GOVERNMENT SECURITIES MARKET MONTHLY REPORT

DECEMBER 2005

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The deficit of the central government amounted to HUF 984.5 billion in 2005. The pre-financing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 173.4 billion, as did the HUF 1.1 billion capital transfer to the National Bank of Hungary (NBH) by law in March. The total deficit included loan assumptions of HUF 180.3 billion, but these were automatically self-financing items and did not form part of the market financing requirement. The total net financing requirement of HUF 978.7 billion (ca. EUR 3.9 billion) in 2005 was met by a net issuance of HUF 1050.3 billion (ca. EUR 4.2 billion) – including debt assumptions and repo transactions –, out of which net domestic issuance was HUF 544.6 billion (ca. EUR 2.2 billion) and net foreign exchange issuance totalled HUF 505.7 billion (ca. EUR 2.0 billion).

The HUF denominated debt of the central government increased by HUF 544.7 billion up to the end of 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 520.5 billion, discount Treasury bills for HUF 67.7 billion. The stock of retail government securities decreased by HUF 39.7 billion, while that of domestic loans by HUF 3.8 billion.

The foreign currency debt of the central government increased by HUF 607.2 billion in 2005. Foreign currency bond issues increased the debt by HUF 974.8 billion, loan draw-downs by HUF 99.1 billion; while the redemptions of foreign exchange bonds amounted to HUF 249.6 billion and that of foreign currency loans reached HUF 318.6 billion. Exchange rate losses of HUF 101.5 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of December 2005, 69.0% of the domestic government securities were fixed rate, 31.0% 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 2005.

In December the 3-month benchmark yield decreased, the 6 and 12-month yields remained unchanged while bond yields increased by 21-26 basis points. Secondary market yields were influenced by news about the deficit and by international investors' sentiment.

In the secondary market, the 3-month yield decreased by 16 basis points to 5.96%, the 6-month yield did not change, while the 12-month yield picked up by 2 basis points compared to the end of November. The 3-year yield increased by 21 basis points and amounted to 6.95%, while the 10-year benchmark yield reached 6.97% at the end of December after an increase of 26 basis points.

Monthly OTC turnover of government securities was HUF 2229.4 billion in December, significantly lower than previous month. Primary dealers, who account for the decisive part of all secondary government securities trading, made 41% of their secondary government securities deals with non-resident investors.

The volume of non-resident holdings of Hungarian government securities decreased altogether by HUF 63.1 billion in December and amounted to HUF 2538.4 billion at the end of the month. This volume represented 29.6% 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 252.73 at the end of December 2005.

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

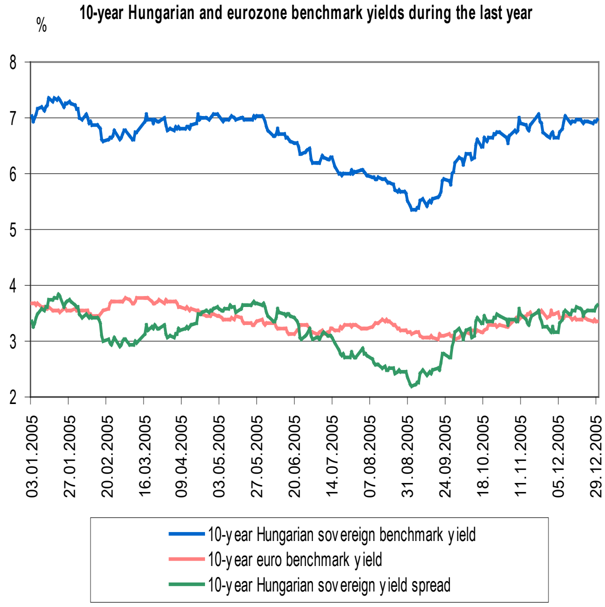
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

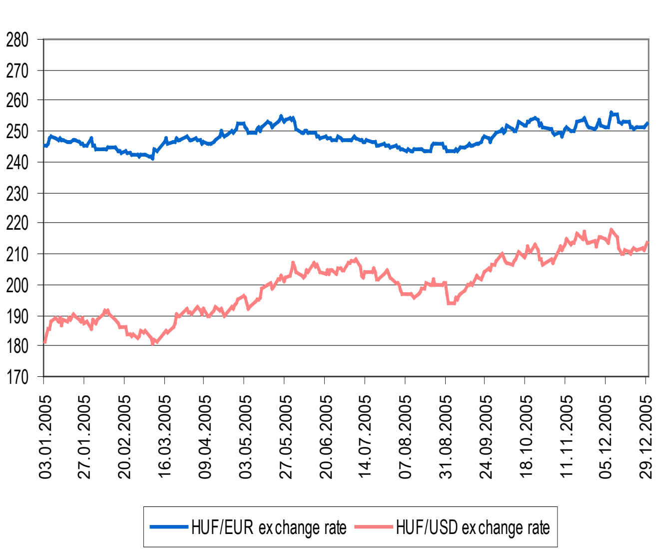
	1999	2000	2001	2002	2003	2004	Oct 2005	Nov 2005	Dec 2005
1. Forint denominated debt	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,061.1	9,314.6	9,153.5
1.1. Loans	380.2	303.8	228.3	353.2	117.9	4.7	1.1	1.1	0.8
1.1.1. Foreign loans	0.0	0.0	0.0	1.7	1.4	1.1	1.1	1.1	0.8
1.1.2. Domestic loans	380.2	303.8	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. Other loans	17.8	14.3	10.9	207.5	45.3	3.5	0,0	0,0	0,0
1.2. Government securities	3,970.0	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	9,060.0	9,313.5	9,152.7
1.2.1. Public issues	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,321.3	8,574.8	8,418.8
1.2.1.1. Bonds	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,037.4	6,206.8	6,299.1
1.2.1.2. Discount T-bills	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,689.9	1,784.5	1,530.9
1.2.1.3. Retail securities	499.3	523.3	544.7	560.3	533.5	628.4	594.1	583.5	588.7
1.2.2. Private placements	853.2	831.3	809.1	777.4	759.3	743.6	738.7	738.7	733.9
2. Foreign currency denominated debt*	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,826.2	3,798.9	3,590.7
2.1. Loans	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	849.8	930.8	720.6
2.1.1. Foreign loans	361.2	368.8	317.8	461.9	598.8	528.9	530.4	619.9	616.9
2.1.2. Domestic loans	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	319.4	310.9	103.8
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	287.3	289.0	96.1
2.1.2.2. Other loans	0.0	0.0	0.0	82.8	18.8	32.2	32.1	21.9	7.7
2.2. Government securities	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,976.4	2,868.1	2,870.1
2.2.1. Issued abroad	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,976.4	2,868.1	2,870.1
2.2.1.1. Foreign currency bonds	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,976.3	2,868.1	2,870.0
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	12,887.3	13,113.5	12,744.2
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*	*8,465.9*	*8,730.0*	*8,563.9*
Gross debt/GDP	*60.4%*	*54.4%*	*51.5%*	*54.5%*	*56.8%*	*56.8%*			*58.4%*

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

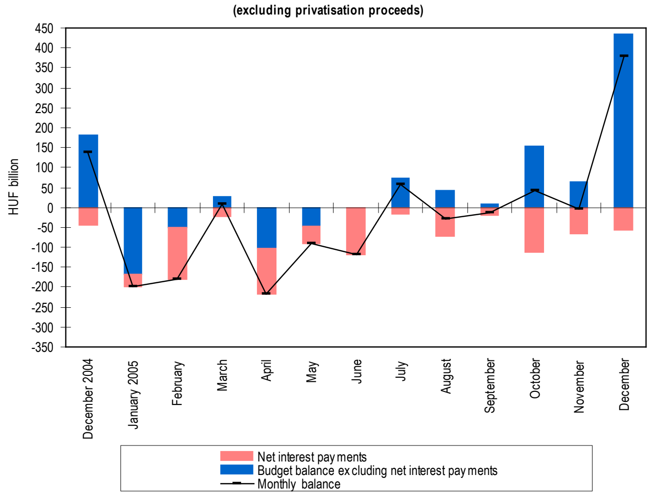
10-year Hungarian and eurozone benchmark yields during the last year



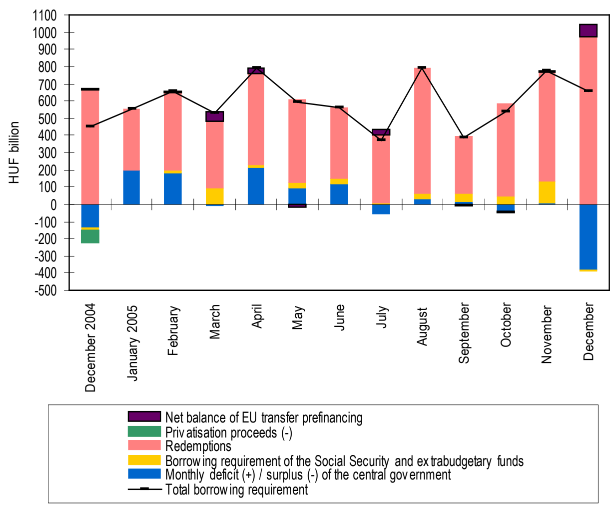
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

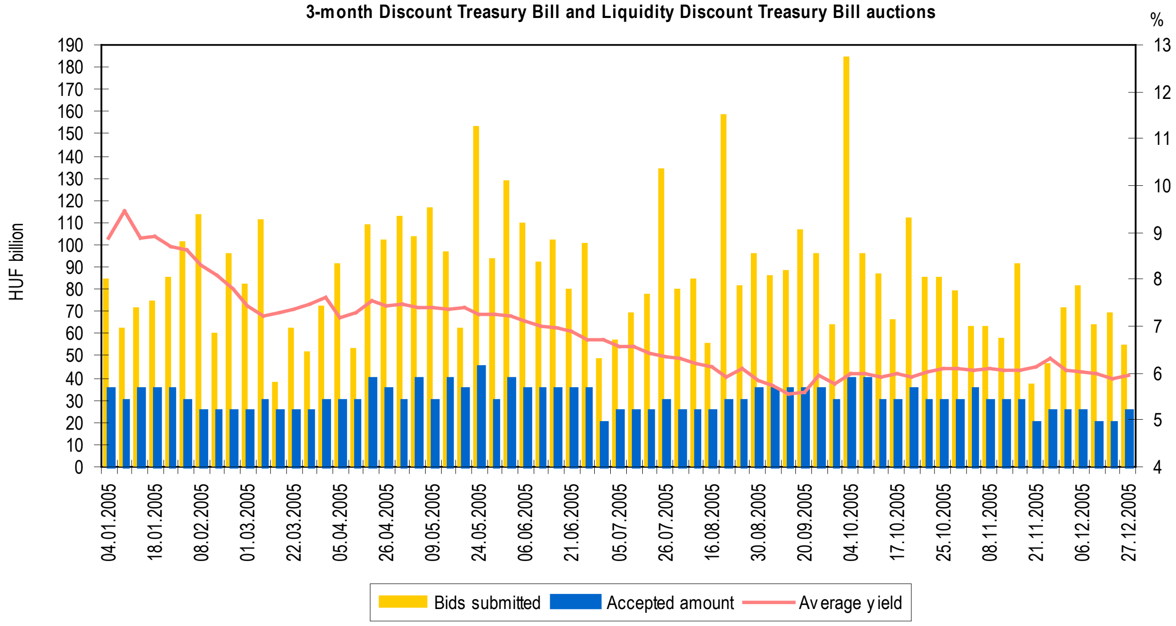


DISCOUNT TREASURY BILL AUCTION RESULTS

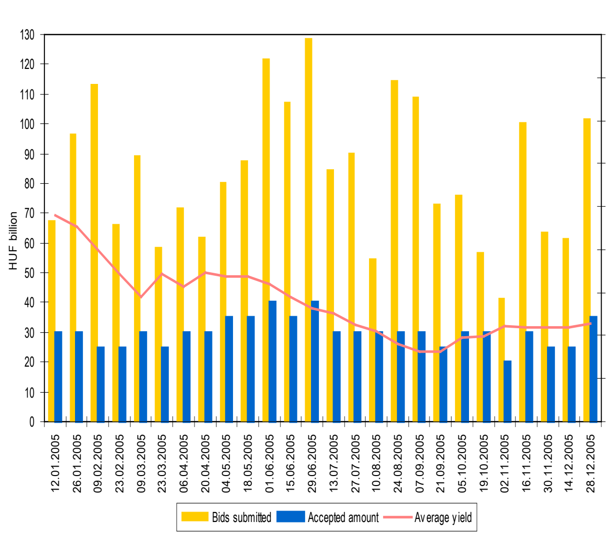
	3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills		
Code of T-bills	D060316	D060322	D060329	D060405	D060607	D0600607	D061025	D061220	D061220
ISIN code	HU0000515192	HU0000515572	HU0000515598	HU0000515606	HU0000515549	HU0000515549	HU0000515507	HU0000515580	HU0000515580
Maturity in days	92	91	91	91	168	154	322	364	350
Date of auction	06.12.2005	13.12.2005	20.12.2005	27.12.2005	14.12.2005	28.12.2005	01.12.2005	15.12.2005	29.12.2005
Date of financial settlement	14.12.2005	21.12.2005	28.12.2005	04.01.2006	21.12.2005	04.01.2006	07.12.2005	21.12.2005	04.01.2006
Redemption date	16.03.2006	22.03.2006	29.03.2006	05.04.2006	07.06.2006	07.06.2006	25.10.2006	20.12.2006	20.12.2006
Maximum yield (%) - ISMA	6.04	6.00	5.92	6.00	6.22	6.30	6.49	6.40	6.48
Minimum yield (%) - ISMA	6.00	5.95	5.80	5.70	6.15	6.00	6.30	6.30	6.20
Average yield (%) - ISMA	6.02	5.99	5.89	5.96	6.19	6.27	6.47	6.39	6.44
Maximum yield (%) - EHM	6.12	6.08	6.00	6.08	6.31	6.39	6.58	6.49	6.57
Minimum yield (%) - EHM	6.08	6.03	5.88	5.78	6.24	6.08	6.39	6.39	6.29
Average yield (%) - EHM	6.10	6.07	5.97	6.04	6.28	6.36	6.56	6.48	6.53
Average selling price (%)	98.4849	98.5084	98.5330	98.5158	97.1924	97.3879	94.5295	93.9311	94.1078
Amount offered for sale (HUF million)	25,000.00	20,000.00	20,000.00	25,000.00	25,000.00	35,000.00	30,000.00	30,000.00	40,000.00
Amount of bids submitted (HUF million)	81,495.99	63,788.34	69,499.62	54,674.42	61,431.19	101,706.22	128,552.65	114,460.53	84,857.07
Amount of bids accepted (HUF million)	25,000.00	19,999.88	20,000.00	24,999.97	25,000.00	35,000.00	34,999.97	30,000.00	40,000.00
Bid-to-cover ratio	3.26	3.19	3.47	2.19	2.46	2.91	3.67	3.82	2.12
Bids submitted (pcs)	101	124	79	68	109	110	145	126	84
Bids accepted (pcs)	30	64	21	49	42	37	34	23	48
Market sales* (HUF million)	25,000.00	19,999.88	20,000.00	24,999.97	25,000.00	35,000.00	34,999.97	30,000.00	40,000.00
Retained on ÁKK's own account (HUF million)	2,500.00	2,000.12	2,000.00	2,500.03	2,500.00	3,500.00	3,500.03	9,000.00	4,000.00
Total amount issued (HUF million)	27,500.00	22,000.00	22,000.00	27,500.00	27,500.00	38,500.00	38,500.00	39,000.00	44,000.00

* Without issuance onto ÁKK's own account

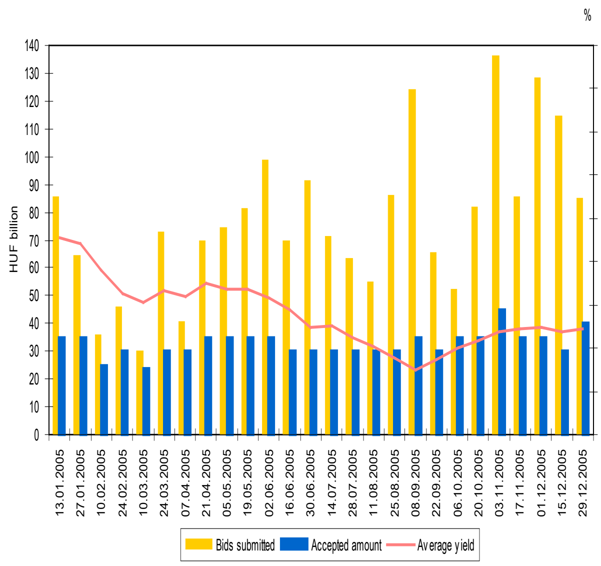
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions

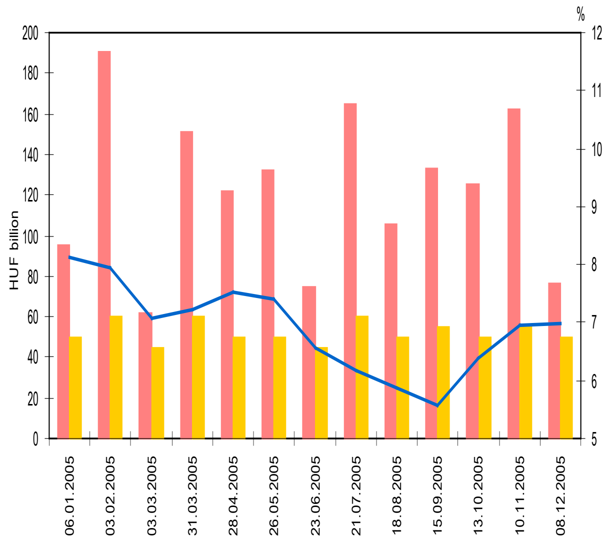


GOVERNMENT BOND AUCTION RESULTS

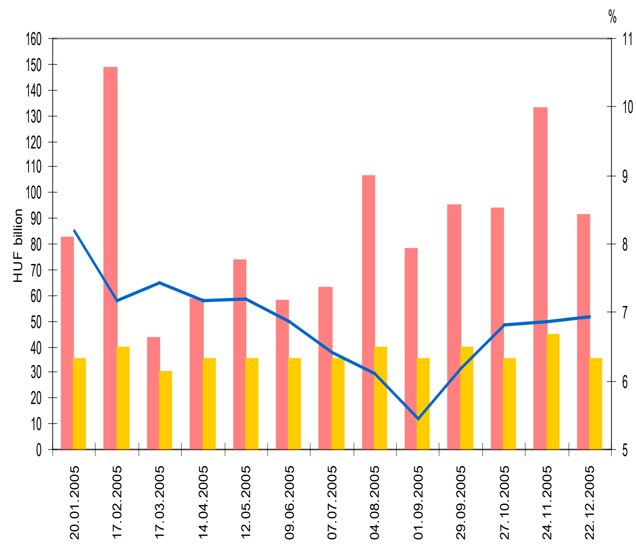
Government Bond	2008/E	2020/A	2010/B	2016/C
ISIN code	HU0000402300	HU0000402235	HU0000402292	HU0000402318
Maturity (in years)	3	15	5	10
Coupon (%)	6.50%	7.50%	6.75%	5.50%
Auction	7th auction	13th auction	10th auction	4rd auction
Date of auction	08.12.2005	08.12.2005	22.12.2005	22.12.2005
Date of financial settlement	14.12.2005	14.12.2005	28.12.2005	28.12.2005
Redemption date	12.08.2008	12.11.2020	12.10.2010	12.02.2016
Maximum annual yield (%) - ISMA	7.03	6.83	6.95	6.97
Minimum annual yield (%) - ISMA	6.94	6.70	6.88	6.90
Average annual yield (%) - ISMA	6.99	6.80	6.94	6.95
Maximum annual yield (%) - EHM	7.02	6.83	6.95	6.97
Minimum annual yield (%) - EHM	6.93	6.70	6.88	6.90
Average annual yield (%) - EHM	6.99	6.79	6.93	6.94
Maximum price (%)	98.8774	107.3814	99.4472	90.0445
Minimum price (%)	98.6663	106.1276	99.1707	89.5805
Average price (%)	98.7493	106.4558	99.2222	89.7400
Amount offered for sale (HUF million)	50,000.00	15,000.00	35,000.00	25,000.00
Amount of bids submitted (HUF million)	76,217.18	22,635.00	91,393.32	40,190.00
Amount of bids accepted (HUF million)	50,000.00	14,999.99	34,999.93	24,999.97
Bid-to-cover ratio	1.52	1.51	2.61	1.61
Bids submitted (pcs)	93	55	111	82
Bids accepted (pcs)	41	32	49	51
Tail (average price - minimum price)	0.08	0.33	0.05	0.16
Market sales* (HUF million)	50,000.00	14,999.99	34,999.93	24,999.97
Retained on ÁKK's own account (HUF million)	0.00	0.01	0.07	5,000.03
Total amount issued (HUF million)	50,000.00	15,000.00	35,000.00	30,000.00

*Without issuance onto ÁKK's own account

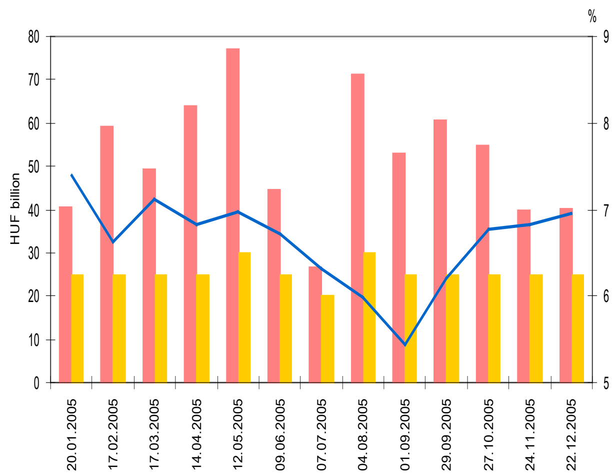
3-year government bond auctions



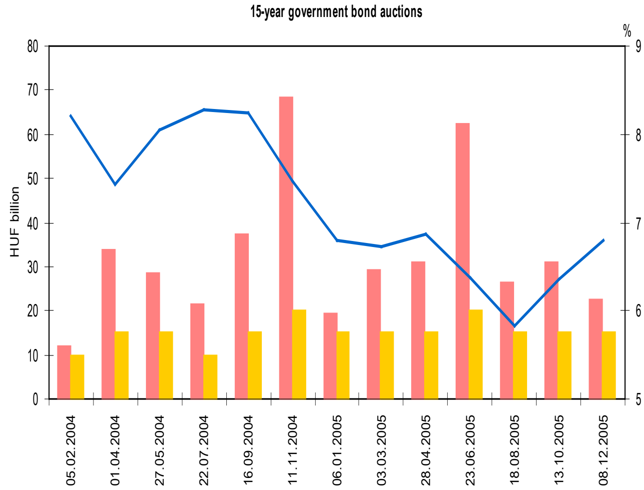
5-year government bond auctions



10-year government bond auctions



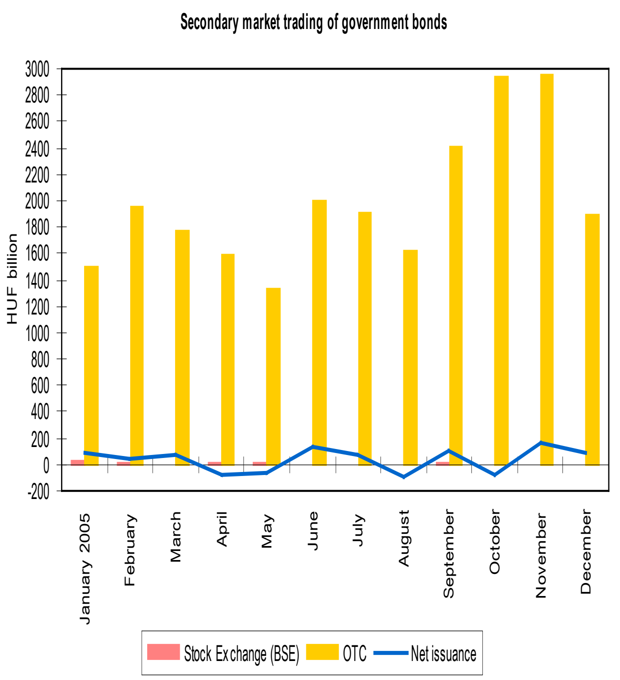
15-year government bond auctions

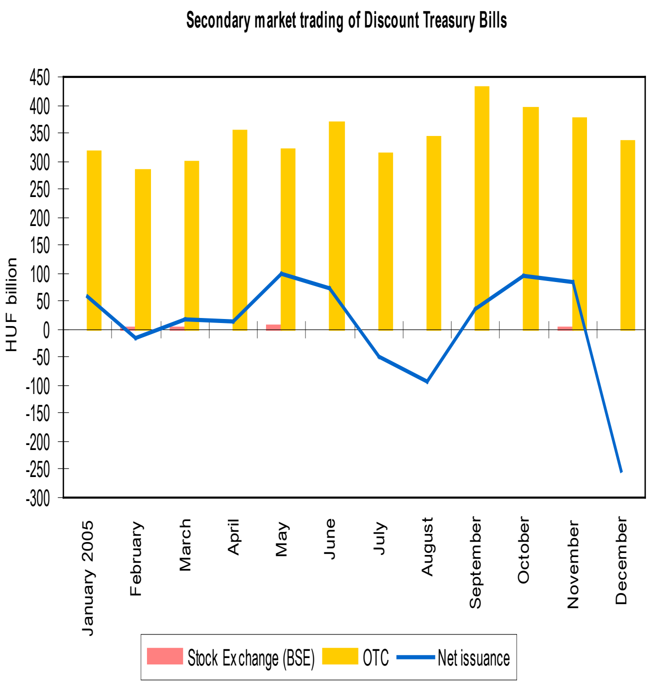


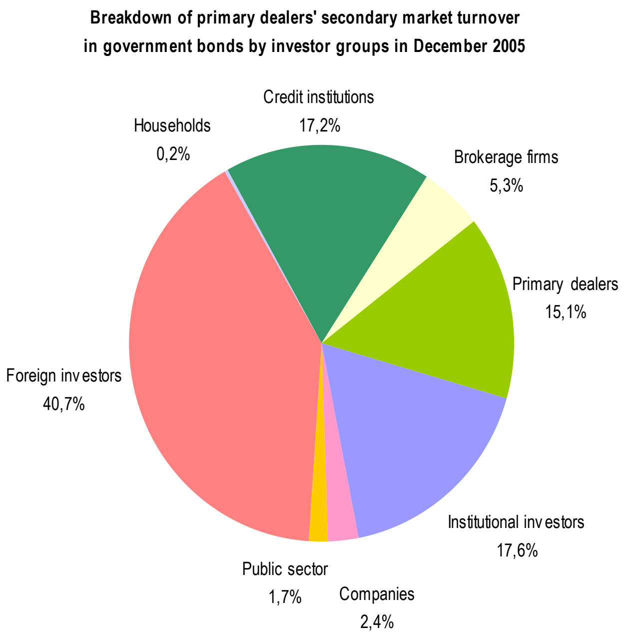
Bids submitted | Accepted amount | Average yield

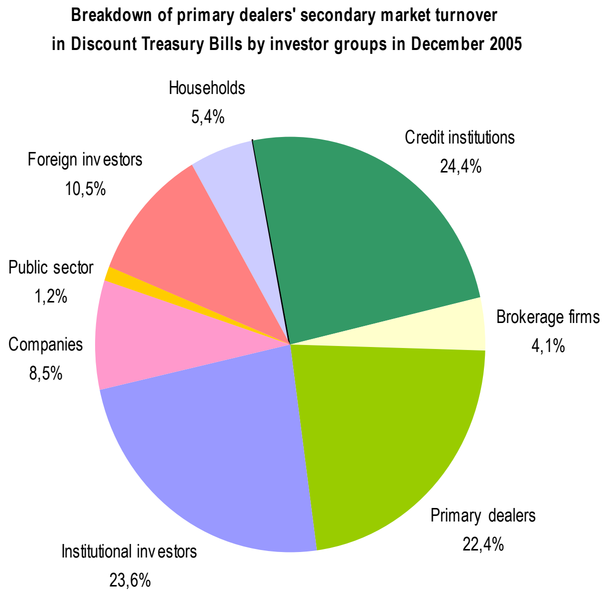
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2006/E	2006/G	2006/F	2006/E	2006/G
ISIN code	HU0000401963	HU0000402201	HU0000402094	HU0000401963	HU0000402201
Coupon (%)	8.50%	6.50%	7.00%	8.50%	6.50%
Date of reverse auction	07.12.2005	07.12.2005	21.12.2005	21.12.2005	21.12.2005
Date of financial settlement	14.12.2005	14.12.2005	28.12.2005	28.12.2005	28.12.2005
Redemption date	12.05.2006	24.08.2006	12.04.2006	12.05.2006	24.08.2006
Minimum annual yield (%)	-	-	6.30	6.25	6.40
Average annual yield (%) - ISMA	-	-	6.31	6.30	6.41
Amount of bids submitted (HUF million)	6,725.68	33,163.87	9,293.84	7,561.97	18,544.30
Amount of bids accepted (HUF million)	0.00	0.00	7,719.84	7,560.07	17,073.32





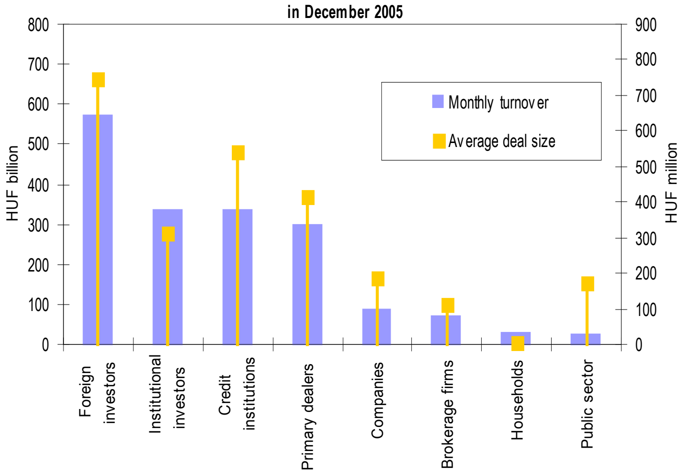




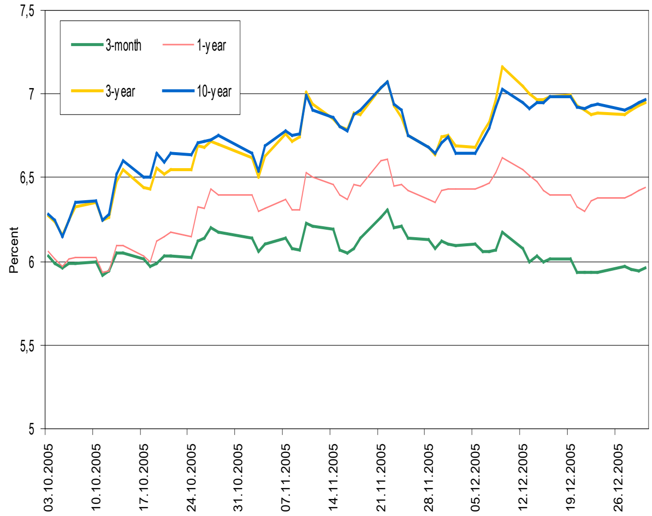
Government securities with the highest secondary market turnover in December 2005

Government security	Date of redemption	Turnover (HUF billion)
2010/B	12.10.2010	456.5
2008/E	12.08.2008	236.7
2015/A	12.02.2015	98.4
2016/C	12.02.2016	96.2
D061025	25.10.2006	94.4
2006/G	24.08.2006	79.1
D060316	16.03.2006	70.9
2007/G	12.10.2007	67.6
D060607	07.06.2006	67.2
2006/E	12.05.2006	61.6

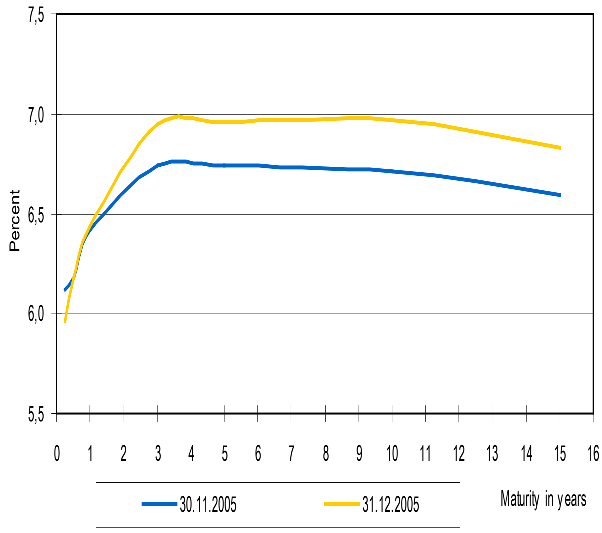
Primary dealers' trading with different investor groups in December 2005



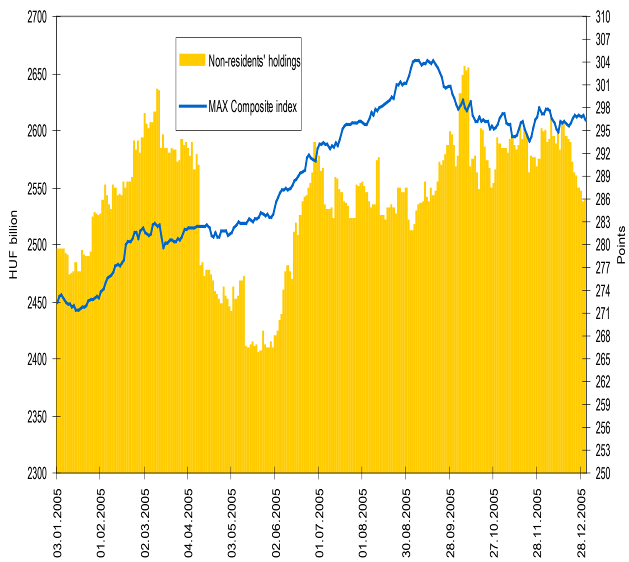
Benchmark yields in the past three months



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 December 2005

Government bond	HUF billion 30.11.2005	HUF billion 31.12.2005
2008/E	317.24	367.47
2010/B	336.71	371.96
2016/C	75.37	100.30
2020/A	181.59	196.00

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 December 2005	300.5121	295.4876	296.4662	296.7994
Changes compared to the end of the month before	-1.4903	1.6643	-0.6798	1.6689
Annual yield earned on the index portfolio	8.80%	8.29%	8.78%	7.62%

EVENTS CALENDAR - FEBRUARY 2006

Week 6			1	2	3	4	5
			Wednesday	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction settlement			D060503/D060802/D061220				
Discount T-bill redemption			D060201				
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill subscription				K2007/03			
Government Bond auction				3 and 15-year Bonds			
Government Bond buyback auction			2 Bond series				
Week 7	**6**	**7**	**8**	**9**	**10**	**11**	**12**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D060517	D060802	D070214			
Discount T-bill auction settlement			D060510				
Discount T-bill redemption			D060208				
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			K2006/03				
Interest Bearing T-bill subscription			K2007/04				
Government Bond public offer				5 and 10-year Bonds			
Government Bond auction settlement			3 and 15-year Bonds				
Government Bond buyback auction settlement		Gas utility Bonds	2 Bond series				
Week 8	**13**	**14**	**15**	**16**	**17**	**18**	**19**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D060524					
Discount T-bill auction settlement			D060517/D060802/D070214				
Discount T-bill redemption			D060215				
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			K2007/04				
Interest Bearing T-bill public offer		K2007/05					
Government Bond auction				5 and 10-year Bonds			
Government Bond buyback auction			2 Bond series				
Government Bond interest payment	12 Bonds series						
Week 9	**20**	**21**	**22**	**23**	**24**	**25**	**26**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D060531	D060802	D070214			
Discount T-bill auction settlement			D060524				
Discount T-bill redemption			D060222				
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			K2006/04				
Interest Bearing T-bill subscription			K2007/05				
Government Bond auction settlement			5 and 10-year Bonds				
Government Bond public offer				3 year Bond			
Government Bond buyback auction settlement			2 Bond series				
Week 10	**27**	**28**					
	Monday	**Tuesday**					
Discount T-bill auction		D060607					
Liquidity Discount T-bill public offer	Upon decision of the Issuer						
Liquidity Discount T-bill auction	Upon decision of the Issuer						
Interest Bearing T-bill public offer		K2007/06					
Interest Bearing T-bill subscription	K2007/05						
Government Bond interest payment		2006/A, 2026/A					
Government Bond redemption		2006/A					

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 DECEMBER 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2007/B	09.12.2005	12.12.2005	12.06.2006	12.06.2006	6.21	3.14
2013/C	19.12.2005	20.12.2005	20.06.2006	20.06.2006	6.10	3.08
2014/B	19.12.2005	20.12.2005	20.06.2006	20.06.2006	6.10	3.08
2016/B	30.12.2005	02.01.2006	02.07.2006	03.07.2006	6.12	3.08
2016/A	30.12.2005	31.12.2005	31.03.2006	31.03.2006	5.75	1.42

PRIMARY DEALERS - AS AT 31 DECEMBER 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