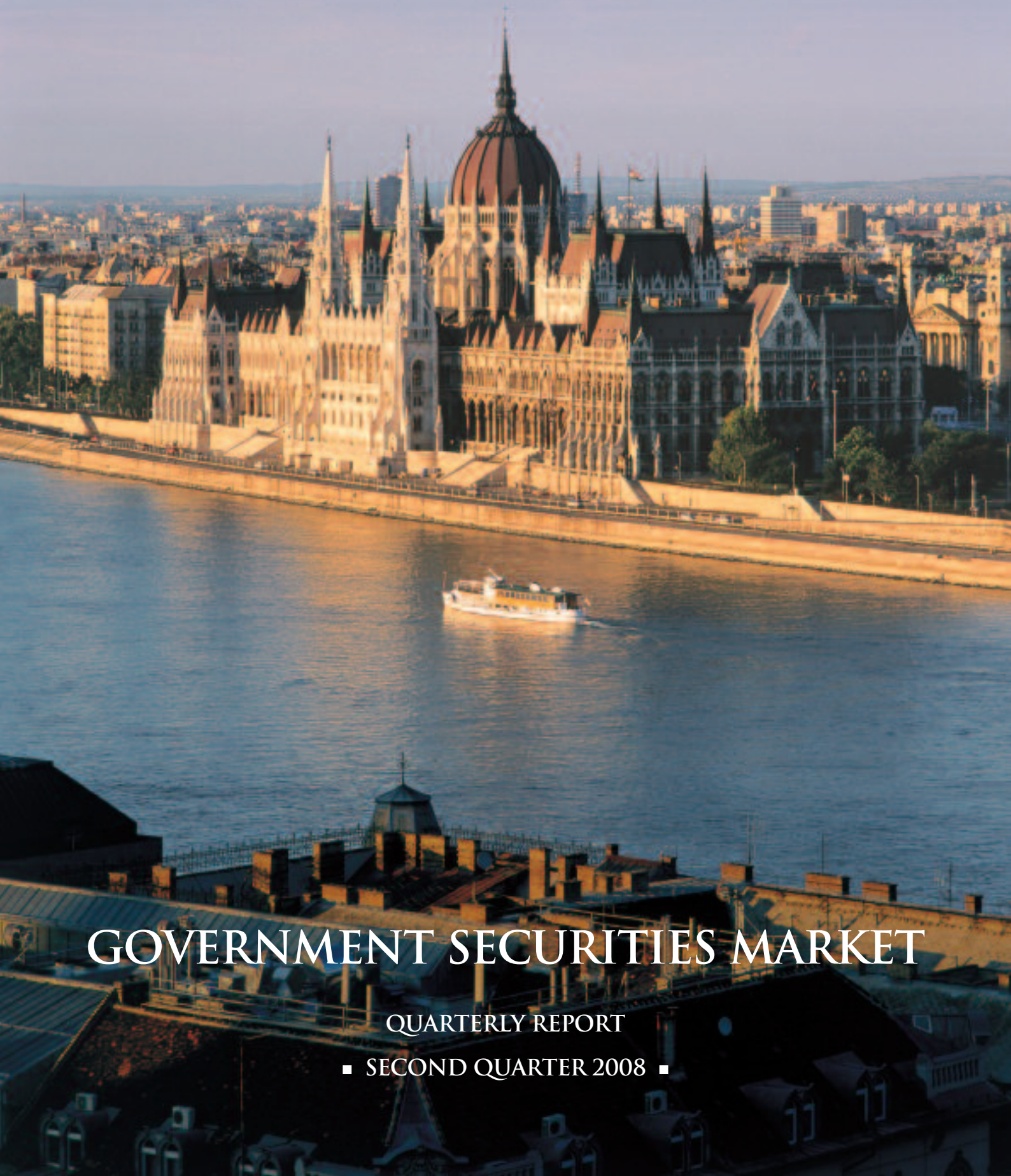




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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.



GOVERNMENT SECURITIES MARKET

QUARTERLY REPORT

■ SECOND QUARTER 2008 ■

■ GOVERNMENT SECURITIES MARKET ■

The deficit of the central government amounted to HUF 722 (about EUR 3 bn) billion in the first six months of 2008. The cash inflows worth HUF 228.5 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 496.3 billion in Q2 2008. Net issuance was HUF 695.8 billion, out of which net HUF-denominated issuance was HUF 351.0 billion, net foreign currency denominated issuance was HUF 344.8 billion. The total amount outstanding of other liabilities decreased by HUF 4.1 billion in the first six months of 2008.

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 Q2 were as follows:

- The proportion of HUF- and foreign currency denominated debt was 72.3% and 27.7% respectively.
- Almost 100% of foreign currency denominated debt was denominated in euro.
- The fixed-floating mix of HUF-denominated debt was 74.6% and 25.4% respectively.
- The fixed-floating mix of the foreign currency portfolio was 65.6%-34.4% respectively.
- The duration of HUF-denominated debt was 2.67 years.

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

The base rate of the NBH had been raised three times in the second quarter of 2008 and it stood at 8.5% at the end of June. Short-term market yields increased by 1-23 basis points, while yields on more than 1-year term-to-maturity decreased 6-41 basis points, with the exception the 15-year yield, which increased by 7 basis points. At the end of Q2 the 1-year benchmark yield stood at 9.18%, the 3-year yield at 9.55%, the 10-year yield at 8.50%.

OTC turnover of government securities was 35% lower than in the previous quarter and reached HUF 12,644 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 38% of their secondary government securities deals with non-resident investors.

Non-resident holdings of Hungarian government securities decreased altogether by HUF 196.8 billion and amounted to HUF 3,070 billion at the end of June 2008. This represented 28.5% of domestic government bonds and discount Treasury bills.

The issuance of the 6-month discount T-bill auctions have been suspended by the decision of ÁKK, the last auction was held on 11 June 2008.

ÁKK held a press conference on the 24th July 2008 and informed market participants on financing in 2008. 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 237.03 at the last working day of June.

The credit rating of long-term foreign currency denominated debt of the Republic of Hungary at 30 June 2008 was: BBB+ (Standard & Poor's); A2 (Moody's); BBB+ (Fitch).

GOVERNMENT SECURITIES MARKET

MACROECONOMIC INDICATORS

	2000	2001	2002	2003	2004	2005	2006	2007	April 2008	May 2008	June 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	6.5	4.7	
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		6.6	7.0	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)									0.3	1.1	0.1
Producer price index (yearly change) ²	12.4	-0.4	-1.3	6.2	1.6	4.5	4.5		6.5	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)									-0.1	-1.1	
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	-733.6	-890.0	-545.0	-1,959.2	-1,389.9	-551.6	-475.4	-783.0
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	15,970.0	15,770.7	15,965.8
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	163.13	155.51	149.76
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	253.43	240.80	237.03

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

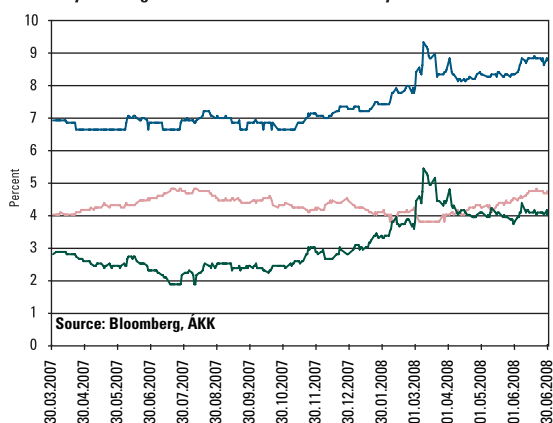
⁶ Excluding privatisation proceeds and transfers to the NBH

⁷ Excluding debt assumptions and bond-transfers amounting to HUF 512.05 billion at the end of 2002

⁸ Excluding intercompany loans

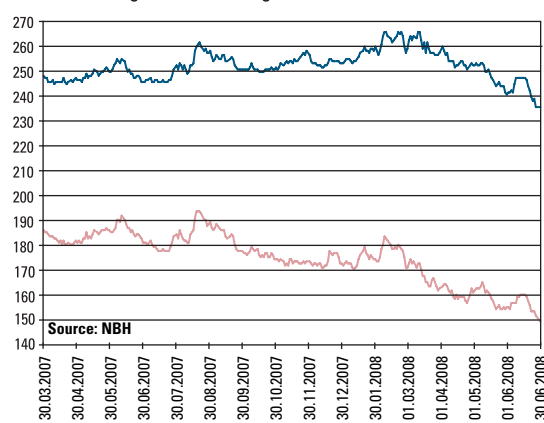
⁹ FISIM with new methodology as from 2001

10-year Hungarian and eurozone benchmark yields



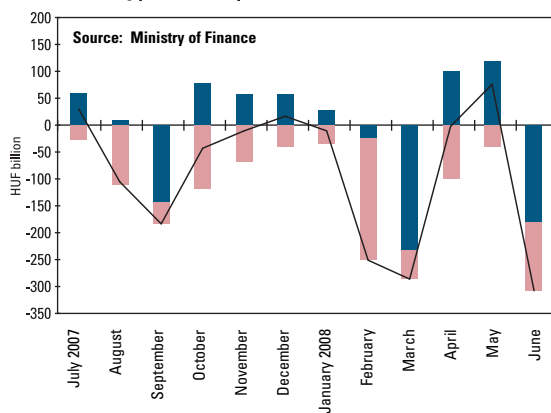
— 10-year Hungarian sovereign benchmark yield
— 10-year Hungarian sovereign yield spread
— 10-year euro benchmark yield

The exchange rate of the Hungarian Forint



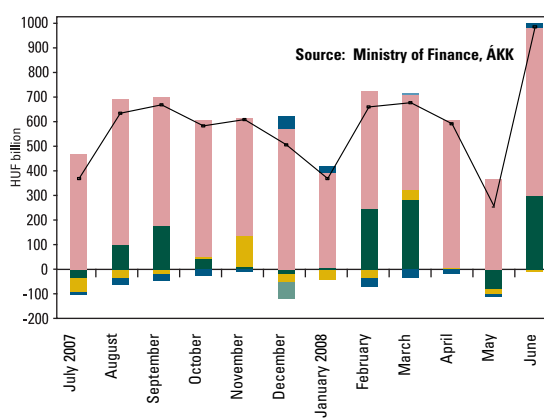
— HUF/EUR exchange rate
— HUF/USD exchange rate

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



■ Net interest payments
■ Budget balance excluding net interest payments
■ Monthly balance

Gross borrowing requirement



■ Redemptions
■ Capital transfer to the NBH
■ Privatization revenues
■ Monthly deficit (+) / surplus (-) of the central budget
■ Net balance of EU transfer prefinancing
■ Borrowing requirement of the Social Security and extrabudgetary funds
■ Total borrowing requirement

GOVERNMENT SECURITIES MARKET

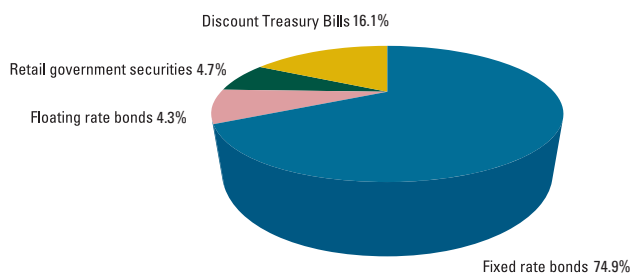
CENTRAL GOVERNMENT GROSS DEBT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	April 2008	May 2008	June 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	11,409.4	11,385.8	11,454.2
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	145.5
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	145.5
1.1.1.1. 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
1.1.1.1.1. 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
1.1.1.1.2. 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
1.1.2. 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	11,263.7	11,240.1	11,308.7
1.2. 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	10,772.0	10,748.4	10,817.9
1.2.1. 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	8,531.6	8,508.9	8,505.8
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	1,712.5	1,712.3	1,778.9
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	527.9	527.2	533.2
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	491.7	491.7	490.9
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	4,555.3	4,379.8	4,506.6
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	928.1	880.1	706.1
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	920.4	872.7	706.1
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	7.7	7.3	0.0
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	7.7	7.3	0.0
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	3,627.3	3,499.8	3,800.5
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	3,627.3	3,499.8	3,800.5
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	3,627.2	3,499.7	3,800.5
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	15,964.7	15,765.6	15,960.8
Other liabilities									21.4	29.0	9.1	5.3	5.0
Total central government debt									12,765.6	14,705.7	15,585.5	15,770.7	15,965.8
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 mio exchange rate of the NBH at the end of the year/month

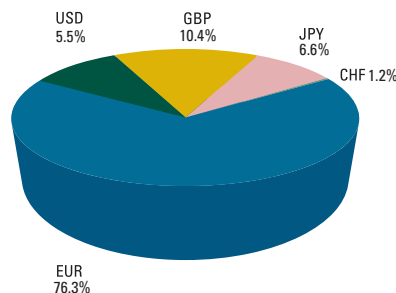
Source: ÁKK

Composition of HUF government securities as at 30. 06. 2008.



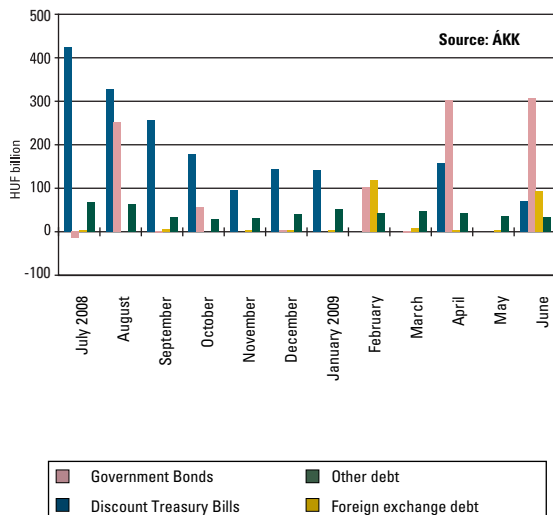
Source: ÁKK

Currency composition of the foreign exchange debt portfolio as at 30. 06. 2008*

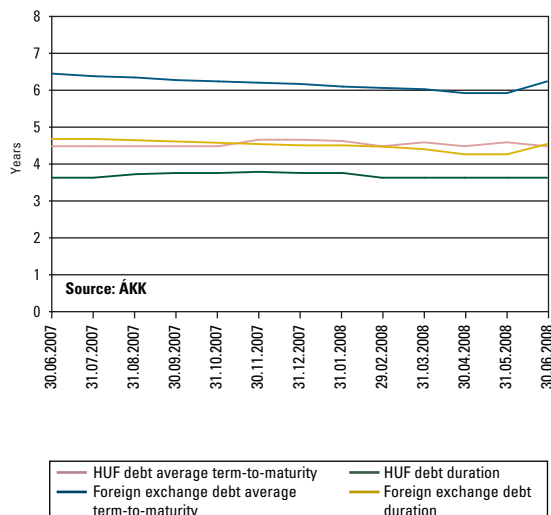


* Composition before swaps. By using cross-currency swaps, 99.99% of the actual foreign exchange debt of the central government was due in euros.

Maturity profile of the central government gross debt over the next 12 months, as at 30.06.2008



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



GOVERNMENT SECURITIES MARKET

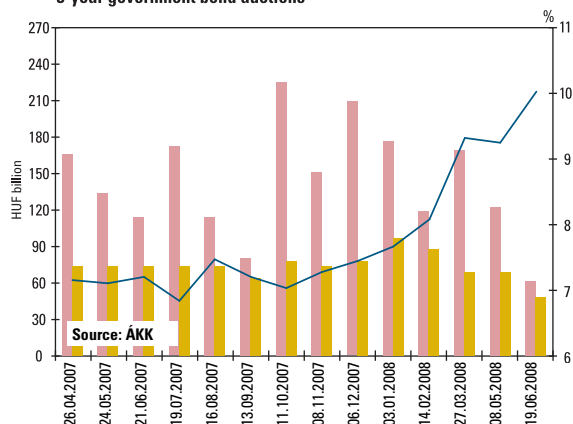
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2012/C	2019/A	2011/C	2023/A	2012/C	2019/A	2011/C
ISIN code	HU0000402417	HU0000402433	HU0000402425	HU0000402383	HU0000402417	HU0000402433	HU0000402425
Maturity (in years)	5	10	3	15	5	10	3
Coupon (%)	6.00%	6.50%	6.75%	6.00%	6.00%	6.50%	6.75%
Auction	9. auction	3. auction	4. auction	9. auction	10. auction	4. auction	5. auction
Date of auction	10.04.2008	24.04.2008	08.05.2008	08.05.2008	22.05.2008	05.06.2008	19.06.2008
Date of financial settlement	16.04.2008	30.04.2008	14.05.2008	14.05.2008	28.05.2008	11.06.2008	25.06.2008
Date of redemption	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	8.94	8.03	9.30	7.98	8.95	8.45	10.15
Minimum annual yield (%) - ISMA	8.94	7.97	9.00	7.88	8.90	8.36	9.90
Average annual yield (%) - ISMA	8.94	8.00	9.22	7.93	8.93	8.43	10.02
Maximum annual yield (%) - EHM	8.93	8.03	9.30	7.97	8.94	8.45	10.15
Minimum annual yield (%) - EHM	8.93	7.97	9.00	7.87	8.89	8.36	9.90
Average annual yield (%) - EHM	8.93	7.99	9.22	7.92	8.92	8.42	10.02
Maximum price (%)	89.3782	89.4150	94.3889	83.4316	89.7319	86.9280	92.5070
Minimum price (%)	89.3782	89.0148	93.6757	82.6614	89.5678	86.3546	91.9488
Average price (%)	89.3782	89.2220	93.8594	83.0823	89.6497	86.5006	92.2425
Amount offered for sale (HUF million)	50,000.00	40,000.00	70,000.00	15,000.00	50,000.00	40,000.00	70,000.00
Amount of bids submitted (HUF million)	181,212.08	64,150.00	121,219.35	55,328.00	118,875.06	91,016.85	59,987.14
Amount of bids accepted (HUF million)	50,000.00	39,999.95	69,999.98	14,999.99	49,999.93	39,999.92	49,999.98
Bid-to-cover ratio	3.62	1.60	1.73	3.69	2.38	2.28	1.20
Bids submitted (pcs)	121	86	92	56	110	115	85
Bids accepted (pcs)	13	44	83	40	51	64	79
Tail (average price - minimum price)	0.00	0.21	0.18	0.42	0.08	0.15	0.29
Market sales* (HUF million)	50,000.00	39,999.95	69,999.98	14,999.99	49,999.93	39,999.92	49,999.98
Retained on ÁKK's own account (HUF million)	0.00	8,000.05	0.02	3,000.01	0.07	8,000.08	0.02
Total amount issued (HUF million)	50,000.00	48,000.00	70,000.00	18,000.00	50,000.00	48,000.00	50,000.00

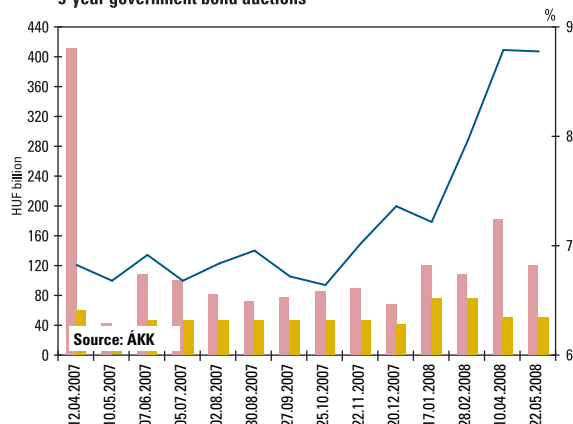
* Without issuance onto ÁKK's own account

Source: ÁKK

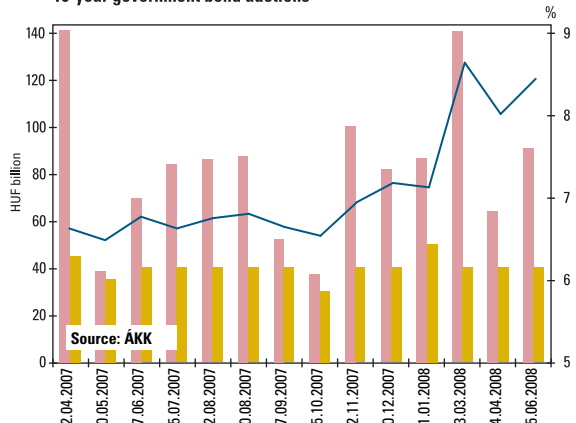
3-year government bond auctions



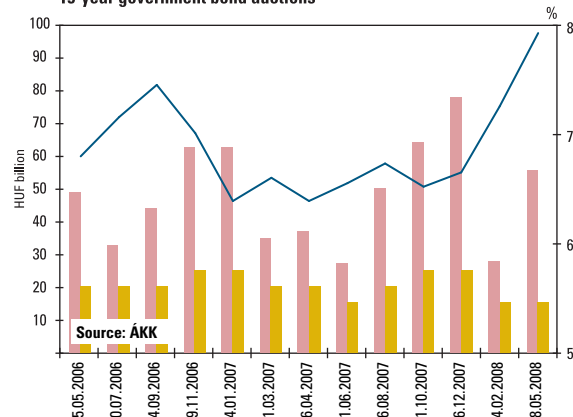
5-year government bond auctions



10-year government bond auctions



15-year government bond auctions



Bids submitted
 Accepted amount
 Average yield

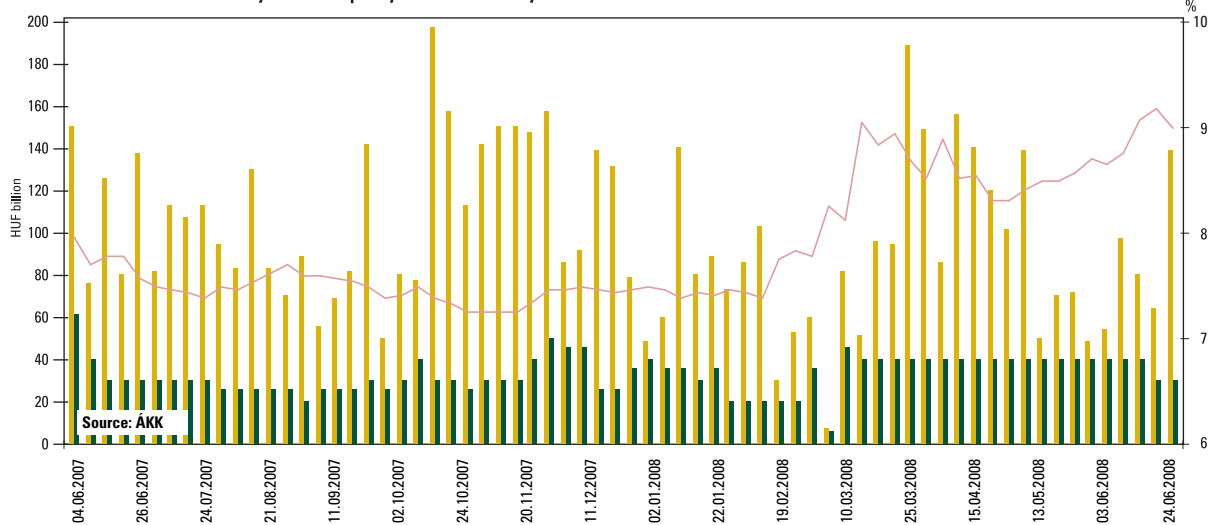
GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND BUY-BACK AUCTION RESULTS

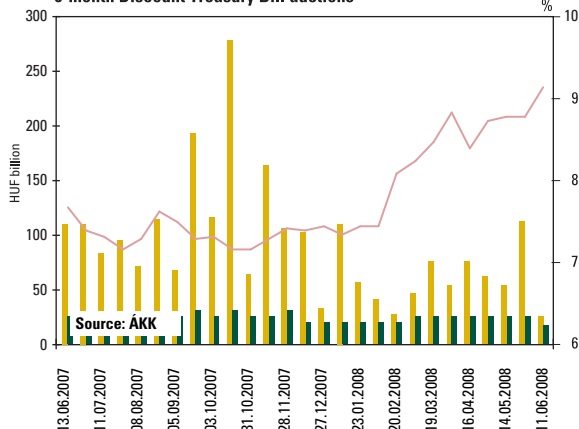
Government bond	2008/E	2009/E	2008/E	2009/E
ISIN code	HU0000402300	HU0000402326	HU0000402300	HU0000402326
Coupon (%)	6.50%	6.25%	6.50%	6.25%
Date of buy-back auction	07.05.2008	07.05.2008	21.05.2008	21.05.2008
Date of financial settlement	14.05.2008	14.05.2008	28.05.2008	28.05.2008
Date of redemption	12.08.2008	24.04.2009	12.08.2008	24.04.2009
Minimum annual yield (%)	8.70	9.00		8.92
Average annual yield (%) - ISMA	8.76	9.00		8.93
Amount of bids submitted (HUF million)	6,556.48	74,262.87	5,849.16	34,417.32
Amount of bids accepted (HUF million)	6,450.48	37,919.91	0.00	7,350.00
Bids submitted (pcs)	8	22	4	20
Bids accepted (pcs)	6	10	0	6

Source: ÁKK

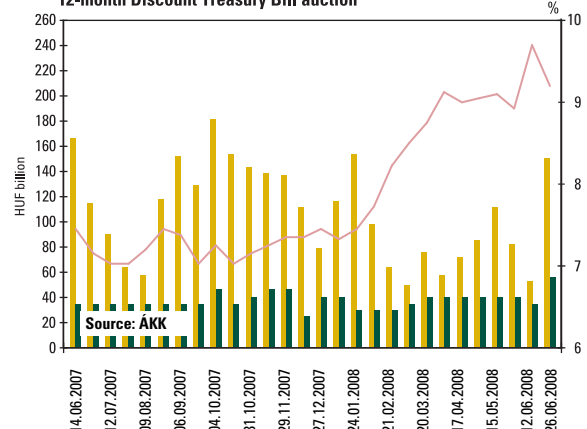
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auction



Bids submitted
 Accepted amount
 Average yield

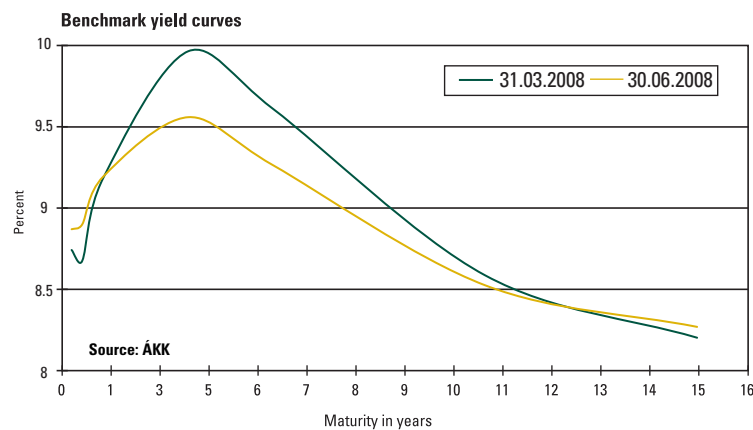
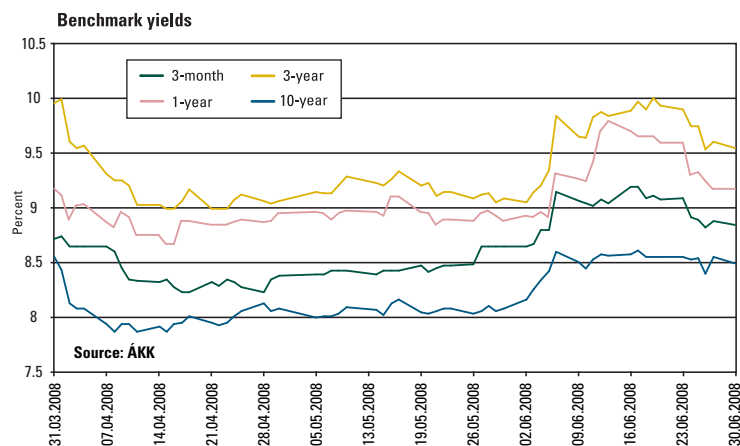
■ GOVERNMENT SECURITIES MARKET ■

DETERMINATION OF INTEREST RATE FOR FLOATING RATE GOVERNMENT BONDS IN Q2 2008

Government Bond	Date of determination rate reset	Interest period	Date of interest payment	Applicable interest rate (%)	Interest payable (%)	
2026/B	23.04.2008	24.04.2008	24.10.2008	27.10.2008	8.42%	-
2026/C	23.04.2008	24.04.2008	24.10.2008	27.10.2008	8.42%	8.07%
2008/A	23.04.2008	24.04.2008	24.07.2008	24.07.2008	8.56%	-
2014/A	30.04.2008	02.05.2008	02.11.2008	03.11.2008	7.90%	4.04%
2013/C	19.06.2008	20.06.2008	20.12.2008	22.12.2008	8.30%	4.22%
2014/B	19.06.2008	20.06.2008	20.12.2008	22.12.2008	8.30%	4.22%
2016/A	01.06.2008	30.06.2008	30.09.2008	30.09.2008	8.25%	2.08%*

Source: ÁKK

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

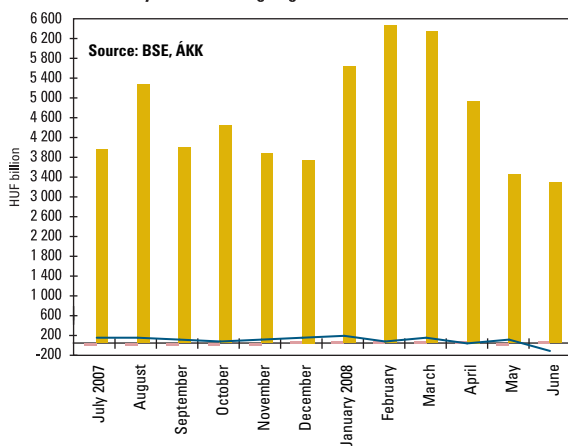


PRIMARY DEALERS - AS AT 30 JUNE 2008

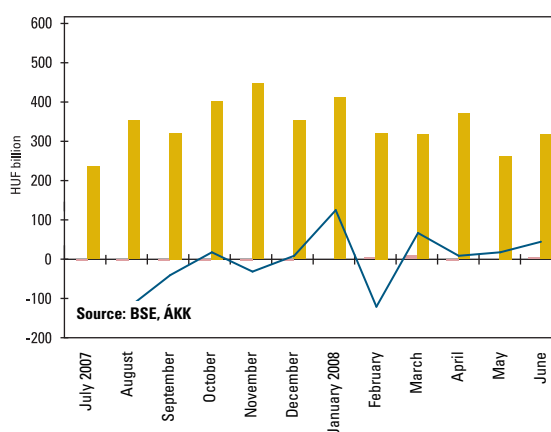
Primary dealers:		Primary dealers for retail securities:
CIB Bank Zrt.	MKB Bank Nyrt.	CIB Bank Zrt.
CITIBANK Zrt.	Magyar Takarékszövetkezeti Bank Zrt.	Kereskedelmi és Hitelbank Nyrt.
Deutsche Bank Zrt.	Országos Takarékpénztár és Kereskedelmi Bank Nyrt.	Magyar Takarékszövetkezeti Bank Zrt.
ERSTE Bank 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

GOVERNMENT SECURITIES MARKET

Secondary market trading of government bonds

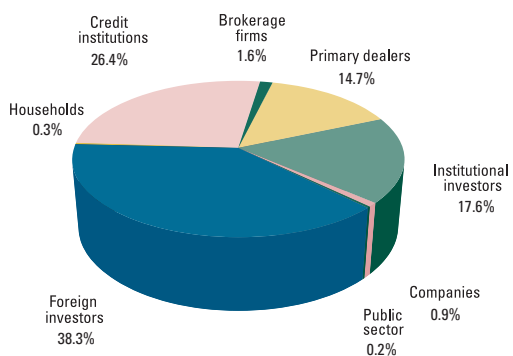


Secondary market trading of Discount Treasury Bills



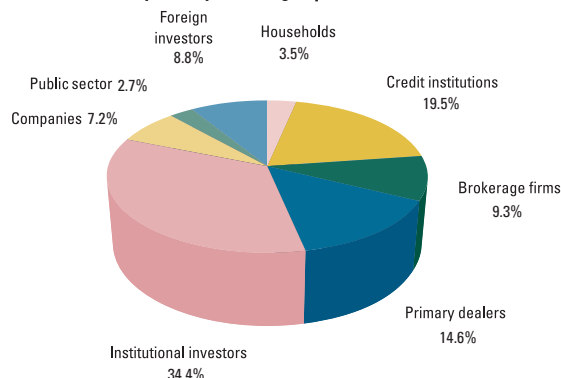
Stock Exchange (BSE) OTC Net issuance

Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in Q2 2008



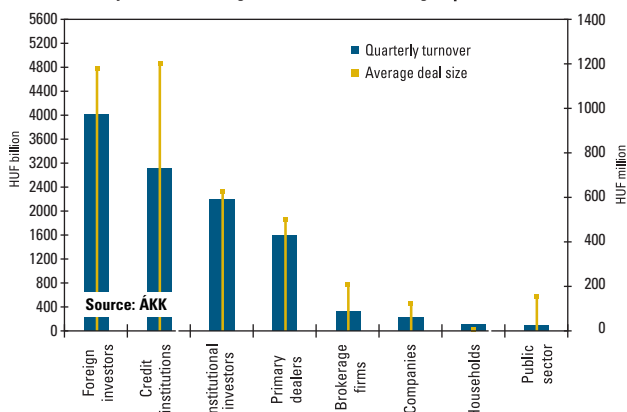
Source: ÁKK

Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in Q2 2008



Source: ÁKK

Primary dealers' trading with different investor groups in Q2 2008

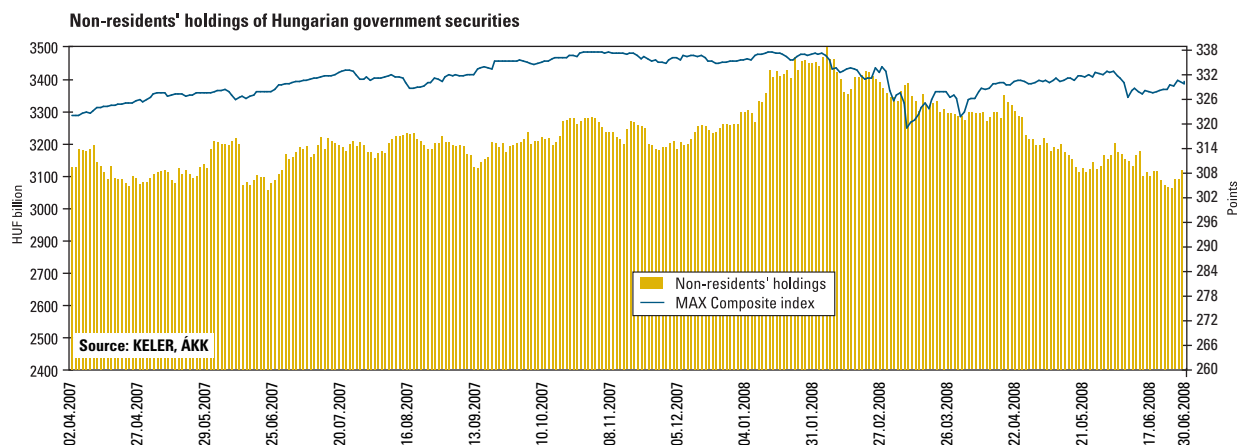


Government securities with the highest turnover on the secondary market in Q2 2008

Government security	Date of redemption	Turnover (HUF billion)
2010/D	24.08.2010	3,394.1
2012/C	24.10.2012	2,906.8
2017/B	24.02.2017	2,429.3
2010/C	12.04.2010	2,069.0
2011/C	22.04.2011	1,750.5
2012/B	12.06.2012	1,640.5
2011/B	12.10.2011	893.7
2009/F	12.08.2009	886.6
2009/E	24.04.2009	822.7
2013/D	12.02.2013	718.8

Source: ÁKK

GOVERNMENT SECURITIES MARKET



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
31.03.2008	324.1924	343.1753	322.8721	347.9621	-1.18%	6.69%	-0.07%	7.44%
30.04.2008	333.8015	346.4604	331.6380	350.8347	0.45%	6.96%	1.41%	7.60%
30.05.2008	336.0363	348.7731	333.8691	353.0463	0.50%	7.09%	1.48%	7.65%
30.06.2008	333.1883	350.6736	331.6572	355.4437	-0.94%	6.92%	0.20%	7.66%

Source: ÁKK

OUTSTANDING AMOUNT OF BENCHMARK GOVERNMENT BOND SERIES IN Q2 2008

Government Bond	HUF billion		
	30. 04. 2008	31. 05. 2008	30. 06. 2008
2011/C	261.53	332.07	382.99
2012/C	465.16	515.17	515.24
2019/A	130.02	130.02	170.04
2023/A	165.08	180.08	180.08

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
HUBONDIINDEX	Hungarian Government Total Return Index (MAX), updated at 16.00 CET
HUBONDIINDEX2	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
HUIINDEXED	Accrued interest and capital uplift (inflation adjusted capital) of the index-linked government bond on a daily basis
HUBONDIINFO	List of authorised dealers (contacts)

FURTHER INFORMATION PAGES:

Bloomberg pages (code): GDMA

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

