GOVERNMENT SECURITIES MARKET MONTHLY REPORT

JANUARY 2005

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The deficit of the central government amounted to HUF 198.3 billion in January 2005. The prefinancing of cash transfers from the EU's EAGGF fund decreased the net borrowing requirement by HUF 0.8 billion. The total net financing requirement was met by a net issuance of HUF 171.9 billion (ca. EUR 0.7 billion), out of which net domestic currency issuance was HUF 175.7 billion and net foreign exchange issuance totalled HUF -3.8 billion.

The HUF denominated debt of the central government increased by HUF 174.6 billion in January (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 117.8 billion, discount Treasury bills for HUF 57.2 billion, while retail government securities for HUF 1.0 billion. The stock of domestic loans decreased by HUF 1.3 billion.

The foreign currency debt of the central government decreased by HUF 6.3 billion in the month. Foreign exchange loan redemptions amounting to HUF 3.8 billion and exchange rate gains of HUF 2.5 billion decreased the HUF value of the foreign currency debt.

At the end of January 2005, 66.6% of the domestic government securities were fixed rate, 33.4% floating rate securities, compared to 66.7% and 33.4% at the end of 2004, which means that the proportion of fixed rate securities did not change in January.

In January, 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 50 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 23-26 basis points over the month, while 5-year and longer-term yields increased by 11-18 basis points as a correction of the falling trend in December. The 1-year yield dropped to 8.38% by 24 basis points, the 3-year yield did not change significantly and amounted to 8.25%, while the 10-year benchmark yield reached 7.23% at the end of January after increasing by 18 basis points.

Monthly OTC turnover of government securities was 5% lower in January than a month before and reached HUF 1819.5 billion. 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-residents' holdings of Hungarian government securities increased altogether by HUF 15.9 in January, and amounted to HUF 2525.8 billion at the end of the month. This volume represented 31.0% of the total amount of domestic government bonds and discount Treasury bills.

The HUF/EUR mid exchange rate at the end of January 2005 was 245.70

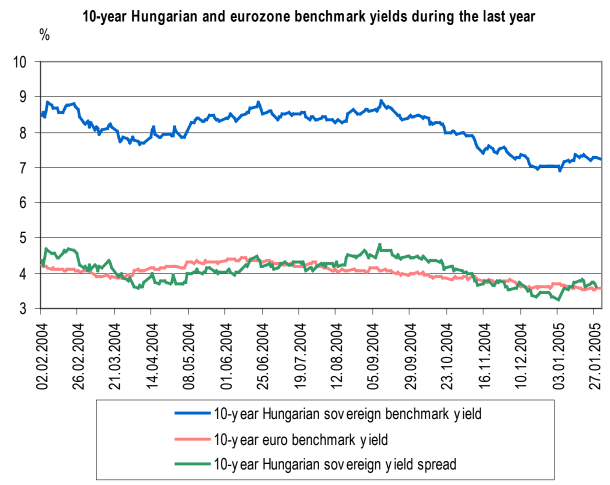
The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows: A- / A1 / A-

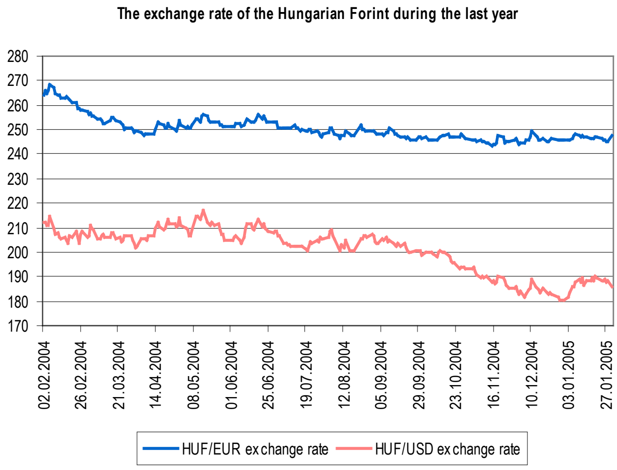
CENTRAL GOVERNMENT GROSS DEBT

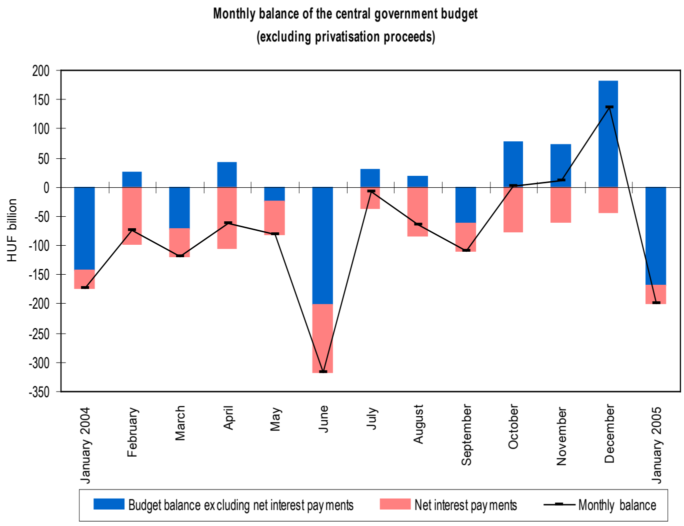
HUF BILLION

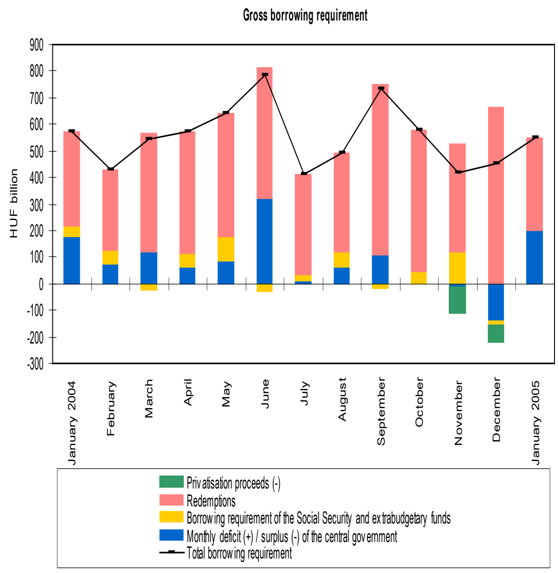
	1998	1999	2000	2001	2002	2003	Nov. 2004	Dec. 2004	Jan. 2005
1. Forint denominated debt	3,733.9	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,773.9	8,608.8	8,783.5
1.1. Loans	435.0	380.2	303.8	228.3	353.2	117.9	89.9	4.7	3.4
1.1.1. Foreign loans	0.0	0.0	0.0	0.0	1.7	1.4	1.4	1.1	1.1
1.1.2. Domestic loans	435.0	380.2	303.8	228.3	351.5	116.5	88.5	3.5	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	37.0	0.0	0.0
1.1.2.2. Others loans	0.1	17.8	14.3	10.9	207.5	45.3	51.5	3.5	2.2
1.2. Government securiries	3,299.0	3,970.0	4,413.6	5,169.1	6,603.7	7,890.8	8,684.0	8,604.2	8,780.1
1.2.1. Public issues	2,432.8	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,935.5	7,860.6	8,036.5
1.2.1.1. Bonds	1,386.5	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,684.1	5,768.9	5,886.7
1.2.1.2. Discount T-bills	689.9	826.7	837.9	1,033.3	1,436.8	1,541.4	1,600.4	1,463.3	1,520.4
1.2.1.3. Retail securities	356.5	499.3	523.3	544.7	560.3	533.5	651.0	628.4	629.4
1.2.2. Private placements	866.1	853.2	831.3	809.1	777.4	759.3	748.5	743.6	743.6
2. Foreign currency denominated debt*	2,431.9	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	3,022.8	2,983.5	2,977.2
2.1. Loans	2,367.8	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	968.3	916.8	912.4
2.1.1. Foreign loans	249.6	361.2	368.8	317.8	461.9	598.8	498.1	528.9	524.9
2.1.2. Domestic loans	2,118.2	1,568.4	1,404.0	1,092.6	932.3	485.3	470.2	387.8	387.5
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	437.2	355.7	355.3
2.1.2.2. Others loans	0.0	0.0	0.0	0.0	82.8	18.8	33.0	32.2	32.1
2.2. Government securiries	64.0	606.7	736.0	911.7	873.0	1,494.9	2,054.4	2,066.8	2,064.8
2.2.1. Issued abroad	44.4	587.1	715.7	911.7	873.0	1,494.9	2,054.4	2,066.8	2,064.8
2.2.1.1. Foreign currency bonds	43.8	586.8	715.4	911.5	872.9	1,494.7	2,054.3	2,066.7	2,064.8
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	11,796.7	11,592.4	11,760.7
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*	*8,033.0*	*7,975.8*	*8,150.7*
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.







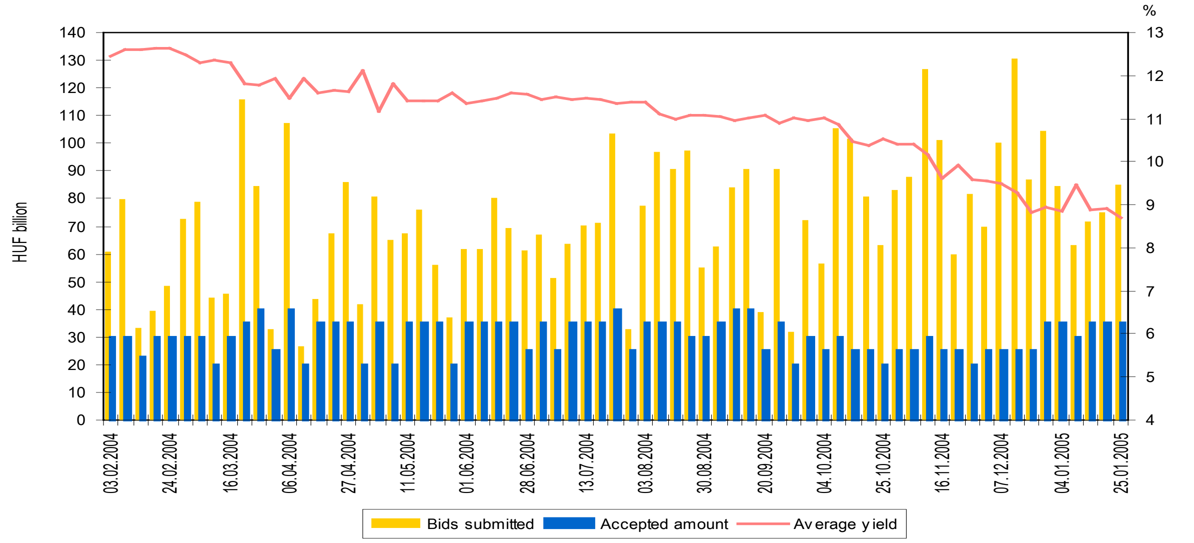


DISCOUNT TREASURY BILL AUCTION RESULTS

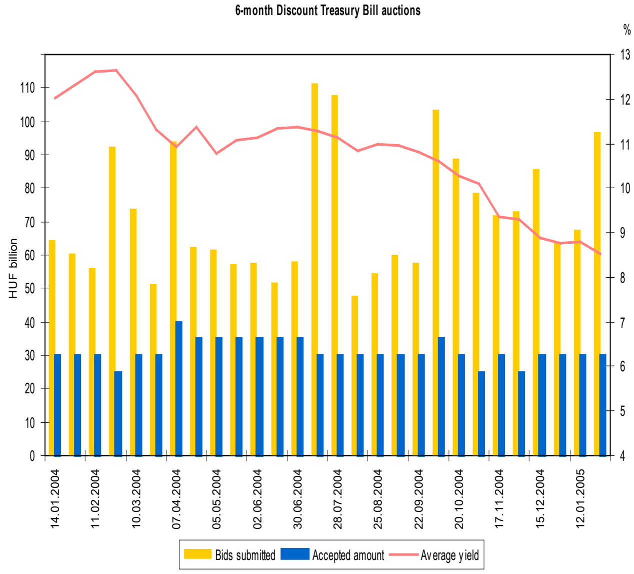
	Liquidity Discount T-bills	3-month Discount T-bills			6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D050302	D050413	D050427	D050504	D050706	D050706	D060118	D060118
Maturity in days	49	91	91	91	168	154	364	350
Date of auction	10.01.2005.	04.01.2005.	18.01.2005.	25.01.2005.	12.01.2005.	26.01.2005.	13.01.2005.	27.01.2005.
Date of financial settlement	12.01.2005.	12.01.2005.	26.01.2005.	02.02.2005.	19.01.2005.	02.02.2005.	19.01.2005.	02.02.2005.
Redemption date	02.03.2005.	13.04.2005.	27.04.2005.	04.05.2005.	06.07.2005.	06.07.2005.	18.01.2006.	18.01.2006.
Maximum yield (%) - ISMA	9.48	8.89	8.94	8.72	8.83	8.55	8.58	8.46
Minimum yield (%) - ISMA	9.00	8.80	8.80	8.55	8.73	8.50	8.52	8.36
Average yield (%) - ISMA	9.48	8.86	8.91	8.71	8.80	8.52	8.56	8.43
Maximum yield (%) - EHM	9.61	9.01	9.06	8.84	8.5	8.67	8.70	8.58
Minimum yield (%) - EHM	9.13	8.92	8.92	8.67	8.85	8.62	8.64	8.48
Average yield (%) - EHM	9.61	8.98	9.03	8.83	8.92	8.64	8.68	8.55
Average selling price (%)	98.726	97.809	97.797	97.846	96.055	96.484	92.034	92.425
Amount offered for sale (HUF million)	30000.00	35000.00	35000.00	35000.00	30000.00	30000.00	35000.00	35000.00
Amount of bids submitted (HUF million)	62929.28	84568.60	74887.89	85178.06	67679.79	96598.26	85703.13	64613.73
Amount of bids accepted (HUF million)	29999.97	34999.96	34999.94	34999.86	30000.00	30000.00	34999.97	34999.95
Bid-to-cover ratio:	2.10	2.42	2.14	2.43	2.26	3.22	2.45	1.85
Bids submitted (pcs)	88	151	131	155	118	128	164	154
Bids accepted (pcs)	36	81	87	80	41	31	71	115
Market sales* (HUF million)	29999.97	34999.96	34999.94	34999.86	30000.00	30000.00	34999.97	34999.95
Retained on ÁKK's own account (HUF million)	0.03	3500.04	3500.06	3500.14	3000.00	3000.00	10500.03	3500.05
Total amount issued (HUF million)	30000.00	38500.00	38500.00	38500.00	33000.00	33000.00	45500.00	38500.00

* Without issuance onto ÁKK's own account

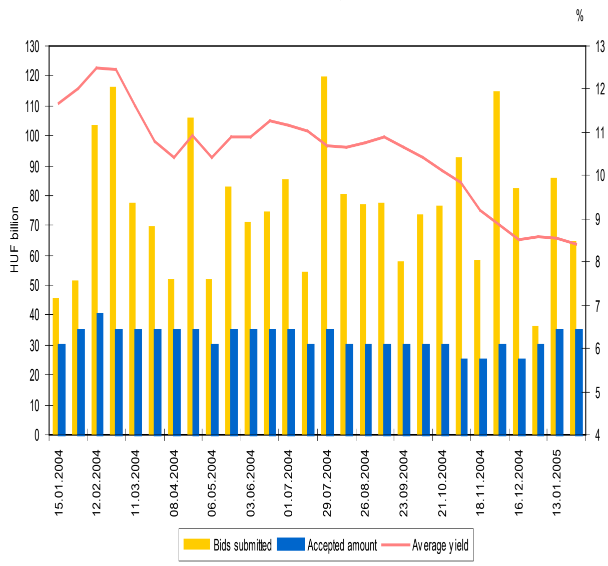
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



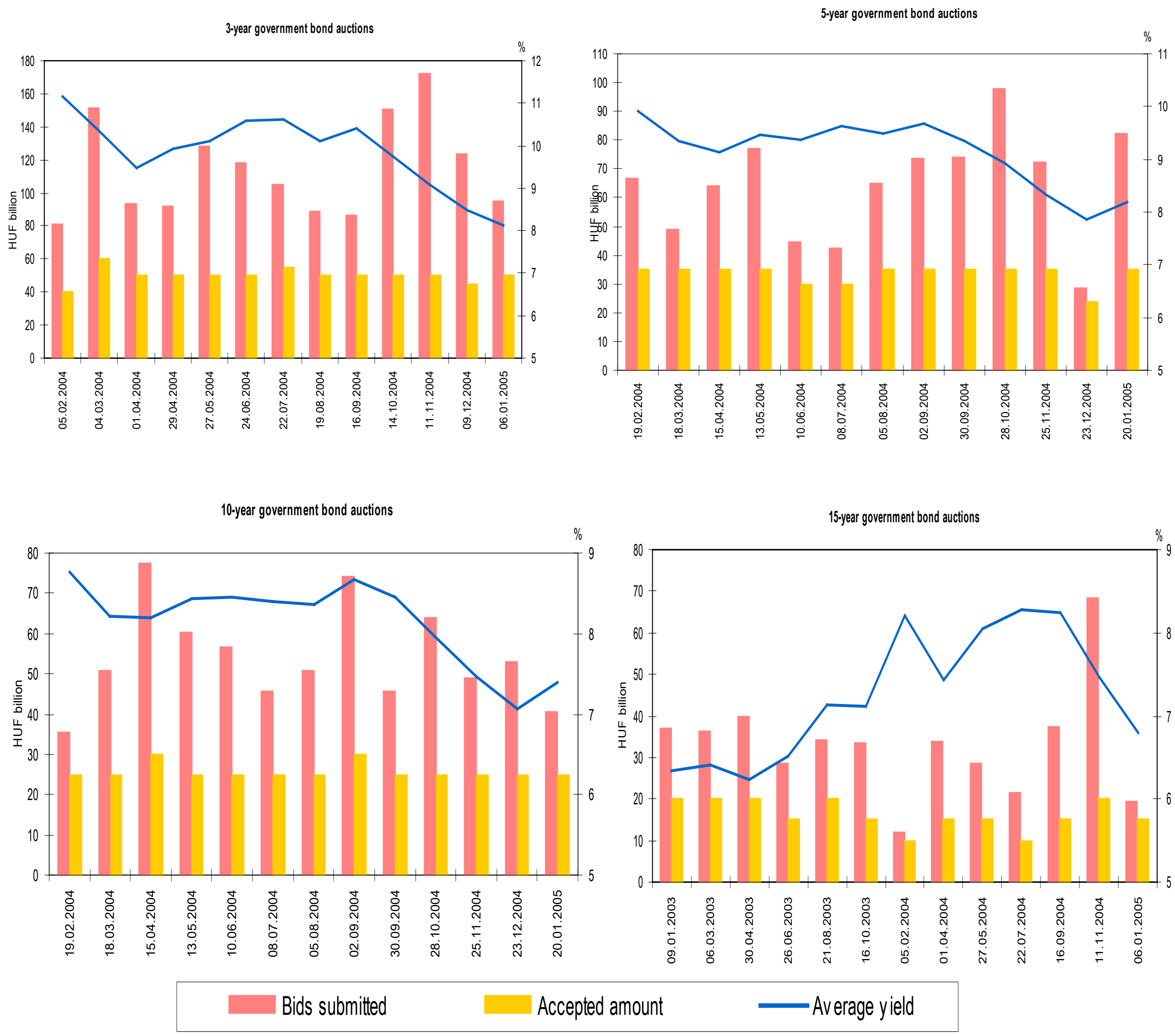
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

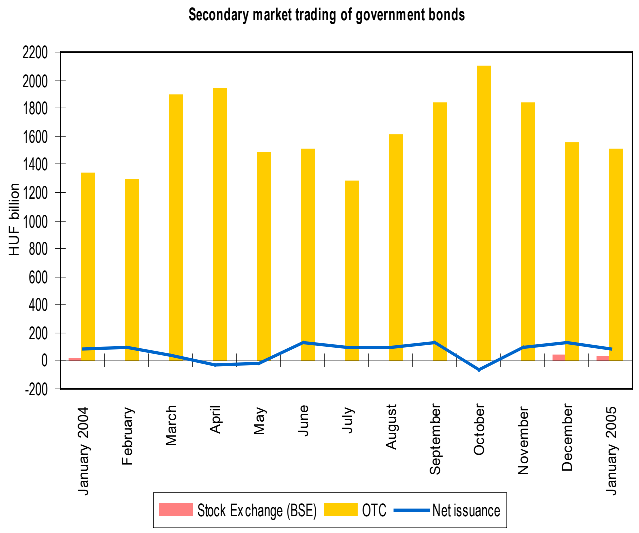
Government Bond	2008/D	2020/A	2009/D	2015/A
ISIN coda	HU0000402276	HU0000402235	HU0000402243	HU0000402268
Maturity (in years)	3	15	5	10
Coupon (%)	7.25%	7.50%	8.25%	8.00%
Auction	7th auction	1st auction	9th auction	8th auction
Date of auction	06.01.2005.	06.01.2005.	20.01.2005.	20.01.2005.
Redemption date	24.04.2008.	12.11.2020.	12.10.2009.	12.02.2015.
Maximum annual year (%) - ISMA	8.14	6.84	8.21	7.41
Minimum annual year (%) - ISMA	8.04	6.68	8.15	7.36
Average annual year (%) - ISMA	8.11	6.80	8.19	7.39
Maximum annual year (%) - EHM	8.13	6.84	8.21	7.41
Minimum annual year (%) - EHM	8.03	6.68	8.15	7.36
Average annual year (%) - EHM	8.11	6.80	8.19	7.39
Maximum price (%)	97.858	107.832	100.312	104.438
Minimum price (%)	97.585	106.230	100.085	104.082
Average price (%)	97.657	106.598	100.149	104.218
Amount offered for sale (HUF million)	50,000.00	15,000.00	35,000.00	25,000.00
Amount of bids submitted (HUF million)	95,205.00	19,297.80	82,450.00	40,369.07
Amount of bids accepted (HUF million)	49,999.94	14,999.98	34,999.93	24,999.95
Bid-to-cover ratio	1.90	1.29	2.36	1.61
Bids submitted (pcs)	185	61	122	71
Bids accepted (pcs)	127	52	73	48
Tail (average price - minimum price)	0.07	0,37	0.06	0.14
Market sales* (HUF million)	49,999.94	14,999.98	34,999.93	24,999.95
Retained on ÁKK's own account (HUF million)	15,000.06	3,000.02	0.07	0.05
Total amount issued (HUF million)	65,000.00	18,000.00	35,000.00	25,000.00

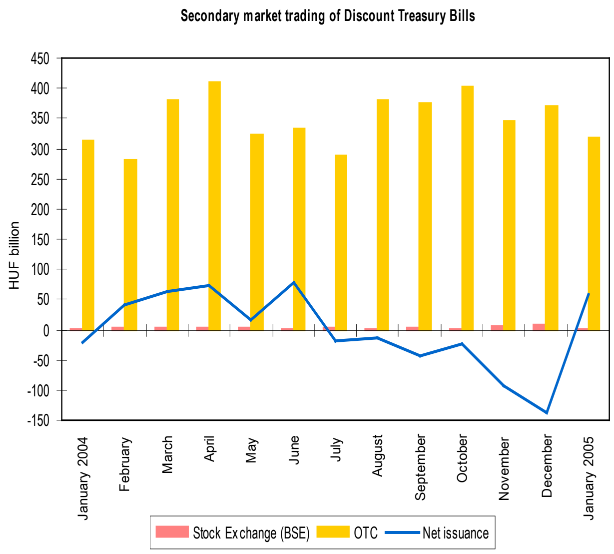
*Without issuance onto ÁKK's own account

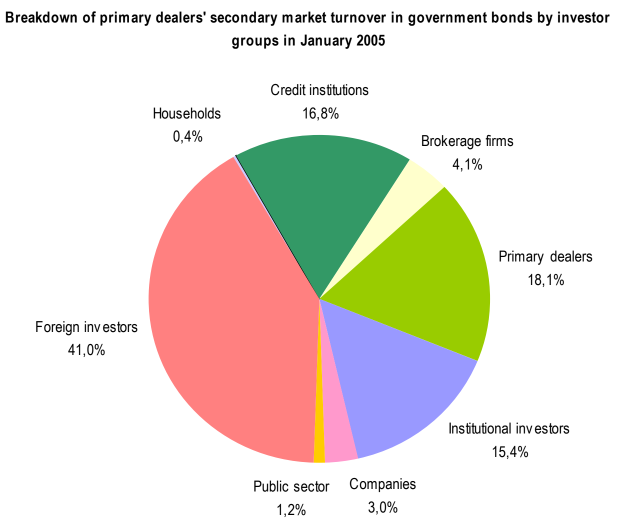


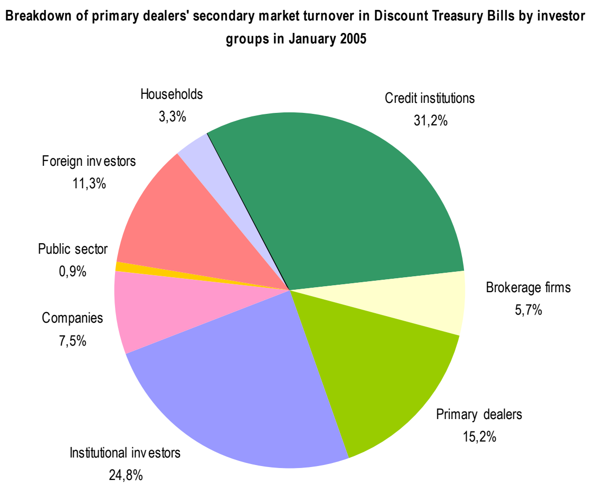
GOVERNMENT BOND REVERSE AUCTION RESULTS

Government bond	2005/E	2005/I	2005/E	2005/I
ISIN code	HU0000401682	HU0000402086	HU0000401682	HU0000402086
Coupon (%)	9.25%	8.50%	9.25%	8.50%
Date of reverse auction	05.01.2005.	05.01.2005.	19.01.2005.	19.01.2005.
Redemption date	12.01.2005.	12.01.2005.	26.01.2005.	26.01.2005.
Date of financial settlement	12.05.2005.	12.10.2005.	12.05.2005.	12.10.2005.
Minimum annual yield (%)	8.99	8.61	9.00	8.66
Average annual yield (%) - ISMA	9.00	8.63	9.01	8.68
Amount of bids submitted (HUF million)	25,923.42	51,336.88	28,792.35	36,790.09
Amount of bids accepted (HUF million)	8,810.94	11,908.48	12,620.16	8,802.94





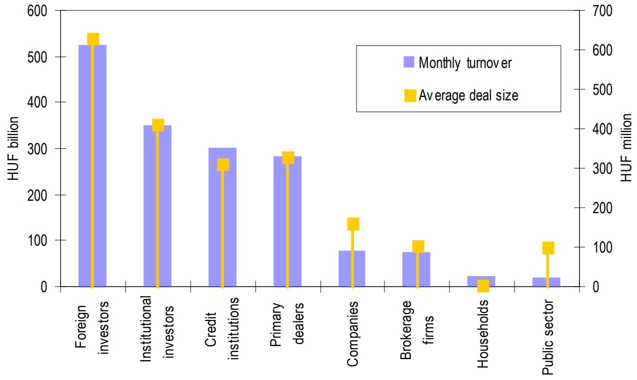




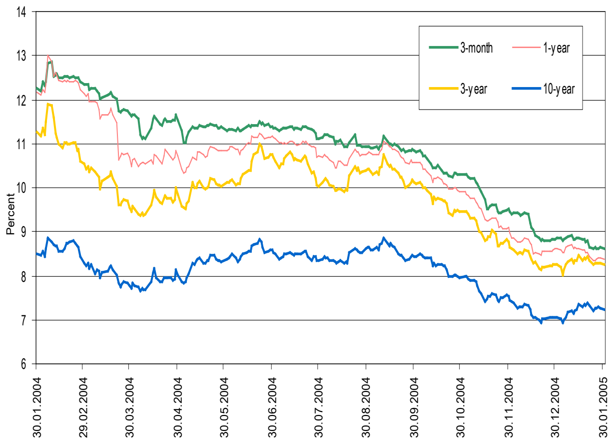
Government securities with the highest secondary market turnover in January 2005

Government security	Date of redemption	Turnover (HUF billion)
2009/D	12.10.2009.	184.2
2014/C	12.02.2014.	132.9
D051123	23.11.2005.	124.4
D050706	06.07.2005.	89.8
2009/C	24.06.2009.	81.7
2007/G	12.10.2007.	78.8
2015/A	12.02.2015.	75.3
2007/F	12.04.2007.	71.8
2006/G	24.08.2006.	62.7
2008/D	24.04.2008.	62.2

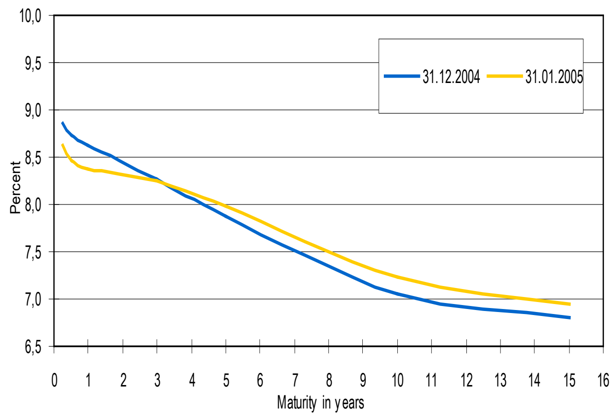
Primary dealers' trading with different investor groups in January 2005



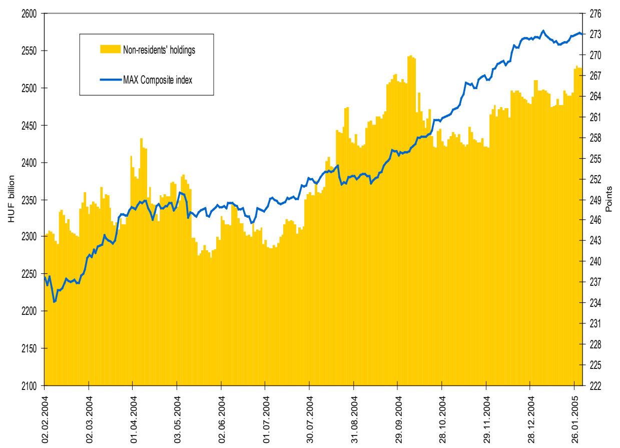
Benchmark yields during the last year



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 January 2005

	HUF billion	
Government bond	31.12.2004.	31.01.2005.
2007/G	353.43	353.53
2009/D	260.17	294.80
2015/A	180.53	205.55
2020/A	85.48	100.36

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 January 2005	276.328	274.957	273.058	277.899
Changes compared to the end of the month before	0.009	2.118	0.446	2.144
Annual yield earned on the index portfolio	15.87%	12.50%	14.99%	11.92%

EVENTS CALENDAR - MARCH 2005

Week 10		1	2	3	4	5	6
		Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3, 6 and 12 - month DKJs				
Discount T-bill auction		D050608					
Discount T-bill auction settlement			D050601/D050831/D060118				
Discount T-bill redemption			D050302				
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill public offer		K2006/06					
Interest Bearing T-bill subscription			K2006/05				
Government Bond auction				3 and 15 -year Bonds			
Government Bond reverse auction			2 Bond series				
Week 11	7	8	9	10	11	12	13
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D050615	D050831	D060316			
Discount T-bill auction settlement			D050608				
Discount T-bill redemption			D050309				
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			K2006/06				
Interest Bearing T-bill redemption			K2005/05				
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 12	14	15	16	17	18	19	20
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3, 6 and 12 -month DKJs				
Discount T-bill auction			D050622				
Discount T-bill auction settlement			D050615				
Discount T-bill redemption			D050316				
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill public offer			K2006/07				
Interest Bearing T-bill subscription				K2006/06			
Government Bond auction				5 and 10 -year Bonds			
Government Bond reverse auction			2 Bond series				
Government Bond interest payment			2005/D				
Government Bond redemption			2005/D				
Week 13	21	22	23	24	25	26	27
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun.
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D050629	D050831	D060316			
Discount T-bill auction settlement			D050622				
Discount T-bill redemption			D050323				
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			K2006/07				
Interest Bearing T-bill redemptiont			K2005/06				
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	2005/A, 2013/A						
Government Bond redemption	2005/A quarterly						
Week 14	28	29	30	31			
	Monday	Tuesday	Wednesday	Thursday			
Discount T-bill public offer			3, 6 and 12 -month DKJs				
Discount T-bill auction		D050706					
Discount T-bill auction settlement			D050629/D050831/D060316				
Discount T-bill redemption			D050330				
Liquidity Discount T-bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill public offer		K2006/08					
Interest Bearing T-bill subscription			K2006/07				
Government Bond auction				3 -year Bond			
Government Bond interest payment				2016/A			
Government Bond redemption				2016/A quarterly			

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 JANUARY 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2006/B	23.01.2005.	24.01.2005.	24.07.2005.	24.01.2006.	9.04	
2006/C	23.01.2005.	24.01.2005.	24.07.2005.	25.07.2005.	9.04	10.36
2008/A	23.01.2005.	24.01.2005.	24.04.2005.	25.04.2005.	8.81	4.95
2016/B	31.12.2004.	02.01.2005.	02.07.2005.	04.07.2005.	9.88	4.97

PRIMARY DEALERS - AS AT 31 JANUARY 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