GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

NOVEMBER 2004

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In the first eleven months of 2004 the deficit of the central government amounted to HUF 1435.0 billion, including the sum of debt assumptions. The prefinancing of cash transfers from the EU's EAGGF fund increased the total net borrowing requirement by HUF 6.6 billion, however, it was decreased by HUF 100.0 billion privatisation proceeds. The total net financing requirement was met by a total net issuance of HUF 1376.0 billion (ca. EUR 5.6 billion, including loan assumptions) in the first eleven months of the year, out of which net domestic issuance was HUF 763.0 billion (ca. EUR 3.1 billion) and net foreign exchange issuance totalled HUF 613.0 billion (ca. EUR 2.5 billion).

Until the end of November the Forint denominated debt of the central government increased by HUF 765.2 billion in 2004 (the difference between the total net change and the net issuance was caused by the change in the volume of matured but unclaimed securities). Out of the increase in domestic debt, government bonds accounted for HUF 616.7 billion, discount Treasury bills for HUF 59.0 billion and retail government securities for HUF 117.5 billion. The volume of domestic loans decreased by HUF 28.0 billion.

The foreign currency debt of the central government increased by HUF 443.8 billion in the first eleven months of the year. Foreign exchange bond issuance contributed by HUF 794.9 billion, loan drawdowns and assumptions by HUF 65.7 billion to this growth of debt. On the other hand, bond redemptions worth HUF 127.0 billion, loan redemptions amounting to HUF 120.6 billion and exchange rate gains of HUF 169.2 billion decreased the HUF value of the foreign currency debt. Out of the HUF 613.0 billion (ca. EUR 2.5 billion) total net foreign currency issuance, capital market transactions accounted for HUF 566.6 billion (ca. EUR 2.3 billion), the remaining HUF 46.4 billion was the balance of loan transactions.
At the end of November, 65.2% of the domestic government securities were fixed rate, 34.8% floating rate securities, compared to 62.6% and 37.4% at the end of 2003.

In November both primary and secondary market yields continued their decline seen in October. The fall in yields was triggered by the central bank's rate cut in the second half of the month and by investors' expectations that the NBH would decrease its base rate further. In the secondary market short-term yields fell by 77-83 basis points over the month, while long-term yields decreased by 42-70 basis points. The 1-year yield dropped to 9.09% by 83 basis points, the 3-year one decreased by 70 basis points to 8.77%, while the 10-year benchmark yield reached 7.54% at the end of November after decreasing by 42 basis points.

Monthly OTC turnover of government securities was 13% lower in November than in the previous month and reached HUF 2186 billion. 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-residents' holdings of Hungarian government securities did not change significantly in November, it decreased by HUF 2.8 billion compared to the end of October. The amount of non-residents' holdings of Hungarian government securities was HUF 2418.7 billion at the end of November, which volume represented 30.1% of the total amount of domestic government bonds and discount Treasury bills.

The HUF/EUR mid exchange rate at the end of November was 246.67

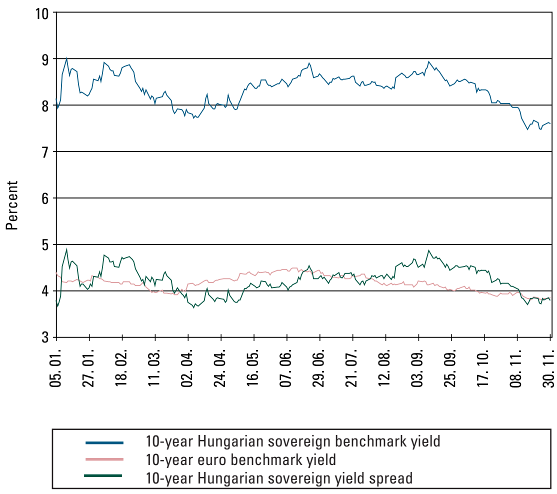
The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows: A- / A1 / A-

CENTRAL GOVERNMENT GROSS DEBT

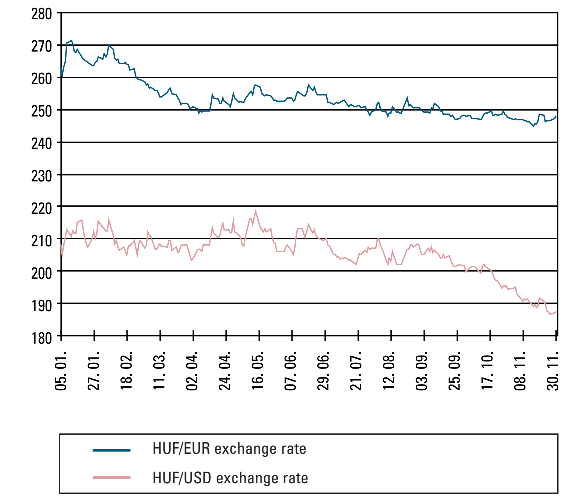
	1998	1999	2000	2001	2002	2003	Sept 2004	Oct 2004	Nov 2004
1. Forint denominated debt	**3,733.9**	**4,350.2**	**4,717.5**	**5,397.4**	**6,956.9**	**8,008.7**	**8,844.4**	**8,746.0**	**8,773.9**
1.1. Loans	435.0	380.2	303.8	228.3	353.2	117.9	91.6	91.2	89.9
1.1.1. Foreign loans	0.0	0.0	0.0	0.0	1.7	1.4	1.4	1.4	1.4
1.1.2. Domestic loans	435.0	380.2	303.8	228.3	351.5	116.5	90.2	89.8	88.5
1.1.2.1. Raised from National Bank of Hungary (NBH)	434.9	362.4	289.5	217.4	144.0	71.2	37.0	37.0	37.0
1.1.2.2. Other loans	0.1	17.8	14.3	10.9	207.5	45.3	53.2	52.8	51.5
1.2. Government securities	3,299.0	3,970.0	4,413.6	5,169.1	6,603.7	7,890.8	8,752.7	8,654.9	8,684.0
1.2.1. Public issues	2,432.8	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	8,004.2	7,906.3	7,935.5
1.2.1.1. Bonds	1,386.5	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,657.2	5,577.2	5,684.1
1.2.1.2. Discount T-bills	689.9	826.7	837.9	1,033.3	1,436.8	1,541.4	1,718.6	1,695.9	1,600.4
1.2.1.3. Retail securities	356.5	499.3	523.3	544.7	560.3	533.5	628.5	633.2	651.0
1.2.2. Private placements	866.1	853.2	831.3	809.1	777.4	759.3	748.5	748.5	748.5
2. Foreign currency denominated debt*	**2,431.9**	**2,536.2**	**2,508.8**	**2,322.1**	**2,267.3**	**2,579.0**	**2,748.0**	**2,994.3**	**3,022.8**
2.1. Loans	2,367.8	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	937.7	944.4	968.3
2.1.1. Foreign loans	249.6	361.2	368.8	317.8	461.9	598.8	466.8	475.2	498.1
2.1.2. Domestic loans	2,118.2	1,568.4	1,404.0	1,092.6	932.3	485.3	470.9	469.2	470.2
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	437.9	436.3	437.2
2.1.2.2. Other loans	0.0	0.0	0.0	0.0	82.8	18.8	33.0	32.9	33.0
2.2. Government securities	64.0	606.7	736.0	911.7	873.0	1,494.9	1,810.3	2,049.9	2,054.4
2.2.1. Issued abroad	44.4	587.1	715.7	911.7	873.0	1,494.9	1,810.3	2,049.9	2,054.4
2.2.1.1. Foreign currency bonds	43.8	586.8	715.4	911.5	872.9	1,494.7	1,810.2	2,049.8	2,054.3
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**	**11,592.4**	**11,740.3**	**11,796.7**
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*	*8,124.3*	*8,021.6*	*8,033.0*
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

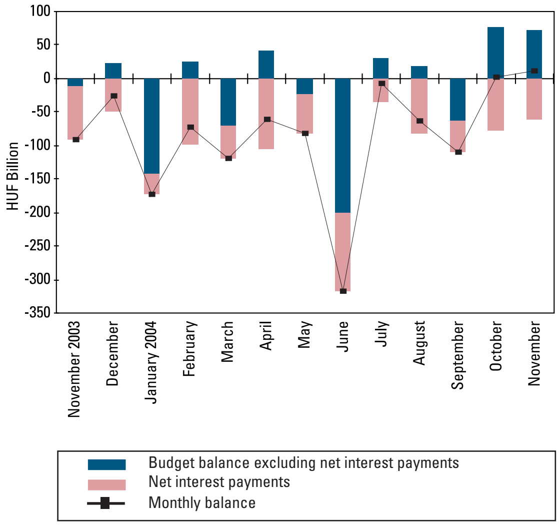
10-year Hungarian and eurozone benchmark yields in 2004



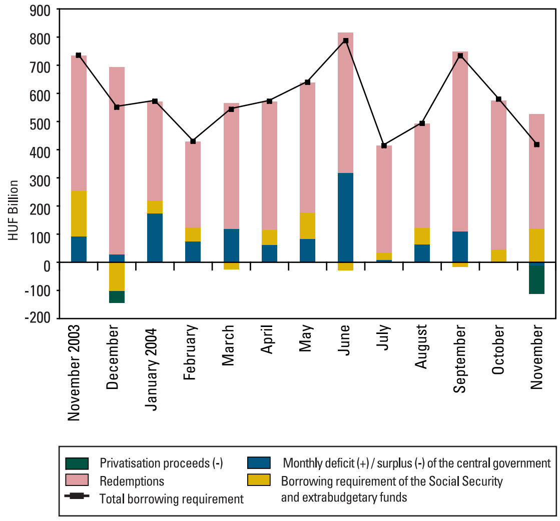
The exchange rate of the Hungarian Forint in 2004



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



Gross borrowing requirement

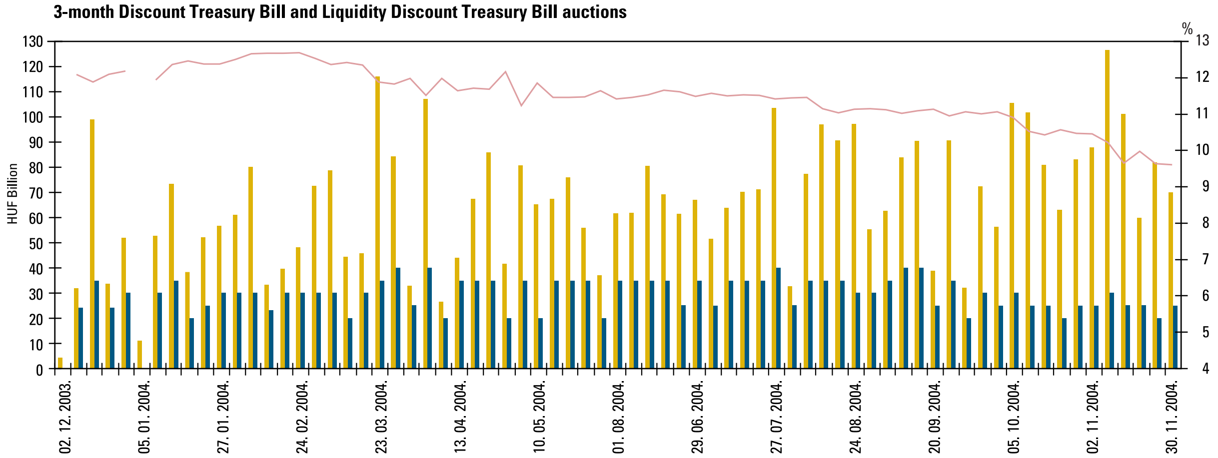


DISCOUNT TREASURY BILL AUCTION RESULTS

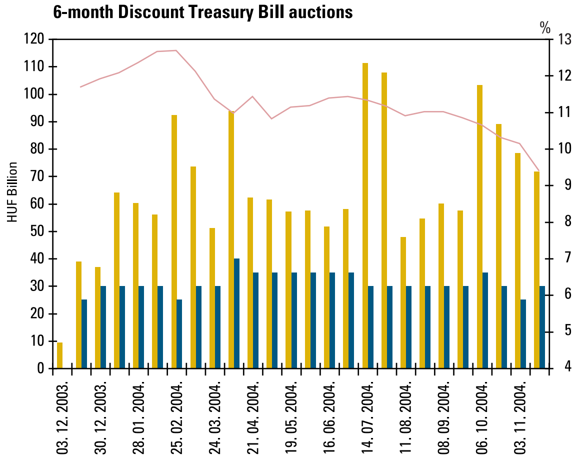
	Liquidity Discount T-bills	3-month Discount T-bills					6-month Discount T-bills		12-month Discount T-bills	
Code of T-bill	D041229	D050209	D050216	D050223	D050302	D050309	D050511	D050511	D050928	D051123
Maturity in days	35	91	91	91	91	91	182	168	322	364
Date of auction	22.11.2004	02.11.2004	09.11.2004	16.11.2004	23.11.2004	30.11.2004	03.11.2004	17.11.2004	04.11.2004	18.11.2004
Date of financial settlement	24.11.2004	10.11.2004	17.11.2004	24.11.2004	01.12.2004	08.12.2004	10.11.2004	24.11.2004	10.11.2004	24.11.2004
Redemption date	29.12.2005	09.02.2005	16.02.2005	23.02.2005	02.03.2005	09.03.2005	11.05.2005	11.05.2005	28.09.2005	23.11.2005
Maximum yield (%) - ISMA	9.99	10.41	10.18	9.62	9.59	9.58	10.11	9.39	9.86	9.22
Average yield (%) - ISMA	9.85	10.15	10.01	9.55	9.50	9.50	10.06	9.29	9.80	9.10
Minimum yield (%) - ISMA	9.92	10.40	10.15	9.60	9.58	9.55	10.09	9.36	9.85	9.19
Maximum yield (%) - EHM	10.13	10.55	10.32	9.75	9.72	9.71	10.25	9.52	10.00	9.35
Average yield (%) - EHM	9.99	10.29	10.15	9.68	9.63	9.63	10.20	9.42	9.94	9.23
Minimum yield (%) - EHM	10.06	10.54	10.29	9.73	9.71	9.68	10.23	9.49	9.99	9.32
Average selling price (%)	99.0448	97.4385	97.4985	97.6308	97.6356	97.6429	95.1465	95.8148	91.9031	91.4979
Amount offered for sale (HUF million)	20000.00	25000.00	25000.00	25000.00	20000.00	25000.00	25000.00	25000.00	25000.00	25000.00
Amount of bids submitted (HUF million)	59892.43	87655.91	126563.32	100940.13	81834.42	69965.99	78494.04	71762.24	92666.42	58598.54
Amount of bids accepted (HUF million)	25000.00	24999.93	30000.00	25000.00	19999.84	24999.99	24999.92	29999.86	24999.93	24999.91
Bid-to-cover ratio:	2.40	3.51	4.22	4.04	4.09	2.80	3.14	2.39	3.71	2.34
Bids submitted (pcs)	76	153	154	205	123	128	180	146	166	149
Bids accepted (pcs)	55	73	22	52	60	56	73	80	69	95
Market sales* (HUF million)	25000.00	24999.93	30000.00	25000.00	19999.84	24999.99	24999.92	29999.86	24999.93	24999.91
Retained on ÁKK's own account (HUF million)	0.00	2500.07	3000.00	2500.00	2000.16	2500.01	2500.08	3000.14	2500.07	7500.09
Total amount issued (HUF million)	25000.00	27500.00	33000.00	27500.00	22000.00	27500.00	27500.00	33000.00	27500.00	32500.00

* Without issuance onto ÁKK's own account

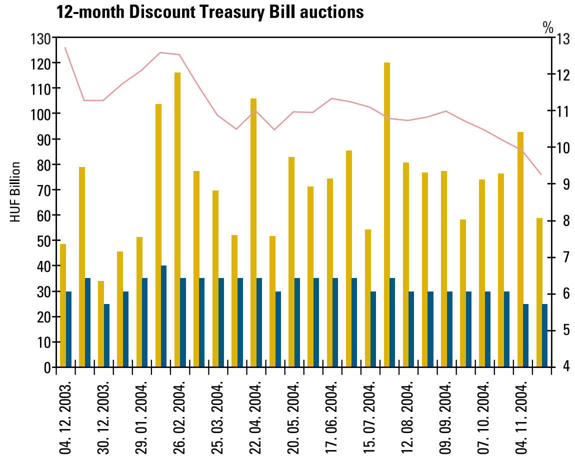
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions



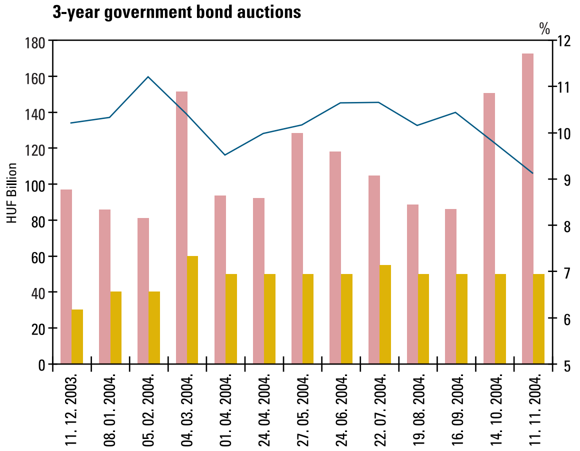
Bids submitted   Accepted amount   Average yield

GOVERNMENT BOND AUCTION RESULTS

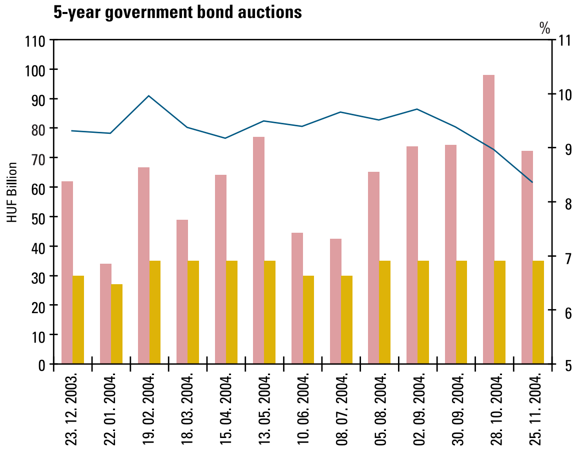
Government Bond	2007/G	2020/A	2009/D	2015/A
ISIN code	HU0000402250	HU0000402235	HU0000402243	HU0000402268
Maturity (in years)	3	15	5	10
Coupon (%)	9.25%	7.50%	8.25%	8.00%
Auction	6th auction	6th auction	7th auction	6th auction
Date of auction	11.11.2004	11.11.2004	25.11.2004	25.11.2004
Date of financial settlement	17.11.2004	17.11.2004	01.12.2004	01.12.2004
Redemption date	12.10.2007	12.11.2020	12.10.2009	12.02.2015
Maximum annual yield (%) - ISMA	9.08	7.49	8.36	7.49
Minimum annual yield (%) - ISMA	9.05	7.41	8.30	7.44
Average annual yield (%) - ISMA	9.08	7.46	8.33	7.47
Maximum annual yield (%) - EHM	9.08	7.49	8.36	7.49
Minimum annual yield (%) - EHM	9.05	7.41	8.30	7.44
Average annual yield (%) - EHM	9.08	7.46	8.33	7.46
Maximum price (%)	100.4560	100.8237	99.7679	103.9122
Minimum price (%)	100.3820	100.0879	99.5359	103.5552
Average price (%)	100.3930	100.3623	99.6423	103.7022
Amount offered for sale (HUF million)	40,000.00	15,000.00	35,000.00	25,000.00
Amount of bids submitted (HUF million)	172,608.01	68,428.15	72,284.59	49,112.16
Amount of bids accepted (HUF million)	49,999.79	19,999.89	34,999.92	24,999.92
Bid-to-cover ratio	3.45	3.42	2.07	1.96
Bids submitted (pcs)	171	125	116	120
Bids accepted (pcs)	54	65	73	84
Tail (average price - minimum price)	0.01	0.27	0.11	0.15
Market sales* (HUF million)	49,999.79	19,999.89	34,999.92	24,999.92
Retained on ÁKK's own account (HUF million)	0.21	4,000.11	0.08	1,500.08
Total amount issued (HUF million)	50,000.00	24,000.00	35,000.00	26,500.00

* Without issuance onto ÁKK's own account

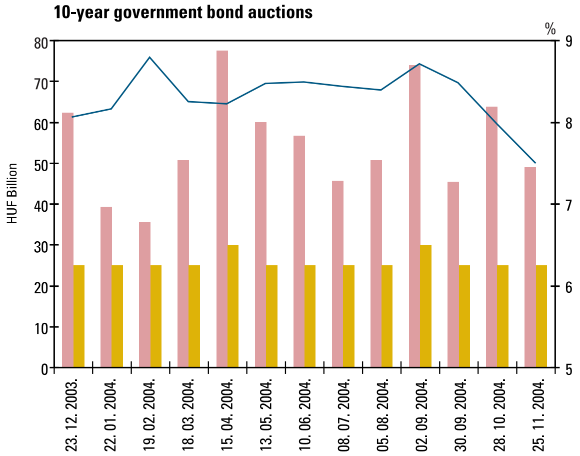
3-year government bond auctions



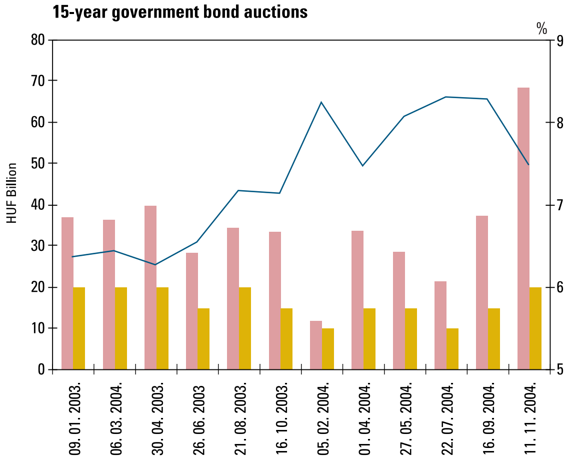
5-year government bond auctions



10-year government bond auctions



15-year government bond auctions

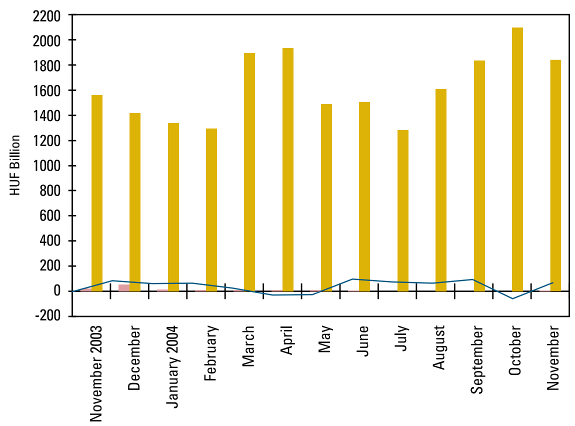


Bids submitted | Accepted amount | Average yield

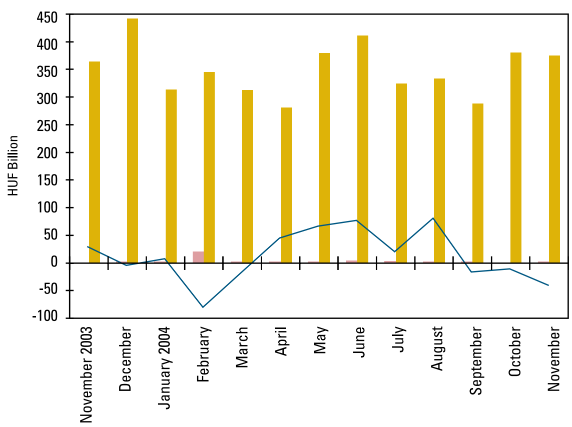
GOVERNMENT BOND REVERSE AUCTION RESULTS

Government bond	2005/E	2005/H	2005/E	2005/H
ISIN code	HU0000401682	HU0000402078	HU0000401682	HU0000402078
Coupon (%)	9.25%	7.00%	9.25%	7.00%
Date of reverse auction	10.11.2004	10.11.2004	24.11.2004	24.11.2004
Redemption date	12.05.2005	12.08.2005	12.05.2005	12.08.2005
Date of financial settlement	17.11.2004	17.11.2004	01.12.2004	01.12.2004
Minimum annual yield (%)	-	9.85	9.68	9.45
Average annual yield (%) - ISMA	-	9.87	9.68	9.47
Amount of bids submitted (HUF million)	17047.27	10167.76	31372.98	24753.53
Amount of bids accepted (HUF million)	0	8614.73	4654.66	5290.03
Bids submitted (pcs)	10	10	10	17
Bids accepted (pcs)	0	6	1	10

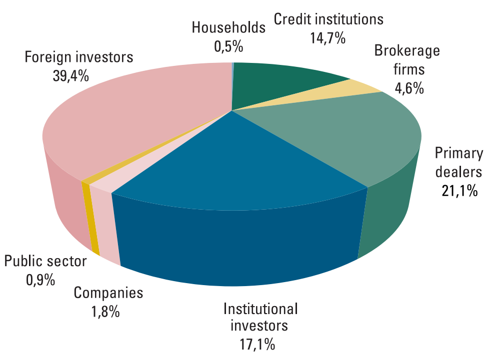
Secondary market trading of government bonds



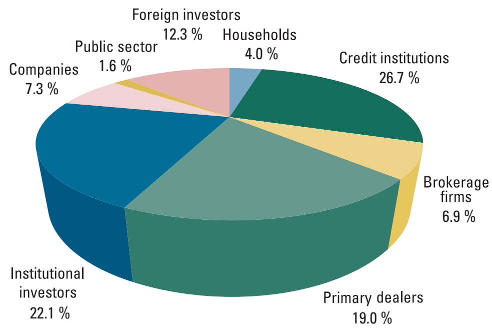
Secondary market trading of Discount Treasury Bills



Breakdown of primary dealers' secondary market turnover in government bonds by investor groups in November 2004



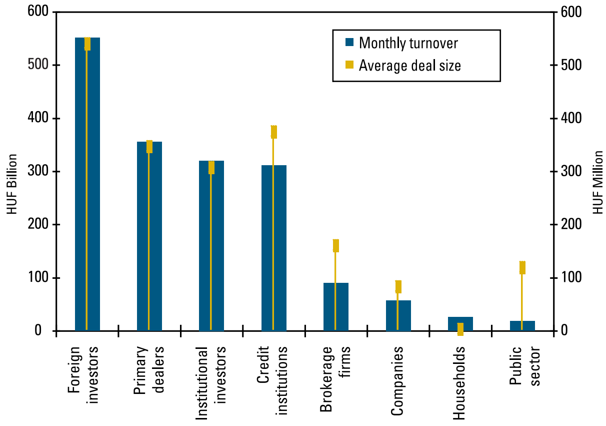
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in November 2004



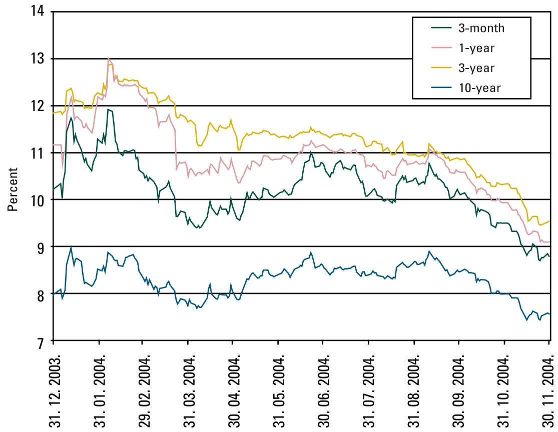
GOVERNMENT SECURITIES WITH THE HIGHEST SECONDARY MARKET TURNOVER IN NOVEMBER 2004

Government security	Date of redemption	Turnover (HUF billion)
2009/D	12.10.2009	155.1
2007/G	12.10.2007	147.1
2008/C	12.06.2008	125.4
2015/A	12.02.2015	98.6
D050511	11.05.2005	79.3
2007/F	12.04.2007	79.3
D050216	16.02.2005	73.2
2013/D	12.02.2013	66.4
2006/G	24.08.2006	66.0
2006/F	12.04.2006	60.4

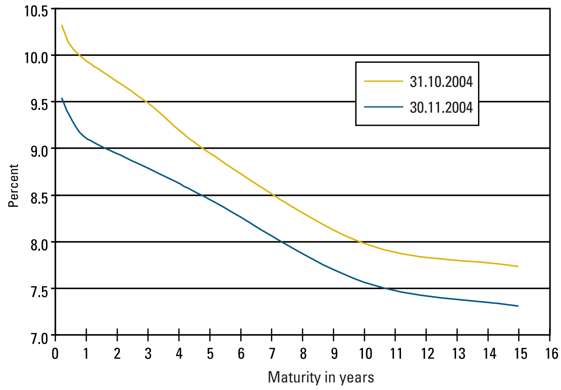
Primary dealers' trading with different investor groups in November 2004



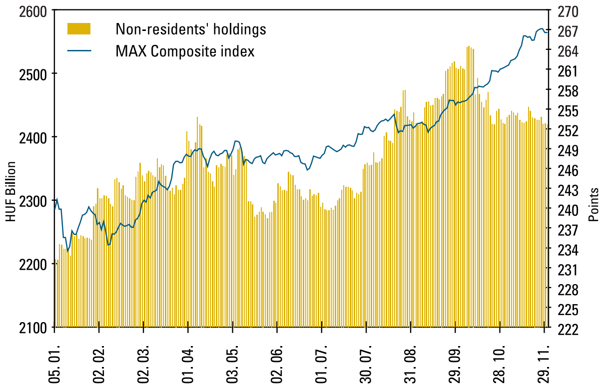
Benchmark yields in 2004



Benchmark yield curves



Non-residents' holdings of Hungarian government securities in 2004



THE OUTSTANDING VOLUME OF GOVERNMENT BONDS WITH BENCHMARK STATUS AT THE END OF NOVEMBER 2004

	HUF billion	
Government bond	31.10.2004	30.11.2004
2007/G	257.28	307.70
2009/D	165.32	201.11
2015/A	105.46	131.01
2020/A	65.29	85.79

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 November 2004	268.7196	269.9715	266.3102	273.2487
Changes compared to the end of the month before	6.3451	3.0959	5.4138	2.5462
Annual yield earned on the index portfolio	14.98%	12.23%	14.23%	12.13%

EVENTS CALENDAR - JANUARY 2005

Week 2	3	4	5	6	7	8	9
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D050413					
Discount T-bill auction settlement			D050406/D050706/D051123				
Discount T-bill redemption			D050105				
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 public offer		K2006/02					
Interest Bearing T-bill subscription			K2006/01				
Government Bond auction				3 and 15-year Bonds			
Government Bond reverse auction			2 Bond series				
Government Bond interest payment	2016/B						

Week 3	10	11	12	13	14	15	16
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3-month DKJ				
Discount T-bill auction		D050420	D050706	D060118			
Discount T-bill auction settlement			D050413				
Discount T-bill redemption			D050112				
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			K2006/02				
Interest Bearing T-bill redemption			K2005/01				
Government Bond public offer				5 and 10-year Bonds			
Government Bond auction settlement			3 and 15-year Bonds				
Government Bond reverse auction settlement			2 Bond series				

Week 4	17	18	19	20	21	22	23
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D050427					
Discount T-bill auction settlement			D050420/D050706/D060118				
Discount T-bill redemption			D050119				
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 public offer		K2006/03					
Interest Bearing T-bill subscription			K2006/02				
Government Bond auction				5 and 10-year Bonds			
Government Bond reverse auction			2 Bond series				

Week 5	24	25	26	27	28	29	30
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3-month DKJ				
Discount T-bill auction		D050504	D050706	D060118			
Discount T-bill auction settlement			D050427				
Discount T-bill redemption			D050126				
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			K2006/03				
Interest Bearing T-bill redemption			K2005/02				
Government Bond public offer				3-year Bond			
Government Bond auction settlement			5 and 10-year Bonds				
Government Bond reverse auction settlement			2 Bond series				
Government Bond interest payment	2006/B						

Week 6	31						
	Monday						
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 subscription	K2006/03						

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-bills - 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 NOVEMBER 2004

Government Bond	Date of interest rate reset	Interest period			Date of interest payment	Reset interest rate (%)	Interest payable (%)
2014/A	02.11.2004	02.11.2004	-	02.05.2005	02.05.2005	11.20	5.63

PRIMARY DEALERS - AS AT 30 NOVEMBER 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.	
HVB Bank Hungary Rt.		The branch network of the Hungarian State Treasury

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