GOVERNMENT SECURITIES MARKET REPORT 2000

(THIS PUBLICATION IS AN ELECTRONIC RE-PRODUCTION OF THE GOVERNMENT SECURITIES MARKET REPORT 2000 TEXT VERSION ONLY FOR INFORMATION PURPOSES OF THE ORIGINAL PRINTED ISSUE PUBLISHED IN 2001. MINOR DIFFERENCES TO THE ORIGINAL PRINTED VERSION CAN OCCUR.)

I. Foreword

The fact that with every year passing Hungary gets closer to EU and EMU membership finds its reflection in the growing number of foreign investors who buy bonds issued by the Republic of Hungary both in the domestic market and abroad. For the comfort for these investors ÁKK decided to renew our regular publications to meet the requirements of a changing market place. Instead of publishing heavy volume data weeks - or sometimes months – after the relevant period, we would like to satisfy demand for up-to-date market information as well as historical data to our website 'www.allampapir.hu' and reserve the printed information rather for summaries on the preceding periods (e.g. months and years).

So this Government Securities Market Report 2000 which is the very first piece of our redesigned series of publications lacks most of the tables and figures the Annual Reports have had in previous years. Nevertheless this report tries to give a detailed account of ÁKK's debt operations and an overview of the developments in the Hungarian market in the year 2000.

I take this opportunity to underline our commitment to the principles of prudent debt management in line with the best international practices. At the same time I would like to encourage the readers of this Report to feel free to contact the staff of ÁKK with questions or comments concerning the form and contents of this publication.

Ferenc Szarvas
Chief Executive Officer

II. Macroeconomic background

1. General

In 2000 the Hungarian economy was characterised by strong growth, improving external and internal balances and at the same time – in line with international tendencies – higher than expected price level increases. Average annual GDP growth totalled 5.2 per cent with quarterly GDP growth figures ranging between 6.5 per cent (Q1) and 4.2 per cent (Q4), rates significantly higher than those of the European Union or of the other convergence economies (Poland or the Czech Republic). The main contributor to economic growth was manufacturing industry, the value-added growth of which reached 11%.

The structure of the expansion was healthy, as on the one hand external demand played an important part, and on the other hand the main propelling force in domestic demand was gross capital formation. As a consequence the growth of consumption was weaker than the growth of GDP.

These processes had a favourable impact on the balance of the *current account*. In contrast to forecasts at the beginning of the year, the current balance resulted in a deficit lower than a year before.

Despite the worsening terms of trade (oil price increase, weak Euro) the growth of the *trade deficit* – relative to the preceding year – remained modest. Profit repatriation eventually showed only a slight increase compared to a year earlier. The favourable final balance was ensured by the outstanding revenues from tourism.

The breakdown of the *financial account* shows that unlike in 1999, in 2000 the non-debt-generating elements did not cover the current account deficit. Foreign investment in Hungarian government bonds played an important role in financing the current account, and at the same time it was most significant in the domestic bond market as well.

While the Budapest Stock Exchange index (BUX) mirrored the moves made by the world's leading stock exchanges as a result of worsening sentiment the net investment into equity securities decreased the financing of the current deficit. Net FDI (equity capital) inflow remained stable, exceeding EUR1.2 billion.

2. Fiscal situation

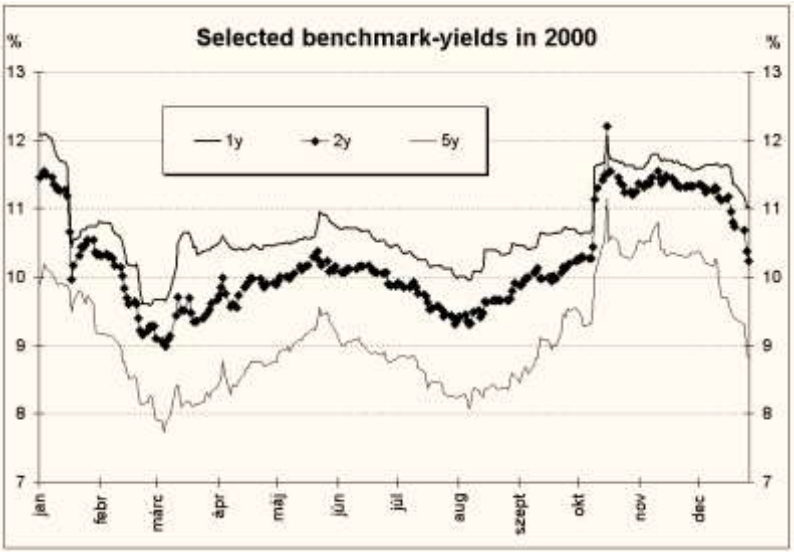
The relatively low external deficit was also underpinned by the favourable fiscal situation. As a consequence of higher than planned inflation and economic growth budget revenues significantly exceeded the appropriation, while expenditures remained under control. The evolving budget deficit did not show a smooth pattern, as the deficit in December alone totalled 40.3% of the full-year balance. Thus fiscal policy did not play an instrumental role in the stimulation of domestic demand in 2000 as the effect on demand of the December deficit will spread into 2001.

The necessity for the modest fiscal deficit was justified by the pattern of household savings. The savings – income ratio declined for the second consecutive year, the increase of net financial savings falling to 7.1% of total household income in 2000, against its peak 10.6 % in 1998.

This low propensity to save was on the one hand mainly a result of household investment – predominantly house construction – and, on the other hand an acceleration of consumption accompanied by a fast accumulation of consumer credit. However, total household indebtedness still remained low relative to GDP and this savings behaviour has not endangered government debt management so far, as a huge portion of the net T-bond issuance was absorbed by foreign investors.

The inflation outlook remained uncertain throughout the whole year. While tight fiscal policy and centrally regulated prices, as well as modest real wage growth, had a cooling effect on price increases, two factors namely food and oil prices had a negative influence.

Crude oil prices were in USD terms on average 60% higher than a year before. Combined with a weak Euro this led to significant increases in raw material and energy prices in Hungarian Forints. During the entire year the crawling peg exchange rate regime served as an anchor for inflation.



The ÁKK Rt. has regularly published secondary market benchmark yields of government securities since February 17, 1997. The basis for calculating benchmark yields are prices of government securities included in the primary dealer system with residual maturity being the same or close to benchmark maturities.

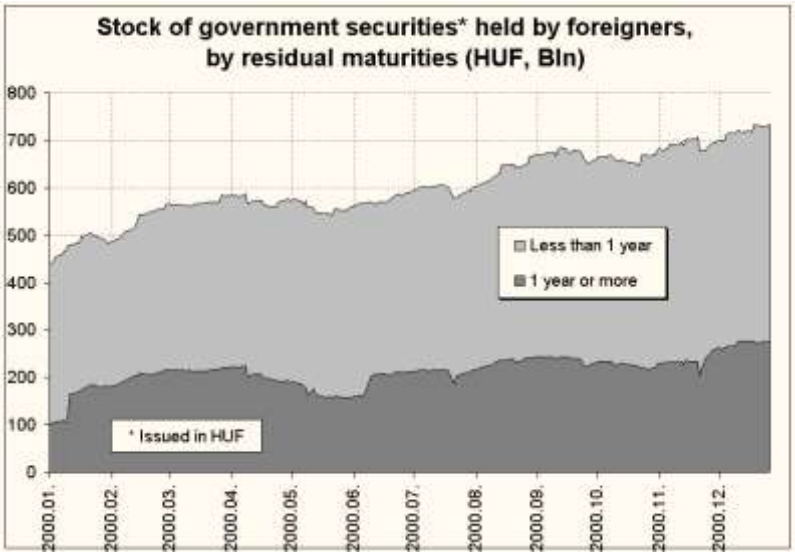
As a result inflation fell to 9.1 % yoy in May, but after a substantial increase ended the year at 10.1%. However, the average price increase was 9.8%, hardly different from the 10% measured a year before. By the end of 2000 it was clear that mainly due to external factors, the preceding disinflation trend could not be maintained.

3. Interest rates

Benchmark T-bond yields in the whole year were significantly under the level of the previous year. In late 1999 and early 2000 the yield curve decreased by 3-4 percentage points. This massive drop in yields could not be explained exclusively by fundamental factors, but was due rather to a significant decrease in the expected premium on Hungarian bonds. Massive T-bond purchases by foreign investors were stimulated by both yield expectations and continuing speculation on appreciation following the expected abolition of the exchange rate band.

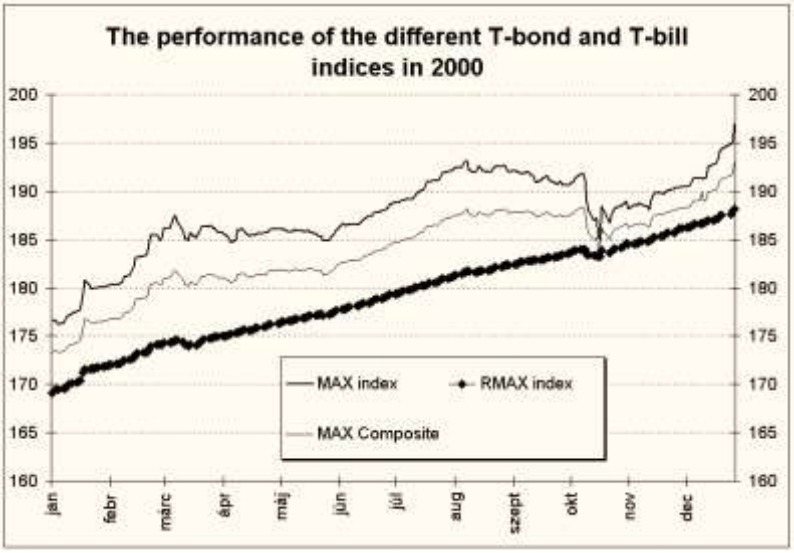
Yield movements can be characterised by a significant fall at the beginning of the year. Foreign capital inflow was strong, putting persistent downward pressure on interest rates; in consequence the central bank lowered its key two week deposit rate by 325 basis points within four months. A new 3 month central bank instrument was introduced on 20 March, 2000, to sterilise the money supply effects of the capital inflow. The continuing liquidity pressure tended to push the whole yield curve down over the year as a whole, although in early summer there was a relatively short-lived movement in the other direction. However, by early October the central bank was sufficiently concerned about developing inflationary pressures to raise its key interest rate by 100 basis points, citing inflationary pressure as a reason.

The adverse inflationary developments referred to above had differential effects on the opposite ends of the yield curve: for much of the year (check) the yield dropped more on the longer maturities and less at the short end of the spectrum. However, by the end of the year the shape (negative slope) of the yield curve was not significantly different from what it was in January (see chart No. 4. in chapter V.). Real interest rates remained low during the year, which had a negative effect on savings behaviour.



The interest margin on the Hungarian yields over the German Bund moved in close correlation with EMBI spread (JP Morgan Emerging Market Bond Index) except for two periods, namely at the beginning of the year due to the significant capital inflow and in October caused by the interest rate rise by the central bank.

As is shown in the chart above the stock of Hungarian T-bonds owned by foreign investors grew continuously from 438 Billion HUF at the beginning to 733 Billion HUF at the end of the year, which constituted 20.5% of the outstanding stock of publicly issued government securities.



The Hungarian Government Bond Indices are calculated and released daily. The MAX Composite index contains all government securities with residual maturity of shorter (RMAX) and longer (MAX) than one year and it characterises the whole government security market. The basis of government security indices was 100 points on December 31, 1996. The index basket contains the most liquid government securities, for which primary dealers quote prices with narrow spread, making it easy for investors to trade index constituent securities. The government security indices are total return indices that reflect the effect of price movements as well as the impact of accrued or paid interest.

III. Debt management strategy

According to the debt management strategy the main objective of debt management is "To provide low cost funding in the long run taking into consideration the possible risks involved and adopting an integrated approach." While it may seem that this objective is not different from that of most of the Debt Management Offices around the world, major differences may lie in the definition of cost and risk for each sovereign debt manager. Hungary, for example, traditionally raised a significant portion of its public debt in the international capital markets and therefore the share in total debt taken by foreign currencies is still higher than in most of the EU-member countries. So the need to manage the exchange rate risk, which may be non-existent for sovereign borrowers who cover their financing needs in their domestic market only, is a major task for Government Debt Management Agency Ltd. (ÁKK Rt.). At the same time Hungary's convergence with the EU and its successive EMU-membership put many aspects of debt management in a different light and predetermine the room to manoeuvre.

The costs and risks are incorporated into the following benchmarks:

1. Currency composition (Domestic versus foreign currencies)

According to the debt management strategy the budget deficit as well as the maturing forint debt is financed from the domestic market. Only the principal of the foreign currency debt may be renewed from the international markets. This strategy provides for a gradual decrease of the share of the foreign currency debt as this element of the portfolio involves exchange rate risk. A more complex analysis of the interrelation of the external and domestic debt portfolios shows also positive effects (e.g. healthier maturity profile, wider investor base, etc.).

2. Currency benchmark

In order to limit the exchange rate risk represented by the foreign currency portfolio a currency benchmark was set up mirroring the structure of the currency basket of the Forint. This way the effect of cross-currency movements on the value of the external debt portfolio was eliminated and the exchange rate risk reduced to the official crawling-peg devaluation of the Forint against the basket and the fluctuation within the ± 2.25 % band. Since January 1, 2000 the currency basket contains only Euro so the currency benchmark is 100% Euro. There is a small possibility of diverting from the benchmark (mainly for technical reasons), but 95% of the actual portfolio has to be in Euro.

3. Interest rate benchmark

The foreign currency portfolio traditionally consisted of fixed-rate bonds. To allow a more flexible approach to interest rate management ÁKK created an interest rate benchmark. This benchmark gives a fix-floating mix for the foreign debt portfolio for each consecutive year. The current benchmark consists of approximately 80% fixed and 20% floating rate. There is a 5% tolerance band attached to the benchmark.

> The definition of the interest rate benchmark started with the definition of the risks. First, there is a possible overshooting of the interest expenditure in the yearly budget (Cash-flow-at Risk, CFaR). Secondly, the increase of the value of the portfolio above a certain level also poses a risk for the budget (Value-at-Risk, VaR). One has to realise that there is a trade-off between CfaR and VaR, the more fixed rate element there is in the portfolio the less CfaR and more VaR the budget has to face and vice versa.

In relation to the domestic currency portfolio it is more complicated to set benchmarks due to the dominant role ÁKK plays in the domestic capital market. While work is being carried out in that field one strategic goal aimed at increasing the share in total debt taken by fixed rate domestic bonds and lengthening the maturity profile can already be pointed out. This is done by putting more emphasis on the issuance of the 5 and 10 year fixed rate government bonds.

In the coming years further work needs to be done in developing a new strategy that contains answers to the challenges set by the process of Hungary's convergence to the European Union.

IV. Debt portfolio, 2000

The gross debt of the Central Government amounted to 57.6% of the Hungarian GDP at the end of the year 2000. (*see Table no. 1 below*) This debt portfolio consisted of two main parts: the HUF-denominated debt constituted 65% of it and foreign currency denominated debt accounted for the remaining 35%.

Table 1.

Central Government Gross Debt at the end of 2000 HUF Billion

Government Bonds	3 051,8
Treasury Bills	836,6
Retail Government Securities	522,5
HUF Loans	303,8
Government Bonds issued in the international markets	743,4
Forex loans	1 944,8
Swaps	-179,5
Securities matured but not redeemed by investors	*2,8*
Total	**7 226,2**

The two components had different characteristics (average term to maturity, duration, interest rates, etc.,) which are listed below.

1. Structure of the HUF debt

(i) Public vs. private

Privately placed bonds had been issued during the 1990's mainly in order to consolidate ailing banks. In 2000 no privately placed bonds were issued and in the future no further issuance is expected. As a consequence the share of public issues in the portfolio (bonds, T-bills and retail securities) is continuously rising, reaching 82% by the end of 2000.

(ii) Instruments (bonds, T-bills, loans and retail securities)

The main strategic objective is to increase the share of fixed-rate, publicly issued instruments in the total debt portfolio. As a general rule no net issuance of T-bills is planned so their share is declining. HUF denominated loans appear in the portfolio as obligations taken over by the Government from State Owned Enterprises'(SOE) (e.g. from the Hungarian Railways) based on the decision of Parliament. Retail securities (Interest-Bearing Treasury Bills, Treasury Savings Bills) represented a stable element in the portfolio, their current share being between 11 and 12%.

(iii) Fixed vs. floating

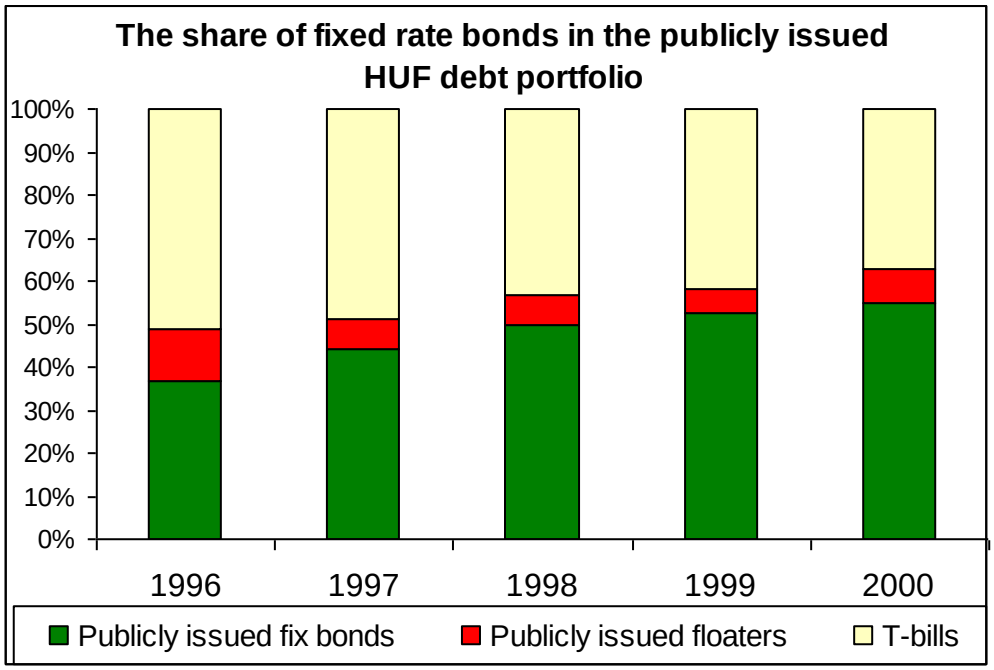
The share of fixed-rate bonds was 55% in the publicly issued HUF denominated debt in December 2000, and their share in the portfolio is gradually growing *(see chart No.1*

below). This process is backed by the sales mix, because four of the five bond series offered for sale at auction are fixed-rate securities. Despite continuous efforts made by the ÁKK the duration of the HUF debt remains relatively short, 1.4 years at the end of 2000. The most effective way of lengthening is to increase the share of fixed-rate instruments in total debt.

(iv) Average term to maturity, maturity profile

Due to the relatively short duration of the HUF-portfolio the maturity profile of HUF bonds is uneven, i.e. repayments are concentrated in the first few years. As at December 2000 40% of the HUF debt matured within a year, 17% in two years and 43% over two years.

Chart 1



2. Foreign currency debt

Though the 35% share (20% as a percentage of GDP) of the foreign currency portfolio may seem high by international standards, it is expected to decrease gradually in line with the debt management strategy. *(See Section III. Debt Management Strategy)*

(i) Instruments

More than half of the foreign debt portfolio is a loan from the National Bank of Hungary through which the Government assumed responsibility for the majority of the external currency obligations of the central bank in 1997. (*See liability swap)* This loan consisted of 41 sub-loans, each corresponding to one of the outstanding bond issues of the NBH, which until the end of 1998 had the monopoly of raising funds from the international capital markets. The Central Government also has direct loans from international financial institutions (e.g. the World Bank, EIB, etc.), as well as a syndicated loan from commercial banks and has assumed loan obligations from SOEs usually extended for project financing purposes. Bonds issued since the Republic of Hungary took over responsibility for

international funding from the National Bank of Hungary in 1999 account for approximately 27% of the portfolio. The original currency and interest rate structure of the foreign currency debt is in line with the debt management strategy.

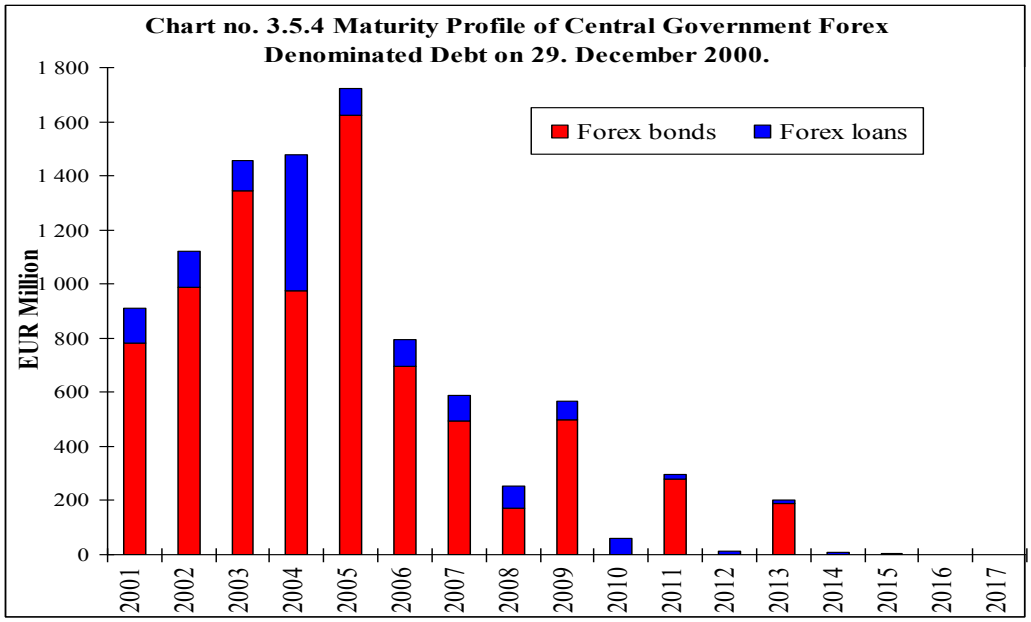
(ii) Currency and interest rate structure

In accordance with the strategy and the approved benchmarks all foreign currency debt is swapped into Euro. Thus the exchange rate risk is reduced to the EUR/HUF movements. (The basket of the Hungarian Forint is now 100 per cent Euro.) In the absence of a domestic swap market this risk cannot be totally eliminated, but it was limited by the +/- 2.25 % wide fluctuation band and the 0.3 per cent crawling peg devaluation of the Forint against the basket in 2000. Though the majority of the portfolio elements had originally been fixed rate instruments approximately 20% of the portfolio was swapped into floating rate in line with the interest rate benchmark (see above). The duration of the portfolio was around 3 years.

(iii) Maturity profile

In contrast to the domestic debt market no short term debt is issued in the international markets. Maturities are spread relatively evenly over a long horizon and the average remaining maturity at the end of 2000 was around 4 years. Annual redemptions will be limited to between EUR1.2 and 1.7 billion in the coming 5 years. *(See chart No. 2 below)*

Chart 2.



As the terms and conditions for international fund-raising improved significantly in the last 2-3 years for the Republic of Hungary many of the more expensive foreign currency portfolio elements were prepaid and replaced by cheaper bonds and loans, thus the cost of external debt service for the budget gradually decreased.

V. Issuance

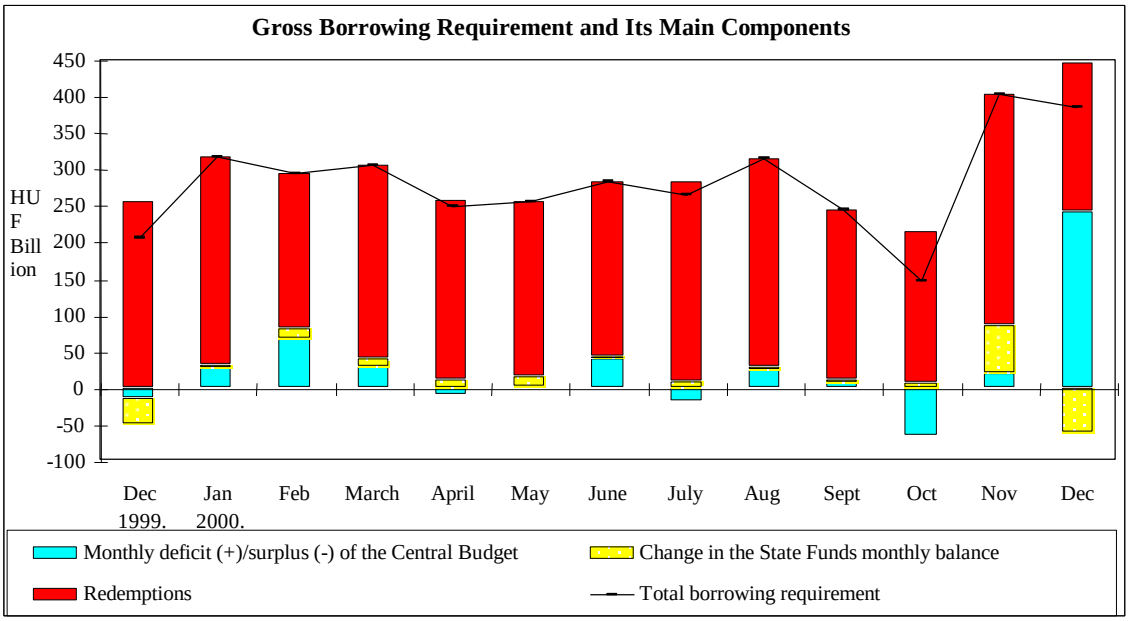
The gross borrowing requirements of the budget are determined by the need to finance the budget deficit and that of the Social Security and extra-budgetary funds as well as the maturing domestic and external currency debt. The choice of instruments and markets are in line with the strategic objectives of the debt management. Based on this the Republic of Hungary issues Treasury bills for 3,6 months and 1 year, government bonds with a term of 2,3,5 and 10 years in the domestic market, as well as foreign currency denominated bonds (Euros and U.S.Dollars) for different maturities (5, 7 and 10 years) in the international capital markets. In addition to bonds, loans are also used by the Republic, mainly for project financing purposes.

1. Activities in the domestic market

(i) Gross and net issuance

Issuance of Hungarian Government paper is based on the **gross borrowing requirements** of the budget, and the targeted change in the government cash position due to liquidity requirements. *(see chart No. 3. below)*.

Chart 3.



In 2000 **gross issuance** of HUF-denominated government securities (Bonds, T-Bills and retail securities) amounted to HUF 3035.9 billion.
a, There were 9 series of *government bonds (see box)* totalling HUF 943.8 billion of which HUF 920.7 billion were sold through auctions and the remaining amount through sales by the Treasury branch network. The 2-year and 3-year bonds each represented 34% of bonds issued during the year followed by the five-year with 20%, the ten-year with 9%, and the five-year floating rate bond with 3%. Government bonds are auctioned every two weeks (for detailed information on the auction calendar see Chapter VII). The ÁKK's intention is to issue fewer

but larger series of government securities in order to increase liquidity in the secondary market.

Term	Series sold in 2000
2-year fixed rate	2002/J, 2002/K, 2002/L
3-year fixed rate	2003/J, 2003/K
5-year fixed rate	2005/E
5-year floating rate	2005/F
10-year fixed rate	2009/B, 2011/A

b, The gross issuance of *Discount Treasury bills* amounted to HUF 1,600 billion. The 6 and 12 month T-bills had a share of 37% each, while 3-month securities accounted for 26% of the total. T-bills serve mainly liquidity management purposes and due to the favourable cash position the volumes sold at the Discount T-bills auctions slightly decreased in the second half of the period. As a consequence of the new issue technique (described above) the number of outstanding T-bill series fell from 33 to 20, while at the same time the size of the individual series rose from HUF 40-50 billion to 80-100 billion.

c, The sales of retail government securities (Interest-bearing Treasury Bills, Treasury Saving Bills and Treasury Saving Bonds) amounted to HUF 492,1 billion out of which bonds with a term over 1 year equalled HUF 58.4 billion.

In 2000, **net issuance** totalled HUF 468.9 billion, of which 98% (or HUF 459.5 billion) was represented by bonds. Consequently, the importance of government bonds in deficit financing continued to grow reflecting the issuer's intention to lengthen the average term-to-maturity of the debt stock.

(ii) Buybacks and reverse auctions

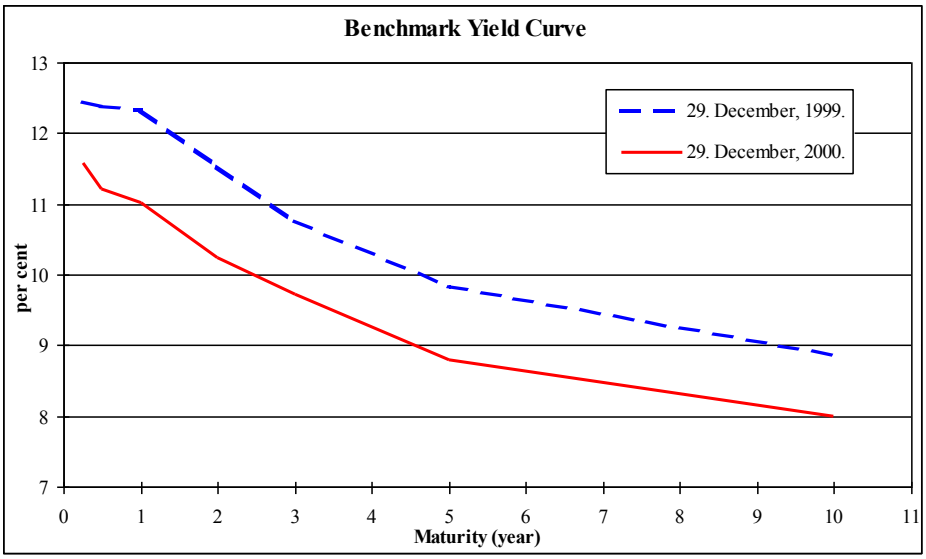
In Hungary, reverse auctions of government bonds have been held since January 19, 1998, in order to smooth the redemption profile. Reverse auctions are held during the last 6 months of the life of security, and only primary dealers may offer securities for sale. Government bonds worth HUF 42.84 billion were repurchased in 2000. The first reverse auction of discount Treasury bills was introduced on May 23, 2000 and a total of HUF 67.3 billion was redeemed during the year. (Note: due to the lack of interest on behalf of investors this scheme did not meet the original expectations and was terminated in 2001.)

(iii) Secondary market

Based on statistics from KELER (Central Depository and Clearing House Budapest Ltd.), the turnover of government securities transactions settled through the KELER OTC system totalled HUF 8,941 billion in 2000. Bonds represented 79% of the turnover. According to market data, 40% of the secondary market transactions (at market prices) were concluded with domestic credit institutions, 20% with institutional investors and 8% with foreign investors. The average trade size of transactions was HUF 206 million, while transactions with foreign investors averaged HUF 436 million.

The turnover of government securities on the Budapest Stock Exchange (BSE) amounted to HUF 1,575 billion (duplicated), which equals 19% of the total turnover of BSE. Out of the total traded volume of government securities, bonds accounted for 81%.

Chart 4.



2. Activities in the international markets

According to the current debt management strategy the purpose of new issuance of foreign currency denominated securities is to renew the maturing foreign currency debt. Acting on behalf of the Republic of Hungary, the ÁKK has raised foreign funds directly from the international money markets by issuing foreign exchange denominated bonds since 1999.

The Republic of Hungary tapped the international markets twice in 2000, increasing the Euro-denominated Floating Rate Note due November 10, 2005 on 11th January and 10th November, 2000 by EUR 200 million and 400 million, respectively. Consequently, the total outstanding amount of this bond reached EUR 1 billion, so becoming the largest sovereign FRN issue in Central and Eastern-Europe.

In 2000 the credit rating of Hungary was upgraded by all major international credit rating agencies. The current long-term foreign currency rating of the Republic is A- (S&P, Fitch) and A3 (Moody's). The domestic currency debt rating stands at A+/A+/A1.

VI. Organisational structure

1. Institutional development of ÁKK

Changes in internal structure

In Hungary both domestic and foreign exchange debt management traditionally were separated. In the first phase after its establishment ÁKK took over the functions related to domestic debt management, then progressive from the beginning of 1997 the responsibility for forex debt. In 2000 there was a restructuring of the organisation, replacing the distinction by currency denomination (i.e. forint and forex debt management) vith three basic structural units and the staff department. (See the organisational chart on the next page)

The *Front Office* is responsible for preparing and administering funding operations both in the domestic and international capital markets as well as for effecting transactions in the secondary market. This unit monitors Primary Dealers' market activities, contributes to the improvement of the PD system and supervises the distribution channels for government securities.

The *Middle Office* is in charge of planning, risk management and research. These functions include preparing and updating the annual financing plan and the budget appropriations related to government debt. As a major part of risk management it surveys the Primary Dealers' system, monitors risks associated with debt management, and prepares the analyses used as a basis for effective debt management.

The *Back Office*, apart from its traditional functions (i.e. effecting and administering payments related to government debt) is also responsible for carrying out the auctions.

The *Staff Department*, is responsible for improving the efficiency of the organization through co-ordination and regulation of working procedures, for representing the Agency in the current legislative and market environment by utilising both conventional and advanced techniques in the field of marketing and communication and for international relations.

These changes are a first step towards full integration of domestic and forex debt management in the process of Hungary's accession to the European Union. In order to reach complete integration further organisational changes will be made in the Front Office, as well as in IT-support.

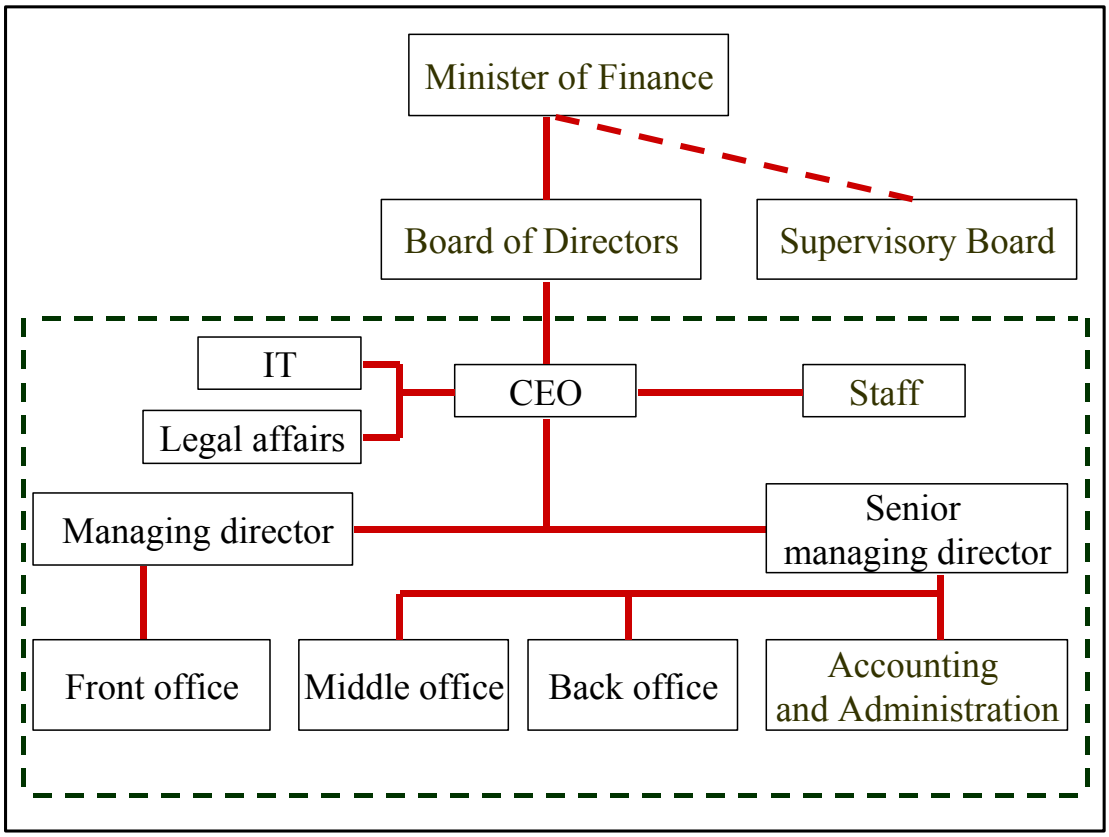
The establishment of ÁKK Rt.

During the Hungarian Treasury reform government debt management was considered as a unique activity markedly different from all other Treasury operations. *The objective of government debt management is accomplished to the greatest extent if there is an unambiguous system of decision making, responsibilities and accounting in place.* Consequently, it was considered desirable to set up a "market-oriented" organization which can promptly and flexibly respond to changing circumstances.
Accordingly, within the reform of the central budget subsystems, Parliament amended the relevant provisions of Act XXXVIII of 1992 (on Public Finances), creating a legal basis for the transformation of the ÁKK as a budgetary body into a new agency (ÁKK Rt.). The new entity was established as a company limited by shares owned by the Republic of Hungary, where the ownership rights are exercised by the Minister of Finance. The ÁKK Rt. takes over

all the rights and obligations of its predecessor and carries out the same activities as the former budgetary institution.

Thus on 1st March, 2001, in line with the international development of the debt management institutional framework the Hungarian Government Debt Management Agency (ÁKK Rt.) became an independent organisation. This measure allowed the agency to follow the goals laid down in the debt management strategy in close accord with fiscal and monetary policy.

Organizational Chart of ÁKK:



2. General institutional framework

During the year the ÁKK had to carry out its essential role of debt management in an institutional environment which changed radically in three important respects.

General Government

As a further step of the reform of the Treasury system the Hungarian State Treasury was split into two independent entities: a financial company and a budgetary organisation. The purpose of the reform was to

(i) ensure the efficient, economic, transparent and controlled spending of public funds,

(ii) create appropriate procedures and organisational solutions to manage EU funds (subsidies, payments),

(iii) and operate an IT system suited to support government decisions and the clear-cut administering of budgetary procedures within current accounting rules.

National Bank of Hungary

The modification of the Act governing the National Bank of Hungary effective from January 2001 put an end to direct central bank financing of the Government. The National Bank of Hungary had not actually financed the budget for years; however, a short term liquidity credit facility, though not used, legally existed. With the modification of the law on the NBH this facility was abolished, so that is now no possibility of non EMU-compatible deficit financing.

Implementation of the MMTS3[1] system

Effective as of May 8, 2000, another change has been made to the system of primary dealers. The MMTS system of the Budapest Stock Exchange has become the sole medium for price quotations made by primary dealers, as opposed to the former system of having two different systems for price quotation (then, dealers had to quote prices both on the BSE's MMTS and on Reuters' system). This contributes to the standardisation of the government securities market, the concentration of information and an improved efficiency of price quotation.

[1] Automated trading system operated by the Budapest Stock Exchange.

VII Market information

Although, the issuers' reporting obligations regarding the issue and sale of securities are regulated by the Securities Act, it is in their own interest to sell government securities in a transparent and simple way. The elaboration and distribution of an *issuing calendar* meets this requirement, which is based on consistent, pre-set, and pre-announced principles.

Auction calendar (4 week period)

	Tuesday	**Wednesday**	**Thursday**
Odd weeks	***3 months T-bill***	***6 months T-bill***	***12 months T-bill***
Even weeks	***3 months T-bill***		***2 and 5 years bonds***
Odd weeks	***3 months T-bill***	***6 months T-bill***	***12 months T-bill***
Even weeks	***3 months T-bill***		***3 and 10 years bonds and 5 years floating rate bonds***

This auction calendar (see box) reflects the fact that the Government Bonds and the Discount Treasury Bills bear the burden of financing the central government budget.

The ÁKK announces the public offer in the week before and makes the results of the auctions public the week after of the auction in a daily paper circulated country-wide (at present Magyar Nemzet) and in a weekly paper (Magyar Tőkepiac).

In addition investors may also have access to the details of the most recent government securities auctions on

ÁKK's website	www.allampapir.hu www.akk.hu
Reuters	HUTREASURY
Bloomberg	GDMA
Telerate	47184-47190

The ÁKK announces the auction results through the MMTS system, on Reuters and Bloomberg, and via fax at 12:00 CET. The results include the offering amount, the number and amounts (at nominal value) of bids submitted and accepted, the total amount issued, and also the minimum, maximum and average selling price that resulted at the auction.

Publications

Based on the data received and those processed, the ÁKK produces and releases monthly and quarterly reports and occasional publications (Investors' Guide, Central Government Borrowing Program for 2001, Government Securities Market, etc.). In addition to the major macroeconomic indicators, the changes in the debt portfolio, issuance and secondary market information, the reports include the forward issuing calendar, which highlights the events of the coming period. Moreover, ÁKK uses occasional means of communication, such as press releases, press conferences and interviews, in order to give information about the events and measures that may have a major impact on ÁKK's operations.

The ÁKK distributes printed publications by mail to interested parties free of charge. Should you wish to receive a copy of these publications, please send a written request with your name, title, company and full mailing address to:

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