GOVERNMENT SECURITIES MARKET MONTHLY REPORT

NOVEMBER 2005

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The deficit of the central government amounted to HUF 1197.3 billion in the first eleven months of 2005. The pre-financing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 95.2 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 1291.1 billion (ca. EUR 5.2 billion) was met by a net issuance of HUF 1420.1 billion (ca. EUR 5.7 billion) in the first eleven months of the year, out of which net domestic issuance was HUF 704.4 billion (ca. EUR 2.8 billion) and net foreign exchange issuance totalled HUF 715.7 billion (ca. EUR 2.9 billion).

The HUF denominated debt of the central government increased by HUF 705.8 billion up to the end of November 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 433.0 billion, discount Treasury bills for HUF 321.2 billion. The stock of retail government securities decreased by HUF 44.9 billion, while that of domestic loans by HUF 3.5 billion.

The foreign currency debt of the central government increased by HUF 815.4 billion in the first eleven months of the year. Foreign currency bond issues increased the debt by HUF 974.8 billion, loan draw-downs by HUF 99.4 billion; while the redemptions of foreign exchange bonds amounted to HUF 249.6 billion and that of foreign currency loans reached HUF 108.9 billion. Exchange rate losses of HUF 99.7 billion increased the HUF value of the foreign currency debt compared to the end of last year.

At the end of November 2005, 66.9% of the domestic government securities were fixed rate, 33.1% floating rate securities, compared to 66.7% and 33.4% at the end of 2004, i.e. the proportion of fixed rate securities increased a little in the first eleven months of 2005.

Secondary market yields moved both up and down in November, influenced by expectations about the deficit, the statements of the NBH, expectations about a possible central bank rate hike and also by international effects.

In the secondary market, the 3-month yield decreased by 5 basis points to 6.12%, the 6-month yield also declined by 10 basis points while 12-month yield picked up by 2 basis points compared to the end of October. The 3-year yield increased by 4 basis points and amounted to 6.74%, while the 10-year benchmark yield reached 6.71% at the end of November after a decrease of 4 basis points.

Monthly OTC turnover of government securities was HUF 3330.7 billion in November, the same as in the month before. Primary dealers, who account for the decisive part of all secondary government securities trading, made 49% of their secondary government securities deals with non-resident investors.

The volume of non-resident holdings of Hungarian government securities increased altogether by HUF 36.6 billion in November and amounted to HUF 2601.5 billion at the end of the month. This volume represented 29.8% 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 252.56 at the end of November 2005.

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

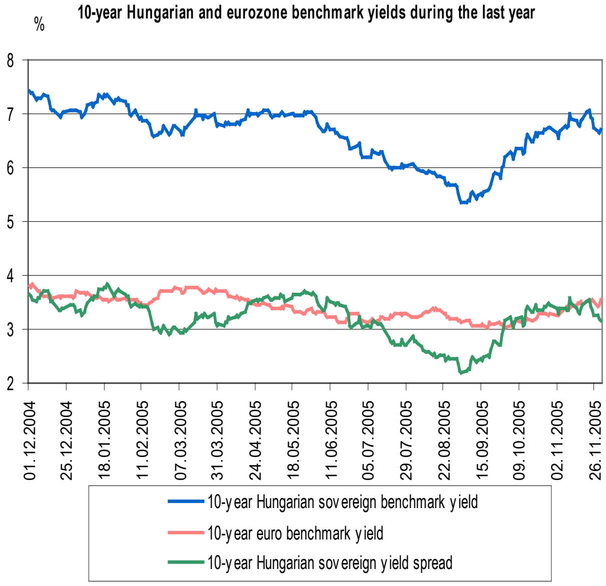
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

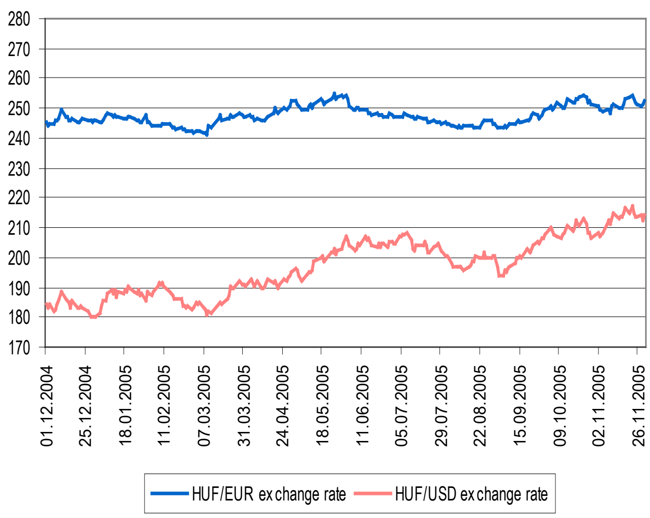
	1999	2000	2001	2002	2003	2004	Sept 2005	Oct 2005	Nov 2005
1. Forint denominated debt	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	9,024.6	9,061.1	9,314.6
1.1. Loans	380.2	303.8	228.3	353.2	117.9	4.7	1.1	1.1	1.1
1.1.1. Foreign loans	0.0	0.0	0.0	1.7	1.4	1.1	1.1	1.1	1.1
1.1.2. Domestic loans	380.2	303.8	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. 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	9,023.4	9,060.0	9,313.5
1.2.1. Public issues	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,284.7	8,321.3	8,574.8
1.2.1.1. Bonds	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	6,074.7	6,037.4	6,206.8
1.2.1.2. Discount T-bills	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,605.1	1,689.9	1,784.5
1.2.1.3. Retail securities	499.3	523.3	544.7	560.3	533.5	628.4	604.9	594.1	583.5
1.2.2. Private placements	853.2	831.3	809.1	777.4	759.3	743.6	738.7	738.7	738.7
2. Foreign currency denominated debt*	2,536.2	2,508.8	2,322.1	2,267.3	2,579.0	2,983.5	3,797.7	3,826.2	3,798.9
2.1. Loans	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	838.5	849.8	930.8
2.1.1. Foreign loans	361.2	368.8	317.8	461.9	598.8	528.9	521.0	530.4	619.9
2.1.2. Domestic loans	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	317.5	319.4	310.9
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	285.6	287.3	289.0
2.1.2.2. Other loans	0.0	0.0	0.0	82.8	18.8	32.2	31.9	32.1	21.9
2.2. Government securities	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,959.2	2,976.4	2,868.1
2.2.1. Issued abroad	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,959.2	2,976.4	2,868.1
2.2.1.1. Foreign currency bonds	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,959.1	2,976.3	2,868.1
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	12,822.2	12,887.3	13,113.5
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*	*8,418.5*	*8,465.9*	*8,730.0*
Gross debt/GDP	*60.4%*	*54.4%*	*51.5%*	*54.5%*	*56.8%*	*56.8%*			

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

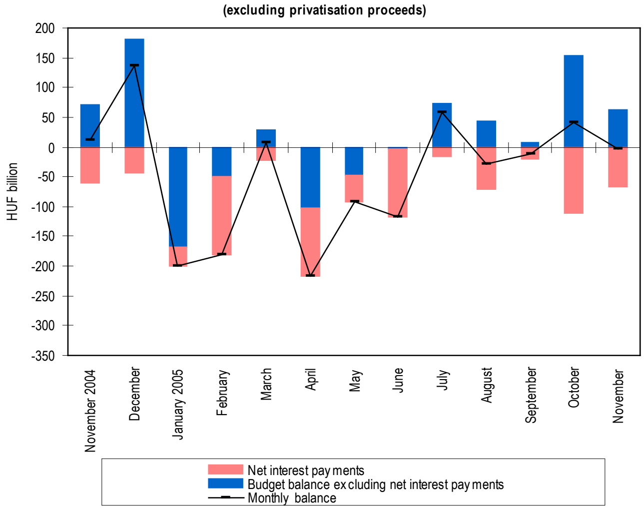
10-year Hungarian and eurozone benchmark yields during the last year



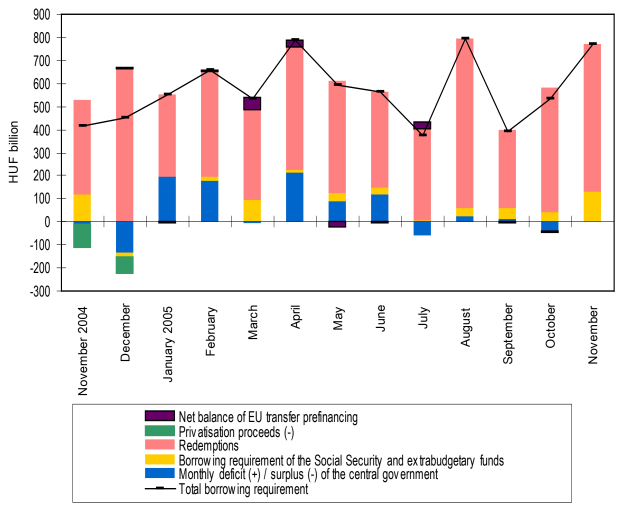
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

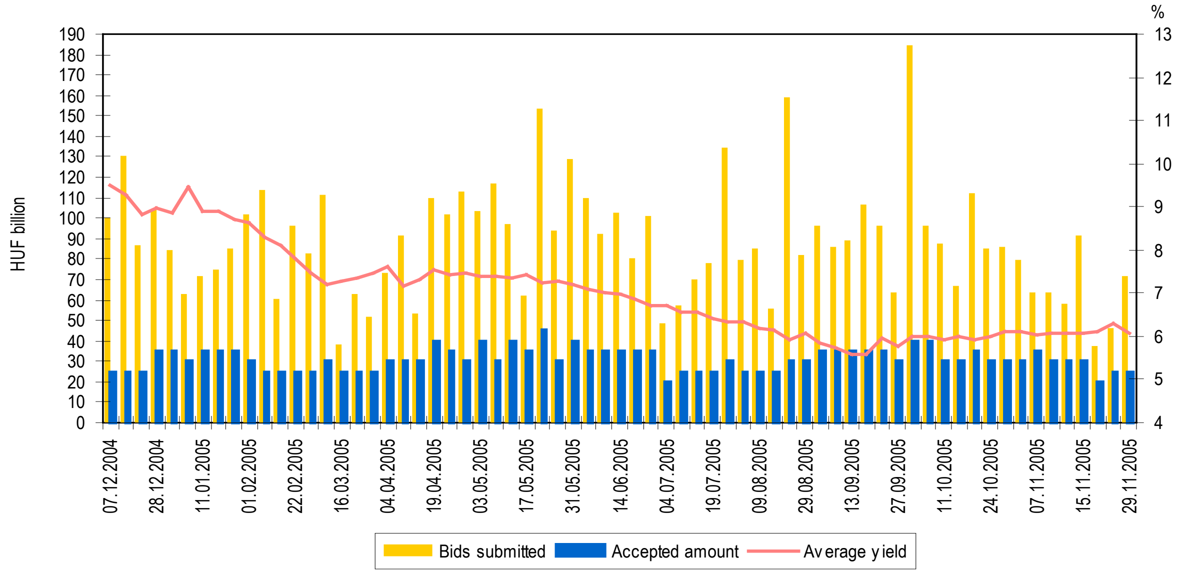


DISCOUNT TREASURY BILL AUCTION RESULTS

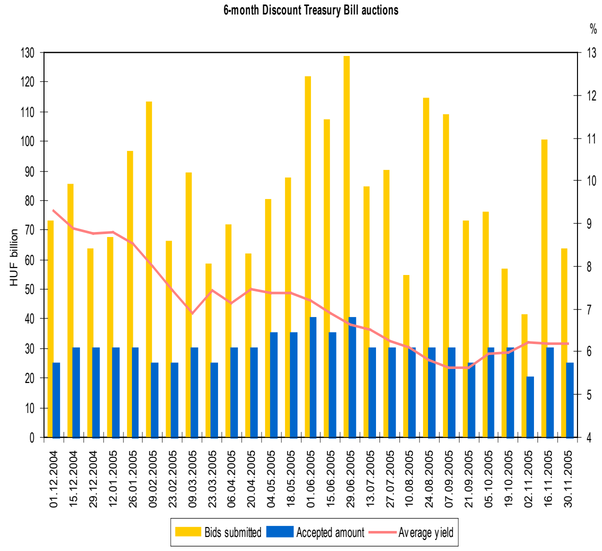
	Liquidity Discount T-bills			3-month Discount T-bills					6-month Discount T-bills			12-month Discount T-bills	
Code of T-bills	D051228	D051228	D051228	D060208	D060215	D060222	D060301	D060308	D060412	D060607	D0600607	D061025	D061025
ISIN code	HU0000515457	HU0000515457	HU0000515457	HU0000515523	HU0000515382	HU0000515531	HU0000515556	HU0000515564	HU0000515465	HU0000515549	HU0000515549	HU0000515507	HU0000515507
Maturity in days	49	42	35	91	91	91	91	91	154	196	182	350	336
Date of auction	17.11.2005	14.11.2005	21.11.2005	02.11.2005	08.11.2005	15.11.2005	22.11.2005	29.11.2005	02.11.2005	16.11.2005	30.11.2005	03.11.2005	17.11.2005
Date of financial settlement	09.11.2005	16.11.2005	23.11.2005	09.11.2005	16.11.2005	23.11.2005	30.11.2005	07.12.2005	09.11.2005	23.11.2005	07.12.2005	09.11.2005	23.11.2005
Redemption date	28.12.2005	28.12.2005	28.12.2005	08.02.2006	15.02.2006	22.02.2006	01.03.2006	08.03.2006	12.04.2006	07.06.2006	07.06.2006	25.10.2006	25.10.2006
Maximum yield (%) - ISMA	6.06	6.06	6.14	6.12	6.10	6.08	6.34	6.08	6.24	6.21	6.24	6.40	6.46
Minimum yield (%) - ISMA	6.02	6.05	6.05	6.05	5.95	6.00	5.95	6.03	6.16	6.05	6.10	6.37	6.15
Average yield (%) - ISMA	6.05	6.06	6.12	6.10	6.09	6.07	6.31	6.06	6.22	6.20	6.20	6.39	6.44
Maximum yield (%) - EHM	6.14	6.14	6.23	6.20	6.18	6.16	6.43	6.16	6.33	6.30	6.33	6.49	6.55
Minimum yield (%) - EHM	6.10	6.13	6.13	6.13	6.03	6.08	6.03	6.11	6.25	6.13	6.18	6.46	6.24
Average yield (%) - EHM	6.13	6.14	6.20	6.18	6.17	6.15	6.40	6.14	6.31	6.29	6.29	6.48	6.53
Average selling price (%)	99.1833	99.2980	99.4085	98.4815	98.4839	98.4888	98.4300	98.4913	97.4082	96.7347	96.9608	94.1509	94.3301
Amount offered for sale (HUF million)	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	25,000.00	25,000.00	30,000.00	30,000.00	25,000.00	35,000.00	35,000.00
Amount of bids submitted (HUF million)	63,514.50	58,187.45	37,066.00	79,196.93	63,452.00	91,262.19	46,444.26	71,470.22	41,482.17	100552.14	63,752.53	136200.00	85,646.50
Amount of bids accepted (HUF million)	34,999.94	30,000.00	19,999.97	29,999.98	29,999.93	29,999.89	24,999.97	25,000.00	19,999.97	29,999.88	24,999.99	44,999.90	34,999.94
Bid-to-cover ratio	1.81	1.94	1.85	2.64	2.12	3.04	1.86	2.86	2.07	3.35	2.55	3.03	2.45
Bids submitted (pcs)	64	34	49	110	117	126	85	87	67	160	107	130	145
Bids accepted (pcs)	38	8	33	62	87	70	68	42	39	71	25	68	74
Market sales* (HUF million)	34,999.94	30,000.00	19,999.97	29,999.98	29,999.93	29,999.89	24,999.97	25,000.00	19,999.97	29,999.88	24,999.99	44,999.90	34,999.94
Retained on ÁKK's own account (HUF million)	0.06	0.00	0.03	3,000.02	3,000.07	3,000.11	2,500.03	2,500.00	2,000.03	9,000.12	2,500.01	4,500.10	3,500.06
Total amount issued (HUF million)	35,000.00	30,000.00	20,000.00	33,000.00	33,000.00	33,000.00	27,500.00	27,500.00	22,000.00	39,000.00	27,500.00	49,500.00	38,500.00

* Without issuance onto ÁKK's own account

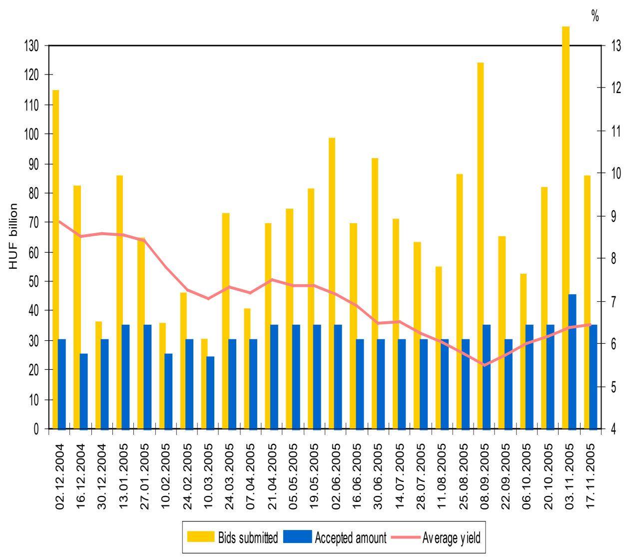
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions

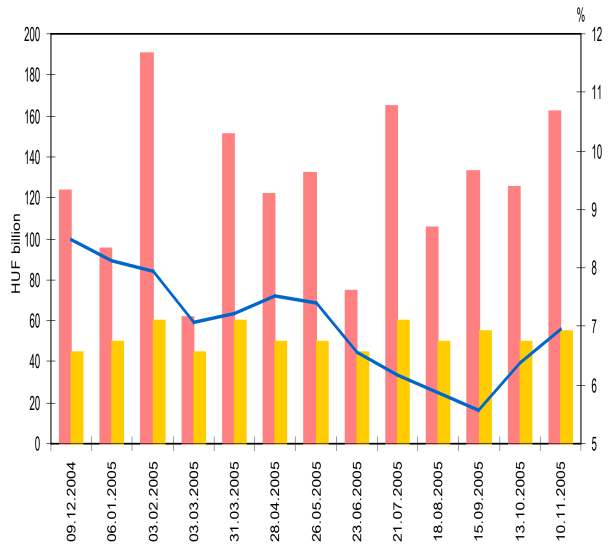


GOVERNMENT BOND AUCTION RESULTS

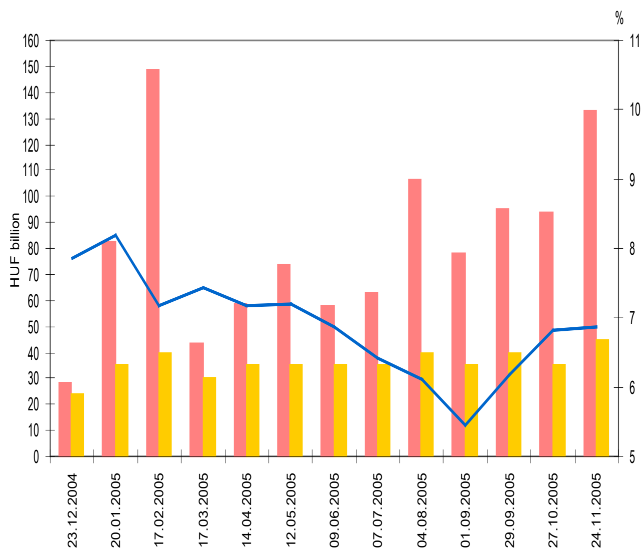
Government Bond	2008/E	2010/B	2016/C
ISIN code	HU0000402300	HU0000402292	HU0000402318
Maturity (in years)	3	5	10
Coupon (%)	6.50%	6.75%	5.50%
Auction	6th auction	9th auction	3rd auction
Date of auction	10.11.2005	24.11.2005	24.11.2005
Date of financial settlement	16.11.2005	30.11.2005	30.11.2005
Redemption date	12.08.2008	12.10.2010	12.02.2016
Maximum annual yield (%) - ISMA	6.96	6.88	6.88
Minimum annual yield (%) - ISMA	6.25	6.84	6.78
Average annual yield (%) - ISMA	6.94	6.86	6.83
Maximum annual yield (%) - EHM	6.95	6.88	6.88
Minimum annual yield (%) - EHM	6.24	6.84	6.78
Average annual yield (%) - EHM	6.94	6.86	6.82
Maximum price (%)	100.5359	99.6121	90.8068
Minimum price (%)	98.8049	99.4515	90.1341
Average price (%)	98.8471	99.5179	90.4855
Amount offered for sale (HUF million)	50,000.00	35,000.00	25,000.00
Amount of bids submitted (HUF million)	162,356.65	132,875.00	39,732.34
Amount of bids accepted (HUF million)	54,999.92	44,999.94	25,000.00
Bid-to-cover ratio	2.95	2.95	1.59
Bids submitted (pcs)	143	101	52
Bids accepted (pcs)	61	41	33
Tail (average price - minimum price)	0.04	0.07	0.35
Market sales* (HUF million)	54,999.92	44,999.94	25,000.00
Retained on ÁKK's own account (HUF million)	0.08	0.06	5,000.00
Total amount issued (HUF million)	55,000.00	45,000.00	30,000.00

*Without issuance onto ÁKK's own account

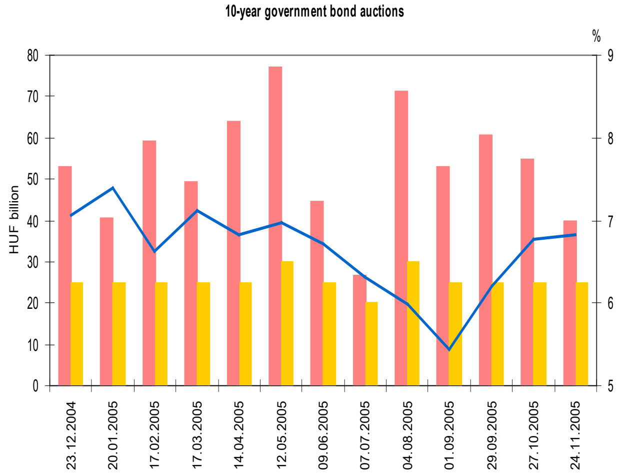
3-year government bond auctions



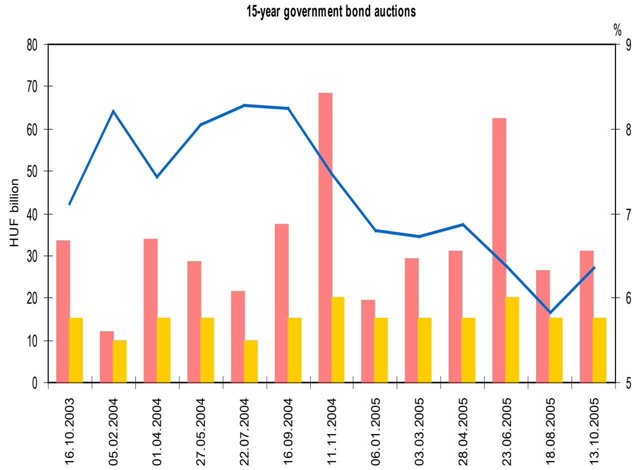
5-year government bond auctions



10-year government bond auctions



15-year government bond auctions

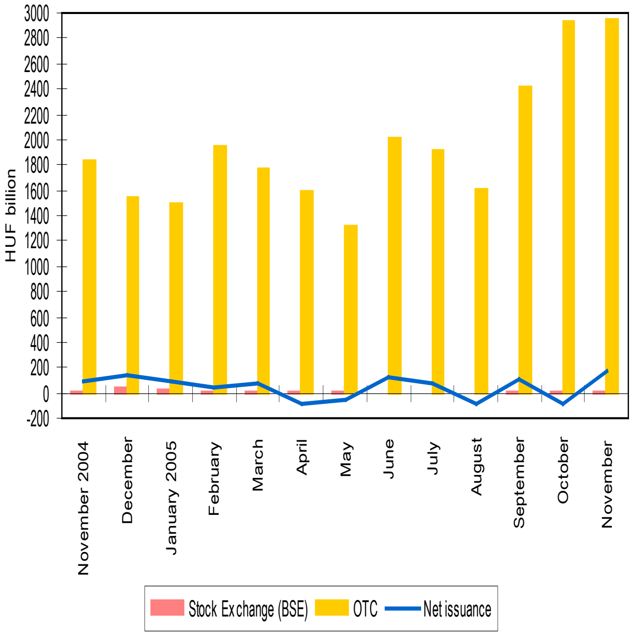


Bids submitted · Accepted amount · Average yield

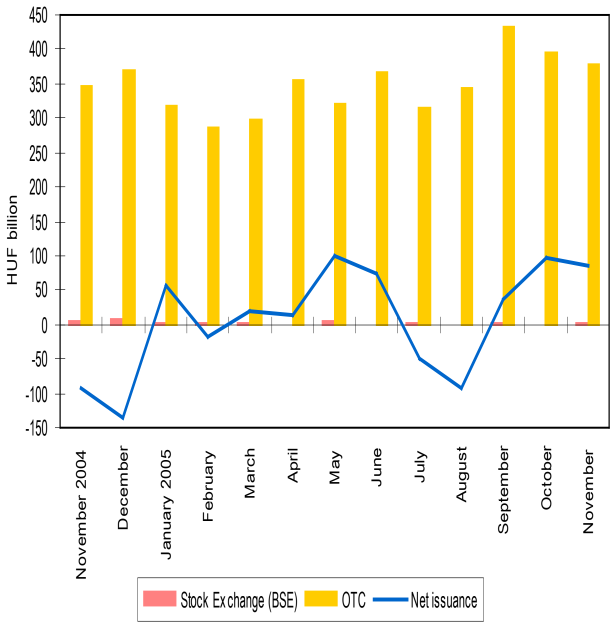
GOVERNMENT BOND BUY-BACK AUCTION RESULTS

Government bond	2006/E	2006/F	2006/E	2006/F
ISIN code	HU0000401963	HU0000402094	HU0000401963	HU0000402094
Coupon (%)	8.50%	7.00%	8.50%	7.00%
Date of reverse auction	09.11.2005	09.11.2005	23.11.2005	23.11.2005
Date of financial settlement	16.11.2005	16.11.2005	30.11.2005	30.11.2005
Redemption date	12.05.2006	12.04.2006	12.05.2006	12.04.2006
Minimum annual yield (%)	-	6.30	-	6.48
Average annual yield (%) - ISMA	-	6.02	-	6.49
Amount of bids submitted (HUF million)	8,179.22	12,845.80	15,099.86	13,867.06
Amount of bids accepted (HUF million)	0.00	6,045.80	0.00	3,870.67

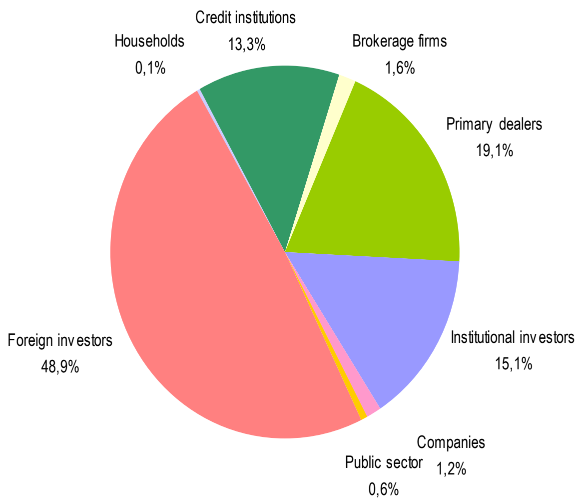
Secondary market trading of government bonds



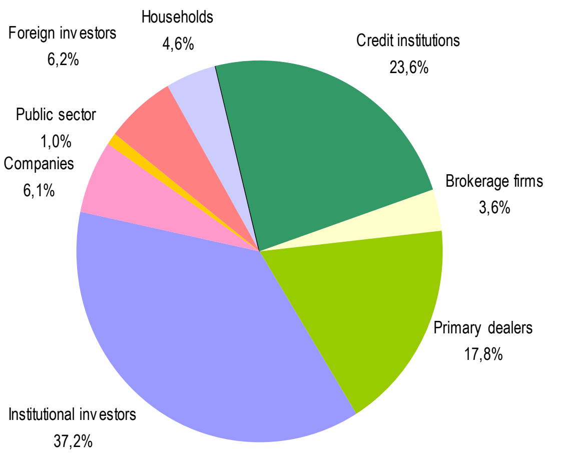
Secondary market trading of Discount Treasury Bills



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



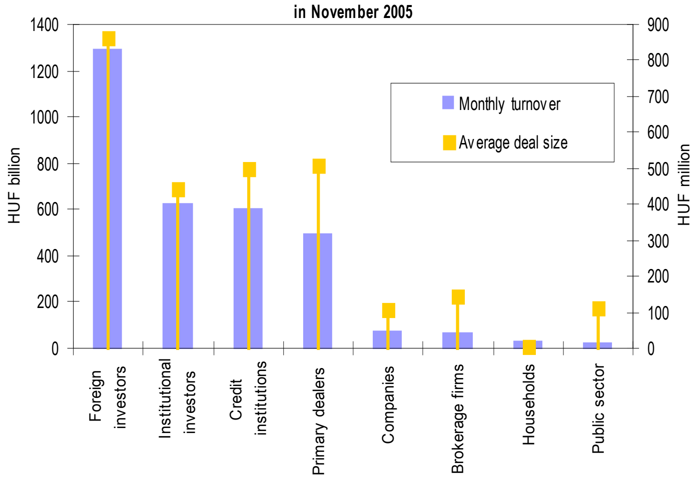
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in November 2005



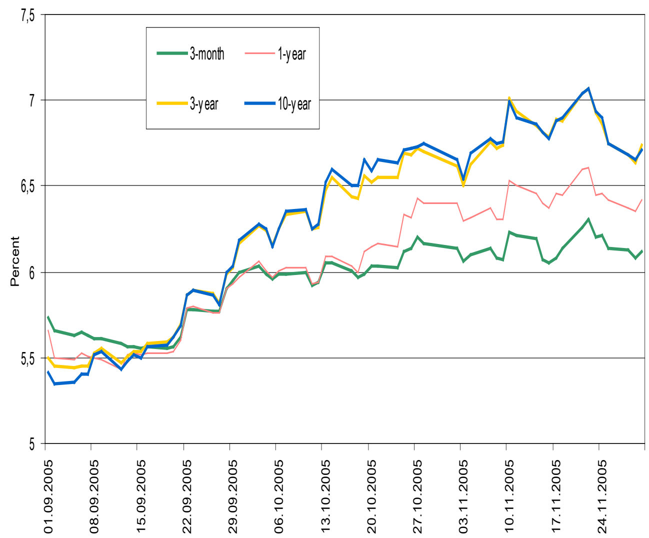
Government securities with the highest secondary market turnover in November 2005

Government security	Date of redemption	Turnover (HUF billion)
2010/B	12.10.2010	623.1
2008/E	12.08.2008	455.7
2015/A	12.02.2015	226.3
D061025	25.10.2006	192.1
2007/G	12.10.2007	144.9
2014/C	12.02.2014	125.1
2006/G	24.08.2006	99.3
2008/C	12.06.2008	93.3
D051228	28.12.2005	86.6
2016/C	12.02.2016	82.2

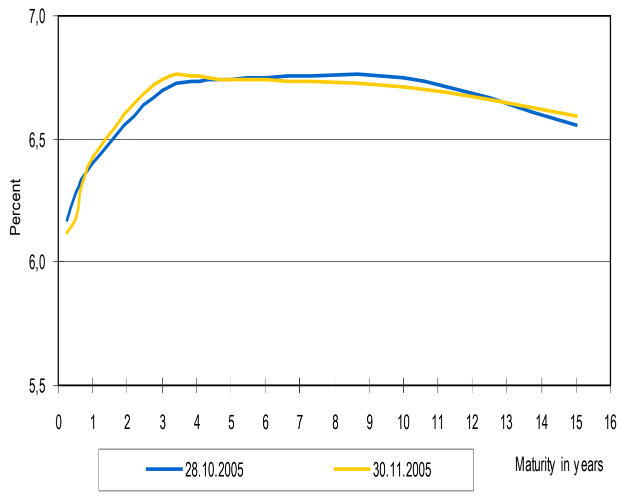
Primary dealers' trading with different investor groups in November 2005



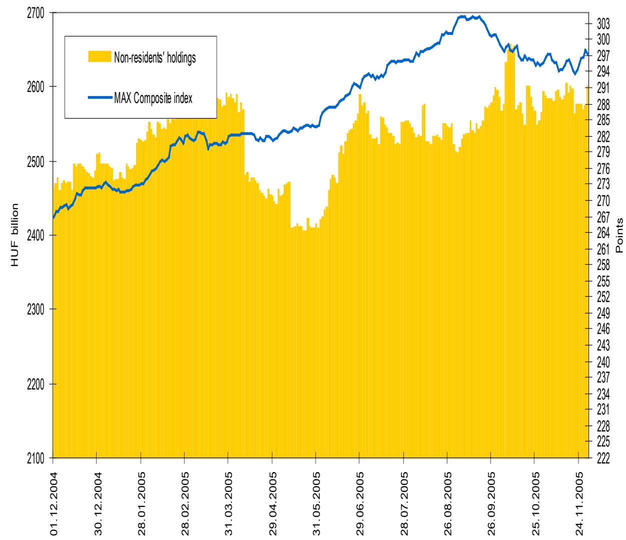
Benchmark yields in the past three months



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 November 2005

	HUF billion	
Government bond	31.10.2005	30.11.2005
2008/E	261.41	317.24
2010/B	255.61	336.71
2016/C	25.35	75.37
2020/A	181.52	181.59

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 November 2005	302.0024	293.8233	297.1460	295.1305
Changes compared to the end of the month before	1.8422	1.5228	1.7244	1.4647
Annual yield earned on the index portfolio	12.39%	8.83%	11.58%	8.01%

EVENTS CALENDAR - JANUARY 2006

Week 2	2	3	4	5	6	7	8
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D060412					
Discount T-bill auction settlement			D060405/D060607/D061220				
Discount T-bill redemption			D060104				
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			K2007/01				
Interest Bearing T-bill public offer		K2007/02					
Government Bond auction				3 -year Bond			
Government Bond interest payment	2016/B						
Government Bond redemption	2016/B		2 Bond series				
Week 3	**9**	**10**	**11**	**12**	**13**	**14**	**15**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D060419	D060802	D061220			
Discount T-bill auction settlement			D060412				
Discount T-bill redemption			D060111				
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			K2006/01				
Interest Bearing T-bill subscription			K2007/02				
Government Bond public offer				5 and 10-year Bonds			
Government Bond auction settlement			3 -year Bond				
Week 4	**16**	**17**	**18**	**19**	**20**	**21**	**22**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D060426					
Discount T-bill auction settlement			D060419/D060802/D061220				
Discount T-bill redemption			D060118				
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			K2007/02				
Interest Bearing T-bill public offer		K2007/03					
Government Bond auction				5 and 10-year Bonds			
Week 5	**23**	**24**	**25**	**26**	**27**	**28**	**29**
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D060503	D060802	D061220			
Discount T-bill auction settlement			D060426				
Discount T-bill redemption			D060125				
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			K2006/02				
Interest Bearing T-bill subscription			K2007/03				
Government Bond auction settlement			5 and 10-year Bonds				
Government Bond public offer				3 and 15-year Bonds			
Government Bond interest payment		2006/B					
Government Bond redemption		2006/B					
Week 6	**30**	**31**					
	Monday	**Tuesday**					
Discount T-bill auction		D060510					
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		K2007/04					
Interest Bearing T-bill subscription	K2007/03						
Government Bond buyback auction		Gas utility Bonds					

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 NOVEMBER 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2014/A	28.10.2005	02.11.2005	02.06.2006	02.05.2006	6.50	3.27

PRIMARY DEALERS - AS AT 30 NOVEMBER 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