GOVERNMENT
SECURITIES MARKET
MONTHLY REPORT

SEPTEMBER 2005

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The deficit of the central government amounted to HUF 1059.6 billion in the first nine months of 2005. The pre-financing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 96.5 billion, as did the HUF 1.1 billion capital transfer to the National Bank of Hungary (NBH) by law in March. The total net financing requirement of HUF 1157.2 billion (ca. EUR 4.7 billion) was met by a net issuance of HUF 1171.3 billion (ca. EUR 4.7 billion) in the first nine months of the year, out of which net domestic issuance was HUF 413.5 billion (ca. EUR 1.7 billion) and net foreign exchange issuance totalled HUF 757.8 billion (ca. EUR 3.1 billion).

The HUF denominated debt of the central government increased by HUF 415.7 billion up to the end of September 2005 (the difference between the total net change and the net issuance was the change in the volume of matured but unclaimed securities). Out of the increase in domestic debt, government bonds accounted for HUF 301.0 billion, discount Treasury bills for HUF 141.8 billion. The stock of retail government securities decreased by HUF 23.5 billion, while that of domestic loans by HUF 3.5 billion.

The foreign currency debt of the central government increased by HUF 814.1 billion in the first nine months of the year. Foreign currency bond issues increased the debt by HUF 848.6 billion, loan draw-downs by HUF 2.6 billion; while the redemptions of foreign exchange loans amounted to HUF 93.5 billion. Exchange rate losses of HUF 56.4 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of September 2005, 67.7% of the domestic government securities were fixed rate, 32.3% floating rate securities, compared to 66.7% and 33.4% at the end of 2004, i.e. the proportion of fixed rate securities increased in the first nine months of 2005.

Secondary market yields increased in September on all maturities, T-bill yields by 23-24, bond yields by 57-66 basis points. The rise of yields was primarily attributable to the unfavourable news about the budget deficit.

In the secondary market, the 3-month yield increased by 24 basis points to 6.00%, the 6 and 12-month yields rose by 23-24 basis points compared to the end of August. The 3-year yield increased by 57 basis points and amounted to 6.17%, while the 10-year benchmark yield reached 6.18% at the end of September after a rise of 66 basis points.

Monthly OTC turnover of government securities was HUF 2846.0 billion in September, up by 45% from the month before. Primary dealers, who account for the decisive part of all secondary government securities trading, made 43% of their secondary government securities deals with non-resident investors.

The volume of non-resident holdings of Hungarian government securities increased altogether by HUF 65.1 billion in September and amounted to HUF 2586.2 billion at the end of the month. This volume represented 30.7% of the total amount of domestic government bonds and discount Treasury bills at the end of the month.

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

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

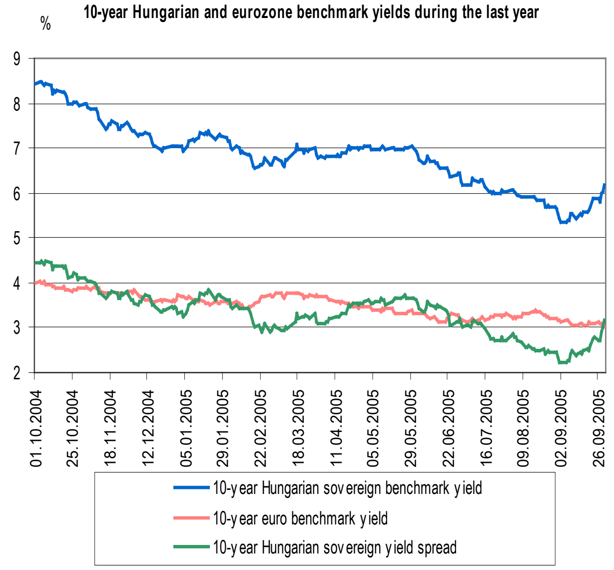
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

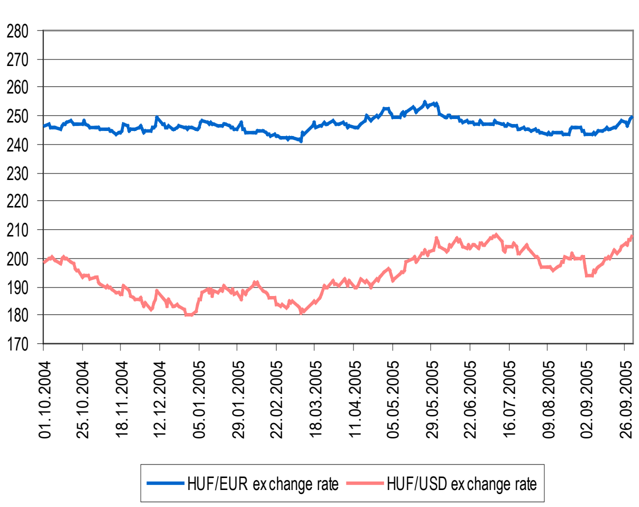
	1999	2000	2001	2002	2003	2004	July 2005	Aug. 2005	Sept. 2005
1. Forint denominated debt	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	8,953.8	8,919.4	9,024.6
1.1. Loans	380.2	303.8	228.3	353.2	117.9	4.7	1.1	1.1	1.1
1.1.1. Foreign loans	0.0	0.0	0.0	1.7	1.4	1.1	1.1	1.1	1.1
1.1.2. Domestic loans	380.2	303.8	228.3	351.5	116.5	3.5	0.0	0.0	0.0
1.1.2.1. Raised from National Bank of Hungary (NBH)	362.4	289.5	217.4	144.0	71.2	0.0	0.0	0.0	0.0
1.1.2.2. Others loans	17.8	14.3	10.9	207.5	45.3	3.5	0,0	0,0	0,0
1.2. Government securiries	3,970.0	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	8,952.6	8,918.2	9,023.4
1.2.1. Public issues	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,211.7	8,178.7	8,284.7
1.2.1.1. Bonds	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	5,967.8	6,003.2	6,074.7
1.2.1.2. Discount T-bills	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,626.6	1,558.2	1,605.1
1.2.1.3. Retail securities	499.3	523.3	544.7	560.3	533.5	628.4	617.3	617.3	604.9
1.2.2. Private placements	853.2	831.3	809.1	777.4	759.3	743.6	740.9	739.5	738.7
2. Foreign currency denominated debt*	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,731.4	3,727.0	3,797.7
2.1. Loans	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	826.8	825.8	838.5
2.1.1. Foreign loans	361.2	368.8	317.8	461.9	598.8	528.9	515.1	514.5	521.0
2.1.2. Domestic loans	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	311.7	311.3	317.5
2.1.2.1. Raised from National Bank of Hungary (NBH)	1,568.4	1,404.0	1,092.6	849.6	466.5	355.7	280.4	280.0	285.6
2.1.2.2. Others loans	0.0	0.0	0.0	82.8	18.8	32.2	31.3	31.3	31.9
2.2. Government securities	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,904.6	2,901.2	2,959.2
2.2.1. Issued abroad	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,904.6	2,901.2	2,959.2
2.2.1.1. Foreign currency bonds	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,904.6	2,901.1	2,959.1
2.2.1.2. Kingdom of Hungary 1924 issues	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1
2.2.2. Issued domestically	19.6	20.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	6,886.4	7,226.2	7,719.5	9,224.2	10,587.7	11,592.4	12,685.2	12,646.4	12,822.2
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*3,470.7*	*3,890.4*	*4,624.4*	*6,043.4*	*7,357.3*	*7,975.8*	*8,335.3*	*8,300.9*	*8,418.5*
Gross debt/GDP	*60.4%*	*54.9%*	*52.0%*	*54.5%*	*56.8%*	*56.8%*			

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

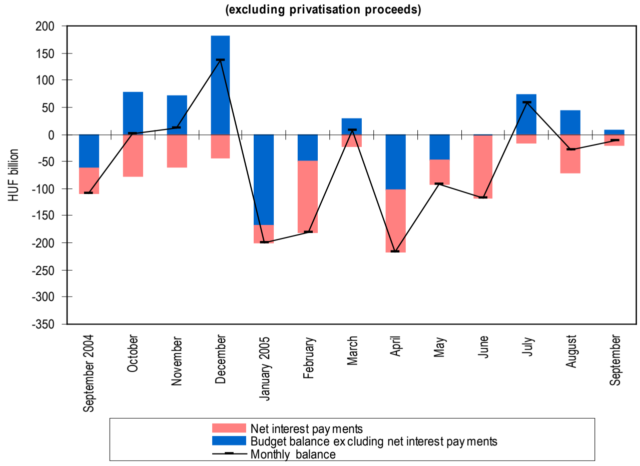
10-year Hungarian and eurozone benchmark yields during the last year



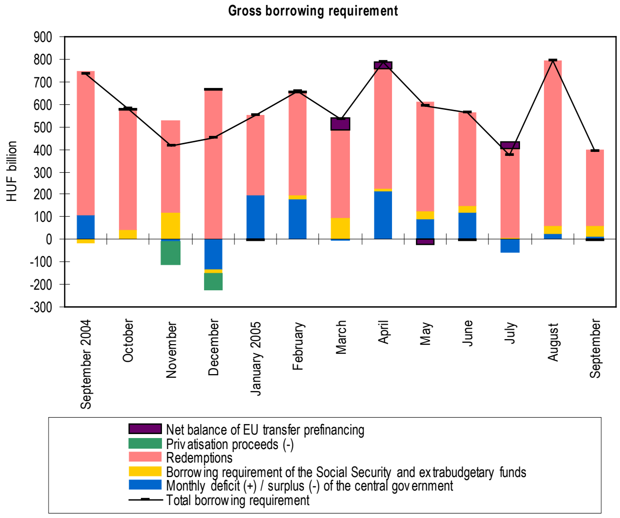
The exchange rate of the Hungarian Forint during the last year



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



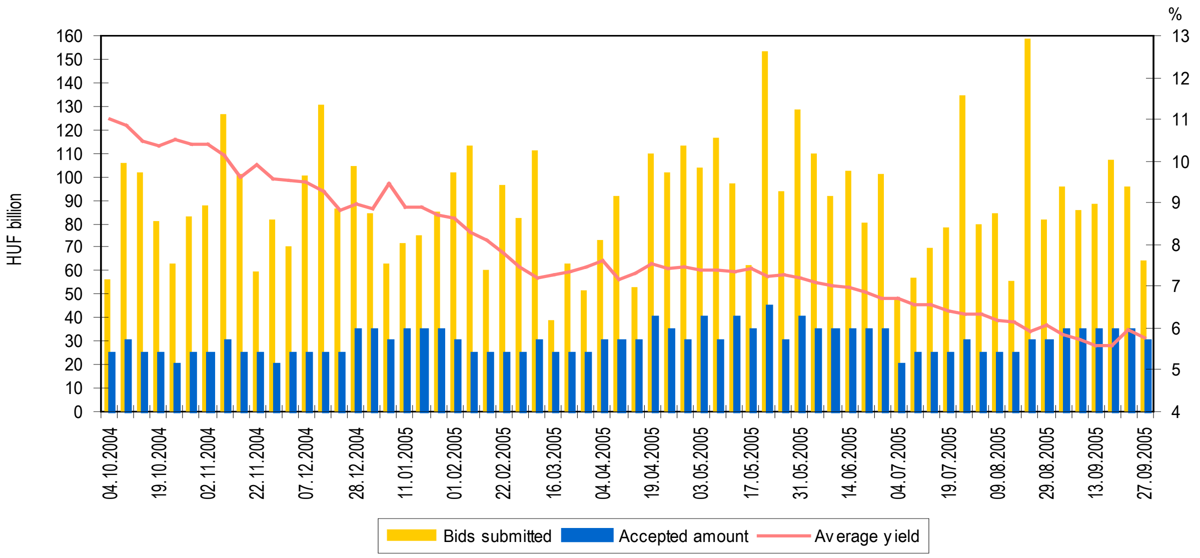
Gross borrowing requirement



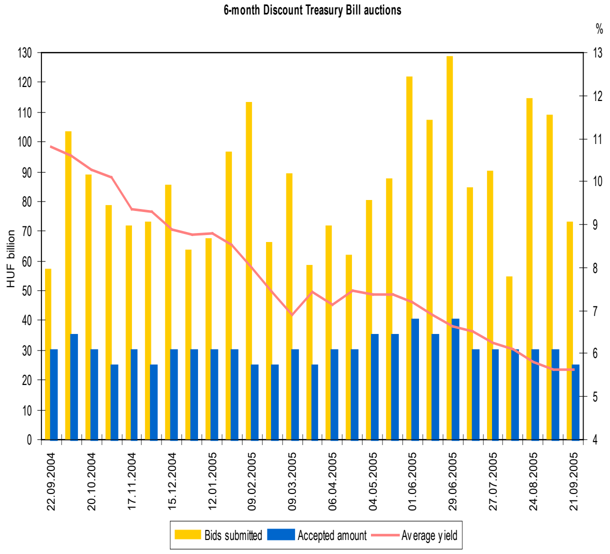
DISCOUNT TREASURY BILL AUCTION RESULTS

	Liquidity Discount T-bills	3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D051116	D051109	D051221	D051228	D060104	D060215	D060412	D060830	D060830
ISIN code	HU0000515408	HU0000515440	HU0000515309	HU0000515457	HU0000515473	HU0000515382	HU0000515465	HU0000515424	HU0000515424
Maturity in days	49	91	91	91	91	154	196	350	336
Date of auction	26.09.2005	06.09.2005	13.09.2005	20.09.2005	27.09.2005	07.09.2005	21.09.2005	08.09.2005	22.09.2005
Date of financial settlement	28.09.2005	14.09.2005	21.09.2005	28.09.2005	05.10.2005	14.09.2005	28.09.2005	14.09.2005	28.09.2005
Redemption date	16.11.2005	14.12.2005	21.12.2005	28.12.2005	04.01.2006	15.02.2005	12.04.2006	30.08.2006	30.08.2006
Maximum yield (%) - ISMA	5.97	5.75	5.62	5.59	5.82	5.65	5.66	5.51	5.75
Minimum yield (%) - ISMA	5.69	5.65	5.48	5.53	5.72	5.62	5.62	5.45	5.65
Average yield (%) - ISMA	5.95	5.74	5.57	5.58	5.78	5.64	5.64	5.49	5.73
Maximum yield (%) - EHM	6.05	5.83	5.70	5.67	5.90	5.73	5.74	5.59	5.83
Minimum yield (%) - EHM	5.77	5.73	5.56	5.61	5.80	5.70	5.70	5.53	5.73
Average yield (%) - EHM	6.03	5.82	5.65	5.66	5.86	5.72	5.72	5.57	5.81
Average selling price (%)	99.1966	98.5698	98.6116	98.6091	98.5600	97.6442	97.0208	94.9330	94.9235
Amount offered for sale (HUF million)	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	25,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	95,834.71	85,885.85	88,698.36	106,787.39	63,944.68	109,250.00	73,175.00	124,052.24	65,335.81
Amount of bids accepted (HUF million)	34,999.97	34,999.92	35,000.00	34,999.87	29,999.97	29,999.99	24,999.94	34,999.97	29,999.93
Bid-to-cover ratio	2.74	2.45	2.53	3.05	2.13	3.64	2.93	3.54	2.18
Bids submitted (pcs)	66	117	127	127	107	124	124	89	115
Bids accepted (pcs)	30	77	60	52	75	48	64	24	80
Market sales* (HUF million)	34,999.97	34,999.92	35,000.00	34,999.87	29,999.97	29,999.99	24,999.94	34,999.97	29,999.93
Retained on ÁKK's own account (HUF million)	0.03	3,500.08	3,500.00	3,500.13	3,000.03	3,000.01	7,500.06	3,500.03	3,000.07
Total amount issued (HUF million)	35,000.00	38,500.00	38,500.00	38,500.00	33,000.00	33,000.00	32,500.00	38,500.00	33,000.00

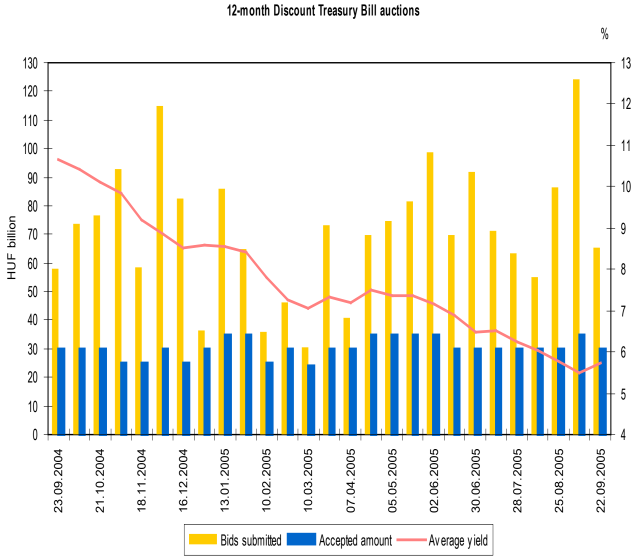
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



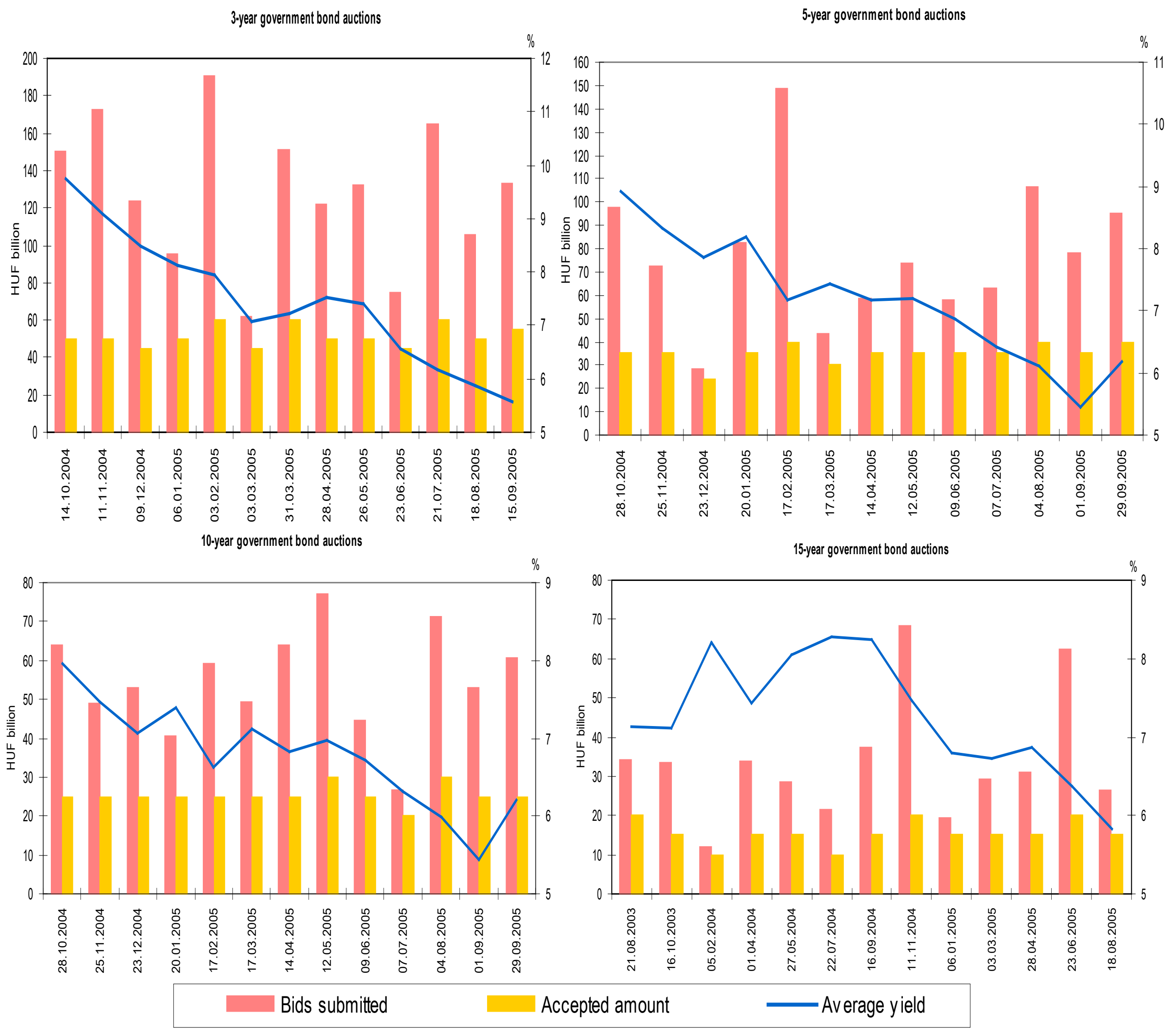
12-month Discount Treasury Bill auctions

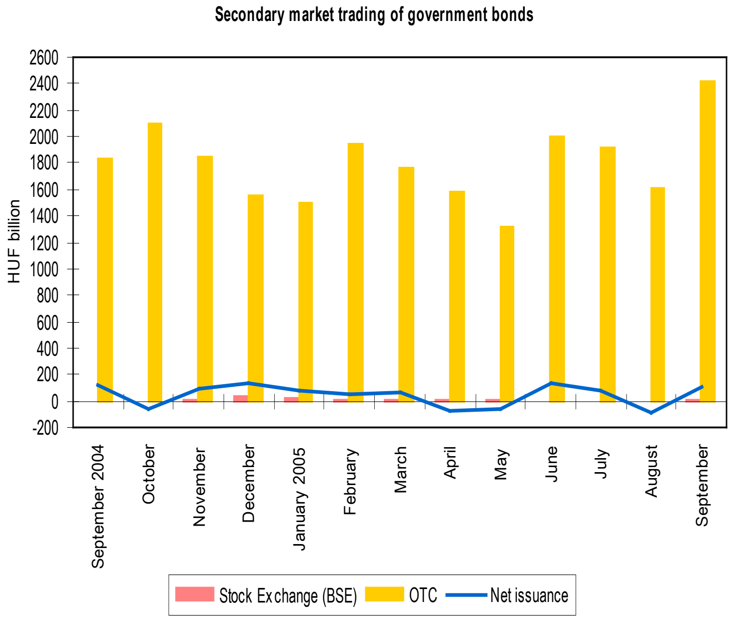


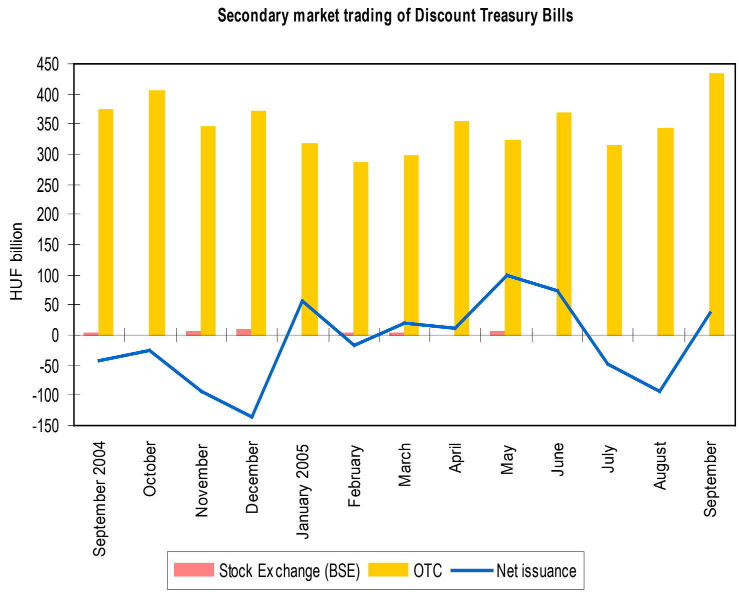
GOVERNMENT BOND AUCTION RESULTS

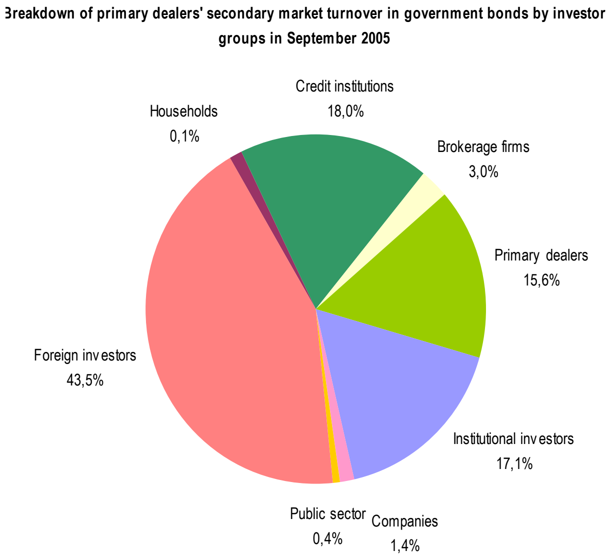
Government Bond	2010/B	2015/A	2008/E	2010/B	2016/C
ISIN code	HU0000402292	HU0000402268	HU0000402300	HU0000402292	HU0000402318
Maturity (in years)	5	10	3	5	10
Coupon (%)	6.75%	8.00%	6.50%	6.75%	5.50%
Auction	6th auction	16th auction	4th auction	7th auction	1st auction
Date of auction	01.09.2005	01.09.2005	15.09.2005	29.09.2005	29.09.2005
Date of financial settlement	07.09.2005	07.09.2005	21.09.2005	05.10.2005	05.10.2005
Redemption date	12.10.2010	12.02.2015	12.08.2008	12.10.2010	12.02.2016
Maximum annual yield (%) - ISMA	5.47	5.45	5.60	6.19	6.22
Minimum annual yield (%) - ISMA	5.45	5.42	5.55	6.19	6.12
Average annual yield (%) - ISMA	5.46	5.44	5.58	6.19	6.20
Maximum annual yield (%) - EHM	5.47	5.45	5.59	6.19	6.22
Minimum annual yield (%) - EHM	5.45	5.42	5.54	6.19	6.12
Average annual yield (%) - EHM	5.46	5.43	5.58	6.19	6.19
Maximum price (%)	105.6578	118.6168	102.4170	102.3584	95.3831
Minimum price (%)	105.5677	118.3741	102.2842	102.3584	94.6591
Average price (%)	105.6052	118.4712	102.3319	102.3584	94.8369
Amount offered for sale (HUF million)	35,000.00	25,000.00	50,000.00	35,000.00	25,000.00
Amount of bids submitted (HUF million)	78,286.00	53,130.00	133,384.39	95,270.00	60,660.00
Amount of bids accepted (HUF million)	34,999.91	24,999.90	54,999.81	39,999.96	24,999.96
Bid-to-cover ratio	2.24	2.13	2.43	2.38	2.43
Bids submitted (pcs)	112	86	174	103	98
Bids accepted (pcs)	53	52	114	17	55
Tail (average price - minimum price)	0.04	0.10	0.05	0.00	0.18
Market sales* (HUF million)	34,999.91	24,999.90	54,999.81	39,999.96	24,999.96
Retained on ÁKK's own account (HUF million)	0.09	0.10	0.19	0.04	7,500.04
Total amount issued (HUF million)	35,000.00	25,000.00	55,000.00	40,000.00	32,500.00

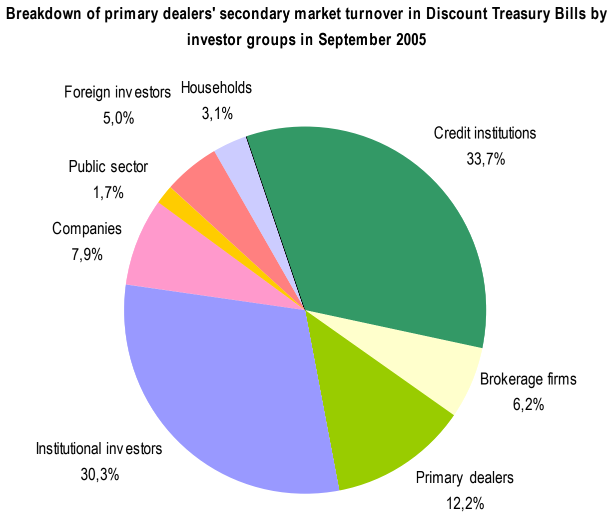
*Without issuance onto ÁKK's own account




Secondary market trading of government bonds
HUF billion
2600
2400
2200
2000
1800
1600
1400
1200
1000
800
600
400
200
0
-200
September 2004
October
November
December
January 2005
February
March
April
May
June
July
August
September
Stock Exchange (BSE)
OTC
Net issuance


Secondary market trading of Discount Treasury Bills
HUF billion
450
400
350
300
250
200
150
100
50
0
-50
-100
-150
September 2004
October
November
December
January 2005
February
March
April
May
June
July
August
September
Stock Exchange (BSE)
OTC
Net issuance

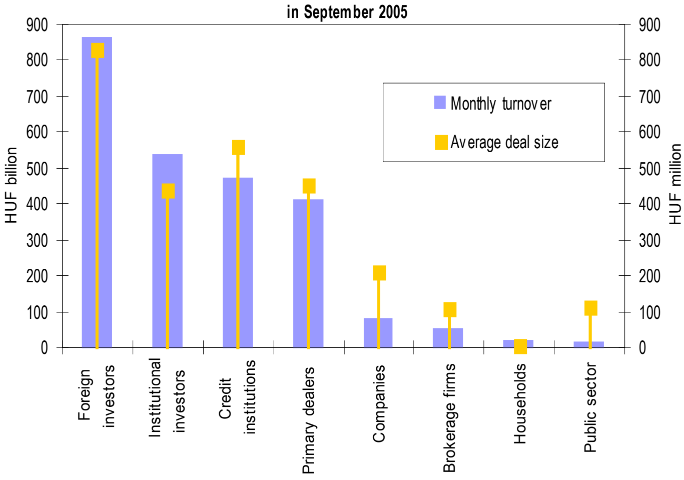

Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in September 2005
Credit institutions 18,0%
Households 0,1%
Brokerage firms 3,0%
Primary dealers 15,6%
Foreign investors 43,5%
Institutional investors 17,1%
Public sector 0,4%
Companies 1,4%


Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in September 2005
Foreign investors 5,0%
Households 3,1%
Credit institutions 33,7%
Public sector 1,7%
Companies 7,9%
Brokerage firms 6,2%
Institutional investors 30,3%
Primary dealers 12,2%

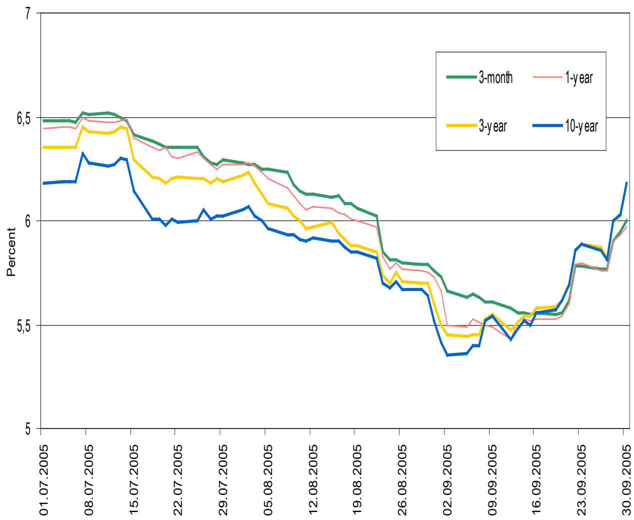
Government securities with the highest secondary market turnover in September 2005

Government security	Date of redemption	Turnover (HUF billion)
2010/B	12.10.2010	293.6
2015/A	12.02.2015	258.7
D060830	30.08.2006	182.1
2014/C	12.02.2014	165.3
2008/E	12.08.2008	159.2
2013/D	12.02.2013	125.2
2013/C	20.12.2013	101.3
2009/D	12.10.2009	100.7
2020/A	12.11.2020	95.2
2007/F	12.04.2007	93.7

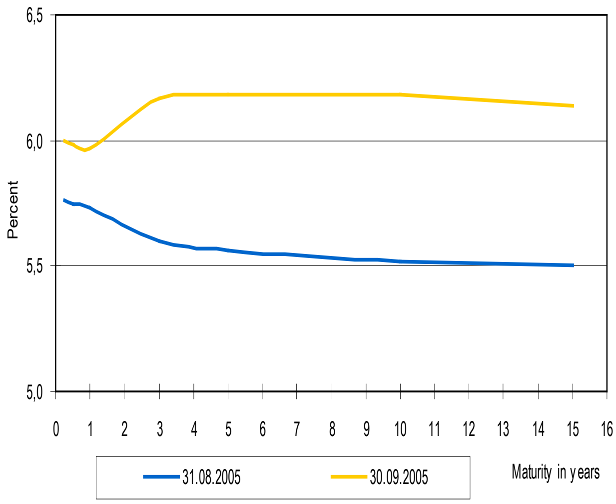
Primary dealers' trading with different investor groups in September 2005



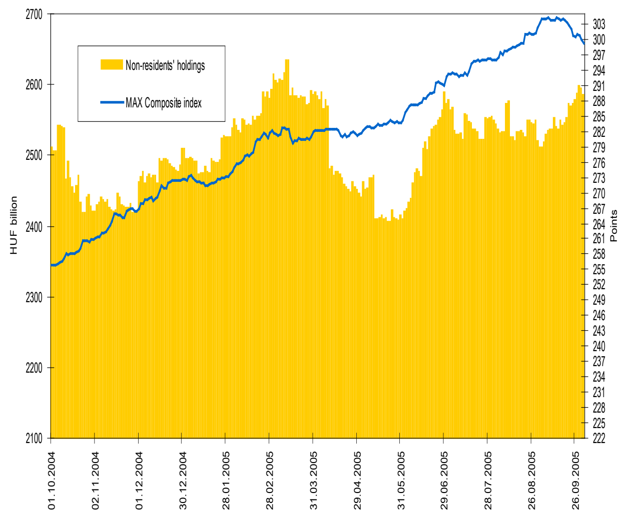
Benchmark yields in the past three months



Benchmark yield curves



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



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

	HUF billion	
Government bond	31.08.2005	30.09.2005
2008/E	155.56	210.72
2010/B	180.48	216.28
2015/A	386.11	410.93
2020/A	161.39	165.86

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 September 2005	305.5654	291.5091	299.1401	292.4134
Changes compared to the end of the month before	-4.6137	0.8972	-3.0577	1.3568
Annual yield earned on the index portfolio	19.07%	10.46%	16.92%	9.05%

EVENTS CALENDAR - NOVEMBER 2005

Week 45		1	2	3	4	5	6
		Tuesday	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction			D060208, D060412	D061025			
Discount T-bill auction settlement			D060201				
Discount T-bill redemption			D051102				
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill subscription				K2006/23			
Interest Bearing T-bill redemption				K2005/22			
Government Bond public offer				3-year Bond			
Government Bond auction settlement			5 and 10 -year Bonds				
Government Bond buyback auction settlement			2 Bond series				
Government Bond interest payment			2014/A				
Week 46	7	8	9	10	11	12	13
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D060215					
Discount T-bill auction settlement			D060208/D060412/D061025				
Discount T-bill redemption			D051109				
Liquidity Discount T-bill public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer						
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill subscription			K2006/23				
Interest Bearing T-bill public offer		K2006/24					
Government Bond auction				3-year Bond			
Government Bond buyback auction			2 Bond series				
Week 47	14	15	16	17	18	19	20
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D060222	D060607	D061025			
Discount T-bill auction settlement			D060215				
Discount T-bill redemption			D051116				
Liquidity Discount T-bill public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer						
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill redemption			K2005/23				
Interest Bearing T-bill subscription			K2006/24				
Government Bond public offer				5 and 10-year Bonds			
Government Bond auction settlement			3-year Bond				
Government Bond buyback auction settlement			2 Bond series				
Government Bond interest payment	2006/E, 2020/A						
Week 48	21	22	23	24	25	26	27
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D060301					
Discount T-bill auction settlement			D060222/D060607/D061025				
Discount T-bill redemption			D051123				
Liquidity Discount T-bill public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer						
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill subscription			K2006/24				
Interest Bearing T-bill public offer		K2006/25					
Government Bond auction				5 and 10-year Bonds			
Government Bond interest payment				**2017/A**			
Government Bond buyback auction			2 Bond series				
Week 49	28	29	30				
	Monday	**Tuesday**	**Wednesday**				
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D060308	D060607				
Discount T-bill auction settlement			D060301				
Discount T-bill redemption			D051130				
Liquidity Discount T-bill public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer						
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill redemption			K2005/24				
Interest Bearing T-bill subscription		K2006/25					
Government Bond public offer							
Government Bond auction settlement			5 and 10-year Bonds				
Government Bond buyback auction settlement			2 Bond series				

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

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN SEPTEMBER 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2013/A	19.09.2005	20.09.2005	20.03.2006	20.03.2006	6.80	8.12
2016/A	29.09.2005	30.09.2005	30.12.2005	30.12.2005	5.25	1.32

PRIMARY DEALERS - AS AT 30 SEPTEMBER 2005

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