GOVERNMENT SECURITIES MARKET MONTHLY REPORT

OCTOBER 2005

MAGYAR ÁLLAMPAPÍR

ÁLLAMI GARANCIÁVAL

The deficit of the central government amounted to HUF 1061.6 billion in the first ten months of 2005. The pre-financing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 92.6 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 of HUF 1155.3 billion (ca. EUR 4.7 billion) was met by a net issuance of HUF 1215.6 billion (ca. EUR 4.9 billion) in the first ten months of the year, out of which net domestic issuance was HUF 451.4 billion (ca. EUR 1.8 billion) and net foreign exchange issuance totalled HUF 764.2 billion (ca. EUR 3.1 billion).

The HUF denominated debt of the central government increased by HUF 452.3 billion up to the end of October 2005 (the difference between the total net change and the net issuance was the change in the volume of matured but unclaimed securities). Out of the increase in domestic debt, government bonds accounted for HUF 263.6 billion, discount Treasury bills for HUF 226.6 billion. The stock of retail government securities decreased by HUF 34.4 billion, while that of domestic loans by HUF 3.5 billion.

The foreign currency debt of the central government increased by HUF 842.7 billion in the first ten months of the year. Foreign currency bond issues increased the debt by HUF 848.6 billion, loan draw-downs by HUF 9.4 billion; while the redemptions of foreign exchange loans amounted to HUF 93.8 billion. Exchange rate losses of HUF 78.4 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of October 2005, 66.8% of the domestic government securities were fixed rate, 33.2% floating rate securities, compared to 66.7% and 33.4% at the end of 2004, i.e. the proportion of fixed rate securities remained unchanged in the first ten months of 2005.

Secondary market yields increased in October on all maturities, T-bill yields by 17-43 basis points, bond yields by 42-57 basis points. The rise of yields was primarily attributable to the unfavourable news about the budget deficit.

In the secondary market, the 3-month yield increased by 17 basis points to 6.17%, the 6 and 12-month yields rose by 30-43 basis points compared to the end of September. The 3-year yield increased by 53 basis points and amounted to 6.70%, while the 10-year benchmark yield reached 6.75% at the end of October after a rise of 57 basis points.

Monthly OTC turnover of government securities was HUF 3333.6 billion in October, up by 17% from the month before. Primary dealers, who account for the decisive part of all secondary government securities trading, made 45% of their secondary government securities deals with non-resident investors.

The volume of non-resident holdings of Hungarian government securities decreased altogether by HUF 21.3 billion in October and amounted to HUF 2564.9 billion at the end of the month. This volume represented 30.3% of the total amount of domestic government bonds and discount Treasury bills at the end of the month.

The HUF/EUR mid exchange rate was 251.04 at the end of October 2005.

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

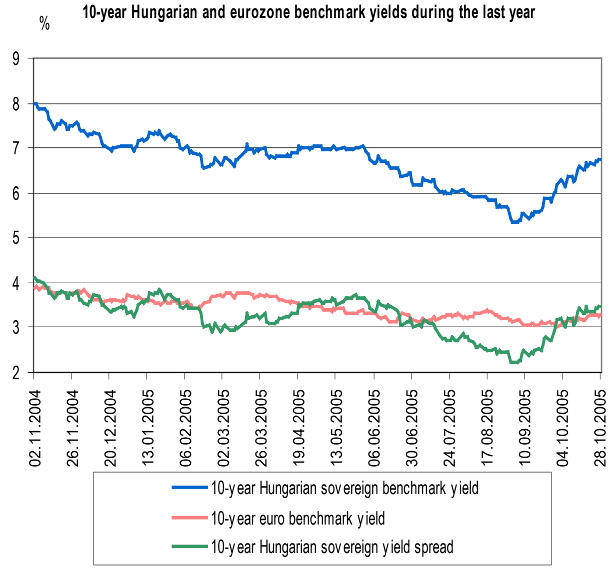
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

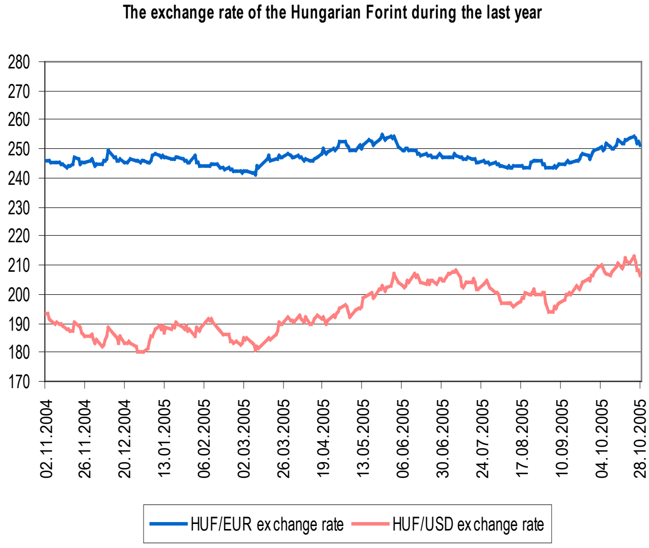
	1999	2000	2001	2002	2003	2004	Aug 2005	Sept 2005	Oct 2005
1. Forint denominated debt	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	8,919.4	9,024.6	9,061.1
1.1. Loans	380.2	303.8	228.3	353.2	117.9	4.7	1.1	1.1	1.1
1.1.1. Foreign loans	0.0	0.0	0.0	1.7	1.4	1.1	1.1	1.1	1.1
1.1.2. Domestic loans	380.2	303.8	228.3	351.5	116.5	3.5	0.0	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	0,0	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	8,918.2	9,023.4	9,060.0
1.2.1. Public issues	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,178.7	8,284.7	8,321.3
1.2.1.1. Bonds	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,003.2	6,074.7	6,037.4
1.2.1.2. Discount T-bills	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,558.2	1,605.1	1,689.9
1.2.1.3. Retail securities	499.3	523.3	544.7	560.3	533.5	628.4	617.3	604.9	594.1
1.2.2. Private placements	853.2	831.3	809.1	777.4	759.3	743.6	739.5	738.7	738.7
2. Foreign currency denominated debt*	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,727.0	3,797.7	3,826.2
2.1. Loans	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	825.8	838.5	849.8
2.1.1. Foreign loans	361.2	368.8	317.8	461.9	598.8	528.9	514.5	521.0	530.4
2.1.2. Domestic loans	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	311.3	317.5	319.4
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	280.0	285.6	287.3
2.1.2.2. Others loans	0.0	0.0	0.0	82.8	18.8	32.2	31.3	31.9	32.1
2.2. Government securities	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,901.2	2,959.2	2,976.4
2.2.1. Issued abroad	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,901.2	2,959.2	2,976.4
2.2.1.1. Foreign currency bonds	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,901.1	2,959.1	2,976.3
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	12,646.4	12,822.2	12,887.3
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*	*8,300.9*	*8,418.5*	*8,465.9*
Gross debt/GDP	*60.4%*	*54.4%*	*51.5%*	*54.5%*	*56.8%*	*56.8%*			

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

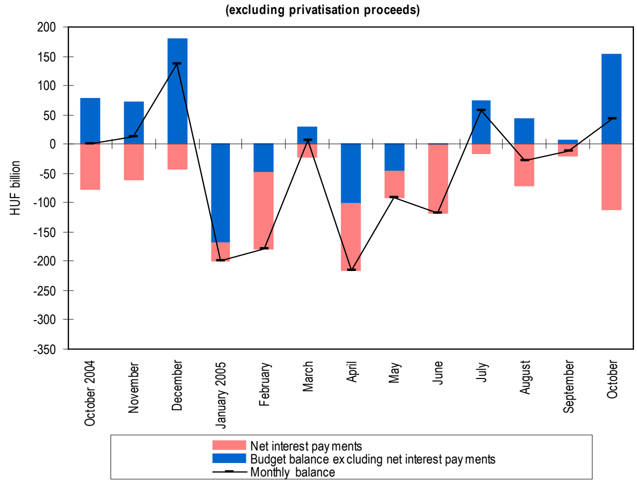
10-year Hungarian and eurozone benchmark yields during the last year



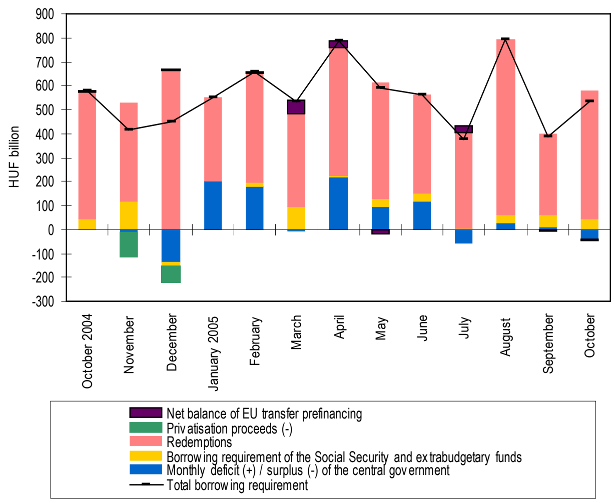
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

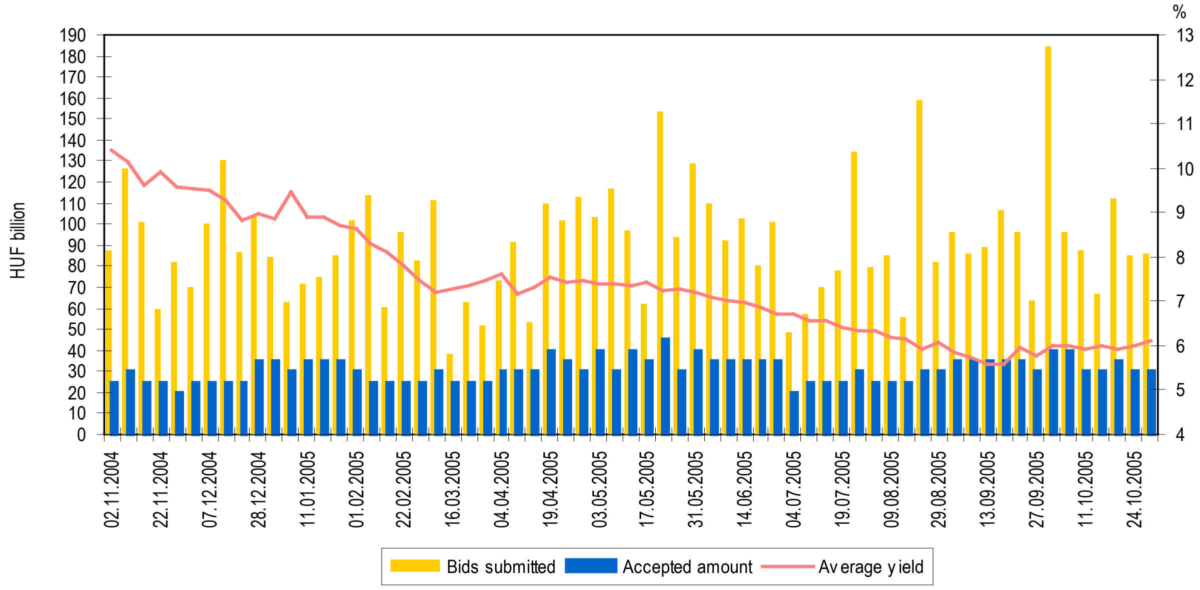


DISCOUNT TREASURY BILL AUCTION RESULTS

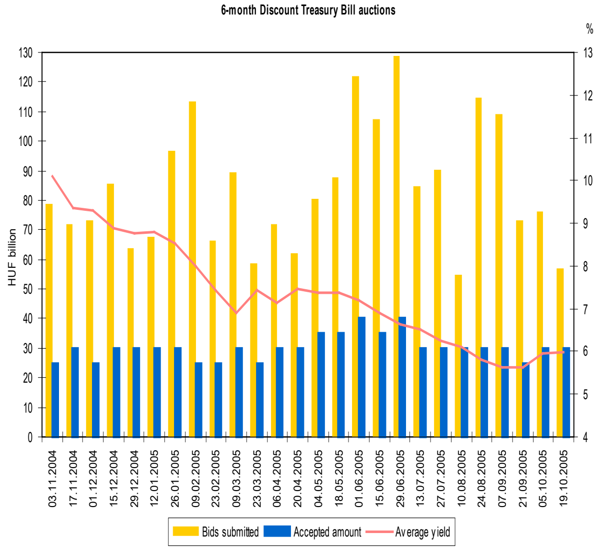
	Liquidity Discount T-bills			3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D051214	D051214	D051214	D060111	D060118	D060125	D060201	D060412	D060412	D060830	D061025
ISIN code	HU0000515440	HU0000515440	HU0000515440	HU0000515481	HU0000515119	HU0000515499	HU0000515515	HU0000515465	HU0000515465	HU0000515424	HU0000515507
Maturity in days	63	56	49	91	91	91	91	182	168	322	364
Date of auction	10.10.2005	17.10.2005	24.10.2005	04.10.2005	11.10.2005	18.10.2005	25.10.2005	05.10.2005	19.10.2005	06.10.2005	20.10.2005
Date of financial settlement	12.10.2005	19.10.2005	26.10.2005	12.10.2005	19.10.2005	26.10.2005	02.11.2005	12.10.2005	26.10.2005	12.10.2005	26.10.2005
Redemption date	14.12.2005	14.12.2005	14.12.2005	11.01.2006	18.01.2006	25.01.2006	01.02.2006	12.04.2006	12.04.2006	30.08.2006	25.10.2006
Maximum yield (%) - ISMA	6.00	6.00	6.03	6.01	5.94	5.92	6.16	5.96	6.04	6.03	6.19
Minimum yield (%) - ISMA	5.95	5.80	5.80	5.90	5.75	5.80	5.80	5.70	5.80	5.90	6.00
Average yield (%) - ISMA	5.98	5.98	6.01	5.99	5.92	5.91	6.09	5.94	6.00	6.00	6.17
Maximum yield (%) - EHM	6.08	6.08	6.11	6.09	6.02	6.00	6.25	6.04	6.12	6.11	6.28
Minimum yield (%) - EHM	6.03	5.88	5.88	5.98	5.83	5.88	5.88	5.78	5.88	5.98	6.08
Average yield (%) - EHM	6.06	6.06	6.09	6.07	6.00	5.99	6.17	6.02	6.08	6.08	6.26
Average selling price (%)	98.9643	99.0784	99.1886	98.5084	98.5256	98.5281	98.4839	97.0846	97.2763	94.9067	94.1278
Amount offered for sale (HUF million)	30,000.00	30,000.00	30,000.00	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)	95,950.00	66,621.00	85,334.81	184,361.36	87,112.76	112,121.67	85,641.10	75,965.52	56,927.33	52,391.07	81,990.87
Amount of bids accepted (HUF million)	39,999.96	29,999.97	29,999.97	39,999.94	29,999.92	34,999.86	30,000.00	29,999.88	29,999.95	34,999.92	34,999.94
Bid-to-cover ratio	2.40	2.22	2.84	4.61	2.90	3.20	2.85	2.53	1.90	1.50	2.34
Bids submitted (pcs)	67	63	97	173	140	152	129	143	127	138	114
Bids accepted (pcs)	26	23	41	82	77	72	43	97	103	105	77
Market sales* (HUF million)	39,999.96	29,999.97	29,999.97	39,999.94	29,999.92	34,999.86	30,000.00	29,999.88	29,999.95	34,999.92	34,999.94
Retained on ÁKK's own account (HUF million)	4,000.04	0.03	0.03	4,000.06	3,000.08	3,500.14	3,000.00	3,000.12	3,000.05	3,500.08	10,500.06
Total amount issued (HUF million)	44,000.00	30,000.00	30,000.00	44,000.00	33,000.00	38,500.00	33,000.00	33,000.00	33,000.00	38,500.00	45,500.00

* Without issuance onto ÁKK's own account

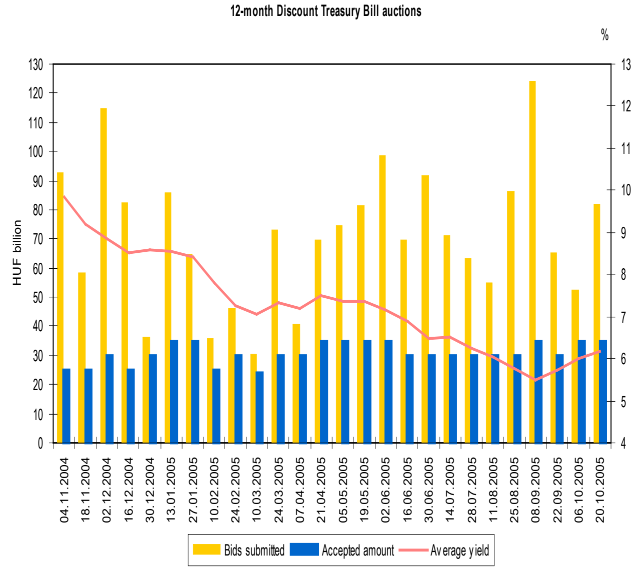
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



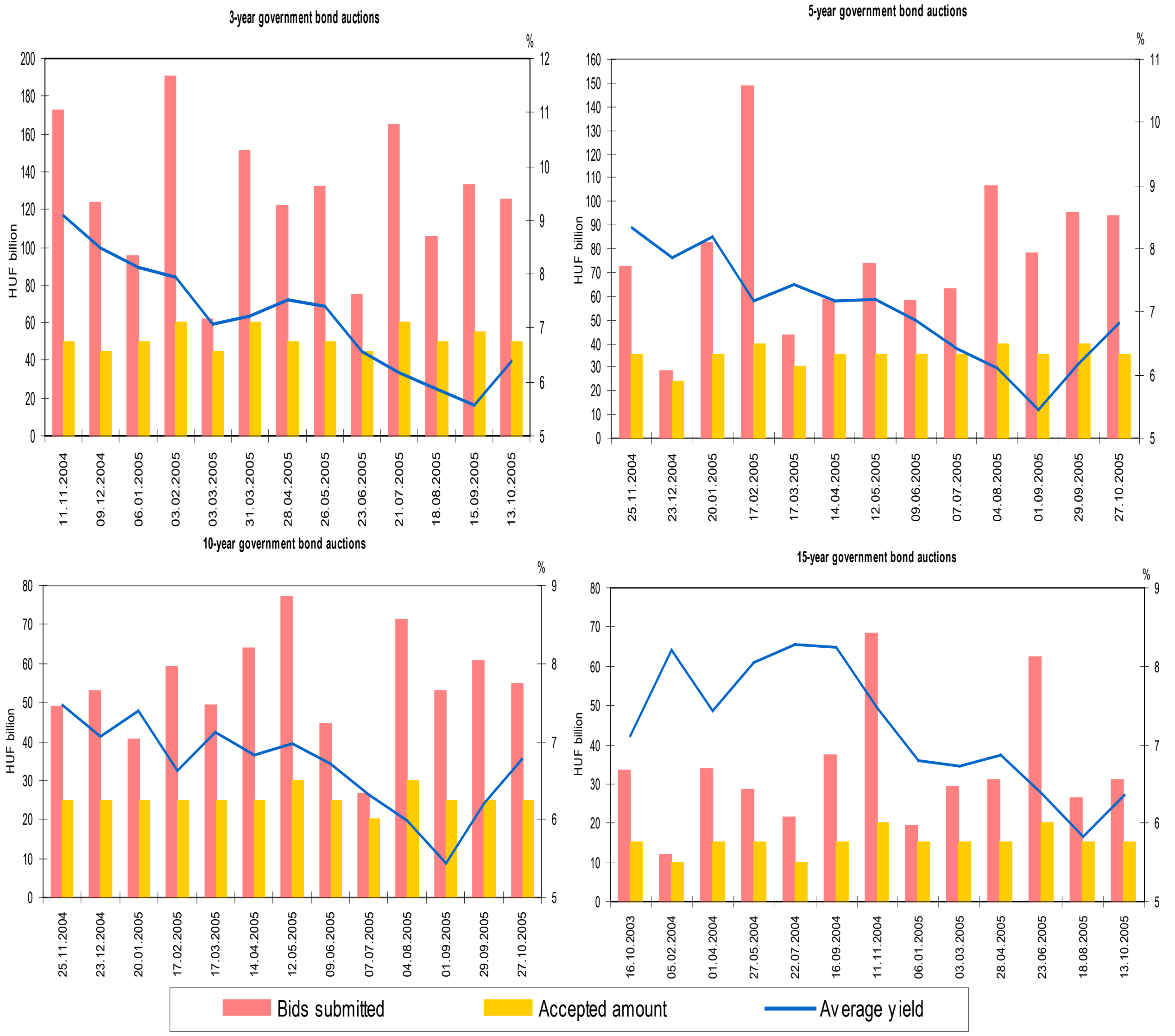
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2008/E	2020/A	2010/B	2016/C
ISIN code	HU0000402300	HU0000402235	HU0000402292	HU0000402318
Maturity (in years)	3	15	5	10
Coupon (%)	6.50%	7.50%	6.75%	5.50%
Auction	5th auction	12th auction	8th auction	2nd auction
Date of auction	13.10.2005	13.10.2005	27.10.2005	27.10.2005
Date of financial settlement	19.10.2005	19.10.2005	02.11.2005	02.11.2005
Redemption date	12.08.2008	12.11.2020	12.10.2010	12.02.2016
Maximum annual yield (%) - ISMA	6.40	6.37	6.84	6.80
Minimum annual yield (%) - ISMA	6.36	6.33	6.80	6.74
Average annual yield (%) - ISMA	6.38	6.36	6.83	6.78
Maximum annual yield (%) - EHM	6.39	6.37	6.84	6.80
Minimum annual yield (%) - EHM	6.35	6.33	6.80	6.74
Average annual yield (%) - EHM	6.38	6.35	6.82	6.78
Maximum price (%)	100.2787	111.1377	99.7839	91.0408
Minimum price (%)	100.1780	110.7285	99.6210	90.6329
Average price (%)	100.2198	110.8735	99.6665	90.7741
Amount offered for sale (HUF million)	50,000.00	15,000.00	35,000.00	25,000.00
Amount of bids submitted (HUF million)	125,117.44	30,882.50	94,100.00	54,728.50
Amount of bids accepted (HUF million)	49,999.89	14,999.86	34,999.95	24,999.94
Bid-to-cover ratio	2.50	2.06	2.69	2.19
Bids submitted (pcs)	128	102	115	94
Bids accepted (pcs)	49	67	35	46
Tail (average price - minimum price)	0.04	0.15	0.05	0.14
Market sales* (HUF million)	49,999.89	14,999.86	34,999.95	24,999.94
Retained on ÁKK's own account (HUF million)	0.11	0.14	0.05	5,000.06
Total amount issued (HUF million)	50,000.00	15,000.00	35,000.00	30,000.00

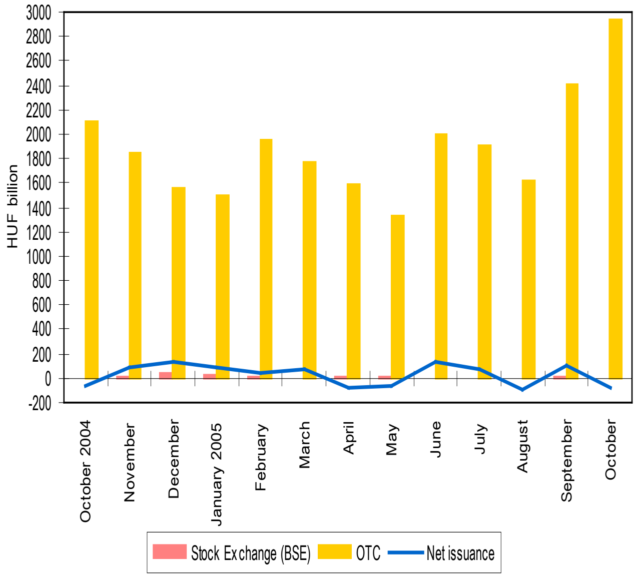
*Without issuance onto ÁKK's own account



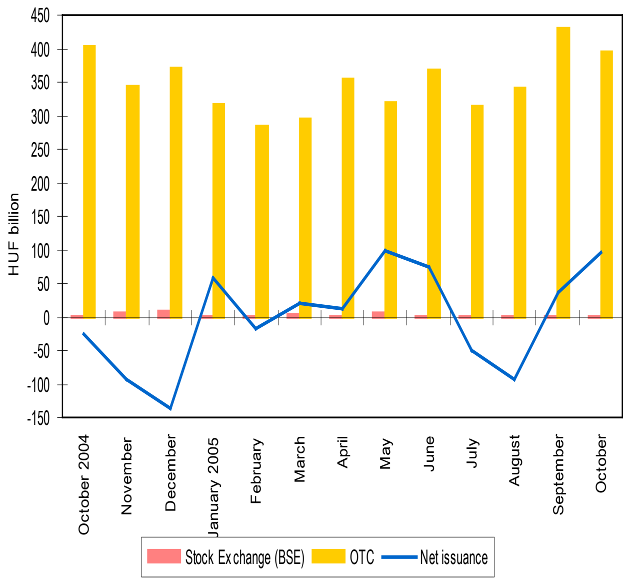
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2006/E	2006/F
ISIN code	HU0000401963	HU0000402094
Coupon (%)	8.50%	7.00%
Date of reverse auction	26.10.2005	26.10.2005
Date of financial settlement	02.11.2005	02.11.2005
Redemption date	12.05.2006	12.04.2006
Minimum annual yield (%)	6.37	6.30
Average annual yield (%) - ISMA	6.37	6.32
Amount of bids submitted (HUF million)	16,591.88	20,103.19
Amount of bids accepted (HUF million)	1,857.29	9,103.19

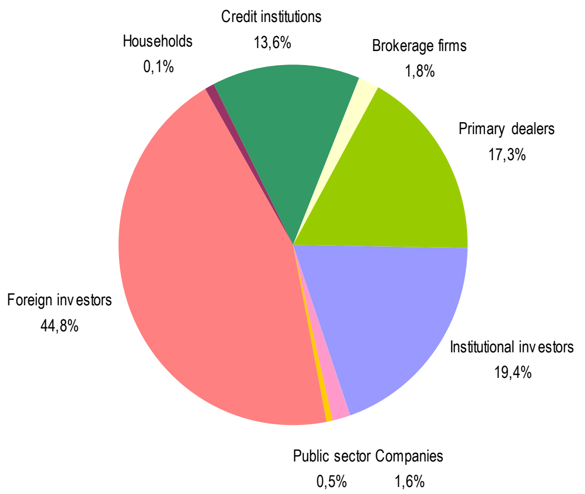
Secondary market trading of government bonds



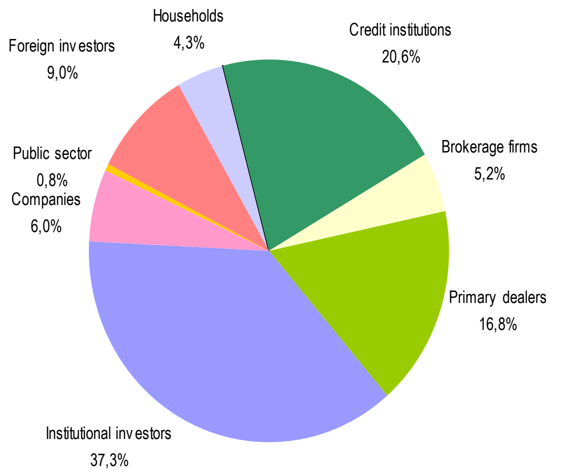
Secondary market trading of Discount Treasury Bills



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



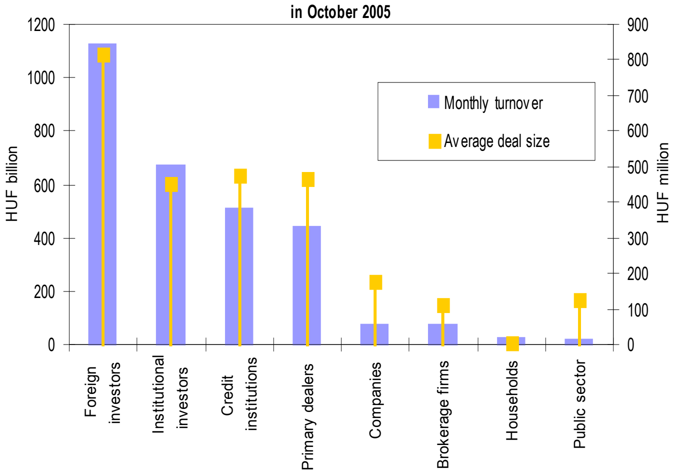
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in October 2005



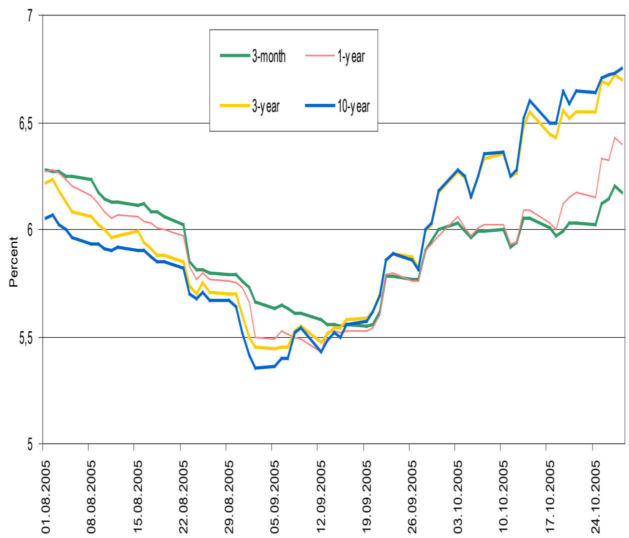
Government securities with the highest secondary market turnover in October 2005

Government security	Date of redemption	Turnover (HUF billion)
2010/B	12.10.2010	408.4
2015/A	12.02.2015	364.4
2008/E	12.08.2008	263.2
2007/G	12.10.2007	146.1
2014/C	12.02.2014	144.0
2009/D	12.10.2009	136.5
2013/C	20.12.2013	132.1
D051214	14.12.2005	113.7
2007/F	12.04.2007	102.2
2006/G	24.08.2006	94.1

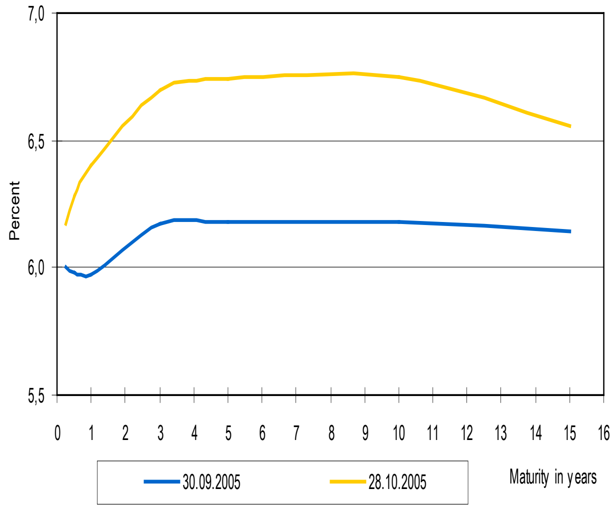
Primary dealers' trading with different investor groups in October 2005



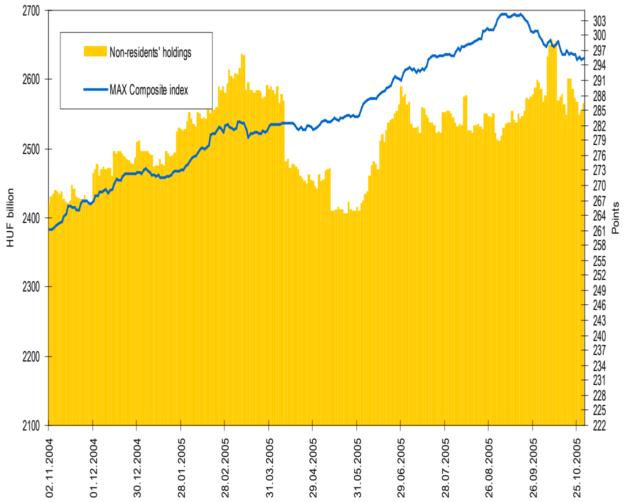
Benchmark yields in the past three months



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 October 2005

Government bond	HUF billion 30.09.2005	HUF billion 31.10.2005
2008/E	210.72	261.41
2010/B	216.28	255.61
2015/A	410.93	410.95
2020/A	165.86	181.52

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 28 October 2005	300.1602	292.3005	295.4216	293.6658
Changes compared to the end of the month before	-5.4052	0.7914	-3.7185	1.2524
Annual yield earned on the index portfolio	14.45%	9.56%	13.28%	8.51%

EVENTS CALENDAR - DECEMBER 2005

Week 49				1	2	3	4
				Thursday	**Friday**	**Sat.**	**Sun.**
Discount T-bill auction				D061025			
Interest Bearing T-bill subscription				K2006/25			
Government Bond public offer				3 and 15-year Bonds			
Week 50	**5**	**6**	**7**	**8**	**9**	**10**	**11**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D060316					
Discount T-bill auction settlement			D060308/D060607/D061025				
Discount T-bill redemption			D051207				
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			K2006/25				
Interest Bearing T-bill public offer		K2006/26					
Government Bond auction				3 and 15-year Bonds			
Government Bond buyback auction			2 Bond series				
Week 51	**12**	**13**	**14**	**15**	**16**	**17**	**18**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D060322	D060607	D061220			
Discount T-bill auction settlement			D060316				
Discount T-bill redemption			D051214				
Liquidity Discount T-bill public offer	Upon decision of the Issuer				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			K2005/25				
Interest Bearing T-bill subscription			K2006/26				
Government Bond public offer				5 and 10-year Bonds			
Government Bond auction settlement			3 and 15-year Bonds				
Government Bond buyback auction settlement			2 Bond series				
Government Bond interest payment	2007/B						
Week 52	**19**	**20**	**21**	**22**	**23**	**24**	**25**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D060329					
Discount T-bill auction settlement			D060222/D060607/D061220				
Discount T-bill redemption			D051221				
Liquidity Discount T-bill public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer				Upon decision of the Issuer		
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill subscription			K2006/26				
Interest Bearing T-bill public offer		K2007/01					
Government Bond auction				5 and 10-year Bonds			
Government Bond interest payment		**2005/A,2013/C,2014/B**					
Government Bond buyback auction			3 Bond series				
Government Bond redemption		**2005/A**					
Week 53	**26**	**27**	**28**	**29**	**30**	**31**	
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D060405	D060607	D061220			
Discount T-bill auction settlement			D060329				
Discount T-bill redemption			D051228				
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill redemption			K2005/26				
Interest Bearing T-bill subscription			K2007/01				
Government Bond auction settlement			5 and 10-year Bonds				
Government Bond buyback auction settlement			3 Bond series				

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 OCTOBER 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2008/A	21.10.2005	24.10.2005	24.04.2006	24.04.2006	5.65	6.54
2026/B	21.10.2005	24.10.2005	24.04.2006	24.10.2006	5.65	-
2026/C	21.10.2005	24.10.2005	24.01.2006	24.04.2006	5.75	-

PRIMARY DEALERS - AS AT 31 OCTOBER 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 AG (Frankfurt)	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