GOVERNMENT SECURITIES MARKET MONTHLY REPORT

JUNE 2005

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The deficit of the central government amounted to HUF 988.2 billion in the first six months of 2005. The pre-financing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 74.3 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 1063.6 billion (ca. EUR 4.3 billion) was met by a net issuance of HUF 1100.2 billion (ca. EUR 4.4 billion) in the first half of the year, out of which net domestic issuance was HUF 474.4 billion (ca. EUR 1.9 billion) and net foreign exchange issuance totalled HUF 625.7 billion (ca. 2.5 EUR billion).

The HUF denominated debt of the central government increased by HUF 474.5 billion up to the end of June 2005 (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 243.9 billion, discount Treasury bills for HUF 237.4 billion. The stock of retail government securities decreased by HUF 3.3 billion, while that of domestic loans by HUF 3.5 billion.

The foreign currency debt of the central government increased by HUF 648.1 billion in the first five months of the year. Foreign currency bond issues increased the debt by HUF 709.3 billion, loan draw-downs by HUF 2.6 billion; while the redemptions of foreign exchange loans amounted to HUF 86.2 billion. Exchange rate losses of HUF 22.3 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of June 2005, 66.0% of the domestic government securities were fixed rate, 34.0% floating rate securities, compared to 66.7% and 33.4% at the end of 2004, which shows a decline in the proportion of fixed rate securities in this year due to the temporary increase of the volume of discount T-bills.

Secondary market yields decreased substantially in June. This was due to the central bank's 25 basis point rate-cut, investors' expectations on further decreases of the base rate and favourable international market trends.

In the secondary market, the 3-month yield decreased by 74 basis points to 6.49%, the 6 and 12-month yields fell by 77-83 basis points compared to the end of May. The long-term yields showed a decrease of 66-97 basis points. The 3-year yield declined by 97 basis points and amounted to 6.40%, while the 10-year benchmark yield reached 6.25% at the end of June after a decrease of 75 basis points.

Monthly OTC turnover of government securities was HUF 2374.7 billion in June, up by 44% from the month before. Primary dealers, who account for the decisive part of all secondary government securities trading, made 40% of their secondary government securities deals with non-resident investors.

The volume of non-resident holdings of Hungarian government securities increased altogether by HUF 158.8 billion in June due to bond redemptions, and amounted to HUF 2573.7 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 247.36 at the end of June 2005.

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

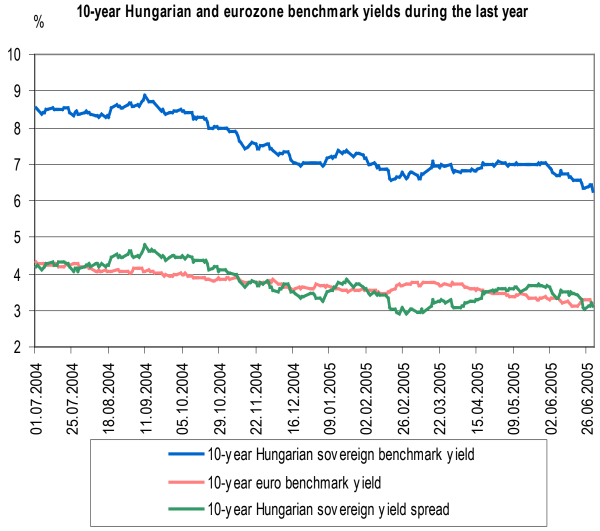
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

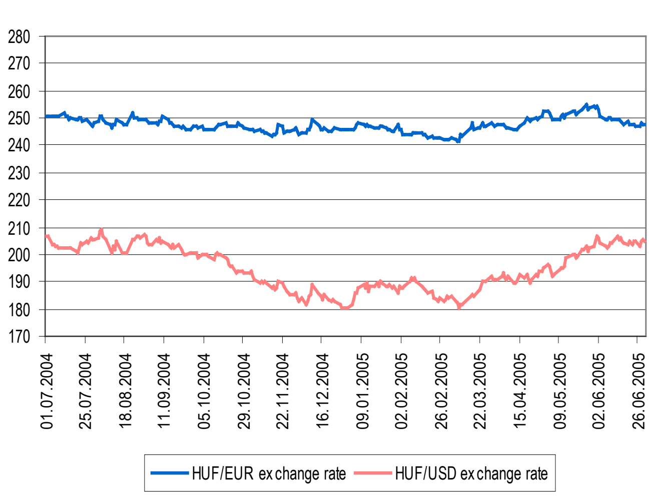
	1999	2000	2001	2002	2003	2004	April 2005	May 2005	June 2005
1. Forint denominated debt	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	8,932.4	8,914.5	9,083.3
1.1. Loans	380.2	303.8	228.3	353.2	117.9	4.7	1.1	1.1	1.1
1.1.1. Foreign loans	0.0	0.0	0.0	1.7	1.4	1.1	1.1	1.1	1.1
1.1.2. Domestic loans	380.2	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	8,931.3	8,913.3	9,082.2
1.2.1. Public issues	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,189.6	8,171.6	8,341.3
1.2.1.1. Bonds	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,027.4	5,910.9	6,015.5
1.2.1.2. Discount T-bills	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,536.1	1,634.7	1,700.7
1.2.1.3. Retail securities	499.3	523.3	544.7	560.3	533.5	628.4	626.0	626.1	625.1
1.2.2. Private placements	853.2	831.3	809.1	777.4	759.3	743.6	741.7	741.7	740.9
2. Foreign currency denominated debt*	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,525.6	3,732.0	3,631.6
2.1. Loans	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	858.8	864.7	838.3
2.1.1. Foreign loans	361.2	368.8	317.8	461.9	598.8	528.9	536.7	540.9	523.6
2.1.2. Domestic loans	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	322.2	323.8	314.7
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	289.1	290.6	283.1
2.1.2.2. Others loans	0.0	0.0	0.0	82.8	18.8	32.2	33.0	33.2	31.6
2.2. Government securities	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,666.8	2,867.3	2,793.3
2.2.1. Issued abroad	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,666.8	2,867.3	2,793.3
2.2.1.1. Foreign currency bonds	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,666.7	2,867.2	2,793.2
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	12,458.0	12,646.5	12,714.9
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*	*8,305.2*	*8,287.3*	*8,457.0*
Gross debt/GDP	*60.4%*	*54.9%*	*52.0%*	*55.1%*	*57.5%*	*57.0%*			

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

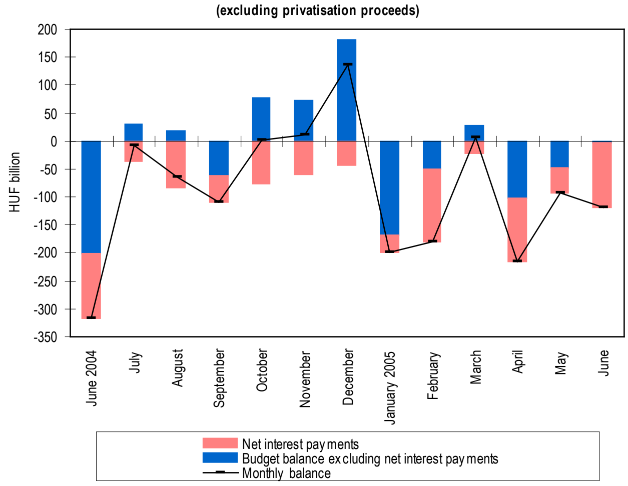
10-year Hungarian and eurozone benchmark yields during the last year



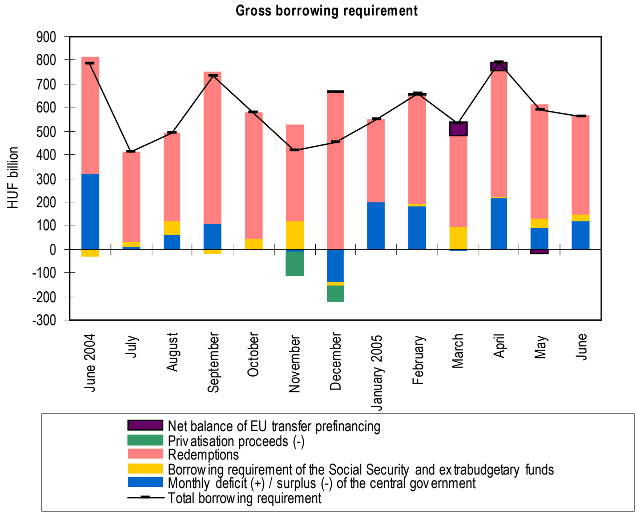
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

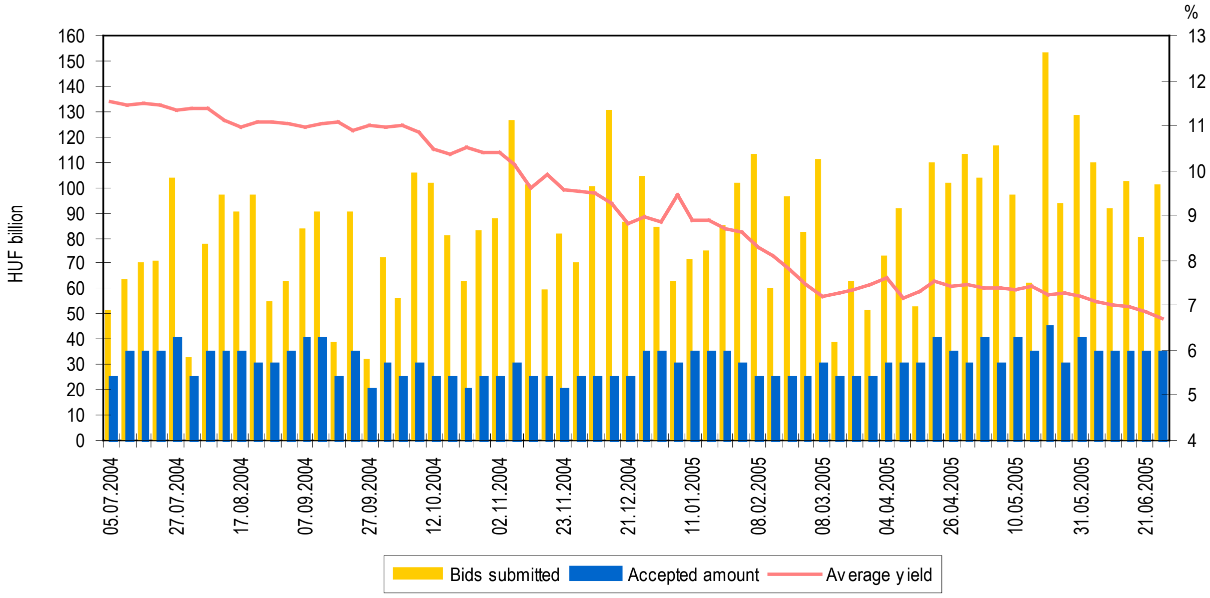


DISCOUNT TREASURY BILL AUCTION RESULTS

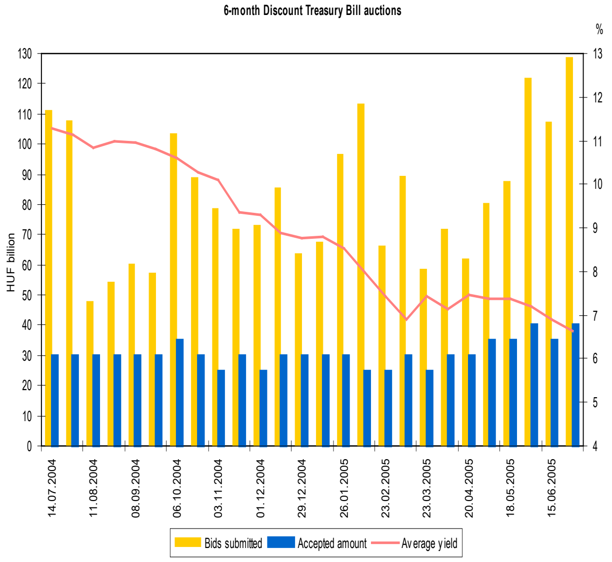
	Liquidity Discount T-bills	3-month Discount T-bills				6-month Discount T-bills			12-month Discount T-bills		
Code of T-bills	D050720	D050914	D050921	D050928	D051005	D051221	D051221	D051221	D060510	D060510	D060705
Maturity in days	42	91	91	91	91	196	182	168	336	322	364
Date of auction	06.06.2005	07.06.2005	14.06.2005	21.06.2005	28.06.2005	01.06.2005	15.06.2005	29.06.2005	02.06.2005	16.06.2005	30.06.2005
Date of financial settlement	08.06.2005	15.06.2005	22.06.2005	29.06.2005	06.07.2005	08.06.2005	22.06.2005	06.07.2005	08.06.2005	22.06.2005	06.07.2005
Redemption date	20.07.2005	14.09.2005	21.09.2005	28.09.2005	05.10.2005.	21.12.2005	21.12.2005	21.12.2005	10.05.2006	10.05.2006	05.07.2006
Maximum yield (%) - ISMA	7.12	7.03	7.01	6.89	6.70	7.20	6.92	6.64	7.18	6.91	6.47
Minimum yield (%) - ISMA	7.04	6.95	6.85	6.70	6.65	7.05	6.86	6.55	7.05	6.85	6.43
Average yield (%) - ISMA	7.10	7.01	6.98	6.88	6.70	7.19	6.90	6.62	7.16	6.89	6.47
Maximum yield (%) - EHM	7.22	7.13	7.11	6.99	6.79	7.30	7.02	6.73	7.28	7.01	6.65
Minimum yield (%) - EHM	7.14	7.05	6.95	6.79	6.74	7.15	6.96	6.64	7.15	6.95	6.52
Average yield (%) - EHM	7.20	7.11	7.08	6.98	6.79	7.29	7.00	6.71	7.26	6.99	6.56
Average selling price (%)	99.1785	98.2589	98.2662	98.2906	98.3346	96.2329	96.6292	97.0032	93.7359	94.1950	93.8598
Amount offered for sale (HUF million)	30,000.00	35,000.00	35,000.00	35,000.00	35,000.00	35,000.00	35,000.00	35,000.00	35,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	109,532.50	91,984.09	102,308.24	80,496.60	100,940.03	121,832.80	107,494.44	128,551.60	98,732.68	69,818.51	91,535.09
Amount of bids accepted (HUF million)	34,999.99	34,999.89	34,999.92	34,999.93	34,999.86	39,999.76	34,999.87	39,999.94	34,999.90	29,999.85	29,999.94
Bid-to-cover ratio	3.13	2.63	2.92	2.30	2.88	3.05	3.07	3.21	2.82	2.33	3.05
Bids submitted (pcs)	98	119	142	143	140	179	164	155	139	132	113
Bids accepted (pcs)	35	78	59	76	62	106	111	80	74	92	25
Market sales* (HUF million)	34,999.99	34,999.89	34,999.92	34,999.93	34,999.86	39,999.76	34,999.87	39,999.94	34,999.90	29,999.85	29,999.94
Retained on ÁKK's own account (HUF million)	0.01	3,500.11	3,500.08	3,500.07	3,500.14	12,000.24	3,500.13	4,000.06	3,500.10	3,000.15	9,000.06
Total amount issued (HUF million)	35,000.00	38,500.00	38,500.00	38,500.00	38,500.00	52,000.00	38,500.00	44,000.00	38,500.00	33,000.00	39,000.00

* Without issuance onto ÁKK's own account

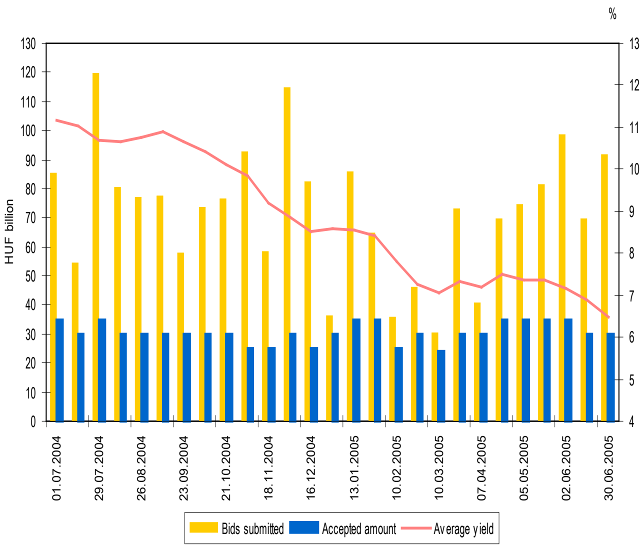
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions

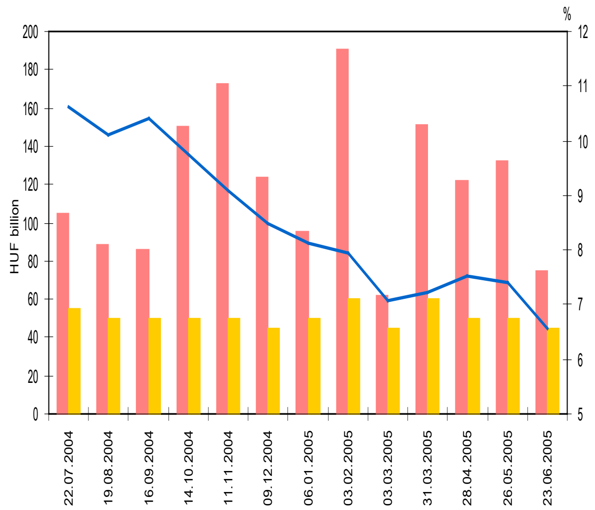


GOVERNMENT BOND AUCTION RESULTS

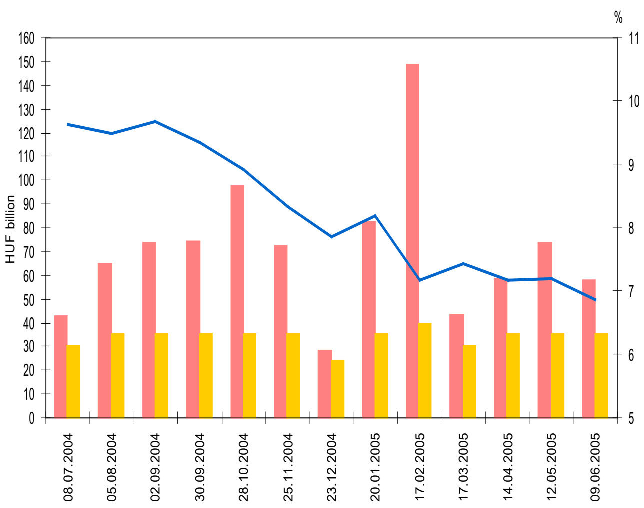
Government Bond	2010/B	2015/A	2008/E	2020/A
ISIN coda	HU0000402292	HU0000402268	HU0000402300	HU0000402235
Maturity (in years)	5	10	3	15
Coupon (%)	6.75%	8.00%	6.50%	7.50%
Auction	3rd auction	13th auction	1st auction	10th auction
Date of auction	09.06.2005	09.06.2005	23.06.2005	23.06.2005
Date of financial settlement	15.06.2005	15.06.2005	29.06.2005	29.06.2005
Redemption date	12.10.2010	12.02.2015	12.08.2008	12.11.2020
Maximum annual yield (%) - ISMA	6.90	6.74	6.57	6.38
Minimum annual yield (%) - ISMA	6.84	6.69	6.52	6.36
Average annual yield (%) - ISMA	6.87	6.72	6.55	6.37
Maximum annual yield (%) - EHM	6.90	6.74	6.56	6.38
Minimum annual yield (%) - EHM	6.84	6.69	6.51	6.36
Average annual yield (%) - EHM	6.87	6.72	6.54	6.37
Maximum price (%)	99.6386	109.0504	99.9156	110.9234
Minimum price (%)	99.3794	108.6826	99.7784	110.7164
Average price (%)	99.4893	108.8262	99.8422	110.7803
Amount offered for sale (HUF million)	35,000.00	25,000.00	50,000.00	15,000.00
Amount of bids submitted (HUF million)	57,850.00	44,455.00	74,550.00	62,480.00
Amount of bids accepted (HUF million)	34,999.95	25,000.00	44,999.91	19,999.98
Bid-to-cover ratio	1.65	1.78	1.66	3.12
Bids submitted (pcs)	95	61	119	80
Bids accepted (pcs)	67	42	79	18
Tail (average price - minimum price)	0.11	0.14	0.06	0.06
Market sales* (HUF million)	34,999.95	25,000.00	44,999.91	19,999.98
Retained on ÁKK's own account (HUF million)	7,000.05	0.00	13,500,09	4,000,02
Total amount issued (HUF million)	42,000.00	25,000.00	58,500.00	24,000.00

*Without issuance onto ÁKK's own account

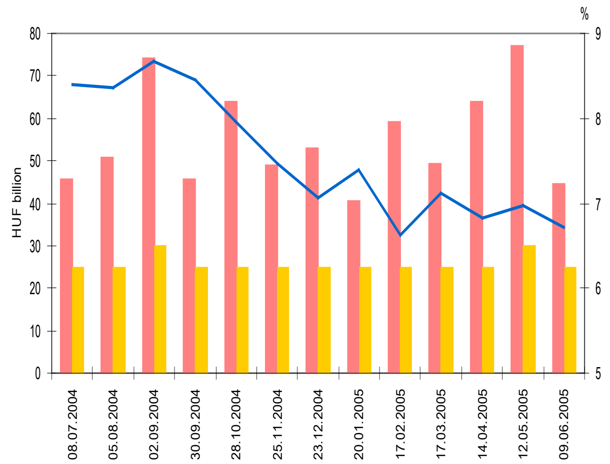
3-year government bond auctions



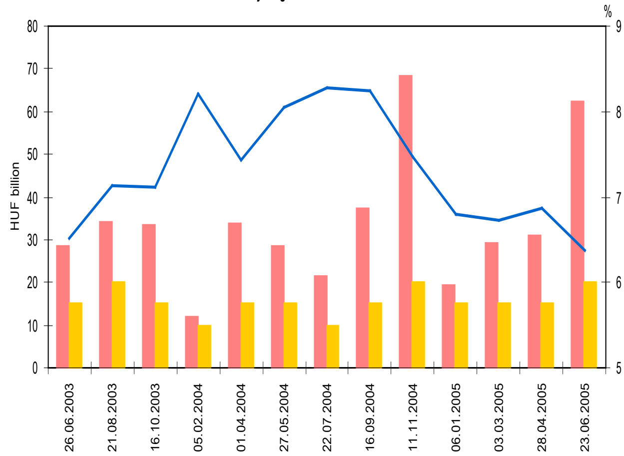
5-year government bond auctions



10-year government bond auctions



15-year government bond auctions

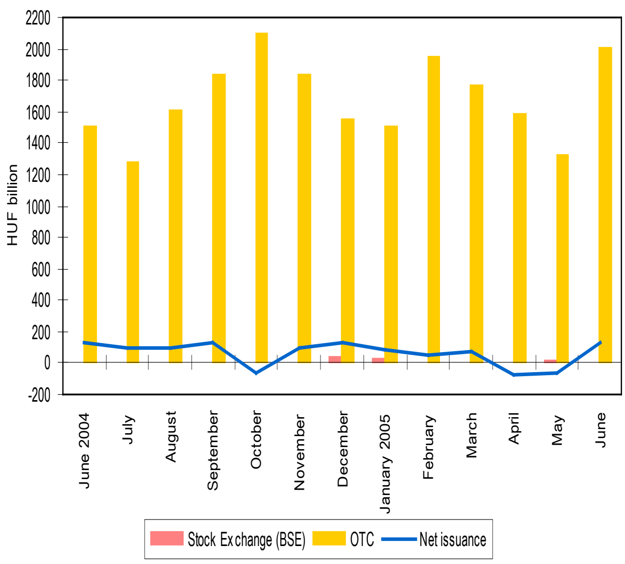


Bids submitted | Accepted amount | Average yield

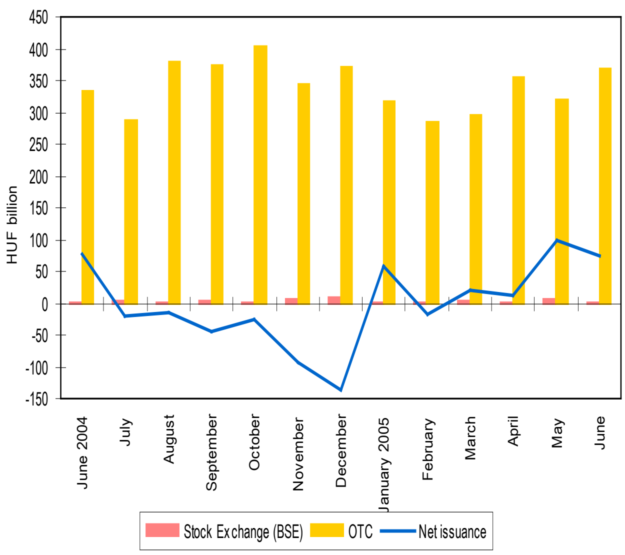
GOVERNMENT BOND REVERSE AUCTION RESULTS

Government bond	2005/I	2006/F	2005/I	2006/F
ISIN code	HU0000402086	HU0000402094	HU0000402086	HU0000402094
Coupon (%)	8.50%	7.00%	8.50%	7.00%
Date of reverse auction	08.06.2005	08.06.2005	22.06.2005	22.06.2005
Date of financial settlement	15.06.2005	15.06.2005	29.06.2005	29.06.2005
Redemption date	12.10.2005	12.04.2006	12.10.2005	12.04.2006
Minimum annual yield (%)	7.10	7.00	6.90	6.80
Average annual yield (%) - ISMA	7.10	7.02	6.94	6.81
Amount of bids submitted (HUF million)	19,655.62	21,178.22	14,883.43	8,761.67
Amount of bids accepted (HUF million)	3,151.90	11,178.22	6,079.71	2,626.41

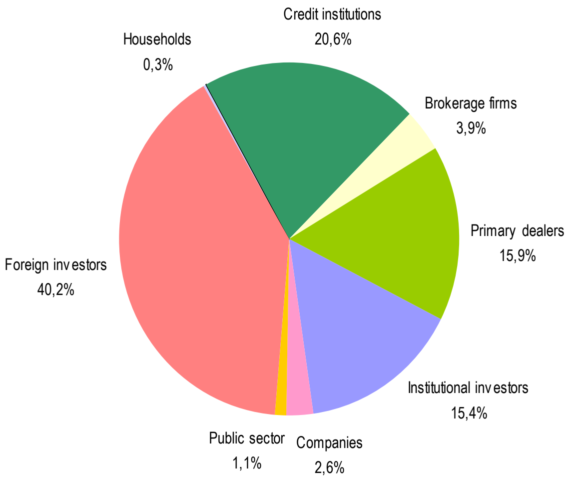
Secondary market trading of government bonds



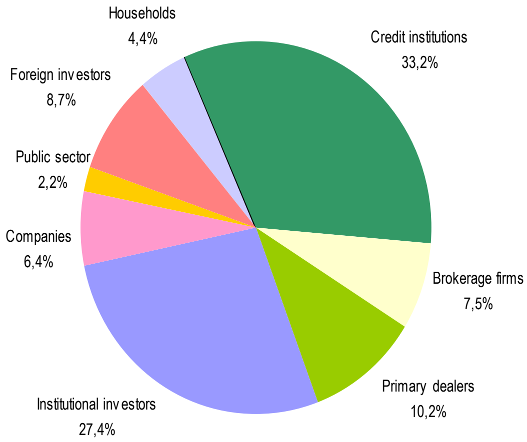
Secondary market trading of Discount Treasury Bills



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



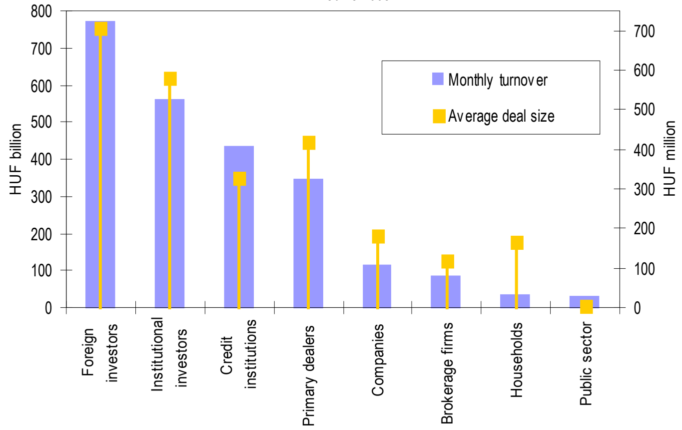
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in June 2005



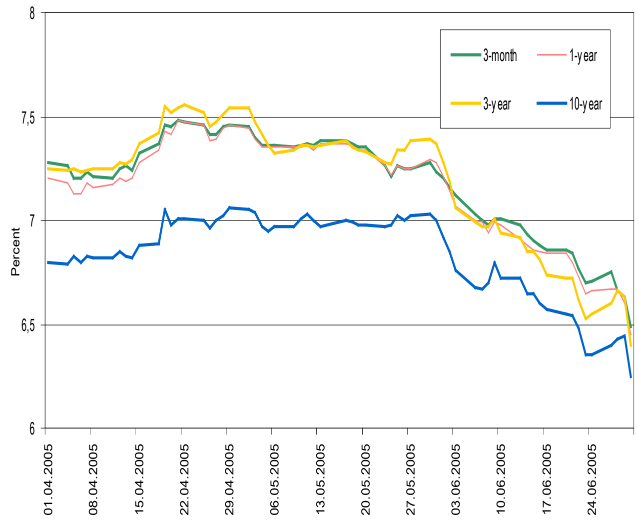
Government securities with the highest secondary market turnover in June 2005

Government security	Date of redemption	Turnover (HUF billion)
2008/D	24.04.2008	906.8
2015/A	12.02.2015	791.6
2009/D	12.10.2009	724.2
2007/G	12.10.2007	445.9
2010/B	12.10.2010	374.0
2013/D	12.02.2013	332.5
D060316	16.03.2006	314.0
2007/F	12.04.2007	303.7
2008/C	12.06.2008	299.0
2014/C	12.02.2014	292.6

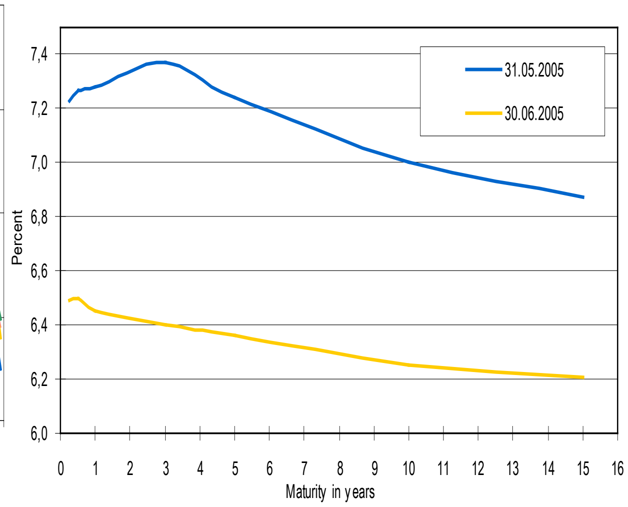
Primary dealers' trading with different investor groups in June 2005



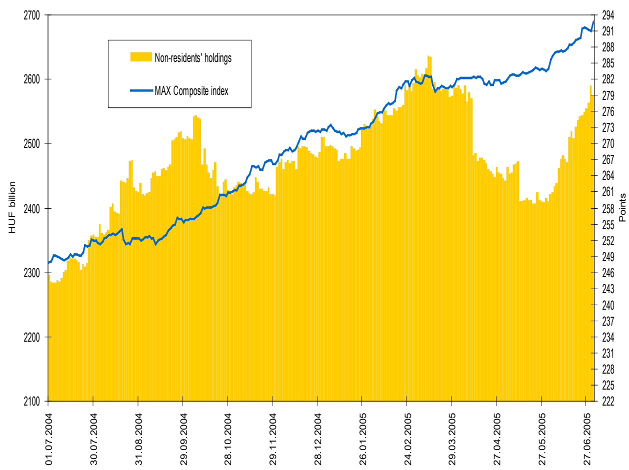
Benchmark yields in the past three months



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 June 2005

	HUF billion	
Government bond	31.05.2005	30.06.2005
2008/D	268.38	318.46
2010/B	70.75	105.40
2015/A	311.20	336.24
2020/A	130.73	150.54

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 June 2005	298,8608	286,452	292,6157	287,6753
Changes compared to the end of the month before	11,1348	3,1314	8,9823	2,1554
Annual yield earned on the index portfolio	20,71%	11,78%	18,34%	10,39%

EVENTS CALENDAR - AUGUST 2005

Week 32	1	2	3	4	5	6	7
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D051109	D051102/D060215/D060705				
Discount T-bill auction settlement			D050803				
Discount T-bill redemption							
Liquidity Discount 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			K2006/16				
Interest Bearing T-bill public offer		K2006/17					
Government Bond auction				5 and 10 -year Bonds			
Government Bond buyback auction		Gas utility Bonds					

Week 33	8	9	10	11	12	13	14
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D051116	D060215	D060705			
Discount T-bill auction settlement			D051109				
Discount T-bill redemption			D050810				
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			K2006/17				
Interest Bearing T-bill redemption			K2005/16				
Government Bond public offer				3 and 15-year Bonds			
Government Bond auction settlement			5 and 10 -year Bonds				
Government Bond buyback auction settlement	Gas utility Bonds						
Government Bond interest payment				2005/C	9 Bond series		
Government Bond redemption				2005/C	2005/H		

Week 34	15	16	17	18	19	20	21
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D051123					
Discount T-bill auction settlement			D051116/D060215/D060705				
Discount T-bill redemption			D050817				
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			K2006/17				
Interest Bearing T-bill public offer		K2006/18					
Government Bond auction				3 and 15-year Bonds			

Week 35	22	23	24	25	26	27	28
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D051130	D060215	D060830			
Discount T-bill auction settlement			D051123				
Discount T-bill redemption			D050824				
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			K2005/17				
Interest Bearing T-bill subscription			K2006/18				
Government Bond public offer				5 and 10-year Bonds			
Government Bond auction settlement			3 and 15-year Bonds				
Government Bond redemption			2005/F				
Government Bond interest payment			2005/F, 2006/G				

Week 36	29	30	31				
	Monday	Tuesday	Wednesday				
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D051207	D051130/D060215/D060830				
Discount T-bill auction settlement			D050831				
Discount T-bill redemption							
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		K2006/19					
Interest Bearing T-bill subscription		K2006/18					
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 JUNE 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2007/B	10.06.2005	12.06.2005	12.12.2005	12.12.2005	7,31	3,72
2013/C	19.06.2005	20.06.2005	20.12.2005	20.12.2005	7,80	3,97
2014/B	19.06.2005	20.06.2005	20.12.2005	20.12.2005	7,80	3,97
2016/A	29.06.2005	30.06.2005.	30.09.2005	30.09.2005	6,50	1,64

PRIMARY DEALERS - AS AT 30 JUNE 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 (Hungaria) Rt.	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