GOVERNMENT SECURITIES MARKET

QUARTERLY REPORT

FIRST QUARTER 2004

MAGYAR ÁLLAMPAPÍR

ÁLLAMI GARANCIÁVAL

GOVERNMENT SECURITIES MARKET

In the first quarter of 2004 the deficit of the central budget amounted to HUF 434.7 billion, 37% of the projected yearly deficit. This net borrowing requirement was met by a total net issuance of HUF 603.0 billion, out of which net domestic issuance was HUF 347.3 billion and net foreign exchange issuance reached HUF 255.7 billion. Within total net domestic issuance, all government bonds accounted for HUF 213.5 billion, discount Treasury bills for HUF 84.7 billion and retail Treasury bills for HUF 66.6 billion. There was a negative net issuance of domestic loans, amounting to HUF –17.5 billion.

Benchmark government securities yields followed an increasing trend until mid-February with minor corrections. The National Bank of Hungary cut its base rate by 25 basis points by the end of March, which brought about a decrease in the yields on all maturities. Thus, benchmark yields at the end of March were lower than those at the end of the year 2003: 1-year yields by 67 basis points, 3-year yields by 74 basis points and 10-year yields by 24 basis points.

Quarterly OTC turnover of government securities in the first quarter of 2004 was higher than in the previous quarter, it reached HUF 5497 billion compared to the HUF 5175 billion volume before. Primary dealers, which account for the decisive part of all secondary government securities trading, made almost one-third of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased by HUF 185 billion to HUF 2408 billion in the first quarter, which represented 31.7% of the volume of domestic government bonds and discount Treasury bills at the end of March 2004.

In January 2004 ÁKK began the active liquidity management of the temporarily free cash-assets of the State.

ÁKK disclosed at its press conference in December 2003 that after a transitional period it intends to keep the volume of cash funds on the Treasury Single Account close to an optimal level, in a band of HUF 100 billion wide by using liquidity management tools. ÁKK started to issue Discount T-bills with a term-to-maturity shorter than 3 months (so-called Liquidity Discount T-bills), concluded repo transactions and raised the number of bond buy-backs. In compliance with the requirements of market participants, ÁKK also provides a stand-by repo facility for the purpose of supporting them with government bonds if a shortage occurs in the market. (The complete material of the press conference and ÁKK's Debt Management Outlook 2004 report which also describes liquidity management can be found on the website of ÁKK.)

The Minister of Finance decided to raise a total EUR 3 billion by foreign currency bond issuance in the year 2004. In the first quarter of the year the issuance of a EUR 1 billion eurobond with 10-year maturity was accomplished. The deal was lead managed by BNP Paribas and Citigroup.

In order to manage the difference in the timing of foreign exchange revenues and expenditures within the year a EUR 500 million revolving credit facility was signed in favour of the Republic of Hungary with a consortium of banks in January 2004, the lead arrangers being HSBC and Sumitomo Mitsui Banking Corporation Europe.

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

MACROECONOMIC INDICATORS

	1998	1999	2000	2001	2002	2003	Jan. 2004	Feb. 2004	March 2004
GDP growth [1]	4.9	4.2	5.2	3.8	3.5	2.9			
Industrial production [1]	12.5	10.4	18.1	3.6	2.8	5.9	9.9	12.3	10.0
Unemployment rate (%)	7.8	7.0	6.4	5.7	5.9	5.9	5.8	6.0	6.1
Consumer price index (yearly change) [2]	10.3	11.2	10.1	6.8	4.8	5.7	6.6	7.1	6.7
Consumer price index (yearly average)	14.2	10.0	9.8	9.2	5.3	4.7			
Consumer price index (monthly change)							2.1	1.2	0.5
Producer price index (yearly change) [2]	8.0	7.1	12.4	-0.4	-1.3	6.2	5.4	4.5	3.2
Producer price index (yearly average)	12.2	5.0	11.6	5.2	-1.8	2.4			
Producer price index (monthly change)							0.9	-0.2	-0.8
Net lending position of households (HUF Bn)	943.3	776.2	791.7	756.7	453.5	42.0			
Current account of balance of payments (EUR M) [3]	-3,026.1	-3,531.4	-4,380.0	-3,612.5	-4,900.0	-6,488.4	-445.4	-721.7	-588.4
Net direct investments (EUR M) [4]	2,742.9	2,871.7	2,334.0	3,992.2	2,733.5	774.6	60.8	253.7	-4.5
Balance of the central government budget (HUF Bn) [5]	-333.9	-337.2	-367.8	-402.9	-957,7 [6]	-727.9	-173.9	-72.8	-118.2
Central government gross debt (HUF Bn)	6,165.8	6,886.4	7,226.2	7,719.5	9,224.2	10,587.7	11,015.0	10,989.0	10,985.9
Central government gross debt (per cent of GDP)	61.1%	60.4%	54.9%	52.0%	55.1%	57.0%			
Net foreign debt (EUR M) [7]	7,401.5	7,344.4	9,686.8	8,398.1	11,871.0	16,606.0			
Net foreign debt (per cent of GDP)	17.7%	16.3%	19.1%	14.5%	17.2%	22.7%			
HUF/USD mid exchange rate at the end of period	219.03	252.52	284.73	279.03	225.16	221.12	214.20	208.20	203.65
HUF/EUR mid exchange rate at the end of period	255.70	254.92	264.94	246.33	235.90	265.03	265.05	257.86	248.92

Source: Central Statistical Office, National Bank of Hungary (NBH), Ministry of Finance

[1] Same period of previous year = 100%

[2] In case of yearly data: Dec. /previous Dec.; otherwise: month/same month of the previous year

[3] Data compiled in accordance with the new methodology used by the NBH from 2004

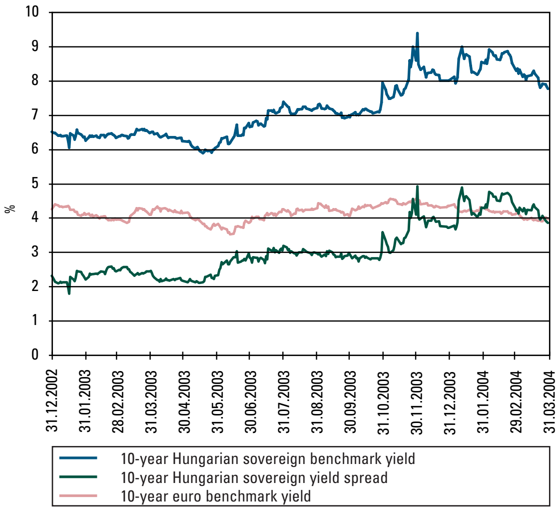
[4] Including intercompany loans

[5] Excluding privatisation proceeds

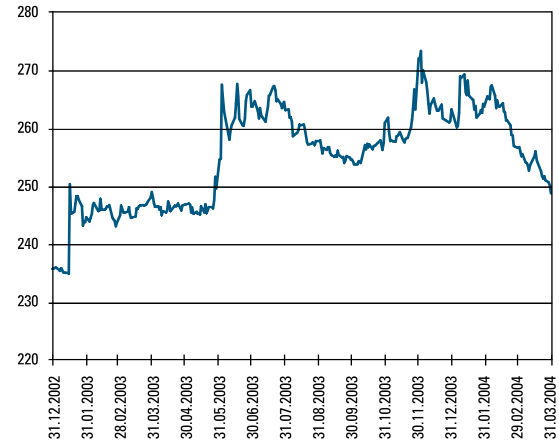
[6] Excluding debt assumptions and bond-transfers amounting to HUF 512.05 billion at the end of 2002

[7] Excluding intercompany loans

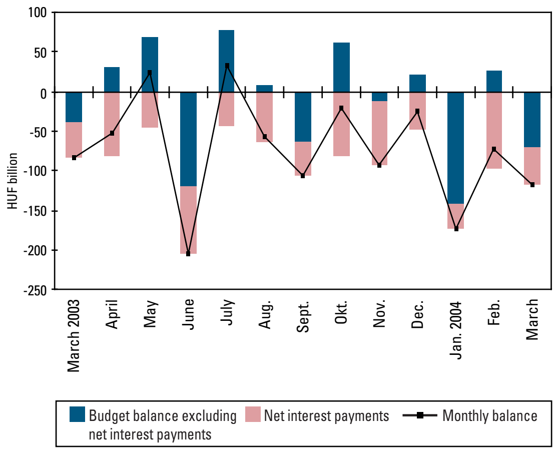
10-year Hungarian and eurozone benchmark yields



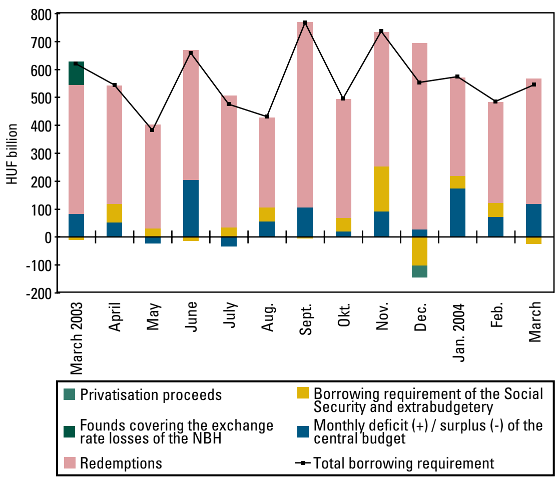
HUF/EUR exchange rate



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



Gross borrowing requirement

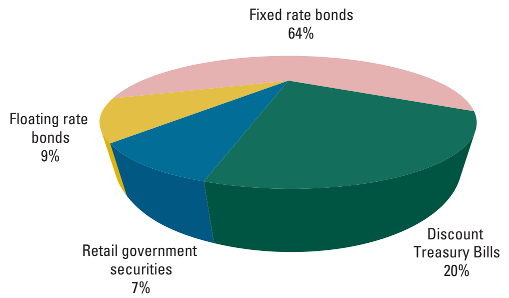


CENTRAL GOVERNMENT GROSS DEBT

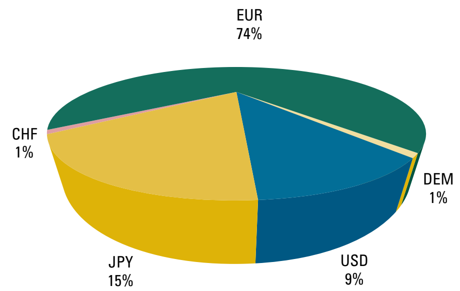
	1998	1999	2000	2001	2002	2003	Jan. 2004	Feb. 2004	March 2004
1. Forint denominated debt	3,733.9	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,095.8	8,200.9	8,294.5
1.1. Loans	435.0	380.2	303.8	228.3	353.2	117.9	117.5	116.9	100.4
1.1.1. Foreign loans	0.0	0.0	0.0	0.0	1.7	1.4	1.4	1.4	1.4
1.1.2. Domestic loans	435.0	380.2	303.8	228.3	351.5	116.5	116.1	115.5	99.0
1.1.2.1. Raised from National Bank of Hungary (NBH)	434.9	362.4	289.5	217.4	144.0	71.2	71.2	71.2	55.2
1.1.2.2. Other loans	0.1	17.8	14.3	10.9	207.5	45.3	44.8	44.3	43.8
1.2. Government securities	3,299.0	3,970.0	4,413.6	5,169.1	6,603.7	7,890.8	7,978.4	8,084.0	8,194.1
1.2.1. Public issues	2,432.8	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,219.1	7,328.0	7,439.0
1.2.1.1. Bonds	1,386.5	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,144.1	5,208.6	5,225.6
1.2.1.2. Discount T-bills	689.9	826.7	837.9	1,033.3	1,436.8	1,541.4	1,521.9	1,563.7	1,617.3
1.2.1.3. Retail securities	356.5	499.3	523.3	544.7	560.3	533.5	553.0	555.7	596.0
1.2.2. Private placements	866.1	853.2	831.3	809.1	777.4	759.3	759.3	756.0	755.1
2. Foreign currency denominated debt*	2,431.9	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,919.2	2,788.1	2,691.4
2.1. Loans	2,367.8	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	1,143.2	1,060.3	1,023.5
2.1.1. Foreign loans	249.6	361.2	368.8	317.8	461.9	598.8	654.4	584.7	564.5
2.1.2. Domestic loans	2,118.2	1,568.4	1,404.0	1,092.6	932.3	485.3	488.8	475.5	459.0
2.1.2.1. Raised from National Bank of Hungary (NBH)	2,118.2	1,568.4	1,404.0	1,092.6	849.6	466.5	469.8	457.1	441.2
2.1.2.2. Other loans	0.0	0.0	0.0	0.0	82.8	18.8	19.0	18.5	17.8
2.2. Government securities	64.0	606.7	736.0	911.7	873.0	1,494.9	1,776.0	1,727.8	1,667.9
2.2.1. Issued abroad	44.4	587.1	715.7	911.7	873.0	1,494.9	1,776.0	1,727.8	1,667.9
2.2.1.1. Foreign currency bonds	43.8	586.8	715.4	911.5	872.9	1,494.7	1,775.9	1,727.7	1,667.8
2.2.1.2. Kingdom of Hungary 1924 issues	0.6	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1
2.2.2. Issued domestically	19.6	19.6	20.3	0.0	0.0	0.0	0.0	0.0	0.0
Total	6,165.8	6,886.4	7,226.2	7,719.5	9,224.2	10,587.7	11,015.0	10,989.0	10,985.9
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	2,942.5	3,470.7	3,890.4	4,624.4	6,043.4	7,357.3	7,425.3	7,528.3	7,598.0
Gross debt/GDP	61.1%	60.4%	54.9%	52.0%	55.1%	57.0%			

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

Composition of HUF government securities as at end of March 2004

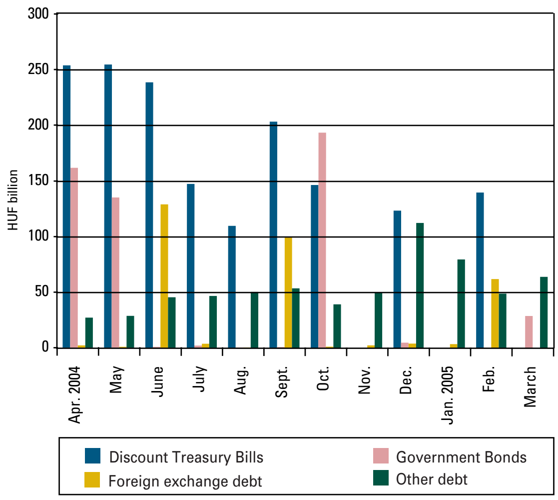


Currency composition of the foreign exchange debt portfolio as at end of March 2004 *

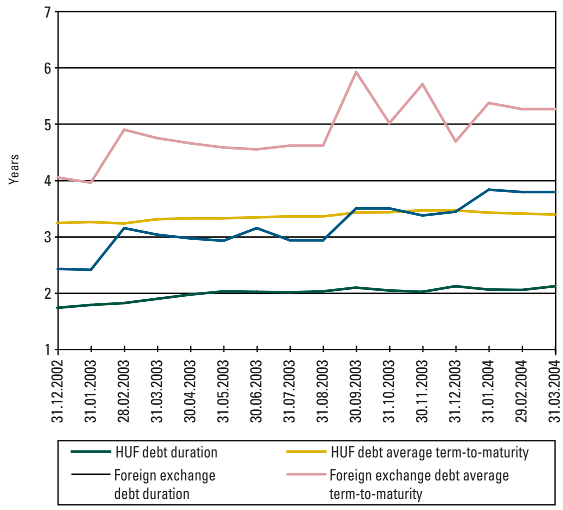


* Composition before swaps. By using cross-currency swaps, 99.99% of the actual foreign exchange debt of the central government is due in euros.

Maturity profile of the central government gross debt over the next 12 months, as at end of March 2004



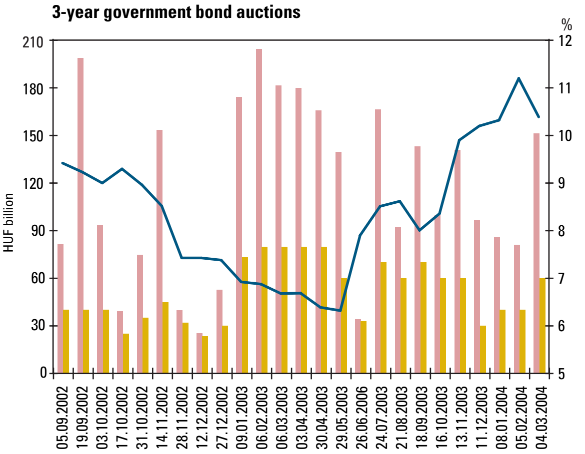
Duration and average term-to-maturity of the HUF and foreign currency debt portfolios

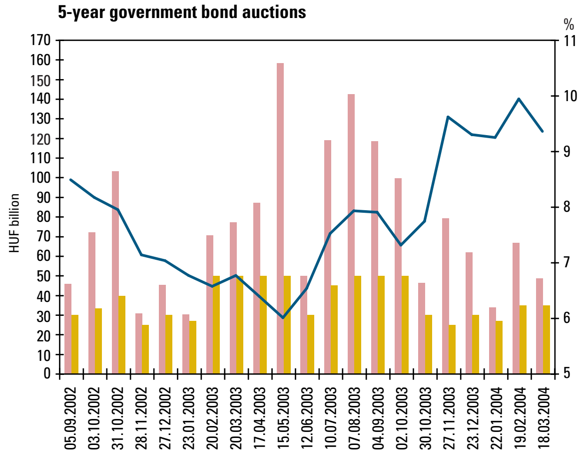


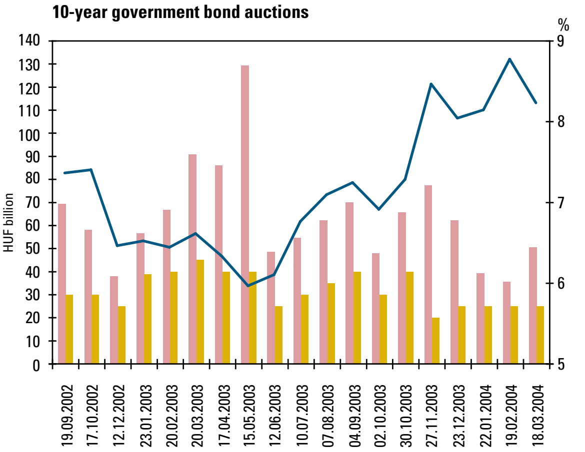
GOVERNMENT BOND AUCTION RESULTS

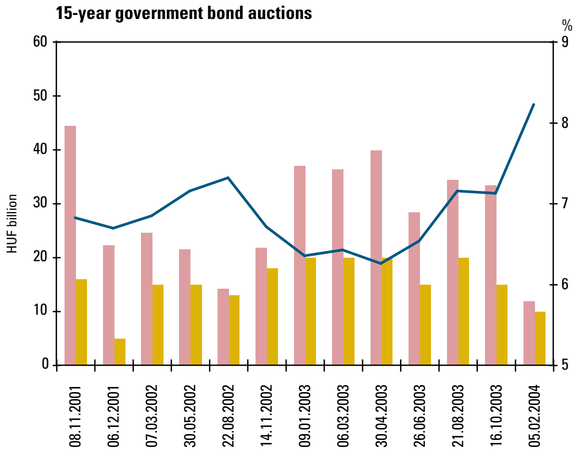
Government Bond	2007/F	2009/C	2014/C	2007/F	2020/A	2009/C	2014/C	2007/F	2009/C	2014/C
ISIN code	HU0000402227	HU0000402219	HU0000402193	HU0000402227	HU0000402235	HU0000402219	HU0000402193	HU0000402227	HU0000402219	HU0000402193
Maturity (in years)	3	5	10	3	15	5	10	3	5	10
Coupon (%)	9.00	7.00	5.50	9.00	7.50	7.00	5.50	9.00	7.00	5.50
Auction	1st auction	5st auction	9st auction	2st auction	1st auction	6st auction	10st auction	3st auction	7st auction	11st auction
Date of auction	08.01.2004	22.01.2004	22.01.2004	05.02.2004	05.02.2004	19.02.2004	19.02.2004	04.03.2004	18.03.2004	18.03.2004
Date of financial settlement	14.01.2004	28.01.2004	28.01.2004	11.02.2004	11.02.2004	25.02.2004	25.02.2004	10.03.2004	24.03.2004	24.03.2004
Redemption date	13.04.2011	25.06.2013	13.02.2018	13.04.2011	13.11.2024	25.06.2013	13.02.2018	13.04.2011	25.06.2013	13.02.2018
Maximum annual yield (%) - ISMA	10.35	9.40	8.18	11.21	8.28	9.97	8.83	10.40	9.37	8.25
Minimum annual yield (%) - ISMA	10.20	9.14	8.08	11.00	8.05	9.85	8.65	10.30	9.25	7.80
Average annual yield (%) - ISMA	10.29	9.23	8.13	11.17	8.21	9.92	8.76	10.36	9.34	8.22
Maximum annual yield (%) - EHM	10.35	9.39	8.17	11.21	8.27	9.96	8.82	10.40	9.36	8.24
Minimum annual yield (%) - EHM	10.20	9.13	8.07	11.00	8.04	9.84	8.64	10.30	9.24	7.79
Average annual yield (%) - EHM	10.29	9.22	8.12	11.16	8.21	9.91	8.75	10.36	9.33	8.22
Maximum price (%)	96.9004	91.1746	82.7047	94.9363	95.0914	88.5918	79.5083	96.7261	90.9439	84.5239
Minimum price (%)	96.5140	90.1732	82.1151	94.4213	93.1221	88.1501	78.5091	96.4789	90.4922	81.8667
Average price (%)	96.6557	90.8357	82.4175	94.5310	96.6817	88.3486	78.8941	96.5765	90.6208	82.0229
Amount offered for sale (HUF million)	40,000.00	35,000.00	25,000.00	40,000.00	15,000.00	35,000.00	25,000.00	50,000.00	35,000.00	25,000.00
Amount of bids submitted (HUF million)	85,899.30	33,902.23	39,320.68	80,971.49	11,903.60	66,725.00	35,615.64	151,218.19	48,795.00	50,612.77
Amount of bids accepted (HUF million)	39,999.92	27,000.00	24,999.99	39,999.98	9,999.98	34,999.96	24,999.99	59,999.92	34,999.98	24,999.88
Bid-to-cover ratio	2.15	1.26	1.57	2.02	1.19	1.91	1.42	2.52	1.39	2.02
Bids submitted (pcs)	173	54	92	130	73	116	95	210	98	125
Bids accepted (pcs)	91	43	53	80	67	55	63	117	67	74
Tail (average price - minimum price)	0.14	0.66	0.30	0.11	3.56	0.20	0.38	0.10	0.13	0.16
Market sales* (HUF million)*	39,999.92	27,000.00	24,999.99	39,999.98	9,999.98	34,999.96	24,999.99	59,999.92	34,999.98	24,999.88
Retained on ÁKK's own account (HUF million)	12,000.08	5,400.00	5,000.01	8,000.02	3,000.02	7,000.04	5,000.01	10,000.08	5,100.02	5,000.12
Total amount issued (HUF million)	52,000.00	32,400.00	30,000.00	48,000.00	13,000.00	42,000.00	30,000.00	70,000.00	40,100.00	30,000.00

* Without issuance onto ÁKK's own account









Bids submitted | Accepted amount | Average yield

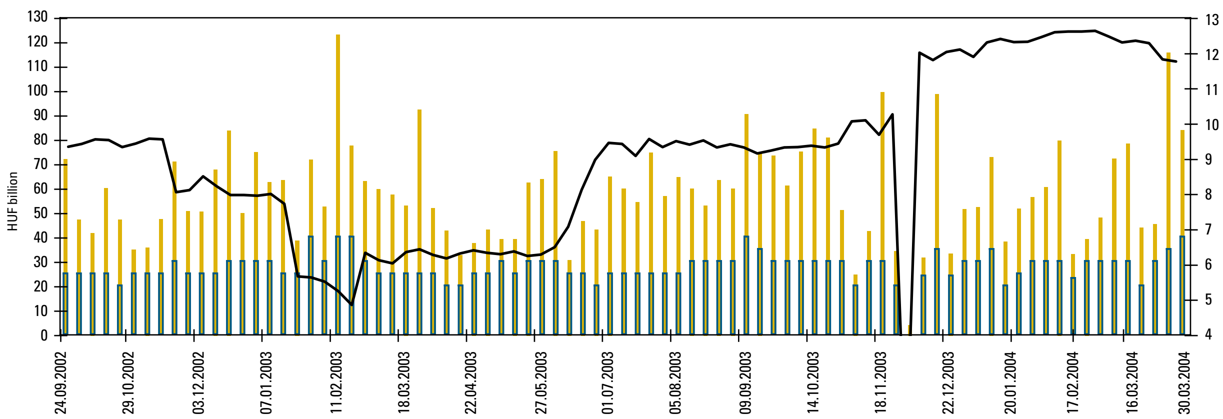
GOVERNMENT BOND REVERSE AUCTION RESULTS

Government bond	2004/I	2004/J	2004/I	2004/J	2004/H	2004/J	2004/H	2004/J	2004/H	2004/J
ISIN code	HU0000401989	HU0000402029	HU0000401989	HU0000402029	HU0000402136	HU0000402029	HU0000402136	HU0000402029	HU0000402136	HU0000402029
Coupon (%)	9.0	8.5	9.0	8.5	10.5	8.5	10.5	8.5	10.5	8.5
Date of reverse auction	07.01.2004	07.01.2004	21.01.2004	21.01.2004	04.02.2004	04.02.2004	18.02.2004	18.02.2004	03.03.2004	03.03.2004
Redemption date	12.04.2004	12.10.2004	12.04.2004	12.10.2004	12.05.2004	12.10.2004	12.05.2004	12.10.2004	12.05.2004	12.10.2004
Date of financial settlement	14.01.2004	14.01.2004	28.01.2004	28.01.2004	11.02.2004	11.02.2004	25.02.2004	25.02.2004	10.03.2004	10.03.2004
Minimum annual yield (%)	12.05	11.15	0.00	12.10	12.80	12.45	12.88	12.65	12.70	12.60
Average annual yield (%) - ISMA	12.08	11.19	0.00	12.12	12.81	12.48	12.75	12.68	12.81	12.61
Amount of bids submitted (HUF million)	8581.84	23490.41	6826.61	28012.54	17300.00	17114.39	4399.62	15001.45	1436.05	19,071.45
Amount of bids accepted (HUF million)	4807.22	4366.50	0.00	670.00	3000.00	1225.00	4399.62	2721.45	1436.05	15,230.00
Bids submitted (pcs)	14	32	12	33	14	18	7	5	7	13
Bids accepted (pcs)	6	7	0	2	3	6	7	3	7	8

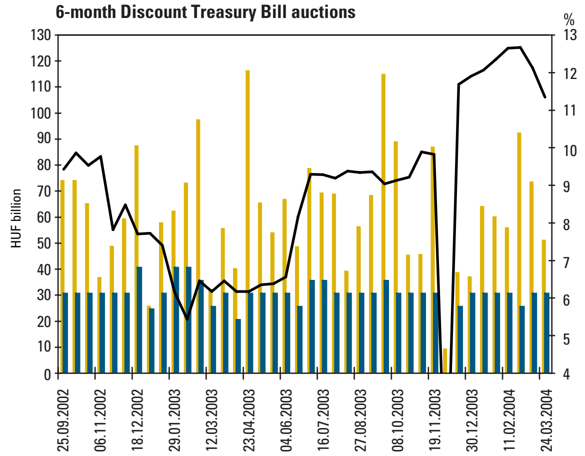
RESULTS OF THE REVERSE AUCTION OF THE SO-CALLED GAS-UTILITY GOVERNMENT BONDS

Government bond	2006/D	2007/C	2007/E	2008/B	2009/A	2010/A
ISIN code	HU0000401591	HU0000401609	HU0000402110	HU0000401526	HU0000401625	HU0000401633
Coupon (%)	floating rate	floating rate	floating rate	floating rate	floating rate	floating rate
Date of reverse auction	29.01.2004	29.01.2004	29.01.2004	29.01.2004	29.01.2004	29.01.2004
Redemption date	12.08.2006	12.08.2007	12.08.2007	12.08.2008	12.08.2009	12.08.2010
Date of financial settlement	06.02.2004	06.02.2004	06.02.2004	06.02.2004	06.02.2004	06.02.2004
Net price (%)	99.00	99.00	100.00	99.00	99.00	99.00
Average annual	99.00	99.00	100.00	99.00	99.00	99.00
Amount of bids submitted (HUF million)	351.74	350.35	2,051.27	351.60	400.20	597.06
Amount of bids accepted (HUF million)	351.74	350.35	1249.98	351.60	400.20	597.06

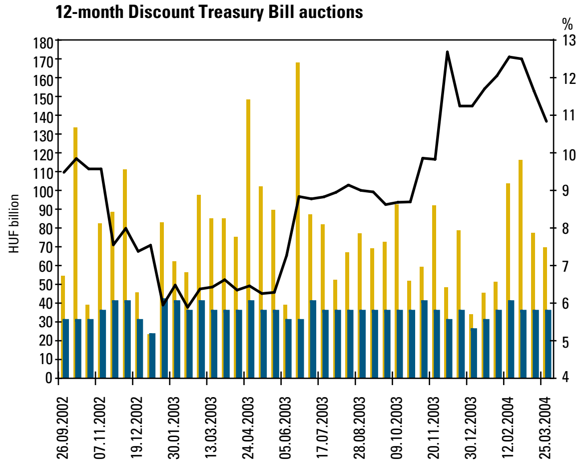
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions

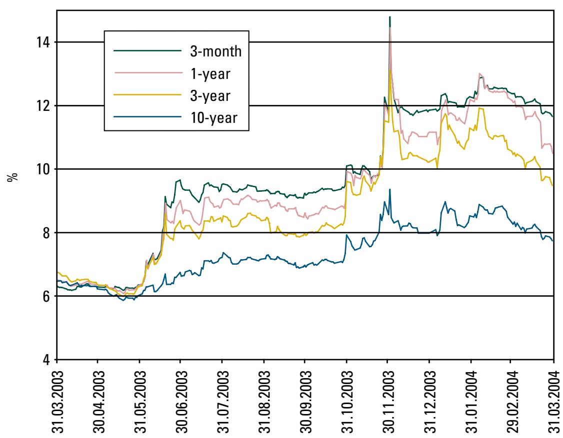


Bids submitted | Accepted amount | Average yield

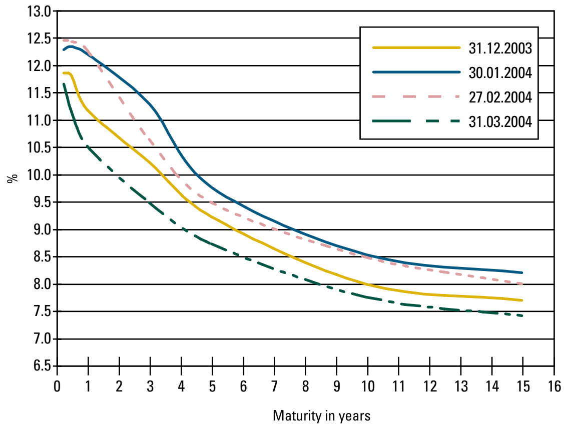
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN THE 1ST QUARTER OF 2004

Government Bond	Date of interest rate reset	Interest period			Date of interest payment	Reset interest rate (%)	Interest payable (%)
2008/A	17.01.2004	24.10.2003	-	24.01.2004		9.13	
		24.01.2004	-	24.04.2004	24.04.2004	11.86	5.33
2006/B	24.01.2004	24.01.2004	-	24.07.2004	24.01.2005	11.88	
2006/C	24.01.2004	24.07.2004	-	24.01.2004		7.39	
		24.01.2004	-	24.07.2004	24.07.2004	11.88	6.01
2004/D	10.02.2004	17.02.2004	-	17.08.2004	17.08.2004	15.75	7.96
2005/F	17.02.2004	24.02.2004	-	24.08.2004	24.08.2004	12.32	6.23
2006/A	28.02.2004	28.02.2004	-	28.08.2004		12.19	
		28/08.2004	-	28.02.2005	28.02.2005		
2026/A	28.02.2004	28.02.2004	-	28.08.2004		12.19	
		28.08.2004	-	28.02.2005	28.02.2005		
2016/A	01.03.2004	31.03.2004	-	30.06.2004	30.06.2004	11.00	2.74
2013/A	20.03.2004	20.03.2004	-	20.09.2004		11.20	
		20.09.2004	-	20.03.2005	20.03.2005		

Benchmark yields



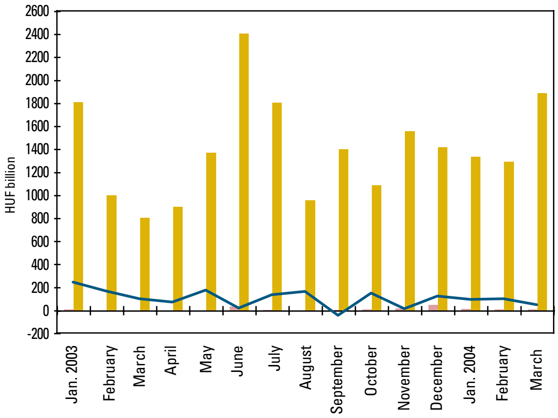
Benchmark yield curves



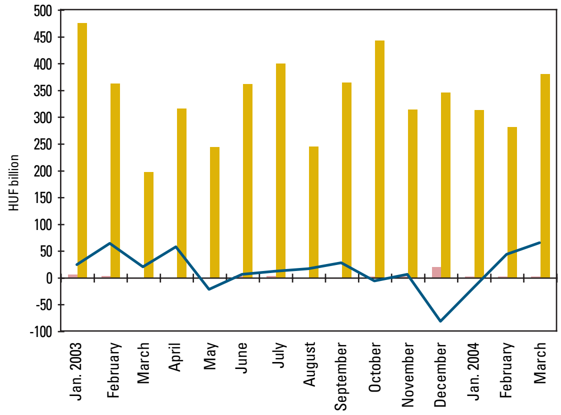
PRIMARY DEALERS - AS AT 31 MARCH 2004

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

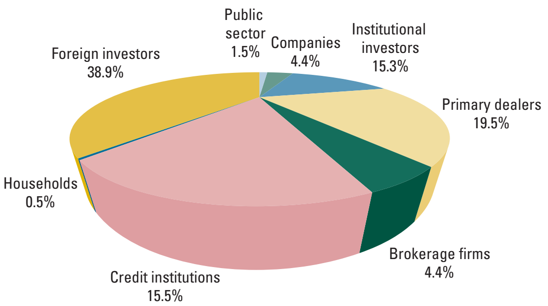
Secondary trading of government bonds



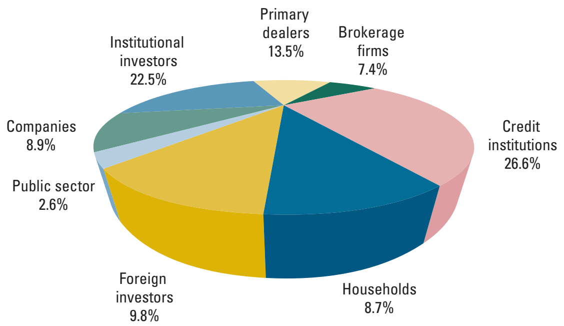
Secondary trading of Discount Treasury Bills



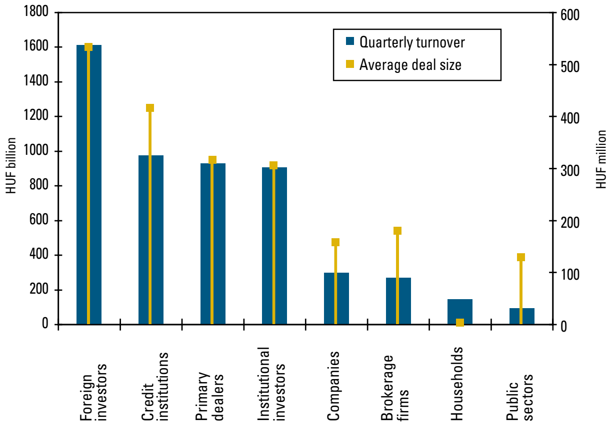
Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in the first quarter of 2004



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in the first quarter of 2004

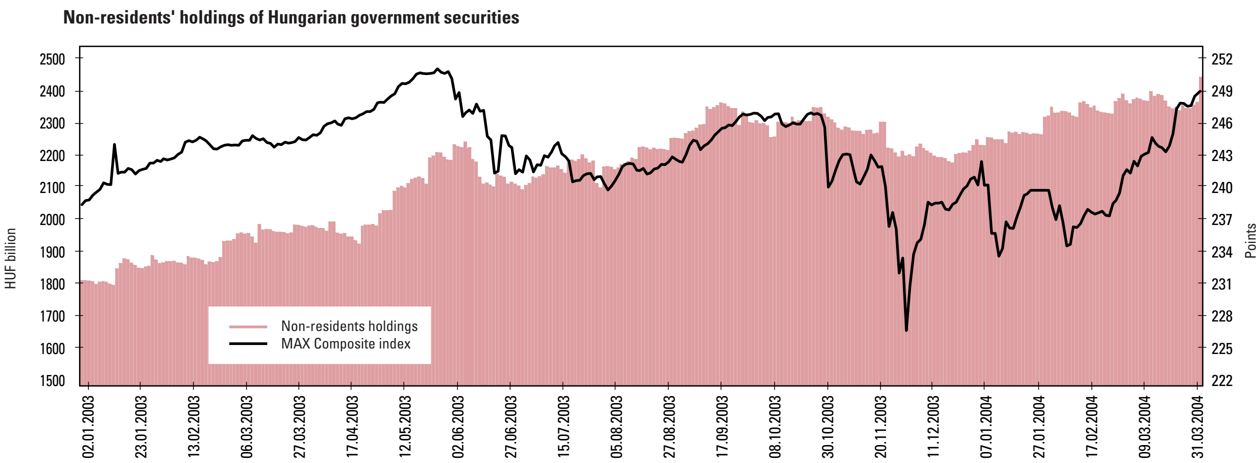


Primary dealers' trading with different investor groups in the first quarter of 2004



GOVERNMENT SECURITIES WITH THE HIGHEST TURNOVER ON THE SECONDARY MARKET IN THE FIRST QUARTER OF 2004

Government security	Date of redemption	Turnover (HUF billion)
2014/C	12.02.2014	353.9
2009/C	24.06.2009	353.2
2006/F	12.04.2006	347.4
2006/G	24.08.2006	335.5
2008/C	12.06.2008	330.2
2007/F	12.04.2007	313.6
2005/I	12.10.2005	271.1
2013/D	12.02.2013	190.7
2013/C	20.12.2013	182.8
D040804	04.08.2004	182.4



HUNGARIAN GOVERNMENT SECURITIES INDICES

	Value of the index				Annual yield of the index portfolio			
	MAX index	RMAX index	MAX Composite index	ZMAX index	MAX index	RMAX index	MAX Composite index	ZMAX index
31.12.2003	242.3398	243.3818	240.3126	246.3668	-0.3%	6.0%	1.2%	7.5%
30.01.2004	238.3077	244.2605	237.2949	248.1620	-3.7%	4.9%	-1.8%	7.2%
27.02.2004	239.8659	246.2678	238.8882	250.4273	-3.7%	5.4%	-1.7%	7.8%
31.03.2004	250.0784	250.2879	247.9291	253.4026	0.2%	6.6%	1.8%	8.5%
30.04.2004	249.6985	252.3173	247.9373	255.9219	-1.5%	6.7%	0.4%	9.0%

AMOUNT OUTSTANDING OF BENCHMARK GOVERNMENT BOND SERIES

	HUF billion			
Government bond	31.12.2003	31.01.2004	29.02.2004	31.03.2004
2007/F	0.00	42.03	82.71	144.16
2009/C	134.93	161.99	197.02	232.14
2014/C	245.11	270.13	295.14	320.16
2017/A	202.78	202.83	202.86	202.89
2020/A	0.00	0.00	10.01	10.11

REUTERS PAGES (CODES)

Main page: HUTREASURY

Data on auctions are accessible from 12.00 (CET)	
HUISSUE	Publication of the following issues and reverse auctions
HUAUCTION01	Discount T-bill auction results
HUAUCTION02	Government Bond auction results

Secondary market data	
HUBONDFIX	Benchmark yield fixing (updated at 14.30 CET)
HUBEST 3,4,5	Best secondary market quotations
HUBONDAKK, HUBONDAKK4	Best morning secondary market quotations
HUBONDAKK2, HUBONDAKK3	Best afternoon secondary market quotations
HUBONDINDEX	Hungarian Government Total Return Index (MAX), updated at 16.00 CET
HUBONDINDEX2	Benchmark Indices for Government Bonds BMX3Y-15Y (updated at 16.00 CET)
.HUMAXBOND	Hungarian Government Total Return Index (MAX) statistics

Other	
HUFLOATER	Interest rate reset of floating rate bonds
HUINDEXED	Accrued interest and capital uplift (inflation adjusted capital) of the index-linked government bond on a daily basis
HUBONDINFO	List of authorised dealers (contacts)

Bloomberg pages (code): GDMA

Telerate pages (codes): 47184-47190

Homepage: www.akk.hu, www.allampapir.hu

Á · K · K

GOVERNMENT DEBT MANAGEMENT AGENCY LTD.

H-1027 Budapest, Csalogány utca 9–11. H-1255 Budapest, P.O.B. 248

Phone: (36-1) 488-9300 Fax: (36-1) 488-9405 E-mail: akk@allampapir.hu More information: www.allampapir.hu