GOVERNMENT SECURITIES MARKET MONTHLY REPORT

AUGUST 2005

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The deficit of the central government amounted to HUF 996.4 billion in the first eight months of 2005. The pre-financing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 103.4 billion, as did the HUF 1.1 billion capital transfer to the National Bank of Hungary (NBH) by law in March. The total net financing requirement of HUF 1100.9 billion (ca. EUR 4.5 billion) was met by a net issuance of HUF 1070.7 billion (ca. EUR 4.4 billion) in the first eight months of the year, out of which net domestic issuance was HUF 309.2 billion (ca. EUR 1.3 billion) and net foreign exchange issuance totalled HUF 761.5 billion (ca. EUR 3.1 billion).

The HUF denominated debt of the central government increased by HUF 310.5 billion up to the end of August 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 230.2 billion, discount Treasury bills for HUF 95.0 billion. The stock of retail government securities decreased by HUF 11.1 billion, while that of domestic loans by HUF 3.5 billion.

The foreign currency debt of the central government increased by HUF 743.5 billion in the first eight 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 89.7 billion. Exchange rate gains of HUF 18.0 billion also decreased the HUF value of the foreign currency debt compared to the end of last year.

At the end of August 2005, 67.5% of the domestic government securities were fixed rate, 32.5% 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 eight months of 2005.

Secondary market yields decreased substantially in August. This was attributable to the central bank's 50 basis point rate-cut and favourable international market trends.

In the secondary market, the 3-month yield decreased by 53 basis points to 5.76%, the 6 and 12-month yields declined by 53-54 basis points compared to the end of July. The long-term yields showed a decrease of 45-59 basis points. The 3-year yield declined by 59 basis points and amounted to 5.60%, while the 10-year benchmark yield reached 5.52% at the end of August after a decrease of 50 basis points.

Monthly OTC turnover of government securities was HUF 1958.2 billion in August, down by 12% from the month before. Primary dealers, who account for the decisive part of all secondary government securities trading, made 39% of their secondary government securities deals with non-resident investors.

The volume of non-resident holdings of Hungarian government securities decreased altogether by HUF 32.6 billion in August, and amounted to HUF 2521.0 billion at the end of the month. This volume represented 30.4% 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 244.70 at the end of August 2005.

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

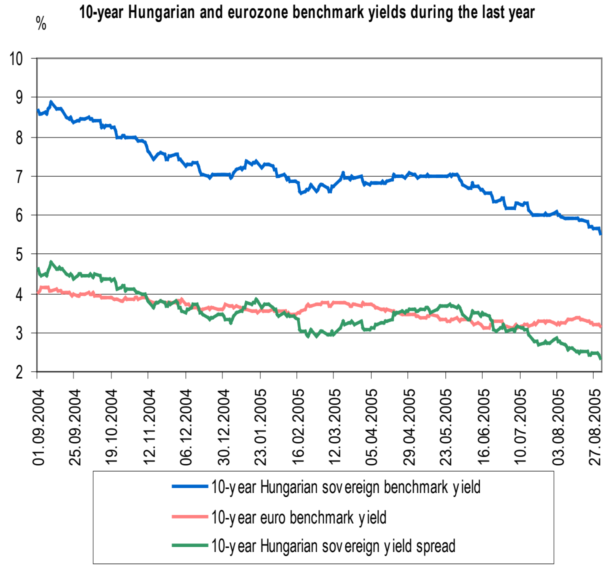
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

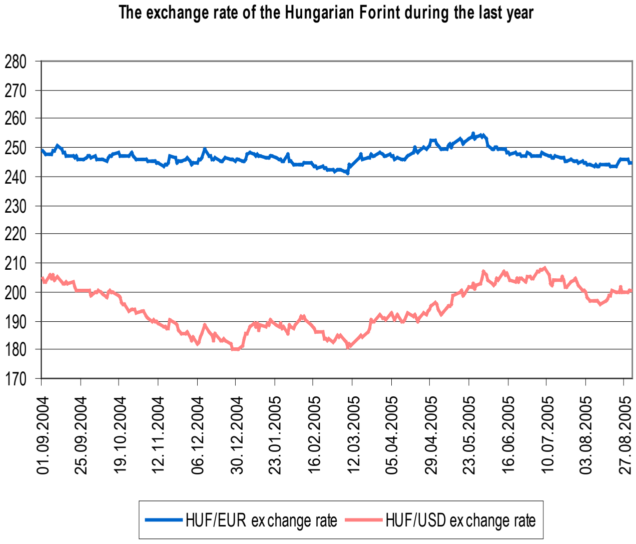
	1999	2000	2001	2002	2003	2004	June 2005	July 2005	Aug. 2005
1. Forint denominated debt	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,083.3	8,953.8	8,919.4
1.1. Loans	380.2	303.8	228.3	353.2	117.9	4.7	1.1	1.1	1.1
1.1.1. Foreign loans	0.0	0.0	0.0	1.7	1.4	1.1	1.1	1.1	1.1
1.1.2. Domestic loans	380.2	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	9,082.2	8,952.6	8,918.2
1.2.1. Public issues	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,341.3	8,211.7	8,178.7
1.2.1.1. Bonds	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,015.5	5,967.8	6,003.2
1.2.1.2. Discount T-bills	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,700.7	1,626.6	1,558.2
1.2.1.3. Retail securities	499.3	523.3	544.7	560.3	533.5	628.4	625.1	617.3	617.3
1.2.2. Private placements	853.2	831.3	809.1	777.4	759.3	743.6	740.9	740.9	739.5
2. Foreign currency denominated debt*	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,631.6	3,731.4	3,727.0
2.1. Loans	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	838.3	826.8	825.8
2.1.1. Foreign loans	361.2	368.8	317.8	461.9	598.8	528.9	523.6	515.1	514.5
2.1.2. Domestic loans	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	314.7	311.7	311.3
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	283.1	280.4	280.0
2.1.2.2. Others loans	0.0	0.0	0.0	82.8	18.8	32.2	31.6	31.3	31.3
2.2. Government securiries	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,793.3	2,904.6	2,901.2
2.2.1. Issued abroad	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,793.3	2,904.6	2,901.2
2.2.1.1. Foreign currency bonds	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,793.2	2,904.6	2,901.1
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	12,714.9	12,685.2	12,646.4
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*	*8,457.0*	*8,335.3*	*8,300.9*
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.

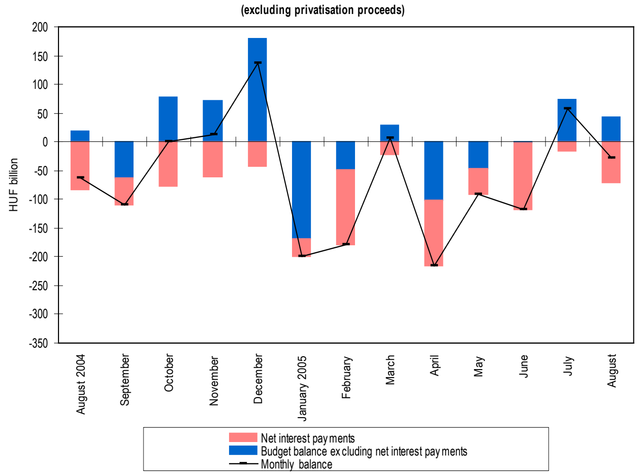
10-year Hungarian and eurozone benchmark yields during the last year



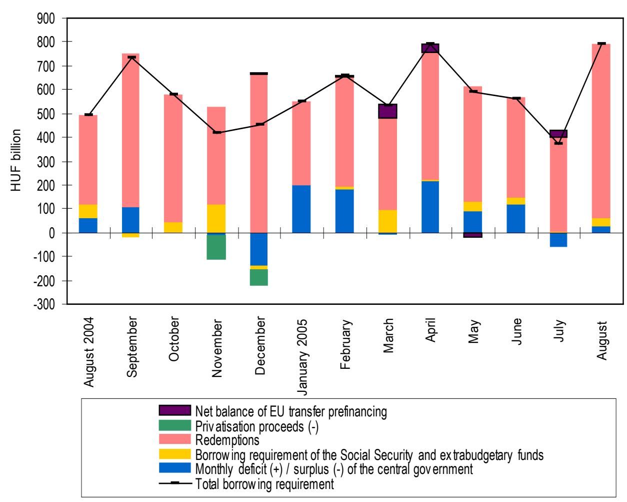
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

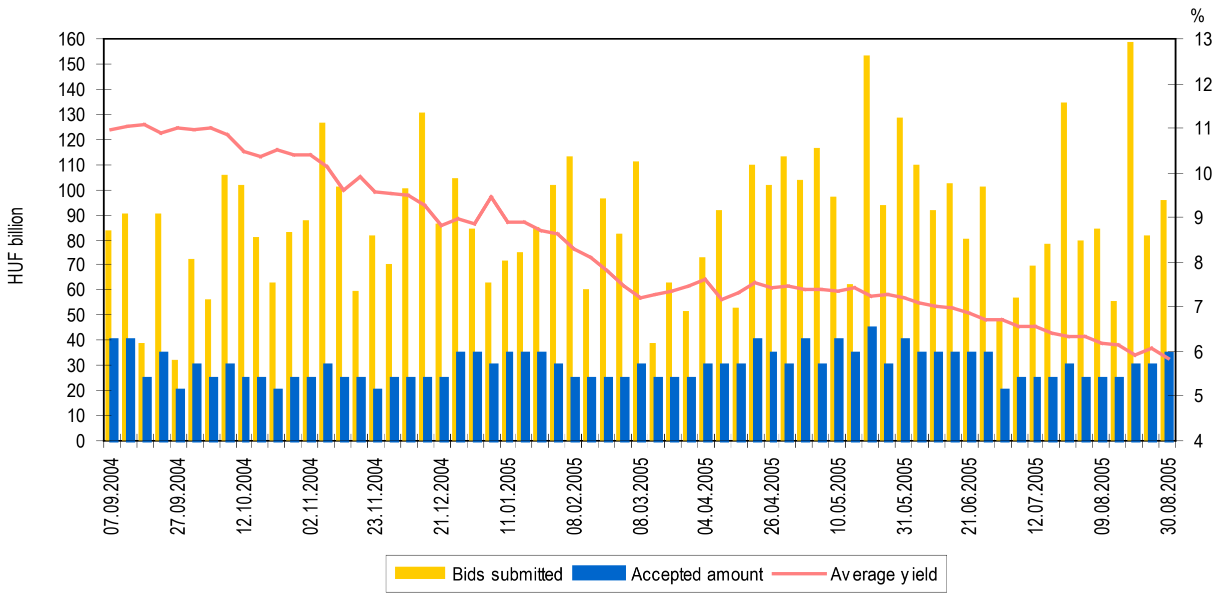


DISCOUNT TREASURY BILL AUCTION RESULTS

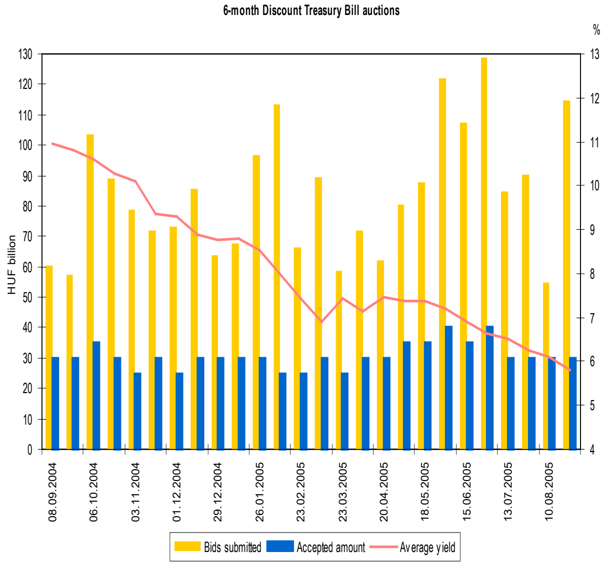
	Liquidity Discount T-bills	3-month Discount T-bills					6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D051019	D051109	D051116	D051123	D051130	D051207	D060215	D060215	D060705	D060830
Maturity in days	49	91	91	91	91	91	182	168	322	364
Date of auction	29.08.2005	02.08.2005	09.08.2005	16.08.2005	23.08.2005	30.08.2005	10.08.2005	24.08.2005	11.08.2005	25.08.2005
Date of financial settlement	31.08.2005	10.08.2005	17.08.2005	24.08.2005	31.08.2005	07.09.2005	17.08.2005	31.08.2005	17.08.2005	31.08.2005
Redemption date	19.10.2005	09.11.2005	16.11.2005	23.11.2005	30.11.2005	07.12.2005.	15.02.2005	15.02.2006	05.07.2006	30.08.2006
Maximum yield (%) - ISMA	6.10	6.33	6.20	6.16	5.93	5.89	6.11	5.82	6.05	5.80
Minimum yield (%) - ISMA	6.00	6.29	6.16	6.10	5.87	5.75	6.00	5.73	6.00	5.73
Average yield (%) - ISMA	6.09	6.32	6.19	6.14	5.91	5.85	6.09	5.81	6.04	5.78
Maximum yield (%) - EHM	6.18	6.42	6.29	6.25	6.01	5.97	6.19	5.90	6.13	5.88
Minimum yield (%) - EHM	6.08	6.38	6.25	6.18	5.95	5.83	6.08	5.81	6.08	5.81
Average yield (%) - EHM	6.17	6.41	6.28	6.23	5.99	5.93	6.17	5.89	6.12	5.86
Average selling price (%)	99.1779	98.4276	98.4594	98.4717	98.5281	98.5428	97.0131	97.3602	94.8745	94.4785
Amount offered for sale (HUF million)	30,000.00	25,000.00	25,000.00	25,000.00	25,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	81,800.00	79,789.75	84,667.26	55,515.27	158,887.50	95,842.33	54,735.49	114,619.58	54,940.93	86,100.00
Amount of bids accepted (HUF million)	29,999.96	24,999.93	24,999.90	24,999.98	29,999.98	34,999.95	29,999.85	29,999.86	29,999.82	29,999.90
Bid-to-cover ratio	2.73	3.19	3.39	2.22	5.30	2.74	1.82	3.82	1.83	2.87
Bids submitted (pcs)	62	120	118	128	140	110	107	144	120	123
Bids accepted (pcs)	32	39	58	81	51	49	86	55	75	77
Market sales* (HUF million)	29,999.96	24,999.93	24,999.90	24,999.98	29,999.98	34,999.95	29,999.85	29,999.86	29,999.82	29,999.90
Retained on ÁKK's own account (HUF	0.04	2,500.07	2,500.10	2,500.02	3,000.02	3,500.05	3,000.15	3,000.14	3,000.18	9,000.10
Total amount issued (HUF million)	30,000.00	27,500.00	27,500.00	27,500.00	33,000.00	38,500.00	33,000.00	33,000.00	33,000.00	39,000.00

* Without issuance onto ÁKK's own account

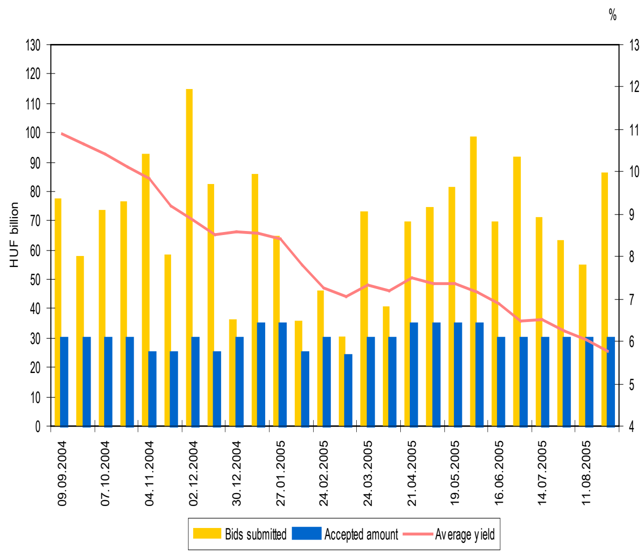
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



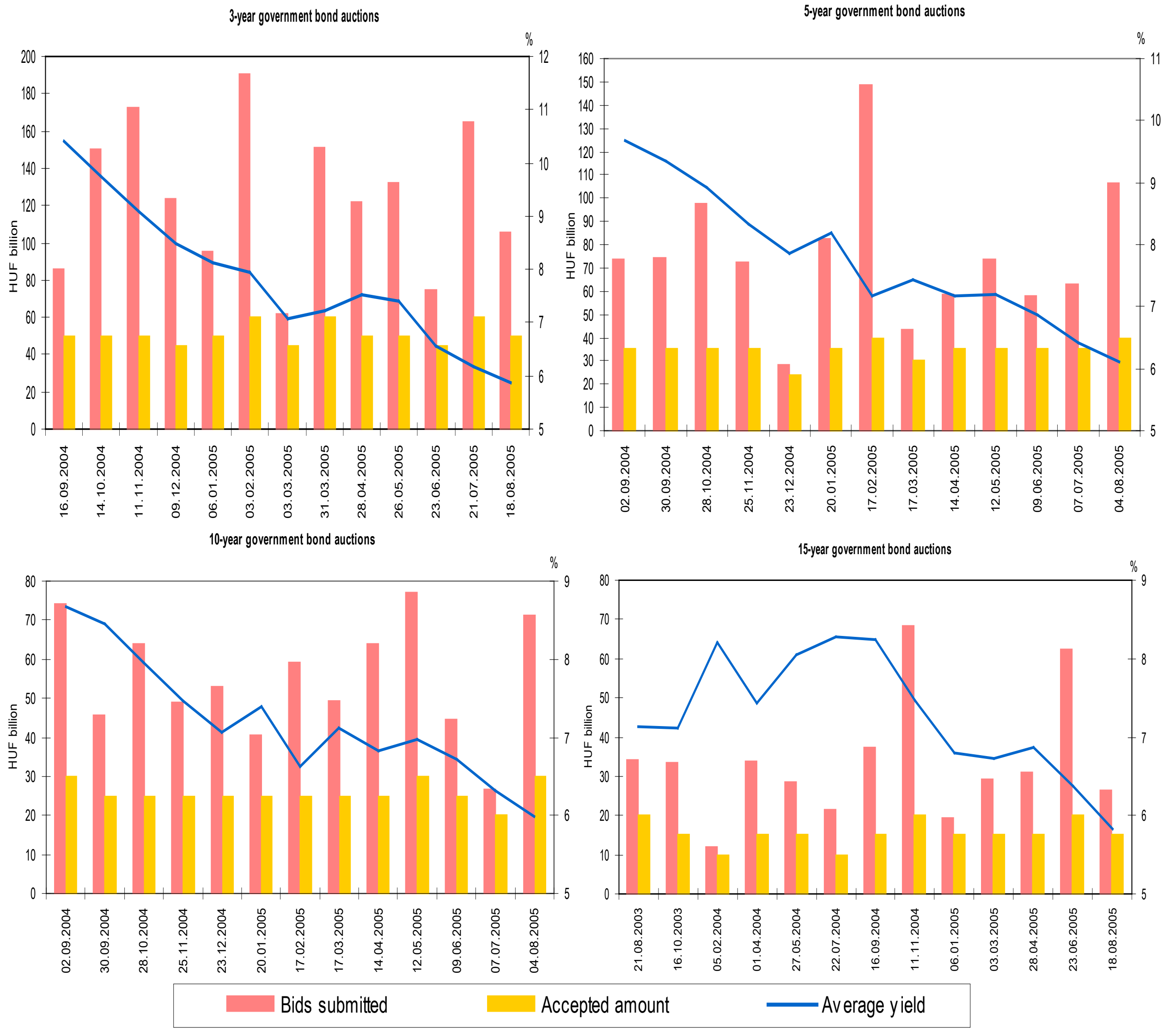
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2010/B	2015/A	2008/E	2020/A
ISIN code	HU0000402292	HU0000402268	HU0000402300	HU0000402235
Maturity (in years)	5	10	3	15
Coupon (%)	6.75%	8.00%	6.50%	7.50%
Auction	5th auction	15th auction	3rd auction	11th auction
Date of auction	04.08.2005	04.08.2005	18.08.2005	18.08.2005
Date of financial settlement	10.08.2005	10.08.2005	24.08.2005	24.08.2005
Redemption date	12.10.2010	12.02.2015	12.08.2008	12.11.2020
Maximum annual yield (%) - ISMA	6.11	6.01	5.90	5.84
Minimum annual yield (%) - ISMA	6.07	5.97	5.85	5.79
Average annual yield (%) - ISMA	6.10	5.99	5.88	5.82
Maximum annual yield (%) - EHM	6.11	6.01	5.89	5.84
Minimum annual yield (%) - EHM	6.07	5.97	5.84	5.79
Average annual yield (%) - EHM	6.09	5.99	5.87	5.82
Maximum price (%)	102.9541	114.3550	101.6736	116.9575
Minimum price (%)	102.7779	114.0450	101.5391	116.4056
Average price (%)	102.8392	114.1720	101.5928	116.5839
Amount offered for sale (HUF million)	35,000.00	25,000.00	50,000.00	15,000.00
Amount of bids submitted (HUF million)	106,283.39	71,350.00	105,613.00	26,300.00
Amount of bids accepted (HUF million)	39,999.84	29,999.84	49,999.88	14,999.92
Bid-to-cover ratio	2.66	2.38	2.11	1.75
Bids submitted (pcs)	144	100	103	101
Bids accepted (pcs)	95	60	82	60
Tail (average price - minimum price)	0.06	0.13	0.05	0.18
Market sales* (HUF million)	39,999.84	29,999.84	49,999.88	14,999.92
Retained on ÁKK's own account (HUF million)	0.16	0.16	4,500,12	2,000,08
Total amount issued (HUF million)	40,000.00	30,000.00	54,500.00	17,000.00

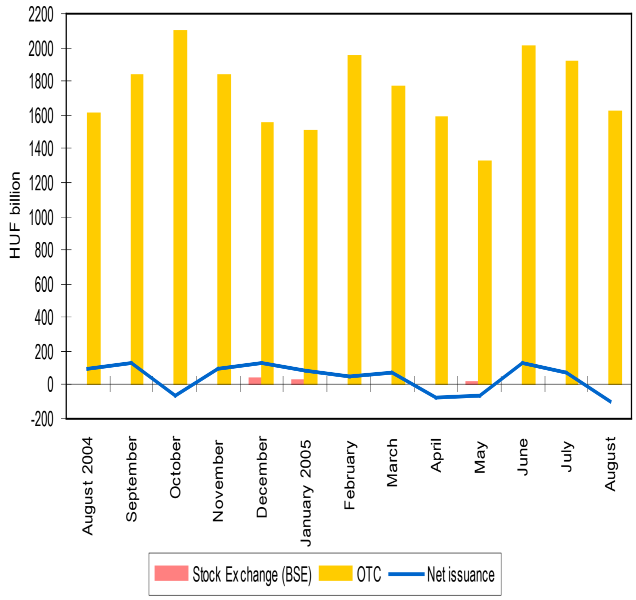
*Without issuance onto ÁKK's own account



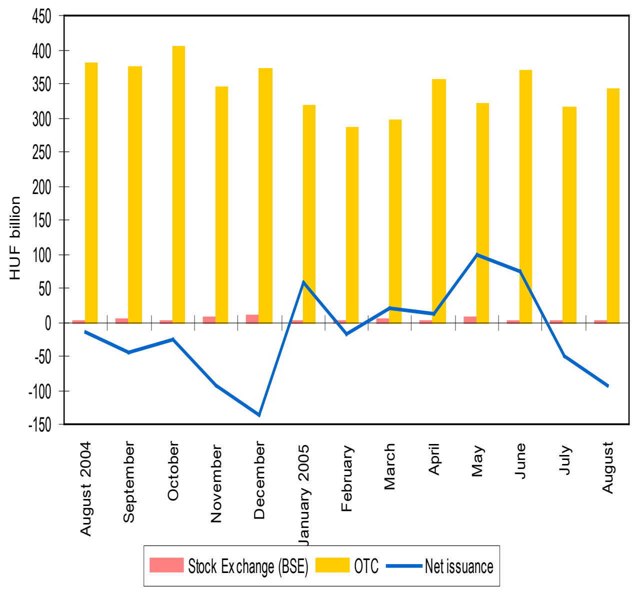
GOVERNMENT BOND REVERSE AUCTION RESULTS

Government bond	2006/E	2006/F	2006/D	2007/C	2007/E	2008/B	2009/A	2010/A
ISIN code	HU0000401963	HU0000402094	HU0000401591	HU0000401609	HU0000402110	HU0000401526	HU0000401625	HU0000401633
Coupon (%)	8.50%	7.00%	floating rate	floating rate	floating rate	floating rate	floating rate	floating rate
Date of reverse auction	31.08.2005	31.08.2005	02.08.2005	02.08.2005	02.08.2005	02.08.2005	02.08.2005	02.08.2005
Date of financial settlement	07.09.2005	07.09.2005	08.08.2005	08.08.2005	08.08.2005	08.08.2005	08.08.2005	08.08.2005
Redemption date	12.05.2006	12.04.2006	12.08.2006	12.08.2007	12.08.2007	12.08.2008	12.08.2009	12.08.2010
Minimum annual yield (%)	5.82	5.82						
Average annual yield (%) - ISMA	5.83	5.83						
Amount of bids submitted (HUF million)	17,328.25	31,943.79	311.40	414.00	455.27	298.67	189.18	143.58
Amount of bids accepted (HUF million)	2,392.19	12,241.46	311.40	414.00	455.27	298.67	189.18	143.58

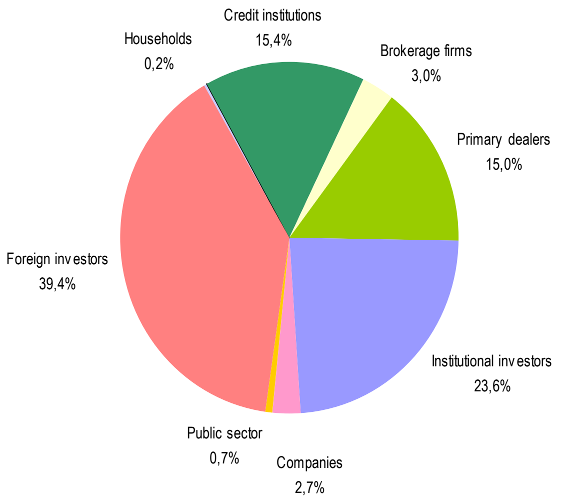
Secondary market trading of government bonds



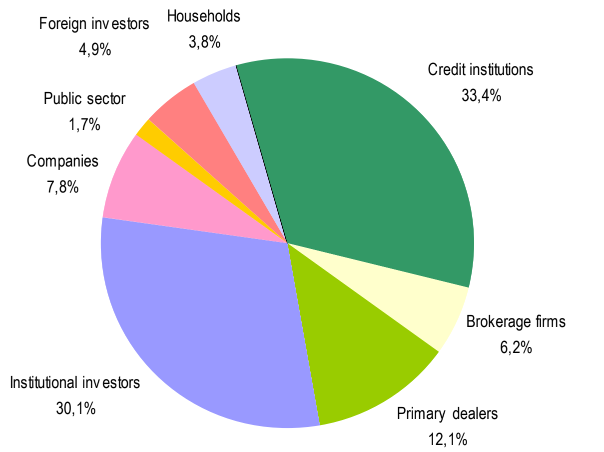
Secondary market trading of Discount Treasury Bills



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



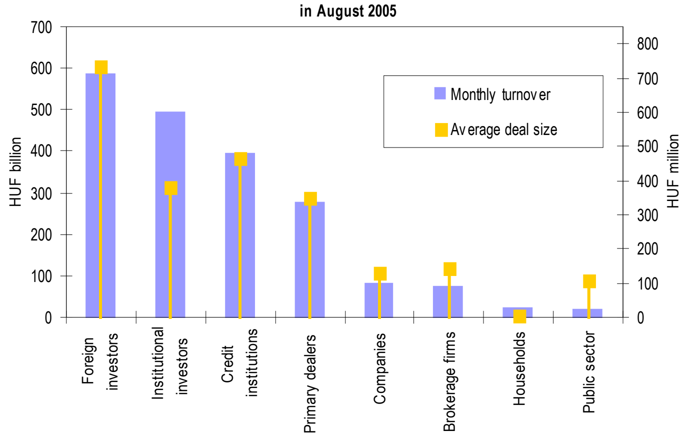
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in August 2005



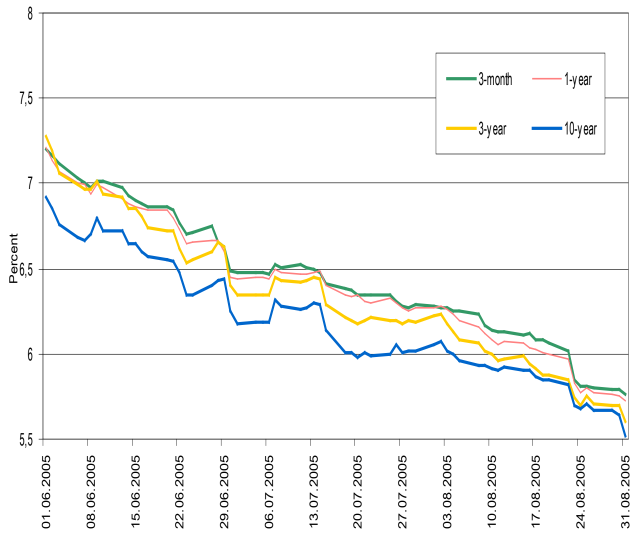
Government securities with the highest secondary market turnover in August 2005

Government security	Date of redemption	Turnover (HUF billion)
2010/B	12.10.2010	210.9
D060705	05.07.2006	128.5
2015/A	12.02.2015	113.1
2009/D	12.10.2009	108.9
2020/A	12.11.2020	104.6
2008/E	12.08.2008	92.9
2007/F	12.04.2007	92.3
D060215	15.02.2006	86.6
2013/C	20.12.2013	84.3
2008/D	24.04.2008	72.0

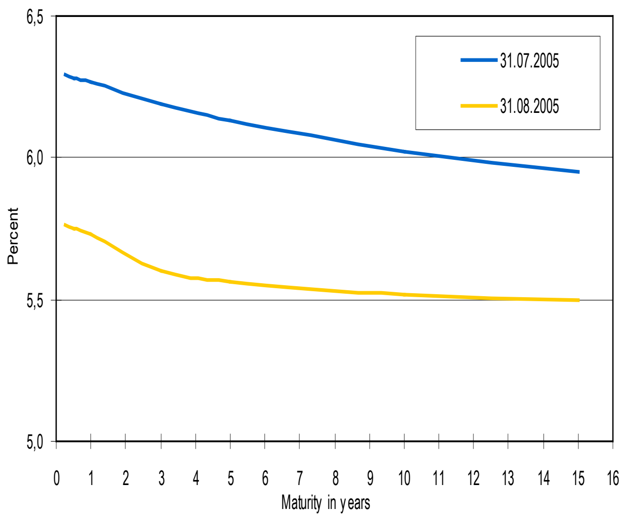
Primary dealers' trading with different investor groups in August 2005



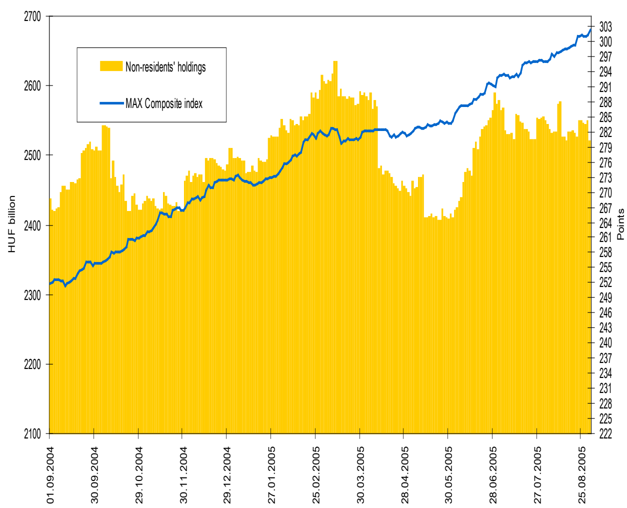
Benchmark yields in the past three months



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 August 2005

	HUF billion	
Government bond	29.07.2005	31.08.2005
2008/E	104.11	155.56
2010/B	140.40	180.48
2015/A	355.00	386.11
2020/A	150.54	161.39

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 August 2005	310.1791	290.6119	302.1978	291.0566
Changes compared to the end of the month before	7.2049	2.4203	6.0725	1.8149
Annual yield earned on the index portfolio	22.67%	11.25%	19.73%	9.58%

EVENTS CALENDAR - OCTOBER 2005

Week 41	3	4	5	6	7	8	9
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D060111	D060412	D060830			
Discount T-bill auction settlement			D060104				
Discount T-bill redemption			D051005				
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			K2006/21				
Interest Bearing T-bill redemption			K2005/20				
Government Bond public offer				3 and 15-year Bonds			
Government Bond auction settlement			5 and 10 -year Bonds				
Week 42	**10**	**11**	**12**	**13**	**14**	**15**	**16**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D060118					
Discount T-bill auction settlement			D060111/D060412/D060830				
Discount T-bill redemption			D051012				
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			K2006/21				
Interest Bearing T-bill public offer		K2006/22					
Government Bond auction				3 and 15-year Bonds			
Government Bond interest payment			2005/I, 2007/G, 2009/D, 2010/B				
Government Bond redemption			2005/I				
Week 43	**17**	**18**	**19**	**20**	**21**	**22**	**23**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D060125	D060412	D061025			
Discount T-bill auction settlement			D060118				
Discount T-bill redemption			D051019				
Liquidity Discount T-bill public offer	Upon decision of the Issuer				Upon decision of the Issuer		
Liquidity Discount T-bill auction	Upon decision of the Issuer						
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill redemption			K2005/21				
Interest Bearing T-bill subscription			K2006/22				
Government Bond public offer				5 and 10-year Bonds			
Government Bond auction settlement			3 and 15-year Bonds				
Week 44	**24**	**25**	**26**	**27**	**28**	**29**	**30**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D060201					
Discount T-bill auction settlement			D060125/D060412/D061025				
Discount T-bill redemption			D051026				
Liquidity Discount T-bill public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer				Upon decision of the Issuer		
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill subscription			K2006/22				
Government Bond auction				5 and 10-year Bonds			
Government Bond interest payment	**2008/A, 2026/C**						
Government Bond buyback auction			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 AUGUST 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2026/A	26.08.2005	28.08.2005	24.01.2006	28.02.2006	6.43	7.69
2006/A	26.08.2005	28.08.2005	24.01.2006	28.02.2006	6.43	7.69
2008/B	11.08.2005	12.08.2005	12.02.2006	13.02.2006	6.49	3.32
2006/D	11.08.2005	12.08.2005	12.02.2006	13.02.2006	6.49	3.32
2007/C	11.08.2005	12.08.2005	12.02.2006	13.02.2006	6.49	3.32
2009/A	11.08.2005	12.08.2005	12.02.2006	13.02.2006	6.49	3.32
2010/A	11.08.2005	12.08.2005	12.02.2006	13.02.2006	6.49	3.32
2007/E	11.08.2005	12.08.2005	12.02.2006	13.02.2006	6.49	3.32

PRIMARY DEALERS - AS AT 31 AUGUST 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