GOVERNMENT SECURITIES MARKET MONTHLY REPORT

MAY 2005

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The deficit of the central government amounted to HUF 837.8 billion in the first five months of 2005. The pre-financing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 77.4 billion, as did the HUF 1.1 billion capital transfer to the National Bank of Hungary (NBH) by law in March. The total net financing requirement was met by a net issuance of HUF 936.4 billion (ca. EUR 3.7 billion) in these five months, out of which net domestic currency issuance was HUF 306.6 billion (ca. EUR 1.2 billion) and net foreign exchange issuance totalled HUF 629.8 billion (ca. EUR 2.5 billion).

The HUF denominated debt of the central government increased by HUF 305.6 billion up to the end of May 2005 (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, government bonds accounted for HUF 140.2 billion, discount Treasury bills for HUF 171.4 billion. The stock of retail government securities decreased by HUF 2.4 billion, while that of domestic loans by HUF 3.5 billion.

The foreign currency debt of the central government increased by HUF 748.4 billion in the first five months of the year. Foreign currency bond issues increased the debt by HUF 709.3 billion, loan draw-downs by HUF 2.6 billion; while the redemptions of foreign exchange loans amounting to HUF 82.1 billion and exchange rate losses of HUF 118.6 billion decreased the HUF value of the foreign currency debt.

At the end of May 2005, 66.0% of the domestic government securities were fixed rate, 34.0% floating rate securities, compared to 66.7% and 33.4% at the end of 2004, which shows a decline in the proportion of fixed rate securities in this year due to the temporary increase of the volume of discount T-bills.

Secondary market yields decreased in May. This was due to the sharp fall in yields at the beginning of the month and the central bank's 25 basis point rate-cut. The downgrade by Standard and Poor's, regional effects and the rejection of the EU constitution caused a rise in secondary market yields in the second half of the month, but overall, the yields at the end of May were still lower then a month before. In the secondary market, the 3-month yield decreased by 23 basis points to 7.23%, the 6 and 12-month yields fell by 19-18 bps respectively. The long-term yields showed a decrease of 1-20 basis points. The 3-year yield declined by 17 basis points and amounted to 7.37%, while the 10-year benchmark yield reached 7.00% at the end of May after a decrease of 6 basis points.

Monthly OTC turnover of government securities was HUF 1646.0 billion in May, which was 15% lower than a month before. Primary dealers, who account for the decisive part of all secondary government securities trading, made 31% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 37.0 billion in May due to bond redemptions, and amounted to HUF 2414.8 billion at the end of the month. This volume represented 29.1% of the total amount of domestic government bonds and discount Treasury bills at the end of the month.

The HUF/EUR mid exchange rate at the end of May 2005 was 253.91.

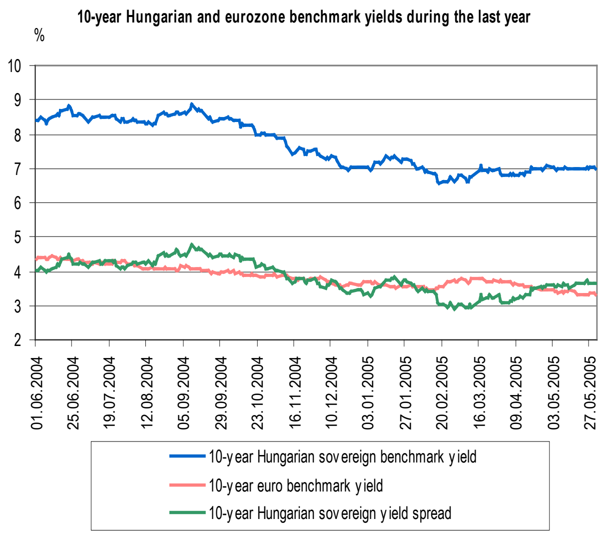
The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows: A- / A1 / A-

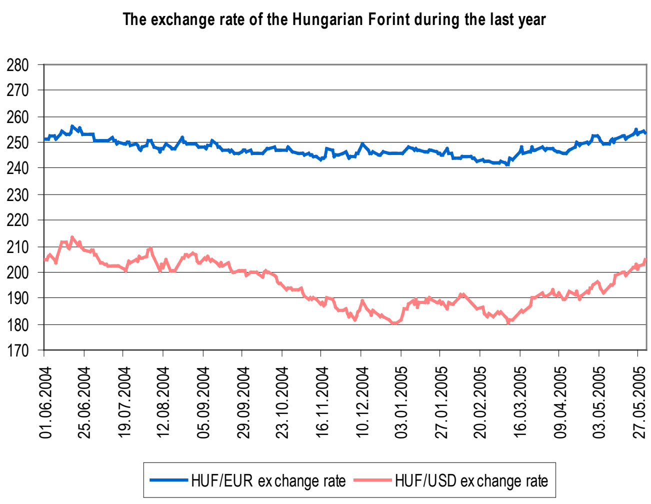
CENTRAL GOVERNMENT GROSS DEBT

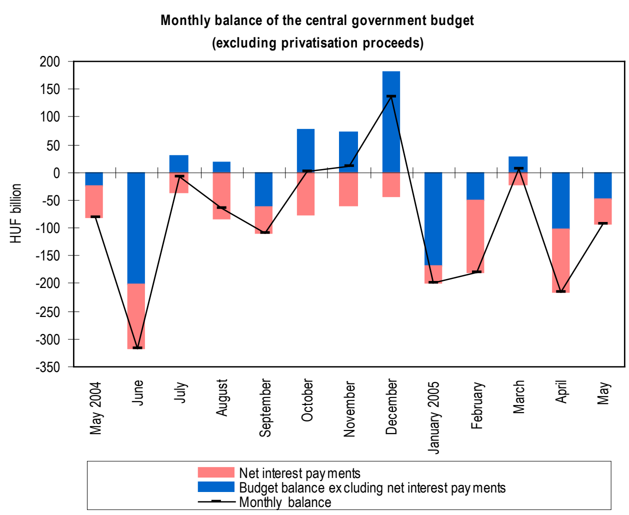
HUF BILLION

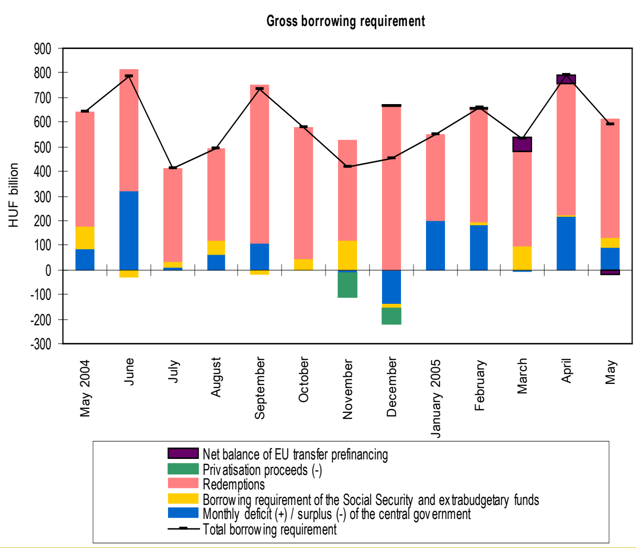
	1999	2000	2001	2002	2003	2004	March 2005	Apr. 2005	May 2005
1. Forint denominated debt	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	8,876.4	8,932.4	8,914.5
1.1. Loans	380.2	303.8	228.3	353.2	117.9	4.7	3.4	1.1	1.1
1.1.1. Foreign loans	0.0	0.0	0.0	1.7	1.4	1.1	1.1	1.1	1.1
1.1.2. Domestic loans	380.2	303.8	228.3	351.5	116.5	3.5	2.2	0.0	0.0
1.1.2.1. Raised from National Bank of Hungary (NBH)	362.4	289.5	217.4	144.0	71.2	0.0	0.0	0.0	0.0
1.1.2.2. Others loans	17.8	14.3	10.9	207.5	45.3	3.5	2,2	0,0	0,0
1.2. Government securiries	3,970.0	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	8,873.0	8,931.3	8,913.3
1.2.1. Public issues	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,131.3	8,189.6	8,171.6
1.2.1.1. Bonds	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	5,979.2	6,027.4	5,910.9
1.2.1.2. Discount T-bills	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,523.1	1,536.1	1,634.7
1.2.1.3. Retail securities	499.3	523.3	544.7	560.3	533.5	628.4	629.0	626.0	626.1
1.2.2. Private placements	853.2	831.3	809.1	777.4	759.3	743.6	741.7	741.7	741.7
2. Foreign currency denominated debt*	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,450.2	3,525.6	3,732.0
2.1. Loans	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	841.3	858.8	864.7
2.1.1. Foreign loans	361.2	368.8	317.8	461.9	598.8	528.9	526.1	536.7	540.9
2.1.2. Domestic loans	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	315.2	322.2	323.8
2.1.2.1. Raised from National Bank of Hungary (NBH)	1,568.4	1,404.0	1,092.6	849.6	466.5	355.7	282.9	289.1	290.6
2.1.2.2. Others loans	0.0	0.0	0.0	82.8	18.8	32.2	32.3	33.0	33.2
2.2. Government securities	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,608.9	2,666.8	2,867.3
2.2.1. Issued abroad	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,608.9	2,666.8	2,867.3
2.2.1.1. Foreign currency bonds	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,608.8	2,666.7	2,867.2
2.2.1.2. Kingdom of Hungary 1924 issues	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	20.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	6,886.4	7,226.2	7,719.5	9,224.2	10,587.7	11,592.4	12,326.6	12,458.0	12,646.5
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*3,470.7*	*3,890.4*	*4,624.4*	*6,043.4*	*7,357.3*	*7,975.8*	*8,244.0*	*8,305.2*	*8,287.3*
Gross debt/GDP	*60.4%*	*54.9%*	*52.0%*	*55.1%*	*57.5%*	*57.0%*			

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







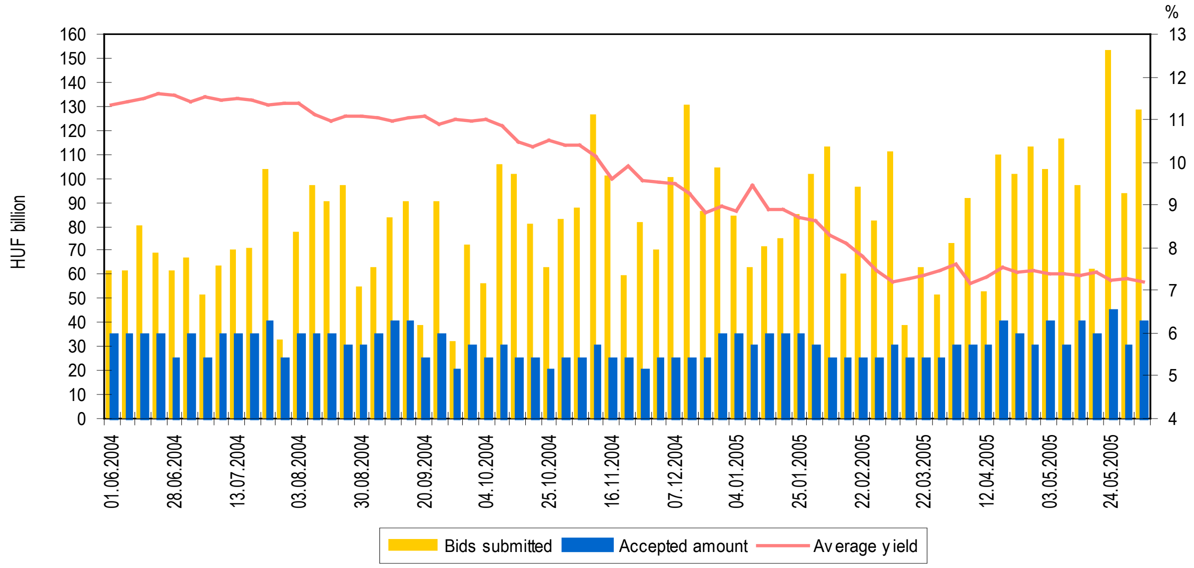


DISCOUNT TREASURY BILL AUCTION RESULTS

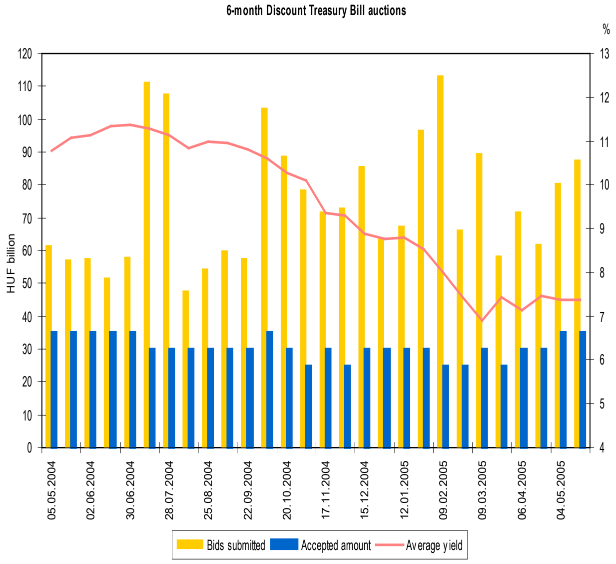
	Liquidity Discount T-bills			3-month Discount T-bills					6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D050622	D050622	D050720	D050810	D050817	D050824	D050831	D050907	D051026	D051026	D060510	D060510
Maturity in days	49	42	31	91	91	91	91	91	168	154	364	350
Date of auction	02.05.2005	09.05.2005	30.05.2005	03.05.2005	10.05.2005	17.05.2005	24.05.2005	31.05.2005	04.05.2005	18.05.2005	05.05.2005	19.05.2005
Date of financial settlement	04.05.2005	11.05.2005	01.06.2005	11.05.2005	18.05.2005	25.05.2005	01.06.2005	08.06.2005	11.05.2005	25.05.2005	11.05.2005	25.05.2005
Redemption date	22.06.2005	22.06.2005	02.07.2005	10.08.2005	17.08.2005.	24.08.2005	31.08.2005	07.09.2005	26.10.2005	26.10.2005	10.05.2006	10.05.2006
Maximum yield (%) - ISMA	7.49	7.43	7.28	7.42	7.39	7.43	7.25	7.23	7.38	7.40	7.37	7.36
Minimum yield (%) - ISMA	7.20	7.20	7.24	7.30	7.00	7.20	7.20	7.05	7.20	7.20	7.20	7.32
Average yield (%) - ISMA	7.48	7.40	7.26	7.40	7.37	7.41	7.24	7.20	7.37	7.38	7.35	7.35
Maximum yield (%) - EHM	7.59	7.53	7.38	7.52	7.49	7.53	7.35	7.33	7.48	7.50	7.47	7.46
Minimum yield (%) - EHM	7.30	7.30	7.34	7.40	7.10	7.30	7.30	7.15	7.30	7.30	7.30	7.42
Average yield (%) - EHM	7.58	7.50	7.36	7.50	7.47	7.51	7.34	7.30	7.47	7.48	7.45	7.45
Average selling price (%)	98.9921	99.1441	99.0215	98.1638	98.1711	98.1614	98.2028	98.2125	96.6750	96.9396	93.0824	93.3307
Amount offered for sale (HUF million)	25,000.00	25,000.00	25,000.00	35,000.00	35,000.00	35,000.00	35,000.00	35,000.00	35,000.00	35,000.00	35,000.00	35,000.00
Amount of bids submitted (HUF million)	112,866.13	116,789,43	93,700.00	103,681.72	97,265.25	62,192.29	153,494.23	128,717.23	80,417.69	87,578.11	74,600.83	81,578.00
Amount of bids accepted (HUF million)	29,999.93	29,999.94	30,000.00	39,999.87	40,000.00	34,999.92	44,999.94	39,999.95	34,999.89	34,999.91	34,999.93	34,999.89
Bid-to-cover ratio	3.76	3.89	3.12	2.59	2.43	1.78	3.41	3.22	2.30	2.50	2.13	2.33
Bids submitted (pcs)	73	93	51	164	120	117	126	148	137	138	144	147
Bids accepted (pcs)	29	54	18	99	31	71	74	77	74	71	96	63
Market sales* (HUF million)	29,999.93	29,999.94	30,000.00	39,999.87	40,000.00	34,999.92	44,999.94	39,999.95	34,999.89	34,999.91	34,999.93	34,999.89
Retained on ÁKK's own account (HUF million)	0.07	0.06	0.00	4,000.13	4,000.00	3,500.08	4,500.06	4,000.05	3,500.11	3,500.09	10,500.07	3,500.11
Total amount issued (HUF million)	30,000.00	30,000.00	30,000.00	44,000.00	44,000.00	38,500.00	49,500.00	44,000.00	38,500.00	38,500.00	45,500.00	38,500.00

* Without issuance onto ÁKK's own account

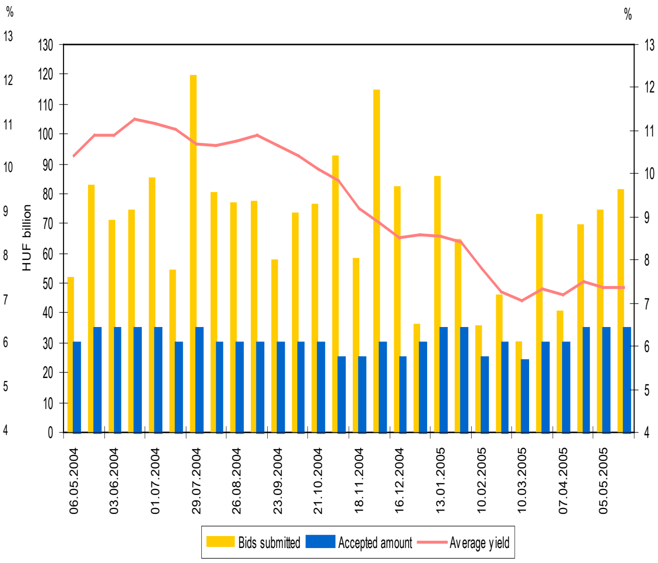
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



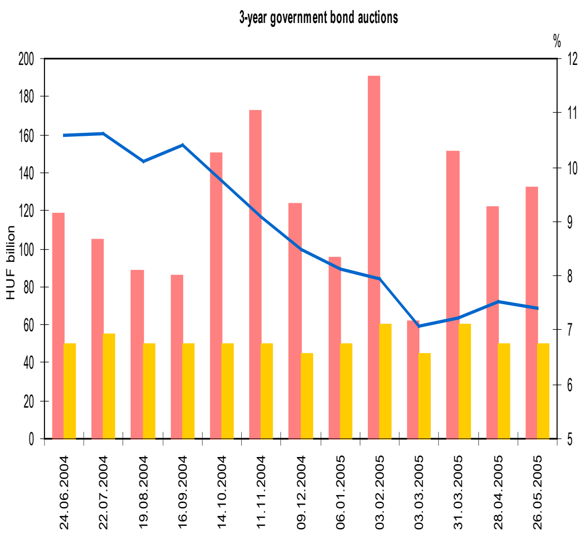
12-month Discount Treasury Bill auctions

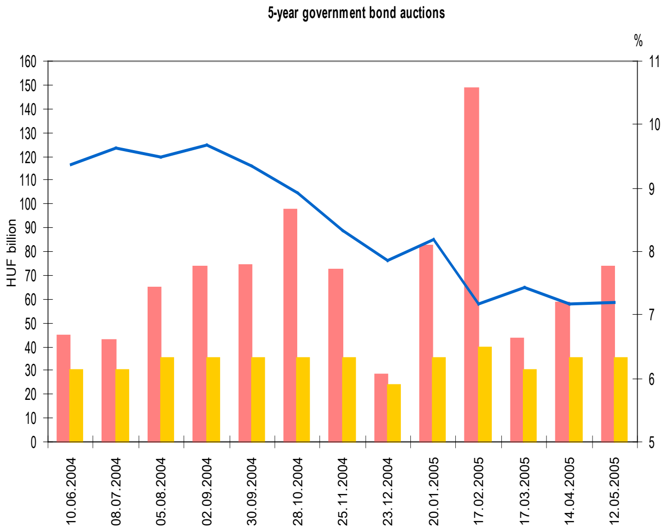


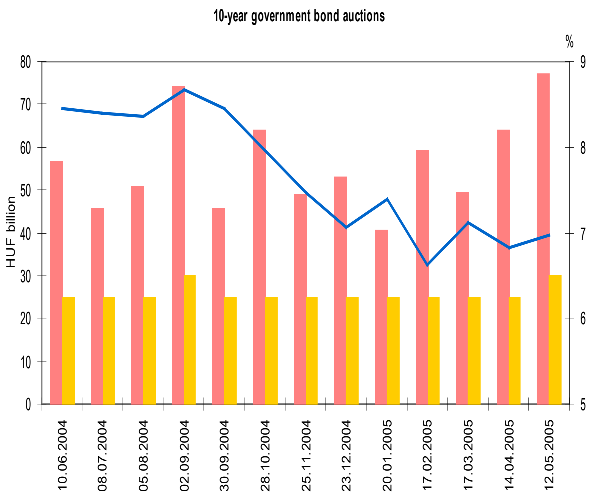
GOVERNMENT BOND AUCTION RESULTS

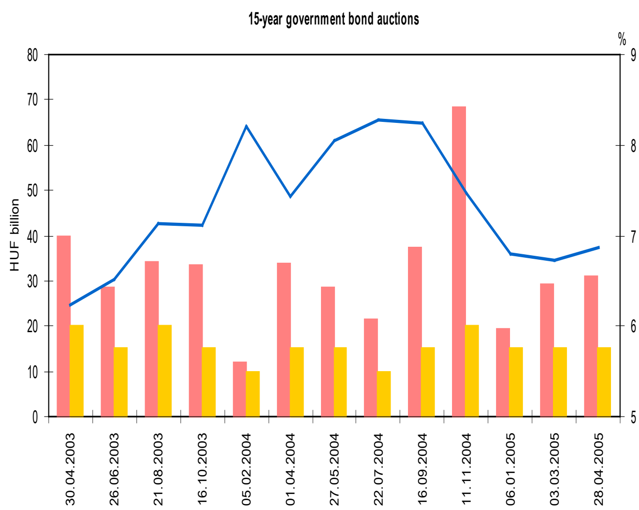
Government Bond	2010/B	2015/A	2008/D
ISIN coda	HU0000402292	HU0000402268	HU0000402276
Maturity (in years)	5	10	3
Coupon (%)	6.75%	8.00%	7.25%
Auction	2nd auction	12th auction	6th auction
Date of auction	12.05.2005	12.05.2005	26.05.2005
Date of financial settlement	18.05.2005	18.05.2005	01.06.2005
Redemption date	12.10.2010	12.02.2015	24.04.2008
Maximum annual yield (%) - ISMA	7.20	7.00	7.42
Minimum annual yield (%) - ISMA	7.16	6.97	7.35
Average annual yield (%) - ISMA	7.19	6.98	7.41
Maximum annual yield (%) - EHM	7.20	7.00	7.41
Minimum annual yield (%) - EHM	7.16	6.97	7.34
Average annual yield (%) - EHM	7.19	6.98	7.40
Maximum price (%)	98.2586	107.0594	99.7236
Minimum price (%)	98.0869	106.8427	99.5471
Average price (%)	98.1257	106.9540	99.5835
Amount offered for sale (HUF million)	35,000.00	25,000.00	50,000.00
Amount of bids submitted (HUF million)	73,505.00	76,950.00	132,230.44
Amount of bids accepted (HUF million)	34,999.91	29,999.93	49,999.91
Bid-to-cover ratio	2.10	2.57	2.64
Bids submitted (pcs)	122	113	174
Bids accepted (pcs)	63	48	91
Tail (average price - minimum price)	0.04	0.11	0.04
Market sales* (HUF million)	34,999.91	29,999.93	49,999.91
Retained on ÁKK's own account (HUF million)	7,000.09	0.07	0,09
Total amount issued (HUF million)	42,000.00	30,000.00	50,000.00

*Without issuance onto ÁKK's own account





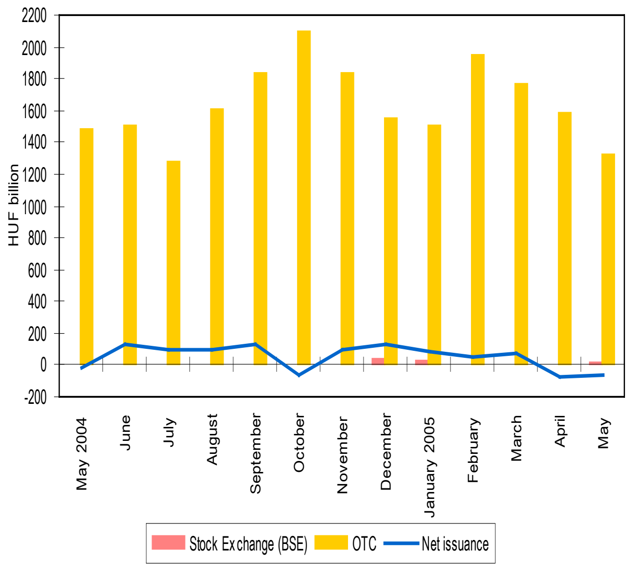




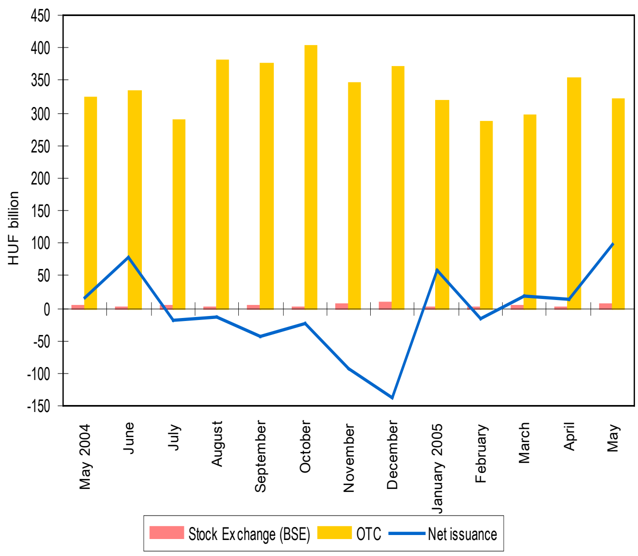
GOVERNMENT BOND REVERSE AUCTION RESULTS

Government bond	2005/I	2005/H
ISIN code	HU0000402086	HU0000402078
Coupon (%)	8.50%	7.00%
Date of reverse auction	25.05.2005	25.05.2005
Date of financial settlement	01.06.2005	01.06.2005
Redemption date	12.10.2005	12.08.2005
Minimum annual yield (%)	7.47	7.40
Average annual yield (%) - ISMA	7.48	7.42
Amount of bids submitted (HUF million)	12,396.57	22,439.69
Amount of bids accepted (HUF million)	11,896.57	10,104.43

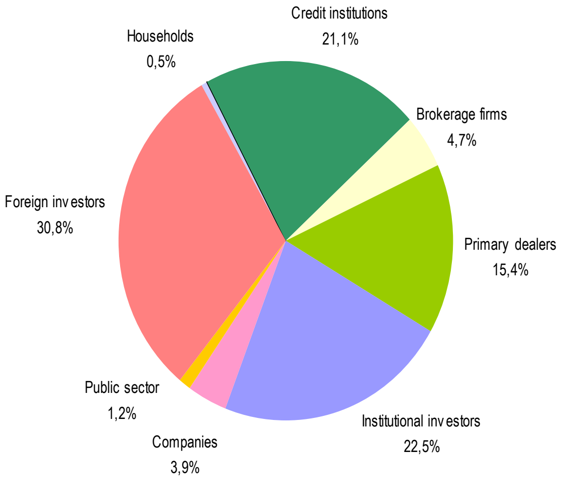
Secondary market trading of government bonds



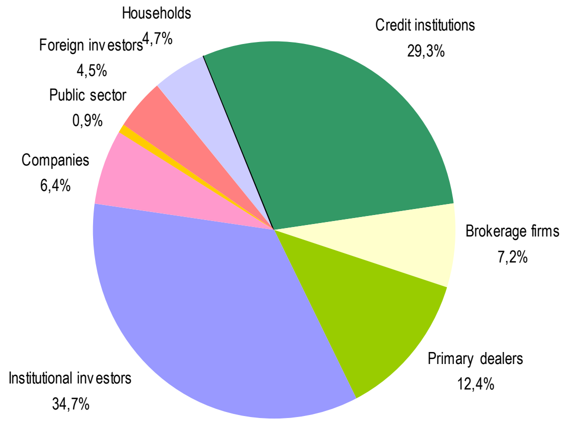
Secondary market trading of Discount Treasury Bills



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



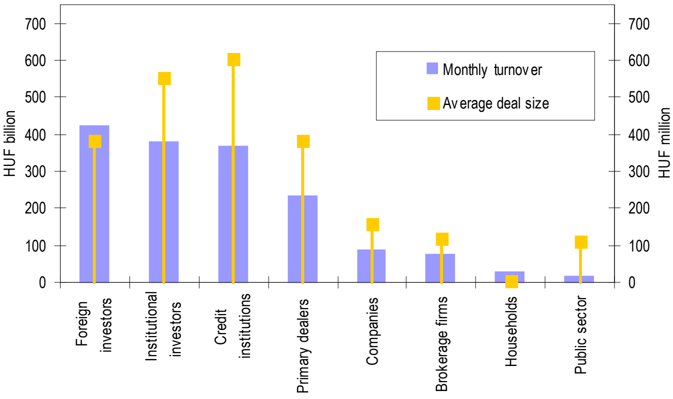
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in May 2005



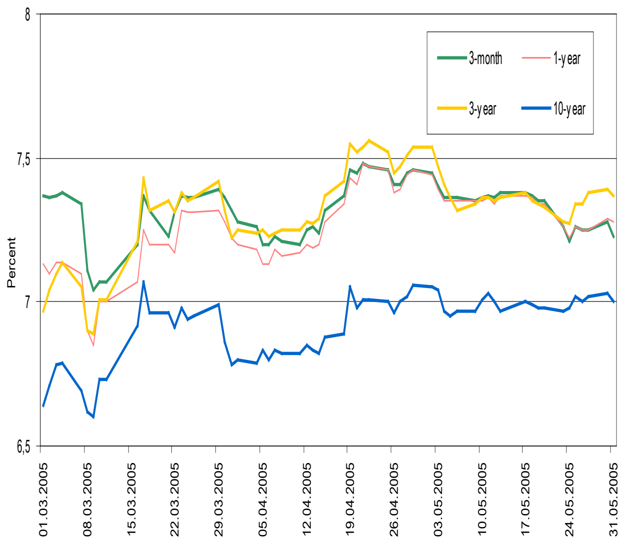
Government securities with the highest secondary market turnover in May 2005

Government security	Date of redemption	Turnover (HUF billion)
2008/D	24.04.2008	180.8
2015/A	12.02.2015	146.4
2009/D	12.10.2009	124.1
D051026	26.10.2007	77.5
D050817	17.08.2006	74.8
D060510	10.05.2006	73.9
2007/G	12.10.2007	67.4
2010/B	12.10.2010	63.6
2013/C	20.12.2013	59.4
2008/C	12.06.2008	54.3

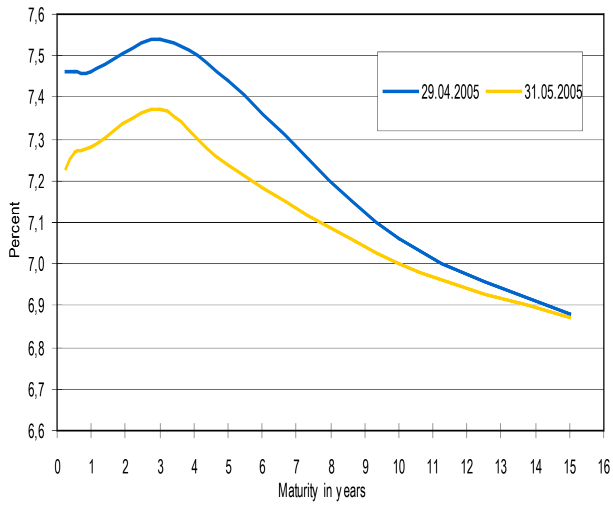
Primary dealers' trading with different investor groups in May 2005



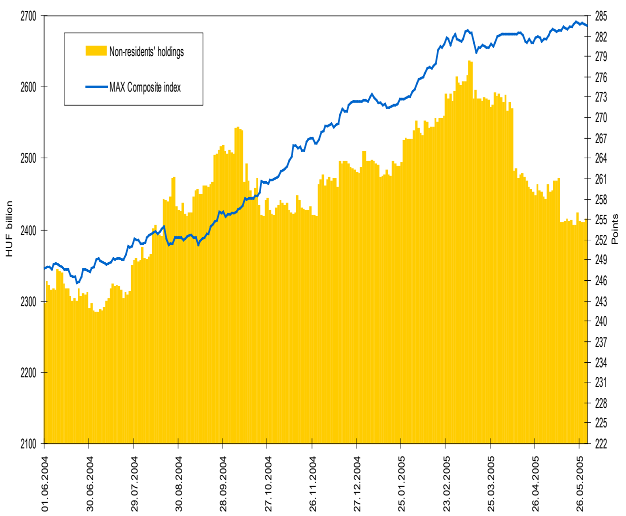
Benchmark yields in the past three months



Benchmark yield curves



Non-residents' holdings of Hungarian government securities during the last year



The outstanding volume of government bonds with benchmark status at the end of May 2005

	HUF billion	
Government bond	30.04.2005	31.05.2005
2008/D	237.08	268.38
2009/D	364.83	365.07
2015/A	281.65	311.20
2020/A	115.49	130.73

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 May 2005	287.726	283.3206	283.6334	285.5199
Changes compared to the end of the month before	2.609	1.95	2.4317	1.8397
Annual yield earned on the index portfolio	15.26%	11.27%	14.19%	10.53%

EVENTS CALENDAR - JULY 2005

Week 27					1	2	3
					Friday	Sat.	Sun.
Interest Bearing T-bill subscription					K2006/14		
Week 28	4	5	6	7	8	9	10
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D051012	D051005/D051221/D060705				
Discount T-bill auction settlement			D050706				
Discount T-bill redemption							
Liquidity Discount public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer						
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill subscription			K2006/14				
Interest Bearing T-bill public offer		K2006/15					
Government Bond auction				5 and 10 -year Bonds			
Government Bond buyback auction			2 Bond series				
Government Bond interest payment	2016/B						
Week 29	11	12	13	14	15	16	17
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D051019	D051221	D060705			
Discount T-bill auction settlement			D051012				
Discount T-bill redemption			D050713				
Liquidity Discount T-bill public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer						
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill subscription			K2006/15				
Interest Bearing T-bill redemption			K2005/14				
Government Bond public offer				3-year Bond			
Government Bond auction settlement			5 and 10 -year Bonds				
Government Bond buyback auction settlement			2 Bond series				
Week 30	18	19	20	21	22	23	24
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D051026					
Discount T-bill auction settlement			D051019/D051221/D060705				
Discount T-bill redemption			D050720				
Liquidity Discount T-bill public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer						
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill subscription			K2006/15				
Interest Bearing T-bill public offer		K2006/16					
Government Bond auction				3-year Bond			
Government Bond buyback auction			2 Bond series				
Week 31	25	26	27	28	29	30	31
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D051102	D060215	D060705			
Discount T-bill auction settlement			D051026				
Discount T-bill redemption			D050727				
Liquidity Discount T-bill public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer						
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill redemption			K2005/15				
Interest Bearing T-bill subscription			K2006/16				
Government Bond public offer				5 and 10-year Bonds			
Government Bond auction settlement			3-year Bond				
Government Bond buyback auction settlement			2 Bond series				
Government Bond interest payment	2006/C						

Key to serial numbers:

Discount T-bills, (DKJ) - D + the last two digits of the year of redemption and month, day of redemption
Interest Bearing T-bisll - The serial number denotes the year of redemption.
Government Bonds - The serial number denotes the year of redemption.

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MAY 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2014/A	02.05.2005	02.05.2005	02.11.2005	02.11.2005	8.40	4.29

PRIMARY DEALERS - AS AT 31 MAY 2005

Primary dealers:		Primary dealers for retail securities:
CIB Bank Rt.	ING Bank Rt.	CIB Bank Rt.
CITIBANK Rt.	Kereskedelmi és Hitelbank Rt.	HVB Bank Hungary Rt.
Deutsche Bank Rt.	Magyar Külkereskedelmi Bank Rt.	Kereskedelmi és Hitelbank Rt.
Dresdner Bank (Hungaria) Rt.	Magyar Takarékszövetkezeti Bank Rt.	Magyar Takarékszövetkezeti Bank Rt.
ERSTE Bank Befektetési Magyarország Rt.	Országos Takarékpénztár és Kereskedelmi Bank Rt	Országos Takarékpénztár és Kereskedelmi Bank Rt.
HVB Bank Hungary Rt.		the branch network of the Hungarian State Treasury