GOVERNMENT SECURITIES MARKET MONTHLY REPORT

FEBRUARY 2005

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GOVERNMENT SECURITIES MARKET

The deficit of the central government amounted to HUF 393.9 billion in the first two months of 2005. The pre-financing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 8.9 billion. The total net financing requirement was met by a net issuance of HUF 637.9 billion (ca. EUR 2.6 billion) in these two months, out of which net domestic currency issuance was HUF 192.5 billion (ca. EUR 0.8 billion) and net foreign exchange issuance totalled HUF 445.4 billion (ca. 1.8 EUR billion).

The HUF denominated debt of the central government increased by HUF 192.2 billion up to the end of February 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 146.8 billion, discount Treasury bills for HUF 35.1 billion, while retail government securities for HUF 11.6 billion. The stock of domestic loans decreased by HUF 1.3 billion.

The foreign currency debt of the central government increased by HUF 396.2 billion in the first two months of the year. Foreign currency bond issues increased the debt by HUF 525.3 billion, while the redemptions of foreign exchange loans amounting to HUF 79.9 billion and exchange rate gains of HUF 49.2 billion decreased the HUF value of the foreign currency debt.

At the end of February 2005, 66.8% of the domestic government securities were fixed rate, 33.2% floating rate securities, compared to 66.7% and 33.4% at the end of 2004, which means a relatively stable fix-floating composition.

In February, both primary and secondary market short-term yields continued their decline seen in the months before. The fall in yields was triggered by the central bank's 75 bps rate cut and by investors' expectations that on the grounds of the favourable inflation figure the NBH would decrease its base rate further. In the secondary market, short-term yields fell by 120-124 basis points over the month, while 3-year and longer-term yields declined by 39-125 basis points, showing investors' expectations on further rate cuts. The 1-year yield dropped to 7.14% by 124 basis points, the 3-year yield fell by 125 basis points to 7.00%, while the 10-year benchmark yield reached 6.62% at the end of February after decreasing by 61 basis points.

Monthly OTC turnover of government securities increased by 23% in February than in the month before and reached HUF 2237.5 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 38% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased by HUF 54.1 billion in February, and amounted to HUF 2579.9 billion at the end of the month. This volume represented 31.6% of the total amount of domestic government bonds and discount Treasury bills.

The HUF/EUR mid exchange rate at the end of February 2005 was 242.13.

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

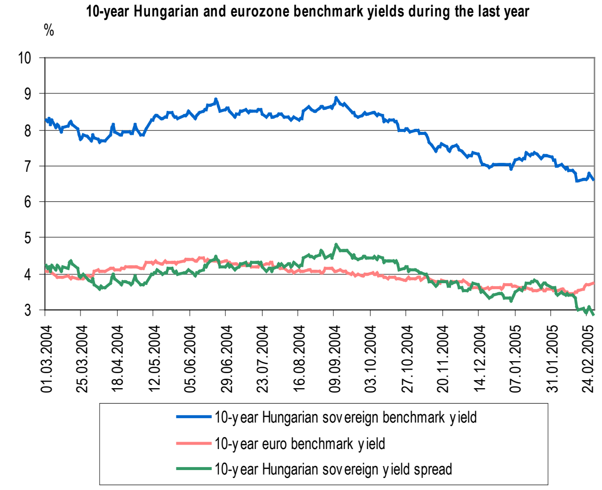
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

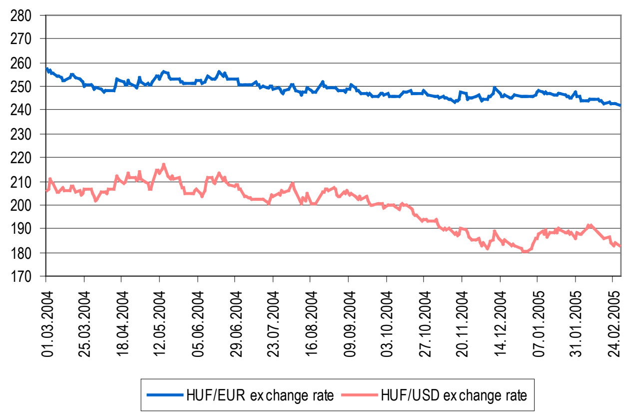
	1998	1999	2000	2001	2002	2003	2004	Jan. 2005	Feb. 2005
1. Forint denominated debt	3,733.9	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	8,783.5	8,801.1
1.1. Loans	435.0	380.2	303.8	228.3	353.2	117.9	4.7	3.4	3.4
1.1.1. Foreign loans	0.0	0.0	0.0	0.0	1.7	1.4	1.1	1.1	1.1
1.1.2. Domestic loans	435.0	380.2	303.8	228.3	351.5	116.5	3.5	2.2	2.2
1.1.2.1. Raised from National Bank of Hungary (NBH)	434.9	362.4	289.5	217.4	144.0	71.2	0.0	0.0	0.0
1.1.2.2. Others loans	0.1	17.8	14.3	10.9	207.5	45.3	3.5	2.2	2.2
1.2. Government securiries	3,299.0	3,970.0	4,413.6	5,169.1	6,603.7	7,890.8	8,604.2	8,780.1	8,797.7
1.2.1. Public issues	2,432.8	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,036.5	8,055.5
1.2.1.1. Bonds	1,386.5	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	5,886.7	5,916.8
1.2.1.2. Discount T-bills	689.9	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,520.4	1,498.4
1.2.1.3. Retail securities	356.5	499.3	523.3	544.7	560.3	533.5	628.4	629.4	640.0
1.2.2. Private placements	866.1	853.2	831.3	809.1	777.4	759.3	743.6	743.6	742.6
2. Foreign currency denominated debt*	2,431.9	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	2,977.2	3,379.7
2.1. Loans	2,367.8	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	912.4	824.1
2.1.1. Foreign loans	249.6	361.2	368.8	317.8	461.9	598.8	528.9	524.9	515.4
2.1.2. Domestic loans	2,118.2	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	387.5	308.8
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	355.7	355.3	277.1
2.1.2.2. Others loans	0.0	0.0	0.0	0.0	82.8	18.8	32.2	32.1	31.7
2.2. Government securities	64.0	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,064.8	2,555.6
2.2.1. Issued abroad	44.4	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,064.8	2,555.6
2.2.1.1. Foreign currency bonds	43.8	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,064.8	2,555.5
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	11,760.7	12,180.8
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*	*7,975.8*	*8,150.7*	*8,157.7*
Gross debt/GDP	*61.1%*	*60.4%*	*54.9%*	*52.0%*	*55.1%*	*57.0%*	*57.3%*		

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

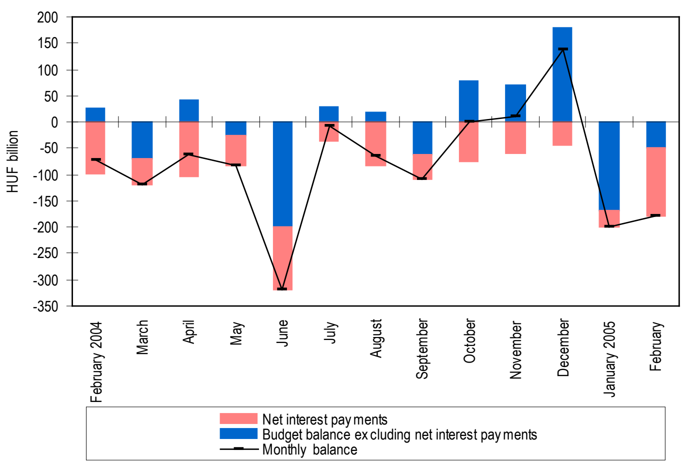
10-year Hungarian and eurozone benchmark yields during the last year



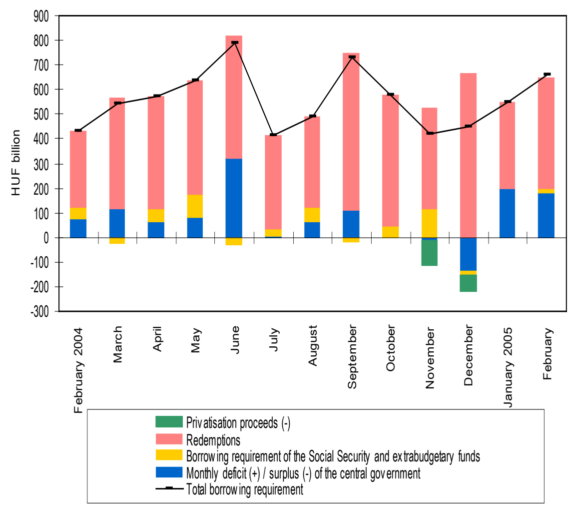
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

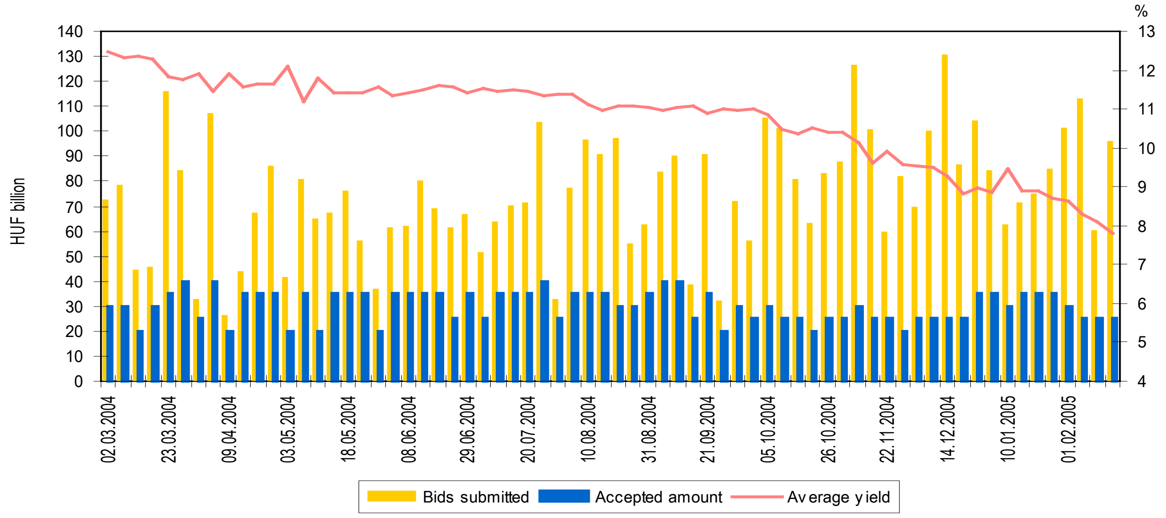


DISCOUNT TREASURY BILL AUCTION RESULTS

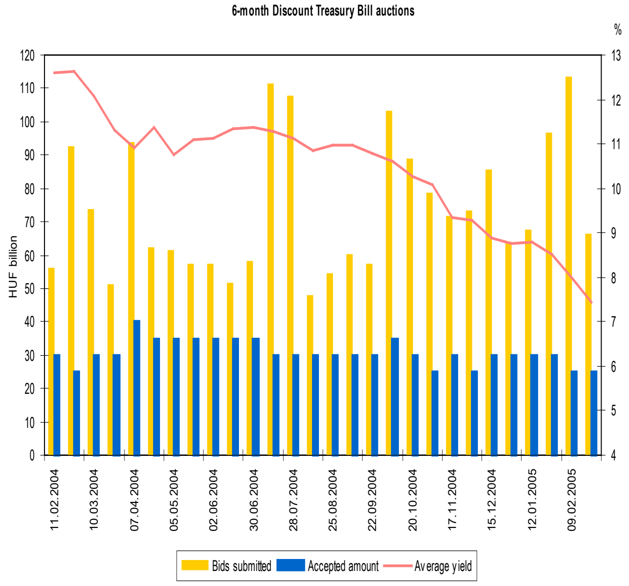
	3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D050511	D050518	D050525	D050601	D050831	D050831	D060118	D060118
Maturity in days	91	91	91	91	196	182	336	322
Date of auction	01.02.2005.	08.02.2005.	15.02.2005.	22.02.2005.	09.02.2005.	23.02.2005.	10.02.2005.	24.02.2005.
Date of financial settlement	09.02.2005.	16.02.2005.	23.02.2005.	02.03.2005.	16.02.2005.	02.03.2005.	16.02.2005.	02.03.2005.
Redemption date	11.05.2005.	18.05.2005.	25.05.2005.	01.06.2005.	31.08.2005.	31.08.2005.	18.01.2006.	18.01.2006.
Maximum yield (%) - ISMA	8.65	8.32	8.15	7.82	8.00	7.46	7.86	7.30
Minimum yield (%) - ISMA	8.50	8.25	7.80	7.73	7.99	7.44	7.73	7.20
Average yield (%) - ISMA	8.63	8.31	8.10	7.80	8.00	7.44	7.82	7.26
Maximum yield (%) - EHM	8.77	8.44	8.26	7.93	8.11	7.56	7.97	7.40
Minimum yield (%) - EHM	8.62	8.36	7.91	7.84	8.10	7.54	7.84	7.30
Average yield (%) - EHM	8.75	8.43	8.21	7.91	8.11	7.54	7.93	7.36
Average selling price (%)	97.8651	97.9426	97.9936	98.0665	95.8262	96.3750	93.1978	93.9023
Amount offered for sale (HUF million)	30000.00	25000.00	25000.00	25000.00	25000.00	25000.0	30000.00	30000.00
Amount of bids submitted (HUF million)	101533.24	113322.98	60123.14	96232.21	113633.34	66496.26	35735.22	45871.17
Amount of bids accepted (HUF million)	29999.85	24999.95	24999.95	24999.93	24999.98	24999.95	24999.96	29999.93
Bid-to-cover ratio:	3.38	4.53	2.40	3.85	4.55	2.66	1.43	1.53
Bids submitted (pcs)	151	159	122	161	154	145	99	125
Bids accepted (pcs)	79	49	79	47	16	27	76	107
Market sales* (HUF million)	29999.85	24999.95	24999.95	24999.93	24999.98	24999.95	24999.96	29999.93
Retained on ÁKK's own account (HUF million)	3000.15	2500.05	2500.05	2500.07	7500.02	2500.05	2500.04	3000.07
Total amount issued (HUF million)	33000.00	27500.00	27500.00	27500.00	32500.00	27500.00	27500.00	33000.00

* Without issuance onto ÁKK's own account

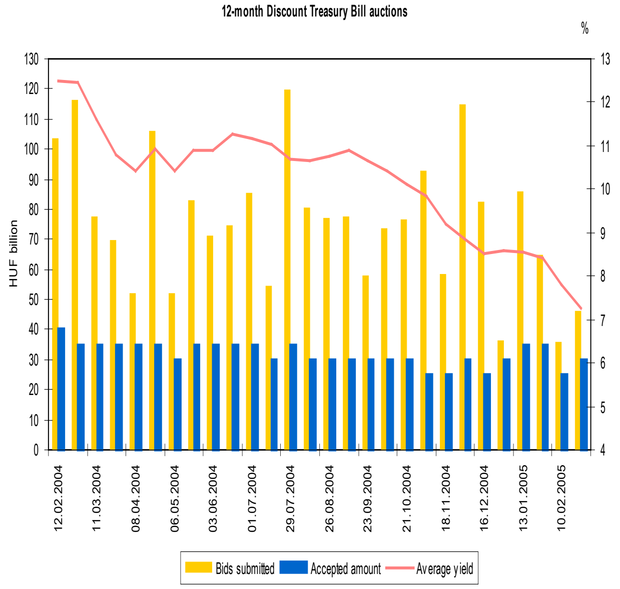
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



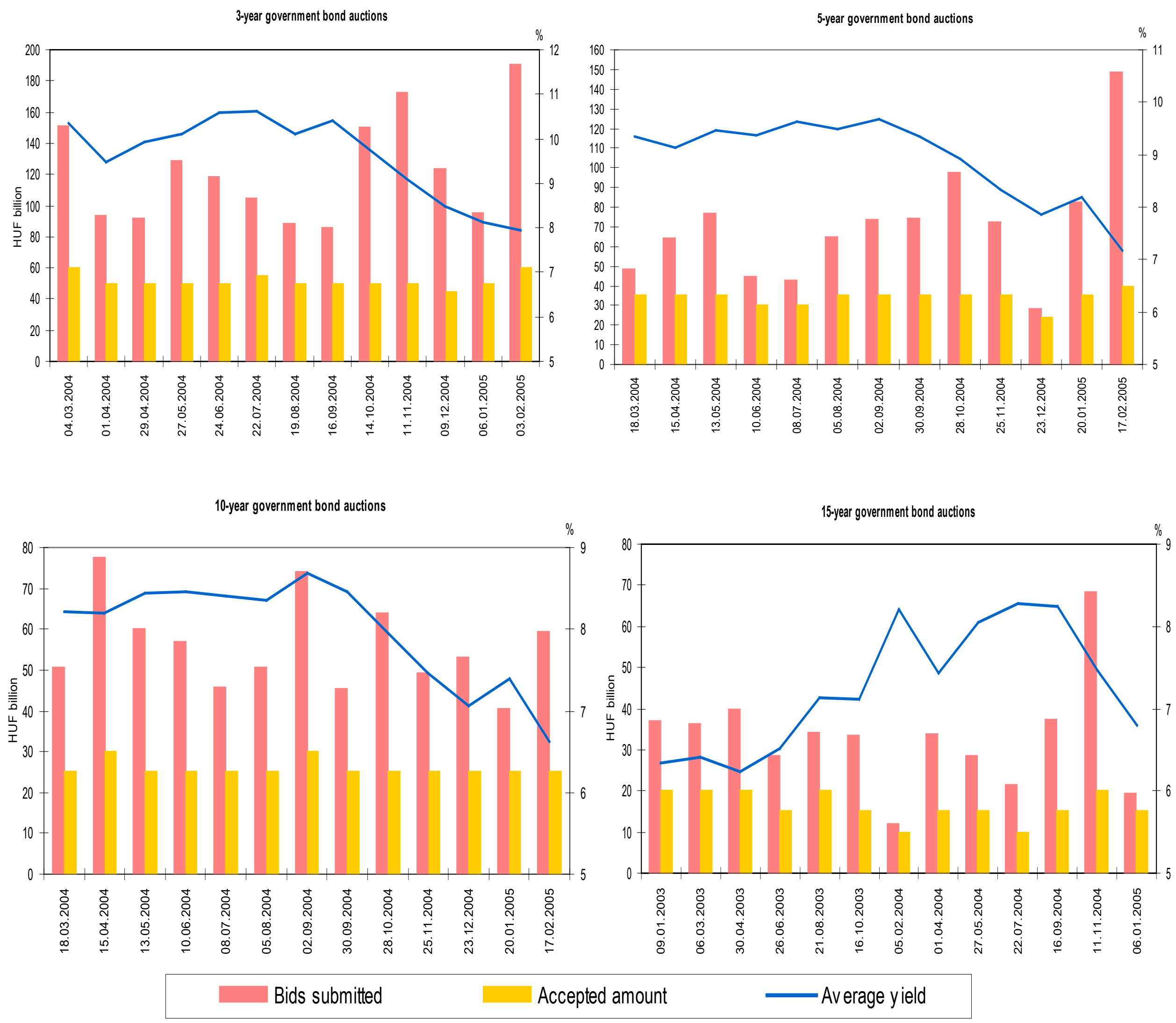
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

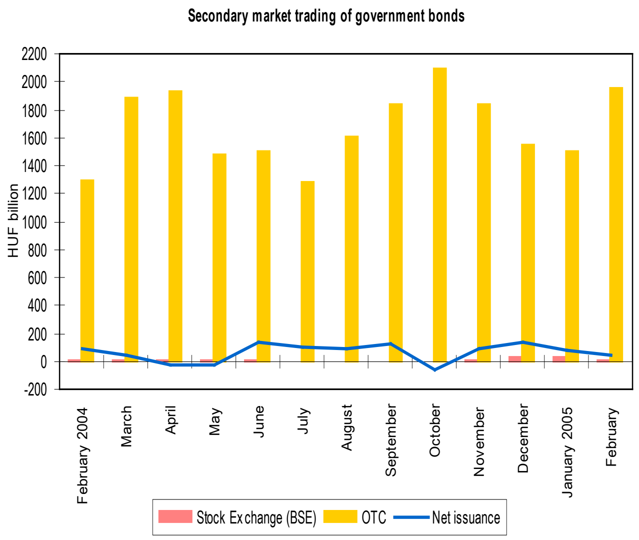
Government Bond	2008/D	2009/D	2015/A
ISIN coda	HU0000402276	HU0000402243	HU0000402268
Maturity (in years)	3	5	10
Coupon (%)	7.25%	8.25%	8.00%
Auction	2nd auction	10th auction	9th auction
Date of auction	03.02.2005.	17.02.2005.	17.02.2005.
Date of financial settlement	09.02.2005.	23.02.2005.	23.02.2005.
Redemption date	24.04.2008.	12.10.2009.	12.02.2015.
Maximum annual year (%) - ISMA	7.94	7.20	6.66
Minimum annual year (%) - ISMA	7.90	7.16	6.60
Average annual year (%) - ISMA	7.93	7.18	6.62
Maximum annual year (%) - EHM	7.93	7.20	6.66
Minimum annual year (%) - EHM	7.89	7.16	6.60
Average annual year (%) - EHM	7.92	7.18	6.62
Maximum price (%)	98.2606	104.1070	109.9884
Minimum price (%)	98.1527	103.9495	109.5333
Average price (%)	98.1898	104.0286	109.8130
Amount offered for sale (HUF million)	50,000.00	35,000.00	25,000.00
Amount of bids submitted (HUF million)	190,303.00	148,575.00	59,240.00
Amount of bids accepted (HUF million)	59,999.85	39,999.95	25,000.00
Bid-to-cover ratio	3.17	3.71	2.37
Bids submitted (pcs)	203	123	86
Bids accepted (pcs)	70	38	36
Tail (average price - minimum price)	0.04	0.08	0.28
Market sales* (HUF million)	59,999.85	39,999.95	25,000.00
Retained on ÁKK's own account (HUF million)	12,000.15	0.05	0.00
Total amount issued (HUF million)	72,000.00	40,000.00	25,000.00

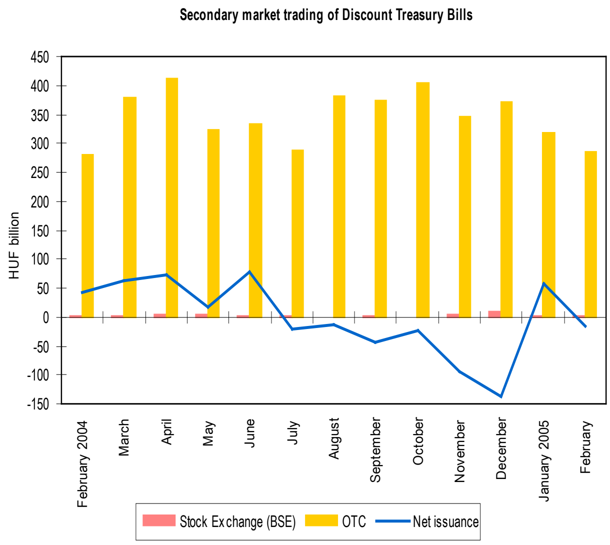
*Without issuance onto ÁKK's own account

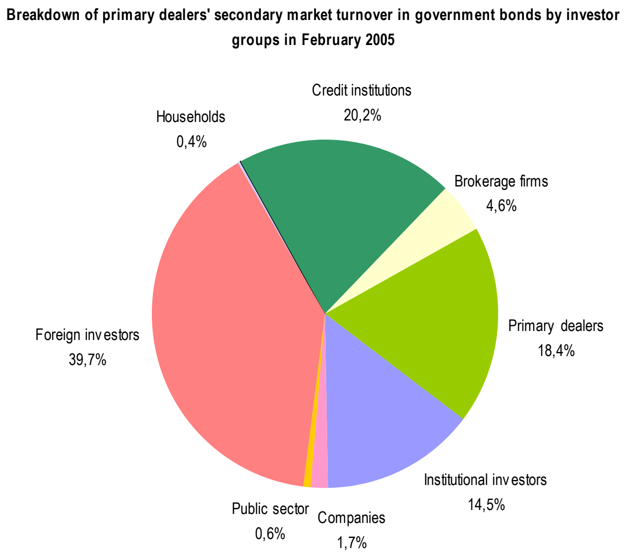


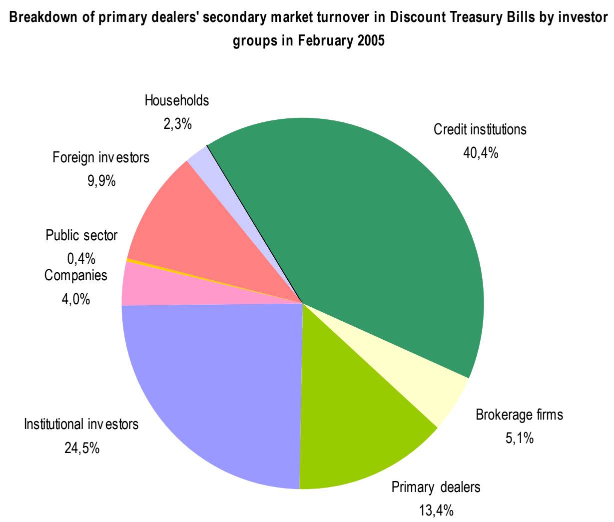
GOVERNMENT BOND REVERSE AUCTION RESULTS

Government bond	2005/I	2005/H	2005/I	2005/H
ISIN code	HU0000402086	HU0000402078	HU0000402086	HU0000402078
Coupon (%)	8.50%	7.00%	8.50%	7.00%
Date of reverse auction	02.02.2005.	02.02.2005.	16.02.2005.	16.02.2005.
Redemption date	09.02.2005.	09.02.2005.	23.02.2005.	23.02.2005.
Date of financial settlement	12.12.2005.	12.08.2005.	12.10.2005.	12.08.2005.
Minimum annual yield (%)	8.44	8.60	7.92	-
Average annual yield (%) - ISMA	8.48	8.62	7.97	-
Amount of bids submitted (HUF million)	28,880.99	38,000.76	23,308.16	25,257.96
Amount of bids accepted (HUF million)	28,880.99	29,586.12	18,308.16	0.00





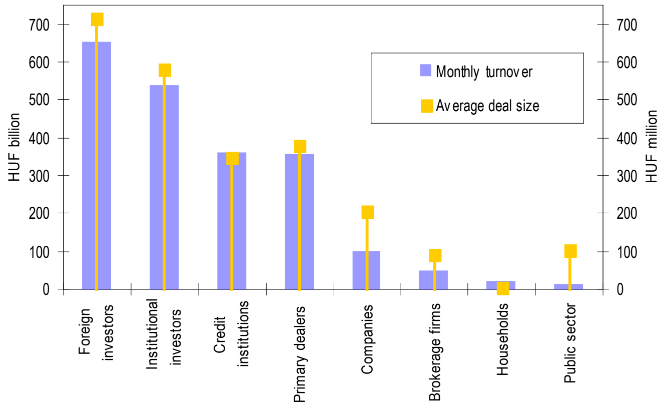




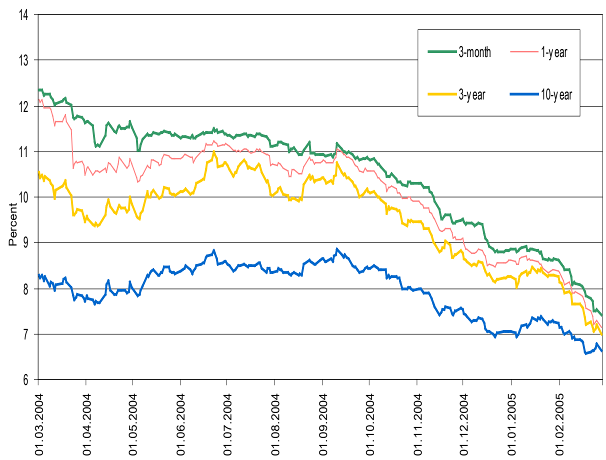
Government securities with the highest secondary market turnover in February 2005

Government security	Date of redemption	Turnover (HUF billion)
2009/D	12.10.2009.	252.5
2015/A	12.02.2015.	239.6
D051123	23.11.2005.	144.3
D060118	18.01.2006.	143.5
2008/D	24.04.2008.	132.9
2007/G	12.10.2007.	128.2
2006/F	12.04.2006.	121.2
2007/F	12.04.2007.	110.2
2013/D	12.02.2013.	106.7
2006/G	24.08.2006.	89.1

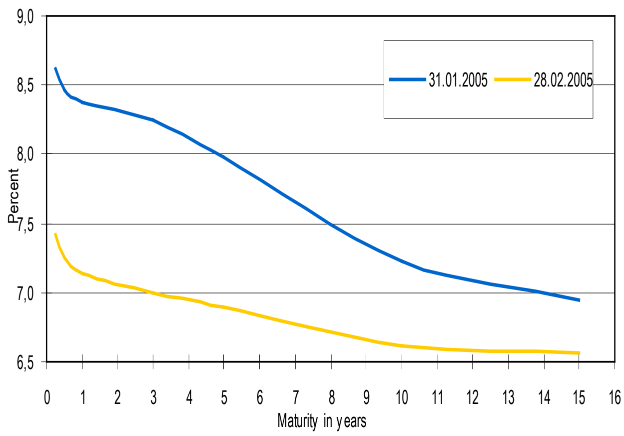
Primary dealers' trading with different investor groups in February 2005



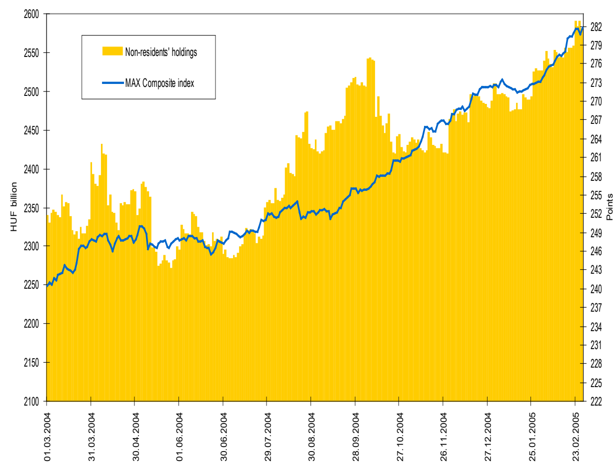
Benchmark yields during the last year



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 February 2005

	HUF billion	
Government bond	31.01.2005.	28.02.2005.
2008/D	50.25	111.31
2009/D	294.80	334.57
2015/A	205.55	230.76
2020/A	100.36	98.52

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 28 February 2005	286.4766	278.3873	281.7927	280.3475
Changes compared to the end of the month before	10.1483	3.4294	8.735	2.4478
Annual yield earned on the index portfolio	19.33%	12.97%	17.86%	11.88%

EVENTS CALENDAR - APRIL 2005

Week 14					1	2	3
					Friday	**Sat.**	**Sun.**
Interest Bearing T-bill subscription					K2006/07		
Week 15	4	5	6	7	8	9	10
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12 - month DKJs				
Discount T-bill auction		D050713	D051026	D060316			
Discount T-bill auction settlement			D050706				
Discount T-bill redemption			D050406				
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			K2006/08				
Interest Bearing T-bill redemption			K2005/07				
Government Bond public offer				5 and 10 -year Bonds			
Government Bond auction settlement			3-year Bond				
Week 16	11	12	13	14	15	16	17
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D050720					
Discount T-bill auction settlement			D050713/D051026/D060316				
Discount T-bill redemption			D050413				
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			K2006/08				
Interest Bearing T-bill public offer		K2006/09					
Government Bond auction				5 and 10 -year Bonds			
Government Bond interest payment		2005/G,2006/F, 2007/F					
Government Bond redemption		2005/G					
Week 17	18	19	20	21	22	23	24
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D050727	D051026	D060316			
Discount T-bill auction settlement			D050720				
Discount T-bill redemption			D050420				
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			K2006/09				
Interest Bearing T-bill redemptiont			K2005/8				
Government Bond public offer				3 and 15-year Bonds			
Government Bond auction settlement			5 and 10 -year Bonds				
Week 18	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		D050803	D050727/D051026/D060316				
Discount T-bill auction settlement			D050427				
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		K2006/10					
Interest Bearing T-bill subscription			K2006/09				
Government Bond auction				3 and 15-year Bonds			
Government Bond interest payment	2008/A,2008/D,2026/B						

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 FEBRUARY 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2005/K	09.02.2005.	10.02.2005.	10.05.2005.	10.05.2005.	2.641	0.653
2026/A	25.02.2005.	28.02.2005.	28.08.2005.	28.02.2006.	8.75	
2006/A	25.02.2005.	28.02.2005.	28.08.2005.	28.02.2006.	8.75	
2008/B	11.02.2005.	12.02.2005.	12.08.2005.	12.08.2005.	8.69	4.37
2006/D	11.02.2005.	12.02.2005.	12.08.2005.	12.08.2005.	8.69	4.37
2007/C	11.02.2005.	12.02.2005.	12.08.2005.	12.08.2005.	8.69	4.37
2009/A	11.02.2005.	12.02.2005.	12.08.2005.	12.08.2005.	8.69	4.37
2010/A	11.02.2005.	12.02.2005.	12.08.2005.	12.08.2005.	8.69	4.37
2005/F	23.02.2005.	24.02.2005.	24.08.2005.	24.08.2005.	8.47	4.26
2007/E	11.02.2005.	12.02.2005.	12.08.2005.	12.08.2005.	8.69	4.37

PRIMARY DEALERS - AS AT 28 FEBRUARY 2005

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