GOVERNMENT SECURITIES MARKET

QUARTERLY REPORT

THIRD QUARTER 2005

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ÁLLAMI GARANCIÁVAL

The deficit of the central government amounted to HUF 1059.6 billion in the first three quarters of 2005. The pre-financing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 96.5 billion, as did the HUF 1.1 billion capital transfer to the National Bank of Hungary (NBH) by law. The total net financing requirement of HUF 1157.2 billion (ca. EUR 4.6 billion) was met by a net issuance of HUF 1171.3 billion (ca. EUR 4.7 billion) in the first three quarters of the year, out of which net domestic issuance was HUF 413.5 billion (ca. EUR 1.7 billion) while net foreign exchange issuance totalled HUF 757.7 billion (ca. EUR 3.0 billion).

The average term-to-maturity of the HUF debt portfolio was 3.50 years while that of the foreign currency debt portfolio was 6.32 years at the end of September. During the first three quarters of 2005 the average term-to-maturity increased in the case of both the domestic and the foreign exchange debt portfolios.

Benchmark government securities yields decreased in Q3 until the beginning of September, when the trend was reversed and yields started to rise. The National Bank of Hungary cut its base rate three times during the quarter by 100 basis points altogether. Treasury bill yields were lower by 48-52 basis points by the end of September compared to the end of the previous quarter, while benchmark government bond yields declined by 7-23 basis points. At the end of September the 1-year yield was 5.97%, the 3-year yield 6.17%, while the 10-year yield was 6.18%.

In the third quarter of 2005 a new bond series gained benchmark status: the 3-year 2008/E bond took the place of the 2008/D in July. The volume of the previous 3-year benchmark serie reached HUF 318 billion (EUR 1.3 billion), which was in line with the strategic target to build up large, liquid bond series.

The OTC turnover of government securities in the third quarter of 2005 was higher by 18% compared to the previous quarter, it amounted to HUF 7,029 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.

The volume of non-resident holdings of Hungarian government securities started to rise from mid-September. Non-resident holdings increased by HUF 13 billion over the quarter to HUF 2586 billion, which represented 30.7% of the total volume of domestic government bonds and discount Treasury bills at the end of September 2005.

The Republic of Hungary issued two JPY bonds in July on the same day, in a total amount of JPY 75 billion (EUR 560 million). A 5-year, fixed rate bond was issued in an amount of JPY 30 billion together with a 7-year fixed rate bond in an amount of JPY 45 billion. The lead managers of the deals were Daiwa Securities and Mizuho Securities.

The HUF/EUR mid exchange rate was 249.59 at the end of September 2005.

The credit rating of the long-term foreign currency debt of the Republic of Hungary: A- / A1 / A-

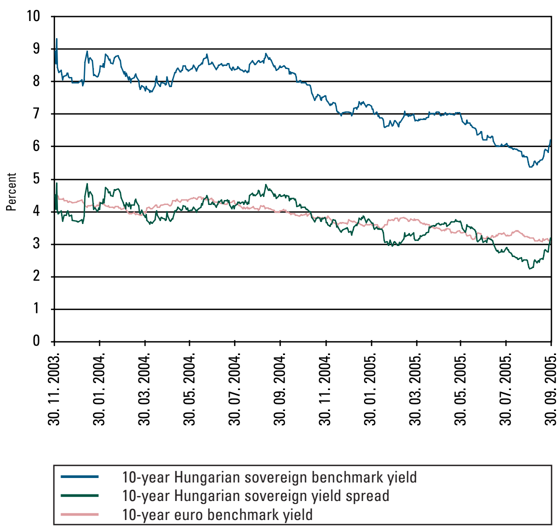
MACROECONOMIC INDICATORS

	1998	1999	2000	2001	2002	2003	2004	July 2005	August 2005	September 2005
GDP growth (YoY)	4.9	4.2	5.2	3.8	3.5	3.5	4.0			
Industrial production[1]	12.5	10.4	18.1	3.6	2.8	5.9	8.3			
Unemployment rate (%)	7.8	7.0	6.4	5.7	5.9	5.9	6.1			
Consumer price index (yearly change)[2]	10.3	11.2	10.1	6.8	4.8	5.7	5.5	3.7	3.6	3.7
Consumer price index (yearly average)	14.2	10.0	9.8	9.2	5.3	4.7	6.8			
Consumer price index (monthly change)								0.0	-0.4	0.2
Producer price index (yearly change)[2]	8.0	7.1	12.4	-0.4	-1.3	6.2	1.6	4.2		
Producer price index (yearly average)	12.2	5.0	11.6	5.2	-1.8	2.4	3.5			
Producer price index (monthly change)								-0.4		
Net lending position of households (HUF Bn)[3]	943.3	776.2	791.7	756.7	457.5	41.1	371.1			
Current account of balance of payments (EUR M)[4]	-3,026.1	-3,531.4	-4,380.0	-3,612.5	-4,973.7	-6,575.5	-7,123.0			
Net direct investments (EUR M)[5]	2,742.9	2,871.7	2,334.0	3,992.2	2,889.0	562.0	2,940.0			
Balance of the central government budget (HUF Bn)[6]	-333.9	-337.2	-367.8	-402.9	-957,7[7]	-727.9	-857.4	-741.3	-769.0	-780.9
Central government gross debt (HUF Bn)	6,165.8	6,886.4	7,226.2	7,719.5	9,224.2	10,587.7	11,592.4	12,685.2	12,646.4	12,822.2
Central government gross debt (per cent of GDP)	61.1%	60.4%	54.9%	52.0%	55.1%	56.8%	56.8%			
Net foreign debt (EUR M)[8]	7,401.5	7,344.4	9,686.8	8,398.1	11,871.0	16,606.0	20,122.1			
Net foreign debt (per cent of GDP)	17.7%	16.3%	19.1%	14.5%	17.2%	22.7%	25.1%			
HUF/USD mid exchange rate at the end of period	219.03	252.52	284.73	279.03	225.16	221.12	180.29	202.55	200.39	207.56
HUF/EUR mid exchange rate at the end of period	255.70	254.92	264.94	246.33	235.90	265.03	245.93	244.99	244.70	249.59

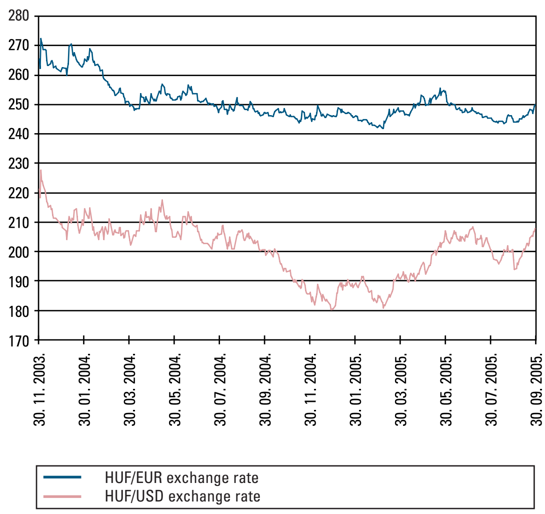
Source: Central Statistical Office, National Bank of Hungary (NBH), Ministry of Finance

[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
[7] Excluding debt assumptions and bond-transfers amounting to HUF 512.05 billion at the end of 2002
[8] Excluding intercompany loans

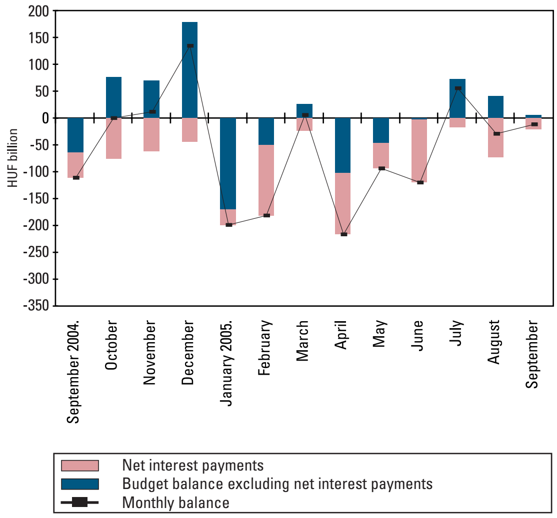
10-year Hungarian and eurozone benchmark yields



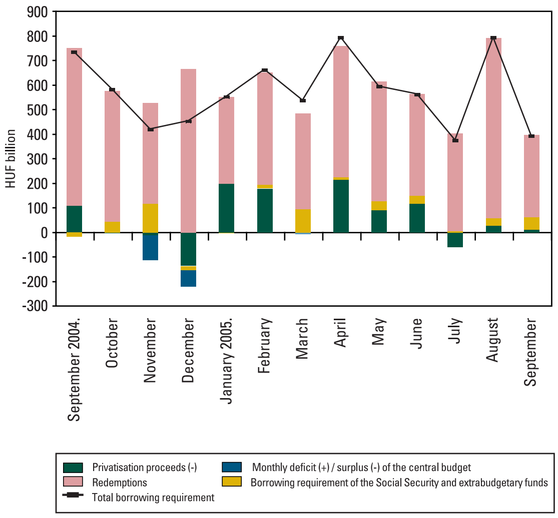
The exchange rate of the Hungarian Forint



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



Gross borrowing requirement



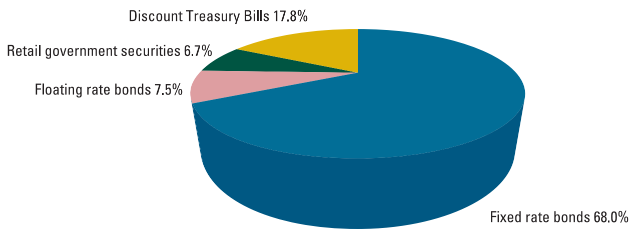
CENTRAL GOVERNMENT GROSS DEBT

HUF billion

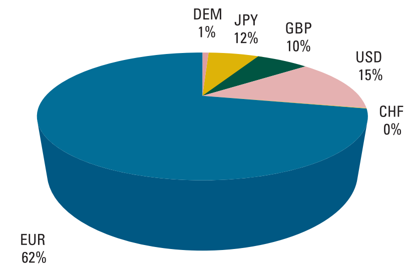
	1998	1999	2000	2001	2002	2003	2004	July 2005	August 2005	September 2005
1. Forint denominated debt	3,733.9	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	8,953.8	8,919.4	9,024.6
1.1. Loans	435.0	380.2	303.8	228.3	353.2	117.9	4.7	1.1	1.1	1.1
1.1.1. Foreign loans	0.0	0.0	0.0	0.0	1.7	1.4	1.1	1.1	1.1	1.1
1.1.2. Domestic loans	435.0	380.2	303.8	228.3	351.5	116.5	3.5	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
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
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	8,952.6	8,918.2	9,023.4
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	8,211.7	8,178.7	8,284.7
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	5,967.8	6,003.2	6,074.7
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	1,626.6	1,558.2	1,605.1
1.2.1.3. Retail securities	356.5	499.3	523.3	544.7	560.3	533.5	628.4	617.3	617.3	604.9
1.2.2. Private placements	866.1	853.2	831.3	809.1	777.4	759.3	743.6	740.9	739.5	738.7
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	3,731.4	3,727.0	3,797.7
2.1. Loans	2,367.8	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	826.8	825.8	838.5
2.1.1. Foreign loans	249.6	361.2	368.8	317.8	461.9	598.8	528.9	515.1	514.5	521.0
2.1.2. Domestic loans	2,118.2	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	311.7	311.3	317.5
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	280.4	280.0	285.6
2.1.2.2. Other loans	0.0	0.0	0.0	0.0	82.8	18.8	32.2	31.3	31.3	31.9
2.2. Government securities	64.0	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,904.6	2,901.2	2,959.2
2.2.1. Issued abroad	44.4	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,904.6	2,901.2	2,959.2
2.2.1.1. Foreign currency bonds	43.8	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,904.6	2,901.1	2,959.1
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	0.1
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
Total	6,165.8	6,886.4	7,226.2	7,719.5	9,224.2	10,587.7	11,592.4	12,685.2	12,646.4	12,822.2
Gross debt/GDP	61.1%	60.4%	54.9%	52.0%	55.1%	56.8%	56.8%			

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

Composition of HUF government securities as at 30.09.2005

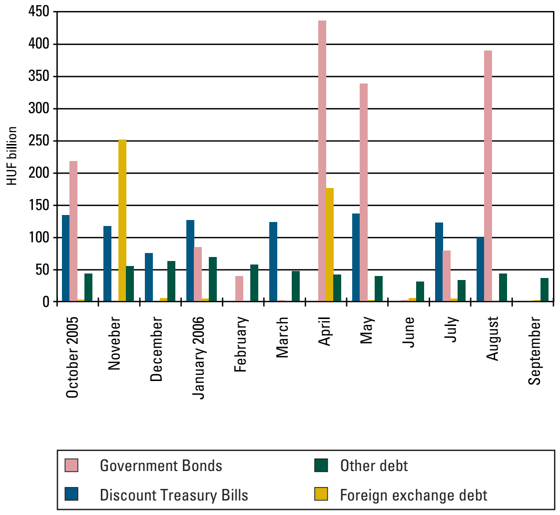


Currency composition of the foreign exchange debt portfolio as at 30.09.2005*

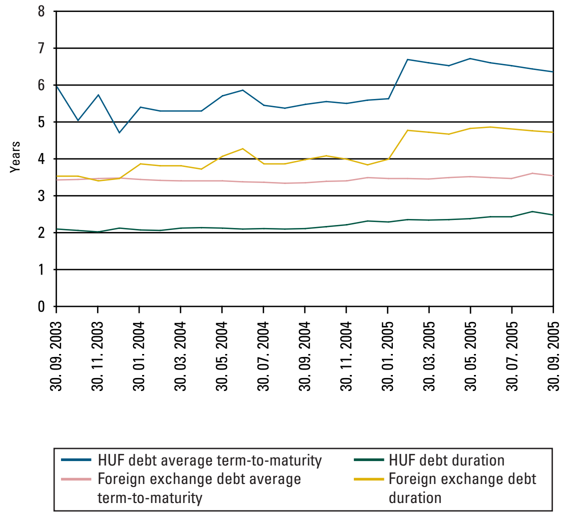


*** Composition before swaps. By using cross-currency swaps, 99.99% of the actual foreign exchange debt of the central government was due in euros.**

Maturity profile of the central government gross debt over the next 12 months, as at 30.09. 2005



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

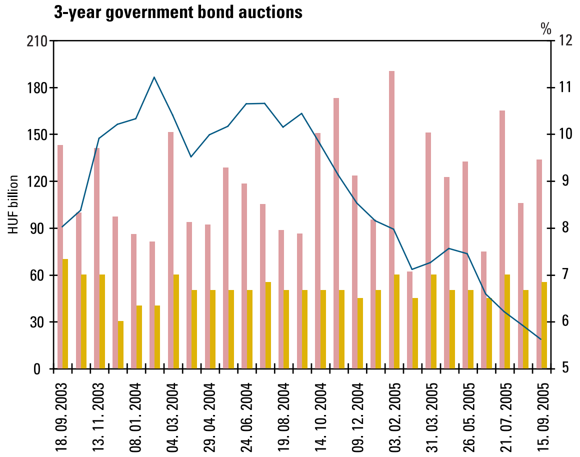


GOVERNMENT BOND AUCTION RESULTS

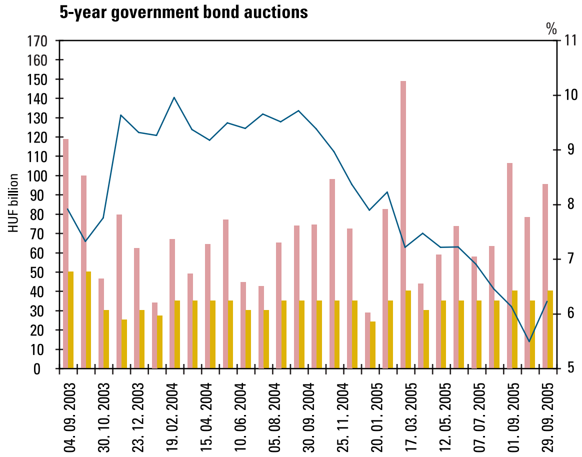
Government Bond	2010/B	2015/A	2008/E	2010/B	2015/A	2008/E	2020/A	2010/B	2015/A	2008/E	2010/B	2016/C
ISIN code	HU0000402292	HU0000402268	HU0000402300	HU0000402292	HU0000402268	HU0000402300	HU0000402235	HU0000402292	HU0000402268	HU0000402300	HU0000402292	HU0000402318
Maturity (in years)	5	10	3	5	10	3	15	5	10	3	5	10
Coupon (%)	6.75%	8.00%	6.50%	6.75%	8.00%	6.50%	7.50%	6.75%	8.00%	6.50%	6.75%	5.50%
Auction	4. auction	14. auction	2. auction	5. auction	15. auction	3. auction	11. auction	6. auction	16. auction	4. auction	7. auction	1. auction
Date of auction	07. 07. 2005	07. 07. 2005	21. 07. 2005	04. 08. 2005	04. 08. 2005	18. 08. 2005	18. 08. 2005	01. 09. 2005	01. 09. 2005	15. 09. 2005	29. 09. 2005	29. 09. 2005
Date of financial settlement	13. 07. 2005	13. 07. 2005	27. 07. 2005	10. 08. 2005	10. 08. 2005	24. 08. 2005	24. 08. 2005	07. 09. 2005	07. 09. 2005	21. 09. 2005	05. 10. 2005	05. 10. 2005
Date of redemption	12. 10. 2010	12. 02. 2015	12. 08. 2008	12. 10. 2010	12. 02. 2015	12. 08. 2008	12. 11. 2020	12. 10. 2010	12. 02. 2015	12. 08. 2008	12. 10. 2010	12. 02. 2016
Maximum annual yield (%) - ISMA	6.43	6.35	6.18	6.11	6.01	5.90	5.84	5.47	5.45	5.60	6.19	6.22
Minimum annual yield (%) - ISMA	6.28	6.27	6.16	6.07	5.97	5.85	5.79	5.45	5.42	5.55	6.19	6.12
Average annual yield (%) - ISMA	6.42	6.31	6.17	6.10	5.99	5.88	5.82	5.46	5.44	5.58	6.19	6.20
Maximum annual yield (%) - EHM	6.43	6.35	6.17	6.11	6.01	5.89	5.84	5.47	5.45	5.59	6.19	6.22
Minimum annual yield (%) - EHM	6.28	6.27	6.15	6.07	5.97	5.84	5.79	5.45	5.42	5.54	6.19	6.12
Average annual yield (%) - EHM	6.41	6.31	6.17	6.09	5.99	5.87	5.82	5.46	5.43	5.58	6.19	6.19
Maximum price (%)	102.0660	112.1301	100.8763	102.9541	114.3550	101.6736	116.9575	105.6578	118.6168	102.4170	102.3584	95.3831
Minimum price (%)	101.4068	111.5235	100.8218	102.7779	114.0450	101.5391	116.4056	105.5677	118.3741	102.2842	102.3584	94.6591
Average price (%)	101.4608	111.7981	100.8370	102.8392	114.1720	101.5928	116.5839	105.6052	118.4712	102.3319	102.3584	94.8369
Amount offered for sale (HUF million)	35,000.00	25,000.00	50,000.00	35,000.00	25,000.00	50,000.00	15,000.00	35,000.00	25,000.00	50,000.00	35,000.00	25,000.00
Amount of bids submitted (HUF million)	63,151.00	26,611.00	164,843.96	106,283.39	71,350.00	105,613.00	26,300.00	78,286.00	53,130.00	133,384.39	95,270.00	60,660.00
Amount of bids accepted (HUF million)	35,000.00	20,000.00	59,999.83	39,999.84	29,999.84	49,999.88	14,999.92	34,999.91	24,999.90	54,999.81	39,999.96	24,999.96
Bid-to-cover ratio	1.80	1.33	2.75	2.66	2.38	2.11	1.75	2.24	2.13	2.43	2.38	2.43
Bids submitted (pcs)	90	53	176	144	100	103	101	112	86	174	103	98
Bids accepted (pcs)	31	48	55	95	60	82	60	53	52	114	17	55
Tail (average price - minimum price)	0.05	0.27	0.02	0.06	0.13	0.05	0.18	0.04	0.10	0.05	0.00	0.18
Market sales* (HUF million)	35,000.00	20,000.00	59,999.83	39,999.84	29,999.84	49,999.88	14,999.92	34,999.91	24,999.90	54,999.81	39,999.96	24,999.96
Retained on ÁKK's own account (HUF million)	5,500.00	0.00	12,000.17	0.16	0.16	4,500.12	2,000.08	0.09	0.10	0.19	0.04	7,500.04
Total amount issued (HUF million)	40,500.00	20,000.00	72,000.00	40,000.00	30,000.00	54,500.00	17,000.00	35,000.00	25,000.00	55,000.00	40,000.00	32,500.00

* Without issuance onto ÁKK's own account

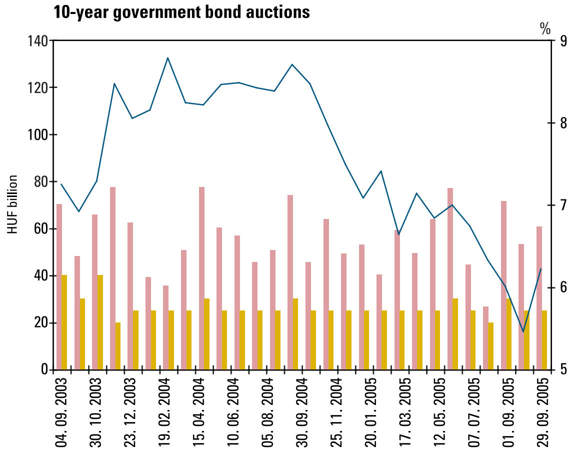
3-year government bond auctions



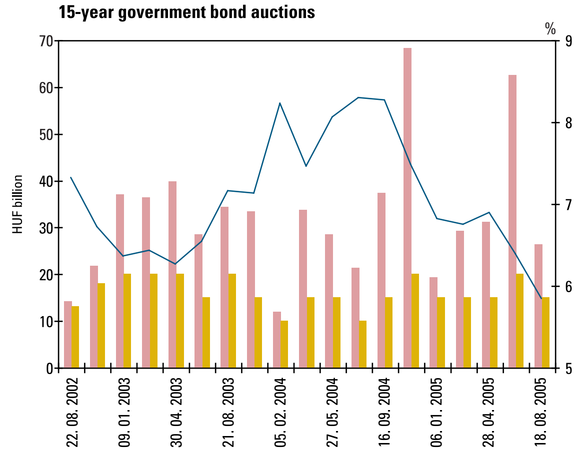
5-year government bond auctions



10-year government bond auctions



15-year government bond auctions

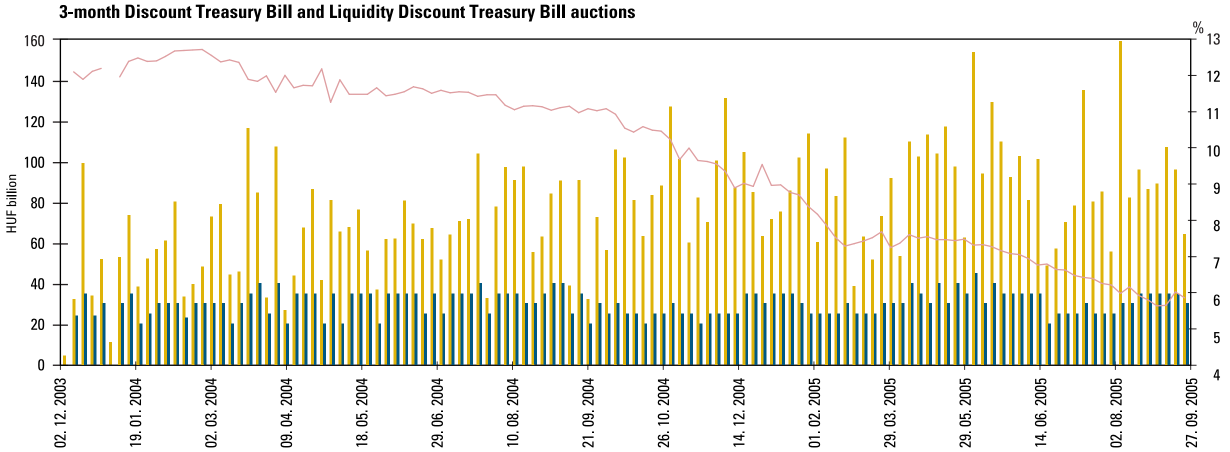


Bids submitted | Accepted amount | Average yield

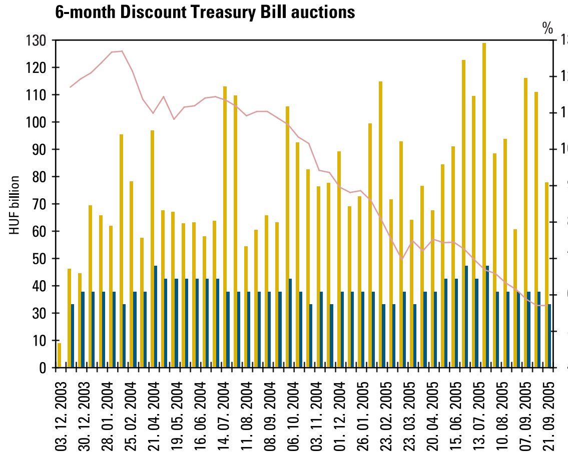
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2006/F	2006/E	2006/F	2006/E	2006/F	2006/E
ISIN code	HU0000402094	HU0000401963	HU0000402094	HU0000401963	HU0000402094	HU0000401963
Coupon (%)	7.00%	8.50%	7.00%	8.50%	7.00%	8.50%
Date of buy-back auction	06. 07. 2005	06. 07. 2005	20. 07. 2005	20. 07. 2005	31. 08. 2005	31. 08. 2005
Date of financial settlement	13. 07. 2005	13. 07. 2005	27. 07. 2005	27. 07. 2005	07. 09. 2005	07. 09. 2005
Date of redemption	12. 04. 2006	12. 05. 2006	12. 04. 2006	12. 05. 2006	12. 04. 2006	12. 05. 2006
Minimum annual yield (%)	6.50	6.50	6.38	6.35	5.82	5.82
Average annual yield (%) - ISMA	6.51	6.53	6.40	6.38	5.83	5.83
Amount of bids submitted (HUF million)	6,006.01	21,452.61	19,699.89	32,228.05	31,943.79	17,328.25
Amount of bids accepted (HUF million)	4,006.01	17,452.61	7,159.89	14,288.63	12,241.46	2,392.19
Bids submitted (pcs)	6	14	23	29	34	25
Bids accepted (pcs)	5	12	17	22	16	9

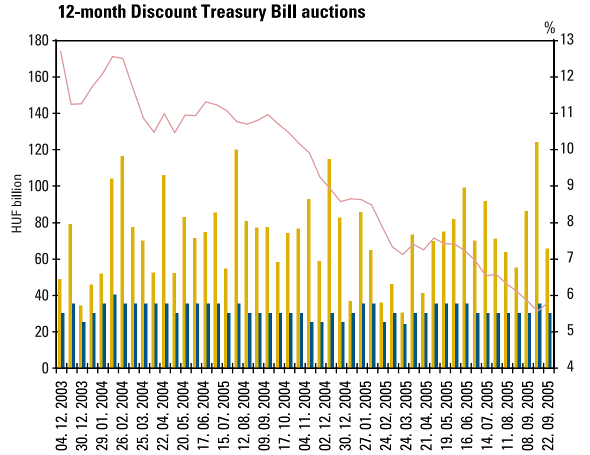
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions

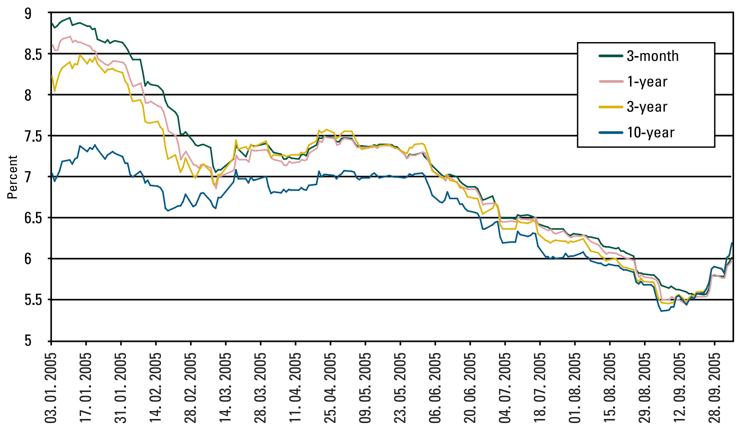


Bids submitted   Accepted amount   Average yield

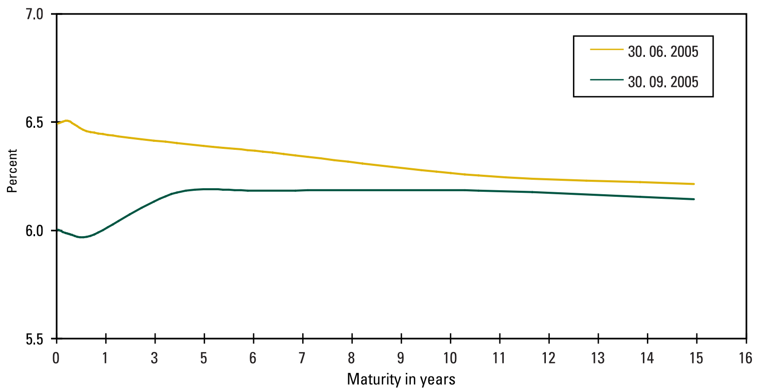
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN Q3 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2006/B	22. 07. 2005	24. 07. 2005	24. 01. 2006	24. 01. 2006	6.90%	8.08%
2006/C	22. 07. 2005	24. 07. 2005	24. 01. 2006	24. 07. 2006	6.90%	
2008/A	22. 07. 2005	24. 07. 2005	24. 10. 2005	24. 10. 2005	6.69%	3.51%
2016/B	01. 07. 2005	02. 07. 2005	02. 01. 2006	02. 01. 2006	7.32%	3.74%
2026/A	26. 08. 2005	28. 08. 2005	28. 02. 2006	28. 02. 2006	6.43%	7.69%
2006/A	26. 08. 2005	28. 08. 2005	28. 02. 2006	28. 02. 2006	6.43%	7.69%
2008/B	11. 08. 2005	12. 08. 2005	12. 02. 2006	13. 02. 2006	6.49%	3.32%
2006/D	11. 08. 2005	12. 08. 2005	12. 02. 2006	13. 02. 2006	6.49%	3.32%
2007/C	11. 08. 2005	12. 08. 2005	12. 02. 2006	13. 02. 2006	6.49%	3.32%
2009/A	11. 08. 2005	12. 08. 2005	12. 02. 2006	13. 02. 2006	6.49%	3.32%
2010/A	11. 08. 2005	12. 08. 2005	12. 02. 2006	13. 02. 2006	6.49%	3.32%
2007/E	11. 08. 2005	12. 08. 2005	12. 02. 2006	13. 02. 2006	6.49%	3.32%
2013/A	19. 09. 2005	20. 09. 2005	20. 03. 2006	20. 03. 2006	6.80%	8.12%
2016/A	29. 09. 2005	30. 09. 2005	30. 12. 2005	30. 12. 2005	5.25%	1.32%

Benchmark yields



Benchmark yield curves



PRIMARY DEALERS - AS AT 30 SEPTEMBER 2005

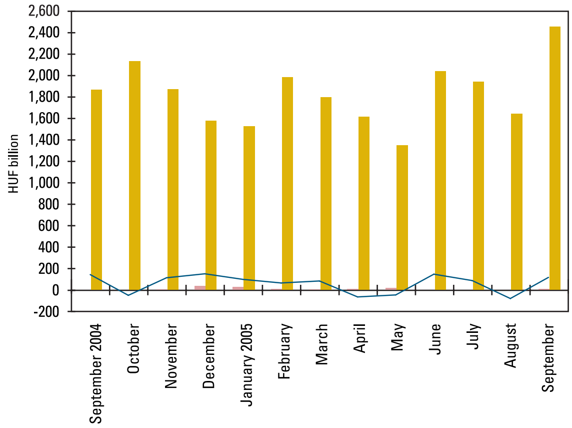
Primary dealers:

- CIB Bank Rt.
- CITIBANK Rt.
- Deutsche Bank Rt.
- Dresdner Bank AG (Frankfurt)
- ERSTE Bank Befektetési Magyarország Rt.
- HVB Bank Hungary Rt.
- ING Bank Rt.
- Kereskedelmi és Hitelbank Rt.
- Magyar Külkereskedelmi Bank Rt.
- Magyar Takarékszövetkezeti Bank Rt.
- Országos Takarékpénztár és Kereskedelmi Bank Rt.

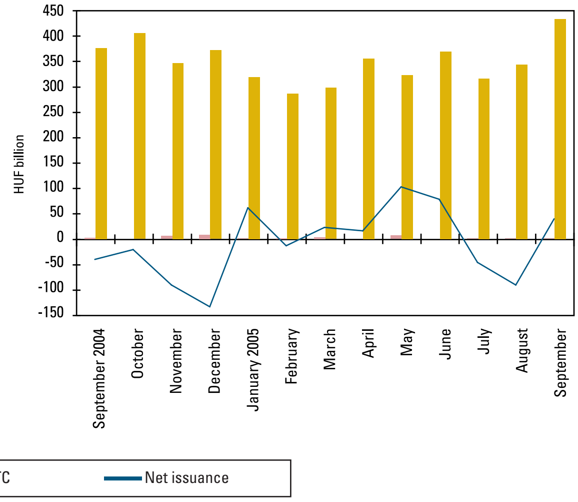
Primary dealers for retail securities:

- CIB Bank Rt.
- HVB Bank Hungary Rt.
- Kereskedelmi és Hitelbank Rt.
- Magyar Takarékszövetkezeti Bank Rt.
- Országos Takarékpénztár és Kereskedelmi Bank Rt.
- The branch network of the Hungarian State Treasury

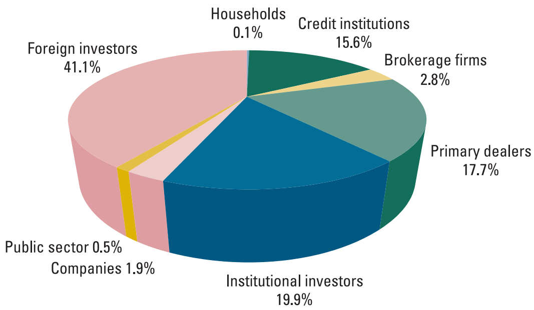
Secondary market trading of government bonds



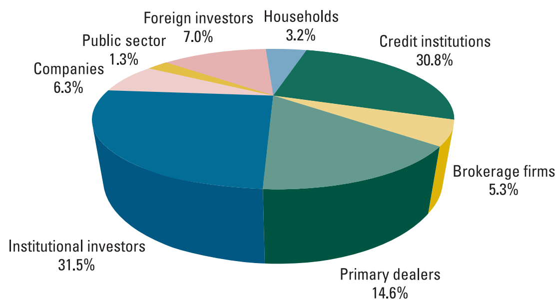
Secondary market trading of Discount Treasury Bills



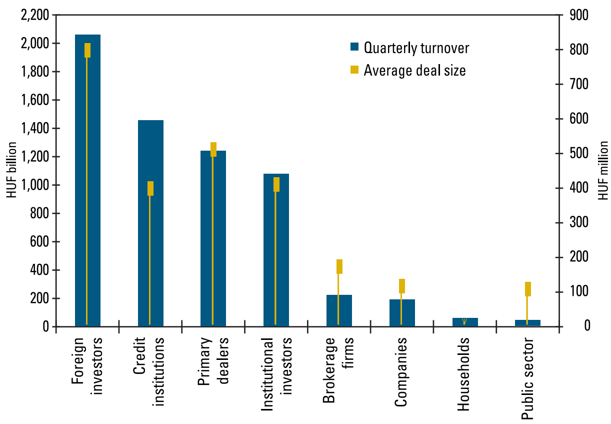
Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in Q3 2005



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in Q3 2005

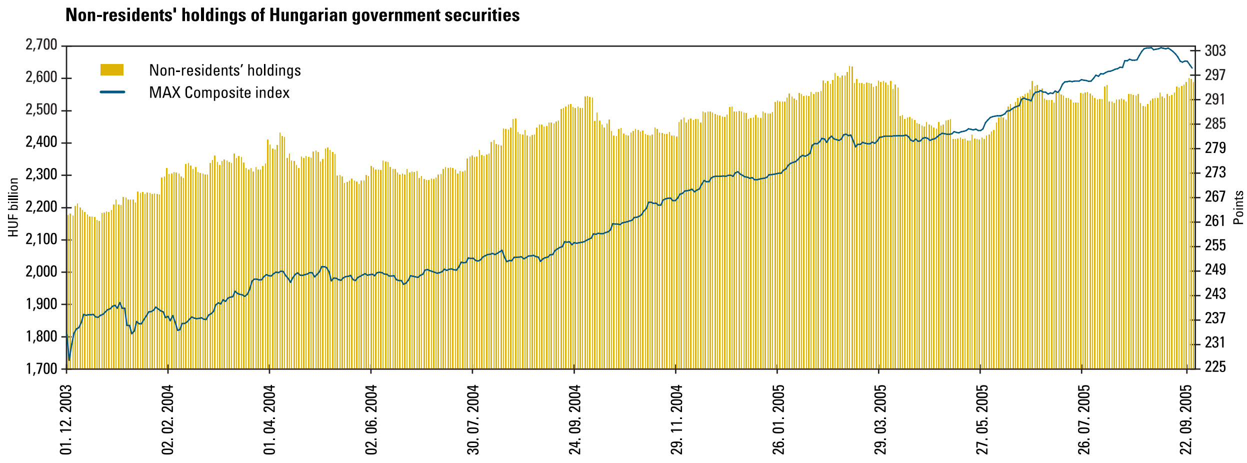


Primary dealers' trading with different investor groups in Q3 2005



GOVERNMENT SECURITIES WITH THE HIGHEST TURNOVER ON THE SECONDARY MARKET IN Q3 2005

Government security	Date of redemption	Turnover (HUF billion)
2010/B	12. 10. 2010	674.0
2015/A	12. 02. 2015	536.1
2020/A	12. 11. 2020	397.2
2008/E	12. 08. 2008	359.6
2009/D	12. 10. 2009	331.3
2007/F	12. 04. 2007	282.2
2014/C	12. 02. 2014	275.5
2013/C	20. 12. 2013	247.2
2013/D	12. 02. 2013	240.1
D051221	21. 12. 2005	221.4



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
30. 06. 2005	298.8608	286.4520	292.6157	287.6753	20.71%	11.78%	18.34%	10.39%
29. 07. 2005	302.9742	288.1916	296.1253	289.2417	19.75%	11.22%	17.47%	9.92%
31. 08. 2005	310.1791	290.6119	302.1978	291.0566	22.67%	11.25%	19.73%	9.58%
30. 09. 2005	305.5654	291.5091	299.1401	292.4134	19.07%	10.46%	16.92%	9.05%

AMOUNT OUTSTANDING OF BENCHMARK GOVERNMENT BOND SERIES IN Q3 2005

	HUF billion		
Government Bond	31. 07. 2005	31. 08. 2005	30. 09. 2005
2008/E	104.11	155.56	210.72
2010/B	140.40	180.48	216.28
2015/A	355.00	386.11	410.93
2020/A	150.54	161.39	165.86

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 14.30 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

Telerate pages (codes): 47184-47190

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

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