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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

AUGUST 2006

The deficit of the central government amounted to HUF 1,387 billion in the first eight months of 2006. The net prefinancing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 2 billion, as did the capital transfer to the National Bank of Hungary (NBH) by law 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 1,213 billion (ca. EUR 4,4 billion) was met by a net issuance of HUF 1,318 billion (ca. EUR 4.8 billion) out of which net domestic currency issuance was HUF 878 billion (ca. EUR 3.2 billion) and net foreign exchange issuance totalled HUF 440 billion (ca. EUR 1.6 billion).

The HUF denominated debt of the central government increased by HUF 877 billion until the end of August (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, marketable government bonds accounted for HUF 312 billion, discount Treasury bills for HUF 689 billion and retail government securities for HUF 76 billion. The stock of non-marketable bonds decreased by HUF 200 billion, while that of domestic loans remained unchanged.

The foreign currency debt of the central government increased by HUF 787 billion in the first eight months of the year. The foreign currency bond issues increased the debt by HUF 538 billion, loan draw-downs by HUF 102 billion, while the redemptions of foreign currency bonds amounted to HUF 187 billion and that of foreign currency loans reached HUF 14 billion. Exchange rate losses of HUF 347 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of August 2006, 66.1% of the domestic government securities were fixed rate, 33.9% 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 increased on all maturities in August. In the secondary market, short-term yields increased by 38-75 basis points compared to the end of July. The 3-year yield increased by 37 basis points and amounted to 8,28%, the 10-year benchmark yield reached 7.60% at the end of August after an increase of 36 basis points.

Monthly OTC turnover of government securities was 12% higher in August than a month before and reached HUF 3,882 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 29% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 145 billion in August, and amounted to HUF 2,602 billion at the end of the month. This volume represented 27.8% of the total amount of domestic government bonds and discount Treasury bills.

The HUF/EUR mid exchange rate at the end of August 2006 was 274.76

The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows:BBB+ / A1 / BBB+

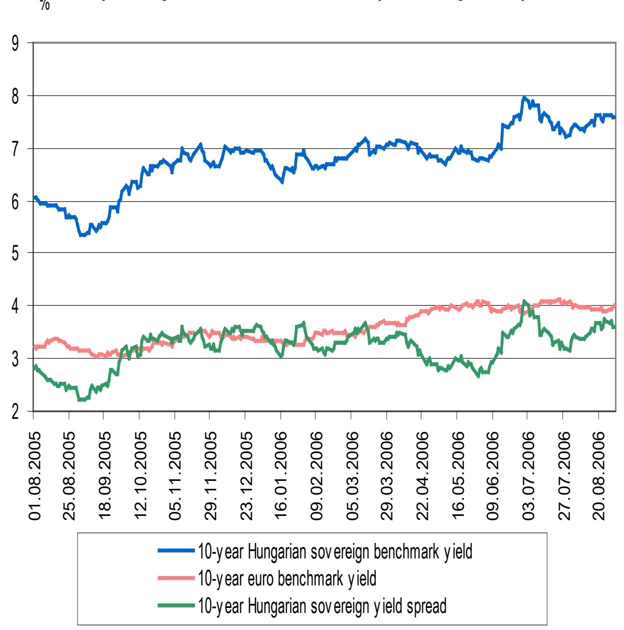
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

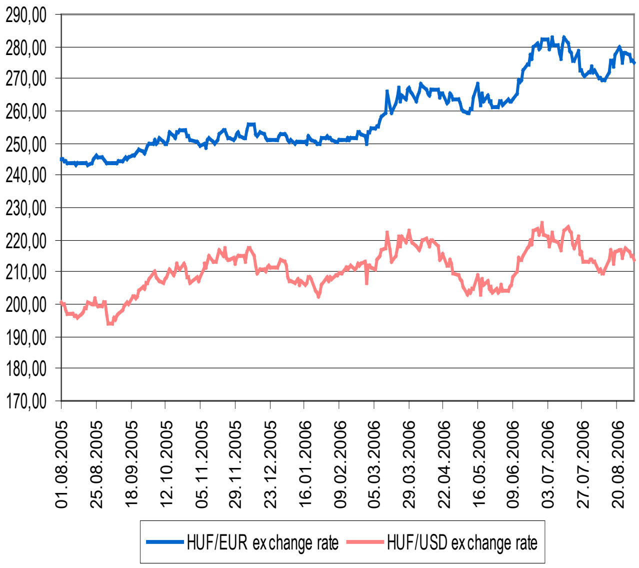
	2000	2001	2002	2003	2004	2005	Jun 2006	Jul 2006	Aug 2006
1. Forint denominated debt	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,153.5	9,933.4	10,024.8	10,030.8
1.1. Loans	303.8	228.3	353.2	117.9	4.7	0.8	0.8	0.8	0.8
1.2. Government securities	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	9,152.7	9,932.6	10,023.9	10,030.0
1.2.1. Public issues	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,418.8	9,317.9	9,487.2	9,495.9
1.2.1.1. Bonds	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,299.1	6,619.34	6,722.3	6,611.7
1.2.1.2. Discount T-bills	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,530.9	2,078.6	2,126.3	2,119.5
1.2.1.3. Retail securities	523.3	544.7	560.3	533.5	628.4	588.7	620.1	638.6	664.7
1.2.2. Private placements	831.3	809.1	777.4	759.3	743.6	733.9	614.7	536.7	534.0
2. Foreign currency denominated debt*	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,590.7	4,496.0	4,333.0	4,377.8
2.1. Loans	1,772.8	1,410.4	1,394.3	1,084.1	916.8	720.6	905.1	869.2	878.2
2.1.1. Foreign loans	368.8	317.8	461.9	598.8	528.9	616.9	789.4	757.6	765.4
2.1.2. Domestic loans	1,404.0	1,092.6	932.3	485.3	387.8	103.8	115.7	111.6	112.8
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	107.2	103.4	104.4
2.1.2.2. Other loans	0.0	0.0	82.8	18.8	32.2	7.7	8.6	8.3	8.4
2.2. Government securities	736.0	911.7	873.0	1,494.9	2,066.8	2,870.1	3,590.9	3,463.8	3,499.6
2.2.1. Issued abroad	715.7	911.7	873.0	1,494.9	2,066.8	2,870.1	3,590.9	3,463.8	3,499.6
2.2.1.1. Foreign currency bonds	715.4	911.5	872.9	1,494.7	2,066.7	2,870.0	3,590.9	3,463.7	3,499.5
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	14,429.5	14,357.8	14,408.6
Mark-to-market deposits placed at ÁKK Rt.						21,4	3,13	3,02	6,6
Total central government debt						12,765.6	14,432.6	14,360.8	14,415.2
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*	*9,312.5*	*9,385.3*	*9,365.2*
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.

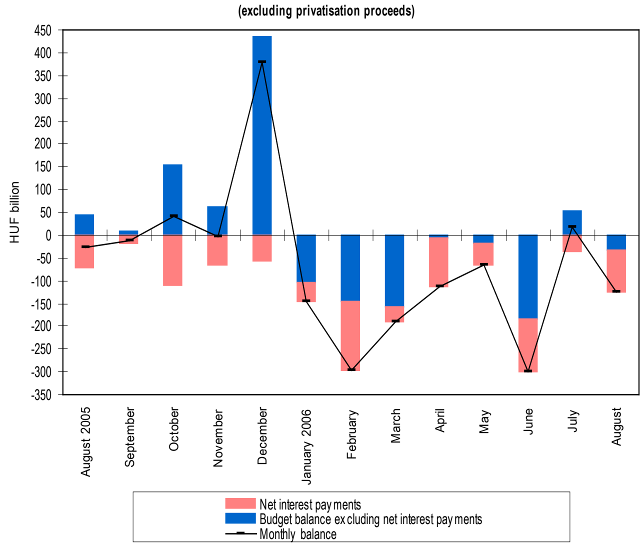
10-year Hungarian and eurozone benchmark yields during the last year



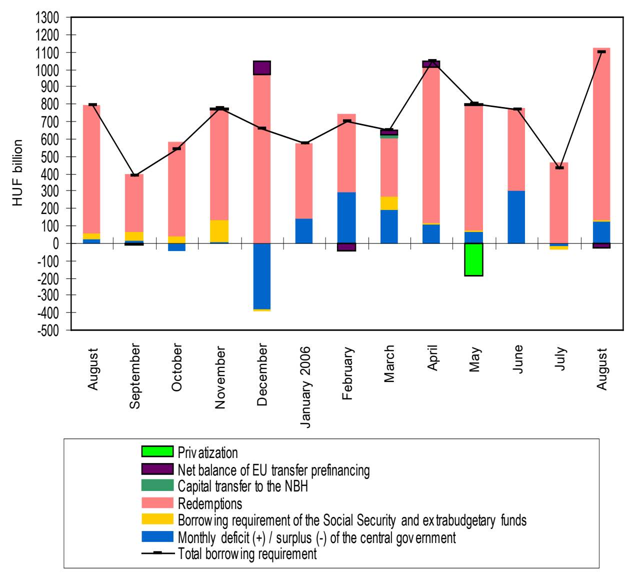
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

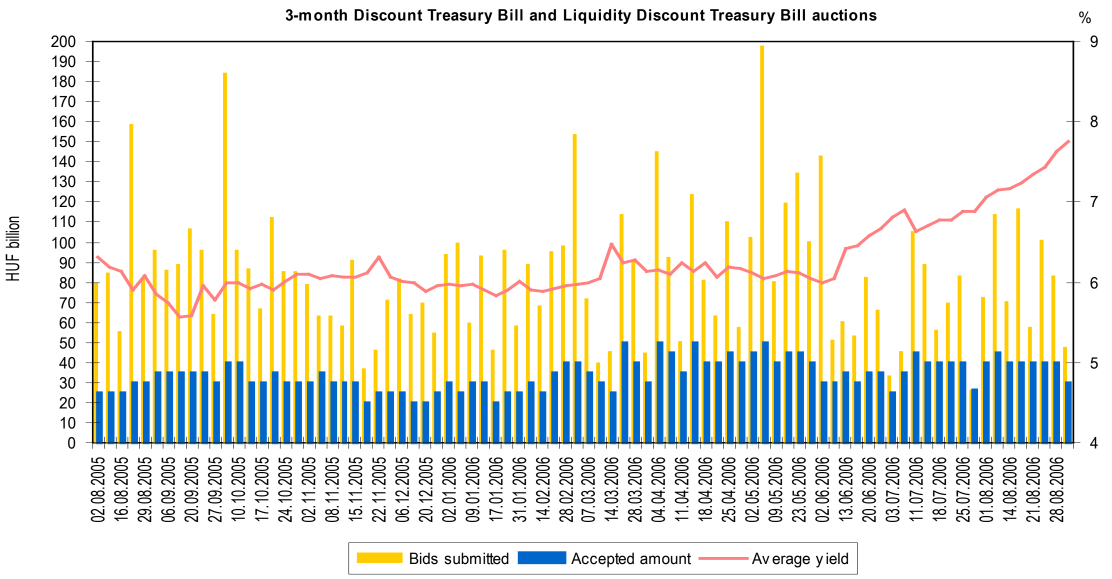


DISCOUNT TREASURY BILL AUCTION RESULTS

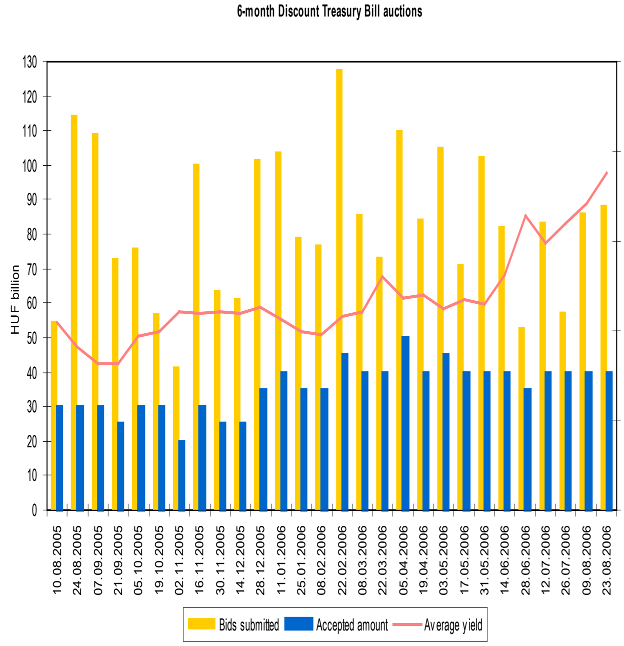
	Liquidity Discount T-Bills			3-month Discount T-bills					6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D061011	D061011	D061011	D061108	D061115	D061122	D061129	D061206	D070117	D070314	D070801	D070801
ISIN code	HU0000515879	HU0000515879	HU0000515879	HU0000515903	HU0000515911	HU0000515788	HU0000515929	HU0000515945	HU0000515861	HU0000515937	HU0000515895	HU0000515895
Maturity in days	56	49	42	91	91	91	91	91	154	196	350	336
Date of auction	14.08.2006	21.08.2006	28.08.2006	01.08.2006	08.08.2006	15.08.2006	22.08.2006	29.08.2006	09.08.2006	23.08.2006	10.08.2006	24.08.2006
Date of financial settlement	16.08.2006	23.08.2006	30.08.2006	09.08.2006	16.08.2006	23.08.2006	30.08.2006	06.09.2006	16.08.2006	30.08.2006	16.08.2006	30.08.2006
Redemption date	11.10.2006	11.10.2006	11.10.2006	08.11.2006	15.11.2006	22.11.2006	29.11.2006	06.12.2006	17.01.2006	14.03.2007	01.08.2007	01.08.2007
Maximum yield, (%) - ISMA	7.21	7.50	7.69	7.13	7.20	7.27	7.49	7.85	7.44	7.80	7.78	8.19
Minimum yield (%) - ISMA	7.07	7.25	7.20	6.80	7.09	7.19	7.30	7.52	7.35	7.60	7.55	8.00
Average yield (%) - ISMA	7.16	7.35	7.62	7.05	7.15	7.24	7.44	7.76	7.42	7.75	7.76	8.14
Maximum yield, (%) - EHM	7.31	7.60	7.80	7.23	7.30	7.37	7.59	7.96	7.54	7.91	7.89	8.30
Minimum yield (%) - EHM	7.17	7.35	7.30	6.89	7.19	7.29	7.40	7.62	7.45	7.71	7.65	8.11
Average yield (%) - EHM	7.26	7.45	7.73	7.15	7.25	7.34	7.54	7.87	7.52	7.86	7.87	8.25
Average selling price (%)	98.8985	99.0095	99.1188	98.2491	98.2247	98.2028	98.1540	98.0762	96.9235	95.9514	92.9848	92.9391
Amount offered for sale (HUF million)	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00	40,000.00
Amount of bids submitted (HUF million)	70,700.00	57,970.00	83,444.33	72,873.73	114,219.60	116,845.18	100,767.70	47,425.49	86,111.00	88,561.57	83,657.67	103,715.64
Amount of bids accepted (HUF million)	39,999.99	39,999.98	40,000.00	40,000.00	44,999.93	39,999.94	39,999.92	29,999.98	39,999.95	39,999.94	39,999.94	39,999.90
Bid-to-cover ratio	1.77	1.45	2.09	1.82	2.54	2.92	2.52	1.58	2.15	2.21	2.09	2.59
Bids submitted (pcs)	44	48	80	99	115	128	131	80	111	127	144	155
Bids accepted (pcs)	24	43	46	73	71	52	78	68	67	83	72	65
Market sales* (HUF million)	39,999.99	39,999.98	40,000.00	40,000.00	44,999.93	39,999.94	39,999.92	29,999.98	39,999.95	39,999.94	39,999.94	39,999.90
Retained on ÁKK's own account (HUF m.)	0.01	0.02	0.00	4,000.00	4,500.07	4,000.06	4,000.08	3,000.02	8,000.05	12,000.06	8,000.06	8,000.10
Total amount issued (HUF million)	40,000.00	40,000.00	40,000.00	44,000.00	49,500.00	44,000.00	44,000.00	33,000.00	48,000.00	52,000.00	48,000.00	48,000.00

*Without issuance onto ÁKK's own account

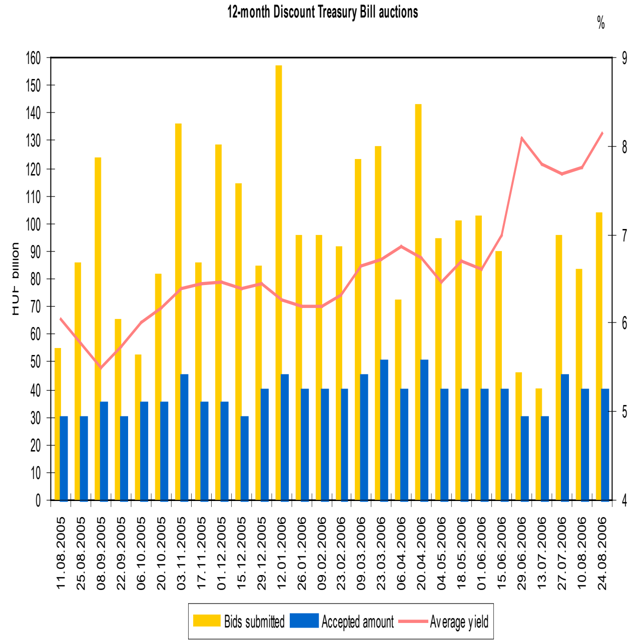
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



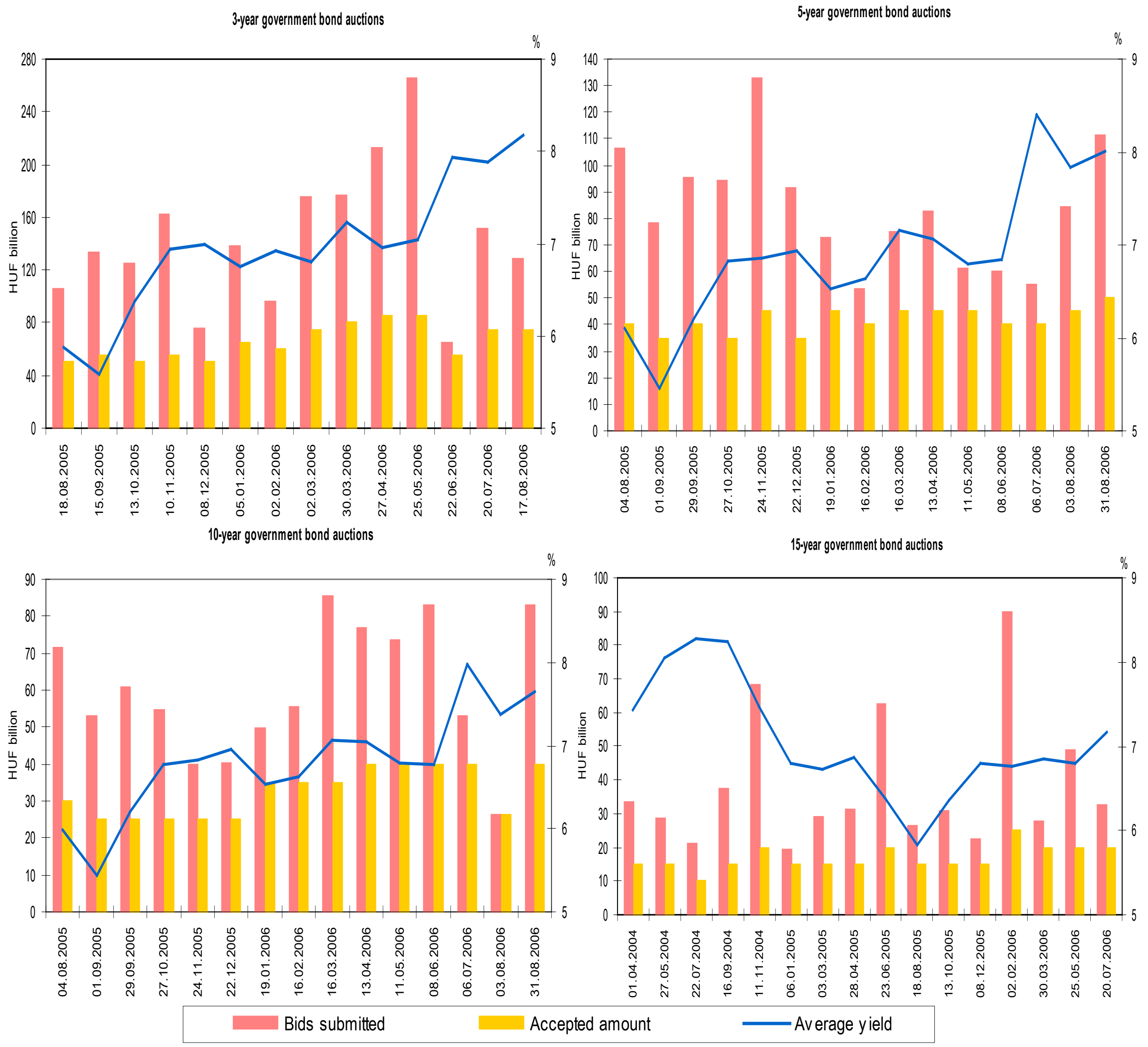
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2011/B	2016/C	2009/F	2011/B	2016/C
ISIN code	HU0000402334	HU0000402318	HU0000402359	HU0000402334	HU0000402318
Maturity (in years)	5	10	3	5	10
Coupon (%)	6.00%	5.50%	6.50%	6.00%	5.50%
Auction	8th auction	12th auction	3th auction	9th auction	13th auction
Date of auction	03.08.2006	03.08.2006	17.08.2006	31.08.2006	31.08.2006
Date of financial settlement	09.08.2006	09.08.2006	23.08.2006	06.09.2006	06.09.2006
Redemption date	12.10.2011	12.02.2016	12.08.2009	12.10.2011	12.02.2016
Maximum annual yield (%) - ISMA	7.87	7.52	8.22	8.04	7.68
Minimum annual yield (%) - ISMA	7.45	7.30	8.12	7.95	7.60
Average annual yield (%) - ISMA	7.84	7.37	8.18	8.01	7.65
Maximum annual yield (%) - EHM	7.87	7.52	8.21	8.04	7.68
Minimum annual yield (%) - EHM	7.45	7.30	8.11	7.95	7.60
Average annual yield (%) - EHM	7.84	7.37	8.17	8.00	7.64
Maximum price (%)	93.9418	87.9087	95.8042	92.0666	86.1621
Minimum price (%)	92.2790	86.5656	95.5565	91.7208	85.6860
Average price (%)	92.3865	87.4626	95.6612	91.8424	85.8679
Amount offered for sale (HUF million)	45,000.00	40,000.00	75,000.00	45,000.00	40,000.00
Amount of bids submitted (HUF million)	84,250.00	26,305.00	129,098.00	111,135.85	82,950.00
Amount of bids accepted (HUF million)	44,999.94	26,305.00	74,999.90	49,999.94	39,999.93
Bid-to-cover ratio	1.87	1.00	1.72	2.22	2.07
Bids submitted (pcs)	82	58	163	114	128
Bids accepted (pcs)	45	58	106	80	79
Tail (average price - minimum price)	0.11	0.90	0.10	0.12	0.18
Market sales* (HUF million)	44,999.94	26,305.00	74,999.90	49,999.94	39,999.93
Retained on ÁKK's own account (HUF million)	0.06	0.00	8,500.10	0.06	0.07
Total amount issued (HUF million)	45,000.00	26,305.00	83,500.00	50,000.00	40,000.00

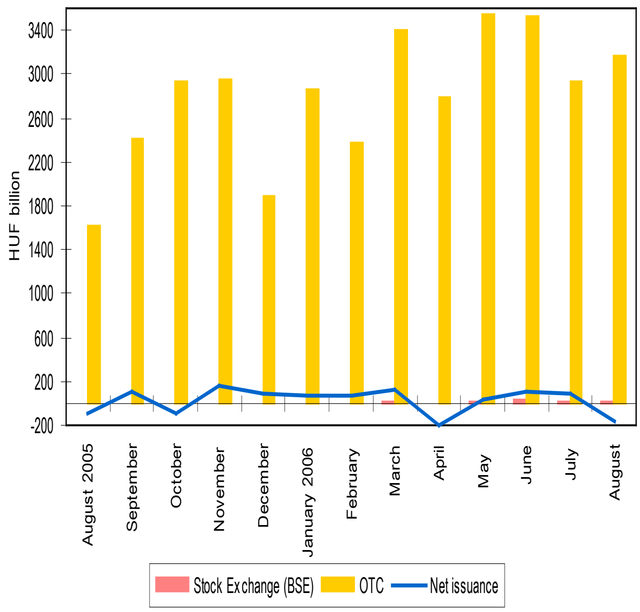
*Without issuance onto ÁKK's own account



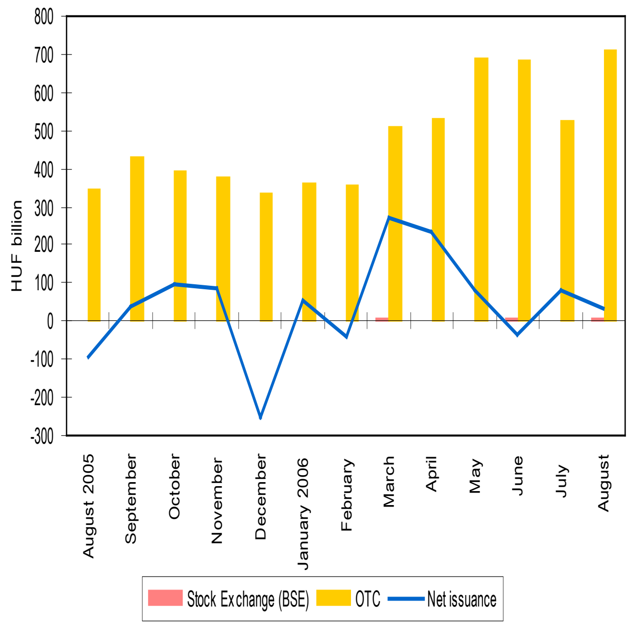
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2007/D	2007/F
ISIN code	HU0000402052	HU0000402227
Coupon (%)	6.25%	9.00%
Date of reverse auction	30.08.2006	30.08.2006
Date of financial settlement	06.09.2006	06.09.2006
Redemption date	12.06.2006	12.04.2007
Minimum annual yield (%)	-	8.10
Average annual yield (%)	-	8.11
Amount of bids submitted (HUF million)	77,986.69	55,182.54
Amount of bids accepted (HUF million)	0.00	15,682.54

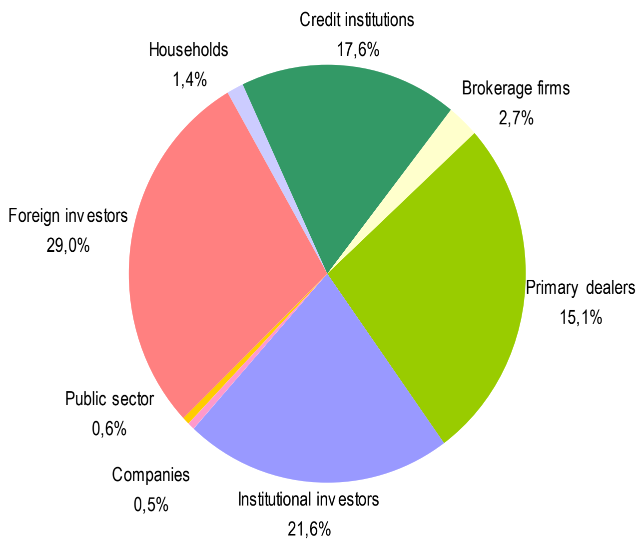
Secondary market trading of government bonds



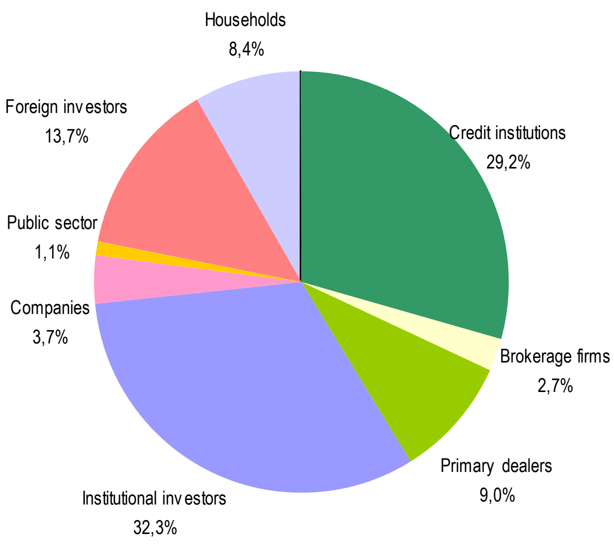
Secondary market trading of Discount Treasury Bills

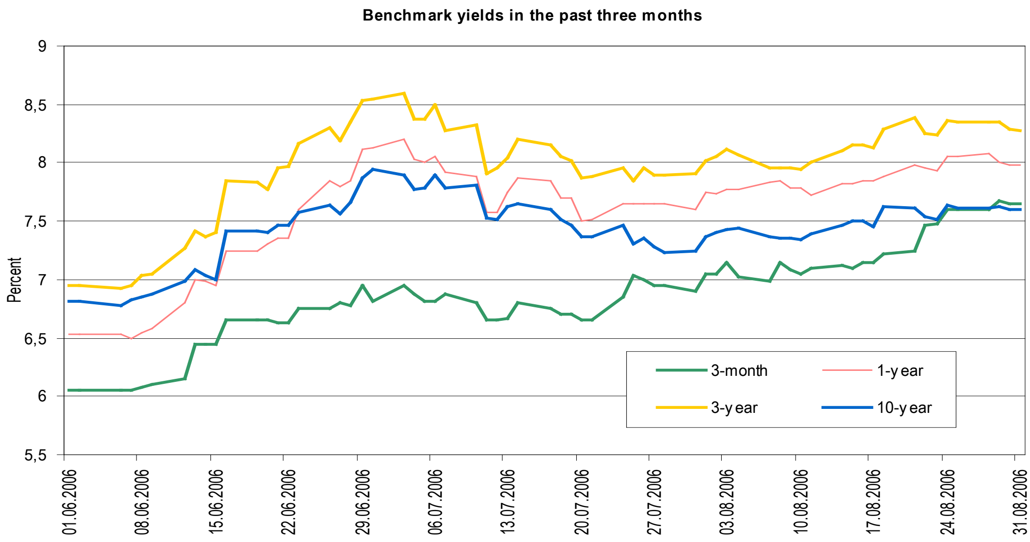


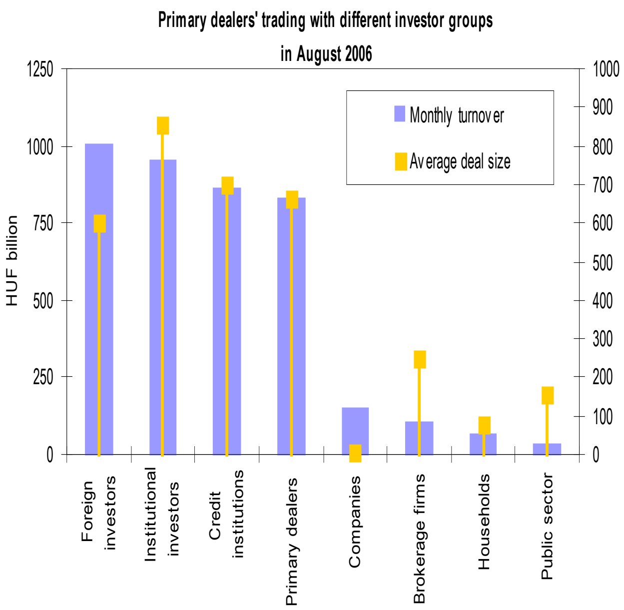
Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in August 2006

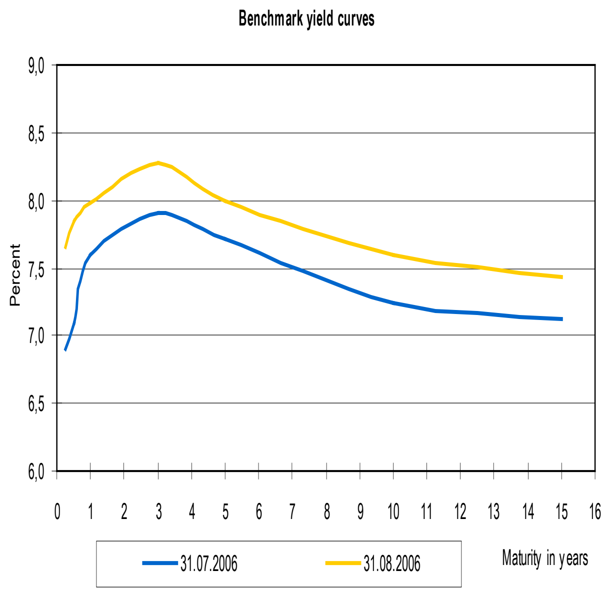


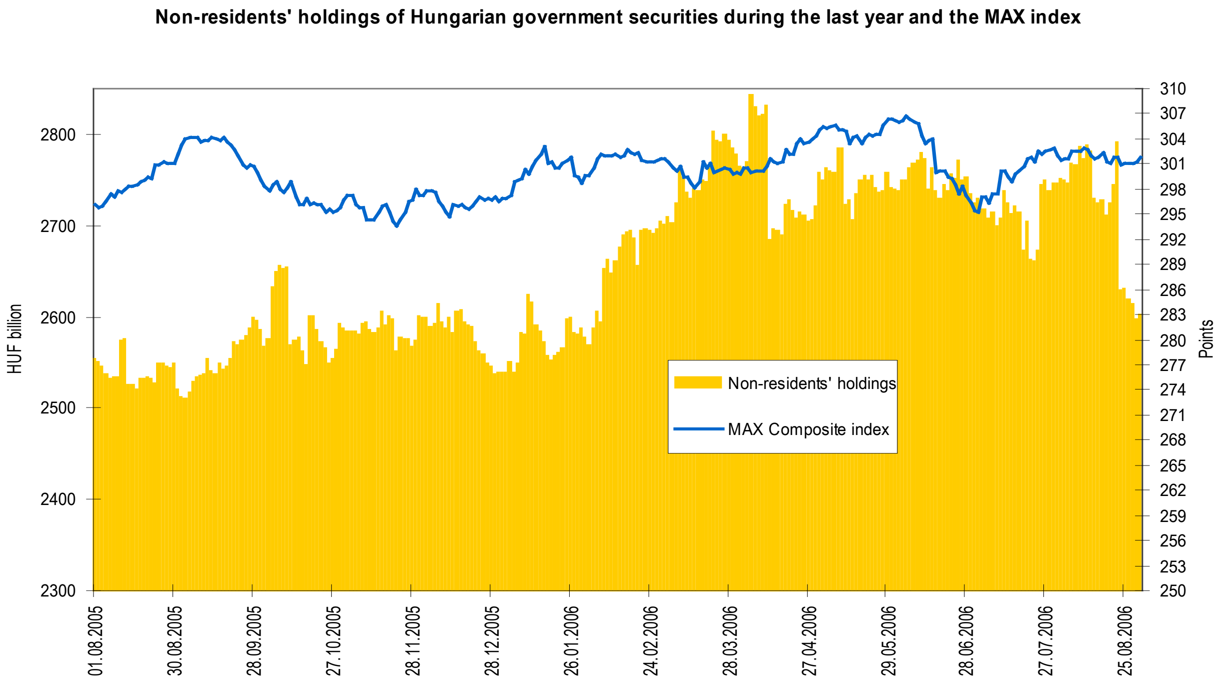
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in August 2006




Benchmark yields in the past three months
Percent
9
8,5
8
7,5
7
6,5
6
5,5
01.06.2006
08.06.2006
15.06.2006
22.06.2006
29.06.2006
06.07.2006
13.07.2006
20.07.2006
27.07.2006
03.08.2006
10.08.2006
17.08.2006
24.08.2006
31.08.2006
3-month
1-year
3-year
10-year


Primary dealers' trading with different investor groups in August 2006
HUF billion
HUF million
Monthly turnover
Average deal size
1250
1000
750
500
250
0
900
800
700
600
400
300
200
100
Foreign investors
Institutional investors
Credit institutions
Primary dealers
Companies
Brokerage firms
Households
Public sector


Benchmark yield curves
Percent
9,0
8,5
8,0
7,5
7,0
6,5
6,0
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
31.07.2006
31.08.2006
Maturity in years


Non-residents' holdings of Hungarian government securities during the last year and the MAX index
HUF billion
Points
2800
2700
2600
2500
2400
2300
310
307
304
301
298
295
292
289
286
283
280
277
274
271
268
265
262
259
256
253
250
Non-residents' holdings
MAX Composite index
01.08.2005
30.08.2005
28.09.2005
27.10.2005
28.11.2005
28.12.2005
26.01.2006
24.02.2006
28.03.2006
27.04.2006
29.05.2006
28.06.2006
27.07.2006
25.08.2006

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN AUGUST 2006

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2007/C	11.08.2006	12.08.2006	12.02.2007	12.02.2007	7.15	3.65
2007/E	11.08.2006	12.08.2006	12.02.2007	12.02.2007	7.15	3.65
2008/B	11.08.2006	12.08.2006	12.02.2007	12.02.2007	7.15	3.65
2009/A	11.08.2006	12.08.2006	12.02.2007	12.02.2007	7.15	3.65
2010/A	11.08.2006	12.08.2006	12.02.2007	12.02.2007	7.15	3.65
2026/A	25.08.2006	28.08.2006	28.02.2007	28.02.2006	6.93	6.55

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 August 2006	304.8345	306.7478	301.7257	309.1065
Changes compared to the end of the month before	-1.7458	1.1394	-1.1256	1.6535
Annual yield earned on the index portfolio	-1.72%	5.55%	-0.16%	6.20%

Government securities with the highest secondary market turnover in August 2006

Government security	Date of redemption	Turnover (HUF billion)
2011/B	12.10.2011	449.8
2008/E	12.08.2008	314.6
2016/C	12.02.2016	306.7
D070801	01.08.2007	276.8
D061122	22.11.2006	212.2
2009/F	12.08.2009	205.8
2007/G	12.10.2007	168.0
2015/A	12.02.2015	151.9
2010/B	12.10.2010	144.3
D060927	27.09.2006	142.7

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

	HUF billion	
Government bond	31.07.2006	31.08.2006
2009/F	127.05	208.53
2011/B	304.26	348.09
2016/C	370.14	393.52
2020/A	280.68	280.70

PRIMARY DEALERS - AS AT 31 AUGUST 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