GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

NOVEMBER 2003

MAGYAR ÁLLAMPAPÍR

ÁLLAMI GARANCIÁVAL

GOVERNMENT SECURITIES MARKET

In November benchmark yields increased significantly on all maturities while demand for government securities - mainly by non-resident investors - decreased.

At the beginning of the month the market calmed down briefly after the yield rise at the end of October. This was followed by a fluctuation in secondary market yields until the end of November when the 300 bp interest rate hike of the National Bank of Hungary (NBH) lifted benchmark yields to levels seen only several years before. Short-term yields rose by 206-217 bps while bond yields increased by 79-191 bps. The central bank's rate hike was aimed at curbing the speculation against the forint – the exchange rate of the Hungarian currency had weakened significantly against the euro and was getting far from the 250-260 HUF/EUR range where the NBH and the government would like to see the forint.

In the first half of the month demand was low at the discount T-bill auctions, the monthly average bid-cover ratio decreased from 2.3 to 1.9. At the auctions of government bonds the amount of bids submitted was on average three times higher than the amount accepted which demonstrated that the primary market stabilised compared to October.

On the OTC market the monthly turnover of government bonds increased, while that of the discount Treasury bills was lower than the turnover in the previous month. Government securities trading on the Budapest Stock Exchange picked up compared to October.

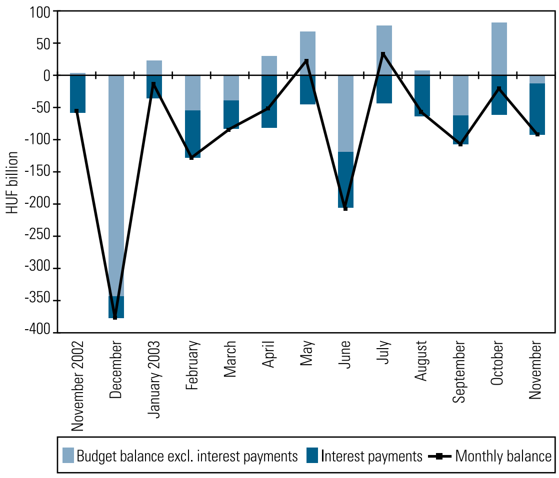
In November an annual yield of -1.66 per cent could have been earned on the portfolio of the MAX Composite index which covers the overwhelming part of the government securities market (publicly offered fixed rate bonds and Discount T-bills with at least 3-month residual maturity). The annual yield of the RMAX index (which shows the price movements of government securities with a residual maturity of less than one year) was 5.34 per cent, while the MAX index yielded –3.76 per cent. Due to the central bank's interest rate hike on the last day of the month, by the end of November the value of all three indices dropped significantly compared to October.

The monthly budget deficit - excluding privatisation proceeds - was HUF 92.0 bn. The aggregate balance of the central government including the Social Security Funds' and the extrabudgetary funds' balances was HUF -253.0 bn. The net issuance of government securities amounted to HUF 13.1 bn during the month, so there was an underfunding of HUF 239.9 billion in November.

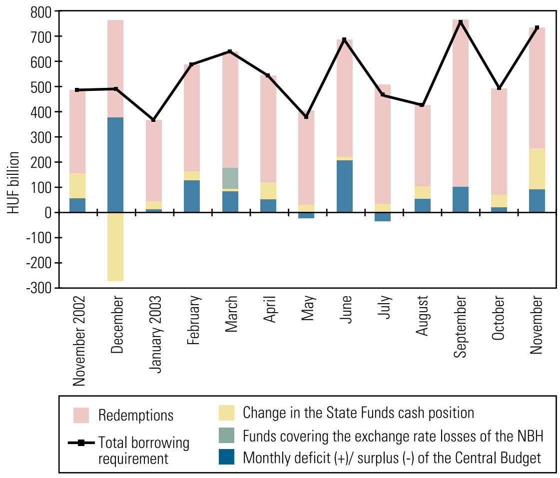
In November 2003 the long-term foreign currency rating of the Republic of Hungary was the following: Standard and Poor's - 'A-', Moody's Investor Service - 'A1'' Fitch Ratings Ltd.- 'A-'. Hungary's Forint denominated debt stood at 'A1' with Moody's, 'A+' with Fitch Ratings Ltd. and 'A' with Standard and Poor's.

Foreign holdings of Hungarian government securities decreased by HUF 93.5 bn (EUR 353 million) during November and dropped to HUF 2189.4 bn (EUR 8.3 billion) at the end of the month. This amount constituted 30.9% of the outstanding stock of publicly issued government securities at the end of November (the same figure for October was 32.2%). This decrease was a consequence of the redemption of the 2-year bond in November and the significant sell-offs of non-residents during the month, which could not be compensated by their purchases at auctions. Non-residents took a one-third share in government bond turnover but only 3% in the trading of discount T-bills.

Monthly Balance of the Central Government Budget
(excl. privatisation proceeds) and its main components



Gross Borrowing Requirement and its main components

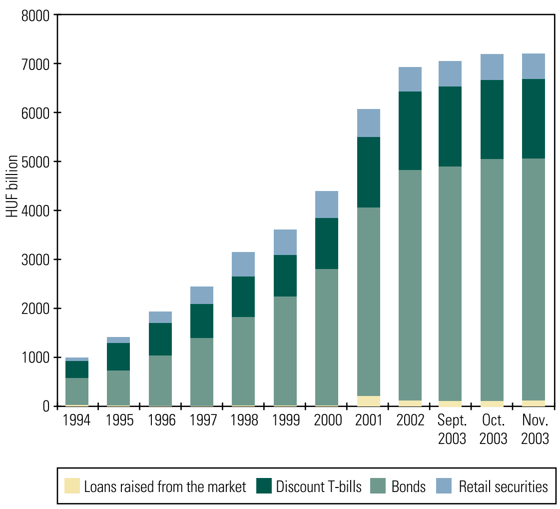


THE CENTRAL GOVERNMENT GROSS DEBT

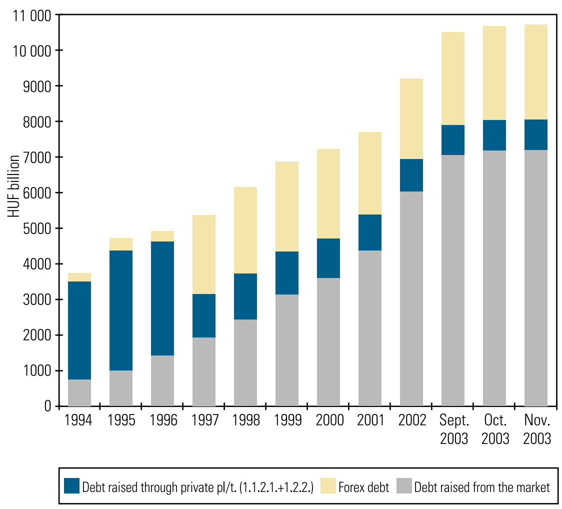
						at current prices, in HUF billion						
Debt Stock	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**Sept 2003**	**Oct 2003**	**Nov 2003**
1. Forint denominated	3499.09	4377.40	4630.40	3151.67	3733.92	4350.19	4717.46	5397.40	6956.90	7917.26	8048.43	8058.57
1.1. Loans	2181.95	2766.55	2193.32	502.67	434.96	380.21	303.84	228.29	353.18	204.68	204.14	201.89
1.1.1. Foreign									1.66	1.66	1.66	1.66
1.1.2. Domestic	2181.95	2766.55	2193.32	502.67	434.96	380.21	303.84	228.29	351.52	203.02	202.48	200.23
1.1.2.1. Raised from NBH	733.40	714.76	611.01	502.48	434.90	362,43	289.50	217.36	144.03	89.43	89.43	89.43
1.1.2.2. Other	8.49	28.49	19.00	0.19	0.06	17.79	14.34	10.93	207.49	113.60	113.06	110.80
1.1.2.3. Non-interest bearing loans	1440.06	2023.30	1563.31									
1.2. Government securities	1317.14	1610.85	2437.08	2649.00	3298.97	3969.98	4.413.61	5169.11	6603.72	7712.57	7844.28	7856.68
1.2.1. Public issues	739.75	963.59	1392.90	1900.85	2432.82	3116.83	3582.37	4360.04	5826.30	6948.36	7080.07	7092.47
1.2.1.1. Bonds	424.61	546.61	708.49	998.73	1386.46	1790.84	2221.22	2782.01	3.829.23	4795.92	4936.06	4941.62
1.2.1.2. Discount T-Bills	236.02	339.74	560.66	661.26	689.89	826.74	837.90	1033.30	1436.75	1628.53	1620.98	1625.60
1.2.1.3. Retail securities	79.11	77.24	123.75	240.86	356.47	499.25	523.25	544.73	560.32	523.91	523.03	525.25
1.2.2. Private placements	577.39	647.26	1044.18	748.16	866.15	853.16	831.25	809.07	777.43	764.21	764.21	764.21
2. Forex denominated	252.52	356.10	301.98	2219.05	2431.87	2536.21	2508.75	2322.10	2267.29	2615.54	2654.96	2680.87
2.1. Loans	236.50	345.46	258.35	2161.31	2367.83	1929.55	1772.75	1410.40	1394.26	1164.10	1177.74	1170.03
2.1.1. Foreign	236.50	319.89	256.94	274.60	249.65	361.19	368.80	317.81	461.92	526.13	530.89	561.82
2.1.2. Domestic		25.57	1.40	1886.71	2118.18	1568.37	1403.95	1092.59	932.34	637.97	646.85	608.21
2.1.2.1. Taken over in 1997				1886.71	2118.18	1568.37	1403.95	1092.59	849.58	619.75	628.31	589.24
2.1.2.2. Others		25.57	1.40						82.76	18.22	18.54	18.97
2.2. Government securities	16.02	10.65	43.63	57.74	64.04	606.66	735.99	911.70	873.03	1451.44	1477.21	1510.84
2.2.1. Issued abroad			32.99	40.70	44.44	587.11	715.67	911.70	873.03	1451.44	1477.21	1510.84
2.2.1.1. Foreign currency bonds			32.99	40.70	43.81	586.78	715.37	911.45	872.86	1451.31	1477.07	1510.70
2.2.1.2. Kingdom of Hungary 1924 issues					0.64	0.33	0.30	0.25	0.17	0.14	0.14	0.14
2.2.2. Issued in the domestic market	16.02	10.65	10.65	17.04	19.60	19.55	20.32					
Total	3751.60	4733.50	4932.38	5370.72	6165.79	6886.40	7226.20	7719.50	9224.20	10532.80	10703.38	10739.43
Memo item: marketable HUF debt												
(1.2.1.1.+1.2.1.2.+1.2.2.)	1238.03	1533.61	2313.33	2408.15	2942.49	3470.73	3890.37	4624.38	6043.41	7188.66	7321.25	7331.43

According to the declaration of the MoF Accounting Department the forex denominated debt is calculated upon the mid exchange rate quoted by the National Bank of Hungary on the last workday of the month.

Components of the Central Government HUF Debt



Components of the Central Government Gross Debt

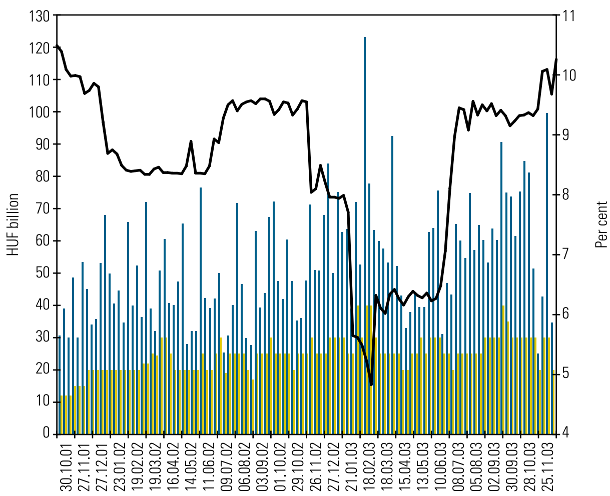


DISCOUNT TREASURY BILL AUCTIONS

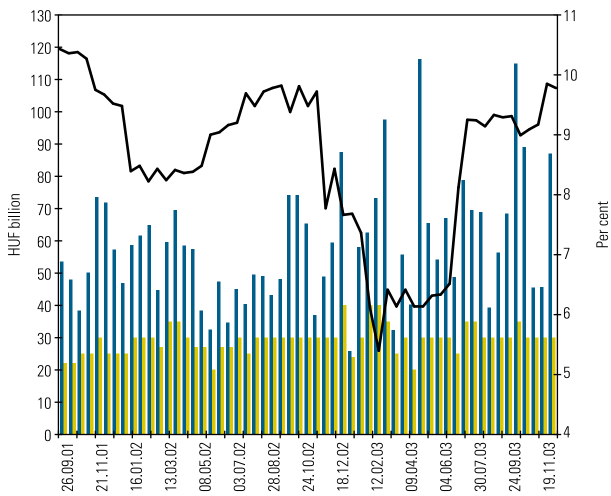
	3-month Discount Treasury Bills				6-month Discount Treasury Bills		12-month Discount Treasury Bills	
Code of T-bill	D040211	D040218	D040225	D040303	D040414	D040609	D041027	D041027
Maturity in days	91	91	91	91	154	196	350	336
Date of auction	04.11.2003	11.11.2003	18.11.2003	25.11.2003	05.11.2003	19.11.2003	06.11.2003	20.11.2003
Date of financial settlement	12.11.2003	19.11.2003	26.11.2003	03.12.2003	12.11.2003	26.11.2003	12.11.2003	26.11.2003
Redemption date	11.02.2004	18.02.2004	25.02.2004	03.03.2004	14.04.2004	09.06.2004	27.10.2004	27.10.2004
Maximum annual bond yield equivalent (%) – ISMA	10.20	10.19	9.71	10.38	9.95	9.84	9.90	9.82
Average annual bond yield equivalent (%) – ISMA	10.06	10.09	9.68	10.26	9.86	9.79	9.81	9.78
Minimum annual bond yield equivalent (%) – ISMA	9.60	9.60	9.50	9.95	9.39	9.30	9.30	9.50
Maximum annual bond yield equivalent (%) – EHM	10.34	10.33	9.84	10.52	10.09	9.98	10.04	9.96
Average annual bond yield equivalent (%) – EHM	10.20	10.23	9.81	10.40	10.00	9.93	9.95	9.92
Minimum annual bond yield equivalent (%) – EHM	9.73	9.73	9.63	10.09	9.52	9.43	9.43	9.63
Average selling price (%)	97.5201	97.5129	97.6116	97.4721	95.9528	94.9396	91.2929	91.6355
Offered for sale (HUF million)	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	35,000.00	35,000.00
Amount of bids submitted (HUF million)	25,125.92	42,764.03	99,654.64	34,631.28	45,693.99	87,002.44	59,410.26	92,125.40
Amount of bids accepted (HUF million)	19,999.97	29,999.98	30,000.00	20,000.00	29,999.98	29,999.93	39,999.94	34,999.90
Cover (amount of bids submitted/amount of bids accepted)	1.26	1.43	3.32	1.73	1.52	2.90	1.49	2.63
Bids submitted (pcs)	119	147	256	115	145	208	175	195
Bids accepted (pcs)	105	118	122	92	125	141	141	100
Market sales* (HUF million)	19,999.97	29,999.98	30,000.00	20,000.00	29,999.98	29,999.93	39,999.94	34,999.90
Retained on ÁKK's own account (HUF million)	2000.03	0.02	3000.00	2000.00	3000.02	9000.07	4000.06	3500.10
Total amount issued (HUF million)	22,000.00	30,000.00	33,000.00	22,000.00	33,000.00	39,000.00	44,000.00	38,500.00

* Without ÁKK purchase

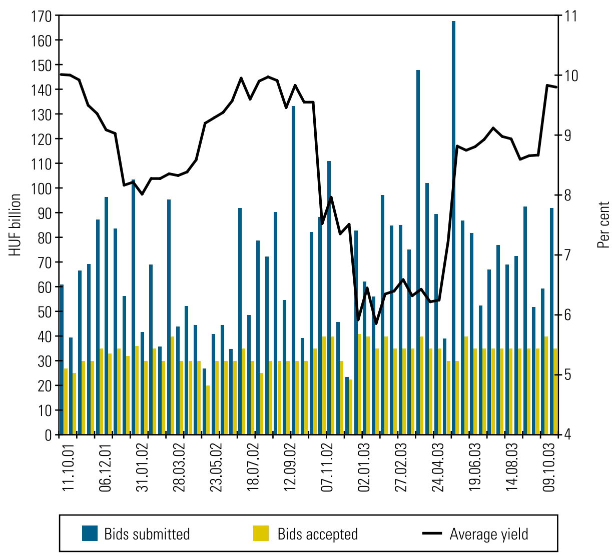
3-month Discount Treasury Bills auctions



6-month Discount Treasury Bills auctions



12-month Discount Treasury Bills auctions

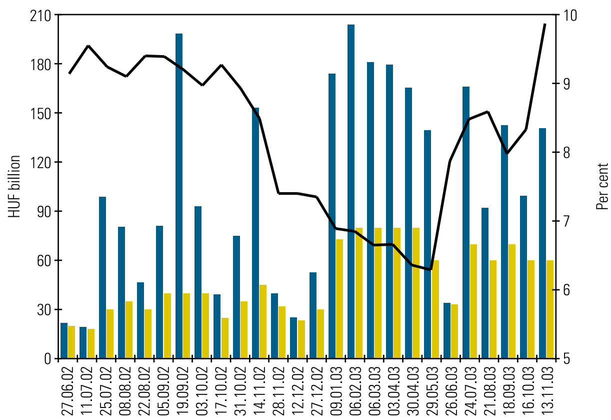


GOVERNMENT BOND AUCTIONS

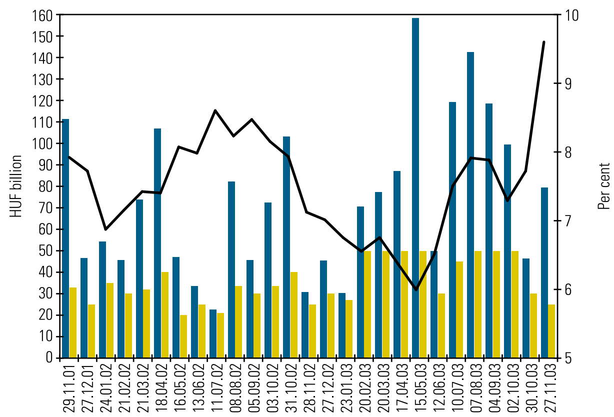
Name of Government Bond	2006/G	2009/C	2014/C
ISIN code	HU0000402201	HU0000402102	HU0000402193
Maturity (in years)	3	5	10
Coupon (%)	6.5	6.25	5.5
Auction	6th auction	3rd auction	7th auction
Date of auction	13-nov-2003	27-nov-2003	27-nov-2003
Date of financial settlement	20-nov-2003	04-dec-2003	04-dec-2003
Redemption date	24-aug-2006	24-jun-2009	12-feb-2014
Minimum annual yield (%) – ISMA	9.50	9.50	8.40
Maximum annual yield (%) – ISMA	9.90	9.70	8.54
Average annual yield (%) – ISMA	9.87	9.60	8.45
Minimum annual yield (%) – EHM	9.50	9.49	8.39
Maximum annual yield (%) – EHM	9.91	9.69	8.53
Average annual yield (%) – EHM	9.87	9.60	8.44
Maximum selling price (%)	92.8924	89.5989	80.6488
Minimum selling price (%)	92.0078	88.8282	79.8427
Average selling price (%)	92.0783	89.1988	80.3522
Amount offered for sale (HUF million)	50,000.00	30,000.00	20,000.00
Amount of bids submitted (HUF million)	140,893.76	79,377.34	77,431.50
Amount of bids accepted (HUF million)	59,999.88	25,000.00	20,000.00
Cover (amount of bids submitted/amount of bids accepted)	2.35	3.18	3.87
Bids submitted (pcs)	226	139	144
Bids accepted (pcs)	89	31	36
Tail (average selling price - minimum selling price)	0.07	0.37	0.51
Market sales* (HUF million)	59,999.88	25,000.00	20,000.00
Retained on ÁKK's own account (HUF million)	0.12	0.00	0.00
Total amount issued (HUF million)	60,000.00	25,000.00	20,000.00

* Without ÁKK purchase

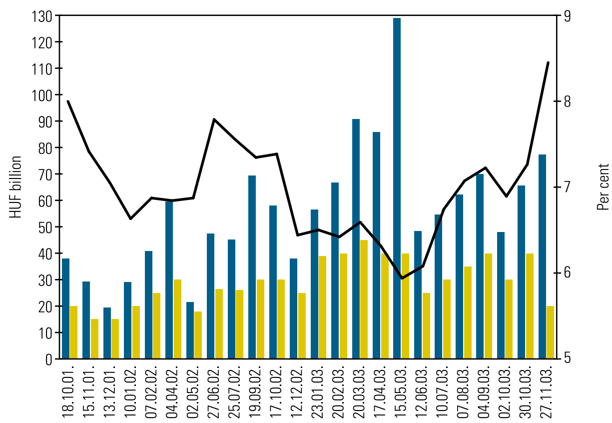
3-year Government Bond auctions



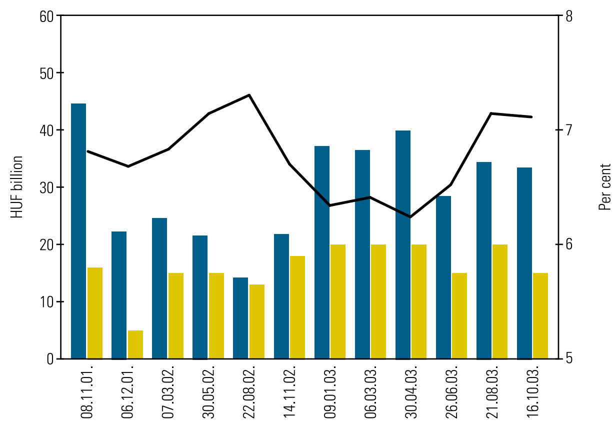
5-year Government Bond auctions



10-year Government Bond auctions

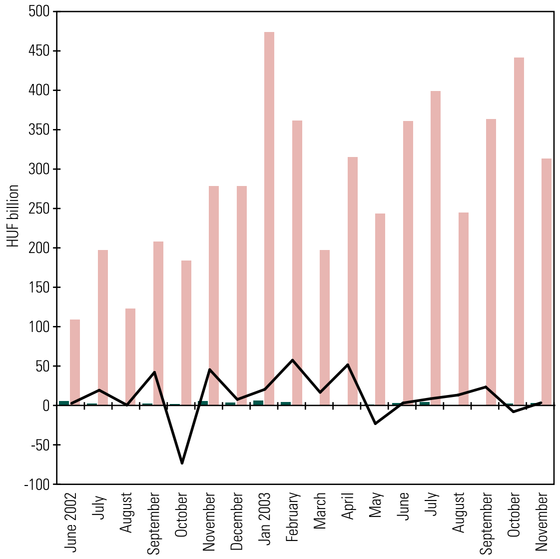


15-year Government Bond auctions

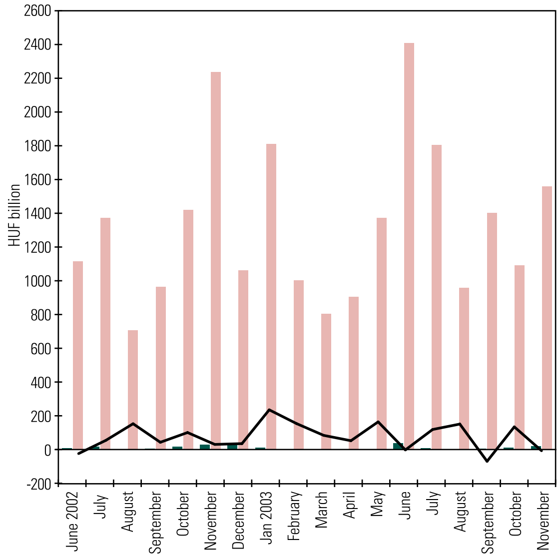


Bids submitted | Bids accepted | Average yield

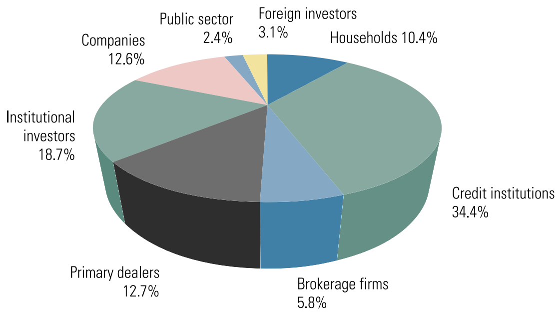
Secondary Market Turnover of Discont Treasury Bills



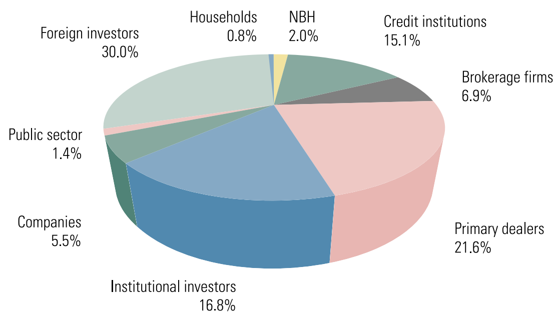
Secondary Market Turnover of Government Bonds



Breakdown of Discount T-Bill Secondary Market Turnover by Main Investor Groups in November 2003



Breakdown of Government Bond Secondary Market Turnover by Main Investor Groups in November 2003

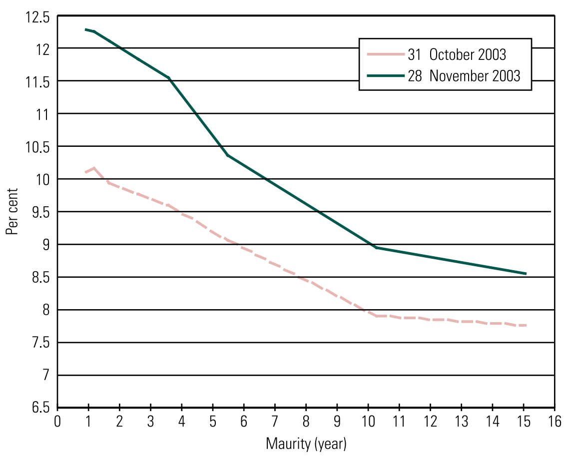


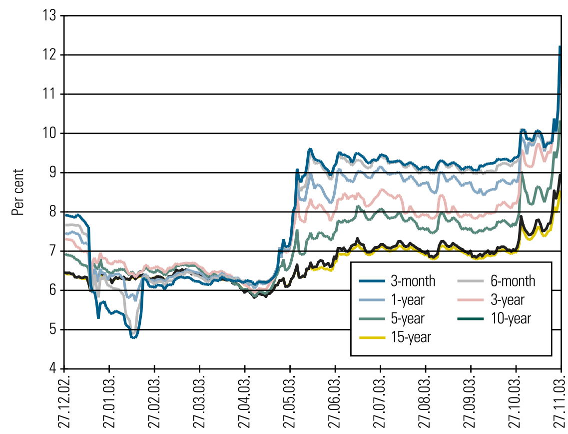
HUNGARIAN GOVERNMENT SECURITIES TOTAL RETURN INDEX

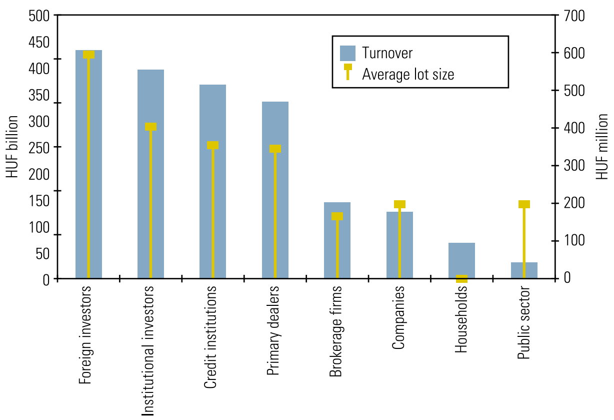
	MAX index	RMAX index	MAX Composite index
Value on 28 November, 2003	232.0201	240.2512	231.8098
Monthly change (compared to end of October)	-9.9865	-0.6827	-7.6149
Annual yield (November, 2002-2003)	-3.76%	5.34%	-1.66%

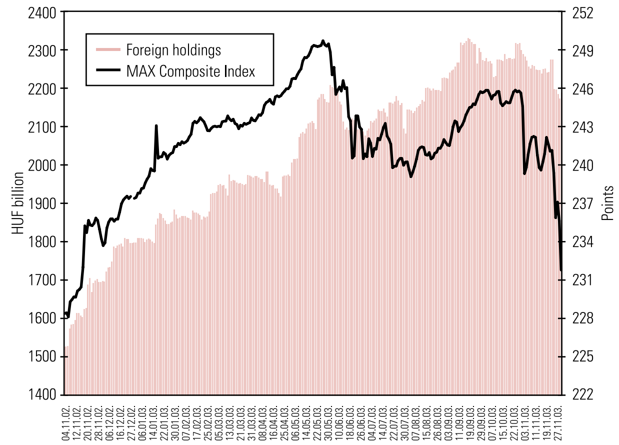
PRIMARY DEALERS – AS AT 30 NOVEMBER, 2003

Primary dealers		Primary dealers for retail securities
CIB Bank Rt.	Kereskedelmi és Hitelbank Rt.	CIB Bank Rt.
CITIBANK Rt.	Országos Takarékpénztár és Kereskedelmi Bank Rt.	Kereskedelmi és Hitelbank Rt.
CA-IB Értékpapír Rt.	Magyar Külkereskedelmi Bank Rt.	Országos Takarékpénztár és Kereskedelmi Bank Rt.
Deutsche Bank Rt.	Postabank és Takarékpénztár Rt.	Magyar Takarékszövetkezeti Bank Rt.
Dresdner Bank (Hungaria) Rt.	Raiffeisen Értékpapír és Befektetési Rt.	and as Network Dealer:
ERSTE Bank Befektetési Magyarország Rt.	Magyar Takarékszövetkezeti Bank Rt.	Hungarian State Treasury Branch Network
ING Bank Rt.		









REUTERS PAGES (CODES)

Main Page: HUTREASURY

Data on auctions are accessible from 12.00 (CET)	
HUISSUE	Publication of the following issues and reverse auctions
HUAUCTION01	Discount T-bills' auction results
HUAUCTION02	T-bonds' auction results

Secondary market data	
HUBONDFIX	Benchmark yields' fixing (updated at 14.30 CET)
HUBONDINDEX	Hungarian Government Total Return Index (MAX) (updated at 16.00 CET)
HUBONDINDEX2	Benchmark Indices for Government Bonds BMX3Y-10Y (updated at 16.00 CET)
HUMAXBOND	Hungarian Government Total Return Index (MAX) statistics

Other	
HUFLOATER	Interest rate reset of floating rate bonds
HUBEST 4,5,6	Market makers listed by the codes of government securities
HUINDEXED	Accrued interest and capital uplift (inflation adjusted capital) of the index-linked government bond on a daily basis (at the most 2 months in advance)
HUBONDINFO	Current list of authorised dealers (contacts)

Bloomberg pages (code): GDMA
Telerate pages (codes): 47184–47190
Homepage: www.akk.hu, www.allampapir.hu

THE MOST LIQUID GOVERNMENT SECURITIES ON THE SECONDARY MARKET IN NOVEMBER

Goverment Security	Redemption date	Turnover (HUF billion)
2006/G	24.08.2006	255.772
2008/C	12.06.2008	164.982
2014/C	12.02.2014	152.411
D041027	27.10.2004	128.947
2009/C	24.06.2009	109.547
2006/F	12.04.2006	109.447
2013/D	12.02.2013	83.432
D040414	14.04.2004	66.138
2005/I	12.10.2005	55.078
2007/D	12.06.2007	54.449

STOCK OUTSTANDING OF GOVERNMENT BONDS WHICH WERE OFFERED FOR SALE DURING NOVEMBER

	HUF billion	
Government Bond	31 October, 2003	30 November, 2003
2006/G	293.46	353.90
2009/C	50.03	79.87
2014/C	160.09	200.09

January

	Monday	Tuesday	Wednesday	1 Thursday	2 Friday	3 Sa	4 Su
Government Bond Public Offer				3 year bond			
Government Bond Interest Payment					2016/B semi-annual		

	5 Monday	6 Tuesday	7 Wednesday	8 Thursday	9 Friday	10 Sa	11 Su
Discount T-bill auction announcement			3, 6 and 12-month Discount T-bills				
Discount T-bill auction		D040414					
Discount T-bill settlement			D040407/D040609/D041222				
Discount T-bill redemption			D040107				
Liquidity DTB auction announcement	Upon decision of the issuer						
Liquidity DTB auction	Upon decision of the issuer						
Liquidity DTB settlement			Upon decision of the issuer				
Interest Bearing T-bill Public Offer			2005/02				
Interest Bearing T-bill Subscription			2005/01				
Government Bond auction				2007/F			

	12 Monday	13 Tuesday	14 Wednesday	15 Thursday	16 Friday	17 Sa	18 Su
Discount T-bill auction announcement			3-month Discount T-bill				
Discount T-bill auction		D040421	D040804	D041222			
Discount T-bill settlement			D040414				
Discount T-bill redemption			D040114				
Liquidity DTB auction announcement	Upon decision of the issuer						
Liquidity DTB auction	Upon decision of the issuer						
Liquidity DTB settlement			Upon decision of the issuer				
Interest Bearing T-bill subscription			2005/02				
Interest Bearing T-bill redemption			2004/01				
Government Bond public offer				5 and 10 year bonds			

	19 Monday	20 Tuesday	21 Wednesday	22 Thursday	23 Friday	24 Sa	25 Su
Discount T-bill auction announcement			3, 6 és 12-month Discount T-bills				
Discount T-bill auction		D040428					
Discount T-bill settlement			D040421/D040804/D041222				
Discount T-bill redemption			D040121				
Liquidity DTB auction announcement	Upon decision of the issuer						
Liquidity DTB auction	Upon decision of the issuer						
Liquidity DTB settlement			Upon decision of the issuer				
Interest Bearing T-bill public offer			2005/03				
Interest Bearing T-bill subscription			2005/02				
Government Bond auction				2009/C and 2014/C			

	26 Monday	27 Tuesday	28 Wednesday	29	30	31	
Discount T-bill auction announcement			3-month Discount T-bill				
Discount T-bill auction		D040505	D040804	D041222			
Discount T-bill settlement			D040428				
Discount T-bill redemption			D040128				
Liquidity DTB auction announcement	Upon decision of the issuer						
Liquidity DTB auction	Upon decision of the issuer						
Liquidity DTB settlement			Upon decision of the issuer				
Interest Bearing T-bill subscription			2005/03				
Interest Bearing T-bill redemption			2004/02				
Government Bond public offer				3 and 15-year bonds			
Government Bond interest payment	2006/B annual						

Key to serial numbers:

Discount T-bill	D + the last two digits of the year of redemption and month, day of redemption
Interest Bearing T-bill	The serial number denotes the year of redemption
Government Bonds	The serial number denotes the year of redemption

RESULTS OF GOVERNMENT BOND REVERSE AUCTIONS

Name of Government Security	2004/I	2004/J
ISIN code	HU-0000401989	HU-0000402029
Coupon (%)	9.0	8.5
Date of reverse auction	26.11.03	26.11.03
Redemption date	12.04.04	12.10.04
Date of financial settlement	03.12.03	03.12.03
Minimum annual yield (%)	10.50	10.25
Average annual yield (%) - ISMA	10.52	10.30
Amount of bids submitted (HUF million)	5,083.40	11,508.44
Amount of bids accepted (HUF million)	689.68	4,567.07
Bids submitted (pcs)	20	19
Bids accepted (pcs)	5	12

MACROECONOMIC INDICATORS

	1998	1999	2000	2001	2002	Sept 2003	Oct 2003	Nov 2003
GDP growth (previous year=100 per cent)****	4,9	4.2	5.2	3.8	3,3*			
Industrial Production (previous year = 100 per cent)**	12.5	10.4	18.6	4.1	3.1	9	10.6	
Unemployment rate (per cent)#	7.8	7	6.4	5.7	5.9	5.7	5.6	
Consumer Price Index (Same period of the previous year = 100 per cent)**	10.3	11.2	10.1	9.2	5.3	4.7	4.9	5.6
Consumer Price Index (Previous month = 100 per cent)						0.6	0.8	0.6
Producer Price Index (Same period of the previous year = 100 per cent)**	7.1	8.2	11.6	5.2	-1.3	3.2	3.5	
Producer Price Index (previous month = 100 per cent)						-0.5	0.2	
Net Lending Position of Households (HUF Bn)	794.2	637	678.9	721.38	392.86			
Current Account of BoP (EUR Mn)	-2020	-1975	-1434	-1248	-2770.8404	-357	-469	
Direct Investment Net (EUR Mn)###	1387	1612	1179	2348	632.7969	17	-622	
Balance of the Central Government Budget (HUF Bn)***	-333.87	-337.2	-369.3	-413.2	-962,7*****	-107.3	-20.6	-92
Central Government Gross Debt (HUF Bn)	6165.79	6886.4	7226.2	7719.5	9224.2	10532.8	10703.38	10739.43
Central Government Gross Debt (per cent of GDP)	61.13%	59.89%	55.29%	0.5198	54,32%*			
Central Government Gross Foreign Exchange Denominated Debt (HUF Bn)	2431.8664	2536.21092	2508.75	2322.1	2267.29	2615.54	2654.96	2680.87
Central Government Gross HUF Denominated Debt (HUF Bn)	3733.92	4350.19	4717.46	5397.4	6956.9	7917.26	8048.43	8058.57
Net Foreign Debt (EUR Mn)##	7473.45913	7404.48062	9755.47445	8615.95664	11834.4277			
Net Foreign Debt (per cent of GDP)	18.95%	16.42%	19.78%	14.29%	16,44%*			
The official exchange rate of the National Bank of Hungary (end of period HUF/USD)	219.03	252.52	284.73	279.03	225.16	218.23	222.7	211.12
The official exchange rate of the National Bank of Hungary (end of period HUF/EUR)####	255.7	254.92	264.94	246.33	235.9	254.61	259.13	265.03

Source: NBH, Central Statistical Office, MoF

*	Provisional
**	In the case of annual data December/previous December, of quarterly data March/previous March etc. ratio is indicated.
***	Excluding privatisation proceeds.
****	The provisional data on GDP growth in I. quarter of 2003 was 2.7 per cent, in II. Quarter of 2.4 per cent.
*****	Excluding debt assumptions and bond-transfers amounting to HUF 512.05 billion at the end of 2002.
#	Central Statistical Office
##	Without intercompany loans
###	With intercompany loans
####	ECU in 1998

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