchmark yield fixing (updated at 14.00 CET)
HUBEST 3,4,5	Best secondary market quotations
HUBONDAKK, HUBONDAKK4	Best morning secondary market quotations
HUBONDAKK2, HUBONDAKK3	Best afternoon secondary market quotations
HUBONDINDEX	Hungarian Government Total Return Index (MAX), updated at 16.00 CET
HUBONDINDEX2	Benchmark Indices for Government Bonds BMX3Y-15Y (updated at 16.00 CET)
.HUMAXBOND	Hungarian Government Total Return Index (MAX) statistics

Other	
HUFLOATER	Interest rate reset of floating rate bonds
HUINDEXED	Accrued interest and capital uplift (inflation adjusted capital) of the index-linked government bond on a daily basis
HUBONDINFO	List of authorised dealers (contacts)

FURTHER INFORMATION PAGES:

Bloomberg pages (code): GDMA

Homepage: www.akk.hu, www.allampapir.hu

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