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GOVERNMENT SECURITIES MARKET

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Details are informative

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1. Macroeconomic tendencies

The macroeconominc environment was favourable for the government securities market in 1997. **Economic growth has** increased the September figures showed a 3.9 percent increase in the **gross domestic product** as compared to the same period of the previous year. Growth gradually accelerated during the year; an increase of 2.1% was recorded in the first quarter, 4.3% in the second, and 5.1% in the third. At the same time, **the external and internal balances of the country continued to improve** an improvement best reflected in the narrowing deficit of the balance of payments.

The external economic tendencies in 1997 seem to indicate a better economic performance than that of 1996. According to the current account data, the pace of exports growth was higher than of imports. Consequently, the deficit of the **trade balance** as per December 1997 was lower by almost $911 million than in the same period of the precious year. It was mainly due to the favourable change in the **current account balance** which was also lower by almost $700 million as per end December than a year earlier ($981 million in 1997 as against $1,678 million in 1996).

Foreign investments[1] were 17% higher in 1997 than in the same period of 1996. The structure of foreign capital inflow has, however, changed in comparison with the previous year. The ratio of portfolio investments has almost doubled as compared to 1996.

The **net foreign debt** continued to decrease in 1997, totalling $9,293.5 million as per December 1997, while at the end of 1996 it had been as much as $12,546.6 million.

The **inflation rate** showed a declining tendency in 1997, whit the consumer price index of 19.8% of December 1996 decreasing to 18.4% by December 1997. Although the pace and direction of change varied as there were short periods of transitional increase, the underlying tendency was decline.

The central **government deficit**, excluding privatisation revenues, was HUF 342.1 billion in 1997, almost double the amount of a year before. This deficit is due to the combined effects of the primary balance that was lower than last year and the interest expenses that were higher than in the previous year. However, the deficit was lower than the Budget Act forecast.

The central government gross debt to GDP ratio decreased substantially, falling from 72.1% at the end 1996 to 64.2% by the end of 1997. This decrease was mainly due to the primary budget surplus and the debt redemption effected from privatisation revenues. The debt position was HUF

[1] In line with the central bank statistical methodology, which was amended at the beginning of 1998, this category includes foreign direct investments and portfolio investments.

5,371.8 billion as per end December, an increase of 9% in nominal value as compared to the previous year end figure. In the light of the change in GDP and inflation rate in 1997, this indicates a decline in real terms.

The money market was characterised by excess HUF liquidity throughout 1997. Similarly to 1996, the inflow of foreign capital was an important factor in creating this abundance.

The interbank rates, except for some extreme fluctuations on the short end of the market, basically moved downwards. This tendency was temporarily halted by a short upward trend resulting from the increase in central bank rates on March 24.

Following the launch of the 1-month and 3-month BUBOR in August 1996, the 6-month BUBOR was also introduced to the Hungarian market on June 17, 1997, bringing the Hungarian market closer to international money market conventions.

The **central bank** changed its rates 10 times during 1997. The bank rates were increased only once, namely on March 24, while cuts were made in all the remaining cases (see chart 5.4).

In order to make the interest rate policy more effective, the central bank introduced longer instruments. The first change was effected in January 1997 when a 6 month deposit facility was added to the set of reverse repos with 1 day, 1 week and 1 month maturity. A 12 month deposit facility was introduced in March. On June 20, the two longest monetary policy instruments were replaced by the central bank`s discount security with a maturity of 364 days. Reverse repo was no longer available in October, it was succeeded by a fixed term non negotiable deposit facility having maturity and interest conditions identical with those of reverse repo.

Investors` interest towards Hungarian **financial markets** remained strong in 1997. Due to the increasing demand for **equities** the equity market had a successful year in 1997. The stock exchange index (BUX) grew dynamically throughout the year, rising from a closing value of 4.134 points at the end of 1996 to 7.999 points by December 1997. This increase occurred simultaneously with an almost sixfold growth of the whole Stock Exchange turnover, which can be regarded as a remarkable result.

The upswing on the stock market did not imply a lower demand for **government securities**. The latter segment maintained investors` demand through slightly increasing yields of longer securities. By analysing 1997 it can be concluded that longer term government securities seemed to be more popular than shorter papers. In certain months, however, turnover showed an increasing demand for shorter securities.

Similarly to other emerging markets, the **Asian crisis** effected the Hungarian financial markets as well. Temporary market fluctuations were caused by the crisis in October an November, but the market grew steadily again later on. These tendencies were best reflected by the movements of the BUX index. The crisis caused the index to fall 16.5% during a day at the end of October, and another 92.%in November. The tendency turned around in December leading to an increase of 17.6% in BUX. In the view of investment bank analysts who have an important role in influencing investors' decisions, it could be attributed to Hungary's favourable growth prospects as a GDP growth of almost 5% was forecast by them for 1998.

According to the preliminary data of the National Bank of Hungary, **household savings** grew by HUF 697.9 billion in 1997. In nominal terms, that amount is 14% higher than in the same period of 1996, indicating a slowdown in the increase in savings. As per the end of 1997, savings amounted to HUF 3.123 billion, an annual increase of 29% corresponding to a growth of approximately 9% in real terms.

Comparing the structure of household savings in 1997 to the structure as per end 1996 (figure 5.4.7), it may be concluded that the share of securities issued by non banks increased. It was most likely due to the growing popularity of investment funds, the favourable trends of stock market and household purchase of government securities. All the other categories showed a dealing trend, with HUF bank deposits losing the biggest share.

2. Issue, placement and trade of government securities

The net financing requirement of the central government was HUF 234.1 billion in 1997. This amount consists of the central government deficit of HUF 181.2 billion and the withdrawal of social security funds from the Consolidated Treasury Account of HUF 52.9 billion (table 2.1). (Excluding the privatisation proceeds of HUF 160.9 billion the central government had a deficit of HUF 342.1 billion as per end December 1997 (tables 2.1).) The primary balance of the budget was in surplus throughout the year with the exception of February and November. Consequently, the deficit was mainly due to the interest expenses of the year.

In 1997. Government securities outstanding in the HUF market and interest-bearing loans totalling HUF 1446.2 billion were repaid, of which HUF 1021.7 billion were used for repaying discount treasury bills, HUF 131.8 billion for repaying other interest bearing treasury bills, HUF 313.8 billion for government bonds, and HUF 21 billion for loans.

Gross issue on the HUF market was HUF 1893.4 during the same period. Discount treasury bills accounted for the majority of that amount, namely HUF 1,100.2 billion, while the placement of interest bearing treasury bills constituted HUF 248 billion and that of government bonds 545.2 billion (table 2.2).

Issue of government bonds

In 1997 government bonds sold through public placement amounted to HUF 545.2 billion (Table 2.3.3). This corresponds to 30% of the government securities issued over the year, showing an increasing dominance of longer term securities in financing. This share in the gross issue is expected to be maintained in 1998. This issued amount means an increase of 79% as compared to the previous year.

In harmony with the Government Debt Management Agency's intention to cover financing requirements through market instruments that are offered through public placements and available to all investors, no private placement of government securities took place in 1997. Bonds 2003/F, 1999/E, 2000/D, 2001/C, 1999/F, 2004/F, 2000/E, 1999/G, 2004/G, 2000/F, 2002/F and 2000/G were sold several times in 1997 (table 2.3.1). The majority of bonds issued were fixed interest rate securities. The share of 7-year government bonds with inflation-linked interest (2003/F,2004/F and 2004/G) constituted over 15% of the total government bond portfolio sold during the year.

The shortest bond, i.e. the 2-year enjoyed the largest share (43%) in the total amount accepted at bond auctions, followed by the 3-year bond at 31%. Five-year and 7-year securities had more or less equal shares in the remaining 26%. The relative demand for bonds (defined with respect to the accepted amount), which is indicated by the cover, was increasing in the case of 2-year and 3-year securities at year end.

As for the **composition of investor groups of government bonds,** issued during the year, primary dealer companies and financial institutions took the lead by their shares of 50.5% and 30.5%, respectively (Figure2.3.1). Also, major purchases were made by the institutional investors' sector (12.7%), The large purchases of primary dealer companies for their own account is due to the primary dealer system since these companies account for high turnover on the secondary market, the analysis of which is included in the chapter dealing with the secondary market. The majority of household purchases, which had a share of almost 1%, took place during government bond subscriptions, therefore 99% of the securities sold during the subscriptions were purchased by them. The ratio of household subscriptions was in harmony with the issuer's intention to facilitate household participation in the primary market through this form of selling.

As of January 1, 1997, **under the act, amended the National Bank of Hungary may not grant loans to the government and is not allowed to purchase government bonds on the primary market, i.e. may not finance the government directly in any way.** However, the Government Debt Management Agency continues to retain a part of the government securities issued on the account of the Ministry of Finance in order to ensure secondary market sales through the branch network of the Hungarian State Treasury taken over from the NBH and, to a smaller extent, to provide „last resort" possibility for the primary dealer system (table 3.3.3).

The first auction of the 5-year fixed rate government bond series 2001/C and 2002/F took place on January 30 and July 17, 1997, respectively. At present, these securities are the longest fixed rate Hungarian government bonds issued through public placement. The bond auctions take place every other week according to an issuance calendar published in advance. On Thursdays of every fourth week the 2-year bond maturities are put up to auction together with the 5-year bonds, while the 3-year bonds auction with the 7-year in the same frequency.

Issue and trading of treasury bills

Discount treasury bills in an amount of HUF 1,100.2 billion were issued in 1997, which is only 16.3%-higher in nominal terms than the issued amount in 1996 (Table 2.1). The favourable development of the maturity structure, which had began in 1996, continued. **The composition continues to shift towards discount securities with maturities longer than 3 months, which constituted over 76.1% of the total issued volume.** The tendency to lengthen maturity is clearly illustrated by the fact that the same indicator signalled a share of only 72% for

the preceding year. In 1997, the share of 3-month securities fell to 20% while 6 month discount treasury bills had a share of almost 36% and 12-month T-bills accounted for over 41% of the total issued volume. These proportions also reflect the intention to reduce the share of short term instruments such as treasury bills and, at the same time, increase the share of longer instruments in the financing.
During the 52 auctions until December of 1-month and 3-month discount treasury bills, these securities, which were offered every week, successively had a nominal value of HUF 1 billion and 5 billion, respectively. Total volumes issued were sold, except for the issue of HUF 943.6 million of January 7 (Figures 2.4.2). In the case of 6-month and 12 month securities the amount of accepted offers was higher by HUF 30 million and 34 million, respectively, as compared to the first half of the year. The slow increase in offered and accepted volumes early in the year was followed by higher accepted amounts of HUF 15 and 16 billion, respectively, after the first half of the year. The amount of 6-month securities was HUF 4 billion higher, while that of 12 month securities was HUF 3.8 billion larger than the amount offered at the auctions on April 17 and 18. These high issued amounts were made possible and necessary by the substantial increase in bids as, for a relatively short period of time, market participants showed a preference for short-term securities to long-term ones.

A month discount treasury bill attracted the highest relative demand at the auctions of discount treasury bills (the coverage indicator was 2.9 by 1997, which is higher than the average value of 2.5 for bonds). In the case of 3-month, 6-month and 12-month treasury bills, this value was 2.5, 2 and 2.4, respectively. The share of 84% of 6-month and 12-month securities became stable within the issuing structure (figures 2.4.2).

The major buyers of discount treasury bills were primary dealers and financial institutions during the year (Figure 2.4.1). The share of the two investor groups rose above 55% in the case of 1-month treasury bills, and remained at a stable level of 64 to 73% in the case of the other three maturity terms. Simultaneously with the decline in 6-month and 12-month securities' first quarter share of 75-85% at auctions, direct bids submitted by institutional investors (insurance companies, pension funds and investment funds) increased, and the public sector was also buying actively in May and August.

Typically household securities had a share of 13% in the total volume of government securities sold, which means a 4 percentage point increase to the same ratio of 1996. As compared to the preceding year, it indicates a 95% increase in the volume sold. Interest-Bearing Treasury Bills were sold in a value of HUF 154.5 billion, while Treasury Savings Bills in a value of HUF 96.2 billion in 1997 (Table 2.3.3). The ongoing sale of Treasury Savings Bills No.2, the longest retail government security at the moment (2 years), began on June 6, 1997(Table 3.4.1). This scheme allows direct channelling of longer term household savings to financing.

The primary market figures reflect the general direction of financing efforts, i.e. the efforts towards the establishment of a more effective government securities market with higher liquidity. Such a market is implemented through the development of a uniform auction calendar, lengthening maturity of fixed rate securities, and the issue of big size government security series. A more advanced market provides basis for longer term, secure and lower cost financing. Accordingly, the renewal of big government bond issues and other debt matured in 1997 and the financing of the greater part of budget deficit were achieved through the issue of government bonds. Meanwhile, the increase in the treasury bill portfolio lags behind that of previous years.

Over the year, in the portfolio swap transaction between NBH and the Ministry of Finance, consolidation bonds in a nominal value of HUF 80 billion were transferred by the National Bank of in exchange for discount treasury bills (the purchase price was HUF 34.4) and fixed rate bonds with maturity of 1 and 2 years (HUF 49.5 billion at par).

Concentration at government securities auctions

Based on the Herfindahl-Hirschman index, **the concentration of government bond auctions was 8.34%, while that of discount treasury bills was 8.1% in the second half of the year.** These shares are higher than the 7.77% and, respectively, 7.88% of the first half of the year, but they are still lower than 10%, a level above which the primary market is considered as highly concentrated. The ten companies having the biggest shares covered **74% of the marker** in the case of both bonds and discount treasury bills.

In the case of government bonds, the concentration of individual auctions ranged from 9 to 36% (figure2.5.2). Figure 2.5.1 shows the concentration of the total purchases by the 21 dealers at all the auctions for given terms of maturity. At the end of the second half of the year (i.e. considering the entire period), the market of the 2-year bond had the lowest (8.6 and that of the 7-year bond had the highest concentration (11.8). The degree of concentration for these two terms of maturity decreased significantly as compared to the first half of the year, while it was considerably increasing in the case of 3-year and 5-year bonds. At average, 10 to 11 companies purchaser bonds at each auction, with fewer (8-9) participating in auctions of longer maturities and a higher number (12-14) in auctions of shorter term securities.

As for **discount treasury bills,** the auctions of 6-month bills had the lowest concentration (8.1), while the concentration of 1-month bills was by far the highest (12.9) in the second half of the year (figure 2.5.3). The concentration was going up in the case of each term of maturity as compared to the first half of the year. At average, 7-8 primary dealers purchased securities at each auction of 1-mont securities, 14 primary dealers at each auction of 3-month securities, and 18 dealers at each auction of 6-month and 12 month securities.

Government securities' yield movements

In 1997, the average yields of government securities sold through auctions were in each case lower than in the previous year. However, the direction and extent of shifts in the average auction yields during the year were different for the various government securities. The discount treasury bill yields decreased gradually from 22% to almost 19% for all maturities, in line with the changes in issue price of the central bank's bonds and reverse repo. The decline in government security yields had been unbroken until March when yields started to rise (Figure 5.4). The upward trend was most noticeable between the central bank interest rate cuts as the central bank's measures were generally followed by short periods of decline in yields. This trend reflected temporary uncertainty in previous expectations for diminishing yields which even led to higher demand for short term securities in some cases.

The benchmark yield curve spotting secondary market yields demonstrated how well, the yields for various terms of maturity were approaching each other, embodied in the flattening of the yield curve. It resulted from the decline in yields of terms within 1 year and an increase in yields over 1 year.

Throughout the year, yields were strongly influenced by expectations regarding central bank rate changes. The expectations for diminishing yields caused by favourable development of macroeconomic indicators and by the inverse yield curve were further reinforced by the reverse repo rate cuts by the National Bank of January 24 and February 17, 1997. It was also supported by the fact that a reduction in the monthly HUF devaluation was announced on March 10, 1997. In March the National Bank increased the interest rate of its six-month deposit facility and introduced a one-year deposit facility restoring the yield levels of end February. The National Bank's repo rate cuts at end April and early June and July revived the previous expectations for declining yields.

The market uncertainty reflected in yield decrease and a growing demand for shorter securities were indicated by the shifts of the average auction yields during the second half of the year. A yield increase for securities with maturities longer than 1 year occurred in the second half of the year. The yields of securities with maturity under 1 year moved in line with the yield curve of central bank instrument. The repo rate cut of 25bps effected on September 30 partly compensated the former increase in yields. Following the interest rate cut of end November, the yields of longer securities stabilised.

The total amount of bids submitted to auctions weekly showed the following tendencies for bonds and discount treasury bills. Bonds attracted more bids than discount treasury bills during the first two months of the year. It was a favourable environment for the issue of the first 5-year fixed rate government bond that could reinforce the popularity of bonds in itself. In March, however, the bids for treasury bills grew nearly to the level of the decline in bonds. Following the central bank rate increase at the end of March, the demand for both bonds and treasury bills fell to one half. The demand for bonds continued to decrease at the subsequent auction, while the demand for treasury bills was the highest since the beginning of the year. The demand for treasury bills remained almost double the demand for bonds in the last days of March. This ratio reversed in April, with greater demand for bonds. The highest amount bided for treasury bills was recorded at the end of June, marking the end of an unbroken increase in demand of one month (that included bonds as well). The biggest demand was recorded in the week after the reduction in the HUF monthly devaluation rate had been announced. Following that, demand became stable for both types of government securities. As for the remaining period of the year, demand shifted towards shorter securities in mid August and October.

3. Debt stock

In 1997 the central government gross debt rose by a total of HUF 440.3 billion - an increase of 9% percent as compared to the end of the preceding year. The gross domestic interest-bearing debt was higher by HUF 271.1 billion and the direct gross foreign debt by HUF 25.9 billion than a year earlier. The amount of foreign exchange debt payable to the National Bank of Hungary increased by HUF 143.3 billion during the year (Table 3.1).

While the nominal increase in the debt portfolio was low, the central government debt to GDP ratio fell significantly by almost 8 percentage points. This ratio was 64% at the end of 1997. (Figure 3.1.3).

The net issue amount of government securities in the HUF market and other borrowings totalled HUF 405.2 billion in 1997. Discount treasury bills accounted for HUF 78.6 billion, i.e. 19.4% of the total net issue amount, while other interest-bearing treasury bills amounted to 116.2 billion (28.7%) and government securities HUF 231.4 billion (57,1%). HUF 21.0 billion was used for the repayment of loans, which corresponded to -5.2% of the total net issue amount.

Compared to the same period in 1996, the net issue amount of bonds rose by 72%, while that of interest-bearing treasury bills grew by 150%. In 1997, the central government repaid more than double the amount redeemed a year earlier. The net issue of discount treasury bills fell to less than half the level of the preceding year. (Table 2.2.).

The Act on the Budget of 1997 assumed the foreign exchange loans of Strabag and the local government of Budapest that had been raised for infrastructure development purposes. These loans added a total of HUF 12.9 billion (the HUF debt amounted to 2.2 billion and the FX debt 10.7 billion) to the central budget's debt that financed other purposes at the beginning of 1997. Out of the 'infrastructure' FX loans of Budapest local government, the HUF loans were fully redeemed, **while the foreign exchange loans assumed as a component of the central government debt serving other purposes were fully redeemed in July through the repayment of HUF 6.0 billion.**

The direct foreign debt of the central budget is the loan portfolio granted by international organisations and foreign countries. This debt **increased by HUF 25.9 billion** for year ending December 1997. This resulted from repayment and borrowings effected during the year (both items calculated at daily transaction exchange rate), and also the combined effects of the annual exchange rate losses and cross rate changes.

The non-interest bearing non-maturing debt of HUF 1563.3 billion and bonds issued for partly exchanging the non-maturing debt amounting to HUF 187.3 billion were converted into a foreign exchange loan in the framework of the foreign exchange debt swap transaction between the Ministry of Finance and NBH. As a result of the debt swap, the interest-bearing foreign exchange debt of the central government rose by HUF 1750.6 billion, whereas the interest-bearing HUF debt decreased by HUF 187.3 billion due to the repurchase of bonds. The non-interest bearing non maturing HUF debt of HUF 1563.3 billion was fully redeemed. (Figure 3.1.1).

Simultaneously with the foreign exchange borrowing, **hedging transactions were also concluded** in relation to certain debt components. In connection with the said transactions, NBH paid HUF 40.5 billion to the central government to settle the difference in the transaction values on January 31, 1997. The payment was used by the Ministry of Finance to redeem the foreign exchange bonds taken over within the framework of the debt swap in the middle of February.

The foreign exchange debt portfolio that is part of the foreign exchange debt swap operation and has the same conditions as those of the foreign exchange bonds issued by NBH abroad, and the hedge transactions concluded in relation to this portfolio constitute the foreign exchange debt of the central government towards NBH. By the end of December 1997 the foreign exchange debt to NBH, including the swap operations as well, totalled HUF 1893.9 billion as a result of the above mentioned anticipated repayment on the one hand, and the cross rate changes, the devaluation of the Hungarian currency and the changes in the exchange rate determination mechanism of the NBH on the other.

Effective as of January 1, 1998, the central government gross debt has been recorded in line with new methodology.

Based on the former procedure, the central government debt was divided into two categories, namely **domestic debt** and **foreign debt**. 'Domestic debt' consisted of 'interest-bearing' and 'non interest-bearing' components. Within the 'interest-bearing' debt were separated 'deficit financing debt' and 'debt raised for other than deficit financing and also to all other commitments of the central government. Taking into account, however, that the above distinction was increasingly difficult to follow, it was discontinued. Another difficulty was that within the 'domestic debt' category was that the foreign exchange component appeared as a result of debt assumptions, bond issues and the loan from debt swap transaction between Ministry of Finance and NBH in early 1997.

Foreign exchange and HUF denominated debt components have different features, revaluation characteristics and investor structures. Consequently, the particular debt components have been spilt according to these two main categories having similar features. Another major change within the HUF debt portfolio is the differentiation based on „marketability". This differentiation has become possible thanks to the increase in the negotiable central government debt. The increasing interest of foreign investors called for a recording system already wide-spread in the international capital markets. Such a system would improve the transparency of the Hungarian government securities marker as well as the traceability of the steps of debt management.

The whole debt portfolio is divided into HUF and foreign exchange debt. HUF debt is split into loans and government securities. Loans consist of previously borrowed interest-bearing loan portfolios that are being repaid (continuously decreasing) to NBH on a continuous basis, and the *loans raised from the market* participants (tables 3.1 and 3.1.a). Within government securities, the category *public issues* include papers issued according to market conditions for which the issuer did not prescribe any limitation. Out of market sales the group of *treasury bills* refers to the discount treasury bills portfolio, while *retail securities* refer to Interest Bearing Treasury Bills and Treasury Saving Bills. *Bonds* sold on the market consist of bonds issued for deficit financing purposes and bonds that were available to everyone from the bonds issued for other purposes. The remaining items belong to the category *private placement*.

The foreign exchange debt portfolio has also been divided by instruments, i. e. *loans* and *government securities*. „Loans" is subdivided into *Loans for reserve purposes* at NBH, *Bős-Nagymaros* related and *Other* loans. In the case of domestic foreign exchange debts, the category *Taken over in 1997* refers to the central government foreign exchange debt taken over from NBH. This debt component consists of the foreign exchange debt portfolio subject to the foreign exchange debt swap transaction of January 2, 1997 between Ministry of Finance and NBH and hedge transactions relating to foreign exchange debt portfolio. The *Others* category covers the assumption of domestic institutions' foreign exchange debts. In the case of exchange government securities, the category *issued in the domestic market* includes the government bond 2001/B, while *issued abroad* includes the bond issued in US$ serving economic development purposes.

4. Secondary market tendencies

Based on the data supplied by **primary dealers**, the members of the system reported **secondary market turnover amounting to almost HUF 7500 billion in** 1997, 35% of which was realised in the fourth quarter. The trading volume started to rise particularly intensively from the last week of October (Figure 6.4.1). The total trading volume of 1997 is **over times higher** than in 1996, while the increase in the net issue amount was 18.4%.

Government bonds accounted for 55% of the total turnover for the whole year (their share was 52% in 1996). Their volume was continuously higher than that of discount treasury bills, except for a period of increasing yields in August/September and also December (Figure 6.4.2). The **share** of bonds **in the total secondary market turnover was substantially larger than their share in the gross volume issued,** namely 33 %.

Securities for which primary dealers were **required to quote prices** (i.e. the securities that were sold through public offering after, January 1, 1996 and had a residual maturity of longer than 90 days) accounted for 71% of the total trading volume. (Figure 6.4.3). Approximately 73% of the transactions (calculated at price value) were effected on their own account and the remaining part was transacted for client accounts. This represents increase in own account trading as compared to 1996.

Primary dealers effected **48% of their turnover** (at price value) **with credit institutions**, and **30% with either companies or institutional investors**. The ratio of credit institutions decreased gradually during the year in favour of institutional investors, investment companies and foreign investors (Figure 6.4.4). **As compared to 1996, the share of investment companies, institutional and foreign investors' grew the most** (by 4.8, 2.2 and 1.3 percentage points, respectively). The share of companies and credit institutions declined the most (by 3.8 and 3.5 percentage points, respectively). Household investors had a total share of 2.6% in 1997 - 0.6 percentage points lower than in 1996.

Trade figures broken down by buy and sell transactions show that the various investor sectors on the secondary market bought more securities through primary dealers than they sold i.e. they were net buyers. **The net volumes bought companies, institutional and retail investors was particularly high in 1997 (figure 6.4.5).**

The average sire of the deals effected by primary dealers was **HUF 86.6 million.** In case deals with retail investors are not taken into account, the average size is as much as **HUF 168.5 million.** On the average, transactions with foreign investors and credit institutions represented the largest deals. (HUF 332 million and 229 million, respectively) (Figure 6.4.7).

Based on the KELER statistics, **the turnover of government securities transactions settled through the KELER OTC system totalled HUF 3628 billion in 1997** - more than double that of 1996 (HUF 1713 billion). Government bonds constituted 67% of the total turnover. While turnover showed obvious growth a slight downward trend of the ratio of bonds could be observed throughout the year (Figure 6.3).

The stock exchange turnover of government securities totalled HUF 3777.2 billion in 1997- six times higher than the preceding year. 40% of the total annual volume was realised in the fourth quarter. The share of government bonds fell from 67% as per 1996 to 52% with the treasury bills volume being already higher in the second half of the year. The share of government securities **in the total stock exchange turnover was 56%,** which is 1.5 percentage points higher than in 1996 (Figure 6.1, Table 6.2).

In 1997, government securities market yields quoted by primary dealers for 1 year or less showed a declining tendency. The yield level as per December 31 was lower by 220 to 250 basis points compared to earlier in the year. Yields of 2-year and 3-year maturities fell 240 to 280 basis points in comparison to the beginning of the year, but they had been even lower earlier, namely after the crawling peg devaluation had been reduced in early March. From March 24 on, i.e. when central bank rates were increased, (but especially in the second half of the year) bonds experienced an upward trend, especially in the case of the 5-year bonds issued for the first time on February 3. The upward tendency was reinforced by the Asian crisis that reached its peak point with major slumps on the stock exchange at the end of October. However, the interest rate cuts by NBH (April 26, June 6, July 7, September 30 and November 28) and the announcements on crawling peg devaluation reduction (June 20 and November 28) induced a decline in yields.
The effects may be observed in the case of maturities of 1 year or less. While for example there was a difference of almost 400 basis points between the yields for 3-months and 3-year terms in mid March, that spread decreased to approx. 200 basis points by the end of the year, showing a flattening of the yield curve. The spreads between the best bid and offered yields were extremely varied for different reasons (such as the above described events, the change in liquidity of securities, nearness of auctions, etc.). It may be concluded in general, however, that dealers quoted longer papers with narrower spreads (Figure 6.4.6).

Annex 1

Government securities index:
Measuring investments' performance

The indices are elaborated to concentrate information and provide an indicator, which can be easily tracked. Indices express the current value of a well-defined variable with respect to an earlier basis value. This *variable* correspond to the average performance of a clear-cut money or capital market *segment* (such as stock market, bond market, etc.) expressed in monetary terms. The average performance is evaluated during a determined observation period (based on the conventions of the given market, the day-count may include working days only, or weekends, leap-days, etc.).

Investors require such measurement as they forgo the opportunity of disposing over their savings for a certain period and expect the highest possible return on their capital taking account the risks of investment. If an investor invests a well defined part of his savings either directly or indirectly (through financial intermediary system) in a segment of a homogeneous market, *he can use the index to determine the return on his capital as compared with the average yield calculated for the market as a whole.* This way, he can assess the investment decision made by himself or a financial intermediary regarding the given form of the investment (such as the market of government bonds). *Also, indices are suitable for making a comparison between the average performance of the various markets*, taking into account the risks of each market and the different individual investment behaviours.

It is important for **financial intermediaries** (investment funds, insurance companies, pension funds, financial institutions, investment companies, etc.) as well to measure their own performance by using indices. They offer financial products and services to potential clients for different charges and costs. Investors intend to buy these products (typically, payments due at a later date(s)) for the lowest possible price, i.e. they expect high returns. Financial intermediaries are to fulfil investors' expectations by increasing the future value of the payment (asset) through taking a view on the possible impact of changes in benchmark rates on asset prices and adopting the behaviour of buying at a low and selling at a high price.

The **financial intermediaries' owners** regard indices as important tools in appraising the management's performance since higher trading volume means lower overhead ratio (which are transaction costs for clients) and that may increase profitability. Thus the owner can have additional resources and expand its business (especially financial institutions).

The best known index in Hungary is the *Index of the Budapest Stock Exchange* (BUX), which records changes in the prices of the major equities, weighted by their size in the total Stock Exchange capitalisation. The index is of increasing importance which may be attributed to the growing turnover of the equities section in the Stock Exchange.

The *Central European Equities Index* (CESI) is a capitalisation weighted and dollar based equity index, which was introduced on February 1, 1996. More and more foreign investors keep track of this index. Its basis value was 1000 points on June 30, 1995. The equities composing the index basket have been selected from the officially listed, most liquid equities accounting for highest capitalisation on the stock exchanges of Budapest, Prague and Warsaw. It was necessary to establish the index as foreign investors are not always willing or able to monitor the economic performance of the various countries; they refer to regions instead. In addition the investors do not substantially differentiate between the countries in terms of investment risks.

Government securities play more and more important role in the Hungarian money and capital markets. These securities concentrate significant savings and are regarded as liquid papers. *An increasing number of savers becomes directly or indirectly involved with the government securities market.* In order to assess ex post investments, such as government securities portfolio, government securities fund and pension fund investments, it is reasonable to regularly publish an index covering the entire market.

In addition to banks and financial institutions, institutional investors acquired strong position in collecting savings, i.e. in financial intermediation. A significant part of these resources is channelled to the government securities market. In 1997, investment funds doubled their government security investments, with a share of almost 80% in the funds' portfolios (meanwhile, in addition to funds investing exclusively in government securities and funds with a mixed profile, purely equities funds have been established). Investment funds had a government securities and discount treasury bills portfolio of HUF 186.4 billion, voluntary insurance funds had HUF 27.3 million, while insurance companies had HUF 183.5 billion as per September 30, 1997. This is 16.8 percent of the total outstanding government securities portfolio, and it will continue to increase when private pension funds begin to operate.

The first index in the government securities market was DWIX, which was calculated from the average auction yields of discount Treasury bills with a maturity of less than 1 year. DWIX was worked out by the Daiwa-MKB financial company, but it has been published by the Budapest Stock Exchange since 1994. This index provides information on the primary market yields of short term government securities, and is also referred to as a benchmark rate. The following formula is used to calculate the DWIX:

$$\frac{8SY30_1 * M30_1 + 3SY30_2 * M30_2 + SY30_3 * M30_3 + 8S\,Y90_1 * M90_1 + 3SY90_2 * M90_2 + S\,Y90_3 * M90_3 + 8SY180_1 * M180_1 + 3SY180_2 * M180_2 + SY180_3 * M180_3}{8S\,(M30_1 + M90_1 + M180_1) + 3S\,(M30_2 + M90_2 + M180_2) + S(M30_3 + M90_3 + M180_3)}$$

, where Y30 , Y90 and Y180 correspond to the Government Debt Management Agency's accepted average yield that evolved on the auctions of 1-month, 3-month and 6-month discount Treasury bills in the given month. As to coefficients, "1" refers to the given month, "2" to the month preceding the given month, and "3" to the month before two months of the given month. The 'S' in the formula refers to the weights. M30, M90 and

M18 correspond to the amounts accepted at the auction of 1-month, 3-month and 6-month discount Treasury bills.

However, the above index gives information on the primary market of short term government securities, where the Government Debt Management Agency sells securities and only primary dealers may buy them. The market expectations are reflected there as well, but the secondary market being available to everyone (buy and sell transactions) is able to concentrate the economic agents' judgements and expectations. The introduction of the MAX index (see the next section for more details) on December 1, 1997 aimed to meet this requirement by providing up-to-date information on the secondary market tendencies of fixed rate government securities with a maturity of over 1 year and primarily targets institutional investors. The main difference between DWIX and MAX is that the former is a yield index, while the latter is a price index. The MAX index was worked out by the CA-IB Securities company, TV3 Profitvadász ('Profit Hunter') and Government Debt Management Agency with the purpose of making it possible to measure the performance of investment portfolios in Hungary.

In addition to supplying information to investors, the index will have another function concerning pension schemes when private pension funds will commence operation. It is a statutory obligation of the State Mutual Insurance Fund Supervisory Authority to specify, until November 30 each year, the minimum required return on pension fund investments. The official return requirement includes the yield expectation (central value), and a highest/lowest limit of the rate of return. *The central value is determined on the basis of the MAX index.* This rate is not the same what pension funds are required to achieve in their investments since the funds could never realise the same yields even if they applied the same strategy. Instead, the central value affect decisions on setting aside and using fund provisions, thus adjusting short term deviations from the average performance.

Description of the MAX index

1. Official Hungarian name of the index:

CAIB Értékpapír Rt. - TV3 Profitvadász Magyar Államkötvény Index

Official English name of the index: CAIB Securities Ltd. - TV3 Profitvadász Hungarian Government Bond Total Return Index
Official abbreviation: MAX

Basis of the index:

100.0000 points as per December 31, 1996

Frequency of calculating and publishing the index:

The index is calculated once each trading day during the daily trading hours of government bonds. The daily index value is rounded to four decimal points and published in HUF, American dollars and German marks, on Reuters' HUBONINDEX page at 4 p.m. every day.

Formula for calculating the index:

$$Index_t = Index_{t-1} * \frac{\sum_i \left[\left(midprice_{t,i} + \text{int}erestaccrued_{t+2,i} + \text{int}erestpayment_{t+2,i}\right) * weight_{t-1,i}\right]}{\sum_i \left[\left(midprice_{t-1,i} + \text{int}erestaccrued_{t+1,i}\right) * weight_{t-1,i}\right]}$$

where

midprice $_{t,i}$:	is the arithmetical average, rounded to 4 decimals, of the best bid and offered price of government bond 'i' on trading day 't' with payment on trading day 't+2' based on primary dealers' two-way secondary market price quotation, which is published by the Government Debt Management Agency.
accrued interest $_{t+2,i}$	is the interest accrued on government bond 'i' until the trading day 't+2', rounded to 4 decimals.
interest payment $_{t+2,i}$	is the interest payment for government bond 'i' on trading day 't+2'.
weight $_{t-1,i}$:	is the coefficient from dividing the total amount issued at auctions up to trading day 't-1'of government bond 'i' published in *Magyar Tőkepiac,* with the amount issued at auctions up to trading day 't-1'of all government bonds included in the index basket published in *Magyar Tőkepiac*,.

2. Purpose of the index

As a result of the austerity package introduced in 1995, Hungarian economy is on its way to stabilisation, and this fact has had a fundamental effect on the government securities market as well. Starting from the second half of 1995, the market demand has shifted from short term or floating rate securities playing a dominant role until then to longer term fixed rate government securities. The changes that have taken place in the maturity structure called for the establishment of a benchmark for the government securities market that would give a more realistic picture of the recent market structure than the existing means.

For the time being, the structure of the Hungarian government securities market is changing all the time, but there are two underlying tendencies the effects of which may already be felt:

- The share of government bonds in the total volume of government securities issued is increasing continuously, and
- the share of long-term fixed rate government bonds is growing continuously as compared to that of short term and floating rate securities.

The above developments were all taken into consideration when the MAX was worked out. The purpose was to make the MAX a reliable benchmark for institutional and private investors against which they can measure the performance of their own government bond portfolios. In developing the index, it was an important criterion that its composition should reflect the prevailing structure of the government bonds market, especially in terms of size and liquidity of bonds. Consequently, the index basket corresponds to a usual, passively managed and well diversified portfolio of government bonds.

From the numerous existing index calculation methods, the total return index concept laid down by the European Federation of Analysts' Societies (EFFAS) Commission on Bonds was applied to the MAX. A characteristic feature of the total return index is that it uses dirty prices (clean price + accrued interest) so the accrued interest is continuously increasing the index value. All coupons paid by the issuer for the constituent bonds are automatically reinvested in the index, proportionally to the weights of the bonds in the index basket. As the index is calculated by using the so called chain-link method, i.e. the today's index value is defined to be the previous calculation times the weighted percentage change in dirty prices of the current constituents since the previous index calculation, the changes in the constituents should not cause the index calculations to jump or get distorted.

The index basket consists of the most liquid fixed rate government bonds on the Hungarian market for which Primary Dealers are required to quote continuous bid and offered prices up to HUF 50 million. At the moment, the total volume of these bonds represents almost 64% of the total outstanding nominal value of government bonds (and over 90 per cent of fixed rate government bonds). Furthermore, it is estimated that these bonds have a share of almost 95 percent in the daily average secondary market turnover. Accordingly, investors involved in the Hungarian government securities market may at any time set up a portfolio corresponding to the composition of the MAX basket.

3. General principles

3.1 Composition of the index basket

A bond will be added to the index basket if meets the following criteria:

- it is a Hungarian Government Bond that has been issued publicly,
- it bears fixed interest,
- it is subject to Primary Dealer price quotation obligation, and Primary Dealers quote secondary market bid and offered prices for the government bond
- it has more than 365 days to final maturity when the bond is added to the index basket.

3.2 Weighting of government bonds included in the index basket

Government bonds are represented in the index basket by their amount accepted at the auctions at par value. The sum of these amounts constitute the total nominal value of the index basket. The weights of constituent government bonds is reviewed once a month, on the first trading day of the month following the month the government bond issue being re-opened. In case the re-opening date of a constituent government bond falls on the first trading day of a month, the weight of the bond is reviewed on the first trading day of the given month.

3.3 Reinvestment of coupons paid

The coupons paid by the issuer for constituent bonds are reinvested in government bonds included in the current index basket on the interest payment date in proportion to the weights of the individual bonds.

3.4 Reviewing the basket of bonds

3.4.1 Inclusion

In case the Government Debt Management Agency issues a government bond that has not existed before and meets all the requirements for the inclusion in the index basket, the government bond will be selected for being added to the basket on the first trading day of the next month. If a given government bond meets all requirements for inclusion in the index basket on the first trading day of the month, it is added to the basket on that day.

3.4.2 Exclusion

In case the maturity term of a constituent government bond decreases below 365 days from the value date of the index to the redemption date of the bond, than the bond is excluded from the index basket at its current price value on the first trading day of the next month. If on the first trading day of a month the maturity term of a constituent government bond is exactly 365 days from the index value date to the redemption date of the bond, than it is excluded from the index basket on that day.

In line with the index calculation method, the current price value of the bonds excluded is reinvested in the index constituents according to their weights on the day of exclusion.

3.5 Treatment of extraordinary events

3.5.1 Interest payments falling due on non-working days

If the interest payment of a constituent bond falls due on a non-working day, the amount of interest will not be paid or reinvested until the next working day. For index calculation purposes, the coupon payment shall be included in the formula two trading days before the actual payment date.

3.5.2 Security not priced

In case Primary Dealers temporarily suspend price quotation for a constituent bond, or incorrect price information is disseminated for technical reasons, the last correct clean price should be used for calculating the index for not longer than 5 consecutive trading days.

In case Primary Dealers' price quotations or the dissemination of correct price information of the bond is not restored within 5 trading days from the date of suspension the bond must be temporarily excluded from the basket at its current price value on the fifth trading day.

If Primary Dealers' price quotations or the dissemination of correct price information of the bond temporarily excluded from the basket return, the bond must be reinstated at its current price value in the index basket with the same value date.

In accordance with the index calculation method, the current price value of government bonds being temporarily excluded from the index basket is reinvested in constituent bonds in proportion to their weights on the day of exclusion.

Annex 2

Changes in the primary dealer system

One of the main reasons for the establishment of a primary dealer system on January 1, 1996 was to set up a stable group of companies providing secondary market price quotations that would facilitate the transparency and liquidity of the government securities market and improve the maturity profile of government securities. Through the primary dealers' active market participation, the issue of government securities has become more stable. Government securities have also become available to small investors throughout the country thanks to the activity of network primary dealer companies.

Effective January 1, 1998, the Government Debt Management Agency introduced further major changes in the primary dealer system of government securities. The spectacular growth of the government securities market has made it possible and necessary for the Agency to improve the system. Experience gained in relation to the system over the last 2 years and international practice provided basis for implementation of the improvements.

One of the most important changes is ***the cancellation of commissions*** paid on the dealers' primary market purchases for the fulfilment of their obligations. When the system was established the purpose of the commissions was to ensure the start-up of the dealers' government securities market activity. As the system began operating and the intermediary activity grew the amount of commissions paid was reduced several times. The cancellation of commissions allows the improvement in the integrity of the market and non-distorted primary and secondary market prices of government securities. However, the commissions that are paid for the retail sales method will remain unchanged for subscriptions - of both interest bearing Treasury bills and government bonds -, because the Government Debt Management Agency's objective is to ensure that these government securities are sold to investors free of charge; with the exception of extra services, which are regulated separately. Dealers participating in subscriptions accept bids over HUF 100 thousand, which is mandatory for network dealers, while institutional dealers exercise discretion in their decision.

The cancellation of commissions also implies two other changes. On the one hand, dealers were given ***an exclusive right of participation*** in discount Treasury bill auctions (this was the case with government bond auctions from the beginning) in return for fulfilment of their obligations, especially their secondary market activity. On the other hand they are allowed to charge their expenses to investors directly. Now investors may bid at auctions through primary dealers. Primary dealers have to accept all bids above HUF 500 thousand. Also, primary dealers will now collect all bids for the primary market of government securities and they can concentrate all the information on the primary market.

As a natural consequence of the cancellation of commissions ***dealers may charge investors***. In order to ensure gradual transition the Government Debt Management Agency has determined the fees that may be charged to investors and on the basis of previously applied commissions the Agency has maximised the amounts of different charges. Consequently, the dealers, i.e. the market, will decide what charges to apply within the set limits, and what portion of their costs to pass on to various investors. The Agency expects that due to intense competition on the government securities market the fees will remain below the set limits and will vary according to investor groups and deal size.

The maximum commission that dealers may charge for accepting ***auction bids*** is 0.2 percent of the price value for government securities with residual maturity of less than 1 year, for government securities with residual maturity of over 1 year, the maximum charge may be 0.4 percent of the price value, but dealers may also apply a maximum flat charge of HUF 2 000. The set limits of fees apply only to deals ranging from HUF 500 thousand to HUF 50 million; in other cases the fees are to be agreed between the investor and the dealer.

Primary dealers' ***own account trading activity*** remains ***free of charge***. The transaction costs are covered by price and yield spreads.

The following amounts may be charged to investors for execution of their orders and other services related to the purchase and sale of government securities:

- charges for account keeping

  In addition to the amount specified in the KELER price list for maintaining securities account and securities deposit account, the pro rata amount of 0.1 per cent per annum can be charged based on the time elapsed from the date the account opened and the average holding volume of government securities at par value. The maximum flat charge to be paid by investors may be HUF 1 000.

- security transfer

  It may not be more than double the amount charged by KELER to the dealer.

- blocking/release of accounts

  It may not be more than double the amount charged by KELER to the dealer.

- opening of deposit sub-accounts

  It may not be more than double the amount charged by KELER to the dealer.

- cash transfer

  The maximum amount which can be charged is double the amount paid by the dealer for this service.

- cash payments

  Not limited by the Government Debt Management Agency.

- receiving securities in physical form

  Not limited by the Government Debt Management Agency.

- depositing and safe custody of physical securities

  Not limited by the Government Debt Management Agency.

- account statements requested in addition to quarterly statements

  Not limited by the Government Debt Management Agency.

For your information the KELER price list, effective as of March 1, 1998 contains the following fees:

- account keeping: 0.15 per thousand of the annual average portfolio of securities.
- security transfer: HUF 600 per transaction

– blocking/release of accounts: HUF 1 000 per transaction
– opening of deposit sub accounts: HUF 500 per sub account and per security

As some of the fees are linked to actual KELER charges, which most investors would find difficult to monitor, the Government Debt Management Agency reviews dealers' price lists on a continuous basis. Investors may obtain information on individual dealers' rates from their price lists.

The price quotation obligation has also been subject to change several times in the last two years. Both the obligatory deal size and the obligatory price or yield spreads have been changed. Government securities subject to the Primary Dealers' obligation have also been modified.

Primary Dealers on the interdealer market, based on the Reuters information network, have to quote prices from HUF 5 million to HUF 50 million. The ***limit for network dealers' price quotation obligation*** has also been increased. Effective as of January 1, 1998 they are required to accept orders from HUF 100 thousand to HUF 1 million.

The increasing turnover of government securities and the improving liquidity of the secondary market have led to a decrease in the pre-set ***price and yield spreads*** prescribed for dealers. It means fixed rate and longer term securities' spreads and the spreads obligatory to network primary dealers according to the following:

Spreads for stock exchange and interdealer market (Reuters) quotations:

	fixed yield spread	**floating** price spread
Below 6 years	0.5 percentage point	1 percentage point
Over 6 years	--	1 percentage point

Spreads for institutional dealers' quotations to investors:

	fixed yield spread	**floating** price spread
Below 6 years	1 percentage point	1 percentage point
Over 6 years	--	1 percentage point

Spreads for network dealers' quotations to investors:

	fixed yield spread	**floating** price spread
Below 1 year	3 percentage points	2 percentage points
1 to 3 years	2 percentage points	2 percentage points
Over 3 years	1.5 percentage point	2 percentage points

On the stock exchange and interdealer market, dealers are required to quote prices for the government securities delegated to their scope of obligation by selecting them as market makers in the given security. Towards investors, however, dealers are required to quote two way (bid and offer) prices for T+2 day[1] settlement cycle for all government bonds and

[1] Orders must be fulfilled by the dealers on the 2nd day after the order has been submitted.

discount Treasury bills issued after 1996 with a residual maturity of over 91 days. Network dealers have to quote prices for government bonds and 5 different discount treasury bills, which can be freely chosen, for amounts from HUF 100 thousand to 1 million and for all securities that they have ever traded have to quote at least bid prices on a continuous basis. (Another feature of network dealers' obligation is that their price quotation is valid for a full day i.e. no changes may be made during opening hours.) Dealers involved in interest bearing Treasury bill subscriptions are obliged to quote bid prices for interest bearing Treasury bills as well on a continuous basis.

In order to ensure safe operation, primary dealers have increased their capital several times since the system was established. The regulations prescribed capital increase to ensure provisions against risks and compensation for inflation. The extent of capital increases was set at the establishment of the system regulating this issue until the middle of 1997. Since 1995, the dealers' paid in capital has been growing at a rate much higher than that of inflation. In the next step of the continuous capital adjustments, dealers will have to present ***a minimum equity capital of HUF 1 billion*** by the end of this year. Unlike the previous practice, the regulations focus on the equity capital because paid in capital is a relatively stable but inflexible component of own equity, while the equity capital, indicates the company real financial position, may change with respect to profitability, thus providing a more realistic picture.

As of January 1, 1998, the primary dealer system had 20 members, 4 of whom are network dealers. The list of dealers is as follows:

institutional primary dealers

ÁB Monéta Securities Inc.
BNP-Dresdner (Hungária) Securities Inc.
CA IB Securities Inc.
CIB Securities Inc.
Citibank Investment and Securities (Hungary) Inc.
ERSTE Bank Investment Hungary Inc.
HYPO-Securities Hungaria Inc.
ING Barings Securities Inc.
Hungarian Securities Trading and Investment Inc.
MKB Securities and Investment Inc.
New York Broker Budapest Inc.
PK Securities Trading and Investment Inc.
Postabank Securities Inc.
Rabobank Investment Inc.
Raiffeisen Securities and Investment Inc.
Takarék Bróker Securities Trading and Consulting Inc.

network primary dealers

ABN AMRO Equities (Hungary) Securities Trading Inc.
Inter-Európa Investment Inc.
K & H Brokerage House Inc.
OTP Securities Inc.

Obligations of Network Dealers

Primary Market

auctions

- Dealers must accept auction bids above HUF 500 thousand.
- In the case of bids below HUF 50 million, the maximum charge applied by dealers for government securities with residual maturity less than 1 year may be 0.2 percent of the price value, and 0.4 percent of the price value for residual maturity over 1 year. Instead dealers may opt for applying a flat charge of not more than HUF 2 000.

subscriptions

- Dealers must accept subscriptions over HUF 100 thousand.
- Dealers may not charge a fee for accepting subscriptions.

Secondary Market

- Network dealers must quote bid and offer prices for all government bonds and 5 discount Treasury bills involved in the system. They are also required to quote bid prices for all government securities that they have ever traded.
- The prices are quoted from, at par value, HUF 100 thousand to HUF 1 million.
- The price quotation obligation refers to the following maximum price and yield spreads:

	fixed yield spread	floating price spread
Below 1 year	3 percentage points	2 percentage points
1 to 3 years	2 percentage points	2 percentage points
Over 3 years	1.5 percentage point	2 percentage points

- Dealers are required to display their daily prices, which they can not be changed during business hours.
- No charges may be applied to own account transactions.

Other trading-related fees

In pursuit of the above described activities, dealers may apply charges for the following services:

- account keeping: In addition to the amount specified in the KELER price list for maintenance of securities accounts and securities deposit account, the pro rata amount of 0.1 per cent per annum can be charged based on the time elapsed from the date of the account opening and the average holding volume of government securities at par value. Instead a flat fee can be determined not more than HUF 1 000.
- security transfer: It may not be more than double the amount charged by KELER to the dealer.
- blocking/release of accounts: It may not be more than double the amount charged by KELER.
- deposit sub accounts: It may not be more than double the amount charged by KELER.
- cash transfer: The maximum amount which can be charged is double the amount paid by the dealer for this service.
- cash payments;
- receipt of securities in physical form,
- deposit and safe deposit of physical securities,
- account statements requested in addition to quarterly statements.

Obligations of Institutional Dealers

Primary Market

auctions

- Dealers must accept auction bids above HUF 500 thousand.
- In the case of bids below 50 million, the maximum charge applied by dealers for government securities with residual maturity less than 1 year may be 0.2 percent of the price value, and 0.4 percent of the price value for residual maturity over 1 year. Instead dealers may opt for applying a flat charge of not more than HUF 2 000.

subscriptions

Dealers may accept subscriptions at their discretion under the following conditions:

- they must accept subscriptions over HUF 100 thousand,
- no charge for accepting subscriptions.

Secondary Market

Reuters, Stock Exchange

- Dealers are required to quote prices for the government securities delegated to their scope of obligation by selecting them as market maker.
- The prices quoted refer to a nominal value of HUF 50 million on the stock market, while in the Reuters network the prices refer to government securities of nominal values ranging from HUF 5 million to 50 million.
- The price quotation obligation refers to the following maximum price and yield spreads:

	fixed	floating
Below 6 years	0.5 % yield	1 % price
Over 6 years	--	1 % price

- No charge for own account transactions.

Investors

- Dealers are required to quote prices for T+2 day settlement cycle for all government securities and discount Treasury bills issued after January 3, 1996 with a residual maturity of over 91 days,
- The prices quoted refer to own account transactions for deals between HUF 500 thousand and 50 million. The price quotation obligation refers to the following maximum spreads:

	fixed	floating
Below 6 years	1 % yield	1 % price
Over 6 years	--	1 % price

- No charge for own account transactions.

Other trading-related fees

In pursuing the above described activities on the government securities market, dealers may apply charges for the following services:

- account keeping: In addition to the amount specified in the KELER price list for maintenance of securities accounts and securities deposit account, the pro rata amount of annual 0.1 per cent can be charged based on the time elapsed from the date of account opening and the average holding volume of government securities at par value. Instead a flat fee can be determined not more than HUF 1 000.
- security transfer: It may not be more than double the amount charged by KELER.
- blocking/release of accounts: It may not be more than double the amount charged by KELER.
- deposit sub accounts: It may not be more than double the amount charged by KELER.
- cash transfer: The maximum amount which can be charged is double the amount paid by the dealer for this service.
- cash payments;
- receipt of securities in physical form
- deposit and safe custody of physical securities
- account statements requested in addition to quarterly statements.

1. Main Economic Indicators

	1996 I. Quarter	1996 II. Quarter	1996 III. Quarter	1996 IV. Quarter	1996 Year	1997 I. Quarter	1997 II. Quarter	1997 III. Quarter	1997 IV. Quarter	1997 Year
Real GDP growth (%)	0*	0*	1*	3*	1,3*	2.1	4.3	5.1		
Balance of payments deficit (USD M)	-826	-934	-1,104	-1,678	-1,678	-477	-763	-686	-981	-981
Direct investment Net (USD M)**	461	734	1,339	1,987	1,987	455	724	1,056	1,653	1,653
Deficit of the central gov. budget (HUF Bn)##	-50.29	-122.17	-114.78	-129.80	-129.80	-113.07	-165.00	-249.70	-342.10	-342.10
Consumer price index (at the end of periods)	125.6	123.6	122.2	119.8	123.6#	118.8	118.7	118.0	118.4	118.3#
Unemployment rate (percent registreted at the end of periods)	11.6	10.6	11.0	10.7	10.7	11.0	10.3	10.3	10.4	10.4
Gross external debt (USD M)***	28,474.9	27,103.4	26,655.1	25,874.3	25,874.3	24,099.9	22,875.1	22,871.0	21,702.2	21,702.2
Gross debt of the central government (HUF Bn)	4,820.97	4,745.80	4,862.16	4,931.54	4,932.30	5,060.50	5,200.58	5,373.86	5,371.83	5,371.83

* Provisional

**With intercompany loans

***Without intercompany loans

\# Average annual indicator

\## Excluding privatization proceeds

Data source: Central Statistical Office, MoF, NBH, National Labour Centre, GDMA

2. Financing of the central government deficit in 1997

2.1. Gross financing of the central government budget in 1997

HUF Billion

	1997												
	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sep.	Oct	Nov.	Dec.	Total
1. Central government budget surplus /deficit													
1.1./A Accumulated balance excluding priv. revenues	15.69	-46.31	-113.07	-126.71	-150.00	-164.98	-188.92	-224.74	-249.73	-254.95	-336.99	-342.08	
1.1./B Accumulated balance including priv. revenues	15.69	-46.31	-113.07	-126.71	-150.00	-164.98	-188.92	-224.74	-245.26	-250.48	-276.27	-181.23	
1.2. Monthly balance (1.2.1+..+1.2.3)	**15.69**	**-62.00**	**-66.77**	**-13.64**	**-23.29**	**-14.98**	**-23.94**	**-35.82**	**-20.51**	**-5.22**	**-25.79**	**95.04**	**-181.23**
of which: 1.2.1. net internal interest payments	**-30.81**	**-58.83**	**-89.40**	**-59.86**	**-38.37**	**-49.80**	**-70.27**	**-41.72**	**-51.37**	**-52.11**	**-38.16**	**-64.75**	**-645.44**
of which: expense	*-94.84*	*-66.90*	*-99.82*	*-65.42*	*-48.75*	*-60.61*	*-77.06*	*-46.34*	*-56.26*	*-58.42*	*-52.08*	*-75.59*	-802.09
receipt	*64.03*	*8.07*	*10.43*	*5.56*	*10.38*	*10.81*	*6.79*	*4.63*	*4.89*	*6.31*	*13.92*	*10.84*	156.65
1.2.2. privatization revenues									**4.48**		**56.25**	**100.13**	**160.85**
1.2.3. net balance excl. interest payment	**46.50**	**-3.16**	**22.63**	**46.22**	**15.08**	**34.82**	**46.33**	**5.90**	**26.38**	**46.89**	**-43.88**	**59.66**	**303.36**
2. Social Security Fund													
2.1. Borrowing requirements	68.98	76.09	89.13	94.59	103.66	102.36	101.55	108.28	120.58	131.27	134.14	121.72	
2.2. Seccurities issues													
2.3. Change in the withdrawal of revolving fund	-0.15	-7.10	-13.05	-5.46	-9.07	1.30	0.81	-6.73	-12.30	-10.69	-2.88	12.43	-52.88
3. Amortization													
3.1.1. internal loans	0.71*	2.05	12.93	4.78	3.06	12.10	5.50	0.00	11.10	0.05		159.98	212.26
3.1.2. external loans	0.61	2.21	1.59	0.59	0.39	2.62	19.82	2.08	1.60	0.67	2.72	21.60	56.50
3.1.3.Hungarian State Railway loans	0.00	0.00	8.34	5.00	1.82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.15
3.2. bonds	32.09*	38.95	34.61	55.61	19.85	16.14	48.08	30.54	16.99	0.55	24.17	26.18	343.77
3.2.1. bonds on the market	32.09	32.98	33.70	55.61	19.85	15.23	46.16	30.54	16.08	0.55	24.17	24.27	331.24
3.2.2. other bonds	0.00	5.97	0.91			0.91	1.92		0.91			1.91	12.53
3.3. interest bearing T-bills	0.02	10.68	9.96	9.95	10.01	4.89	6.53	7.78	9.96	7.47	5.14	7.13	89.49
3.4. private inv. T-bills	0.05	0.56	0.30	0.40	0.17							0.22	1.70
3.5. savings bills	1.83	1.43	3.26	3.42	2.88	3.30	3.43	3.99	4.20	4.69	4.06	4.12	40.60
3.6. discount T-bills#													
of which: 3.6.1. one month T-bills	*4.80*	*3.88*	*3.94*	*4.92*	*3.94*	*3.94*	*4.92*	*3.94*	*3.94*	*4.92*	*3.94*	*4.93*	52.00
3.6.2. three month T-bills	*23.67*	*18.96*	*17.48*	*23.71*	*19.01*	*19.02*	*23.77*	*19.02*	*19.03*	*23.83*	*19.07*	*23.85*	250.42
3.6.3. six month T-bills	*47.50*	*27.71*	*26.76*	*24.64*	*23.04*	*23.65*	*33.46*	*24.81*	*28.11*	*33.81*	*30.82*	*46.31*	370.63
3.6.4. 12 month T-bills	*30.46*	*23.70*	*25.77*	*28.43*	*26.56*	*34.52*	*49.41*	*27.35*	*21.77*	*27.42*	*27.30*	*40.67*	363.34
3.6. Together (3.6.1+...+3.6.4)	106.42	74.25	73.95	81.70	72.54	81.12	111.56	75.13	72.85	89.99	81.13	115.75	1,036.39
Total (3.1+..+3.6)	**141.73**	**130.12**	**144.93**	**161.46**	**110.71**	**120.17**	**194.93**	**119.52**	**116.69**	**103.42**	**117.22**	**334.98**	**1,795.87**
4. Borrowing requirement (1.2+2.3-3)	**-126.19**	**-199.22**	**-224.74**	**-180.55**	**-143.07**	**-133.85**	**-218.05**	**-162.06**	**-149.50**	**-119.33**	**-145.89**	**-227.52**	**-2,029.98**
5. Loans and securities issued													
5.1. loans and debt assumption	1.65**	0.70	0.82	0.96	1.16	2.23	2.03	1.21	1.64	0.97	0.43	1.57	15.35
5.2. bonds	60.54	58.84	60.03	48.74	50.69	42.78	49.00	42.96	32.03	33.21	46.06	26.29	551.19
of which: 5.2.1. market sales	*55.47*	*57.95*	*60.03*	*48.74*	*50.69*	*42.78*	*49.00*	*42.96*	*32.03*	*33.21*	*46.06*	*26.29*	545.22
5.2.2. capitalized interest	*5.07*	*0.89*											5.97
5.3. interest bearing T-bills	14.75	16.84	11.16	10.93	7.13	8.07	13.08	13.48	14.53	13.24	13.77	17.51	154.49
5.5. savings bills	9.52	3.70	9.69	6.92	5.24	6.40	7.79	7.84	8.20	9.20	8.16	10.85	93.50
5.7. discount T-bills #													
of which: 5.7.1. one month T-bills	*4.86*	*3.94*	*3.94*	*4.92*	*3.94*	*3.94*	*4.92*	*3.94*	*3.94*	*4.93*	*3.94*	*4.93*	52.12
5.7.2. three month T-bills	*23.71*	*19.01*	*19.02*	*23.77*	*19.02*	*19.03*	*23.83*	*19.07*	*19.08*	*23.85*	*19.08*	*23.86*	252.34
5.7.3. six month T-bills	*33.50*	*25.13*	*28.65*	*32.93*	*30.99*	*30.90*	*44.64*	*29.14*	*27.32*	*27.38*	*27.38*	*41.08*	379.03
5.7.4. 12 month T-bills	*40.04*	*26.97*	*28.06*	*33.60*	*34.01*	*34.47*	*48.32*	*33.21*	*31.11*	*30.51*	*30.95*	*45.46*	416.71
5.7. Together (5.7.1+..+5.7.4)	*102.12*	*75.05*	*79.67*	*95.22*	*87.96*	*88.34*	*121.71*	*85.36*	*81.44*	*86.66*	*81.36*	*115.33*	1,100.21
5.8 Other transactions	40.51**	-40.51					19.48****					19.90	39.38
Total (5.1+..+5.8)	**229.09**	**114.62**	**161.36**	**162.76**	**152.18**	**147.83**	**213.08**	**150.85**	**137.85**	**143.28**	**149.77**	**191.44**	**1,954.12**
6. Net issues (2.2.-3.+5.) #*	**46.85**	**25.01**	**16.43**	**1.30**	**41.47**	**27.66**	**18.16**	**31.34**	**21.16**	**39.87**	**32.55**	**-143.54**	**158.25**

* This figure doesn't include the debt redeemed by central government in the result of the debt swap transaction with NBH 1563.31(**3.1.1.row**)+187.25(**3.2.2.row**)

** This figure doesn't include the forex denominated debt taken over by central government in the result of debt swap transaction with NBH (1750.56)

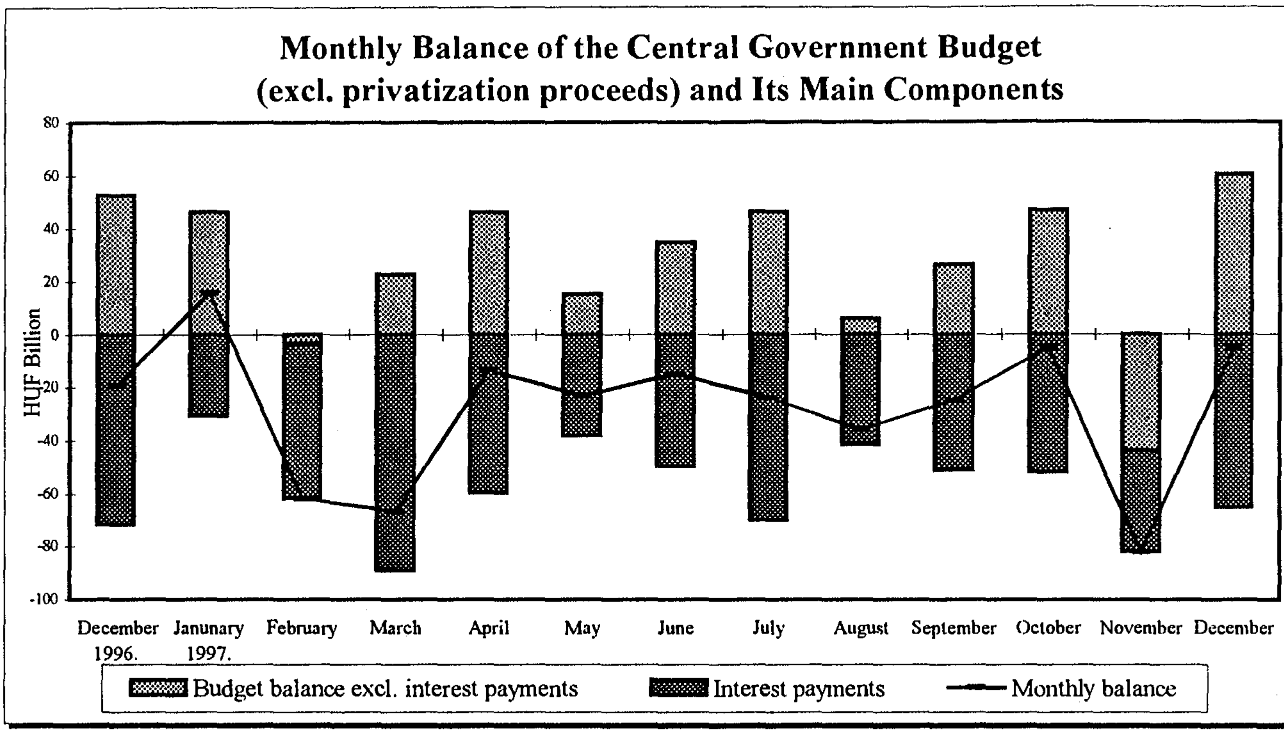
***At the same time with the debt swap operation hedging transactions related to the portfolio taken over were concluded between NBH and MoF. In connection with hedging transactions the NBH paid HUF 40.5 Bn to the MoF covering the book value difference of swaps. In February out of this amount the MoF repaid part of NBH forex debt taken over.

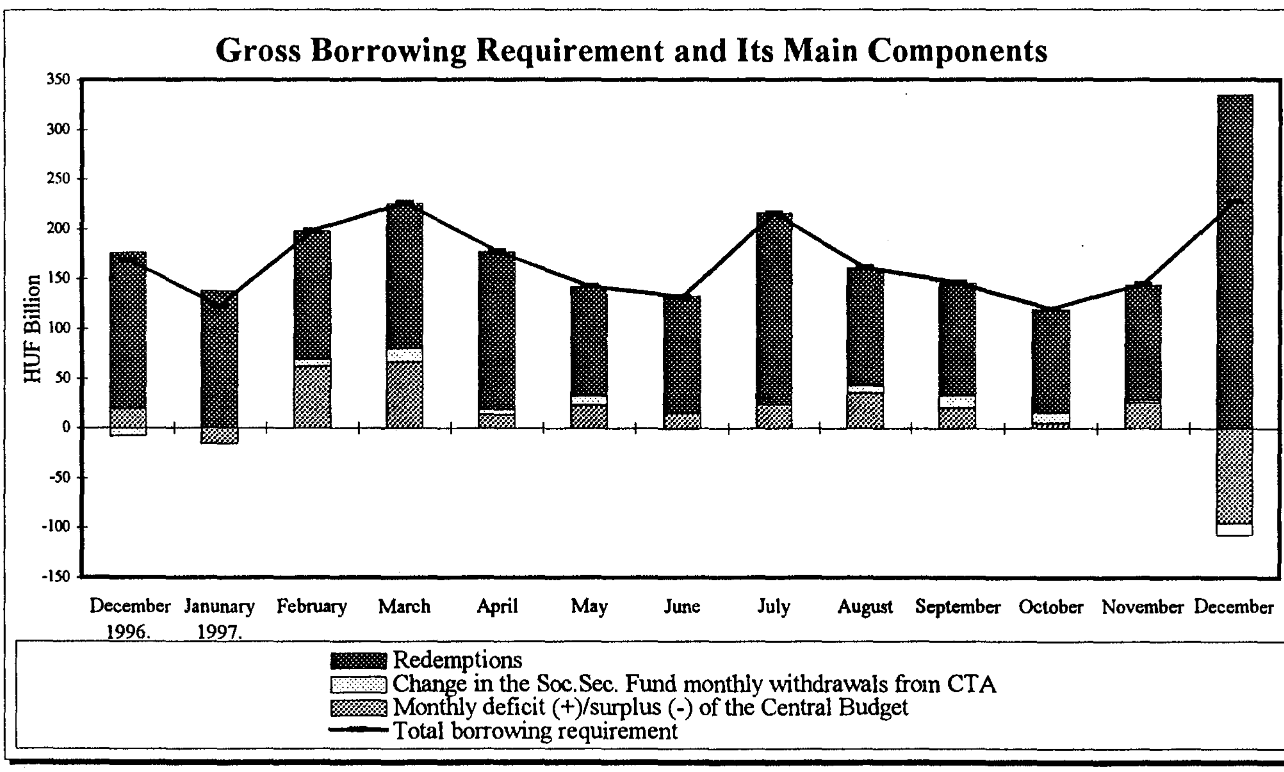
****Money transfer to CTA from government forex deposits for the purpose of foreign debt redemption.

#* Excluding the value of the hedging transactions related to the debt

at purchase price

Graph.no. 2.1 Balance of the Central Government Budget





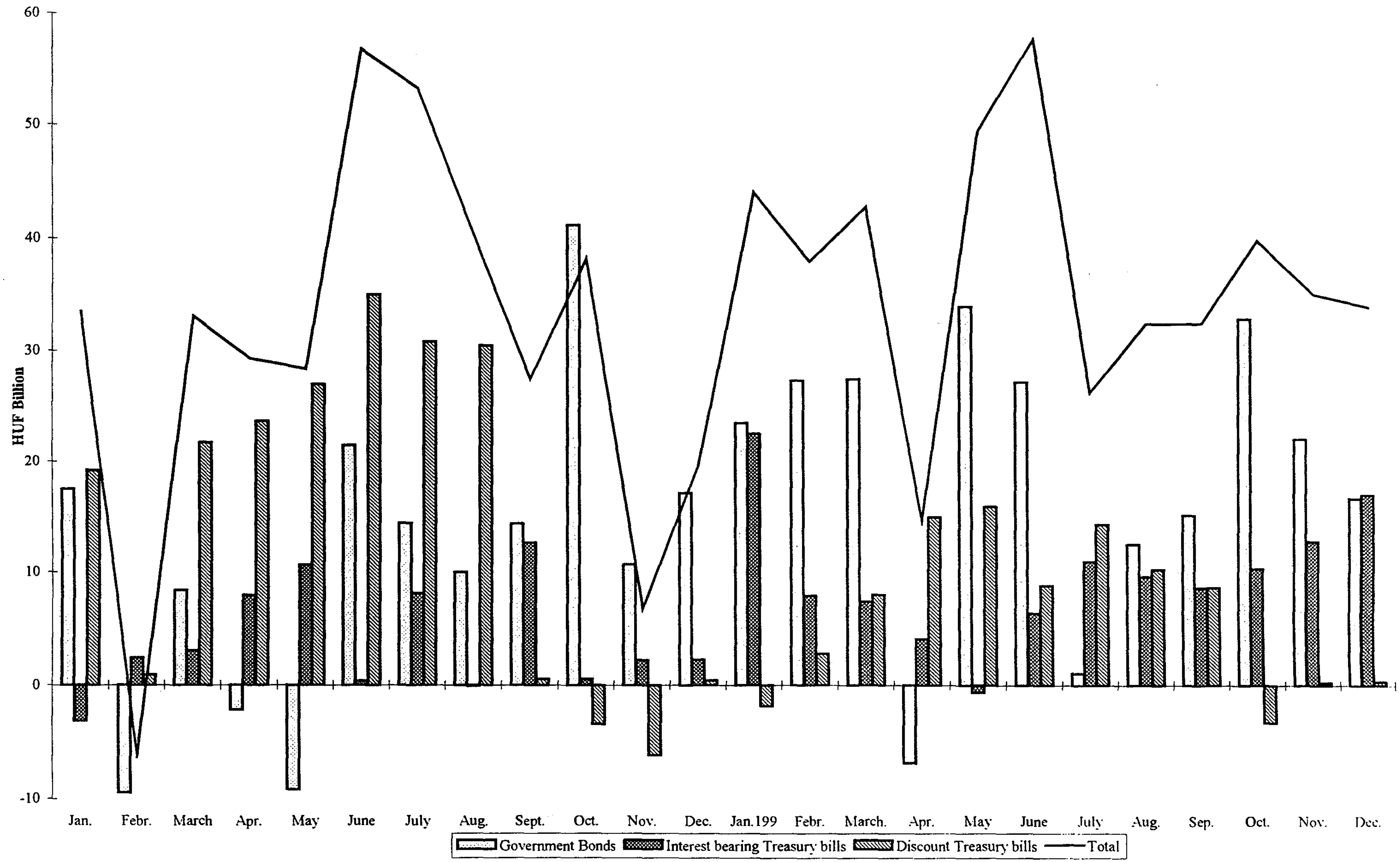
2.2 Monthly Net Government Securities Issues in 1997

HUF Billion

	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Total
1. Redemptions													
1.1. Bonds	-32.08	-30.74	-32.72	-55.61	-16.91	-15.74	-48.00	-30.54	-16.98	-0.55	-24.17	-9.73	-313.78
1.2. Treasury-bills	-105.86	-84.97	-85.25	-94.12	-85.17	-87.76	-117.46	-86.90	-87.00	-102.14	-90.31	-126.50	-1,153.44
of which: 1.2.1. Interest bearing T-bills	*-1.90*	*-12.67*	*-13.52*	*-13.77*	*-13.05*	*-8.19*	*-9.96*	*-11.76*	*-14.16*	*-12.15*	*-9.20*	*-11.47*	-131.79
*1.2.2. Discount T-bills**	*-103.96*	*-72.31*	*-71.73*	*-80.34*	*-72.12*	*-79.58*	*-107.50*	*-75.13*	*-72.85*	*-89.99*	*-81.11*	*-115.03*	-1,021.65
Total (1.1+1.2)	**-137.94**	**-115.71**	**-117.97**	**-149.73**	**-102.08**	**-103.50**	**-165.47**	**-117.43**	**-103.98**	**-102.69**	**-114.48**	**-136.23**	**-1,467.22**
2. Forint loans	-0.71	-1.20	-8.34	-9.67	0.00	-1.00	-0.05	0.00	0.00	-0.05	0.00	0.00	-21.01
3. Foreign currency loans	0.00	-0.85	-1.83	-0.11	-4.87	0.00	-5.46	0.00	0.00	0.00	0.00	0.00	-13.12
Total loans	**-0.71**	**-2.05**	**-10.16**	**-9.78**	**-4.87**	**-1.00**	**-5.50**	**0.00**	**0.00**	**-0.05**	**0.00**	**0.00**	**-34.12**
4. Government securities issues													
4.1. Bonds	55.47	57.95	60.03	48.74	50.69	42.78	49.00	42.96	32.03	33.21	46.06	26.29	545.22
4.2. Treasury-bills	126.38	95.59	100.51	113.06	100.33	102.82	142.58	106.68	104.18	109.10	103.29	143.68	1,348.20
of which: 4.2.1. Interest bearing T-bills	*24.26*	*20.54*	*20.84*	*17.84*	*12.37*	*14.48*	*20.87*	*21.32*	*22.74*	*22.44*	*21.93*	*28.36*	247.99
*4.2.2. Discount T-bills**	*102.12*	*75.05*	*79.67*	*95.22*	*87.96*	*88.34*	*121.71*	*85.36*	*81.44*	*86.66*	*81.36*	*115.33*	1,100.21
Total (4.1+4.2)	**181.85**	**153.54**	**160.54**	**161.80**	**151.02**	**145.59**	**191.58**	**149.64**	**136.22**	**142.32**	**149.35**	**169.97**	**1,893.42**
5. Net issuance (Issuance-Redemption)													
5.1. Bonds	23.38	27.21	27.31	-6.87	33.78	27.04	1.00	12.43	15.05	32.66	21.89	16.56	231.44
5.2. Treasury-bills	20.53	10.62	15.26	18.94	15.16	15.05	25.11	19.79	17.18	6.96	12.98	17.18	194.76
of which: 5.2.1. Interest bearing T-bills	*22.37*	*7.87*	*7.33*	*4.07*	*-0.68*	*6.29*	*10.91*	*9.56*	*8.58*	*10.28*	*12.73*	*16.89*	116.20
*5.2.2. Discount T-bills**	*-1.84*	*2.74*	*7.94*	*14.87*	*15.84*	*8.77*	*14.21*	*10.23*	*8.60*	*-3.32*	*0.24*	*0.30*	78.56
Net amount of monthly government securities issues (1+4)	**43.91**	**37.83**	**42.57**	**12.07**	**48.94**	**42.09**	**26.11**	**32.21**	**32.23**	**39.62**	**34.86**	**33.74**	**426.20**
Cumulated amount of monthly net issues of government securities	**43.91**	**81.74**	**124.31**	**136.39**	**185.33**	**227.42**	**253.53**	**285.74**	**317.97**	**357.59**	**392.46**	**426.20**	

* at purchase price

Graph. no. 2.2. The Amount of Net Government Securities Issues January 1996- December 1997



2.3 Government Bond Issues

2.3.1. Data on Auctions and Subscriptions of Government Bonds in 1997

Name of Government Bond	1999/E	2003/F			2000/D		1999/E	2001/C	2000/D		2003/F	
ISIN code of Government Bond	HU0000400890	HU0000400858	HU0000400858	HU0000400858	HU0000400908	HU0000400908	HU0000400890	HU0000400874	HU0000400908	HU0000400908	HU0000400858	HU0000400858
Maturity (in years)	2	7	7	7	3	3	2	5	3	3	7	7
Coupon (%)	19.50	CPI+3%	CPI+3%	CPI+3%	18.50	18.50	19.50	15.00	18.50	18.50	CPI+3%	CPI+3%
Type of selling	1. auction	4.auction	5.auction	2.subscription	1.auction	1.subscription	2.auction	1.auction	2.auction	2.subscription	6.auction	3.subscription
Date of auction or subscription	02.Jan.97	02.Jan.97	16.Jan.97	20–24-Jan-97	16.Jan.97	20–24-Jan-97	30.Jan.97	30.Jan.97	13.Feb.97	17-21-Feb 97	13.Feb.97	17-21-Feb 97
Date of financial settlement	09–10-Jan-97	09–10-Jan-97	20–23-Jan-97	29.Jan.97	20–23-Jan-97	29.Jan.97	03–06-Feb-1997	03–06-Feb-1997	20.Feb.97	26.Feb.97	20.Feb.97	26.Feb.97
Redemption date	12.Jan.99	24.Sep.03	24.Sep.03	24.Sep.03	12.Feb.00	12.Feb.00	12.Jan.99	01-dec-12	12.Feb.00	12.Feb.00	24.Sep.03	24.Sep.03
Minimum annual yield(%)**	20.48%	floating	floating		19.01%		17.91%	15.49%	16.70%		floating	
Maximum annual yield(%)**	20.68%	rate	rate		19.25%		18.93%	15.78%	17.35%		rate	
Average annual yield(%)**	20.56%	bond	bond		19.19%		18.58%	15.69%	17.23%		bond	
Minimum selling price(%)	99.66%	103.18%	103.27%		100.16%		102.13%	99.35%	105.52%		104.60%	
Maximum selling price(%)	99.95%	103.92%	103.75%		100.68%		103.63%	100.26%	104.10%		103.85%	
Average selling price(%)	99.84%	103.43%	103.42%		100.29%		102.64%	99.63%	104.37%		103.90%	
Amount offered for sale (HUF million)	18,750.00	5,000.00	5,000.00	2,500.00	20,000.00	10,000.00	35,000.00	5,000.00	10,000.00	5,000.00	5,000.00	2,500.00
Amount of bids submitted (HUF million)	55,446.48	7,263.00	17,752.78		82,635.52		69,758.50	30,732.86	38,252.93		23,334.73	
Amount of bids accepted (HUF million)	18,750.00	5,000.00	5,000.00		19,999.98		35,000.00	5,000.00	9,999.98		4,999.99	
Cover (amount of bids submitted/amount of bids accepted)	2.96	1.45	3.55		4.13		1.99	6.15	3.83		4.67	
Bids submitted (no.s)	129	50	108		217		206	125	180		188	
Bids accepted (no.s)	20	37	43		34		88	35	66		59	
Amount of bids submitted at subscription (HUF million)				481.12		2209.78				192.74		111.91
Announced lower price limit (in % of par value)	98.50%	103.14%	102.93%		94.75%		99.08%	94.23%	99.22%		102.92%	
Net selling price at subscription (in % of par value)				103.62%		100.49%				104.57%		104.10%
Tail (average selling price - minimum selling price)	0.18%	0.25%	0.15%		0.13%		0.51%	0.28%	0.27%		0.05%	
Market sales* (HUF million)	18,750.00	5,000.00	5,000.00	408.64	19,999.98	521.99	35,000.00	5,000.00	9,999.98	192.74	4,999.99	111.91
Retained on GDMA account (HUF million)	8,625.00	500.00	1,500.00	40.86	6,000.02	52.01	3,500.00	1,000.00	1,000.02	7.26	500.01	8.09
Total Issue Amount (HUF million)	24,375.00	5,500.00	6,500.00	449.50	26,000.00	574.00	38,500.00	6,000.00	11,000.00	200.00	5,500.00	120.00

* Without GDMA purchase

** Assuming reinvestment of interest proceeds at the same rate of interest

2.3.1. Data on Auctions and Subscriptions of Government Bonds in 1997 (cont.)

Name of Government Bond	1999/F	2001/C	1999/F	2001/C	2000/D	2004/F	1999/F	2001/C	2000/E		2004/F	
ISIN code of Government Bond	HU0000400916	HU0000400874	HU0000400916	HU0000400874	HU0000400908	HU0000400932	HU0000400916	HU0000400874	HU0000400940	HU0000400940	HU0000400932	HU0000400932
Maturity (in years)	2	5	2	5	3	7	2	5	3	3	7	7
Coupon (%)	16.50	15.00	16.50	15.00	18.50	CPI+3%	16.50	15.00	16.00	16.00	CPI+3%	CPI+3%
Type of selling	1.auction	2.auction	1.subscription	1.subscription	3.auction	1.auction	2.auction	3.auction	1.auction	1.subscription	2.auction	1.subscription
Date of auction or subscription	27.Feb.97	27.Feb.97	17--21-Mar-97	17--21-Mar-97	13.Mar.97	13.Mar.97	27-Mar-97	27-Mar-97	10-Apr-97	28--30-Apr-97	10-Apr-97	28--30-Apr-97
Date of financial settlement	03--06-Mar-97	03--06-Mar-97	26-Mar-97	26-Mar-97	18--20-Mar-97	18--20-Mar-97	03-Apr-97	03-Apr-97	18-Apr-97	07-May-97	18-Apr-97	07-May-97
Redemption date	12.Apr.99	12-Dec-01	12.Apr.99	12-Dec-01	12.Feb.00	12.Mar.04	12-Apr-99	12-Dec-01	12-May-00	12-May-00	12-Mar-04	12-Mar-04
Minimum annual yield(%)**	18.20%	15.39%			16.50	floating	18.23	15.51	17.24		floating	
Maximum annual yield(%)**	18.77%	15.67%			16.87	rate	18.70	16.16	17.38		rate	
Average annual yield(%)**	18.62%	15.66%			16.73	bond	18.61	15.85	17.36		bond	
Minimum selling price(%)	97.43%	99.65%			105.01	103.47	97.57	98.17	98.33		103.05	
Maximum selling price(%)	98.31%	100.52%			105.81	104.13	98.27	100.13	98.63		103.24	
Average selling price(%)	97.66%	99.69%			105.32	103.55	97.70	99.11	98.37		103.08	
Amount offered for sale (HUF million)	20,000.00	5,000.00	100-5000	100-2000	25,000.00	5,000.00	10,000.00	5,000.00	40,000.00	50-1500	10,000.00	50-5000
Amount of bids submitted (HUF million)	44,946.30	16,455.00			46,757.45	17,006.29	26,656.52	11,740.00	3,110.26		10,078.88	
Amount of bids accepted (HUF million)	20,000.00	4,999.98			25,000.00	5,000.00	10,000.00	5,000.00	3,110.26		10,078.88	
Cover (amount of bids submitted/amount of bids accepted)	2.25	3.29			1.87	3.40	2.67	2.35	1.00		1.00	
Bids submitted (no.s)	181	71			256	77	130	77	38		44	
Bids accepted (no.s)	83	21			111	43	53	72	38		44	
Amount of bids submitted at subscription (HUF million)			224.48	44.12						92.66		74.76
Announced lower price limit (in % of par value)	96.96%	98.08%			103.18	103.40	96.95	98.16	98.33		103.05	
Net selling price at subscription (in % of par value)			98.46	101.09						99.57		103.20
Tail (average selling price - minimum selling price)	0.23%	0.04%			0.31	0.08	0.13	0.94	0.04		0.03	
Market sales* (HUF million)	20,000.00	4,999.98	224.48	44.12	25,000.00	5,000.00	10,000.00	5,000.00	3,110.26	92.66	10,078.88	74.76
Retained on GDMA account (HUF million)	4,000.00	500.02	25.52	55.88	2,500.00	1,000.00	1,000.00	500.00	589.74	7.34	921.12	25.24
Total Issue Amount (HUF million)	24,000.00	5,500.00	250	100.00	27,500.00	6,000.00	11,000.00	5,500.00	3,700.00	100	11,000.00	100.00

* Without GDMA purchase

** Assuming reinvestment of interest proceeds at the same rate of interest

2.3.1. Data on Auctions and Subscriptions of Government Bonds in 1997 (cont.)

Name of Government Bond	1999/F	2001/C	2000/E	2004/F	1999/F	2001/C	2000/E	1999/F	2004/F		1999/G	2001/C
ISIN code of Government Bond	HU0000400916	HU00004009874	HU0000400940	HU0000400932	HU0000400916	HU00004009874	HU0000400940	HU0000400916	HU0000400932	HU0000400932	HU0000400965	HU0000400874
Maturity (in years)	2	5	3	7	2	5	3	2	7	7	2	5
Coupon (%)	16.5	15	16	CPI+3%	16.5	15	16	16.5	CPI+3%	CPI+3%	16.5	15
Type of selling	3.auction	4.auction	2.auction	3.auction	4.auction	5.auction	3.auction	2.subscription	4.auction	2.subscription	1.auction	6.auction
Date of auction or subscription	24-Apr-97	24-Apr-97	08-May-97	08-May-97	22-May-97	22-May-97	05-Jun-97	26–30-May-97	05-Jun-97	26–30-May-97	19-Jun-97	19-Jun-97
Date of financial settlement	30-Apr-97	30-Apr-97	15-May-97	15-May-97	29-May-97	29-May-97	12-Jun-97	04-Jun-97	12-Jun-97	04-Jun-97	23–26-Jun-97	23–26-Jun-97
Redemption date	12-Apr-99	12-Dec-01	12-May-00	12-Mar-04	12-Apr-99	12-Dec-01	12-May-00	12-Apr-99	12-Mar-04	12-Mar-04	24-Jul-99	12-Dec-01
Minimum annual yield(%)**	18.60	15.85	17.10	floating	18.62	15.65	17.15		floating		18.22	15.35
Maximum annual yield(%)**	18.88	16.04	17.41	rate	18.90	15.85	17.55		rate		18.60	15.48
Average annual yield(%)**	18.81	15.98	17.30	bond	18.81	15.82	17.42		bond		18.42	15.41
Minimum selling price(%)	97.35	98.53	98.26	102.58	97.40	99.11	97.98		101.53		97.74	100.21
Maximum selling price(%)	97.76	99.09	98.91	102.85	97.79	99.70	98.80		102.10		98.32	100.58
Average selling price(%)	97.45	98.72	98.49	102.61	97.52	99.19	98.25		101.67		98.01	100.41
Amount offered for sale (HUF million)	10,000.00	4,000.00	15,000.00	5,000.00	20,000.00	5,000.00	15,000.00	100-10000	3,000.00	50-5000	20,000.00	5,000.00
Amount of bids submitted (HUF million)	22,036.00	14,080.00	34,565.26	4,680.00	27,907.20	12,906.15	19,837.96		5,377.99		28,912.08	13,661.00
Amount of bids accepted (HUF million)	12,500.00	5,000.00	18,750.00	4,680.00	20,000.00	4,999.99	12,000.00		3,000.00		20,000.00	5,000.00
Cover (amount of bids submitted/amount of bids accepted)	1.76	2.82	1.84	1.00	1.40	2.58	1.65		1.79		1.45	2.73
Bids submitted (no.s)	103	64	153	20	115	63	109		28		154	66
Bids accepted (no.s)	55	16	83	20	81	23	81		18		95	22
Amount of bids submitted at subscription (HUF million)								174.87		73.64		
Announced lower price limit (in % of par value)	97.02	97.62	97.33	103.58	96.83	97.28	97.47		101.50		96.66	97.75
Net selling price at subscription (in % of par value)								97.72		102.60		
Tail (average selling price - minimum selling price)	0.10	0.19	0.23	0.03	0.12	0.08	0.27		0.14		0.27	0.20
Market sales* (HUF million)	12,500.00	5,000.00	18,750.00	4,680.00	20,000.00	4,999.99	12,000.00	174.87	3,000.00	73.64	20,000.00	5,000.00
Retained on GDMA account (HUF million)	1,250.00	500.00	1,850.00	420.00	2,000.00	500.01	1,200.00	25.13	300.00	26.36	2,000.00	500.00
Total Issue Amount (HUF million)	13,750.00	5,500.00	20,600.00	5,100.00	22,000.00	5,500.00	15600***	200	3,300.00	100.00	26000***	5,500.00

* Without GDMA purchase

** Assuming reinvestment of interest proceeds at the same rate of interest

***In the result of the government bond portfolio swap NBH received 2.4 Bn from the series of 2000/E and 4 Bn from the series of 1999/G

2.3.1. Data on Auctions and Subscriptions of Government Bonds in 1997 (cont.)

Name of Government Bond	2004/F	2000/E	2004/G	2000/F	1999/G		2002/F		2004/G		2000/F	
ISIN code of Government Bond	HU0000400932	HU0000400940	HU0000401021	HU0000401013	HU0000400965	HU0000400965	HU0000401039	HU0000401039	HU0000401021	HU0000401021	HU0000401013	HU0000401013
Maturity (in years)	7	3	7	3	2	2	5	5	7	7	3	3
Coupon (%)	CPI+3%	16.0	CPI+3%	16.0	16.5	16.5	14.0	14.0	CPI+3%	CPI+3%	16.0	16.0
Type of selling	3.subscription	2.subscription	1.auction	1.auction	2.auction	1.subscription	1.auction	1.subscription	2.auction	1.subscription	2.auction	1.subscription
Date of auction or subscription	23–27-Jun-97	23–27-Jun-97	03-Jul-97	03-Jul-97	17-Jul-97	21–25-Jul-97	17-Jul-97	21–25-Jul-97	31-Jul-97	18–22-Aug-97	31-Jul-97	18–22-Aug-97
Date of financial settlement	02-Jul-97	02-Jul-97	07–10-Jul-97	07–10-Jul-97	24-Jul-97	30-Jul-97	24-Jul-97	30-Jul-97	04–07-Aug-97	27-Aug-97	04–07-Aug-97	27-Aug-97
Redemption date	12-Mar-04	12-May-00	24-Mar-04	24-Aug-00	24-Jul-99	24-Jul-99	24-Jun-02	24-Jun-02	24-Mar-04	24-Mar-04	24-Aug-00	24-Aug-00
Minimum annual yield(%)**			floating	16.86	18.32		15.46		floating		17.50	
Maximum annual yield(%)**			rate	17.33	18.63	18.02	15.89	15.34	rate		17.82	17.20
Average annual yield(%)**			bond	17.14	18.48		15.65		bond		17.75	
Minimum selling price(%)			101.51	98.36	97.72		95.60		101.16		97.30	
Maximum selling price(%)			102.25	99.38	98.17		96.94		101.99		97.98	
Average selling price(%)			101.63	98.77	97.94		96.35		101.61		97.46	
Amount offered for sale (HUF million)	50-1500	50-5000	6,250.00	25,000.00	10,000.00	50-5000	5,000.00	50-5000	5,000.00	50-2500	14,000.00	50-9000
Amount of bids submitted (HUF million)			20,441.00	29,960.90	19,471.15		11,713.96		7,750.00		40,616.18	
Amount of bids accepted (HUF million)			6,250.00	25,000.00	10,000.00		5,000.00		5,000.00		14,000.00	
Cover (amount of bids submitted/amount of bids accepted)			3.27	1.20	1.95		2.34		1.55		2.90	
Bids submitted (no.s)			98	165	123		71		51		166	
Bids accepted (no.s)			31	145	69		40		43		82	
Amount of bids submitted at subscription (HUF million)	124.67	169.73				169.56		30.42		138.67		304.25
Announced lower price limit (in % of par value)			97.09	101.00	96.56		94.05		97.09		96.64	
Net selling price at subscription (in % of par value)	102.40	99.41				98.40		97.12		102.20		98.35
Tail (average selling price - minimum selling price)			0.12	0.41	0.22		0.75		0.45		0.16	
Market sales* (HUF million)	124.67	169.73	6,250.00	25,000.00	10,000.00	169.56	5,000.00	30.42	5,000.00	138.67	14,000.00	304.25
Retained on GDMA account (HUF million)	25.33	30.27	1,250.00	2,500.00	1,000.00	30.44	1,000.00	19.58	500.00	11.33	1,400.00	45.75
Total Issue Amount (HUF million)	150.00	200.00	7,500.00	32500***	13000***	200.00	6,000.00	50.00	5,500.00	150.00	18200***	350.00

* Without GDMA purchase

** Assuming reinvestment of interest proceeds at the same rate of interest

***In the result of the government bond portfolio swap NBH received 7.8 Bn from the series of 2000/F and 2 Bn from the series of 1999/G

2.3.1. Data on Auctions and Subscriptions of Government Bonds in 1997 (cont.)

Name of Government Bond	1999/G	2002/F	2004/G	2000/G	1999/G	2002/F	2004/G	2000/G	1999/G	2002/F	1999/H	2002/F
ISIN code of Government Bond	HU0000400965	HU0000401039	HU0000401021	HU0000401054	HU0000400965	HU0000401039	HU0000401021	HU0000401054	HU0000400965	HU0000401039	HU0000401062	HU0000401039
Maturity (in years)	2	5	7	3	2	5	7	3	2	5	2	5
Coupon (%)	16.5	14.0	CPI+3%	16.0	16.5	14.0	CPI+3%	16.0	16.5	14.0	16.5	14.0
Type of selling	3.auction	2.auction	3.auction	1.auction	4.auction	3.auction	4.auction	2.auction	2.subscription	2.subscription	1.auction	4.auction
Date of auction or subscription	14-Aug-97	14-Aug-97	28-Aug-97	28-Aug-97	11-Sep-97	11-Sep-97	25-Sep-97	25-Sep-97	29-Sept--03-Oct	29-Sept--03-Oct	09-Oct-97	09-Oct-97
Date of financial settlement	18--21-Aug-97	18--21-Aug-97	04-Sep-97	04-Sep-97	18--22-Sep-97	18--22-Sep-97	02-Oct-97	02-Oct-97	08-Oct-97	08-Oct-97	16-Oct-97	16-Oct-97
Redemption date	24-Jul-99	24-Jun-02	24-Mar-04	24-Nov-00	24-Jul-99	24-Jun-02	24-Mar-04	24-Nov-00	24-Jul-99	24-Jun-02	24-Oct-99	24-Jun-02
Minimum annual yield(%)**	18.53	15.65	floating	17.50	19.14	16.30	floating	18.07			18.13	15.68
Maximum annual yield(%)**	18.91	15.86	rate	17.72	19.40	16.70	rate	18.08	18.50	16.00	18.29	16.52
Average annual yield(%)**	18.79	15.77	bond	17.67	19.31	16.62	bond	18.08			18.26	16.42
Minimum selling price(%)	97.36	95.71	100.64	97.37	96.74	93.29	101.03	96.62			98.54	96.31
Maximum selling price(%)	97.90	96.35	101.05	97.86	97.12	94.44	100.28	96.60			98.30	93.87
Average selling price(%)	97.52	95.97	100.75	97.49	96.89	93.50	100.50	96.60			98.35	94.16
Amount offered for sale (HUF million)	15,000.00	4,000.00	5,000.00	5,000.00	16,000.00	4,000.00	5,000.00	5,000.00	50-10000	50-2000	5,000.00	5,000.00
Amount of bids submitted (HUF million)	31,485.00	11,575.00	7,284.13	17,626.50	52,100.81	7,021.00	6,360.00	20,379.74			35,240.36	10,350.00
Amount of bids accepted (HUF million)	15,000.00	4,000.00	4,999.99	5,000.00	15,999.99	4,000.00	5,000.00	5,000.00			6,250.00	6,250.00
Cover (amount of bids submitted/amount of bids accepted)	2.10	2.89	1.46	3.53	3.26	1.76	1.27	4.08			5.64	1.66
Bids submitted (no.s)	150	91	55	125	162	33	52	121			164	46
Bids accepted (no.s)	95	39	44	33	65	16	45	7			25	33
Amount of bids submitted at subscription (HUF million)									5312.21	51.86		
Announced lower price limit (in % of par value)	96.56	93.38	100.61	95.16	96.24	93.08	100.25	95.36			95.36	90.79
Net selling price at subscription (in % of par value)									97.80	95.15		
Tail (average selling price - minimum selling price)	0.16	0.26	0.11	0.12	0.15	0.21	0.22	0.00			0.05	0.29
Market sales* (HUF million)	15,000.00	4,000.00	4,999.99	5,000.00	15,999.99	4,000.00	5,000.00	5,000.00	128.75	51.86	6,250.00	6,250.00
Retained on GDMA account (HUF million)	1,500.00	400.00	500.01	500.00	1,600.00	400.00	500.00	500.00	21.25	48.14	625.00	625.00
Total Issue Amount (HUF million)	19500***	4,400.00	5,500.00	6500***	20800***	4,400.00	5,500.00	6500***	150.00	100.00	8125***	6,875.00

* Without GDMA purchase

** Assuming reinvestment of interest proceeds at the same rate of interest

***In the result of the government bond portfolio swap NBH received 2.0 Bn from the series of 2000/G, 6.2 Bn from the series 1999/G and 1.25 Bn from the series of 1999/H

2.3.1. Data on Auctions and Subscriptions of Government Bonds in 1997 (cont.)

Name of Government Bond	2004/G	2000/G	2000/G	2004/G	1999/H	2002/F	2004/G	2000/G	1999/H	2002/F	1999/H	2002/F	2004/G	2000/G
ISIN code of Government Bond	HU0000401021	HU0000401054	HU0000401054	HU0000401021	HU0000401062	HU0000401039	HU0000401021	HU0000401054	HU0000401062	HU0000401039	HU0000401062	HU0000401039	HU0000401021	HU0000401054
Maturity (in years)	7	3	3	7	2	5	7	3	2	7	2	5	7	3
Coupon (%)	CPI+3%	16.0	16.0	CPI+3%	16.5	14.0	CPI+3%	16.0	16.5	14.0	16.5	14.0	CPI+3%	16.0
Type of selling	5.auction	3.auction	1.subscription	2.subscription	2.auction	5.auction	6.auction	4.auction	1.subscription	3.subscription	3.auction	6.auction	7.auction	5.auction
Date of auction or subscription	22-Oct-97	22-Oct-97	27--31-Oct-97	27--31-Oct-97	06-Nov-97	06-Nov-97	20-Nov-97	20-Nov-97	24--28-Nov-97	24--28-Nov-97	04-Dec-97	04-Dec-97	18-Dec-97	18-Dec-97
Date of financial settlement	30-Oct-97	30-Oct-97	05-Nov-97	05-Nov-97	13-Nov-97	13-Nov-97	27-Nov-97	27-Nov-97	03-Dec-97	03-Dec-97	11-Dec-97	11-Dec-97	23-Dec-97	23-Dec-97
Redemption date	24-Mar-04	24-Nov-00	24-Nov-00	24-Mar-04	24-Oct-99	24-Jun-02	24-Mar-04	24-Nov-00	24-Oct-99	24-Jun-02	24-Oct-99	24-Jun-02	24-Mar-04	24-Nov-00
Minimum annual yield(%)**	floating	17.46			18.47	16.86	floating	17.90			18.55	16.88	floating	17.85
Maximum annual yield(%)**	rate	17.84	17.20		19.00	17.13	rate	18.21	18.30	16.50	18.80	17.17	rate	18.06
Average annual yield(%)**	bond	17.73			18.85	17.00	bond	18.14			18.73	17.04	bond	17.97
Minimum selling price(%)	100.35	97.94			98.05	92.97	100.30	97.05			97.98	93.01	100.60	97.20
Maximum selling price(%)	100.21	97.13			97.30	92.22	100.03	96.41			97.63	92.22	99.88	96.78
Average selling price(%)	100.26	97.38			97.51	92.58	100.16	96.56			97.73	92.57	100.06	96.95
Amount offered for sale (HUF million)	5,000.00	5,000.00	50-3000	50-2000	25,000.00	5,000.00	5,000.00	10,000.00	50-12500	50-2500	10,000.00	5,000.00	5,000.00	5,000.00
Amount of bids submitted (HUF million)	10,090.00	16,800.06			38,991.96	9,006.00	11,910.00	22,446.42			33,366.96	8,830.00	6,360.00	12,314.56
Amount of bids accepted (HUF million)	4,000.00	6,000.00			25,000.00	5,000.00	5,000.00	10,000.00			10,000.00	5,000.00	5,000.00	5,000.00
Cover (amount of bids submitted/amount of bids accepted)	2.52	2.80			1.56	1.80	2.38	2.24			3.34	1.77	1.27	2.46
Bids submitted (no.s)	66	100			135	45	78	151			152	47	71	72
Bids accepted (no.s)	28	35			92	30	37	87			45	24	59	28
Amount of bids submitted at subscription (HUF million)			80.89	29.5					127.04	12.18				
Announced lower price limit (in % of par value)	100.00	94.58			96.92	91.43	99.80	95.36			96.19	90.00	99.80	94.63
Net selling price at subscription (in % of par value)			98.28	101.00					98.08	93.84				
Tail (average selling price - minimum selling price)	0.05	0.25			0.21	0.36	0.13	0.15			0.10	0.35	0.18	0.17
Market sales* (HUF million)	4,000.00	6,000.00	80.89	29.50	25,000.00	5,000.00	5,000.00	10,000.00	127.04	12.18	10,000.00	5,000.00	5,000.00	5,000.00
Retained on GDMA account (HUF million)	400.00	600.00	19.11	20.50	2,500.00	500.00	500.00	1,000.00	22.96	37.82	1,000.00	500.00	500.00	500.00
Total Issue Amount (HUF million)	4,400.00	6,600.00	100.00	50.00	27,500.00	5,500.00	5,500.00	11,000.00	150.00	50.00	11,000.00	5,500.00	5,500.00	5,500.00

* Without GDMA purchase

** Assuming reinvestment of interest proceeds at the same rate of interest

2.3.2. Sales of Government Bonds by Selling Methods

HUF Billion

	public offer	private placement	Total
1982	-	8.00	8.00
1983	-	1.40	1.40
1984	-	1.50	1.50
1985	-	-	-
1986	-	5.00	5.00
1987	-	9.00	9.00
1988	-	-	-
1989	-	19.10	19.10
1990	-	-	-
1991	15.00	-	15.00
1992	87.02	173.18	260.20
1993	138.05	340.31	478.36
1994	178.00	150.15	328.15
1995	201.07	159.69	360.76
1996	301.44	429.10	730.54
1997	545.23	-	545.23
Total	1,465.81	1,296.43	2,762.24

2.3.3. Primary Sales and Redemptions by Type of Securities in 1997

HUF Billion

	January-December		
	Sales	Redemption	Changes in Stock
Government Bonds*	551.19	343.77	207.42
Interest Bearing T-Bills	154.49	89.49	65.00
Private Investors Bills	0.00	1.46	-1.46
Savings Bills	96.20	41.44	54.76
Discount T-Bills**	1100.21	1036.39	63.82
Total	1902.09	1512.55	389.53

2.3.4. Sales of Government Bonds by Financing Targets

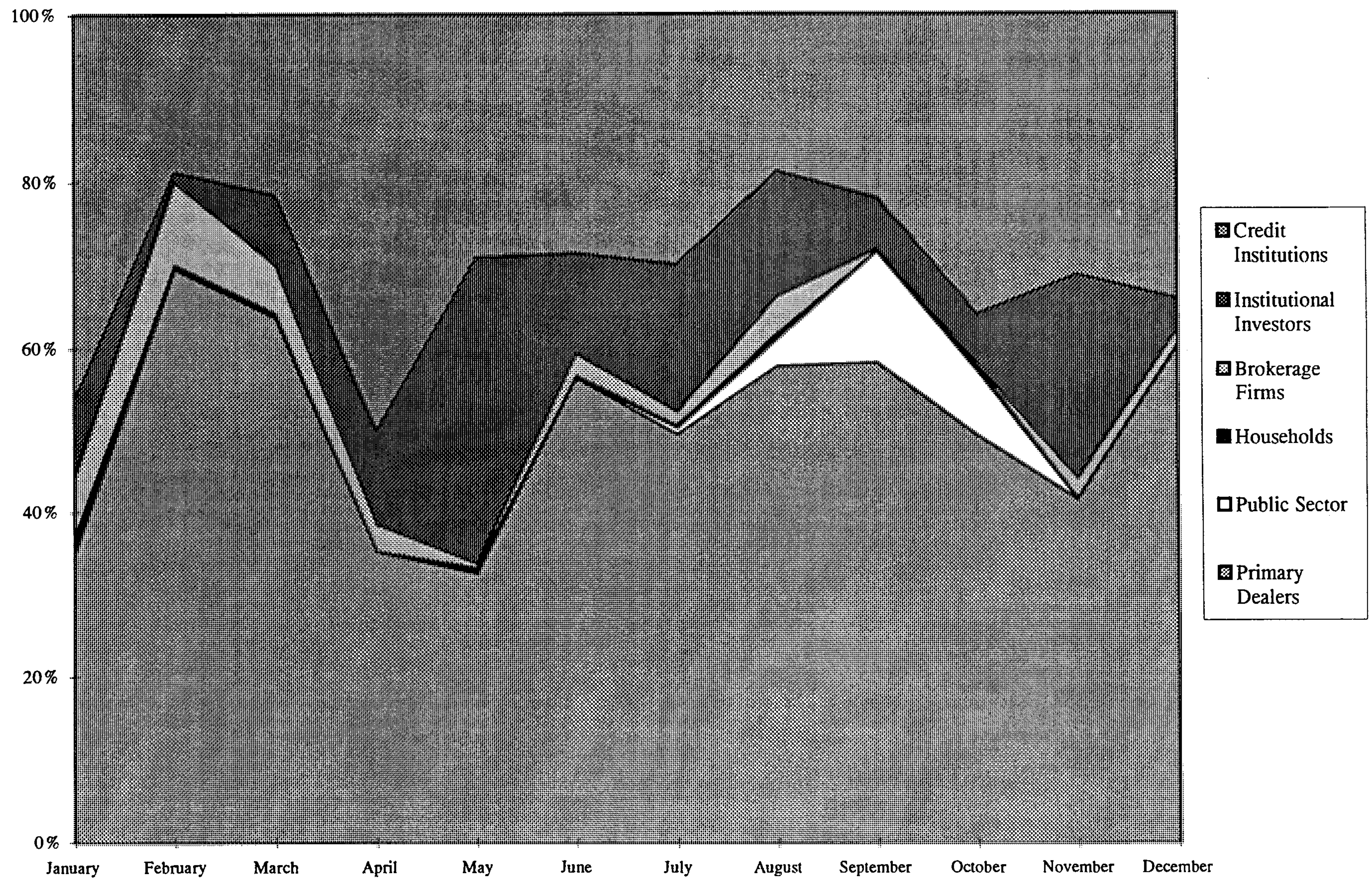
HUF Billion

	1991	1992	1993	1994	1995	1996	1997
Bonds financing the budget deficit	15.00	125.04	173.71	212.32	265.63	304.44	545.23
Due to housing		86.86		0.01			
Due to consolidation (bail-out)			285.64	47.76	18.70	9.00	
Due to buying SUR claims		48.30					
Securitisation of non-interest bearing debt				59.10	72.00	417.10	
Due to deficit of the Social Security Funds in 1992				5.46	5.98		
Universitas loans			3.01	3.00			
Due to allotment of registered cap. to fin. inst.							
Other purposes total		135.16	288.65	115.33	96.68	426.10	
Due to deficit of the Social Security Funds in 1993			16.00	0.50			
Total*	15.00	260.20	478.36	328.15	362.31	730.54	545.23

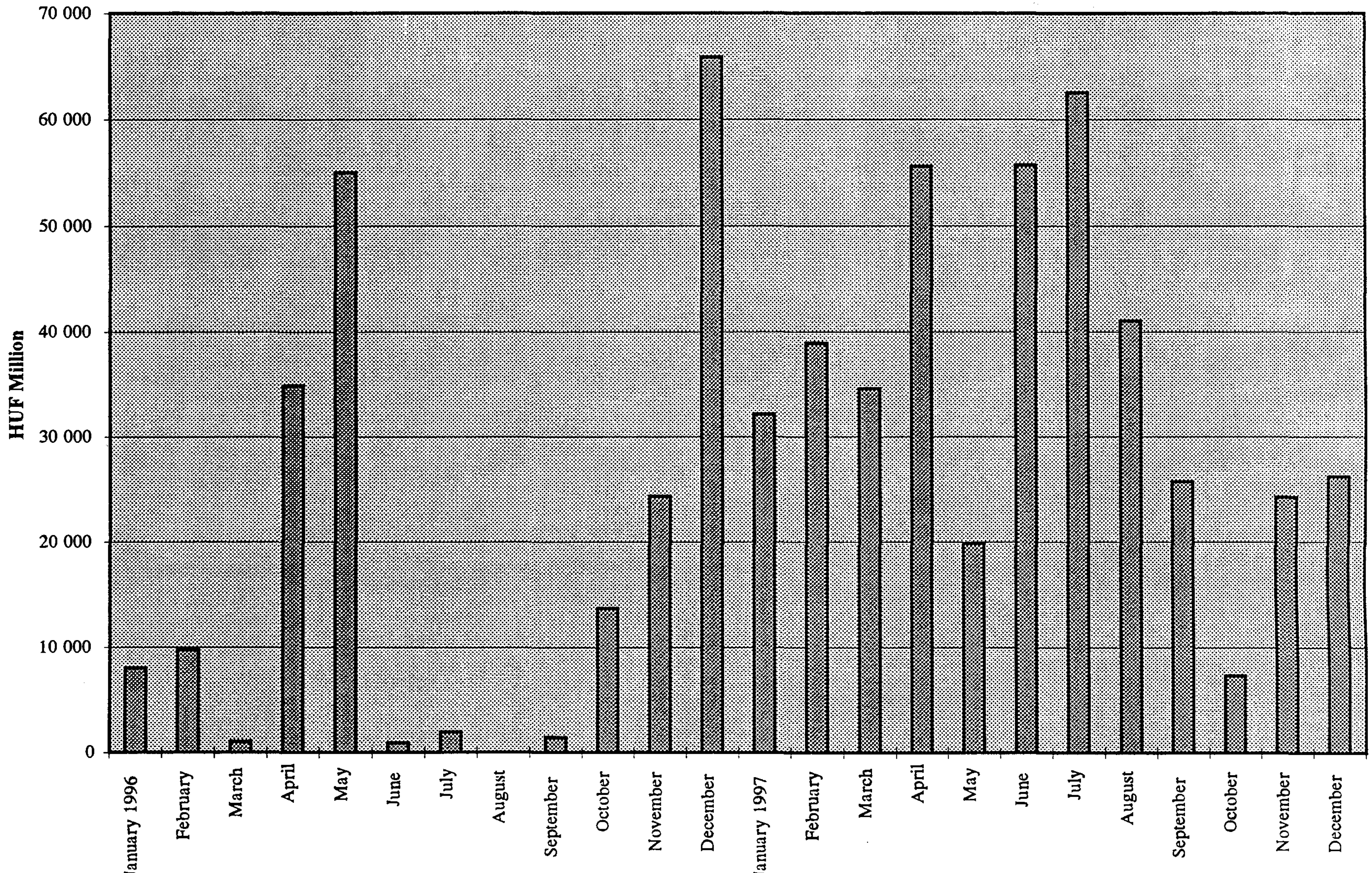
* Government bonds sales including capitalization of accrued interest for certain bonds (5.96) in 1997

** At purchase price

Graph.no. 2.3.1. Ownership Structure of Budget Deficit Financing Government Bonds After Auctions and Subscriptions in 1997



Graph.no. 2.3.2 Maturities of Government Bonds in January 1996-December 1997 (at face value)

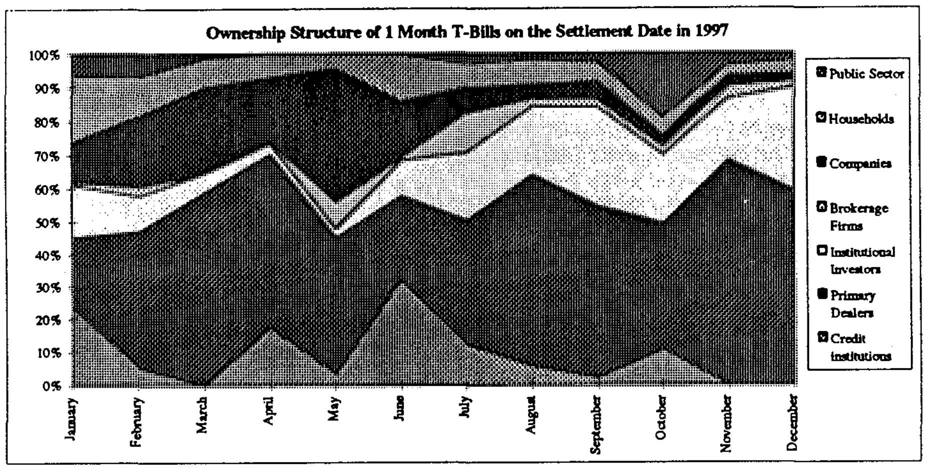


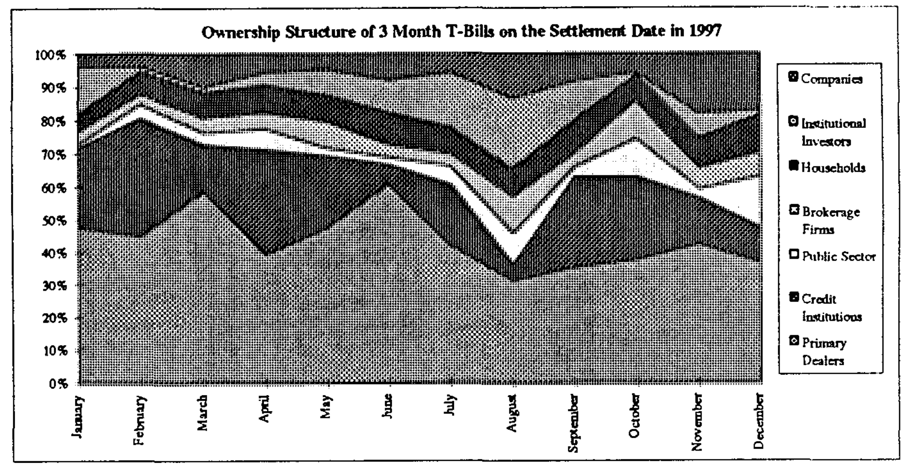
2.4. Treasury Bill Issues

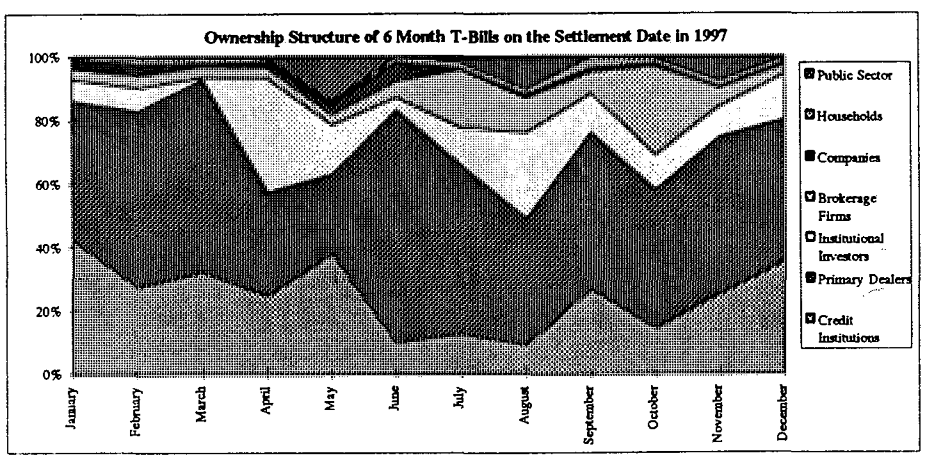
2.4.1. Summary Figures on Discount T-Bill Auctionsin 1997

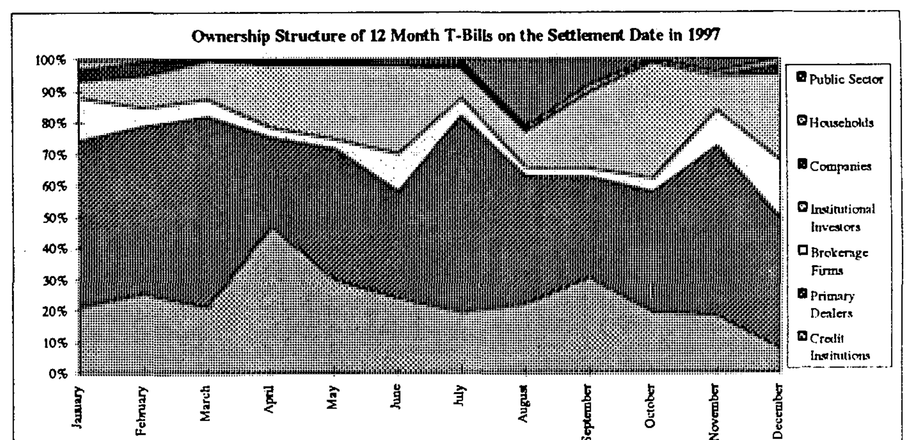
	One month discount T-bill 01.01.97.-31.12.97.	Three month discount T-bill 01.01.97.-31.12.97.	Six month discount T-bill 01.01.97.-30.09.97.	Twelve month discount T-bill 01.01.97.-31.12.97.
Offered for sale (HUF Million)	52,000.00	260,000.00	408,000.00	428,000.00
Amount of bids submitted (HUF Million)	153,464.22	639,072.04	822,851.14	947,607.44
Amount of bids accepted (HUF Million)	51,943.64	260,000.00	413,999.98	437,750.00
Cover	2.95	2.46	1.99	2.16
Amount of issue (HUF Million)	52,000.00	260,000.00	458,000.00	536,500.00
Bids submitted (n.o.)	1882	5685	4271	4280
Bids accepted (n.o.)	1071	3070	2618	2299

Graph.no. 2.4.1 Summary Figures on Discount T-Bill Auctions in 1997



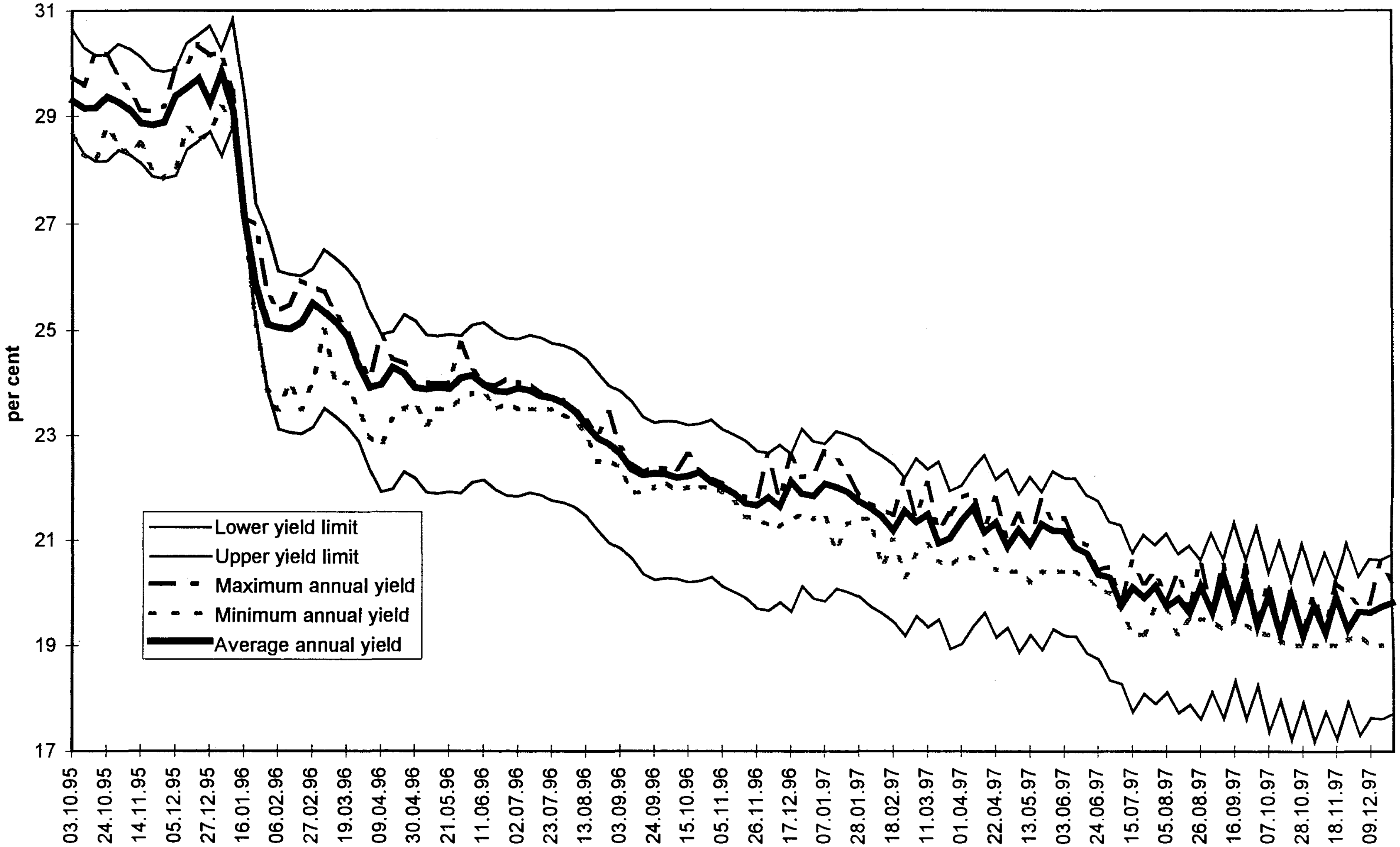




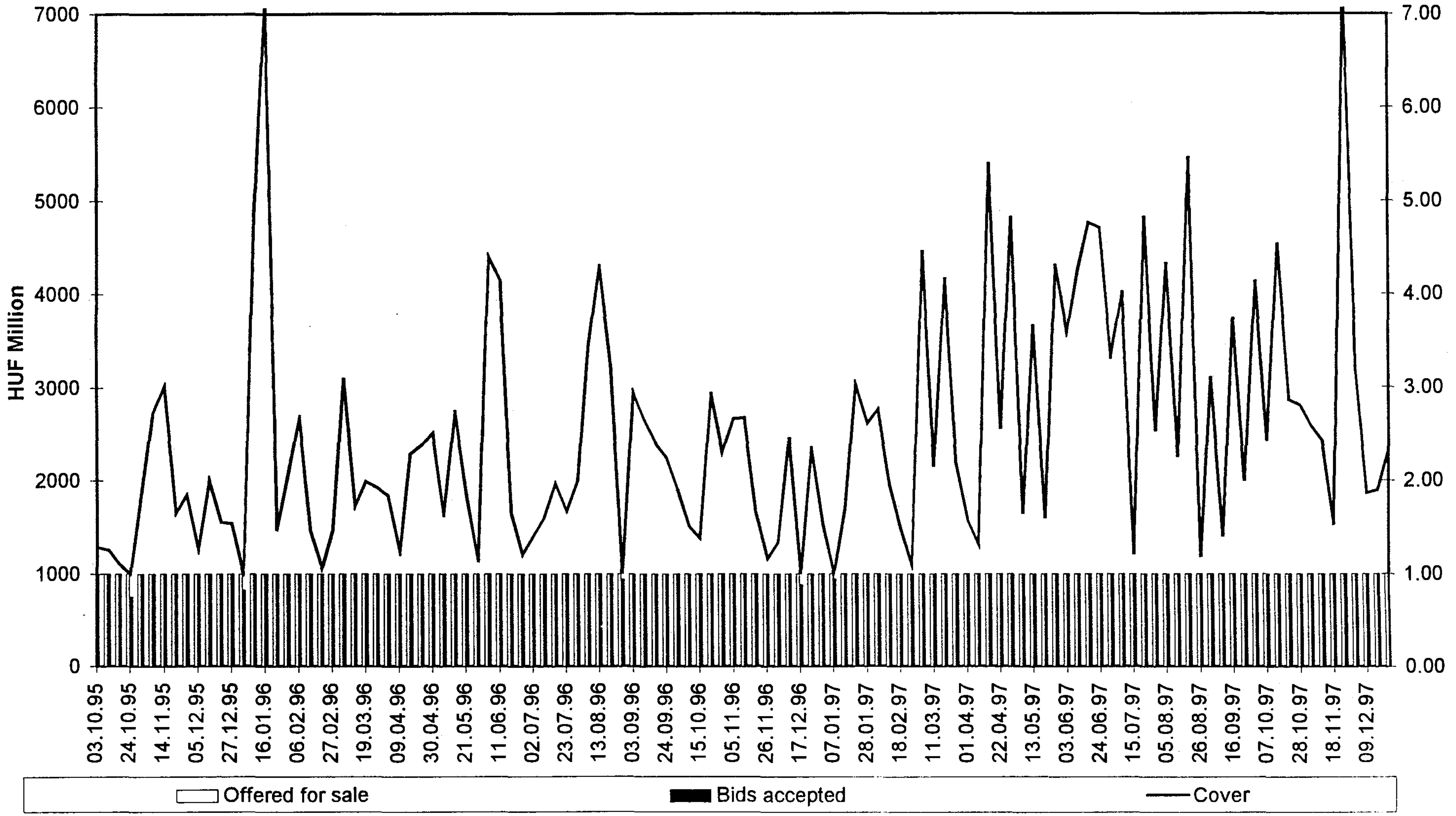


2.4.2 Data on Amount and Yields in the Discount T-Bill Auctions

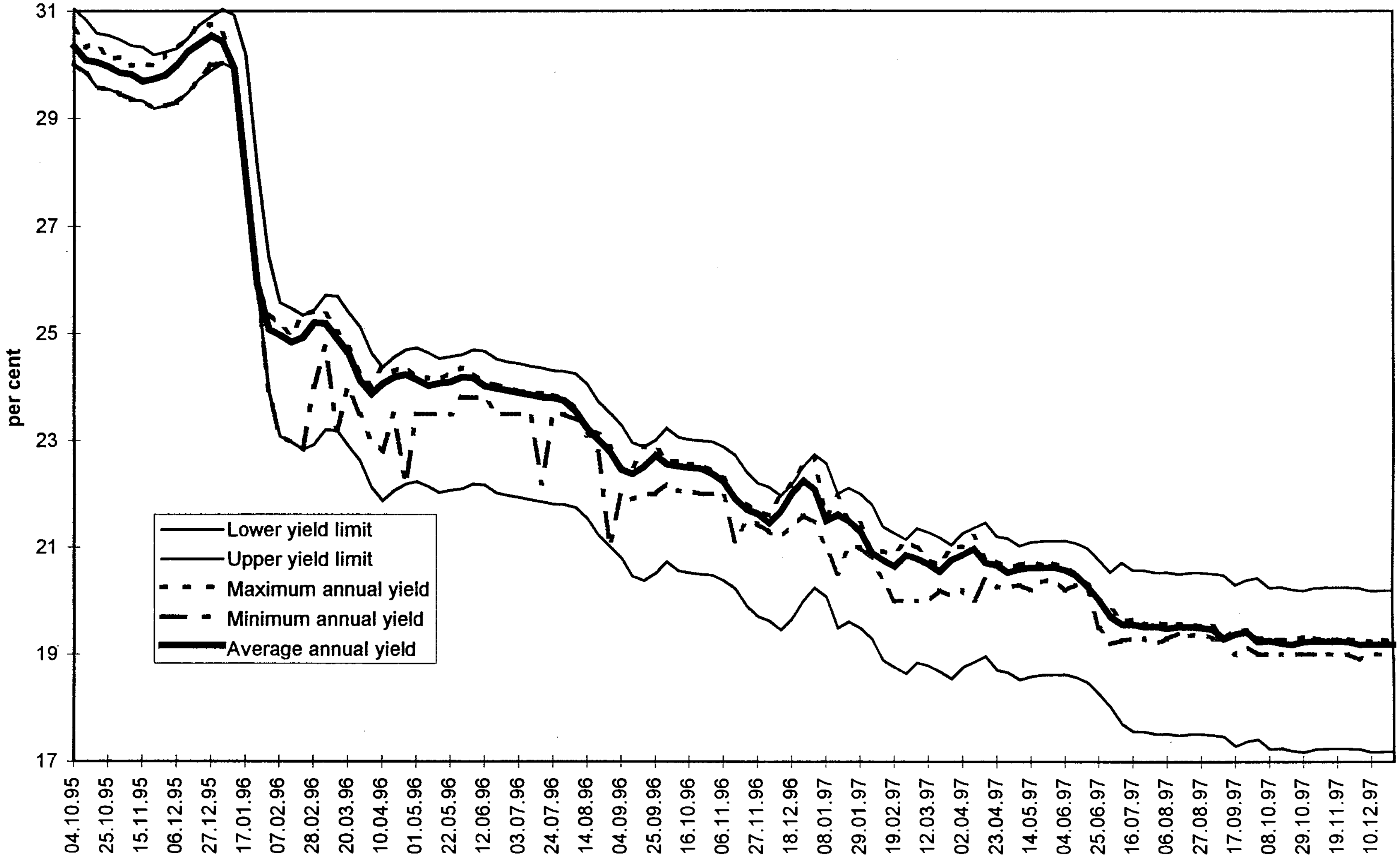
Graph.no. 2.4.2.1 Yields at Auctions of T-Bills with 1 Month Residual Maturity



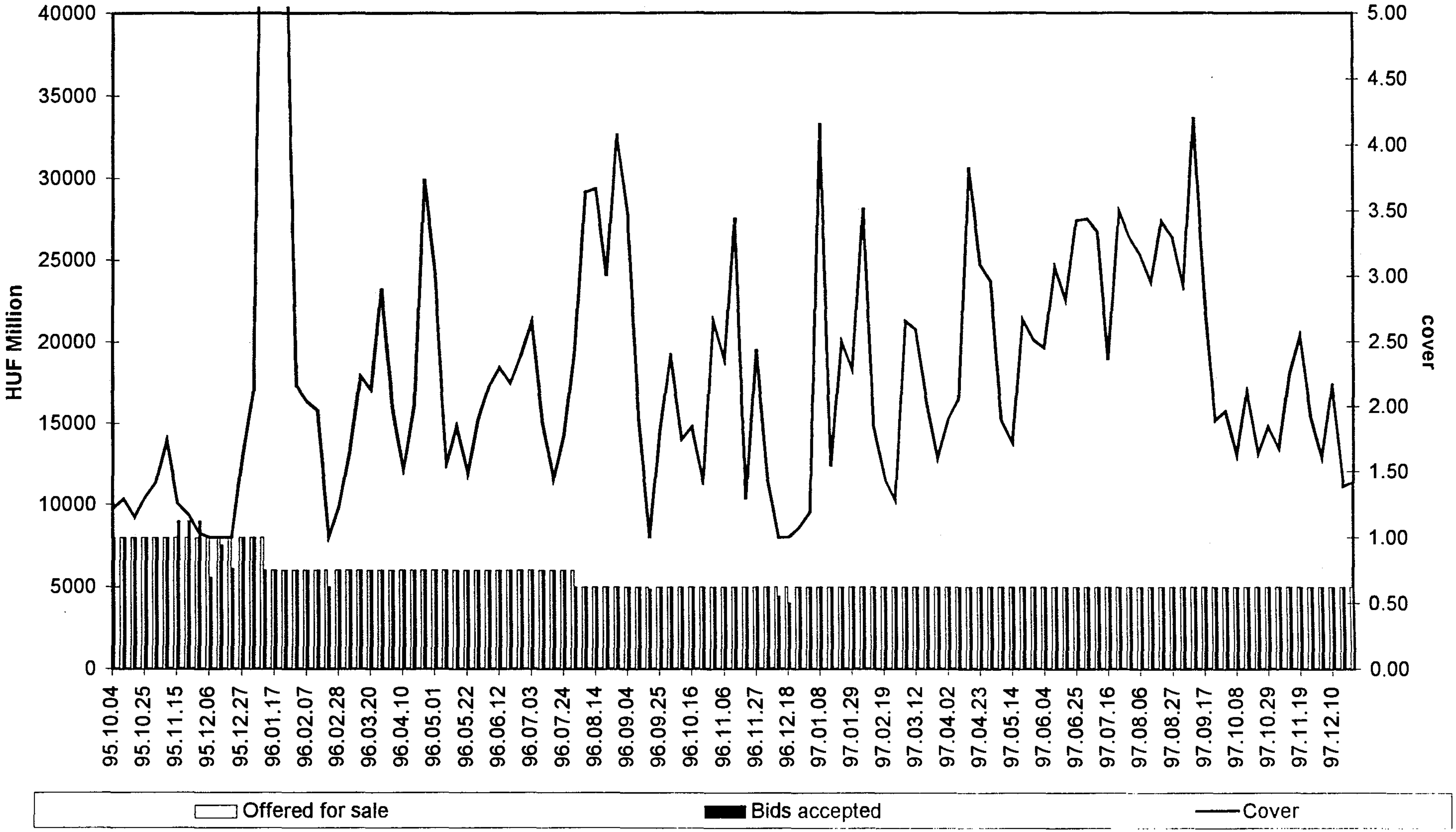
Graph.no. 2.4.2.2Volume Data at Auctions of T-Bills with 1 Month Residual Maturity



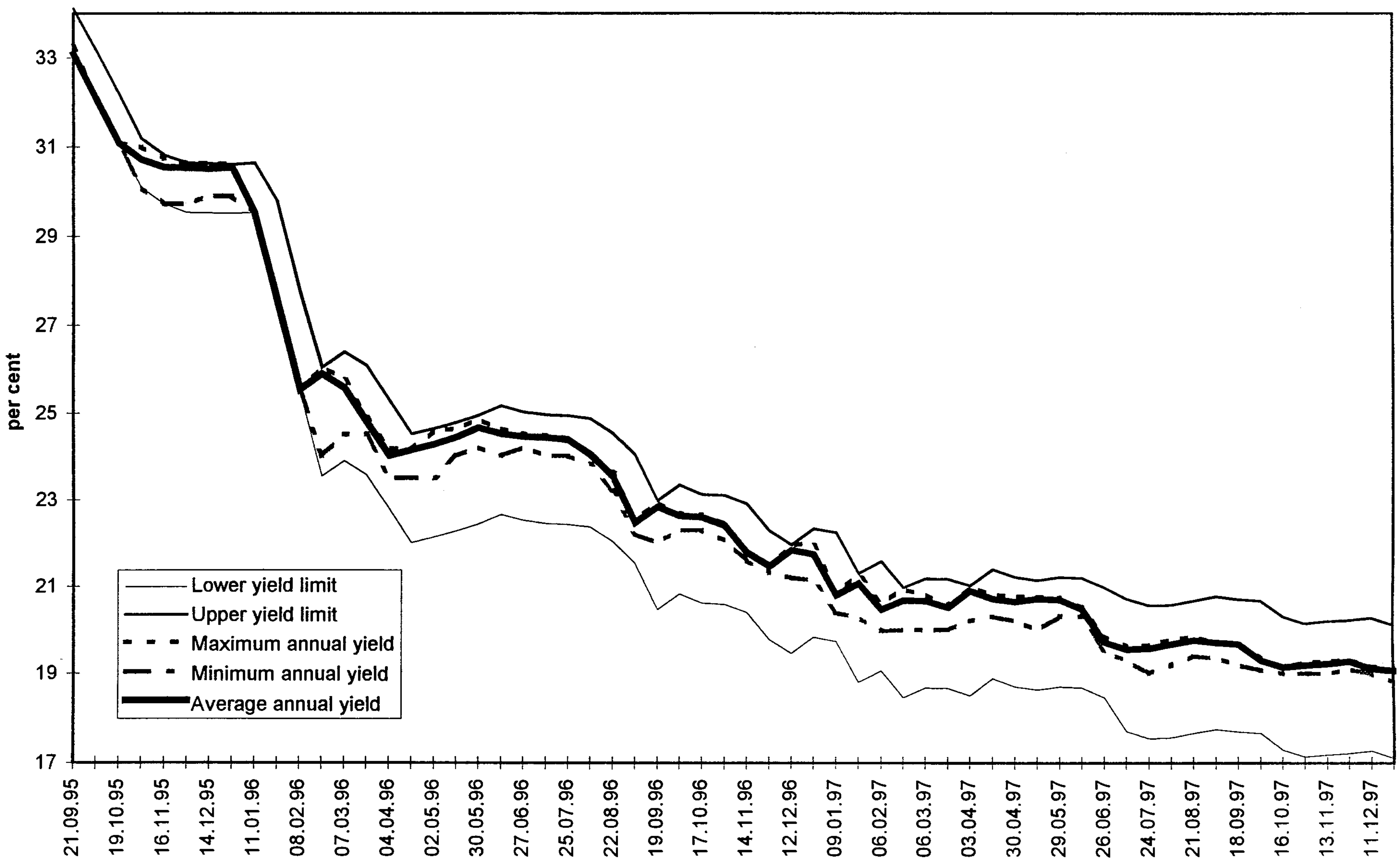
Graph.no. 2.4.2.3 Yields at Auctions of T-Bills with Residual Maturity



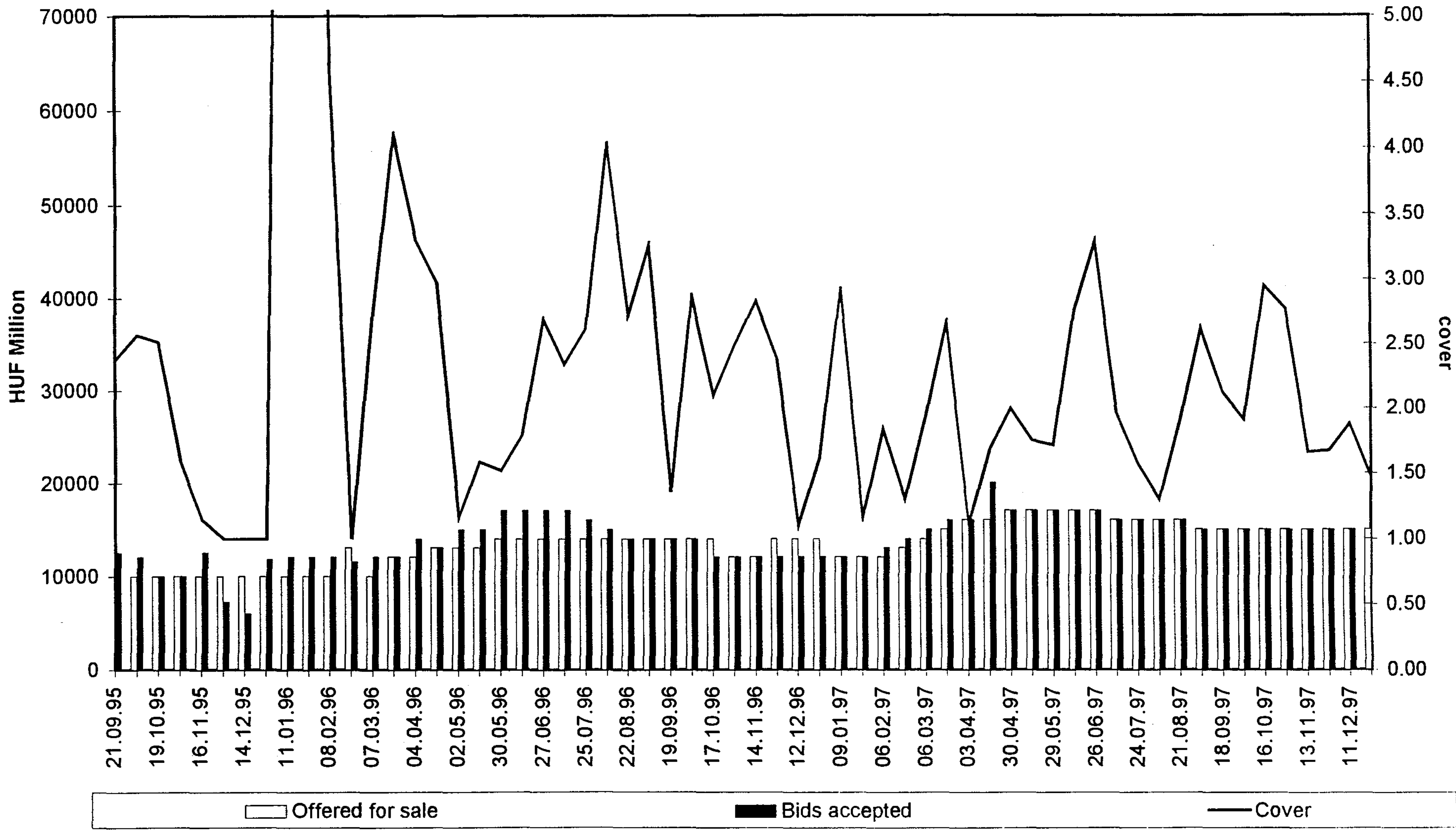
Graph.no. 2.4.2.4 Volume Data at Auctions of T-Bills with 3 Month Residual Maturity



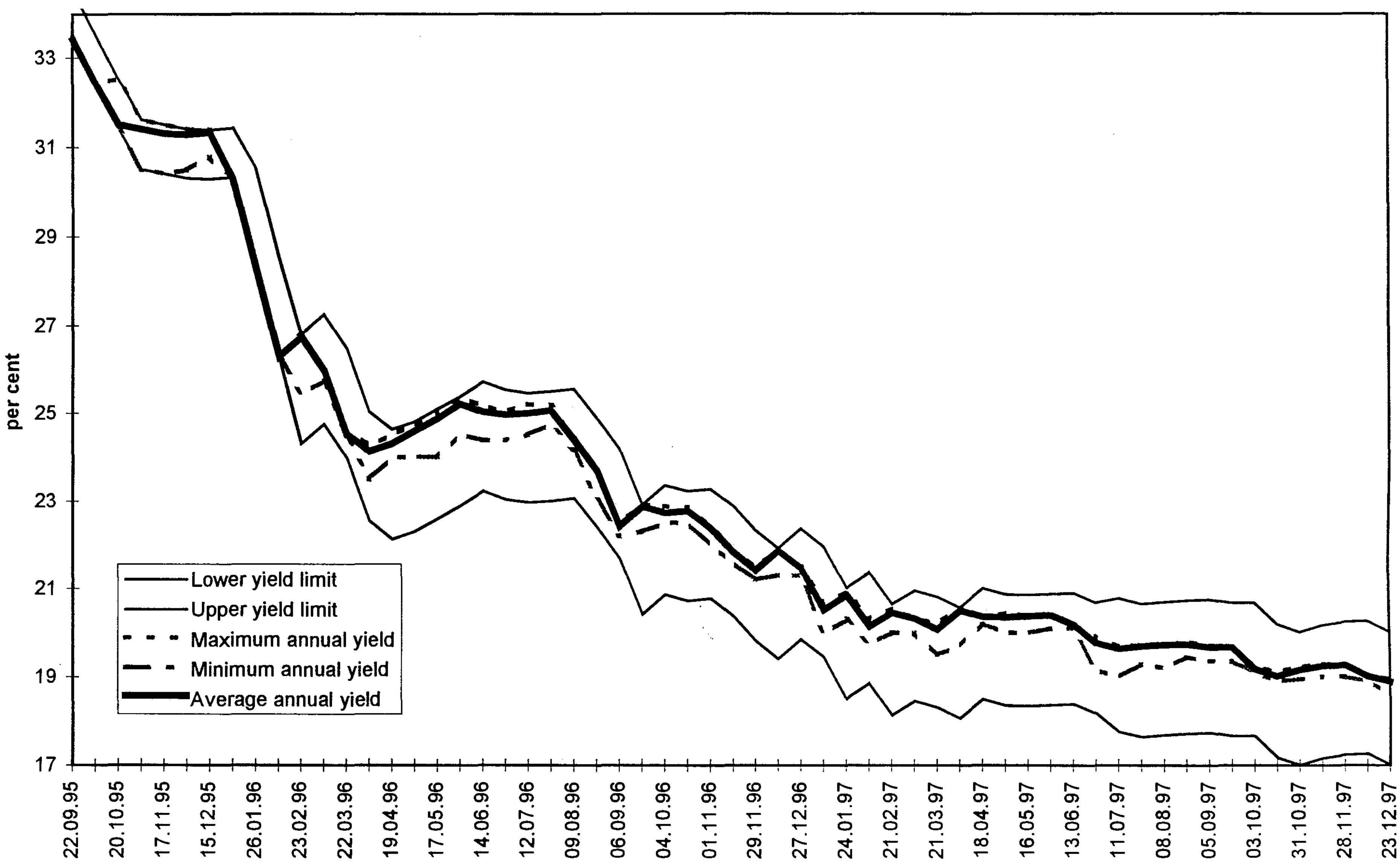
Graph.no. 2.4.2.5 Yields at Auctions of T-Bills with 6 Month Residual Maturity



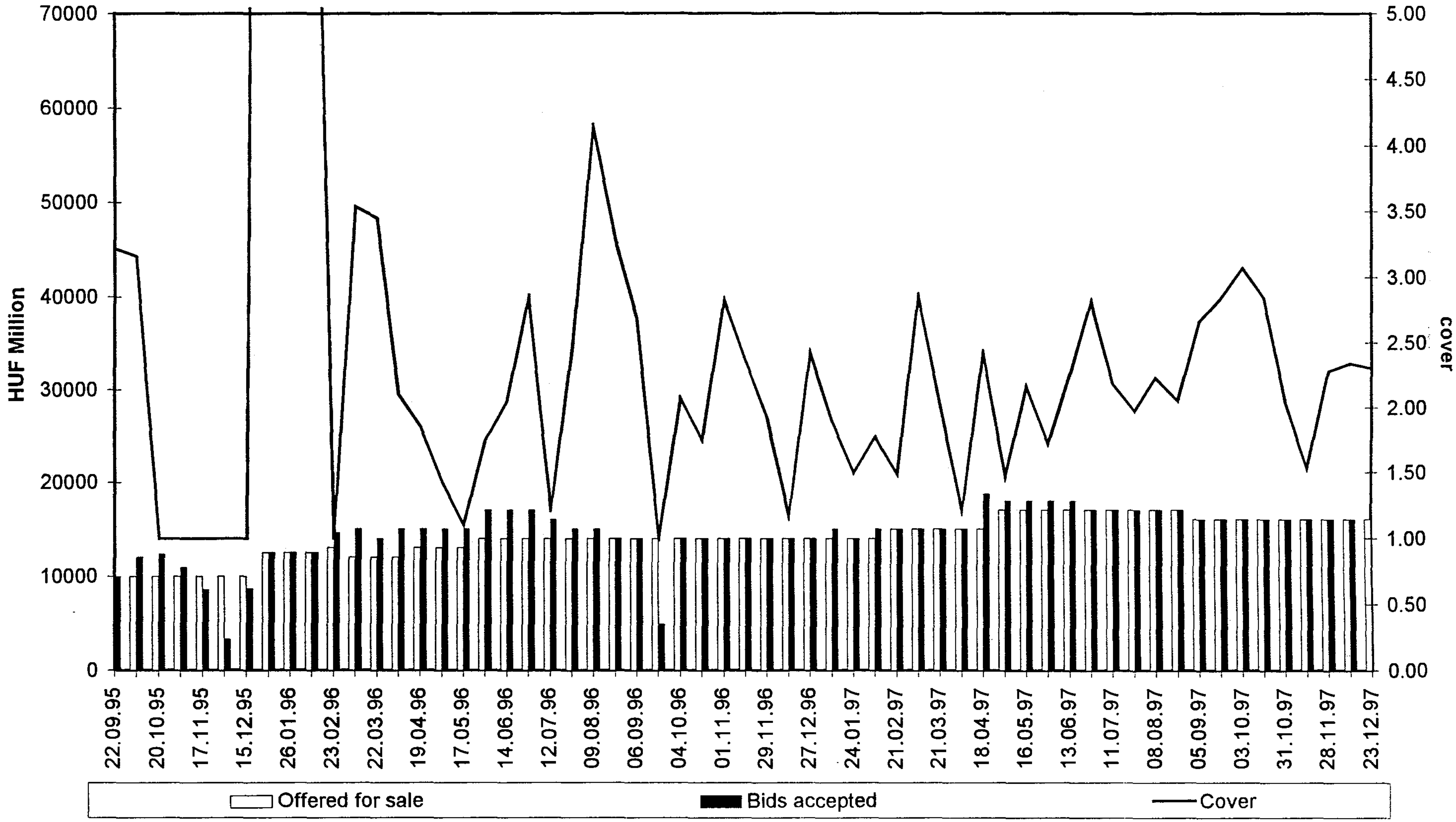
Graph.no. 2.4.2.6 Volume Data at Auctions of T-Bills with 6 Month Residual Maturity



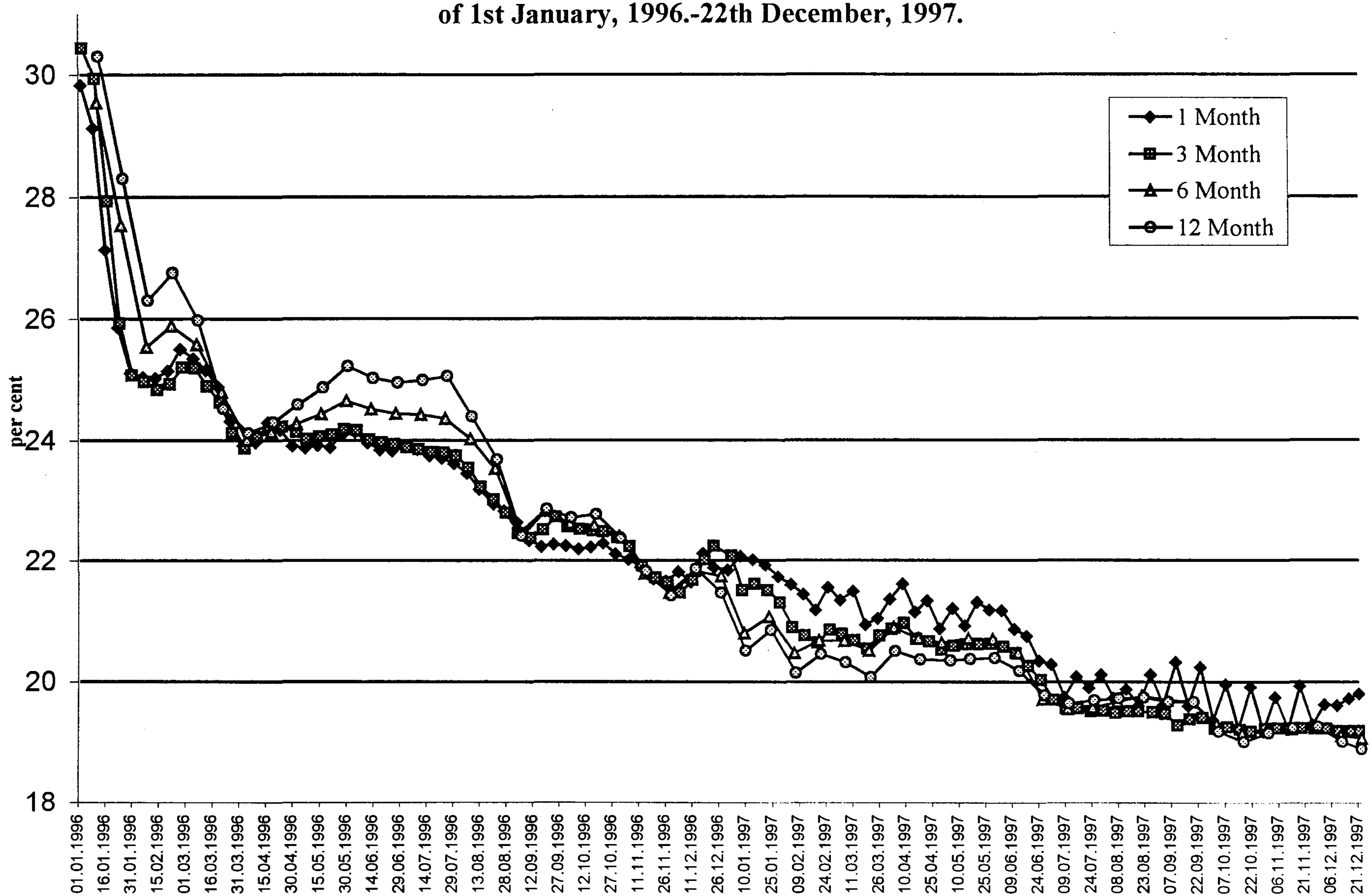
Graph.no. 2.4.2.7 Yields at Auctions of T-Bills with 12 Month Residual Maturity



Graph.no. 2.4.2.8 Volume Data at Auctions of T-Bills with 12 Month Residual Maturity

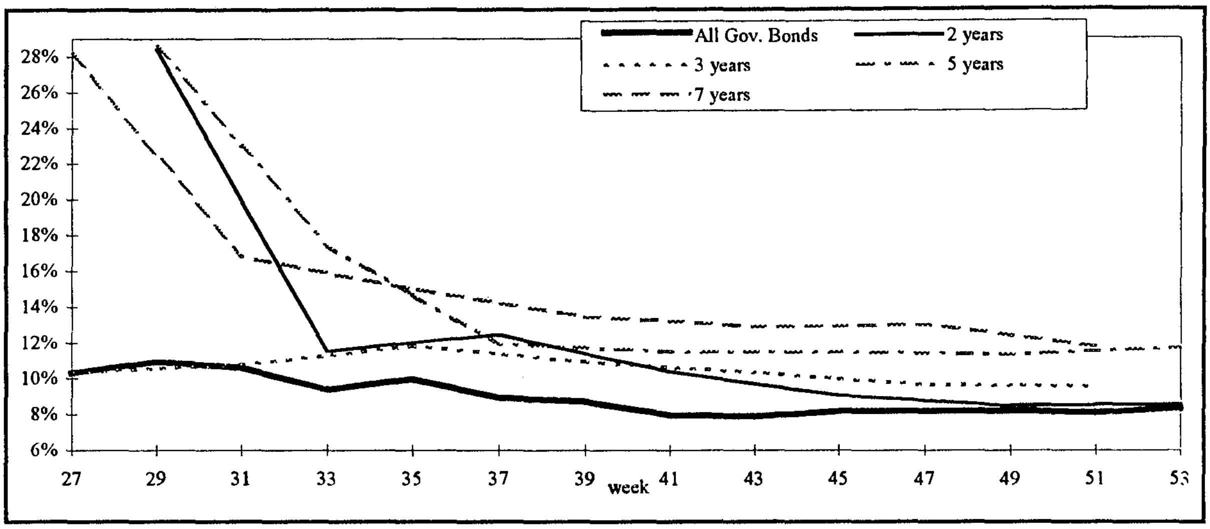


Graph.no. 2.4.2.9 Average Yields on Auctions of 1,3,6 and 12 Month T-Bills in the Period of 1st January, 1996.-22th December, 1997.

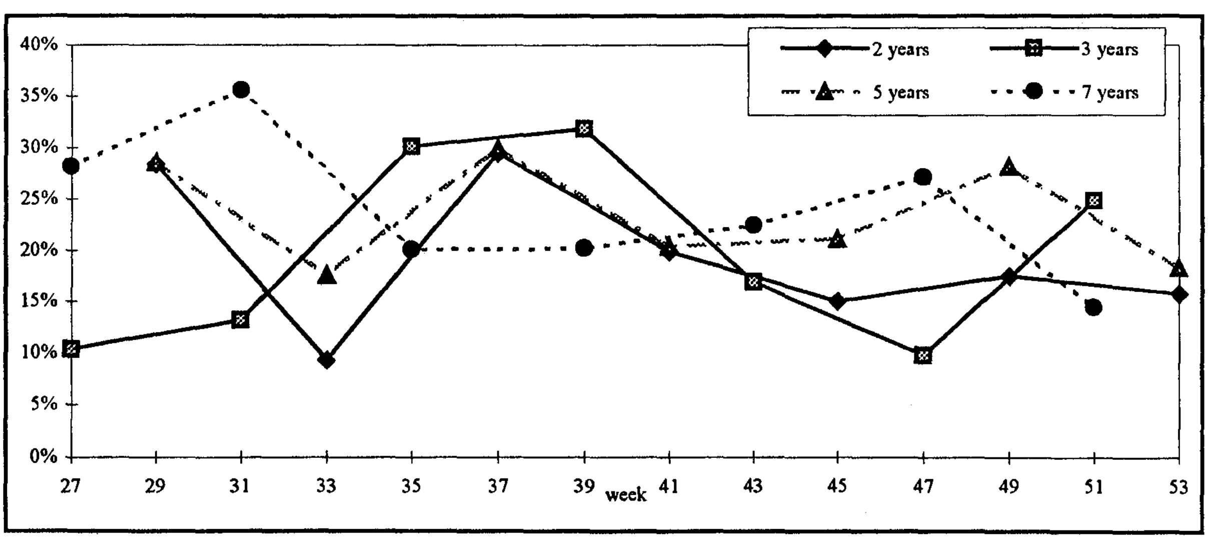


2.5 Concentration of Government Securities' auctions (Second Half, 1997)

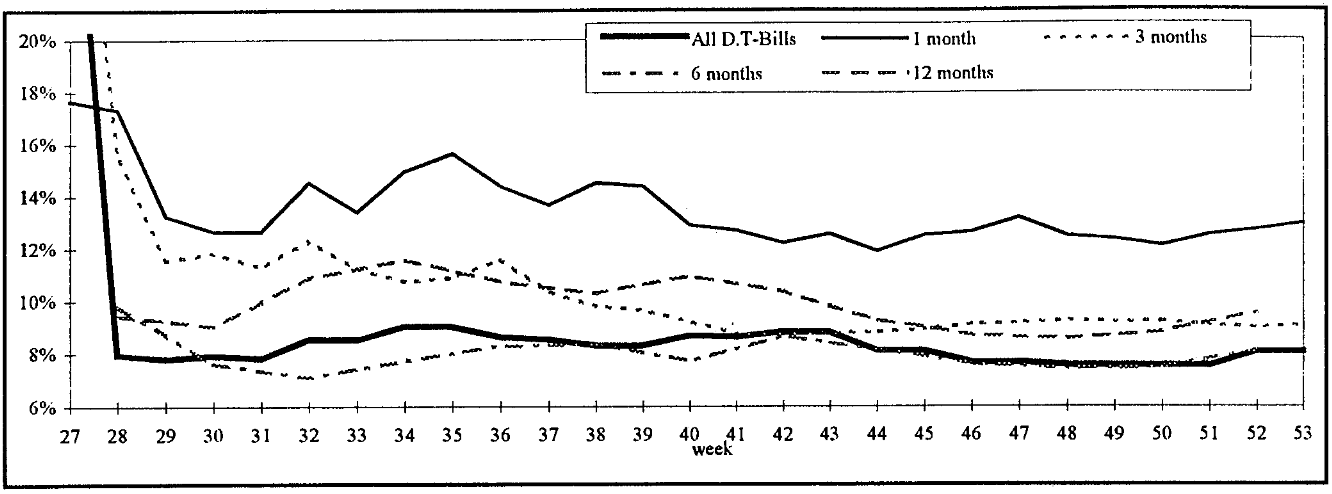
Graph.No. 2.5.1 Cumulated Concentration at the Government Bonds' Auctions



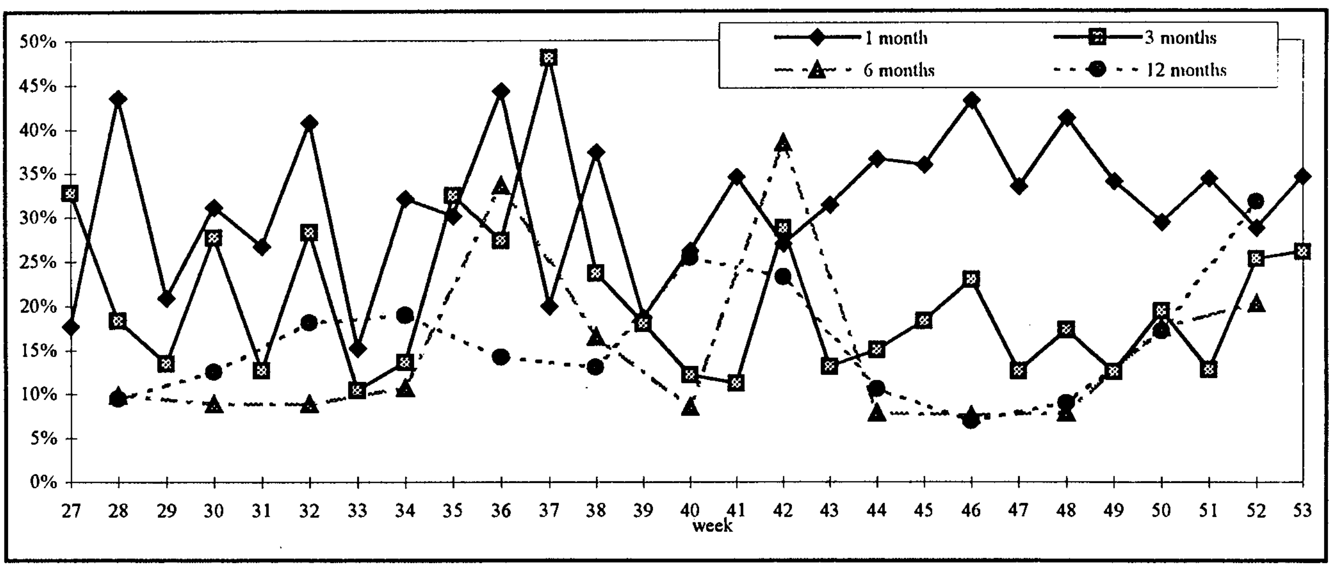
Graph.No. 2.5.2 Concentrations of the Different Government Bond Auctions



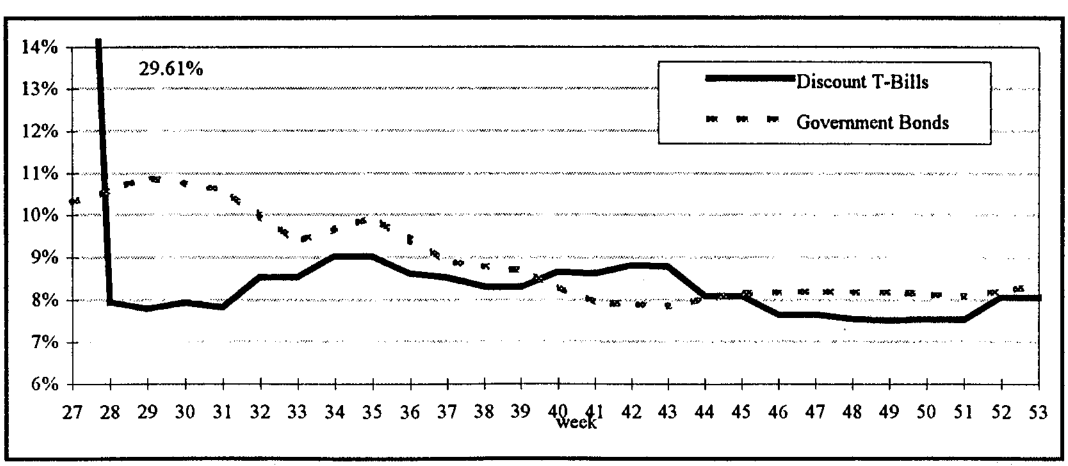
Graph.No. 2.5.3 Cumulated Concentration at the Discount T-Bills' Auctions



Graph.No. 2.5.4 Concentrations of the Different Discount T-Bill Auctions



Graph.No. 2.5.5 Cumulated Concentration of the Two Groups of Government Securities



3. Gross Debt

3.1. The Central Government Gross Debt and Interest Payments

	current price, HUF Billion										
	1990	1991	1992	1993	1994	1995	1996	March 1997.	June 1997.	Sept. 1997.	Dec.1997.
Debt											
1. Deficit financing debt	**465.8**	**578.5**	**796.2**	**1,012.9**	**1,215.3**	**1,413.8**	**1,788.1**	**1,899.8**	**2,032.7**	**2147.88**	**2200.38**
1.1. Loans	442.6	492.3	489.4	472.7	434.9	422.7	377.6	367.0	355.7	345.06	274.97
1.2. T-Bills	10.2	60.0	157.3	220.7	315.1	417.0	684.4	724.2	779.9	857.49	898.83
1.3. Bonds	13.0	26.2	149.5	319.5	465.2	574.1	726.0	808.6	897.1	945.33	1026.58
2. Others	**363.8**	**374.8**	**486.1**	**749.8**	**859.8**	**976.5**	**1,291.1**	**1,095.6**	**1,032.7**	**990.47**	**961.70**
2.1. Loans	333.8	344.8	326.2	307.1	306.9	346.1	253.8	253.5	238.1	232.10	227.58
2.2. Bonds	30.0	30.0	159.9	442.7	552.8	630.4	1,037.3	842.1	794.7	758.37	734.12
I. Gross domestic interest-bearing debt of the central government (1+2)	**829.6**	**953.3**	**1,282.3**	**1,762.8**	**2,075.0**	**2,390.3**	**3,079.1**	**2,995.4**	**3,065.4**	**3,138.4**	**3162.08**
II.Gross external debt of the central government	**37.4**	**118.8**	**133.9**	**202.7**	**236.5**	**319.9**	**289.9**	**278.2**	**291.2**	**328.45**	**315.83**
III. Non-interest bearing debt held by Central Bank due to exchange rate losses	**519.2**	**777.9**	**888.9**	**1,182.0**	**1,440.1**	**2,023.3**	**1,563.3**				
IV.Forex debt taken over by central government in the result of debt swap transaction with NBH								**1,787.0**	**1,844.0**	**1907.06**	**1893.92**
Gross debt of the central government (I.+II+III.+IV.)	**1,386.2**	**1,850.0**	**2,305.1**	**3,147.4**	**3,751.6**	**4,733.5**	**4,932.3**	**5,060.5**	**5,200.6**	**5373.86**	**5,371.83**
Interest payments											
1. Interest paid on deficit financing debt	**36.1**	**54.5**	**89.3**	**106.9**	**167.6**	**278.0**	**336.7**	**99.0**	**96.2**	**100.1**	**106.8**
1.1. Loans	31.6	47.0	51.5	47.0	49.1	49.8	41.9	6.5	12.9	9.4	8.6
1.2. T-Bills	2.9	5.8	27.3	31.8	56.1	103.0	117.8	42.6	38.3	37.5	44.5
1.3. Bonds	1.6	1.7	10.6	28.1	62.5	125.1	177.1	49.9	45.0	53.2	53.7
2. Others	**19.9**	**33.8**	**62.8**	**48.4**	**115.6**	**199.4**	**200.7**	**109.8**	**52.6**	**33.4**	**39.6**
2.1. Loans	19.0	32.9	30.3	26.2	27.9	29.0	28.4	4.3	7.1	5.1	4.9
2.2. Bonds	0.9	0.9	32.5	22.2	87.7	170.5	172.3	105.5	45.5	28.3	34.7
3. Interest payments on forex debt taken over by central government in the result of debt swap transaction with NBH								52.8	25.9	46.2	39.7
Interest payments on the gross debt of the central government (1+2+3)	**56.0**	**88.3**	**152.2**	**155.3**	**283.3**	**477.4**	**537.4**	**261.6**	**174.8**	**179.7**	**186.0**

	in per cent of GDP							
	1990	1991	1992	1993	1994	1995	1996	1997
Debt								
1. Deficit financing debt	**22.3**	**23.3**	**27.2**	**28.6**	**27.9**	**25.2**	**26.1**	**26.3**
1.1. Loans	21.2	19.8	16.7	13.4	10.0	7.5	5.5	3.3
1.2. T-Bills	0.5	2.4	5.4	6.2	7.2	7.4	10.0	10.7
1.3. Bonds	0.6	1.1	5.1	9.0	10.7	10.2	10.6	12.3
2. Others	**17.4**	**15.0**	**16.5**	**21.2**	**19.8**	**17.4**	**18.9**	**11.5**
2.1. Loans	16.0	13.8	11.1	8.7	7.1	6.2	3.7	2.7
2.2. Bonds	1.4	1.2	5.4	12.5	12.7	11.2	15.2	8.8
I. Gross domestic interest-bearing debt of the central government (1+2)	**39.7**	**38.3**	**43.7**	**49.8**	**47.7**	**42.6**	**45.0**	**37.8**
II.Gross external debt of the central government	**1.8**	**4.8**	**4.6**	**5.7**	**5.4**	**5.7**	**4.2**	**3.8**
III. Non-interest bearing debt held by Central Bank due to exchange rate losses	**24.9**	**31.2**	**30.3**	**33.4**	**33.1**	**36.0**	**22.8**	
IV.Forex debt taken over by central government in the result of debt swap transaction with NBH								**22.6**
Gross debt of the central government (I.+II+III.+IV.)	**66.4**	**74.3**	**78.6**	**89.0**	**86.2**	**84.3**	**72.1**	**64.2**
Interest payments								
1. Interest paid on deficit financing debt	**1.7**	**2.2**	**3.1**	**3.0**	**3.9**	**5.0**	**5.1**	**4.8**
1.1. Loans	1.5	1.9	1.8	1.3	1.1	0.9	0.6	0.4
1.2. T-Bills	0.1	0.2	0.9	0.9	1.3	1.8	1.8	1.9
1.3. Bonds	0.1	0.1	0.4	0.8	1.4	2.2	2.7	2.4
2. Others	**0.9**	**1.3**	**2.1**	**1.4**	**2.7**	**3.6**	**3.0**	**2.8**
2.1. Loans	0.9	1.3	1.0	0.7	0.6	0.5	0.4	0.3
2.2. Bonds	0.0	0.0	1.1	0.6	2.0	3.0	2.5	2.6
3. Interest payments on forex debt taken over by central government in the result of debt swap transaction with NBH								**2.0**
Interest payments on the gross debt of the central government (1+2+3)	**2.6**	**3.5**	**5.2**	**4.4**	**6.5**	**8.5**	**8.1**	**9.6**

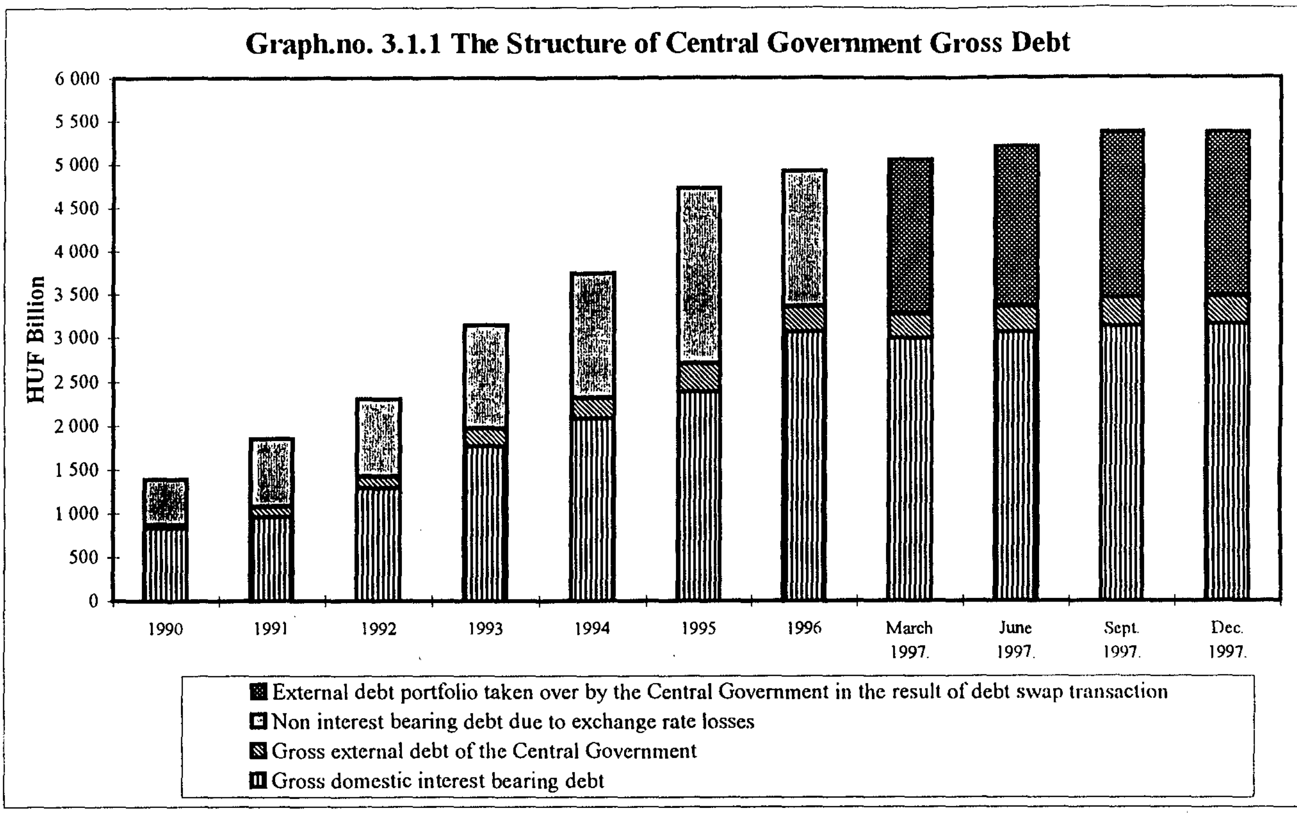
3.1. a. The Central Government Gross Debt

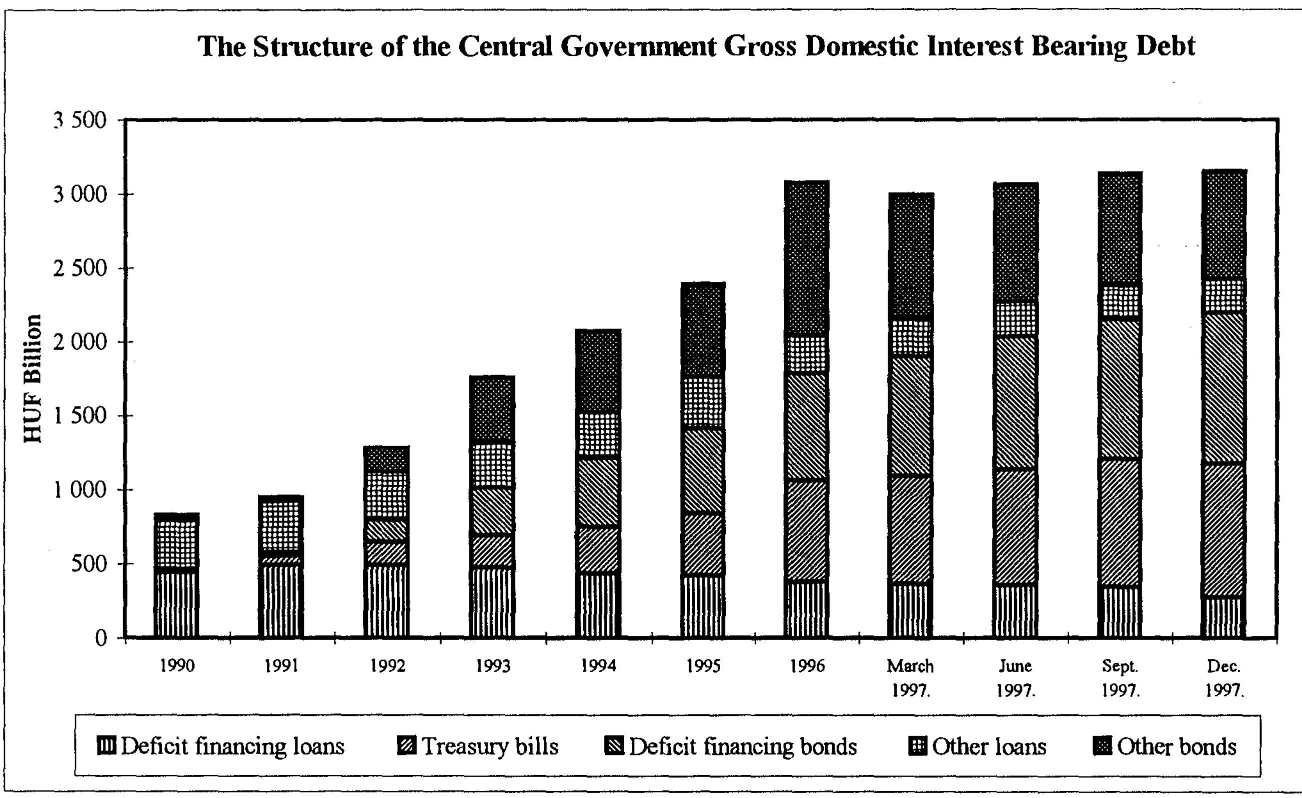
The Central Government Gross Debt

	current price, HUF Billion							
	1990	1991	1992	1993	1994	1995	1996	1997
Adósság								
1. Forint denominated	**1 348,73**	**1 731,20**	**2 171,19**	**2 944,77**	**3 499,09**	**4 377,40**	**4 630,37**	**3 144,91**
1.1. Loans	1 295,62	1 615,02	1 704,50	1 961,82	2 181,95	2 766,55	2 193,31	502,55
1.1.1. Raised from the market					8,49	28,49	19,00	
1.1.2. Raised from National Bank of Hungar	1 295,62	1 615,02	1 704,50	1 961,82	2 173,46	2 738,06	2 174,32	502,55
1.1.2.1. Interest bearing loans	776,42	837,12	815,60	779,82	733,40	714,76	611,01	502,55
1.1.2.2. Non-interest bearing loans	519,20	777,90	888,90	1 182,00	1 440,06	2 023,30	1 563,31	
1.2. Government securities	53,11	116,18	466,69	982,95	1 317,14	1 610,85	2 437,06	2 642,37
1.2.1. Public issues	10,20	75,00	297,33	535,46	769,75	993,59	1 422,87	1 923,60
1.2.1.1. Bonds		*15,00*	*140,02*	*314,74*	*454,61*	*576,61*	*738,47*	*1 024,77*
1.2.1.2. T-Bills	*10,20*	*60,00*	*122,70*	*179,12*	*236,02*	*339,74*	*560,66*	*658,89*
1.2.1.3. Retail securities			*34,60*	*41,60*	*79,11*	*77,24*	*123,75*	*239,94*
1.2.2. Private placements	*42,91*	*41,18*	*169,37*	*447,49*	*547,39*	617,26	1 014,18	718,77
2. Forex denominated	**37,40**	**118,80**	**133,90**	**202,68**	**252,52**	**356,10**	**301,95**	**2 226,91**
2.1. Loans	37,40	118,80	133,90	202,68	236,50	345,46	258,32	2 169,16
2.1.1. Direct foreign loans	37,40	118,80	133,90	202,68	236,50	319,89	256,91	275,24
2.1.1.1. Loans for reserves purposes	*39,70*	*109,40*	*116,20*	*141,90*	*166,30*	*152,30*	*107,40*	*112,75*
2.1.1.2. Bős-Nagymaros							*66,19*	*59,80*
2.1.1.3. Others	*-2,30*	*9,40*	*17,70*	*60,78*	*70,20*	*167,59*	*83,32*	*102,68*
2.1.2. Domestic						25,57	1,40	1 893,92
2.1.2.1. Taken over in 1997								*1 893,92*
2.1.2.2. Others						*25,57*	*1,40*	
2.2. Government securities					16,02	10,65	43,63	57,75
2.2.1. Issued abroad							32,99	40,59
2.2.2. Issued in the domestic market					16,02	10,65	10,65	17,16
Total	**1 386,13**	**1 850,00**	**2 305,09**	**3 147,45**	**3 751,60**	**4 733,50**	**4 932,32**	**5 371,82**
Memo item: **marketable HUF debt**								
(1.2.1.1.+1.2.1.2.+1.2.2.)	53,11	116,18	432,09	941,35	1 238,03	1 533,61	2 313,31	2 402,42

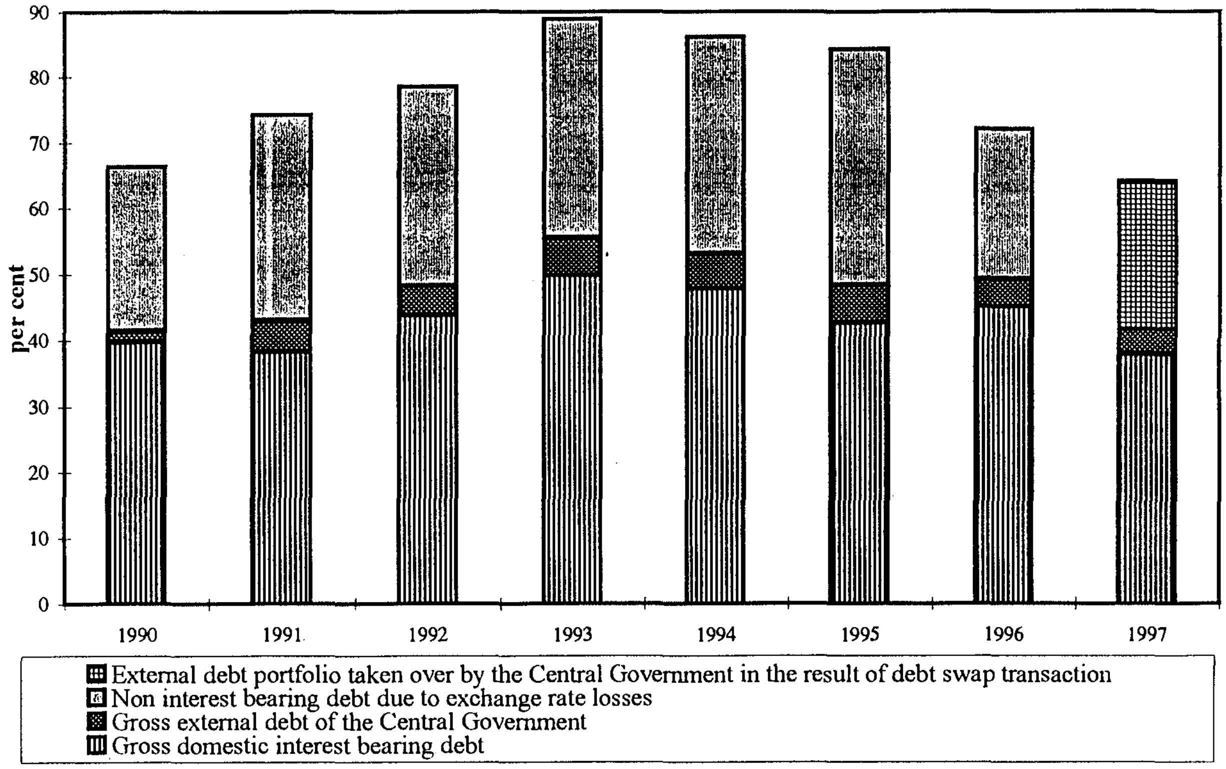
In line with international statistical conventions within forint denominated debt retail securities and loans are classified as non-marketable instruments.

3.1. Debt of the Central Government

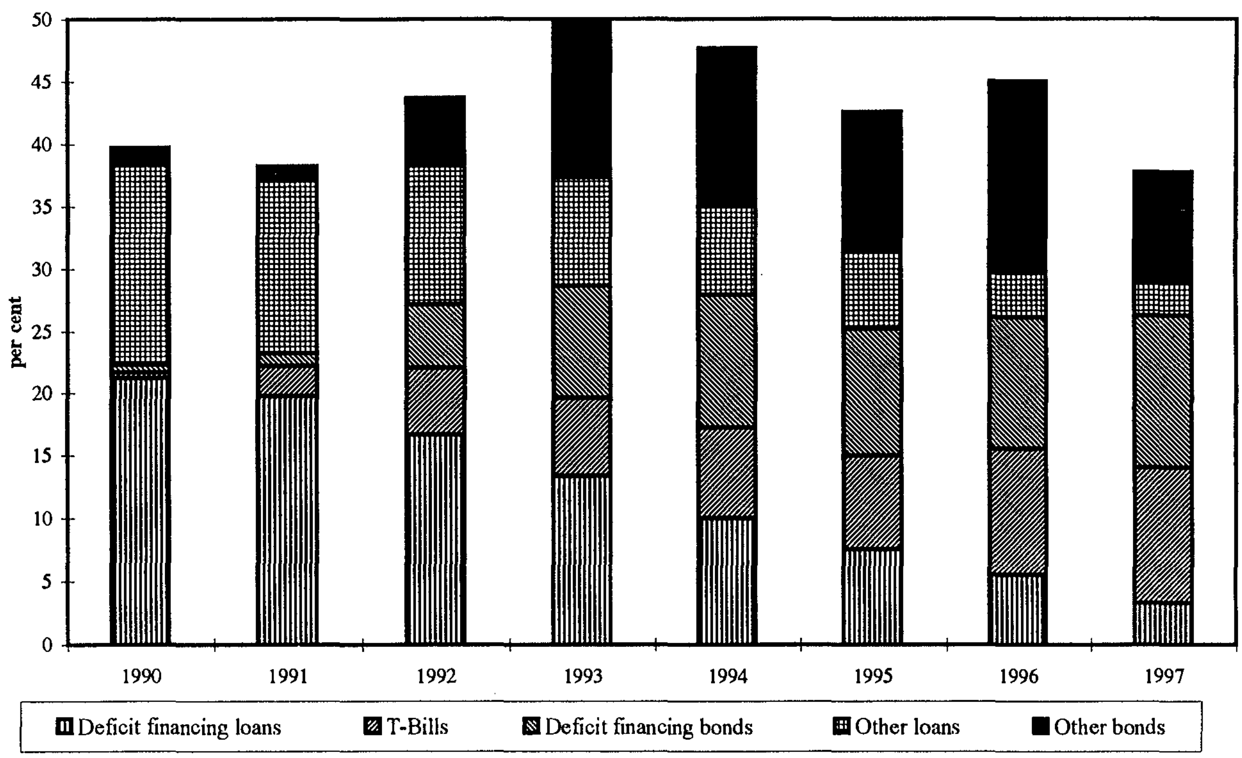




Graph.no. 3.1.3 The Structure of Central Government Gross Debt (per cent of GDP)



Graph.no. 3.1.4 The Structure of Central Government Gross Domestic Interest Bearing Debt (per cent of GDP)



3.2 Stock of Government Securities Outstanding

3.2.1 The Stock of Government Securities Outstanding (at end of period, face value)

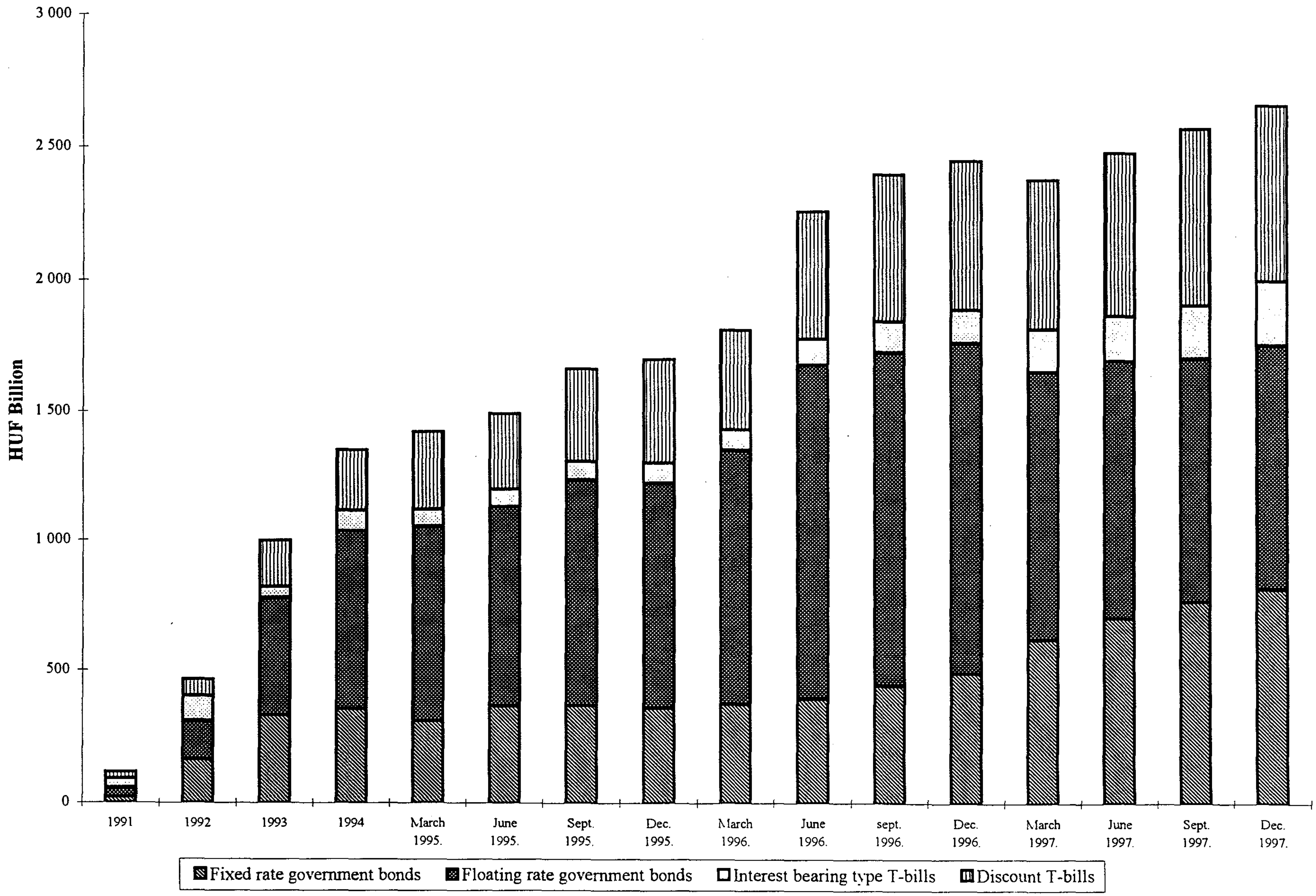
HUF Billion

	1991	1992	1993	1994	Dec. 1995.	March 1996.	June 1996.	Sept. 1996.	Dec. 1996.	March 1997.	June 1997.	Sept. 1997	Oct. 1997.	Nov. 1997.	Dec. 1997.
Government Bonds															
Total	**56,18**	**309,39**	**778,23**	**1034,52**	**1221,02**	**1349,36**	**1676,77**	**1723,98**	**1761,00**	**1651,37**	**1692,72**	**1702,78**	**1708,25**	**1754,07**	**1760,69**
Central Government															
priv.placements	11,21	47,50	82,42	97,99	121,74	121,61	76,60	76,59	77,85	77,81	77,80	77,78	77,78	77,78	82,87
public	15,00	102,02	237,08	367,22	452,39	471,59	538,81	589,32	646,10	731,58	820,23	867,28	878,82	924,63	943,71
total	26,21	149,52	319,51	465,21	574,12	593,21	615,41	665,91	723,96	809,39	898,03	945,06	956,60	1002,41	1026,58
Social Security Fund**	-	-	16,00	21,96	27,94	27,94	27,94	27,44	22,65	20,76	17,00	17,00	17,00	17,00	17,00
Consolidation Bonds	-	-	285,64	332,67	338,65	347,65	347,65	347,65	347,65	341,76	302,12	268,48	261,76	261,76	261,76
Higher Education Dev.	-	-	3,01	6,01	6,01	6,01	6,01	6,01	3,00	3,00	0,00	0,00	0,00	0,00	0,00
Others	29,97	159,87	154,08	208,69	274,30	375,46	679,76	676,97	663,74	476,47	475,57	472,24	472,89	472,89	455,36
Of which:															
priv.placements	41,18	207,37	538,14	661,30	762,63	871,77	1131,96	1128,66	1111,89	916,79	872,48	835,50	829,43	829,43	816,98
public	15,00	102,02	240,09	373,22	458,39	477,60	544,81	595,33	649,10	734,58	820,23	867,28	878,82	924,63	943,71
fix interest rate	22,11	162,02	331,01	353,44	357,76	371,85	392,76	443,26	491,17	617,61	701,45	764,33	767,93	808,51	818,22
floating interest rate	34,07	147,37	447,22	681,08	863,25	977,52	1284,01	1280,72	1269,83	1033,76	991,27	938,46	940,33	945,56	942,47
T-Bills															
Interest Bearing															
public	-	17,85	16,37	55,14	65,00	63,69	78,92	93,01	90,05	112,34	113,42	130,18	136,04	144,67	154,98
priv.pl.	-	-	12,10	10,51	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
total	0,00	17,85	28,47	65,65	65,00	63,69	78,92	93,01	90,05	112,14	113,42	130,18	136,04	144,67	154,98
Private Inv.	11,80	16,75	13,13	13,47	3,32	3,04	3,37	2,69	1,74	0,88	0,32	0,32	0,27	0,27	0,04
Savings Bills					8,91	12,81	16,60	23,24	32,15	48,54	57,50	69,71	74,22	78,33	84,92
Liquidity T-Bills	23,00	58,09	-	-											
Discount T-Bills *	25,20	64,62	179,12	236,02	339,75	381,48	481,66	551,90	560,65	562,61	611,39	663,95	659,09	659,31	658,89
Total	**60,00**	**157,30**	**220,72**	**315,14**	**416,99**	**461,02**	**580,55**	**670,84**	**684,59**	**724,18**	**782,64**	**864,17**	**869,62**	**882,58**	**898,83**
Government securities															
Total	**116,18**	**466,69**	**998,95**	**1349,66**	**1638,03**	**1810,38**	**2257,31**	**2394,82**	**2445,59**	**2375,55**	**2475,35**	**2566,95**	**2577,87**	**2636,64**	**2659,52**
As compared to the previous month					-13,36	32,93	62,82	30,23	-5,77	39,35	39,76	35,79	10,92	58,77	22,88
As comp. to the end of the prev. year		350,51	532,26	350,71	288,37	172,35	619,28	756,79	807,56	-70,04	29,77	121,36	132,28	191,05	213,93

* at purchase price

** The Social Security Bonds were only government guaranteed securities which amounted to HUF 16 bn in 1993, HUF 16.5 bn in 1994 and 1995. In 1996 there bonds were taken over by the government becoming part of the Central Government debt.

Graph.no. 3.2.1 The Structure of Government Securities' Stock Outstanding (1991-1997)

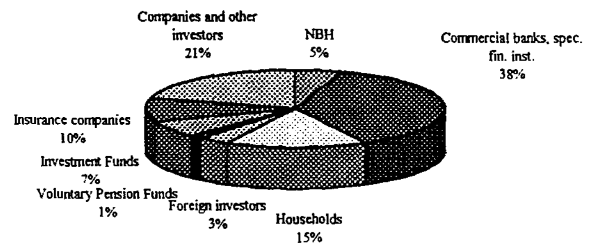


Graph.no. 3.2.2 Ownership Structure of Deficit Financing* Government Securities' Stock Outstanding

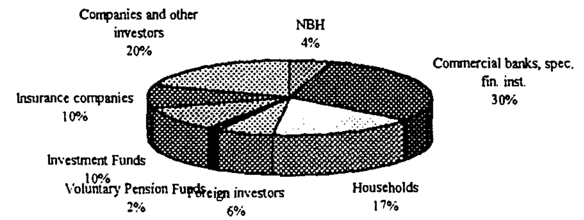
	31.12.1996.				31.03.1997.				30.06.1997.				30.09.1997.			
	Bond	T-Bill	Total	%	Bond	T-Bill	Total	%	Bond	T-Bill	Total	%	Bond	T-Bill	Total	%
NBH**	54.67	17.03	71.70	5.09%	51.03	6.54	57.56	3.75%	68.82	3.68	72.50	4.33%	81.72	1.78	83.50	4.62%
Comm. banks, spec. fin. int.***	267.15	254.78	521.92	37.05%	282.34	230.68	513.02	33.44%	309.31	174.73	484.04	28.92%	354.55	195.87	550.42	30.42%
Households****	77.99	139.07	217.06	15.41%	67.74	189.21	256.95	16.75%	59.80	221.31	281.11	16.79%	39.54	266.69	306.22	16.93%
Foreign investors*****	45.33	2.48	47.81	3.39%	61.27	0.28	61.55	4.01%	98.93	0.00	98.93	5.91%	115.60	0.00	115.60	6.39%
Voluntary Pension Funds	9.49	6.97	16.46	1.17%	12.85	9.39	22.24	1.45%	14.89	10.15	25.04	1.50%	16.06	11.22	27.28	1.51%
Investment Funds	59.72	38.54	98.26	6.98%	84.34	35.60	119.94	7.82%	104.84	48.50	153.34	9.16%	125.10	61.30	186.40	10.30%
Insurance companies	58.70	84.40	143.10	10.16%	72.30	82.20	154.50	10.07%	79.10	87.30	166.40	9.94%	104.30	79.20	183.50	10.14%
Companies and other investors	150.91	141.32	292.23	20.75%	177.52	170.81	348.33	22.71%	162.33	230.33	392.66	23.46%	108.20	248.11	356.31	19.69%
Total	723.96	684.59	1408.55	100.00%	809.39	724.70	1534.09	100.00%	898.03	775.99	1674.02	100.00%	945.06	864.17	1809.23	100.00%

* Government securities financing the Central Government current deficit
**Treasury Bill at average price
*** Since 30.06.1996. these figures also include the outstanding stock of government securities held by mutual savings banks and credit associations
**** Estimated data: taking account of issuances, redemtions and secondary market turnover
***** According to the data supplied by Hungarian central Depository and Clearing House

Ownership Structure of the Domestic Deficit Financing Marketable Debt on 31 December 1996.



Ownership Structure of the Domestic Deficit Financing Marketable Debt on 30 September 1997.



3.3 The Stock of Government Bonds Outstanding

3.3.1 Publicly Offered Government Bonds and Government Guaranteed Bonds (in Serial Number Order)

Serial Number/ ISIN Code	Date of issue	Amount of issue (HUF Billion)	Maturity (year)	Coupon	Date of interest payment	Redemption date	Denomi-nation	Stock exchange listing date	Principal paying agent	Investors
1998/A HU0000400361	17.03.1993.	10.00	5	average yield of 6 month T-bill auctions of the last six months before interest rate setting +1%	17-Mar	17.03.1998.	10 000 Ft	02.04.1993.	GDMA	no limitation
1998/D HU0000400411	23.11.1994.	50.00	4	average yield of 1, 3, 6 month T-bill auctions of the last month before int. rate setting + 1.75%	23-May, 23-Nov	23.11.1998.	10 000 Ft	27.12.1994.	GDMA	no limitation
1998/G HU0000400403	29.09.1995.	14.00	3	average yield of six month T-bill auctions of the last calendar month before int. rate setting+0.5%	29-Mar, 29-Sept	29.09.1998.	10 000 Ft	13.11.1995.	GDMA	only for residents
1998/G2 HU0000400395	13.12.1995.	10.00	3	average yield of six month T-bill auctions of the last calendar month before int. rate setting+0.5%	29-Mar, 29-Sept	29.09.1998.	10 000 Ft	13.11.1995.	GDMA	only for residents
1998/H HU0000400379	21.03.1996.	41.675	2	24.00%	21-Mar, 21-Sept	21.03.1998.	10 000 Ft	25.04.1996.	GDMA	no limitation
1998/I HU0000400387	17.05.1996.	50.80	2	23.50 %	17-May, 17-Nov	17.05.1998.	10 000 Ft	31.05.1996.	GDMA	no limitation
1998/J HU0000400833	25.07.1996.	18.675	2	23.50%	25-Jan, 25-Jul	25.07.1998.	10 000 Ft	09.08.1996.	GDMA	no limitation
1998/K HU0000400841	03.10.1996.	58.65824	2	21.50%	03-Apr,03-Okt	03.10.1998.	10 000 Ft	07.10.1996.	GDMA	no limitation
1999/B HU0000400437	01.05.1996.	16.00	3	average yield of six month T-bill auctions of the last calendar month before int. rate setting+0.5%	05-Jan, 05-Jul	05.01.1999.	10 000 Ft	12.02.1996.	GDMA	no limitation
1999/C HU0000400452	06.05.1996.	40.7625	3	23.00 %	06-May, 06-Nov	06.05.1999.	10 000 Ft	31.05.1996.	GDMA	no limitation
1999/D HU0000400866	31.10.1996.	38.775	3	21.00%	24-Apr, 24-Okt	24.10.1999.	10 000 Ft	01.11.1996.	GDMA	no limitation

Note: According to the **Government Decree No. 161 of 1995 8/C §.** residents are entitled to transfer government securities to non-residents without the permission of the foreign exchange authority only if the tenor of the security is equal to or more than 365 days. The issuer upholds the right to restrict the transferability of the government security.

Serial Number/ ISIN Code	Date of issue	Amount of issue (HUF Billion)	Maturity (year)	Coupon	Date of interest payment	Redemption date	Denomi-nation	Stock exchange listing date	Principal paying agent	Investors
1999/E HU0000400890	09.01.1997.	62.875	2	19.50%	12-Jan, 12-Jul	12.01.1999.	10000 Ft	10.01.1997.	GDMA	no limitation
1999/F HU0000400916	03.03.1997.	71.20	2	16.50%	12-Apr, 12-Oct	12.04.1999.	10000 Ft	04.03.1997.	GDMA	no limitation
1999/G HU0000400965	23.06.1997.	79.50	2	16.5%	24-Jan, 24-Jul.	24.07.1999.	10 000 Ft	25.07.1997.	GDMA	no limitation
1999/H HU0000401062	16.10.1997.	46.775	2	16,5%	24-Apr, 24-Oct.	24.10.1999.	10000 Ft	17.10.1997.	GDMA	no limitation
2000/B HU0000400460	15.06.1995.	3.00	5	DWIX + 2.25%	15-Jun, 15-Dec	15.06.2000.	10 000 Ft	20.07.1996.	GDMA	no limitation
2000/C HU0000400478	25.08.1995.	3.00	5	Consumer Price Index + 3.50%	25-Aug	25.08.2000.	10 000 Ft	03.10.1995.	GDMA	no limitation
2000/D HU0000400908	20.01.1997.	65.274	3	18.50%	12-Feb, 12-Aug	12.02.2000.	10000 Ft	21.01.1997.	GDMA	no limitation
2000/E HU0000400940	18.04.1997.	40.20	3	16%	12.May, 12-Nov.	12.05.2000.	10000 Ft	21.04.1997.	GDMA	no limitation
2000/F HU0000401013	07.07.1997.	51.05	3	16%	24-Feb, 24-Aug	24.08.2000.	10000 Ft	08.07.1997.	GDMA	no limitation
2000/G HU0000401054	04.09.1997.	36.20	3	16%	24-May, 24-Nov	24.11.2000.	10000 Ft	05.09.1997.	GDMA	no limitation
2001/C HU0000400874	03.02.1997.	33.10	5	15%	12-Jun, 12-Dec	12.12.2001.	10000 Ft	04.02.1997.	GDMA	no limitation
2002/F HU0000401039	24.07.1997.	32.875	5	14%	24-Jun, 24-Dec.	24.06.2002.	10 000 Ft	25.07.1997.	GDMA	no limitation
2003/F HU0000400858	17.10.1996.	49.3305	7	Consumer Price Index of the last calendar month before int. rate setting + 3% (interest rates are reset twice a year)	24-Sept	24.09.2003.	10 000 Ft	25.10.1996.	GDMA	no limitation
2004/F HU0000400932	18.03.1997.	25.75	7	Consumer Price Index of the last calendar month before int. rate setting + 3% (interest rates are reset twice a year)	12-Mar	12.03.2004.	10000 Ft	19.03.1997.	GDMA	no limitation

Note: According to the **Government Decree No. 161 of 1995 8/C §.** residents are entitled to transfer government securities to non-residents without the permission of the foreign exchange authority only if the tenor of the security is equal to or more than 365 days. The issuer upholds the right to restrict the transferability of the government security

Serial Number/ ISIN Code	Date of issue	Amount of issue (HUF Billion)	Maturity (year)	Coupon	Date of interest payment	Redemption date	Denomi-nation	Stock exchange listing date	Principal paying agent	Investors
2004/G HU0000401021	07.07.1997.	39.60	7	Consumer Price Index of the last calendar month before int. rate setting + 3% (interest rates are reset twice a year)	24-Mar.	24.03.2004.	10000 Ft	08.07.1997.	GDMA	no limitation
2005/C HU0000400635	11.08.1995.	1.20	10	first year: 29.50%, afterwards DWIX+1%, but if the reset interest rate is between 18%-23%, then 23% is to apply	11-Aug	11.08.2005.	10 000 Ft	18.09.1995.	GDMA	no limitation

Note: According to the **Government Decree No. 161 of 1995 8/C §.** residents are entitled to transfer government securities to non-residents without the permission of the foreign exchange authority only if the tenor of the security is equal to or more than 365 days. The issuer upholds the right to restrict the transferability of the government security.

3.3.2 Privatly Placed Government Bonds and Government Guaranteed Bonds (in Serial Number Order)

Serial Number/ ISIN Code	Date of issue	Amount of issue (HUF billion)	Maturity (year)	Coupon	Date of interest payment	Redemption date	Denomi-nation	Principal paying agent	Investors
1998/B HU0000400429	01.01.1993.	0.90	6	8.00%	31-Dec	31.12.1993-31.12.1998	10,000 Ft	GDMA	only for residents
1998/C HU0000400353	15.02.1994.	10.00	4	average yield of 1, 3, 6 T-bill auctions of the last calendar month before interest rate reset + 1.75%	15-Aug, 15-Feb	15.02.1998.	10,000 Ft	GDMA	only for residents
1998/E HU0000400338	03.01.1995.	1.20	3	32.00%	03-Jul, 03-Jan	03.01.1998.	10,000 Ft	GDMA	only for residents
1998/F HU0000400346	31.01.1995.	1.80	3	32.00%	31-Jul, 31-Jan	31.01.1998.	10,000 Ft	GDMA	only for residents
1999/A HU0000400445	10.03.1994.	10.00	5	average yield of 1, 3, 6 T-bill auctions of the last calendar month before interest rate reset + 1.75%	10-Sep, 10-Mar	10.03.1999.	10,000 Ft	GDMA	only for residents
2000/A HU0000400486	01.01.1993.	5.00	8	8.00%	31-Dec	31.12.1993-31.12.2000	10,000 Ft	GDMA	only for residents
2001/A HU0000401047 Banking system	15.12.1987.	9.00	15	10.00%	31-Dec	31.12.1992-31.12.2001	10,000 Ft	GDMA	no limitation
2001/B	21.12.1994.	150 M DEM 10.6 Bn HUF*	7	9 5/8%	18-Dec-98, 21-Dec-99, 20-Dec-00, 20-Dec-01	20.12.2001.	1.000 DEM 10.000 DEM	GDMA	no limitation
2002/A HU0000400494	02.03.1992.	30.00	10	base rate of the Central Bank	02-Mar, 02-Sep	02.03.2002.	100,000 Ft	GDMA	no limitation
2002/B HU0000400502	01.12.1992.	5.00	10	19.00%	01-Jun., 01-Dec	01.06.2002 01.12.2002	10,000 Ft	GDMA	no limitation
2002/C HU0000400510	15.12.1992.	1.00	10	18.00%	15-Jun, 15-Dec	15.06.2002-15.12.2002	10,000 Ft	GDMA	only for residents
2002/D HU0000400528	31.12.1992.	8.00	10	8.40%	31-Dec	31.12.2001. 31.12.2002. in two equal instalments	10,000 Ft	GDMA	no limitation
2002/E	01.11.1994.	0.50	7,5	25, 24, 24, 21, 21, 18, 18, 18%	25-Mar	115-115 M Ft in 1995, 1996 33-33 M Ft between 1997-1999, 57-57 M Ft between 2000-2002 25-Mar every year	50,000,000 Ft	GDMA	only for residents

*Exchange rate on the date of issue

Note: According to the **Government Decree No. 161 of 1995 8/C §.** residents are entitled to transfer government securities to non-residents without the permission of the foreign exchange authority only if the tenor of the security is equal to or more than 365 days. The issuer upholds the right to restrict the transferability of the government security.

Serial Number/ ISIN Code	Date of issue	Amount of issue (HUF billion)	Maturity (year)	Coupon	Date of interest payment	Redemption date	Denomi-nation	Principal paying agent	Investors
2003/A HU0000400536 Social Sec.	01.07.1993.	1.00	10	16.5%	01-Jul	01.07.2003.	100,000,000 Ft	GDMA	no limitation
2003/B HU0000400544 Social Sec.	01.07.1993.	4.00	10	21,17,14 % afterwards the investors can opt for either floating interest rate or fix 14%	01-Jul	01.07.2003.	100,000,000 Ft	GDMA	no limitation
2003/C HU0000400551 Social Sec.	29.10.1993.	1.00	10	23,23 and at the end of the 2nd, 4th and 7th year the investor can opt for either floating interest rate (average yield of 6 month T-bill auctions + 1%) or fix	29-Oct	29.10.2003.	100,000,000Ft	GDMA	no limitation
2003/D HU0000400569 Social Sec.	22.12.1993.	2.00	10	23,23,23,19,19,17,17,16,16,16% since 1996 floating interest rate: avg. yield of 6 m. T-bill auctions +1% (min.15%); at the end of 5th and 7th year option for either floating or fix	22-Dec	22.12.2003.	100,000,000 Ft	GDMA	only for residents
2003/E HU0000400577 Social Sec.	30.12.1993.	8.00	10	average yield of 1, 3, 6 T-bill auctions of the last calendar month before interest rate reset + 3%, after the 3rd year option	30-Dec	30.12.2003.	100,000,000 Ft	GDMA	no limitation
2003/G HU0000400882	15.12.1996.	3.00	7	23,23,23,23,15,15,15% at the end of the 4th year the investor can opt for floating interest rate: average yield of 2-5 year Bond auctions	15-Dec	15.12.2003.	10,000 Ft	GDMA	no limitation
2004/A HU0000400973 HU0000400981 HU0000400999 HU0000401005 Housing	01.07.1989.	19.10	15	average weighted yield of the T-bill of the longest maturity	15-Feb	01.07.1995-01.07.2004	10,000 Ft	GDMA	no limitation
2004/B HU0000400585 Social Sec.	28.03.1994.	0.50	10	average yield of 1, 3, 6 T-bill auctions of the last calendar month before interest rate reset + 1.75%	28-Mar, 28-Sep	28.03.2004.	50,000,000 Ft	GDMA	no limitation
2004/D HU0000400601 Social Sec.	17.08.1994.	0.50	10	DWIX + 1.75 %	17-Feb, 17-Aug	17.08.2004.	50,000,000 Ft	GDMA	no limitation

Note: According to the **Government Decree No. 161 of 1995 8/C §.** residents are entitled to transfer government securities to non-residents without the permission of the foreign exchange authority only if the tenor of the security is equal to or more than 365 days. The issuer upholds the right to restrict the transferability of the government security.

Serial Number/ ISIN Code	Date of issue	Amount of issue (HUF billion)	Maturity (year)	Coupon	Date of interest payment	Redemption date	Denomi-nation	Principal paying agent	Investors
2004/E HU0000400619	26.10.1994.	0.80	10	23.00%	26-Oct	26.10.2004.	10,000 Ft	GDMA	only for residents
2005/A HU0000400643	29.12.1993.	1.16	12	19.00% - The sum of interest payment and the redemption is constant every year - annuity	quarterly on the 20th Mar, Jun, Sep, Dec	quarterly on the 20th Mar, Jun, Sep, Dec	1,000,000 Ft	GDMA	no limitation
2006/A HU0000400668 Government debt	28.02.1996.	50.00	10	average yield of 3, 6 T-bill auctions of the last calendar month before interest rate reset	28-Feb-97 afterwards yearly: 28-Feb	28.02.2006.	10,000 Ft	GDMA	no limitation
2006/B HU0000400650 Government debt	24.05.1996.	77.97	10	average yield of 3, 6 T-bill auctions of the last calendar month before interest rate reset	24-Jan	24.01.2006.	10,000 Ft	GDMA	no limitation
2006/C HU0000400676 Government debt	24.05.1996.	77.97	10	average yield of 3, 6 T-bill auctions of the last calendar month before interest rate reset	24-Jul-97, afterwards yearly 24-Jul	24.07.2006.	10,000 Ft	GDMA	no limitation
2007/A HU0000400684	31.12.1992.	20.00	15	8.40%	31-Dec	31.12.2003.- 31.12.2007. in five equal instalments	10,000 Ft	GDMA	no limitation
2012/A HU0000400692	31.12.1992.	20.30	20	8.40%	31-Dec	31.12.2008.- 31.12.2012 in five equal instalments	10,000 Ft	GDMA	no limitation
2013/A HU0000400700 Debt Cons.	20.03.1993.	150.00	20	average yield of 3 month T-bill auctions of the last six months before interest rate reset	20-Mar	20.03.2013.	10,000 Ft	GDMA	no limitation
2013/C HU0000400726 Debt Cons.	20.12.1993.	150.00	20	average yield of 3 month T-bill auctions of the last six months before interest rate reset	20-Jun, 20-Dec	20.12.2013.	10,000 Ft	GDMA	no limitation
2014/A HU0000400734 Debt Cons.	02.05.1994.	50.00	20	average yield of 3 month T-bill auctions of the last six months before interest rate reset	02-May, 02-Nov	02.05.2014.	10,000 Ft	GDMA	no limitation
2014/B HU0000400742 Debt Cons.	20.12.1994.	35.00	20	average yield of 3 month T-bill auctions of the last six months before interest rate reset	20-Jun, 20-Dec	20.12.2014.	10,000 Ft	GDMA	no limitation
2016/A Treasury Bond	01.01.1992.	83.20	25	average interest rate of T-bill of the longest maturity, changing quarterly	quarterly at the end of Mar, Jun, Sep, Dec	quarterly at the end of Mar, Jun, Sep, Dec		GDMA	no limitation
25 series of government bonds. Maturity from 1 to 25 years, redemption in the last year of the maturity in 4 instalments quarterly									

Note: According to the **Government Decree No. 161 of 1995 8/C §.** residents are entitled to transfer government securities to non-residents without the permission of the foreign exchange authority only if the tenor of the security is equal to or more than 365 days. The issuer upholds the right to restrict the transferability of the government security.

Serial Number/ ISIN Code	Date of issue	Amount of issue (HUF billion)	Maturity (year)	Coupon	Date of interest payment	Redemption date	Denomi-nation	Principal paying agent	Investors
2016/B HU0000400759 Debt Cons.	02.01.1996.	10.00	20	average yield of 3 month T-bill auctions of the last calendar month before interest rate setting	02-Jan-97 afterwards twice a year: 02-Jan, 02-Jul	02.01.2016.	10,000 Ft	GDMA	no limitation
2026/A HU0000400783 Government debt	28.02.1996.	51.165	30	average yield of 3, 6 T-bill auctions of the last calendar month before interest rate reset	28-Feb-97 afterwards yearly: 28-Feb	28.02.2026.	10,000 Ft	GDMA	no limitation
2026/B HU0000400791 Government debt	24.05.1996.	80.00	30	average yield of 3, 6 T-bill auctions of the last calendar month before interest rate reset	24-Apr	24.04.2026.	10,000 Ft	GDMA	no limitation
2026/C HU0000400809 Government debt	24.05.1996.	80.00	30	average yield of 3, 6 T-bill auctions of the last calendar month before interest rate reset	24-Oct-97 afterwards yearly: 24-Oct	24.10.2026.	10,000 Ft	GDMA	no limitation

Note: According to the **Government Decree No. 161 of 1995 8/C §.** residents are entitled to transfer government securities to non-residents without the permission of the foreign exchange authority only if the tenor of the security is equal to or more than 365 days. The issuer upholds the right to restrict the transferability of the government security.

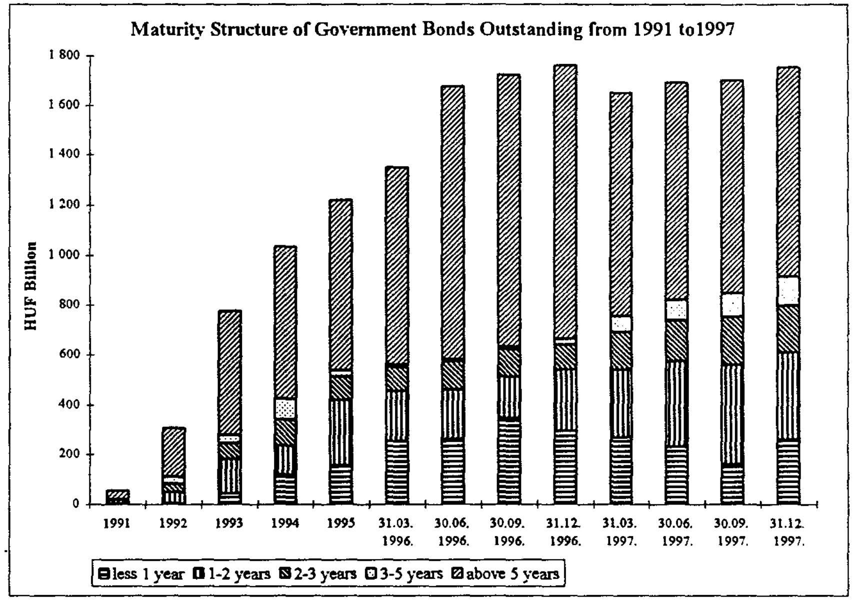
3.3.3. Stock of Government Bonds and Government Guaranteed Bonds, Outstanding at end of Periods (at nominal value)

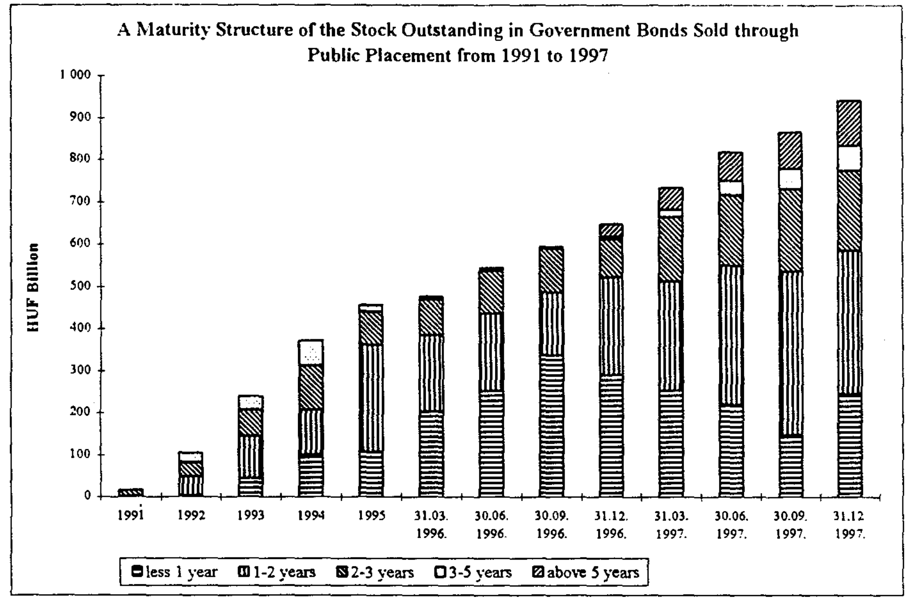
Serial Number of Government Bond	September 1997. stock outstanding	September 1997. GDMA account	October 1997. stock outstanding	October 1997. GDMA account	November 1997. stock outstanding	November 1997. GDMA account	December 1997. stock outstanding	December 1997. GDMA account
1997/A	7.00	0.00	7.00	0.00	7.00	0.00	0.00	0.00
1997/B	0.02	0.00	0.02	0.00	0.02	0.00	0.00	0.00
1997/F	0.49	0.00	0.49	0.00	0.49	0.00	0.00	0.00
1997/G	0.28	0.00	0.28	0.00	0.28	0.00	0.00	0.00
1997/AA	23.99	3.31	23.92	3.38	0.00	0.00	0.00	0.00
1998/A	9.78	0.22	9.74	0.26	9.73	0.27	9.73	0.27
1998/B	0.30	0.00	0.30	0.00	0.30	0.00	0.15	0.00
1998/C	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00
1998/D	49.51	0.49	49.47	0.54	49.55	0.41	49.58	0.37
1998/E	1.20	0.00	1.20	0.00	1.20	0.00	1.20	0.00
1998/F	1.80	0.00	1.80	0.00	1.80	0.00	1.80	0.00
1998/G	13.98	0.02	13.98	0.03	13.98	0.03	13.97	0.03
1998/G2	7.40	2.60	7.47	2.55	7.50	2.51	7.51	2.50
1998/H	38.65	3.03	38.68	2.97	38.71	2.85	38.77	2.79
1998/I	49.96	0.84	50.06	0.83	50.09	0.72	50.33	0.48
1998/J	18.21	0.47	18.17	0.46	18.21	0.39	18.23	0.38
1998/K	57.73	0.93	57.78	0.83	57.81	0.70	57.83	0.68
1999/A	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00
1999/B	15.51	0.49	15.20	0.79	15.20	0.41	15.18	0.80
1999/C	39.66	1.10	39.67	1.05	39.79	0.62	39.93	0.47
1999/D	38.31	0.47	37.42	0.43	37.45	0.36	37.48	0.34
1999/E	62.42	0.45	62.47	0.39	62.51	0.30	62.54	0.27
1999/F	68.64	2.56	68.47	2.55	68.51	2.48	68.54	2.46
1999/G	73.78	5.72	74.09	5.73	74.09	5.72	74.09	5.71
1999/H	0.00	0.00	7.50	0.62	32.52	3.08	42.68	4.07
2000/A	2.00	0.00	2.00	0.00	2.00	0.00	1.50	0.00
2000/B	2.97	0.03	2.97	0.03	2.97	0.04	2.96	0.05
2000/C	2.95	0.05	2.96	0.06	2.97	0.07	2.96	0.07
2000/D	64.13	1.14	64.14	1.10	64.19	0.96	64.31	0.84
2000/E	38.00	2.20	37.83	2.20	37.84	2.17	37.86	2.15
2000/F	47.15	3.90	47.33	3.89	47.33	3.89	47.34	3.88
2000/G	6.03	0.47	18.03	1.56	28.12	2.56	33.13	3.04
2001/A	3.84	0.66	4.63	0.66	4.63	0.66	3.73	0.66
2001/B	10.65	0.00	10.65	0.00	10.65	0.00	17.16	0.00
2001/C	29.64	3.46	30.14	3.46	30.14	3.45	30.17	3.43
2002/A	30.00	0.00	30.00	0.00	30.00	0.00	30.00	0.00
2002/B	8.00	0.00	8.00	0.00	8.00	0.00	8.00	0.00
2002/C	1.00	0.00	1.00	0.00	1.00	0.00	1.00	0.00
2002/D	5.00	0.00	5.00	0.00	5.00	0.00	5.00	0.00
2002/E	0.24	0.00	0.24	0.00	0.24	0.00	0.24	0.00
2002/F	13.09	1.76	20.43	2.43	25.46	2.93	30.50	3.44
2003/A	1.00	0.00	1.00	0.00	1.00	0.00	1.00	0.00
2003/B	4.00	0.00	4.00	0.00	4.00	0.00	4.00	0.00
2003/C	1.00	0.00	1.00	0.00	1.00	0.00	1.00	0.00
2003/D	2.00	0.00	2.00	0.00	2.00	0.00	2.00	0.00
2003/E	8.00	0.00	8.00	0.00	8.00	0.00	8.00	0.00
2003/F	47.07	2.26	47.17	2.12	47.24	2.01	47.36	1.89
2003/G	3.00	0.00	3.00	0.00	3.00	0.00	3.00	0.00
2004/A	13.39	0.00	13.25	0.00	13.25	0.00	13.25	0.00
2004/B	0.50	0.00	0.50	0.00	0.50	0.00	0.50	0.00
2004/C	0.00	30.00	0.00	30.00	0.00	30.00	0.00	30.00
2004/D	0.50	0.00	0.50	0.00	0.50	0.00	0.50	0.00
2004/E	0.80	0.00	0.80	0.00	0.80	0.00	0.80	0.00
2004/F	23.81	1.94	23.75	1.92	23.76	1.91	23.77	1.90
2004/G	16.71	1.94	25.71	2.84	30.76	3.33	35.77	3.82

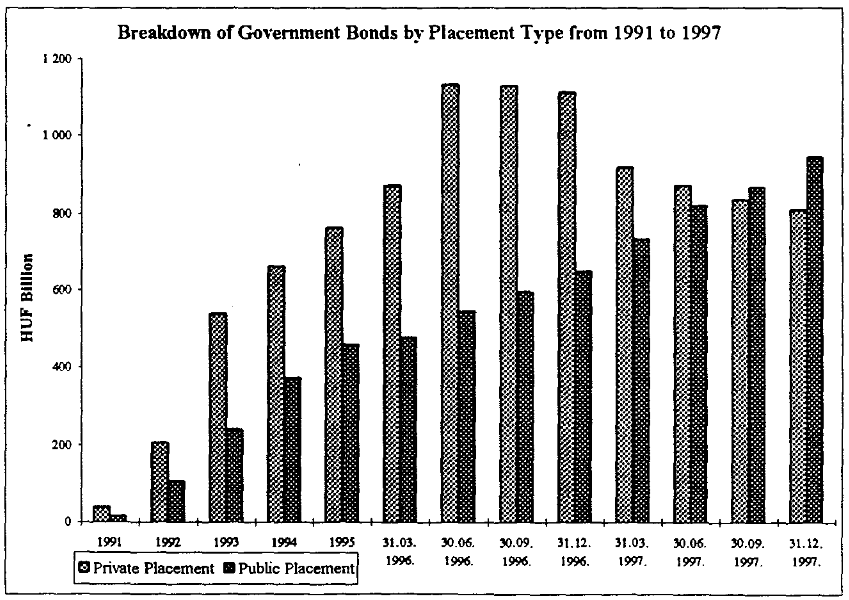
3.3.3. Stock of Government Bonds and Government Guaranteed Bonds, Outstanding at end of Periods (at nominal value) (cont.)

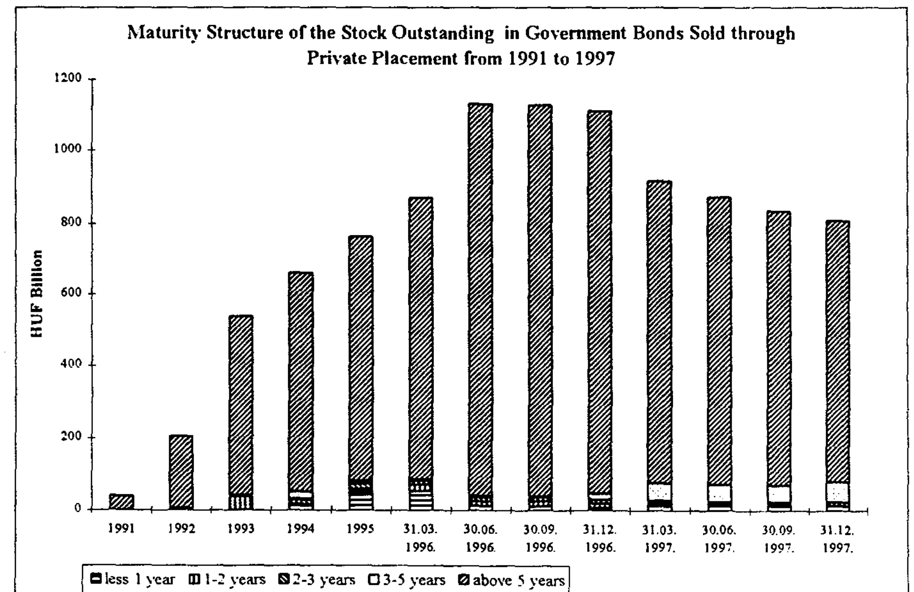
Serial Number of	September 1997.		October 1997.		November 1997.		December 1997.	
Government Bond	stock outstanding	GDMA account	stock outstanding	GDMA account	stock outstanding	GDMA account	stock outstanding	GDMA account
2005/A	1.03	0.00	1.03	0.00	1.03	0.00	1.02	0.00
2005/B	0.00	36.00	0.00	36.00	0.00	36.00	0.00	36.00
2005/C	1.19	0.01	1.19	0.01	1.19	0.02	1.19	0.02
2006/A	38.57	11.43	38.57	11.43	38.57	11.43	38.57	11.43
2006/B	77.97	0.00	77.97	0.00	77.97	0.00	77.97	0.00
2006/C	77.97	0.00	77.97	0.00	77.97	0.00	77.97	0.00
2007/A	20.00	0.00	20.00	0.00	20.00	0.00	20.00	0.00
2012/A	20.30	0.00	20.30	0.00	20.30	0.00	11.90	8.40
2013/A	76.67	72.48	76.67	72.48	76.67	72.48	76.67	72.48
2013/C	134.65	0.79	127.93	7.52	127.93	7.52	127.93	7.52
2014/A	31.55	0.00	31.55	0.00	31.55	0.00	31.55	0.00
2014/B	16.61	18.39	16.61	18.39	16.61	18.39	16.61	18.39
2016/A	66.14	0.00	66.14	0.00	66.14	0.00	65.24	0.00
2016/B	9.00	1.00	9.00	1.00	9.00	1.00	9.00	1.00
2024/A	0.00	29.10	0.00	29.10	0.00	29.10	0.00	29.10
2025/A	0.00	36.00	0.00	36.00	0.00	36.00	0.00	36.00
2026/A	51.17	0.00	51.17	0.00	51.17	0.00	51.17	0.00
2026/B	80.00	0.00	80.00	0.00	80.00	0.00	80.00	0.00
2026/C	14.89	65.11	14.89	65.11	14.89	65.11	7.55	72.45
Total	**1702.78**	**342.84**	**1732.18**	**352.73**	**1754.07**	**351.85**	**1760.69**	**369.57**
Partial Redemptions	40.74		40.74		40.74		43.33	
Total Amount Issued	**2086.36**		**2125.65**		**2146.66**		**2173.59**	

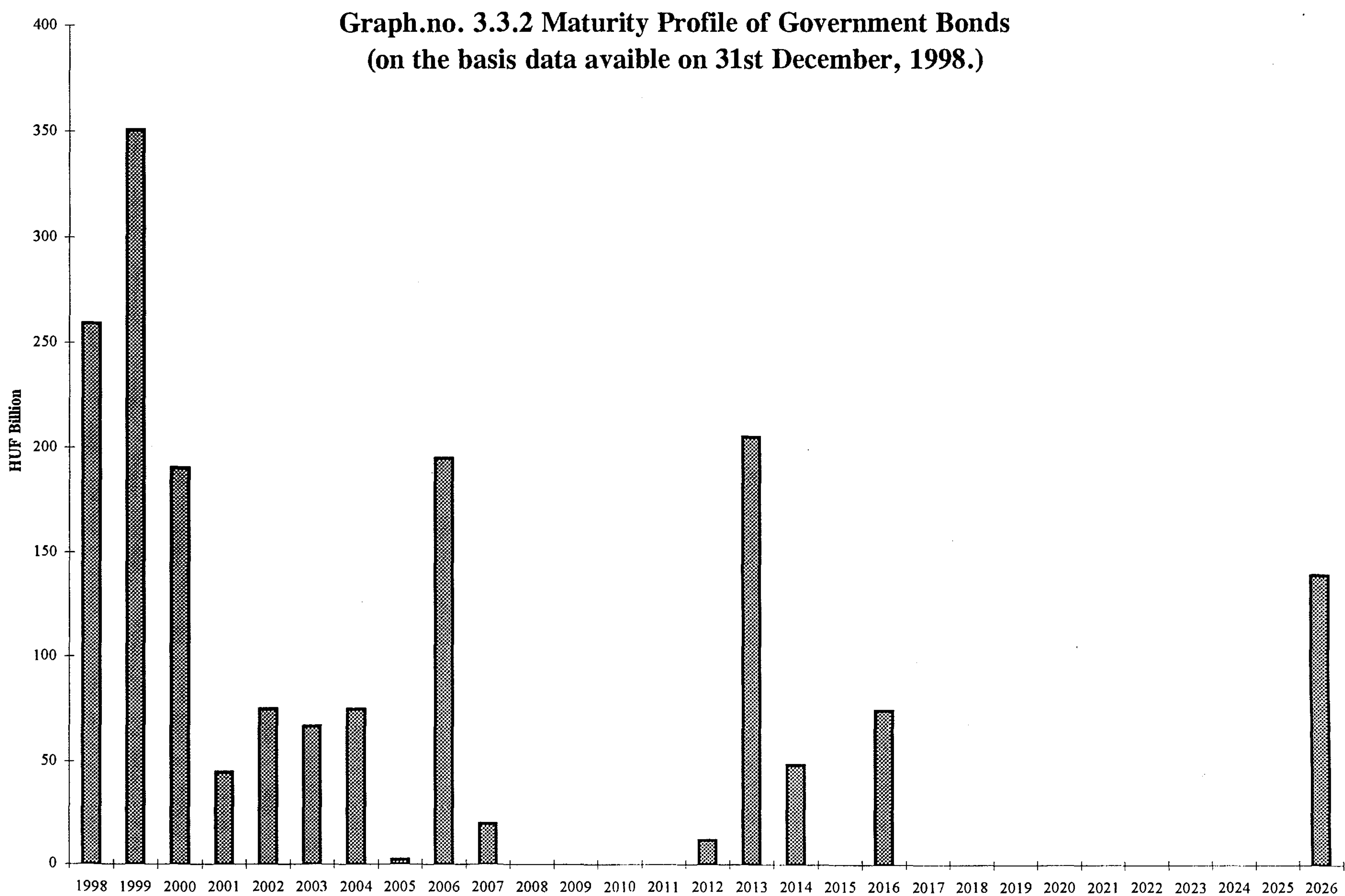
Graph.no. 3.3.1 Breakdown of Government Bonds Outstanding by Maturity and Placement Type











Graph.no. 3.3.2 Maturity Profile of Government Bonds
(on the basis data avaible on 31st December, 1998.)
HUF Billion
0
50
100
150
200
250
300
350
400
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026

3.4 Treasury Bills Outstanding

3.4.1 List of Treasury Bills Outstanding (in Serial Number Order)

Interest Bearing Type T-Bills	Placement type	Date of Issue	Amount Issued (HUF Bn)	Maturity	Coupon (per cent)	Interest Payment Day	Redemption Date	Redemption Option	Denomination Transferability	Stock Exchange Listing	Principal Paying Agent
ITBT* 1998/I.	Subscription	15.01.1997.	14.70	1 year	21	15.01.1998.	15.01.1998.	c.	a.	b.	GDMA
ITBT 1998/II.	Subscription	19.02.1997.	16.80	1 year	20	19.02.1998.	19.02.1998.	c.	a.	b.	GDMA
ITBT 1998/III.	Subscription	19.03.1997.	11.10	1 year	19	19.03.1998.	19.03.1998.	c.	a.	b.	GDMA
ITBT 1998/IV.	Subscription	23.04.1997.	10.92	1 year	19	23.04.1998.	23.04.1998.	c.	a.	b.	GDMA
ITBT 1998/V.	Subscription	21.05.1997.	7.20	1 year	19	21.05.1998..	21.05.1998..	c.	a.	b.	GDMA
ITBT 1998/VI.	Subscription	16.06.1997.	8.10	1 year	19	16.06.1998.	16.06.1998.	c.	a.	b.	GDMA
ITBT 1998/VII.	Subscription	16.07.1997.	13.10	1 year	19	16.07.1998.	16.07.1998.	c.	a.	b.	GDMA
ITBT 1998/VIII.	Subscription	19.08.1997.	13.50	1 year	19	19.08.1998.	19.08.1998.	c.	a.	b.	GDMA
ITBT 1998/IX.	Subscription	24.09.1997.	14.60	1 year	19	24.09.1998.	24.09.1998.	c.	a.	b.	GDMA
ITBT 1998/X.	Subscription	29.10.1997.	13.30	1 year	19	29.10.1997.	29.10.1997.	c.	a.	b.	GDMA
ITBT 1998/XI.	Subscription	26.11.1997.	13.80	1 year	19	26.11.1997.	26.11.1997.	c.	a.	b.	GDMA
ITBT 1998/XII.	Subscription	23.12.1997.	17.60	1 year	19	23.12.1997.	23.12.1997.	c.	a.	b.	GDMA
Treasury Savings Bills 1997/I.	Continuous sale	17.02.1997. (d.)	40	1 year	19	e.	e.	any time before maturity	f.	-	Post Office Plc. Branch Network
Treasury Savings Bills 1997/II.	Continuous sale	02.06.1997. (d.)	80	1 year	19	e.	e.	any time before maturity	f. -	-	Post Office Plc. Branch Network
Treasury Savings Bills II. 1997/11.	Continuous sale	09.06.1997. (d.)	40	2 years	h.	e.	e.	any time before maturity	f1.	-	Post Office Plc. Branch Network

* Interest Bearing Treasury Bill

3.4.2 Main Features of Discount T-Bills Outstandings

Discount T-Bills	Placement Type	Auction Date	Issue Amount (HUF Bn)	Maturity	Redemption Option	Denomination Transferability	Stock Exch. Listing	Principal Paying Agent
1 month	auction	each Tuesday	1	28 days	no	g.	b.	GDMA
3 month	auction	each Wednesday	5	91 days	no	g.	b.	GDMA
6 month	auction	every other Thursday	10-25	182 days	no	g.	b.	GDMA
12 month	auction	every other Friday	10-25	364 days	no	g.	b.	GDMA

a. denom: HUF 10, 100, 1000, 10 000 th. only residents may buy it
b. 1st business day after issue date
c. issuer does not redeem before maturity but can be sold any time on the secondary market
d. start date of ongoing sale
e. at redemption
f. denom:HUF 10, 50, 100 and 500 th only resident phisycal entities can buy it
f1. denom:HUF 10,50,100,500 th and 1Million only resident phisycal entities can buy it
g. Base denom. HUF 10th , only residents can buy it
h. at end of the maturity TSB II.pays 19 per cent interest (p.a.) without paying compound interest

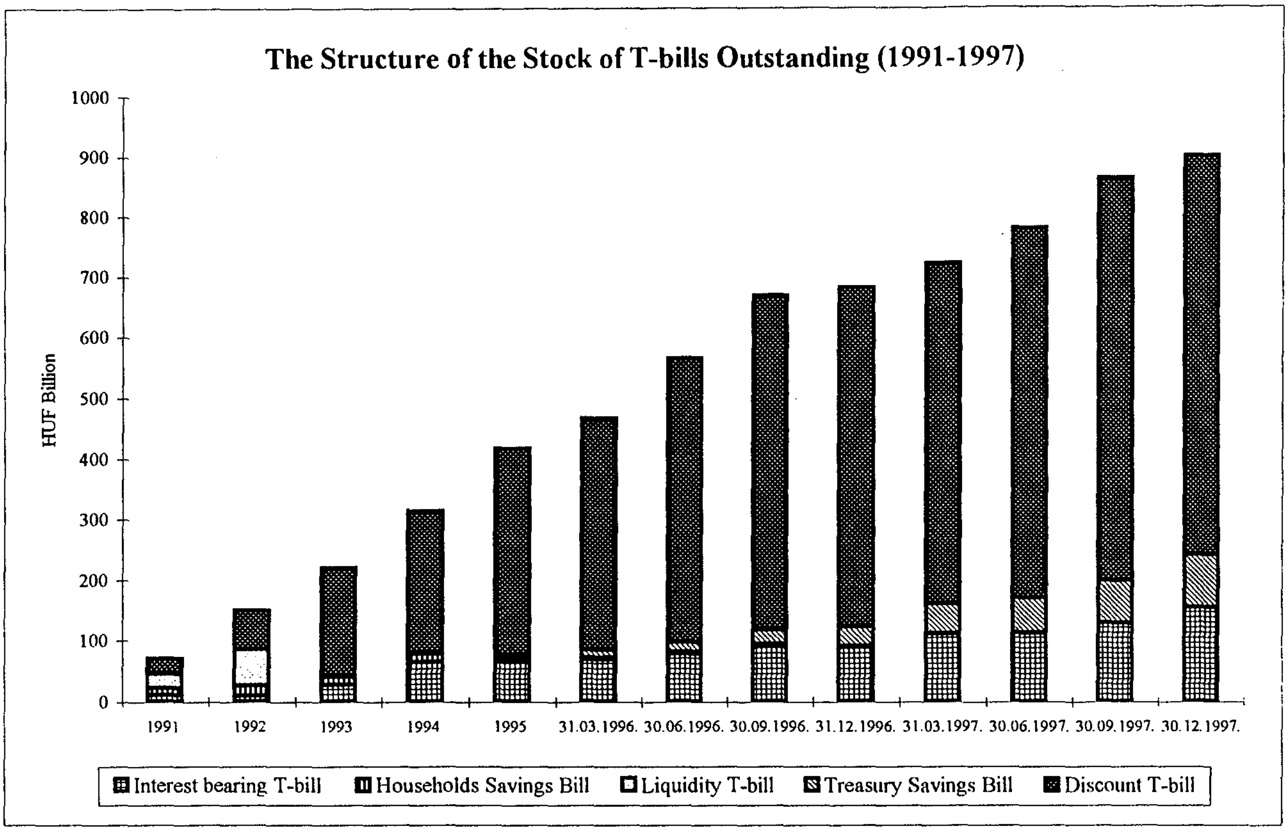
3.4.3 Stock of Treasury Bills Outstanding (end of period, nominal value)

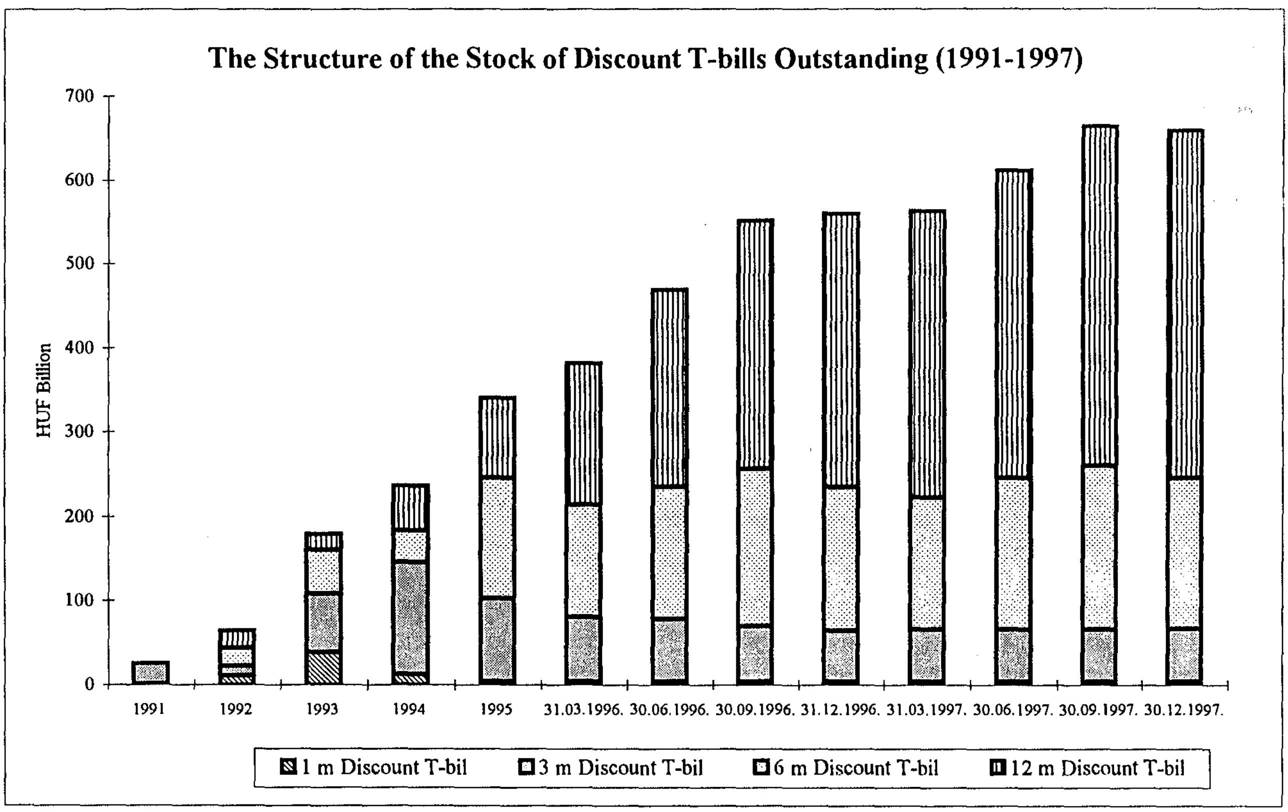
HUF Billion

	September 1997.	October 1997.	November 1997.	December 1997.
Interest Bearing Treasury Bills IBTB				
IBTB 1995/VII.-XII.	0.02	0.02	0.02	0.02
IBTB 1996/I.-XII.	0.62	0.61	0.60	0.60
IBTB 1997/I.-VIII.	0.07	0.06	0.07	0.07
IBTB 1997/IX.	7.43	0.01	0.01	0.01
IBTB 1997/X.	5.13	5.13	0.00	0.00
IBTB 1997/XI.	7.14	7.14	7.14	0.01
IBTB 1998/I.	14.68	14.70	14.70	14.70
IBTB 1998/II.	16.74	16.77	16.77	16.76
IBTB 1998/III.	11.15	11.16	11.16	11.15
IBTB 1998/IV.	10.92	10.92	10.92	10.92
IBTB 1998/V.	7.12	7.13	7.13	7.12
IBTB 1998/VI.	8.07	8.07	8.07	8.06
IBTB 1998/VII.	13.07	13.07	13.07	13.07
IBTB 1998/VIII.	13.48	13.48	13.48	13.48
IBTB 1998/IX.	14.53	14.53	14.53	14.52
IBTB 1998/X.	0.00	13.24	13.24	13.23
IBTB 1998/XI.	0.00	0.00	13.76	13.76
IBTB 1998/XII.	0.00	0.00	0.00	17.50
Total	**130.18**	**136.04**	**144.67**	**154.99**
GDMA account	**0.47**	**0.57**	**0.67**	**0.85**
Households'Savings Bills	0.32	0.27	0.27	0.04
Treasury Savings Bills	69.71	74.22	78.33	84.92
Discount Treasury Bills				
1 Month	3.90	3.90	3.90	3.90
3 Month	62.34	62.36	62.38	62.39
6 Month	193.60	187.50	184.05	178.82
12 Month	404.11	405.33	408.98	413.78
Total*	**663.95**	**659.09**	**659.31**	**658.89**
GDMA account	**37.90**	**38.80**	**41.31**	**47.01**
Total Stock of Treasury Bills Outstanding	**864.16**	**869.62**	**882.58**	**898.84**

* at purchase price

Graph.no. 3.4.4. Treasury Bill Stock Outstanding





3.5 Outstanding Forex Denominated Debt Taken Over by Central Government

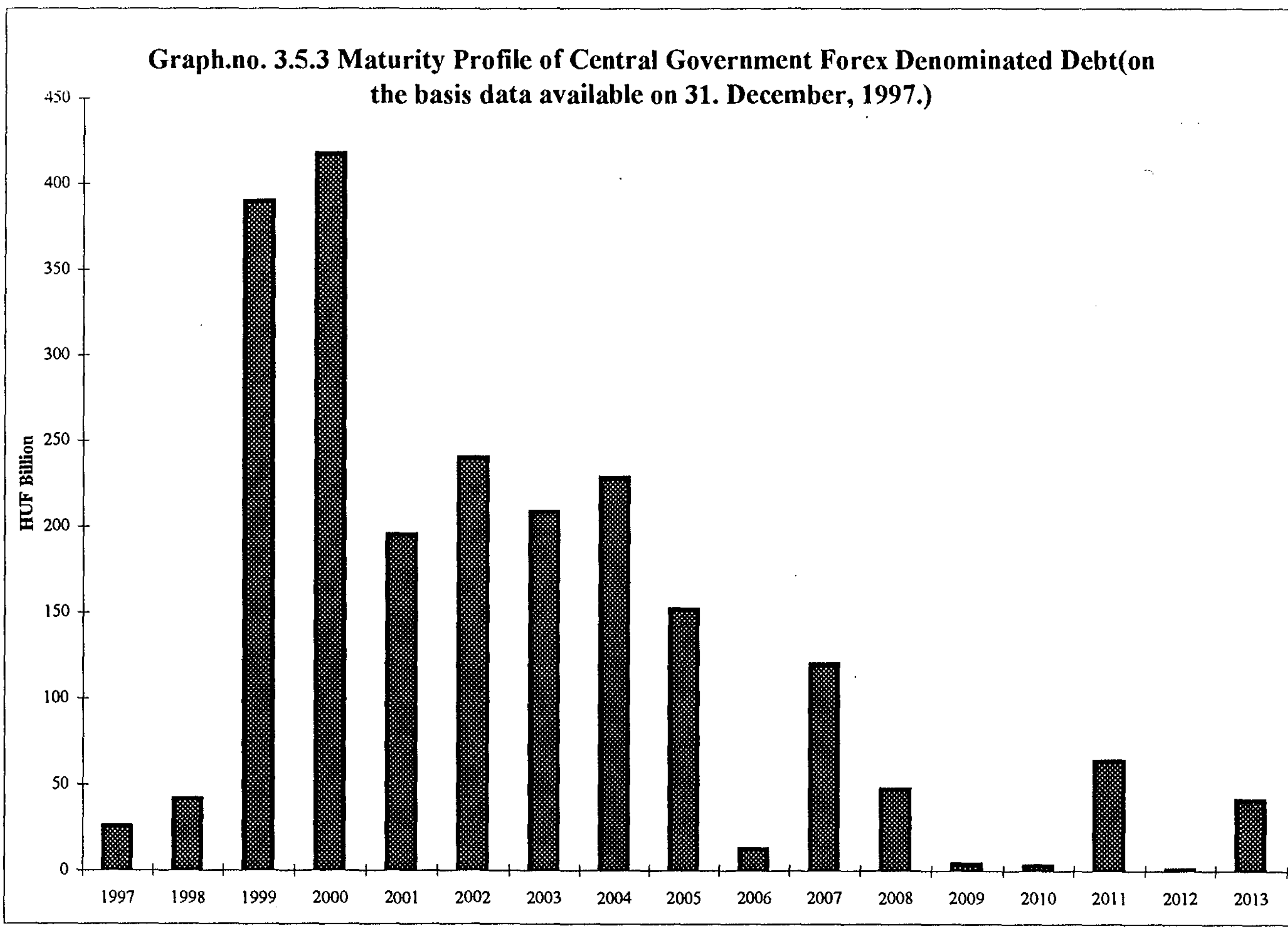
3.5.1 Components of forex Denominated Debt Taken Over by Central Government

Number of of Bond	Redemption Date	Interest Payment Date		Currency	Type of Interest	Rate of Interest	Principal
1	19-Oct-2000	19 -Oct	-	ATS	Fix	8.50%	1,000
2	15-Jun-2001	15 -Jun	-	ATS	Fix	9.00%	1,250
3	24-Jan-2002	24 -Jan	-	ATS	Fix	9.625%	750
4	05-May-1999	05 -May	-	ATS	Fix	10.375%	600
5	18-Oct-1999	18 -Oct	-	CHF	Fix	8.25%	150
6	03-Dec-1999	03 -Dec	-	CHF	Fix	6.75%	200
7	07-Jun-2000	07 -Jun	-	CHF	Fix	7.25%	100
8	18-Oct-2000	18 -Oct	-	CHF	Fix	6.75%	200
9	11-Mar-1999	11 -Mar	-	DEM	Fix	10.25%	600
10	07-Jan-2000	07 -Jan	-	DEM	Fix	10.00%	600
11	17-Mar-2000	17 -Mar	-	DEM	Fix	9.25%	1,000
12	27-Jun-2001	27 -Jun	-	DEM	Fix	9.00%	750
13	08-Sep-2003	08 -Sep	-	DEM	Fix	8.75%	1,000
14	13-Jan-2004	13 -Jan	-	DEM	Fix	8.00%	1,000
15	21-May-2002	21 -Feb	21 -May	DEM	3LIB+0,9%	***4.65%***	500
16		21 -Aug	21 -Nov				
	12-Nov-1999	12 -Nov	-	FRF	Fix	8.00%	1,000
17	05-Aug-2003	05 -Aug	-	GBP	Fix	10.00%	100
18	29-Mar-1999	21 -Mar	29 -Sep	JPY	Fix	5.70%	29,624
19	23-Jul-1999	23 -Jan	23 -Jul	JPY	Fix	6.45%	50,000
20	21-Sep-1999	29 -Mar	21 -Sep	JPY	Fix	6.00%	25,000
21	05-Apr-2000	05 -Apr	05 -Oct	JPY	Fix	6.45%	50,000
22	01-Aug-2000	06 -Jan	01 -Aug	JPY	Fix	6.15%	15,000
23	06-Dec-2001	18 -Feb	06 -Dec	JPY	Fix	8.00%	30,000
24	18-Feb-2002	22 -Feb	18 -Aug	JPY	Fix	7.00%	30,000
25	22-Feb-2002	06 -Jan	22 -Aug	JPY	Fix	6.65%	30,000
26	06-Jan-2004	04 -Feb	06 -Jul	JPY	Fix	5.45%	50,000
27	08-Feb-2005	08 -Feb	08 -Aug	JPY	Fix	6.75%	25,000
28	18-Jul-2005	18 -Jul	-	JPY	Fix	5.20%	25,000
29	12-Sep-2005	12 -Mar	12 -Sep	JPY	Fix	5.00%	30,000
30	19-Jun-2007	19 -Jun	19 -Dec	JPY	Fix	6.00%	30,000
31	19-Oct-2007	19 -Apr	19 -Oct	JPY	Fix	5.00%	30,000
32	14-Mar-2008	14 -Mar	14 -Sep	JPY	Fix	5.00%	25,000
33	10-Jan-2011	10 -Jan	10 -Jul	JPY	Fix	5.20%	40,000
34	27-Jul-1999	27 -Jul	-	NLG	Fix	8.75%	150
35	26-Aug-1999	26 -Feb	26 -Aug	USD	6LIB+1,5%	***7.34%***	107
36	01-Oct-2002	01 -Apr	01 -Oct	USD	Fix	8.80%	200
37	01-Nov-2003	01 -May	01 -Nov	USD	Fix	7.95%	200
38	01-Nov-2013	01 -May	01 -Nov	USD	Fix	8.875%	200

3.5.2 Currency Structure of Central Government Forex Debt * (HUF Billion)

Devizanem	28. March, 1997	30. June, 1997	30. September, 1997	31. December, 1997
Osztrák schilling	114	116	118	59
Német márka	1,196	1,196	1,386	1,335
Francia frank	31	32	33	34
Japán jen	-10	-1	-24	3
Holland forint	14	14	15	15
USA dollár	680	737	661	693
ECU	40	42	43	26
Összesen	2066	2135	2231	2166

* with the value of the hedging transactions related to the debt



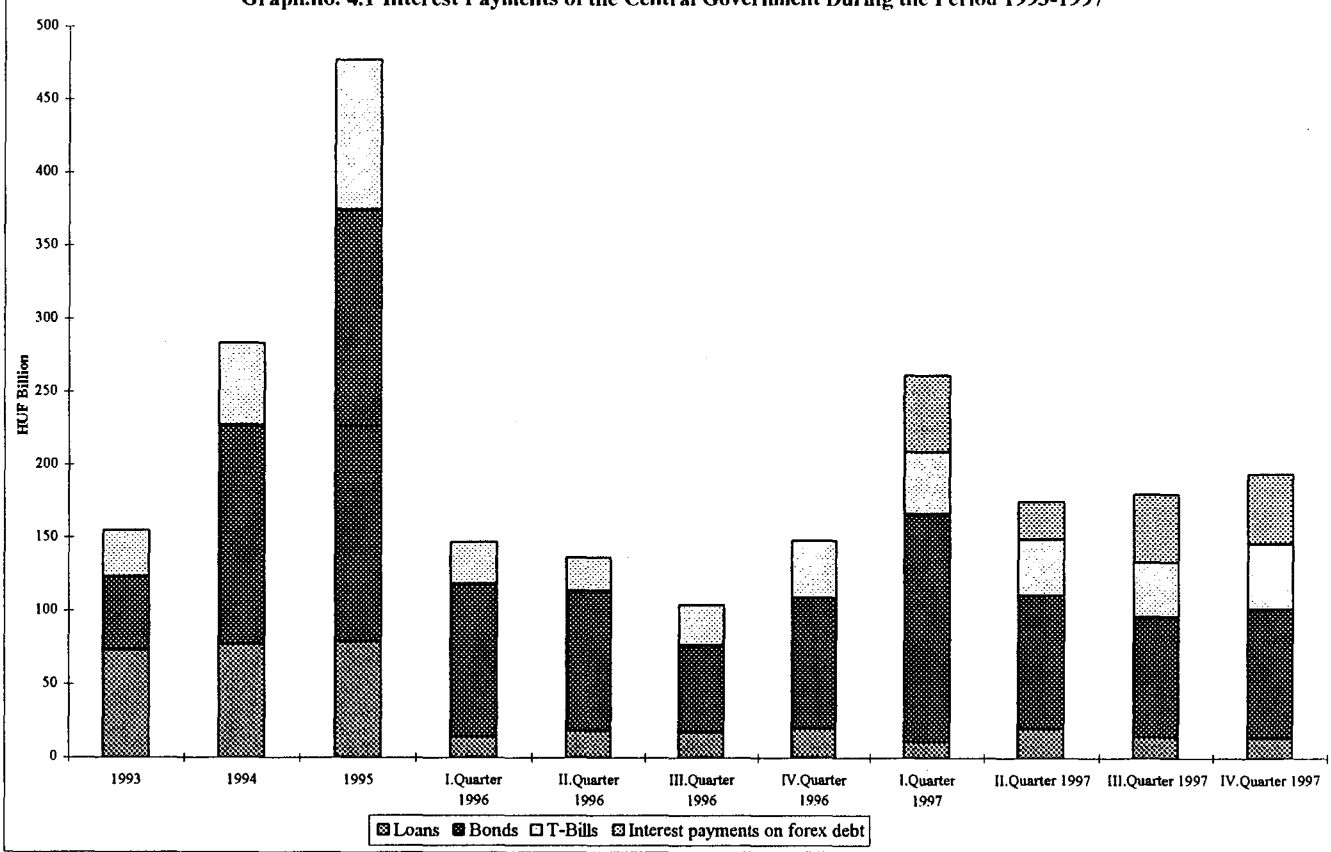
4. Interest, Interest Payments and Yields

4.1. Interest Payments of the Central Government

HUF Billion

		1993	1994	1995	1996	1997			
						I.Quarter	II.Quarter	III.Quarter	IV.Quarter
1. Loans		73.24	77.06	78.78	69.54	10.78	20.05	14.51	13.54
of which:	deficit financing	47.01	49.12	49.79	40.69	6.48	12.94	9.37	8.65
	other purposes	26.23	27.93	28.99	28.85	4.30	7.11	5.14	4.89
of which:	preferencial interest	60.44	61.46	55.18	46.08	7.36	14.99	11.02	10.80
	market interest	12.80	15.60	23.60	23.46	3.41	5.06	3.50	2.74
2.Bonds		49.90	150.17	295.60	347.01	155.41	90.50	81.49	88.36
of which:	deficit financing	28.11	62.46	125.14	180.99	49.88	44.98	53.19	53.66
	other purposes	21.79	87.71	170.46	166.02	105.53	45.52	28.30	34.70
of which:	preferencial interest	4.81	4.29	4.46	0.00	0.00	0.00	0.00	0.00
	market interest	45.09	145.88	291.14	347.02	155.41	90.50	81.49	88.36
3. T-Bills		31.77	56.07	103.02	117.15	42.62	38.32	37.53	44.54
4. Interest payments on forex debt						52.76	25.89	46.16	47.89
Total (1+2+3+4)		**154.91**	**283.29**	**477.40**	**533.71**	**261.57**	**174.76**	**179.69**	**194.33**
of which:	deficit financing	106.89	167.65	277.95	338.83	151.74	122.13	146.25	154.74
	other purposes	48.02	115.64	199.45	194.88	109.83	52.63	33.44	39.59
of which:	preferencial interest	65.25	65.75	59.64	46.08	7.36	14.99	11.02	10.80
	market interest	89.66	217.54	417.76	487.64	254.20	159.77	168.68	183.53

Graph.no. 4.1 Interest Payments of the Central Government During the Period 1993-1997



4.1.1. Interest Payments on Loans Effected by Central Government

HUF Million

	Interest 1993	Interest 1994	Interest 1995	Interest 1996	1997 I.Quarter	1997 II.Quarter	1997 III.Quarter	1997 October	1997 November	1997 December	1997 IV.Quarter
1.1. Deficit financing loans											
Raised before 1981	34,769.60	34,744.23	30,704.17	17,674.18	2,744.80	5,573.80	3,984.10	1,292.97	1,121.50	1,422.60	3,837.07
Raised between 1982-1990				8,595.20	1,510.40	3,000.10	2,206.20	718.33	695.15	718.33	2,131.80
Raised in 1991	12,238.30	14,378.33	16,878.33	14,422.47	2,225.80	4,362.10	3,182.00	1,050.48	948.82	677.73	2,677.03
1.1. Total	**47,007.90**	**49,122.56**	**47,582.51**	**40,691.85**	**6,481.00**	**12,936.00**	**9,372.30**	**3,061.77**	**2,765.47**	**2,818.65**	**8,645.90**
1.2. Others											
Establishment of revolving fund	3,263.60	3,538.22	3,325.56	3,285.26	535.90	1,108.90	836.20	281.76	254.49	299.93	836.18
Allotment of registered cap. to financial int.	96.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Allotment of registered cap. to enterpr.	238.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Enterprise debt settlement	1,444.40	1,386.22	1,132.20	250.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contribution to reg. cap. of int. fin. int.	538.90	585.70	550.50	529.57	91.70	183.50	138.30	46.64	42.13	49.65	138.42
World Bank loans	560.50	515.80	562.62	453.47	58.90	112.10	77.90	24.51	22.14	26.09	72.75
Eqity allocation credit	20,065.90	21,178.71	19,438.33	15,745.57	2,481.40	5,125.10	3,853.90	1,295.59	1,170.21	1,379.17	3,844.97
Overdraft		228.09	76.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.2. Total	**26,208.20**	**27,432.73**	**25,085.38**	**20,263.91**	**3,167.90**	**6,529.60**	**4,906.30**	**1,648.50**	**1,488.96**	**1,754.85**	**4,892.31**
1. Centrak Bank loans total	**73,216.10**	**76,555.30**	**72,667.89**	**60,955.76**	**9,648.90**	**19,465.60**	**14,278.60**	**4,710.27**	**4,254.44**	**4,573.50**	**13,538.21**
2. Deficit fin. loans in foreign currencies	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
3. Loans taken by local governments	**0.00**	**473.12**	**2,122.23**	**1,950.86**	**324.00**	**297.80**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
4. Deficit fin. forex loans raised in 1995	**0.00**	**0.00**	**2,206.47**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
5. MAV loans (Hungarian State Railways)	**0.00**	**0.00**	**1,756.54**	**6,615.57**	**636.10**	**64.50**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
6. Budapest infrastructural loans	**0.00**	**0.00**	**0.00**	**0.00**	**165.10**	**117.10**	**232.40**	**0.00**	**0.00**	**0.00**	**0.00**
7. STRABAG loans	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**101.90**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
8. HAGE loans	**26.20**	**28.23**	**28.36**	**22.38**	**4.00**	**3.90**	**3.80**	**0.00**	**0.00**	**3.77**	**3.77**
Total (1+8)	**73,242.30**	**77,056.65**	**78,781.48**	**69,544.57**	**10,778.10**	**20,050.80**	**14,514.80**	**4,710.27**	**4,254.44**	**4,577.27**	**13,541.98**
of which: deficit financing	47,007.90	49,122.56	49,788.98	40,691.85	6,481.00	12,936.00	9,372.30	3,061.77	2,765.47	2,818.65	8,645.90
other purposes	26,234.40	27,934.08	28,992.51	28,852.71	4,297.10	7,114.80	5,142.50	1,648.50	1,488.96	1,758.62	4,896.08
of which: preferencial interest	60,443.50	61,461.31	55,179.10	46,079.83	7,364.20	14,991.40	11,018.70	3,635.28	3,283.48	3,869.68	10,788.43
market interest	12,798.80	15,595.34	23,602.38	23,464.74	3,413.90	5,059.40	3,496.10	1,074.99	970.96	707.59	2,753.55

4.1.2. Interest on Government Bonds and Government Guaranteed Bonds

HUF Billion

	1993	1994	1995	1996	1997						
					I.Quarter	II.Quarter	III.Quarter	October	November	December	IV.Quarter
1. Deficit financing loans	28.11	62.46	125.14	180.99	49.88	44.98	53.19	19.90	23.12	10.64	53.66
2.1. Related to housing	16.79	23.82	25.70	23.34	7.55	3.22	3.19	0.00	0.00	3.14	3.14
2.2. Due to consolidation	0.00	54.47	96.61	102.67	39.43	23.28	3.88	3.78	0.00	16.08	19.86
2.3. Due to buy Rb claims	4.06	4.06	4.06	4.06	0.00	0.00	0.00	0.00	0.00	4.04	4.04
2.4. Securitisation of non-int. bearing lons	0.00	0.00	34.77	27.31	58.12	17.08	21.11	4.72	-0.32	0.24	4.64
2.5. Social Security Funds deficit	0.00	3.96	7.27	6.82	0.38	1.19	0.12	0.24	0.00	2.44	2.67
2.6. UNIVERSITAS loans	0.00	0.67	1.41	1.42	0.00	0.75	0.00	0.00	0.00	0.00	0.00
2.7. Due to allotment of registered cap. to financial int.	0.94	0.72	0.63	0.41	0.05	0.00	0.00	0.00	0.00	0.35	0.35
2. Other purposes total (2.1.+....+2.7.)	21.79	87.71	170.46	166.02	105.53	45.52	28.30	8.73	-0.32	26.28	34.70
Total (1.+2.)	**49.90**	**150.17**	**295.60**	**347.01**	**155.41**	**90.50**	**81.49**	**28.63**	**22.80**	**36.93**	**88.36**
of which: of preferencial int. rates	28.11	62.46	4.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of market int. rates	21.79	87.71	291.14	347.02	155.41	90.50	81.49	28.63	22.80	36.93	88.36

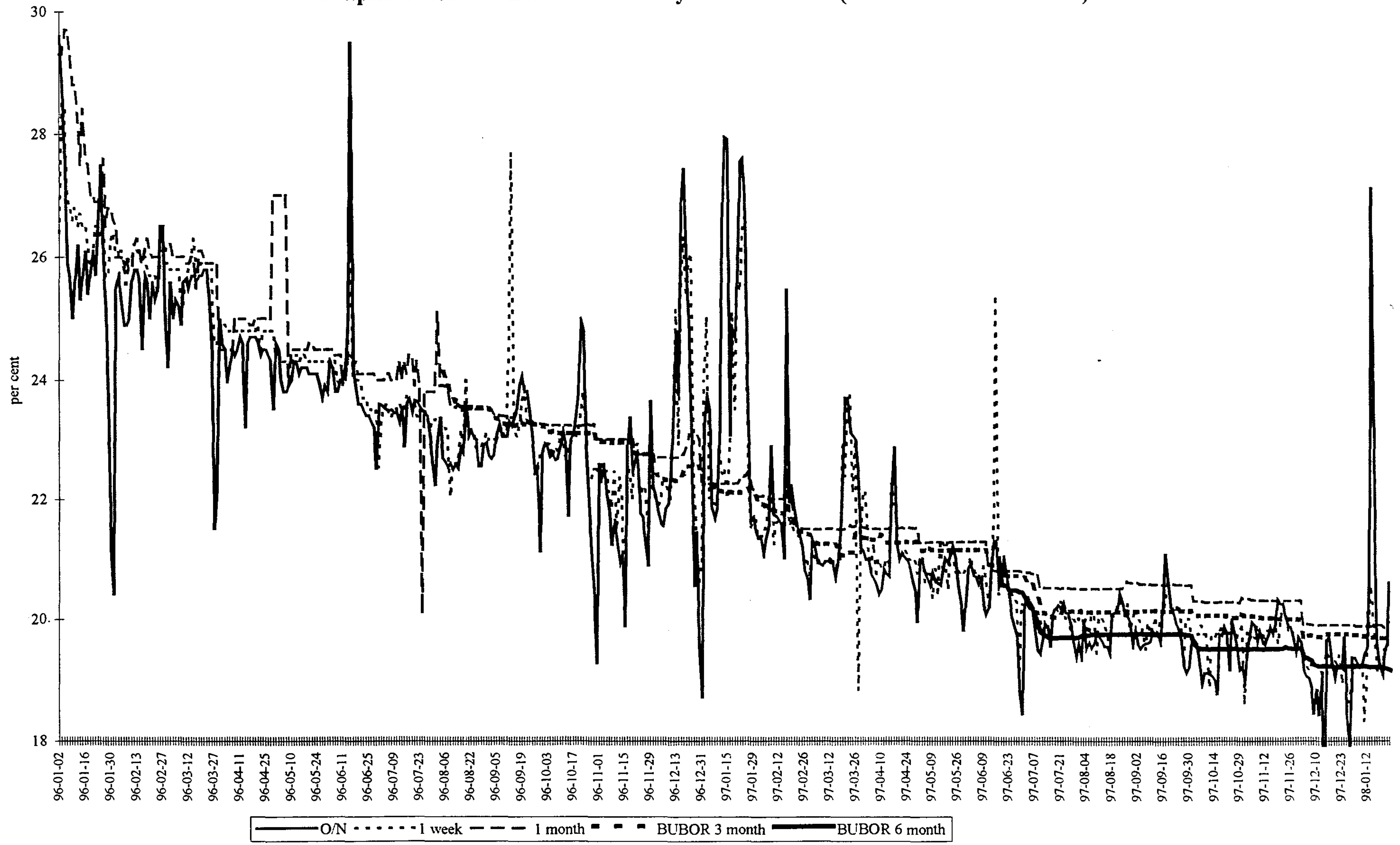
4.1.3 Interest Rate Reset of Floating Rate Government Bonds

Serial No.	Issue Date	Redemption Date	Interest Period	Interest Rate Reset	Interest Payment	Interest Rate Payable
1998/A	17.03.93	17.03.98	17.03.97 - 17.09.97	22.60%	-	-
			17.09.97 - 17.03.98	21.20%	17.03.98	21.90%
1998/C	15.02.94	15.02.98	15.02.97 - 15.08.97	21.45%	15.08.97	10.64%
			15.08.97 - 15.02.98	*	15.02.98	*
1998/D	23.11.94	23.11.98	23.11.97 - 23.05.98	21.08%	23.05.98	10.45%
1998/G	29.09.95	29.09.98	29.09.97 - 29.03.98	20.22%	29.03.98	10.03%
1998/G2	13.12.95	29.09.98	29.09.97 - 29.03.98	20.22%	29.03.98	10.03%
1999/A	10.03.94	10.03.99	10.03.97 - 10.09.97	21.45%	10.09.97	10.81%
			10.09.97 - 10.03.98	*	10.03.98	*
1999/B	05.01.96	05.01.99	05.07.97 - 05.01.98	20.59%	05.01.98	10.38%
			05.01.98 - 05.07.98	19.59%	05.07.98	9.71%
2000/B	15.06.95	15.06.00	15.12.97 - 15.06.98	21.51%	15.06.98	10.73%
2000/C	25.08.95	25.08.00	25.08.97 - 25.08.98	21.60%	25.08.98	21.60%
2002/A	02.03.92	02.03.02	02.03.97 - 02.09.97	21.33%	02.09.97	10.75%
			02.09.97 - 02.03.98	*	02.03.98	*
2003/C	29.10.93	29.10.03	29.10.97 - 29.04.98	20.90%	-	-
			29.04.98 - 29.10.98		29.10.98	
2003/D	22.12.93	22.12.03	22.12.97 - 22.12.98	21.10%	22.12.98	21.10%
2003/E	30.12.93	30.12.03	30.12.97 - 30.06.98	22.30%	-	-
			30.06.98 - 30.12.98		30.12.98	
2003/F	17.10.96	24.09.03	24.09.97 - 24.03.98	21.00%	-	-
			24.03.98 - 24.09.98		24.09.98	
2004/A	01.07.89	01.07.04	15.02.96 - 15.02.97	24.48%	15.02.97	24.48%
			15.02.97 - 15.02.98	19.35%	15.02.98	19.35%
2004/B	28.03.94	28.03.04	28.09.97 - 28.03.98	21.45%	28.03.98	10.64%
2004/D	17.08.94	17.08.04	17.08.97 - 17.02.98	21.48%	17.02.98	10.83%
2004/F	18.03.97	12.03.04	18.03.97 - 12.09.97	21.90%	-	-
			12.09.97 - 12.03.98	21.10%	12.03.98	21.14%
2004/G	07.07.97	24.03.04	07.07.97 - 24.03.98	20.70%	24.03.98	14.75%
2005/C	11.08.95	11.08.05	11.08.97 - 11.08.98	23.00%	11.08.98	23.00%
2006/A	28.02.96	28.02.06	28.02.97 - 28.08.97	21.27%	-	-
			28.08.97 - 28.02.98	19.57%	28.02.98	20.42%
2006/B	24.05.96	24.01.06	24.01.97 - 24.07.97	21.81%	-	-
			24.07.97 - 24.01.98	20.21%	24.01.98	21.01%
			24.01.98 - 24.07.98	19.15%	-	-
			24.07.98 - 24.01.99		24.01.99	
2006/C	24.05.96	24.07.06	24.07.97 - 24.01.98	20.21%	-	-
			24.01.98 - 24.07.98	19.15%	24.07.98	16.69%
2013/A	20.03.93	20.03.13	20.03.97 - 20.09.97	21.70%	-	-
			20.09.97 - 20.03.98	20.10%	20.03.98	20.91%
2013/C	20.12.93	20.12.13	20.12.97 - 20.06.98	19.40%	20.06.98	9.67%
2014/A	02.05.94	02.05.14	02.11.97 - 02.05.98	19.70%	02.05.98	9.77%
2014/B	20.12.94	20.12.14	20.06.97 - 20.12.97	20.90%	20.12.97	10.48%
2016/A	01.01.92	31.12.16	31.12.97 - 31.03.98	19.00%	31.03.98	4.75%
2016/B	02.01.96	02.01.16	02.07.97 - 02.01.98	20.61%	02.01.98	10.39%
			02.01.98 - 02.07.98	19.24%	02.07.98	9.54%
2026/A	28.02.96	28.02.26	28.02.97 - 97.08.28.	21.27%	-	-
			28.08.97 - 28.02.98	19.57%	28.02.98	20.42%
2026/B	24.05.96	24.04.26	24.04.97 - 24.10.97	20.64%	-	-
			24.10.97 - 24.04.98	19.54%	24.04.98	20.09%
2026/C	24.05.96	24.10.26	24.10.97 - 24.04.98	19.54%	-	-
			24.04.98 - 24.10.98		24.10.98	

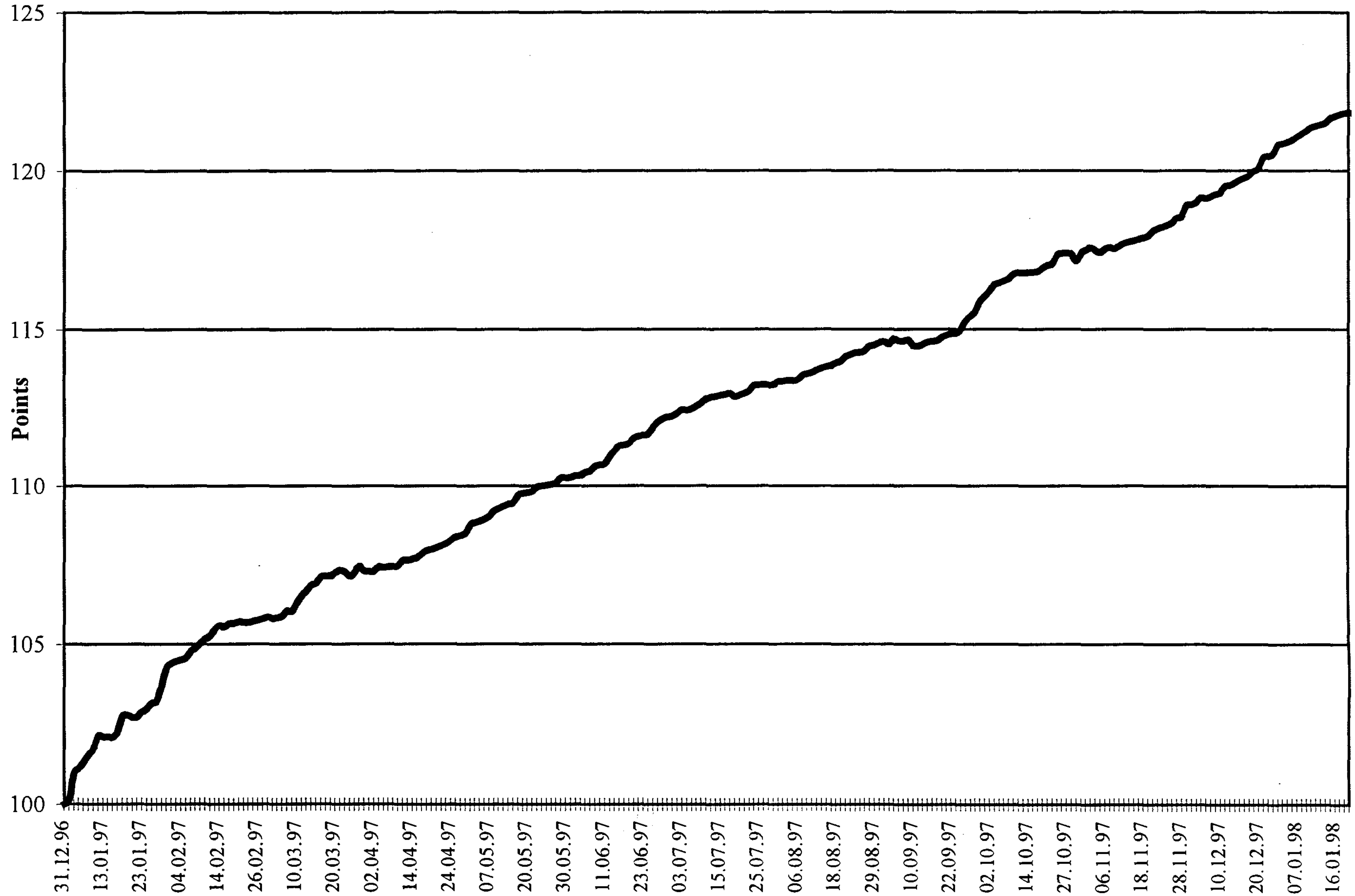
* Interest rate is reset at the end of interest period

5. Some Important Financial Market Rates and Households Savings

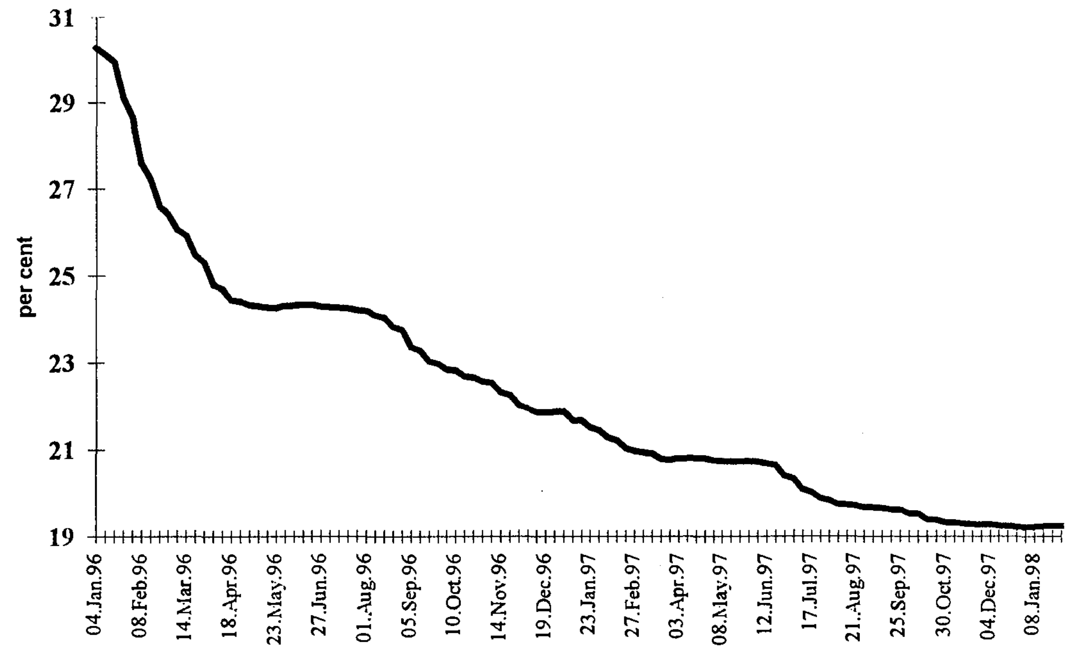
Graph.no. 5.1 The Interbank Money Market Rates (01.01.1996.-30.01.1998.)



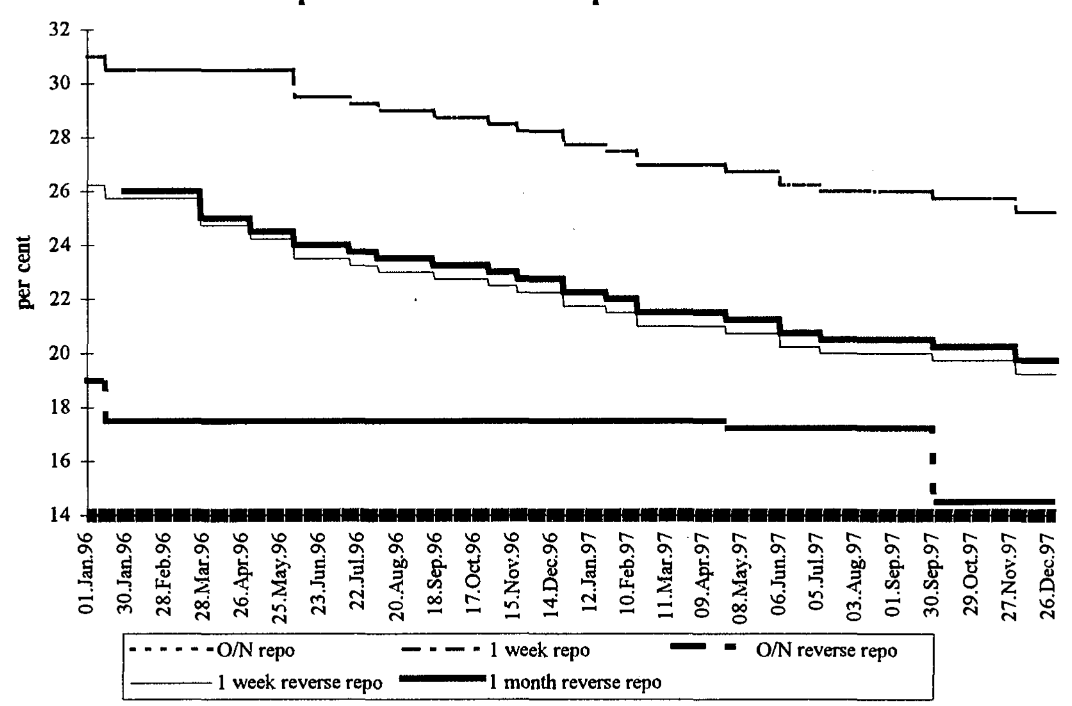
Graph.no. 5.2 The Hungarian Government Bond Total Return Index (MAX) from 31st December, 1996.



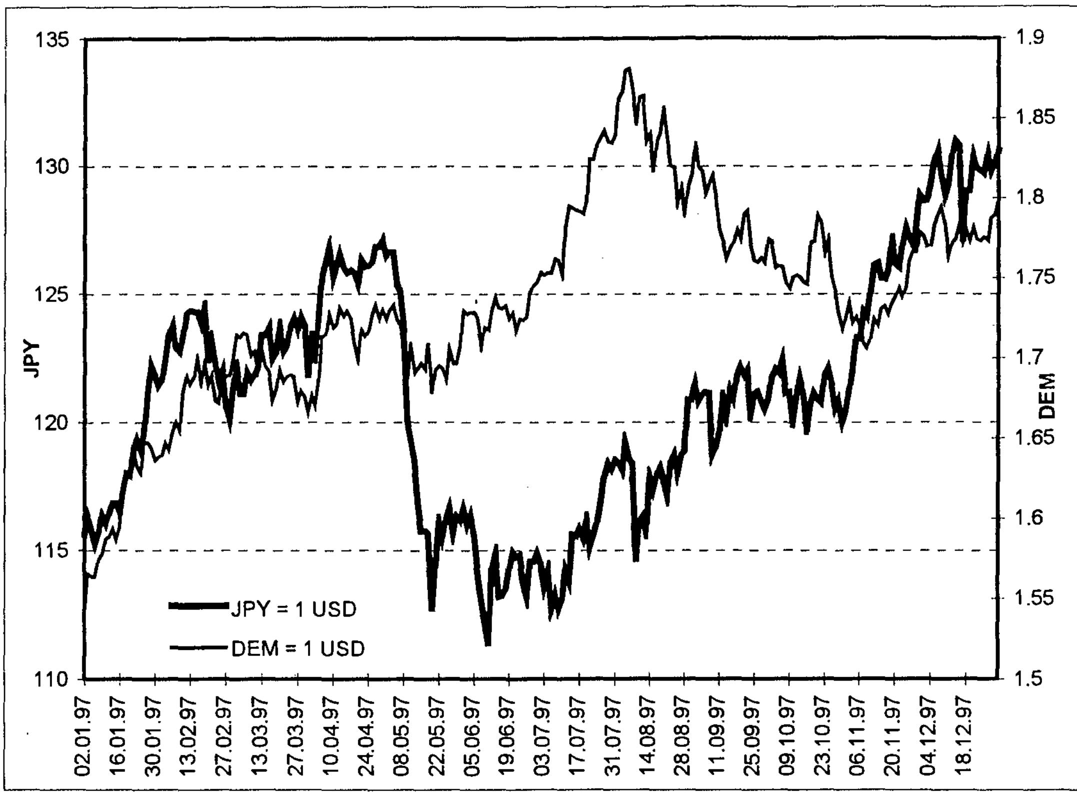
Graph.no. 5.3 Changes in DWIX Index
(January 1996.-January 1998.)

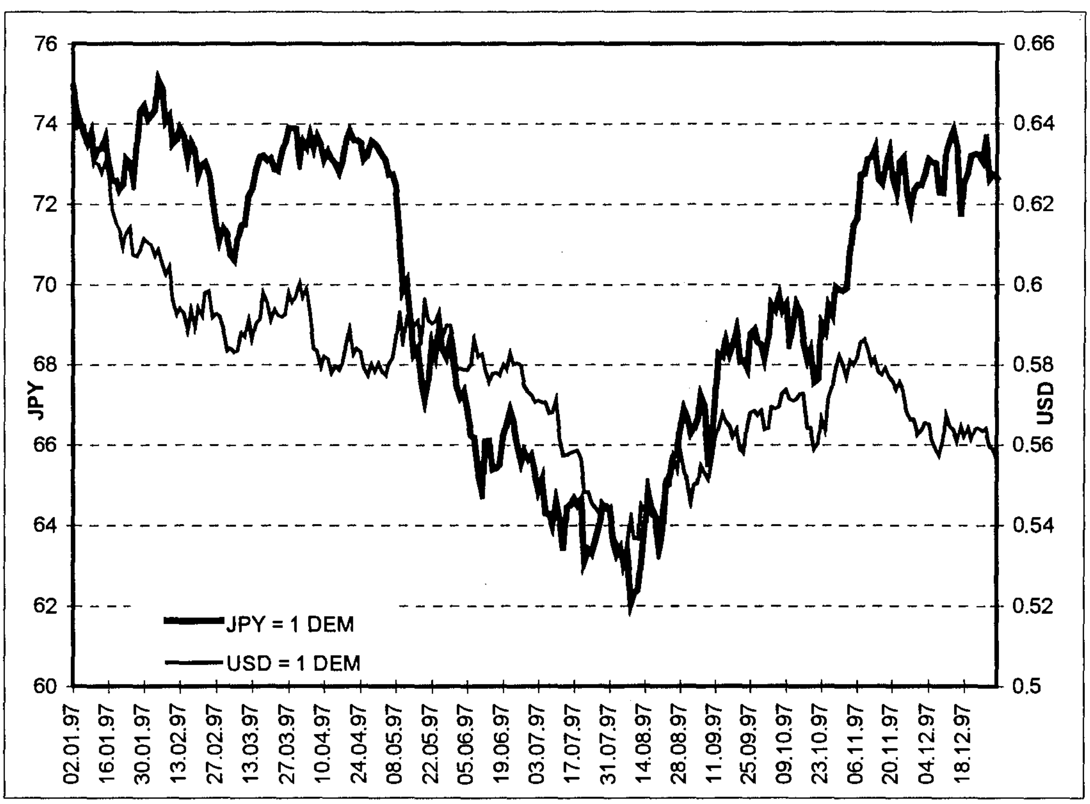


Graph.no. 5.4 Central Repo Rates 1995-1997

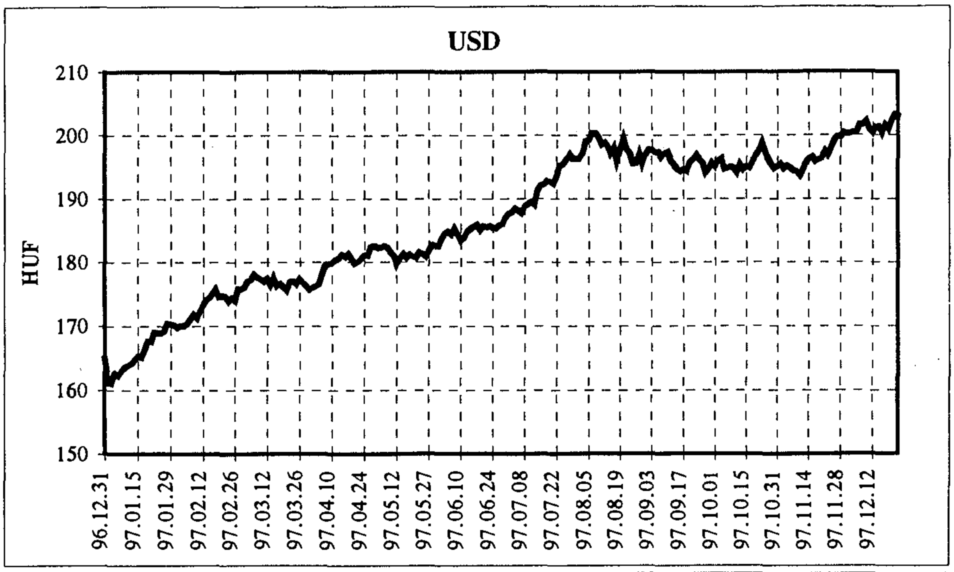


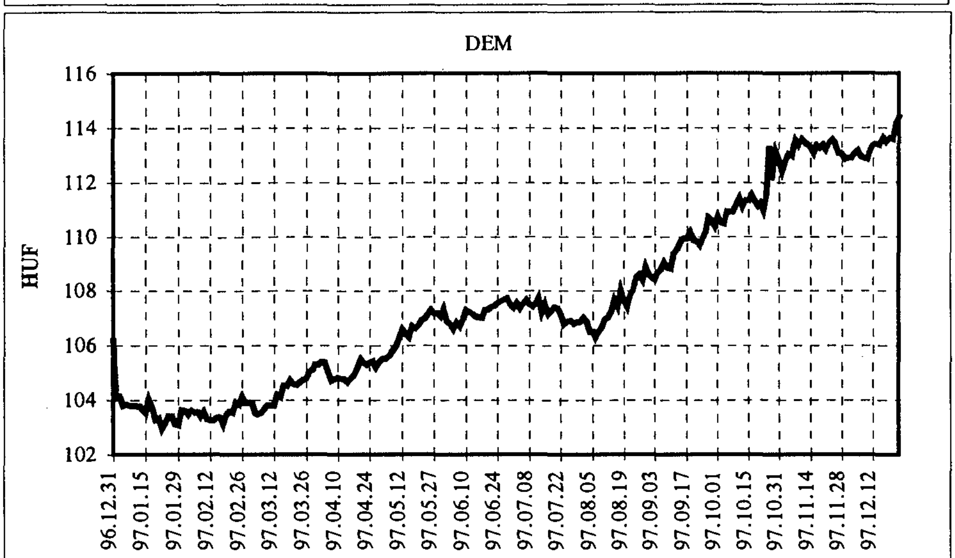
Graph.no. 5.5 Forex Cross Rates

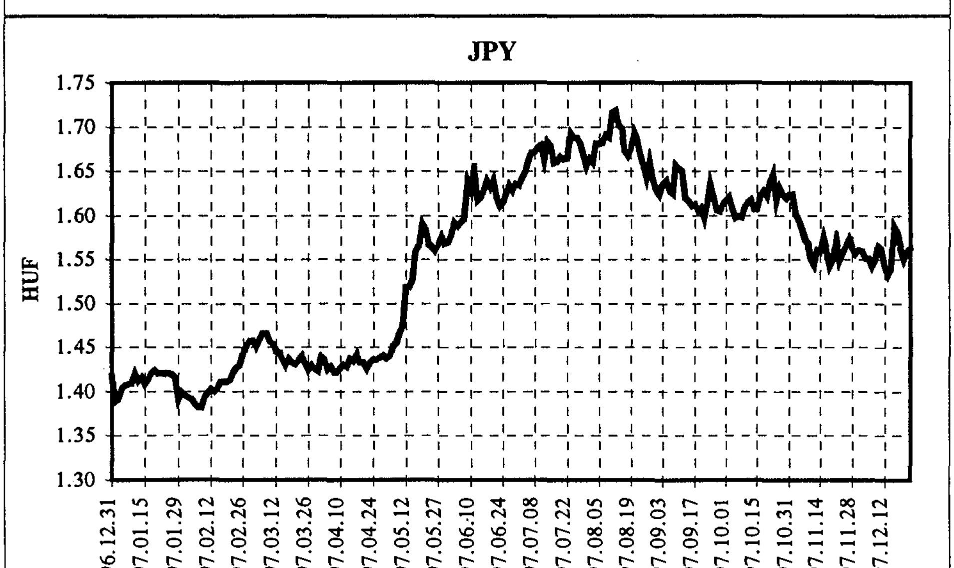




Graph.no. 5.6 Hungarian Forint Exchange Rate Against Some Important Currencies
(on basis of daily quotation by National Bank of Hungary)







5.7 Households' Savings

5.7.1 The Stock of Households' Savings in 1997

HUF Billion

	1996. 31.Dec.	1997. 31. Jan.	28. Febr.	31. March	30. Apr.	31. May	30.June	31.July	31.Aug.	30.Sep.	31. Oct.	30. Nov.	31. Dec.
Households' Savings in HUF	**2291.0**	**2334.6**	**2381.1**	**2416.5**	**2478.8**	**2509.2**	**2570.3**	**2634.1**	**2701.5**	**2742.8**	**2820.6**	**2907.6**	**2984.4**
OF which:													
Cash	425.1	408.6	417.5	427.1	441.6	437.3	438.1	451.2	464.4	463.4	481.2	479.4	478.7
Deposits	857.9	879.5	886.9	903.6	933.9	945.8	968.7	1002.2	1026.3	1048.1	1075.2	1086.4	1140.1
Securities issued by financial institutions	374.5	385.5	382.8	368.1	366.0	364.8	363.7	360.0	360.6	361.7	362.4	363.9	370.2
Deposits of small companies and sole traders	48.6	48.5	51.0	50.1	48.5	54.1	53.8	57.2	64.7	63.4	64.9	73.3	66.6
Deposits placed in financial institutions (total)	1281.0	1313.5	1320.7	1321.8	1348.4	1364.7	1386.2	1419.4	1451.6	1473.2	1502.5	1523.6	1576.9
Securities issued by non-financial institutions a)	451.3	475.7	502.4	523.8	540.9	556.3	584.8	597.1	614.0	628.5	651.6	715.1	729.5
Insurance premium and retiment savings scheme	112.5	114.2	116.4	118.2	120.2	121.0	128.9	131.7	134.4	138.1	142.8	144.1	151.0
	21.1	**22.6**	**24.1**	**25.6**	**27.7**	**29.9**	**32.3**	**34.7**	**37.1**	**39.6**	**42.5**	**45.4**	**48.3**
Households' savings in foreign exchange	**474.9**	**478.7**	**478.6**	**474.8**	**477.4**	**480.6**	**484.5**	**491.9**	**500.0**	**504.7**	**510.1**	**515.3**	**522.7**
HOUSEHOLDS' GROSS SAVINGS	2765.9	2813.3	2859.7	2891.3	2956.2	2989.8	3054.8	3126.0	3201.5	3247.5	3330.7	3422.9	3507.1
LOANS	340.5	331.7	331.2	328.6	328.7	336.1	337.0	341.1	343.7	345.4	353.1	381.7	383.8
HOUSEHOLD SAVINGS (NET OF LOANS)	**2425.4**	**2481.6**	**2528.5**	**2562.7**	**2627.5**	**2653.7**	**2717.8**	**2784.9**	**2857.8**	**2902.1**	**2977.6**	**3041.2**	**3123.3**

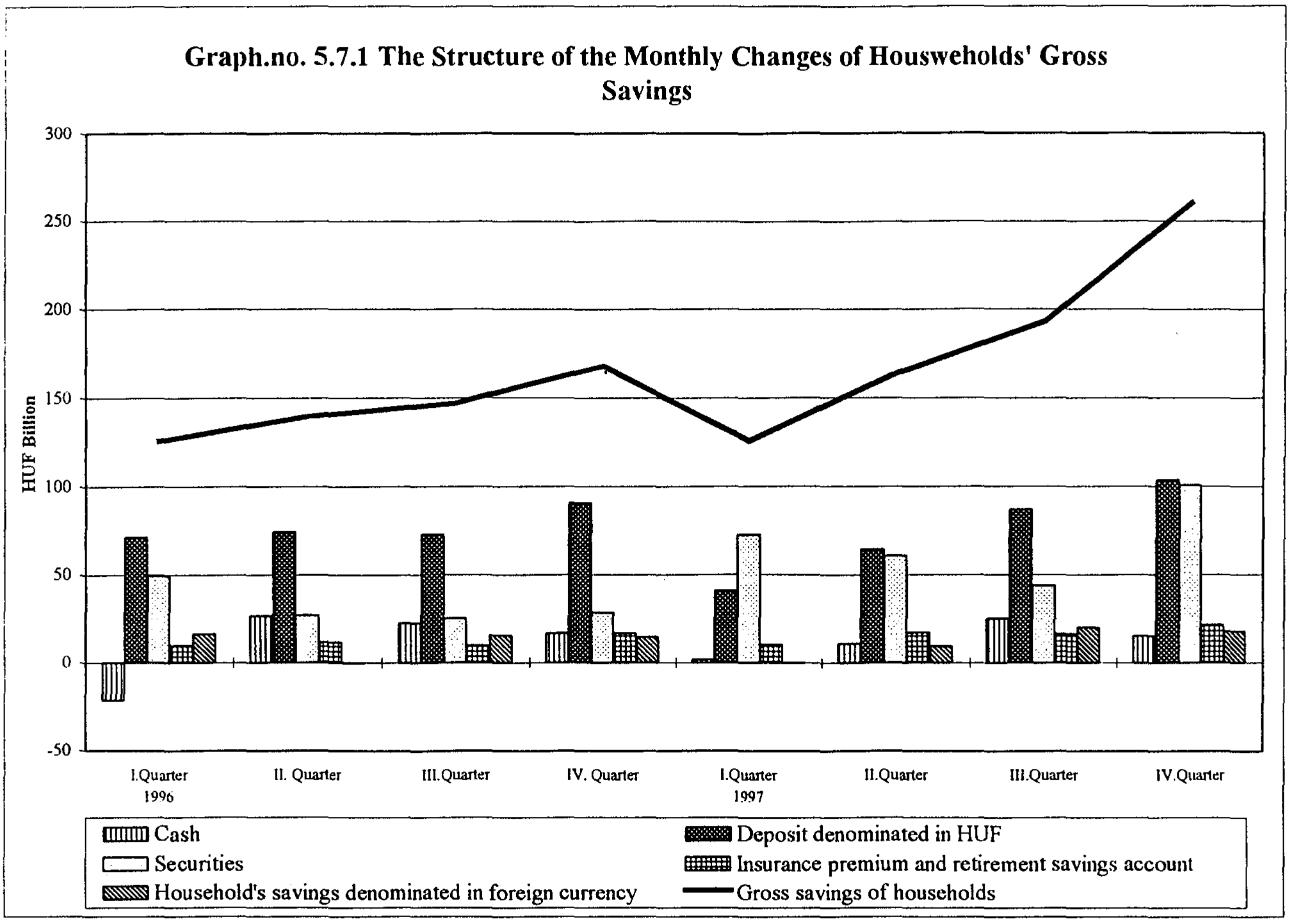
[a] estimated data; the retail sale of the Richter shares in May is indicated in 1 Billion HUF higher amount compared to the accepted subscription because the repayment of the oversubscription has not been **pursued** during the month. The households' savings in government securities also include the net purchase of government securities from January 1997. transacted on the secondary market by primary dealers.

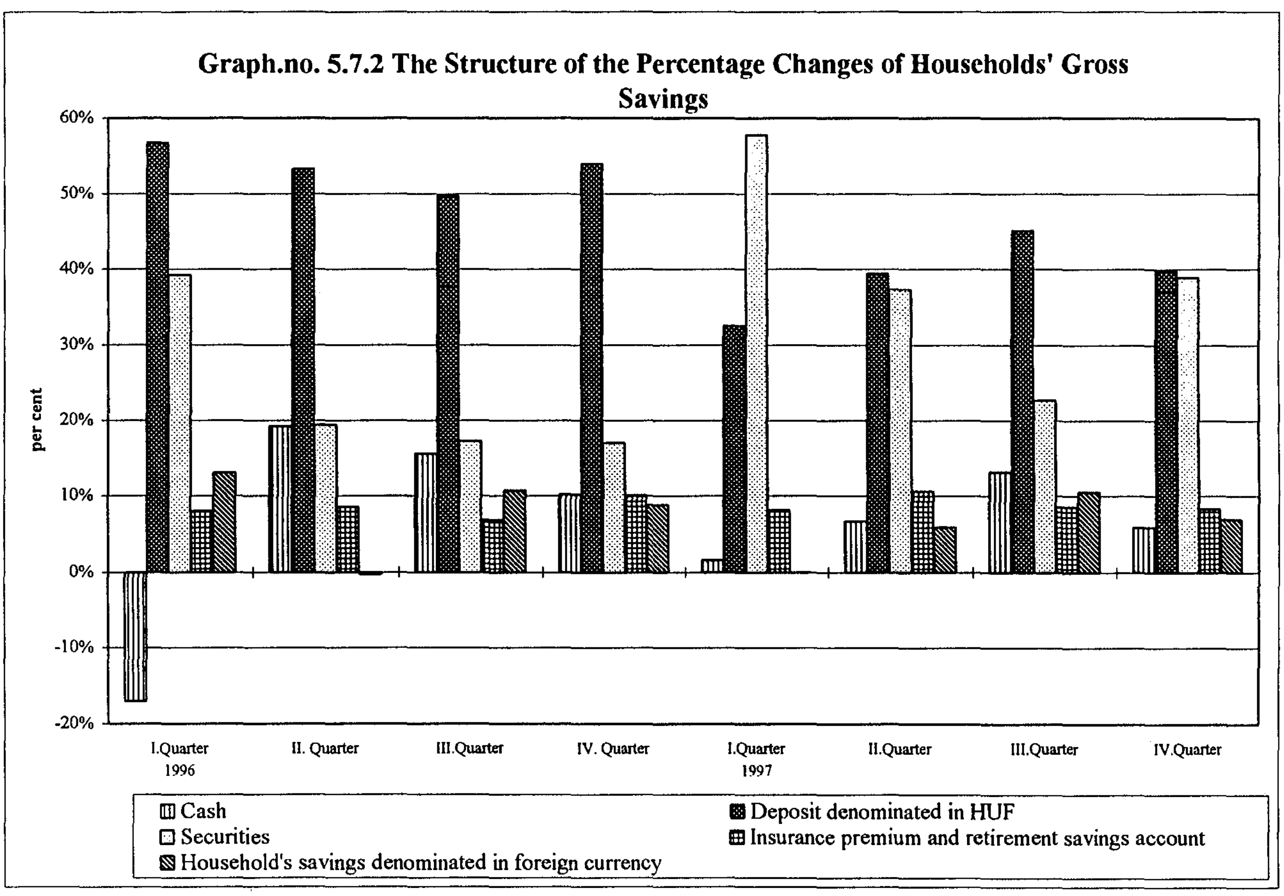
In this respect data for 1996 are not available.

[b] Preliminary data

[c] financial support loans granted by employers; loans granted by insurance companies; deferred payment allowance for the purchase of Richter shares

Source: National Bank of Hungary


Graph.no. 5.7.1 The Structure of the Monthly Changes of Housweholds' Gross Savings
300
250
200
150
100
50
0
-50
HUF Billion
I.Quarter 1996
II. Quarter
III.Quarter
IV. Quarter
I.Quarter 1997
II.Quarter
III.Quarter
IV.Quarter
Cash
Deposit denominated in HUF
Securities
Insurance premium and retirement savings account
Household's savings denominated in foreign currency
Gross savings of households


Graph.no. 5.7.2 The Structure of the Percentage Changes of Households' Gross Savings
60%
50%
40%
30%
20%
10%
0%
-10%
-20%
per cent
I.Quarter 1996
II. Quarter
III.Quarter
IV. Quarter
I.Quarter 1997
II.Quarter
III.Quarter
IV.Quarter
Cash
Deposit denominated in HUF
Securities
Insurance premium and retirement savings account
Household's savings denominated in foreign currency

5.7.2 Quarterly Changes in Households' Savings in 1997

HUF Billion

	Jan.	Febr.	March	I. Quarter	Apr.	May.	June	II.Quarter	I. Half	July	Aug.	Sept.	III.Quarter	Oct.	Nov.	Dec.	IV.Quarter	II.Half	TOTAL
Households' Savings in HUF	**43,6**	**46,5**	**35,4**	**125,5**	**62,3**	**30,4**	**61,1**	**153,8**	**279,3**	**63,8**	**67,4**	**41,3**	**172,5**	**77,8**	**87,0**	**76,8**	**241,6**	**414,1**	**693,4**
OF which:																			
Cash	**-16,5**	**8,9**	**9,6**	**2,0**	**14,5**	**-4,3**	**0,8**	**11,0**	**13,0**	**13,1**	**13,2**	**-1,0**	**25,3**	**17,8**	**-1,8**	**-0,7**	**15,3**	**40,6**	**53,6**
Deposits	21,6	7,4	16,7	45,7	30,3	11,9	22,9	65,1	110,8	33,5	24,1	21,8	79,4	27,1	11,2	53,7	92,0	171,4	282,2
Securities issued by financial institutions	11,0	-2,7	-14,7	-6,4	-2,1	-1,2	-1,1	-4,4	-10,8	-3,7	0,6	1,1	-2,0	0,7	1,5	6,3	8,5	6,5	-4,3
Deposits of small companies and sole traders	-0,1	2,5	-0,9	1,5	-1,6	5,6	-0,3	3,7	5,2	3,4	7,5	-1,3	9,6	1,5	8,4	-6,7	3,2	12,8	18,0
Deposits placed in financial institutions (total)	**32,5**	**7,2**	**1,1**	**40,8**	**26,6**	**16,3**	**21,5**	**64,4**	**105,2**	**33,2**	**32,2**	**21,6**	**87,0**	**29,3**	**21,1**	**53,3**	**103,7**	**190,7**	**295,9**
Corporate Bonds	-1,8	2,8	2,4	3,4	-1,2	0,4	0,1	-0,7	2,7	-0,6	-1,1	-1,2	-2,9	-1.8	-1,1	-1,4	-4,3	-7,2	-4,5
Government Bonds	-5,5	-1,6	-2,9	-10,0	-3,9	-1,0	-2,6	-7,5	-17,5	-17,2	-3,3	-1,5	-22,0	1,7	-0,2	2,3	3,8	-18,2	-35,7
Treasury Bills	26,0	11,7	11,9	49,6	13,2	1,1	17,3	31,6	81,2	18,9	13,7	13,8	46,4	11,6	14,8	11,4	37,8	84,2	165,4
Investment note	5,7	12,8	9,1	27,6	8,2	5,0	12,2	25,4	53,0	10,7	7,6	2,7	21,0	2,8	0,5	-0,8	2,5	23,5	76,5
Equity	0,0	1,0	0,9	1,9	0,8	9,9	1,5	12,2	14,1	0,5	0,0	0,7	1,2	8,8	49,5	2,9	61,2	62,4	76,5
Securities issued by non-financial institutions a)	**24,4**	**26,7**	**21,4**	**72,5**	**17,1**	**15,4**	**28,5**	**61,0**	**133,5**	**12,3**	**16,9**	**14,5**	**43,7**	**23,1**	**63,5**	**14,4**	**101,0**	**144,7**	**278,2**
Insurance premium	1,7	2,2	1,8	5,7	2,0	0,8	7,9	10,7	16,4	2,8	2,7	3,7	9,2	4,7	1,3	6,9	12,9	22,1	38,5
Retiment savings scheme	1,5	1,5	1,5	4,5	2,1	2,2	2,4	6,7	11,2	2,4	2,4	2,5	7,3	2,9	2,9	2,9	8,7	16,0	27,2
Households' savings in foreign exchange (in HUF)	3,8	-0,1	-3,8	-0,1	2,6	3,2	3,9	9,7	9,6	7,4	8,1	4,7	20,2	5,4	5,2	7,4	18,0	38,2	47,8
Of which: effect of forint devaluation	5,8	6,1	4,3	16,2	6,0	5,9	4,1	16,0	32,2	5,6	5,3	4,9	15,8	7,4	4,3	4,8	16,5	32,3	64,5
forex cross rate changes	-0,9	0,6	0,1	-0,2	0,9	0,2	1,0	2,1	1,9	1,7	-1,2	-0,5	0,0	-0,2	1,1	0,2	1,1	1,1	3,0
HOUSEHOLDS' GROSS SAVINGS	**47,4**	**46,4**	**31,6**	**125,4**	**64,9**	**33,6**	**65,0**	**163,5**	**288,9**	**71,2**	**75,5**	**46,0**	**192,7**	**83,2**	**92,2**	**84,2**	**259,6**	**452,3**	**741,2**
Mortgage loans bearing market rates b)	-1,1	-0,8	-4,4	-6,3	-1,2	-1,2	-1,6	-4,0	-10,3	-0,7	-0,3	-1,3	-2,3	-0,2	-1,0	1,2	0,0	-2,3	-12,6
Mortgage loans granted on preferential terms b)	-0,5	-0,6	-0,5	-1,6	-0,3	-0,3	0,1	-0,5	-2,1	-0,6	-0,4	-0,4	-1,4	-0,3	-0,2	1,2	0,7	-0,7	-2,8
Consumption and lombard loans	-5,7	0,5	2,5	-2,7	0,3	3,7	2,4	6,4	3,7	2,9	3,5	4,1	10,5	1,8	3,6	0,6	6,0	16,5	20,2
Other loans granted to households c)	0,3	-0,1	-0,2	0,0	-0,1	5,0	0,1	5,0	5,0	0,4	0,2	0,1	0,7	6,0	24,8	0,3	31,1	31,8	36,8
Loans granted to small businesses	-1,8	0,5	0,0	-1,3	1,4	0,2	-0,1	1,5	0,2	2,1	-0,4	-0,8	0,9	0,4	1,4	-1,2	0,6	1,5	1,7
of which: reduction due to sales and write offs.	0,1	0,0	0,3	0,4	0,1	0,2	0,5	0,8	1,2	0,1	0.0	0,0	0,1	0,0	0,0	0,0	0,0	0,1	1,3
LOANS	**-8,8**	**-0,5**	**-2,6**	**-11,9**	**0,1**	**7,4**	**0,9**	**8,4**	**-3,5**	**4,1**	**2,6**	**1,7**	**8,4**	**7,7**	**28,6**	**2,1**	**38,4**	**46,8**	**43,3**
HOUSEHOLDS' SAVINGS (NET OF LOANS)	**56,2**	**46,9**	**34,2**	**137,3**	**64,8**	**26,2**	**64,1**	**155,1**	**292,4**	**67,1**	**72,9**	**44,3**	**184,3**	**75,5**	**63,6**	**82,1**	**221,2**	**405.5**	**697,9**

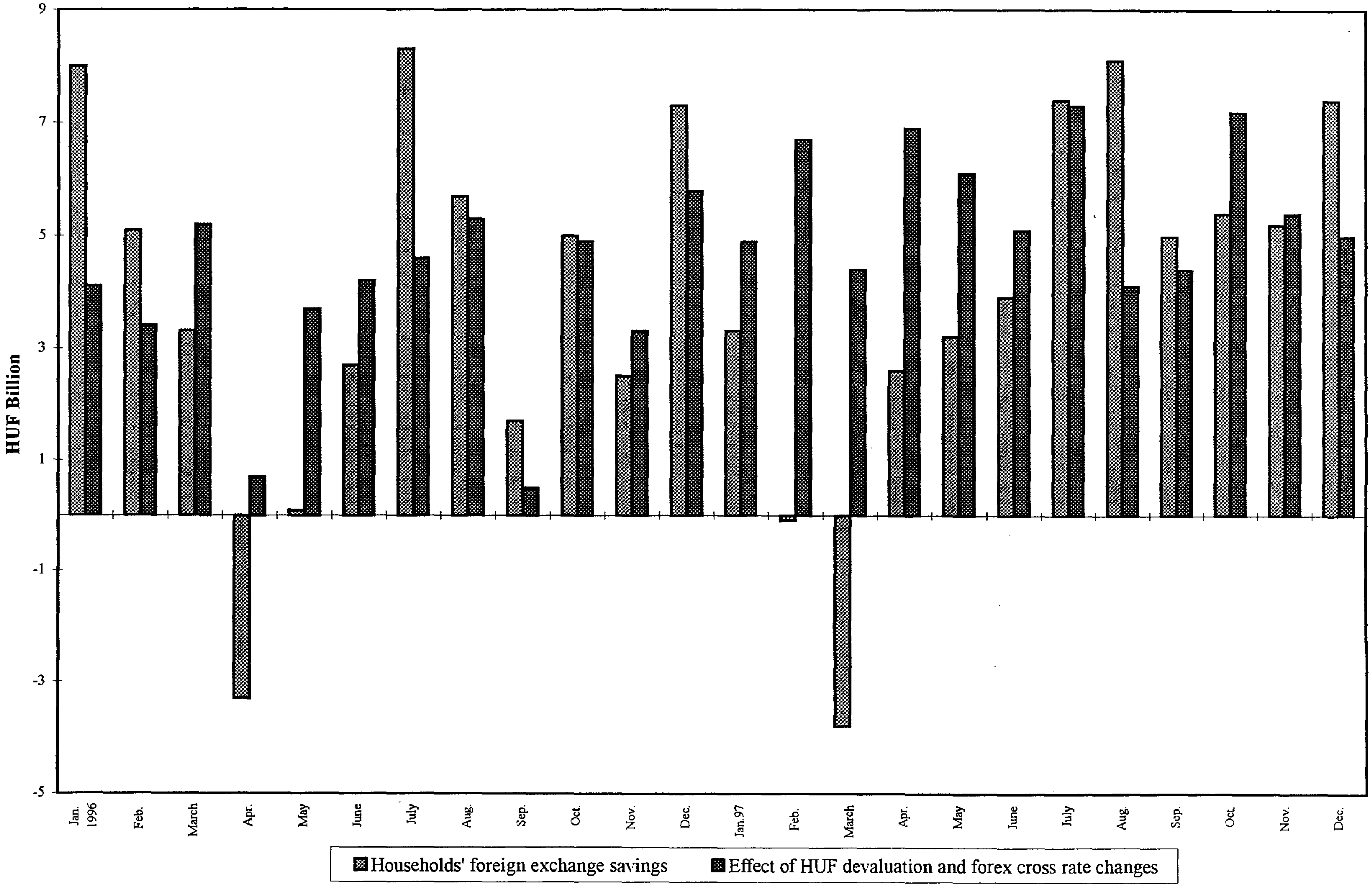
[a] estimated data; the retail sale of the Richter shares in May is indicated in 1 Billion HUF higher amount compared to the accepted subscription because the repayment of the oversubscription has not been **pursued** during the month. The households' savings in government securities also include the net purchase of government securities from January 1997. transacted on the secondary market by primary dealers. In this respect data for 1996 are not available.

[b] Preliminary data

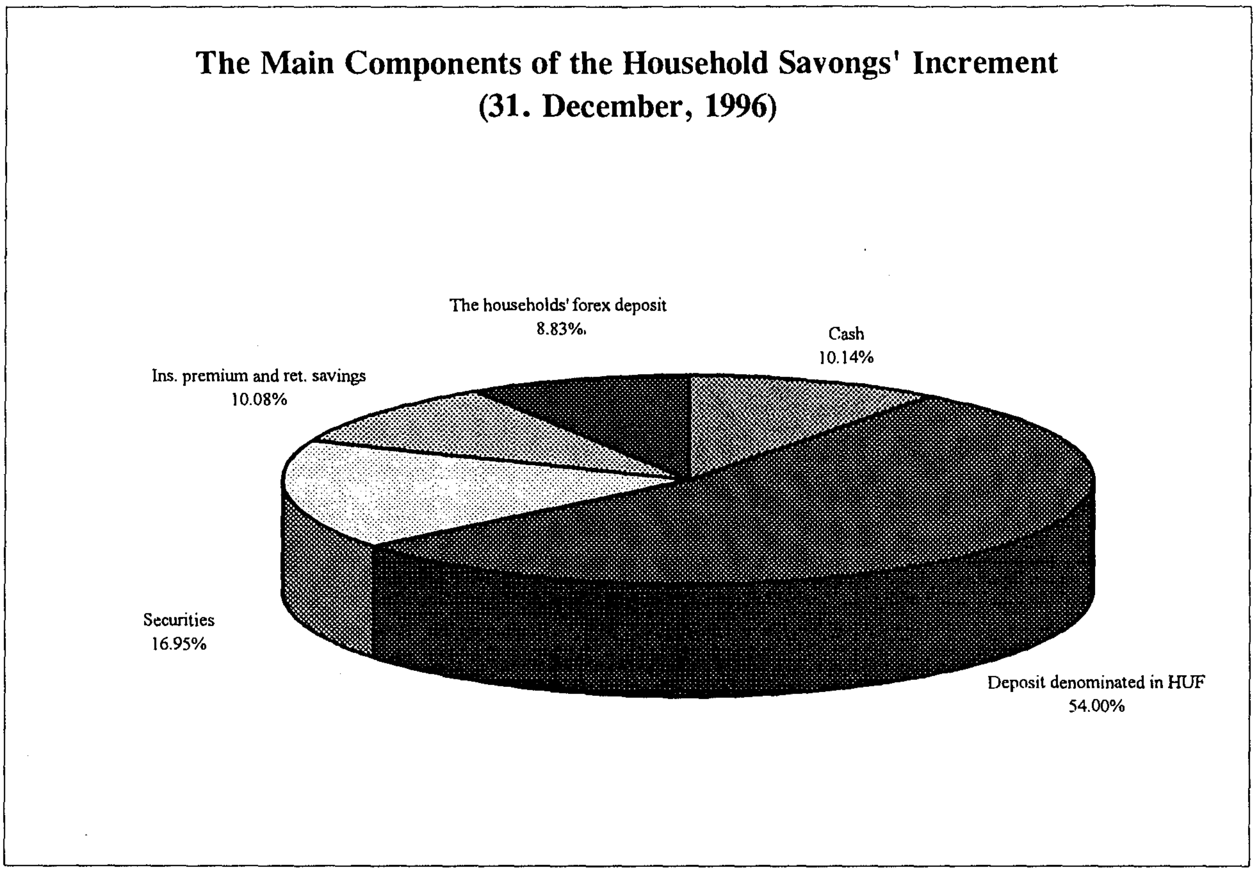
[c] financial support loans granted by employers; loans granted by insurance companies; deferred payment allowance for the purchase of Richter shares

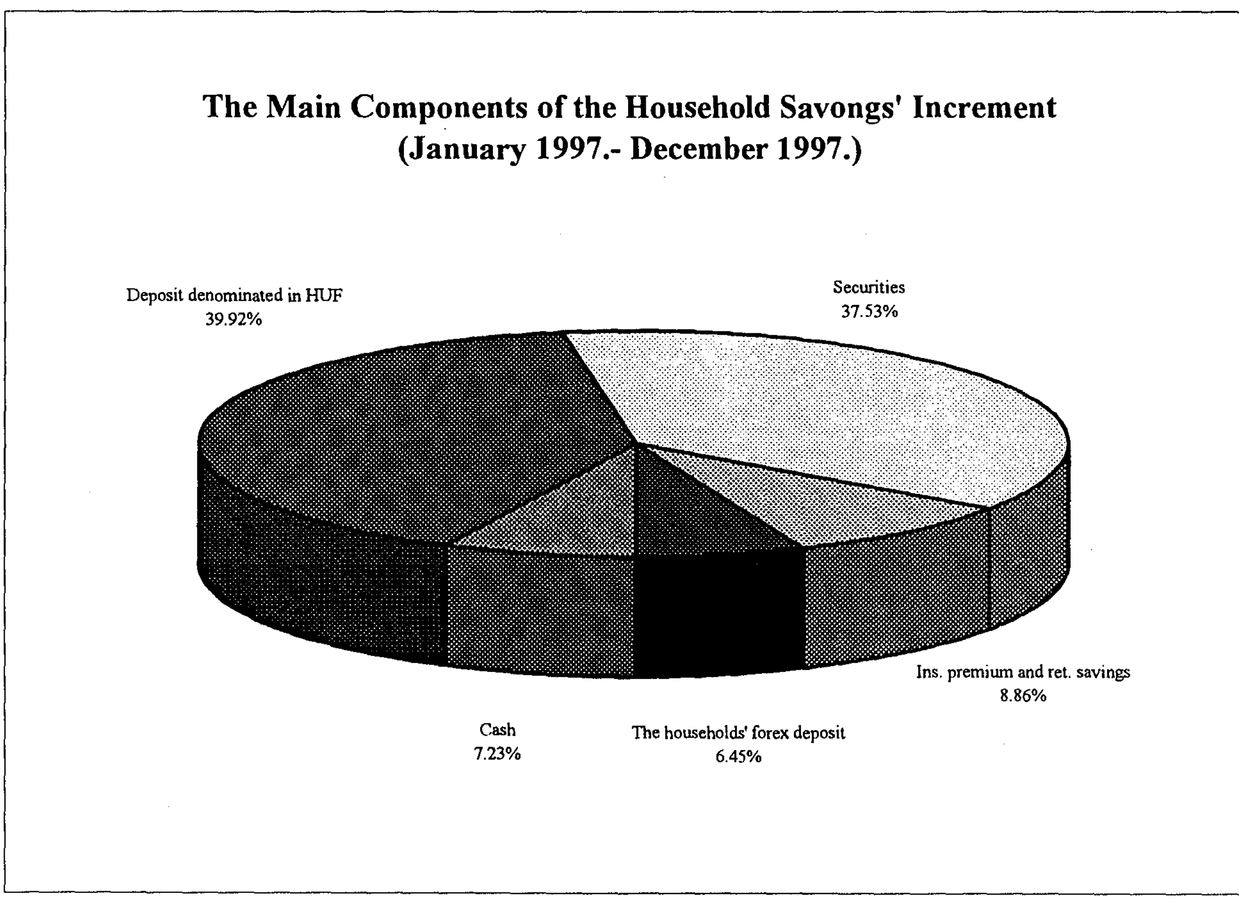
Source: National Bank of Hungary

Graph.no. 5.7.3 Monthly Changes in Household's Foreign Exchange Savings between 1996 and 1997



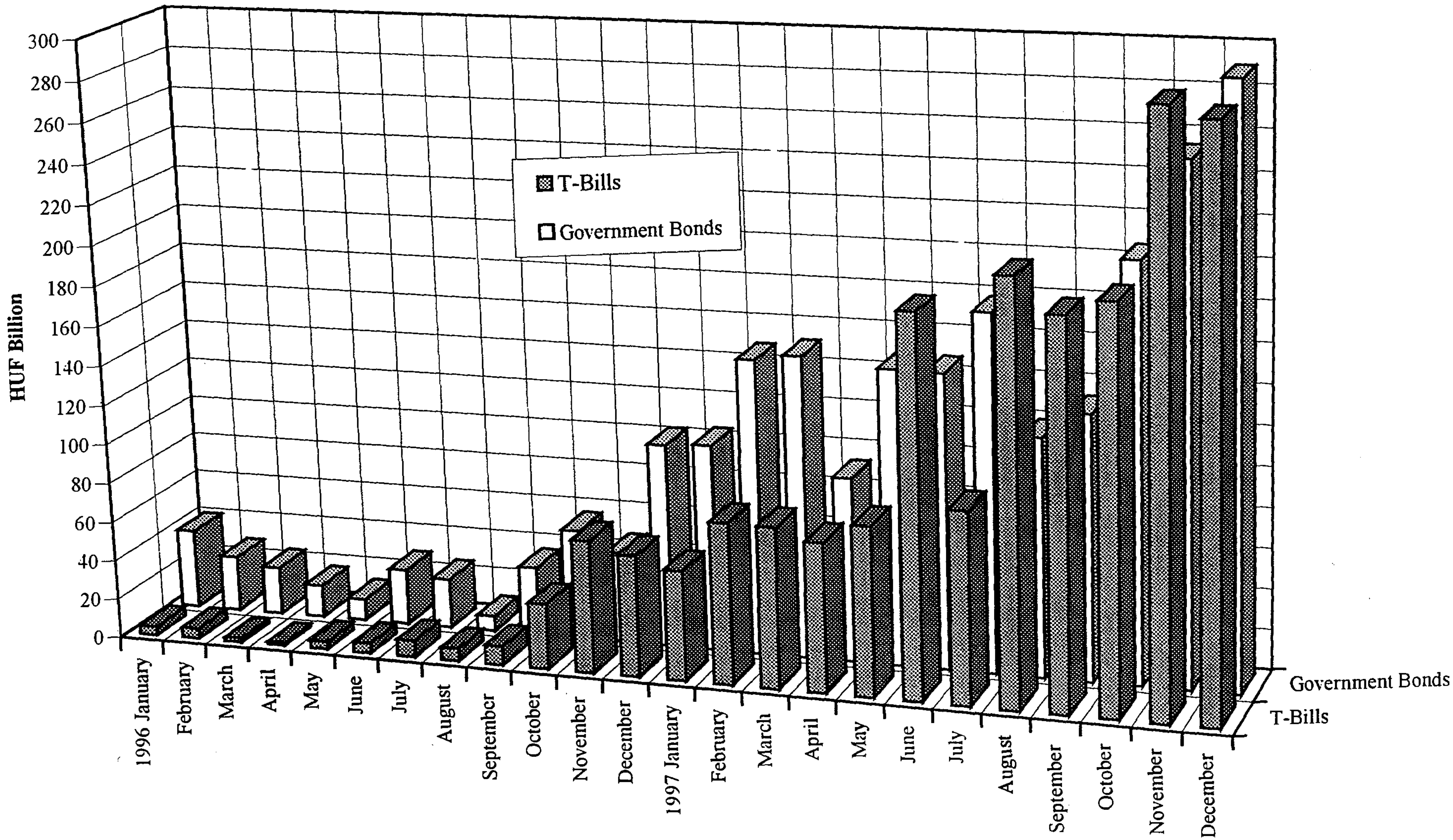
Graph.no. 5.7.4 The Main Components of the Household Savings' Increment in 1996 and in 1997





6. Secondary Market Turnover and Yields of Government Securities

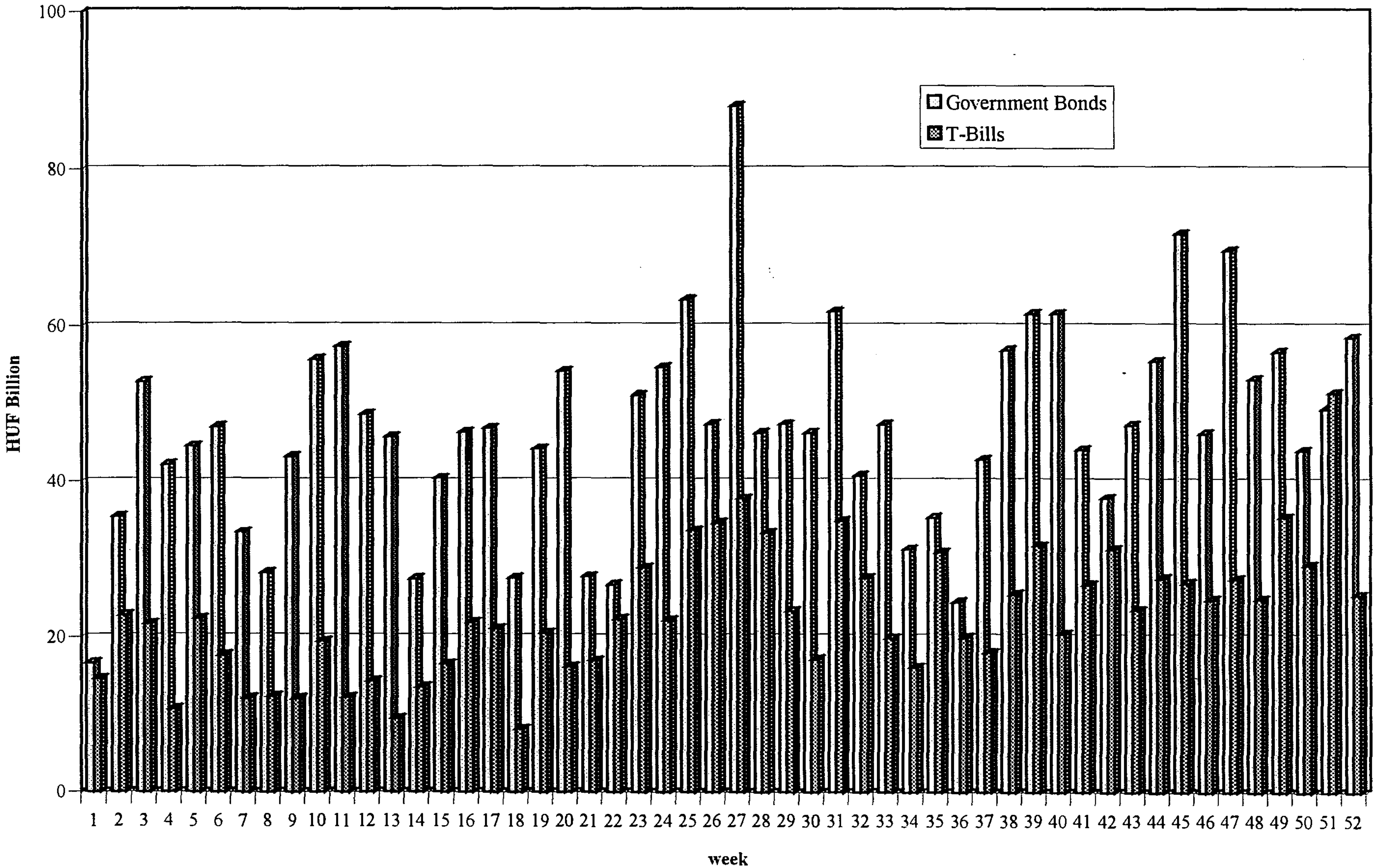
Graph.no. 6.1 Turnover on the Budapest Stock Exchange, 1996 - 1997 (duplicated)



6.2 Measures of the Budapest Stock Exchange (1996 - 1997)

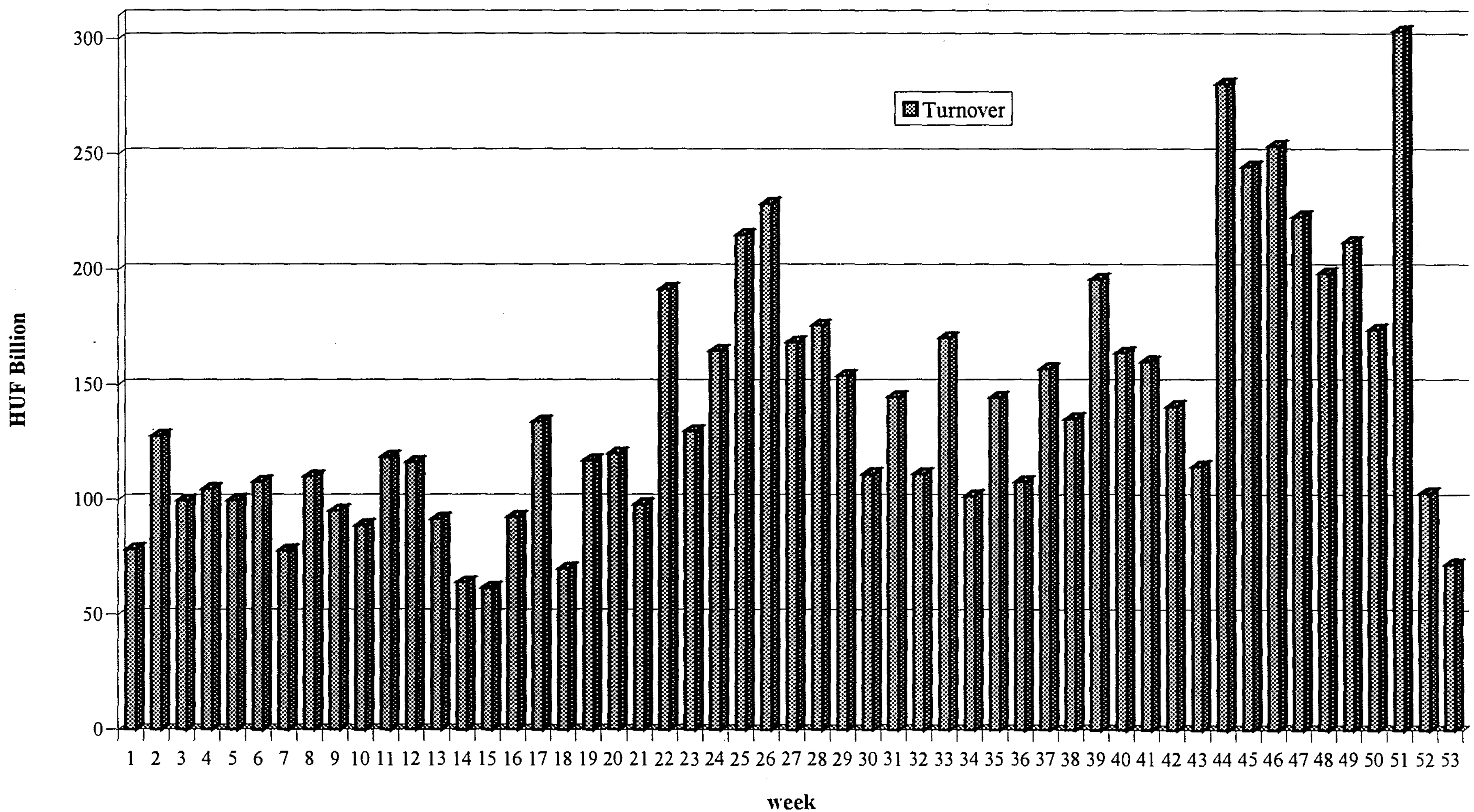
	1996		1997 I. Quarter		1997 II. Quarter		1997 III. Quarter		1997 IV. Quarter		1997	
Turnover (Bn HUF double)	1145.44	100%	984.74	100%	1237.18	100%	1810.14	100%	2704.25	100%	6736.31	100%
of which:												
Shares	490.53	42.82%	353.27	35.87%	487.86	39.43%	880.36	48.63%	1151.22	42.57%	2872.71	42.65%
T-Bills	206.33	18.01%	215.75	21.91%	346.11	27.98%	491.56	27.16%	764.32	28.26%	1817.74	26.98%
Government bonds	418.21	36.51%	401.35	40.76%	384.95	31.12%	425.74	23.52%	747.40	27.64%	1959.44	29.09%
Government securities total	624.54	54.52%	617.10	62.67%	731.06	59.09%	917.31	50.68%	1511.71	55.90%	3777.18	56.07%
Corporate bonds	0.57	0.05%	7.05	0.72%	10.45	0.84%	2.40	0.13%	19.23	0.71%	39.13	0.58%
Mutual funds shares	8.88	0.78%	0.66	0.07%	0.82	0.07%	0.47	0.03%	0.38	0.01%	2.33	0.03%
Compensation certificates	20.93	1.83%	6.66	0.68%	6.98	0.56%	9.61	0.53%	21.72	0.80%	44.97	0.67%
Number of contracts (No.)	170956		92747		94392		149223		168517		504879	
Daily average number of contract (No.)	689		1546		1522		2261		2856		2044	
Daily average turnover (B HUF)	4618.7		16412.4		19954.5		27426.4		45834.7		27272.5	
Turnover per contract (B HUF)	6.7		10.6		13.1		12.1		16.0		13.3	
Number of trading days	248		60		62		66		59		247	

Graph.No. 6.3 KELER OTC Turnover in 1997
(dirty price)

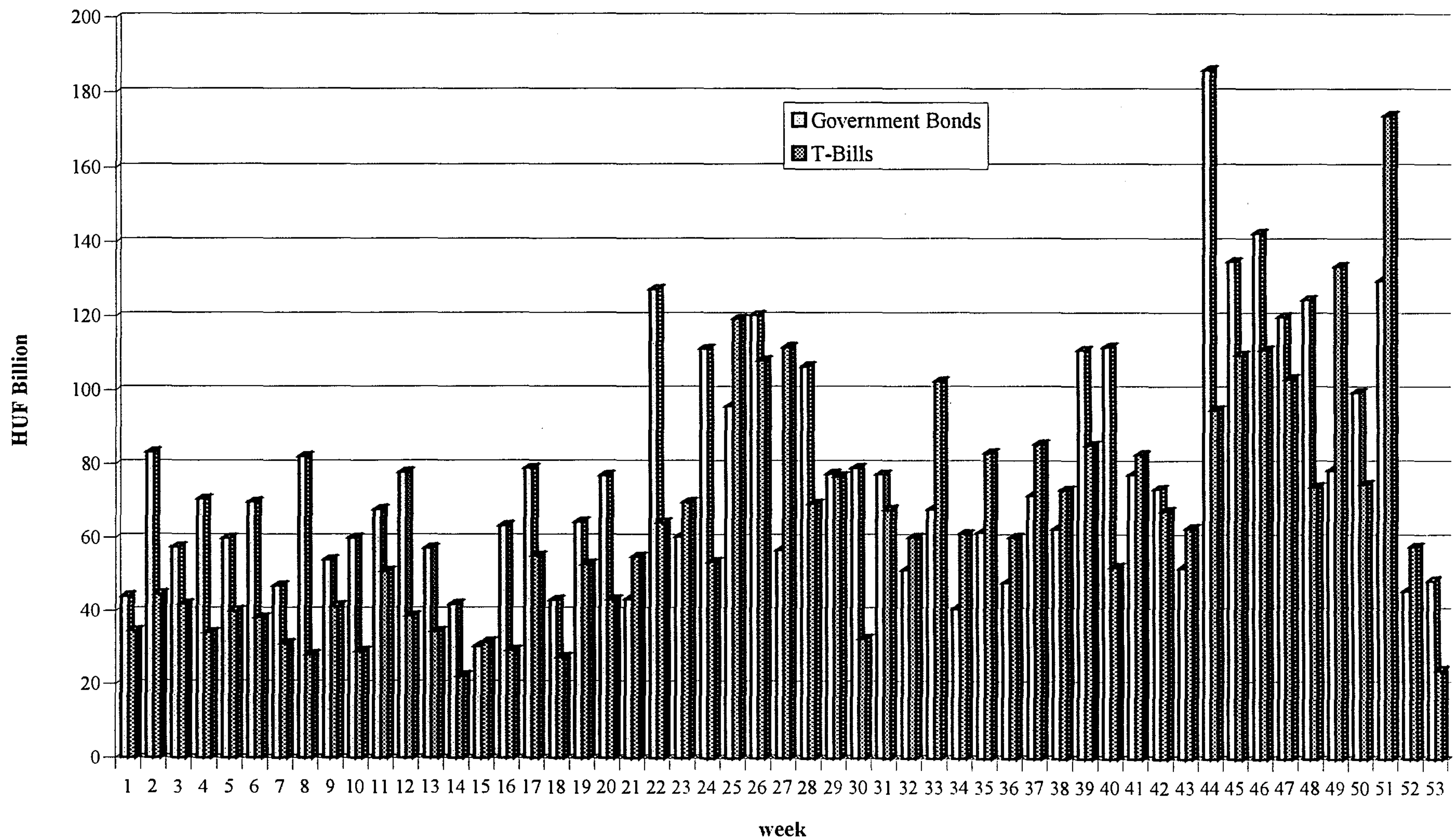


6.4 Secondary Market Tendencies (Based on Data Reported by Primary Dealers)

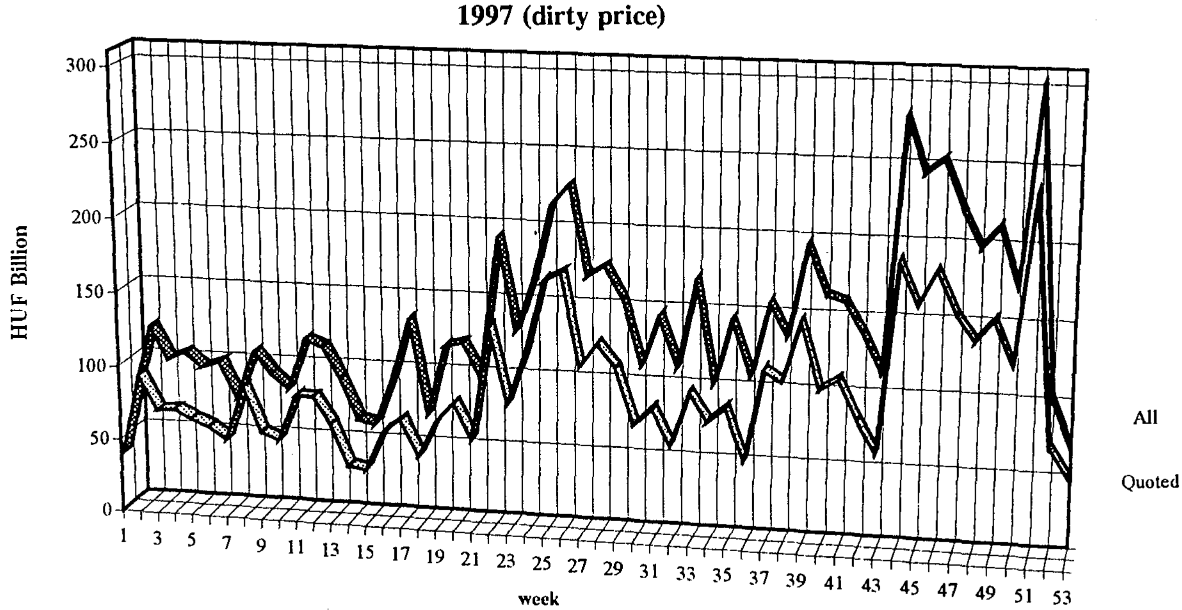
Graph.No. 6.4.1 Weekly Turnover of Government Securities Reported by Primary Dealers to GDMA (dirty price)



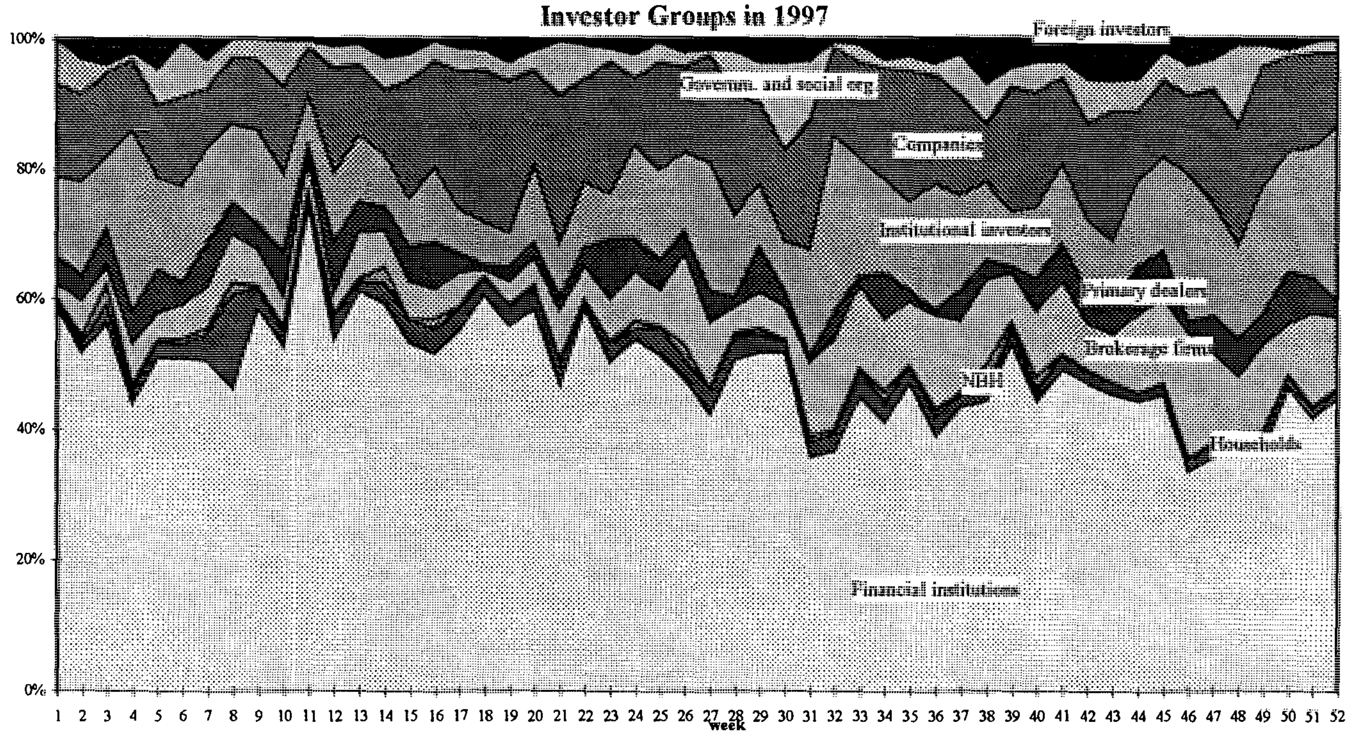
Graph.No. 6.4.2 Weekly Turnover of Government Bonds and T-Bills Reported by the Primary Dealers to the GDMA (dirty price)



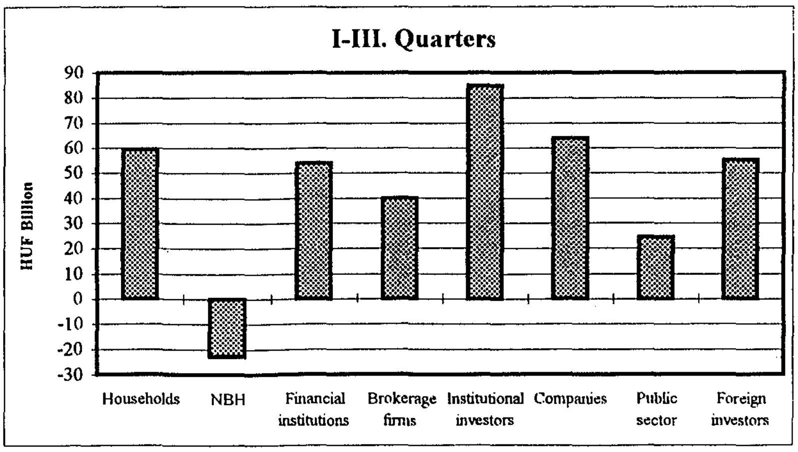
Graph.No. 6.4.3 Turnover of Government Securities Quoted by Primary Dealers in 1997 (dirty price)

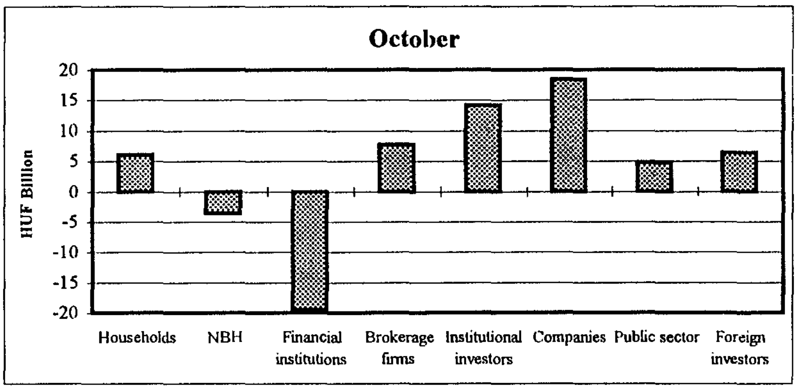


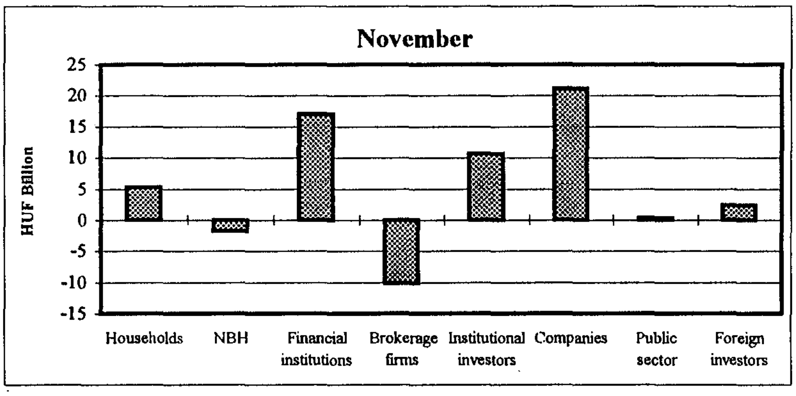
Graph.No. 6.4.4 Breakdown of Primary Dealers' Secondary Market Turnover by Investor Groups in 1997

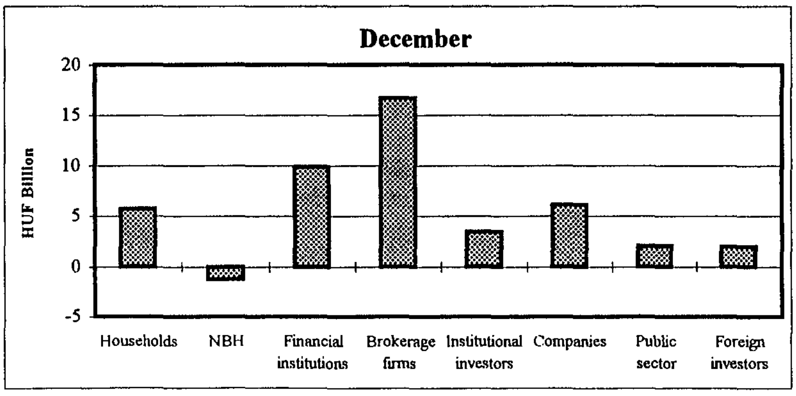


Graph.No. 6.4.5 Government Securities' Net Position of the Main Investor Groups Based on Data Provided by Primary Dealers

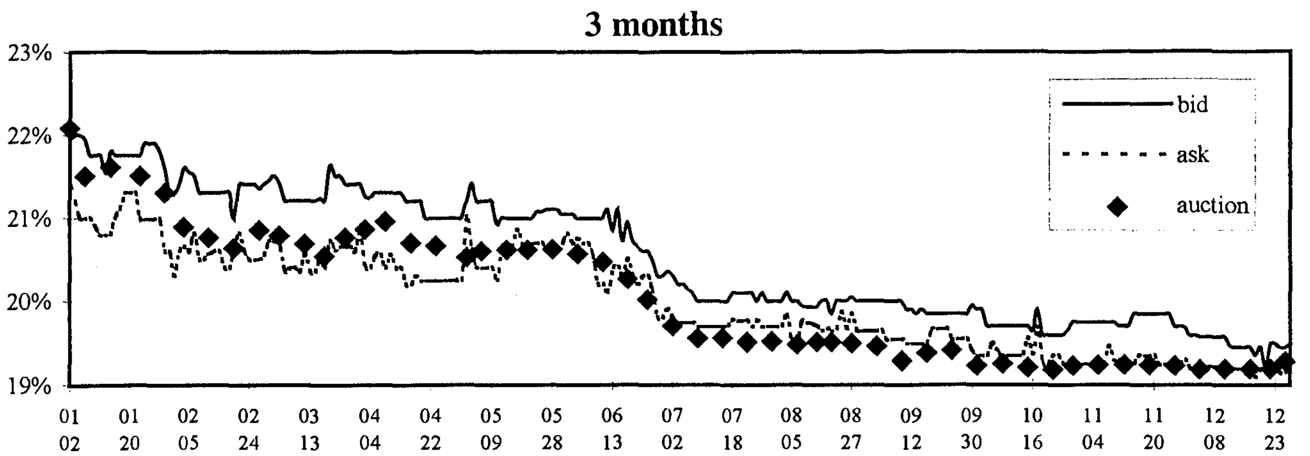


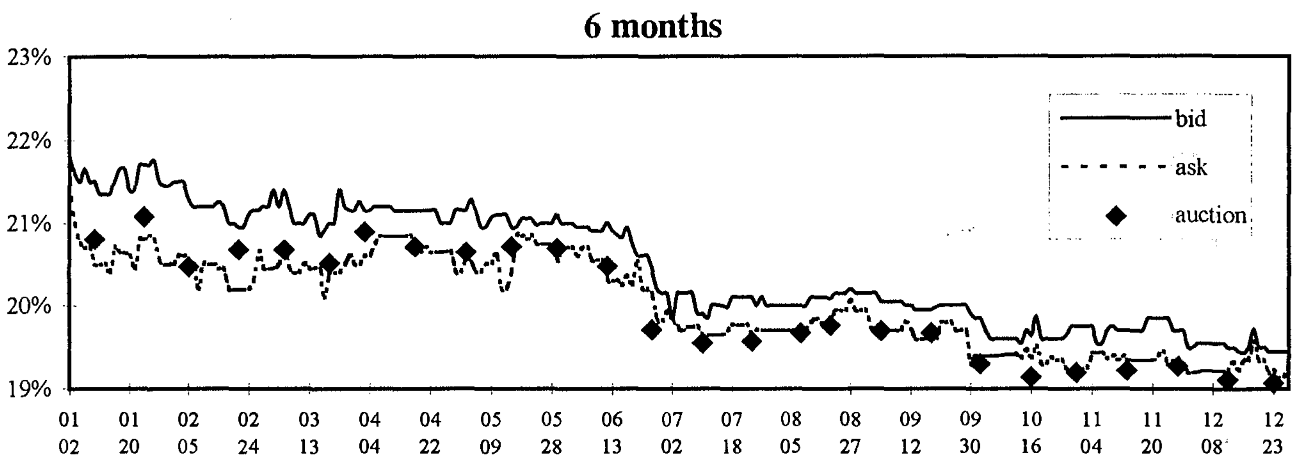


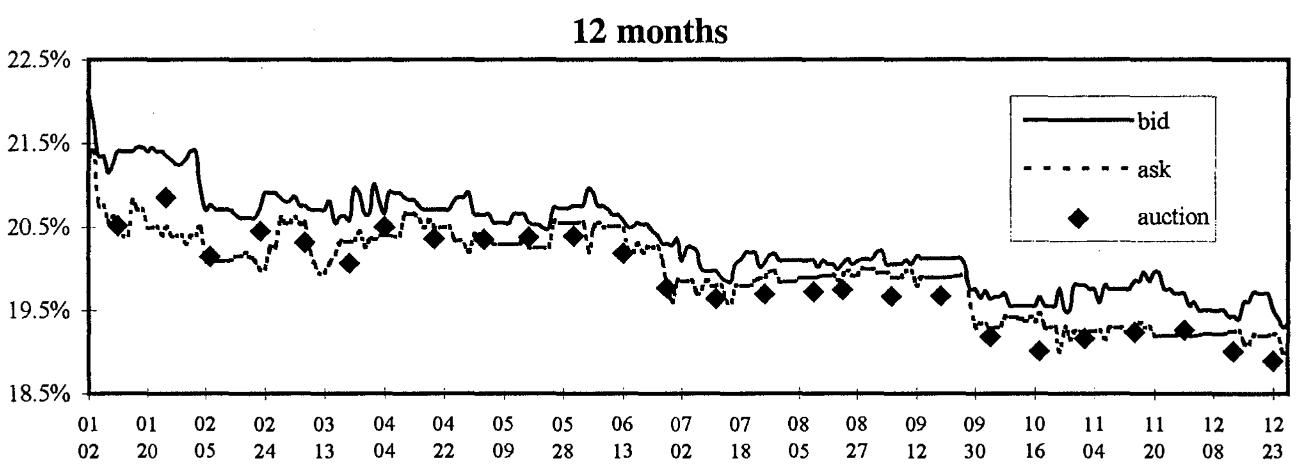




Graph.No. 6.4.6 The Auction Yields and the Best Bid and Ask Yields Quoted by the Primary Dealers to Some Special Redemptions

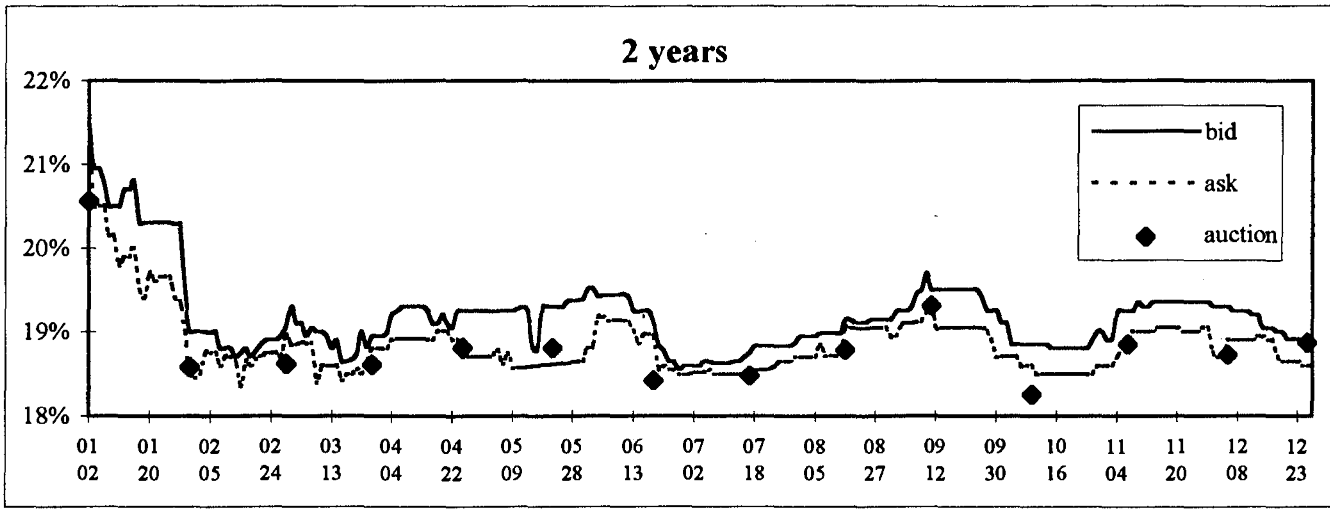


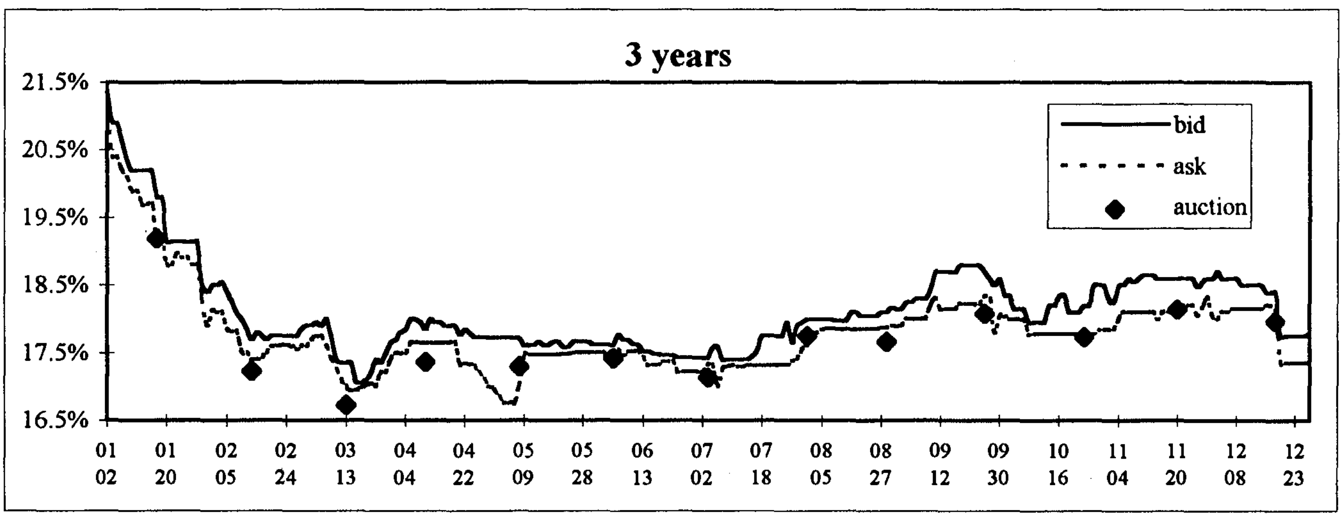


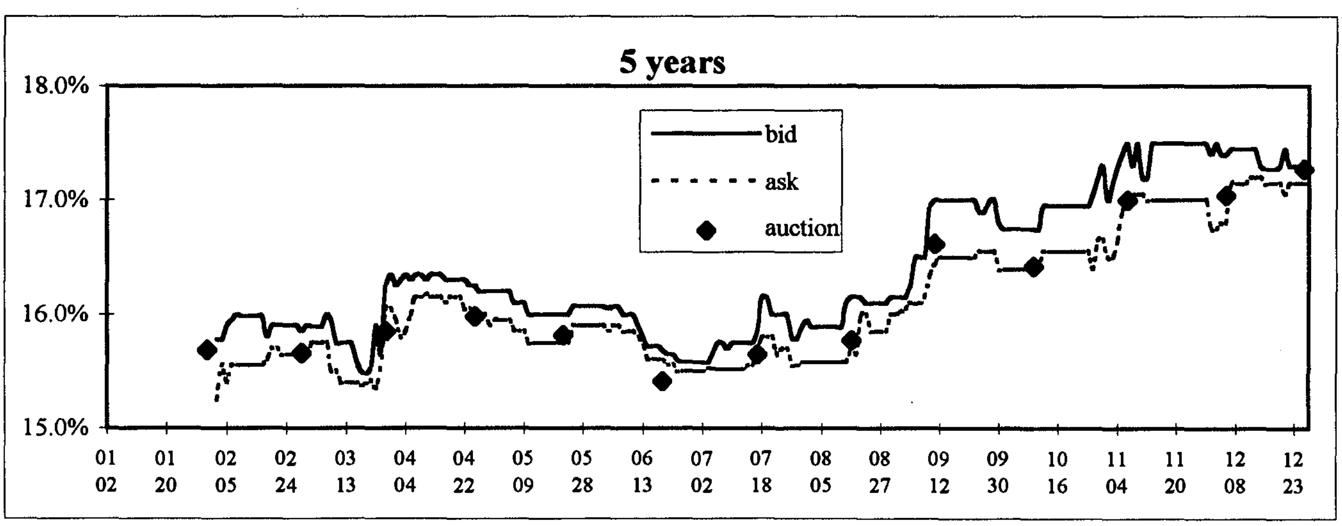


Note: at every date the security with a residual maturity closest to 3, 6, 12, 24, 36 or 60 months was taken

Graph.No. 6.4.6 The Auction Yields and the Best Bid and Ask Yields Quoted by the Primary Dealers to Some Special Redemptions

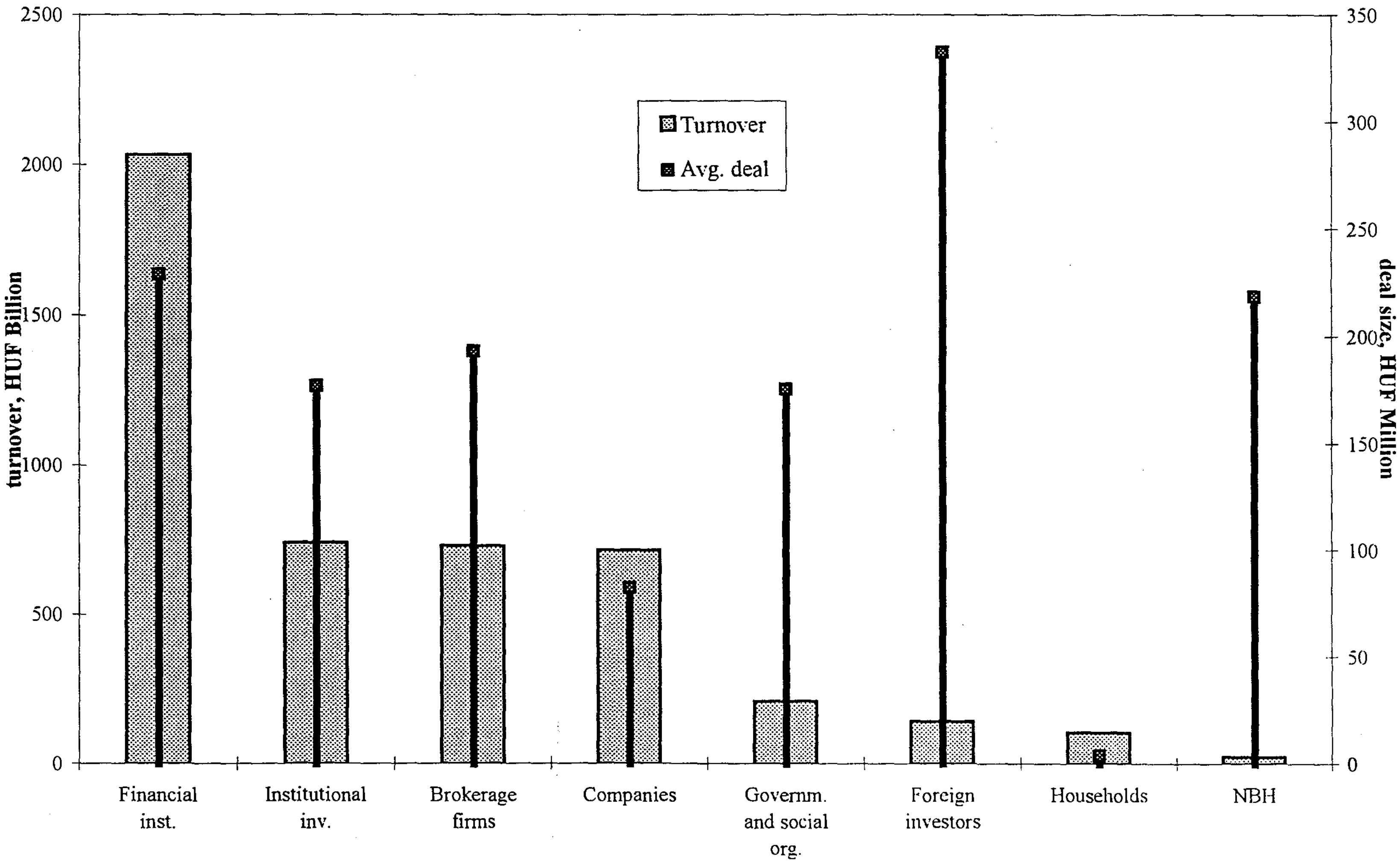






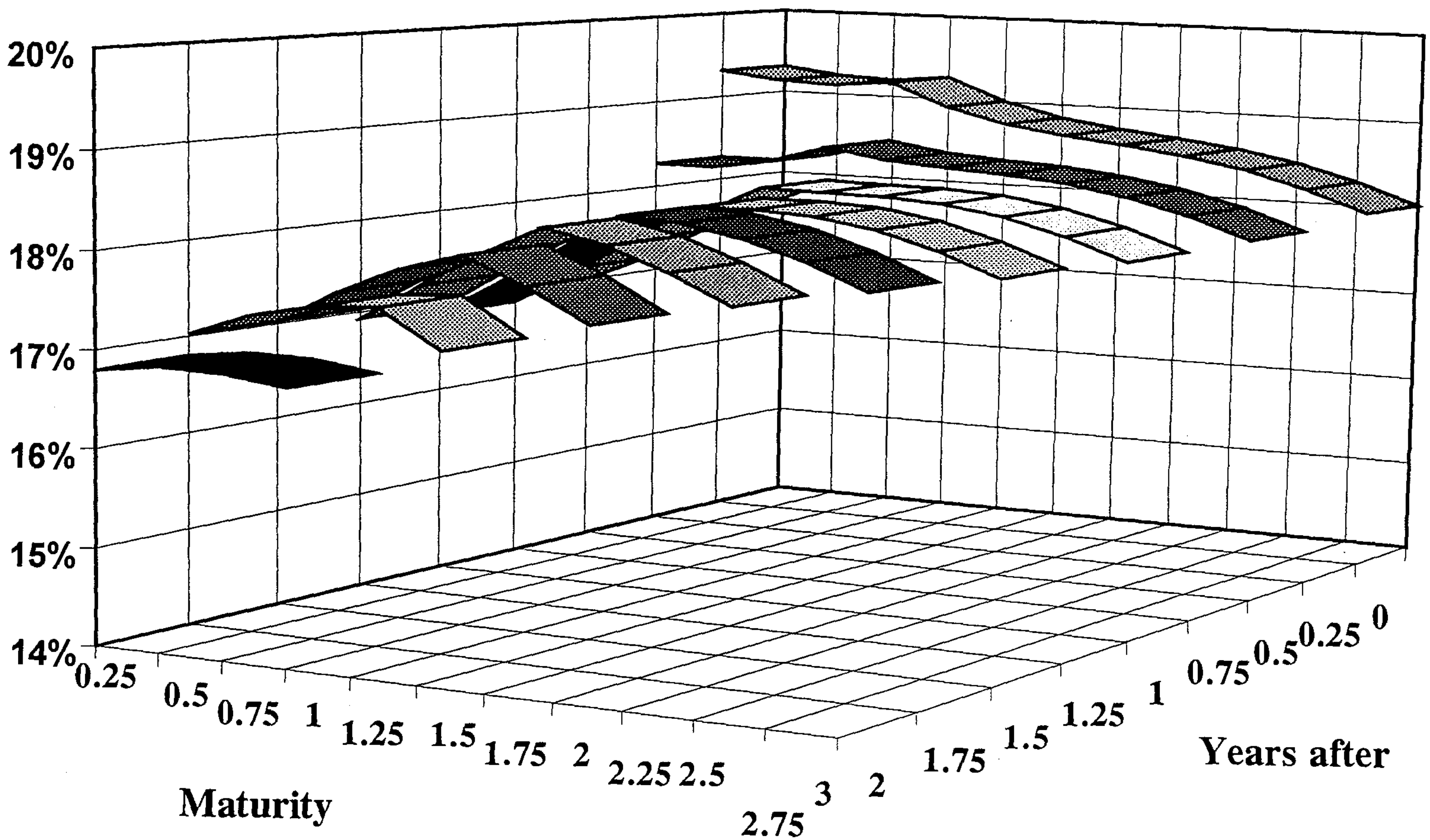
Note: at every date the security with a residual maturity closest to 3, 6, 12, 24, 36 or 60 months was taken

Graph.No. 6.4.7 Turnover of the Investor Groups and the Average Size of Their Deals with the Primary Dealers, II. Half 1997



6.5. Secondary Market Yields

Graph.no. 6.5.1. Zero Coupon Yield Curve and the Implied Forward Rates - 09-Jan-1998



Graph.no. 6.5.2. Zero Coupon Yield Curve Calculated on the Basis of Price Quotation for 9th January, 1998.

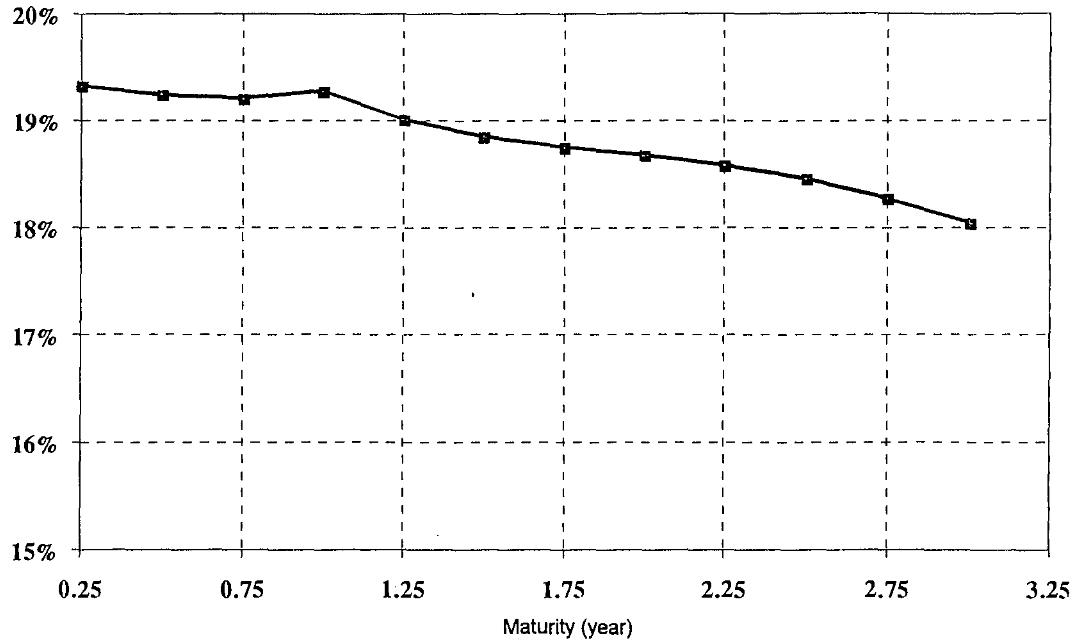


Chart 1: Yield Curve and Implied Yields Calculated on the Basis of Price Quotation for 9th January, 1998.

Maturity	Yield Curve Calculated on	Implied Forward Yields							
Year	09-Jan-1998	10-Apr-1998	10-Jul-1998	09-Oct-1998	09-Jan-1999	10-Apr-1999	10-Jul-1999	09-Oct-1999	09-Jan-2000
0.25	19.32%	18.27%	17.47%	17.01%	16.87%	16.92%	17.03%	17.03%	16.80%
0.5	19.24%	18.27%	17.61%	17.30%	17.25%	17.34%	17.39%	17.27%	16.89%
0.75	19.21%	18.37%	17.86%	17.66%	17.67%	17.73%	17.68%	17.41%	16.87%
1	19.27%	18.57%	18.19%	18.07%	18.07%	18.05%	17.87%	17.45%	16.79%
1.25	19.01%	18.47%	18.18%	18.08%	18.03%	17.90%	17.59%	17.06%	
1.5	18.85%	18.41%	18.18%	18.05%	17.91%	17.66%	17.24%		
1.75	18.75%	18.37%	18.14%	17.94%	17.71%	17.35%			
2	18.67%	18.31%	18.03%	17.76%	17.43%				
2.25	18.58%	18.20%	17.86%	17.51%					
2.5	18.46%	18.03%	17.62%						
2.75	18.27%	17.79%							
3	18.04%								

The List of Primary Dealers on 31st December 1997.

Network Primary Dealers:

ABN AMRO Hoare Govett Rt.
K&H Brókerház Rt.
Inter-Európa Befektetési Rt.
OTP Értékpapír Ügynökség Rt.
and the Hungarian State Treasury Branch Network

Institutional Primary Dealers:

ÁB Monéta Értékpapír Rt.
BNP-Dresdner (Hungária) Értékpapír Rt.
CIB Értékpapír Rt.
Citibank Befektetési és Értékpapír (Magyarország) Rt.
CAIB Értékpapír Rt.
ERSTE Bank Befektetési Magyarország Rt.
HYPO Securities Hungária Rt.
ING Barings Értékpapír Rt.
Magyar Értékpapír-forgalmazó és Befektetési Rt.
MKB Értékpapír és Befektetési Rt.
New York Bróker Budapest Rt.
PK Értékpapírforgalmazó és Befektetési Rt.
Postabank Értékpapír Rt.
Rabobank Befektetési Rt.
Raiffeisen Értékpapír és Befektetési Rt.
Takarék Bróker Értékpapírforgalmazó és Tanácsadó Rt.

Reuters pages (codes)

Data on auctions are accessible from 12.00	
HTBM,HTBN,HTBO,HTBP	Discount treasury bills
HTBJ,HTBK	Government bonds
Data on subscriptions	
HTBH	Government bonds
HTBI	Interest bearing treasury bills (IBTB)
Secondary market data	
HUBEST 1, 2, 3, 4	Best offers and bids (the details are informative) T-bills=1,3, Bonds=2,4
HUBONDFIX	Benchmark yield curve (from 14.15-14.30 updated)
HUBONDINDEX	Hungarian Government Bond Total Return Index (from 16.00 updated)
Other	
HUFLOATER	Interest Rate Reset of Floating Rate Bonds
HUISSUE	Publication of the following issues and reverse auctions
HUBONDINFO	Current List of Authorized Dealers

Press (Magyar Tőkepiac, Magyar Hírlap)

	Public offer		Auction results	
Discount T-bill (auction)	previous week	**Thursday**	next week	**Tuesday**
Government bond auction	previous week	**Friday**	next week	**Tuesday**
Government bond subscription	previous week	**Wednesday**		
Interest bearing T-bill	previous week	**Wednesday**		