GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

JULY 2004

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In the first seven months of 2004 the deficit of the central budget amounted to HUF 1072.2 billion, including the sum of debt assumptions. This net borrowing requirement was met by a total net issuance of HUF 1198.4 billion (ca. EUR 4.8 billion, including loan assumptions) in the first seven months of the year, out of which net domestic issuance was HUF 676.6 billion (ca. EUR 2.7 billion) and net foreign exchange issuance HUF 521.9 billion (ca. EUR 2.1 billion).

Until the end of July the Forint denominated debt of the central government increased by HUF 676.4 billion in 2004. Out of this increase government bonds accounted for HUF 381.1 billion, discount Treasury bills for HUF 233.9 billion and retail government securities for HUF 77.8 billion. The volume of domestic loans decreased by HUF 16.4 billion.

The foreign currency debt of the central government showed an increase of HUF 366.9 billion in the first seven months of the year. Foreign exchange bond issuance contributed by HUF 546.6 billion, loan drawdowns and assumptions by HUF 119.1 billion to this growth of debt. On the other hand, bond redemptions worth HUF 127.0 billion, loan redemptions amounting to HUF 16.8 billion and exchange rate gains of HUF 154.9 billion decreased the Forint value of the foreign currency debt. Out of the HUF 521.9 billion (ca. EUR 2.1 billion) total net foreign currency issuance, market transactions accounted for HUF 417.9 billion (ca. EUR 1.7 billion), the remaining HUF 104.0 billion was the balance of loan transactions.

At the end of July 2004 63.0% of the domestic government securities were fixed rate, 37.0% floating rate securities, compared to 62.6% and 37.4% at the end of 2003.

Secondary market benchmark yields fell on all maturities in July, primarily due to expectations of a central bank rate-cut. The 3-year yield showed the largest decrease, falling to 10.04% by 71 basis points, the 1-year yield decreased to 10.72% by 44 basis points, while the 10-year benchmark yield reached 8.36% at the end of July after declining by 22 basis points. In July 2004 two new bond series gained benchmark status: the bond marked 2007/G took the place of the 2007/F and the 2009/D that of the 2009/C.

Monthly OTC turnover of government securities was lower in July than in the previous month, it decreased from HUF 1839 billion to HUF 1570 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made almost 42% of their secondary government securities deals with non-resident investors.

In contrast to the stagnation in June, the volume of non-residents' holdings of Hungarian government securities grew by HUF 69.3 billion to HUF 2358.7 billion in July, which volume represented 29.6% of the total amount of domestic government bonds and discount Treasury bills at the end of the month.

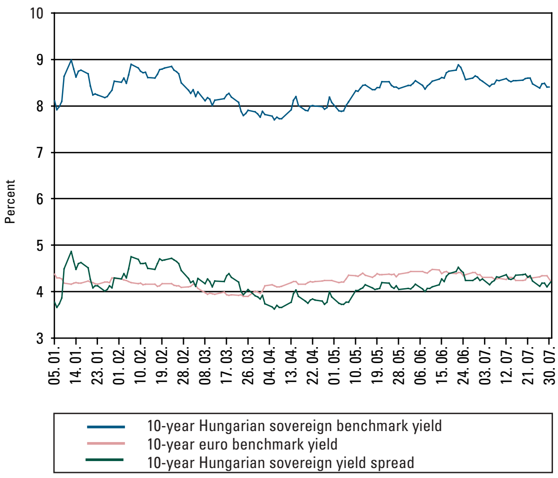
The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows: A- / A1 / A-

CENTRAL GOVERNMENT GROSS DEBT

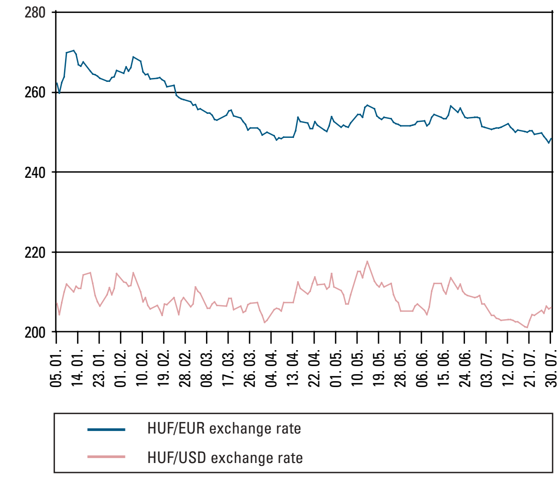
	1998	1999	2000	2001	2002	2003	May 2004	June 2004	July 2004
1. Forint denominated debt	**3,733.9**	**4,350.2**	**4,717.5**	**5,397.4**	**6,956.9**	**8,008.7**	**8,402.9**	**8,619.0**	**8,685.1**
1.1. Loans	435.0	380.2	303.8	228.3	353.2	117.9	99.9	102.3	101.5
1.1.1. Foreign loans	0.0	0.0	0.0	0.0	1.7	1.4	1.4	1.4	1.4
1.1.2. Domestic loans	435.0	380.2	303.8	228.3	351.5	116.5	98.5	100.8	100.1
1.1.2.1. Raised from National Bank of Hungary (NBH)	434.9	362.4	289.5	217.4	144.0	71.2	55.2	46.1	46.1
1.1.2.2. Other loans	0.1	17.8	14.3	10.9	207.5	45.3	43.2	54.7	54.0
1.2. Government securities	3,299.0	3,970.0	4,413.6	5,169.1	6,603.7	7,890.8	8,303.0	8,516.7	8,583.6
1.2.1. Public issues	2,432.8	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,547.9	7,762.5	7,831.3
1.2.1.1. Bonds	1,386.5	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,222.0	5,360.7	5,444.7
1.2.1.2. Discount T-bills	689.9	826.7	837.9	1,033.3	1,436.8	1,541.4	1,717.0	1,795.0	1,775.3
1.2.1.3. Retail securities	356.5	499.3	523.3	544.7	560.3	533.5	609.0	606.7	611.3
1.2.2. Private placements	866.1	853.2	831.3	809.1	777.4	759.3	755.1	754.2	752.3
2. Foreign currency denominated debt*	**2,431.9**	**2,536.2**	**2,508.8**	**2,322.1**	**2,267.3**	**2,579.0**	**2,919.7**	**2,922.3**	**2,945.9**
2.1. Loans	2,367.8	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	1,046.3	1,066.5	1,128.9
2.1.1. Foreign loans	249.6	361.2	368.8	317.8	461.9	598.8	582.9	583.8	656.3
2.1.2. Domestic loans	2,118.2	1,568.4	1,404.0	1,092.6	932.3	485.3	463.4	482.7	472.6
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	445.4	448.9	439.5
2.1.2.2. Other loans	0.0	0.0	0.0	0.0	82.8	18.8	18.0	33.9	33.2
2.2. Government securities	64.0	606.7	736.0	911.7	873.0	1,494.9	1,873.4	1,855.9	1,817.0
2.2.1. Issued abroad	44.4	587.1	715.7	911.7	873.0	1,494.9	1,873.4	1,855.9	1,817.0
2.2.1.1. Foreign currency bonds	43.8	586.8	715.4	911.5	872.9	1,494.7	1,873.3	1,855.8	1,816.9
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**	**11,322.6**	**11,541.3**	**11,631.0**
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*	*7,694.1*	*7,910.0*	*7,972.3*
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.

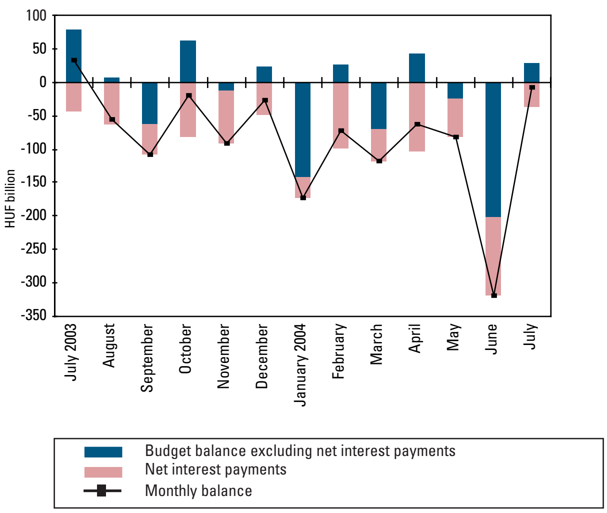
10-year Hungarian and eurozone benchmark yields in 2004



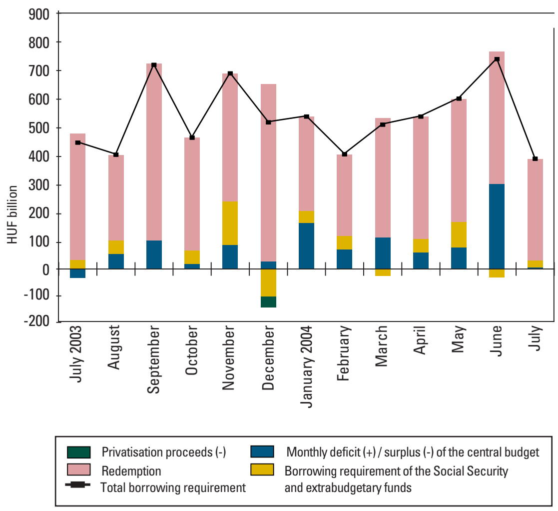
The exchange rate of the Hungarian Forint in 2004



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



Gross borrowing requirement

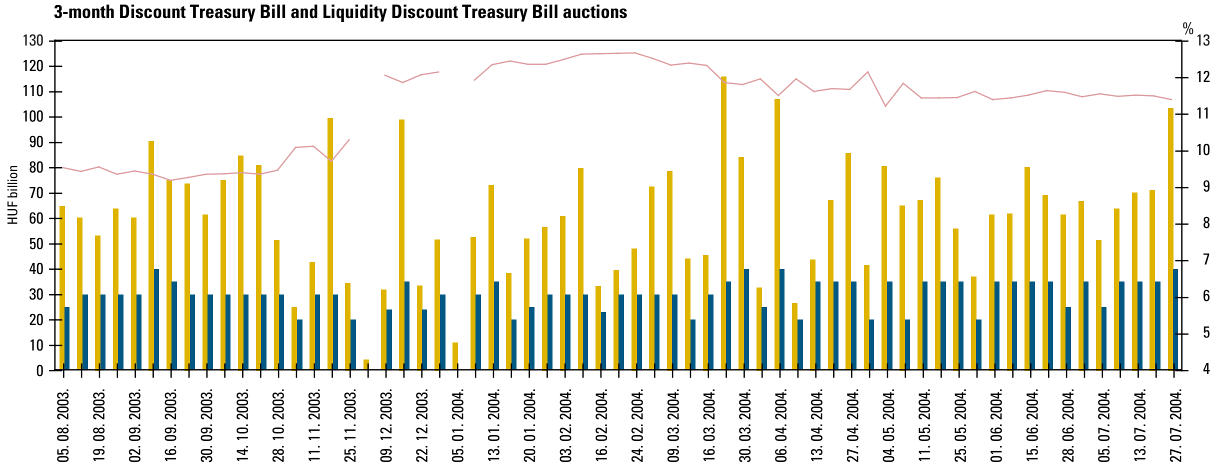


DISCOUNT TREASURY BILL AUCTION RESULTS

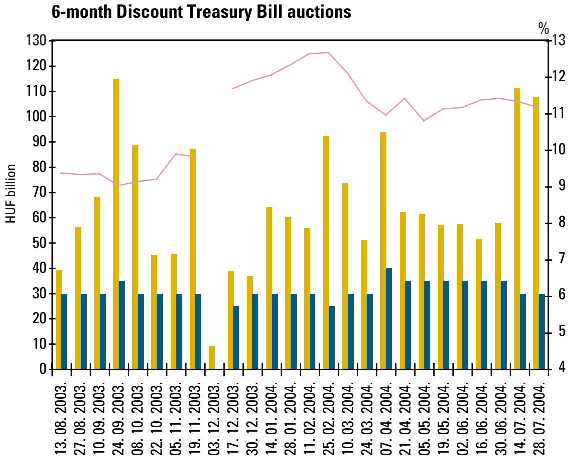
	Liquidity Discount T-bills	3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills		
Code of T-bill	D040818	D041013	D041020	D041027	D041103	D050119	D050119	D050608	D050608	D050803
Maturity in days	42	91	91	91	91	182	168	336	322	364
Date of auction	05.07.2004	06.07.2004	13.07.2004	20.07.2004	27.07.2004	14.07.2004	28.07.2004	01.07.2004	15.07.2004	29.07.2004
Date of financial settlement	07.07.2004	14.07.2004	21.07.2004	28.07.2004	04.08.2004	21.07.2004	04.08.2004	07.07.2004	21.07.2004	04.08.2004
Redemption date	18.08.2004	13.10.2004	20.10.2004	27.10.2004	03.11.2004	19.01.2005	19.01.2005	08.06.2005	08.06.2005	03.08.2005
Maximum yield (%) - ISMA	11.56	11.48	11.51	11.49	11.38	11.31	11.16	11.20	11.08	10.72
Average yield (%) - ISMA	11.40	11.25	11.25	11.30	11.20	11.20	11.05	10.80	10.90	10.63
Minimum yield (%) - ISMA	11.52	11.45	11.48	11.46	11.36	11.29	11.12	11.17	11.02	10.70
Maximum yield (%) - EHM	11.72	11.64	11.67	11.65	11.54	11.47	11.32	11.36	11.23	10.87
Average yield (%) - EHM	11.56	11.41	11.41	11.46	11.36	11.36	11.20	10.95	11.05	10.78
Minimum yield (%) - EHM	11.68	11.61	11.64	11.62	11.52	11.45	11.27	11.33	11.17	10.85
Average selling price (%)	98.6738	97.1871	97.1799	97.1847	97.2086	94.6005	95.0667	90.5589	91.0276	90.2373
Amount offered for sale (HUF million)	25000.00	35000.00	35000.00	35000.00	35000.00	30000.00	30000.00	35000.00	30000.00	30000.00
Amount of bids submitted (HUF million)	51478.51	63826.50	70273.39	71208.60	103509.57	111331.76	107785.18	85429.35	54326.49	119916.89
Amount of bids accepted (HUF million)	24999.99	34999.86	34999.95	34999.90	39999.91	29999.93	30000.00	34999.84	29999.99	34999.90
Bid-to-cover ratio	2.06	1.82	2.01	2.03	2.59	3.71	3.59	2.44	1.81	3.43
Bids submitted (pcs)	91	158	146	147	164	157	178	155	144	189
Bids accepted (pcs)	71	103	92	91	92	46	51	81	109	69
Market sales* (HUF million)	24999.99	34999.86	34999.95	34999.90	39999.91	29999.93	30000.00	34999.84	29999.99	34999.90
Retained on ÁKK's own account (HUF million)	0.01	3500.14	3500.05	3500.10	4000.09	3000.07	3000.00	3500.16	3000.01	10500.10
Total amount issued (HUF million)	25000.00	38500.00	38500.00	38500.00	44000.00	33000.00	33000.00	38500.00	33000.00	45500.00

* Without issuance onto ÁKK's own account

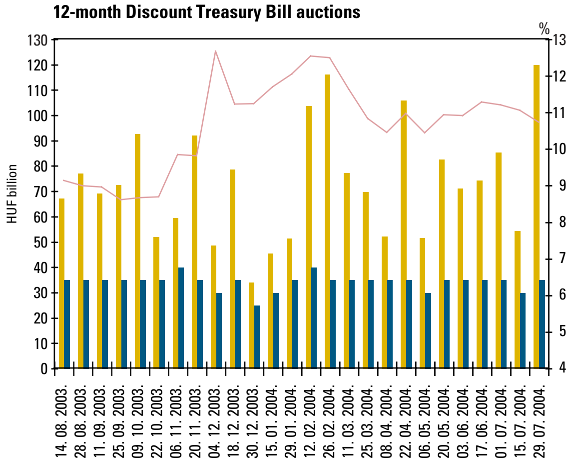
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



12-month Discount Treasury Bill auctions



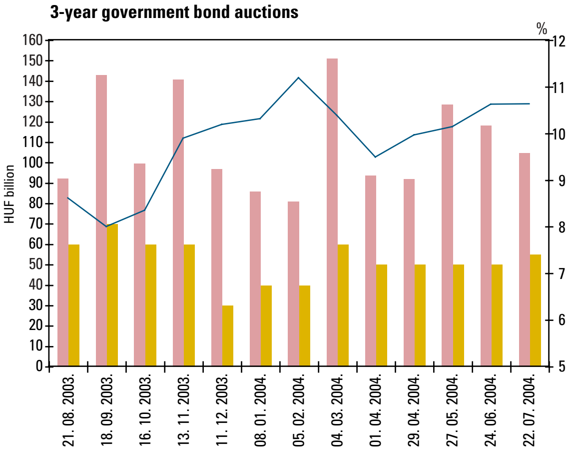
Bids submitted | Accepted amount | Average yield

GOVERNMENT BOND AUCTION RESULTS

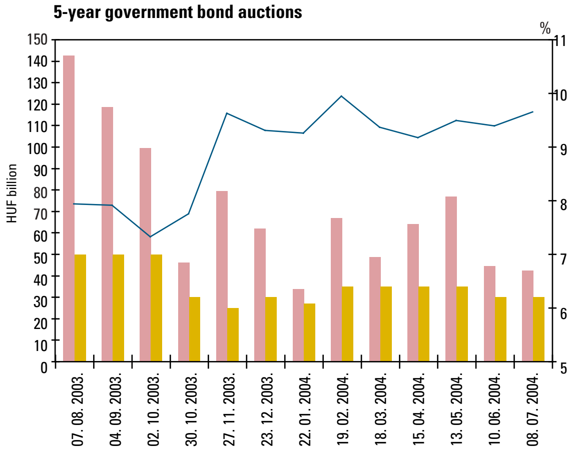
Government Bond	2009/D	2015/A	2007/G	2020/A
ISIN code	HU0000402243	HU0000402268	HU0000402250	HU0000402235
Maturity (in years)	5	10	3	15
Coupon (%)	8.25%	8.00%	9.25%	7.50%
Auction	2nd auction	1st auction	2nd auction	4th auction
Date of auction	08.07.2004	08.07.2004	22.07.2004	22.07.2004
Date of financial settlement	14.07.2004	14.07.2004	28.07.2004	28.07.2004
Redemption date	12.10.2009	12.02.2015	12.10.2007	12.11.2020
Maximum annual yield (%) - ISMA	9.64	8.45	10.63	8.30
Minimum annual yield (%) - ISMA	9.40	8.35	10.59	8.25
Average annual yield (%) - ISMA	9.62	8.40	10.61	8.28
Maximum annual yield (%) - EHM	9.63	8.44	10.63	8.29
Minimum annual yield (%) - EHM	9.39	8.34	10.59	8.24
Average annual yield (%) - EHM	9.61	8.40	10.61	8.27
Maximum price (%)	95.4555	97.6811	96.5695	93.3932
Minimum price (%)	94.5327	97.0112	96.4682	92.9761
Average price (%)	94.6266	97.3197	96.5086	93.1663
Amount offered for sale (HUF million)	35,000.00	25,000.00	50,000.00	15,000.00
Amount of bids submitted (HUF million)	42,526.25	45,611.19	104,798.57	21,360.00
Amount of bids accepted (HUF million)	29,999.97	25,000.00	54,999.91	9,999.95
Bid-to-cover ratio	1.42	1.82	1.91	2.14
Bids submitted (pcs)	89	87	173	81
Bids accepted (pcs)	57	37	93	38
Tail (average price - minimum price)	0.09	0.31	0.04	0.19
Market sales* (HUF million)	29,999.97	25,000.00	54,999.91	9,999.95
Retained on ÁKK's own account (HUF million)	6,000.03	7,500.00	11,000.09	2,000.05
Total amount issued (HUF million)	36,000.00	32,500.00	66,000.00	12,000.00

* Without issuance onto ÁKK's own account

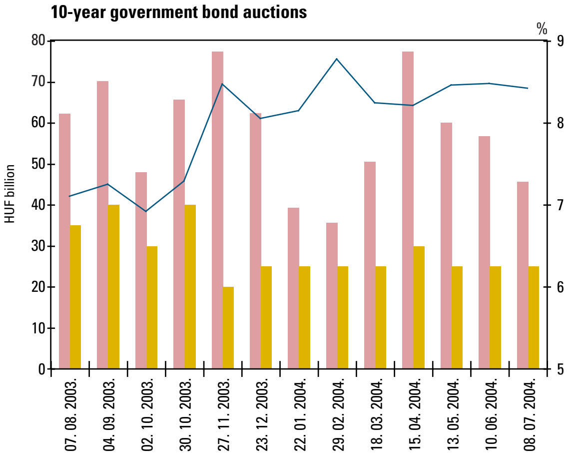
3-year government bond auctions



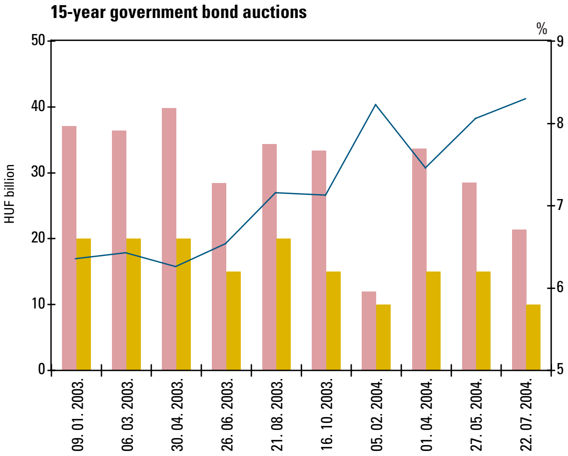
5-year government bond auctions



10-year government bond auctions



15-year government bond auctions



Bids submitted — Accepted amount — Average yield

GOVERNMENT SECURITIES MARKET

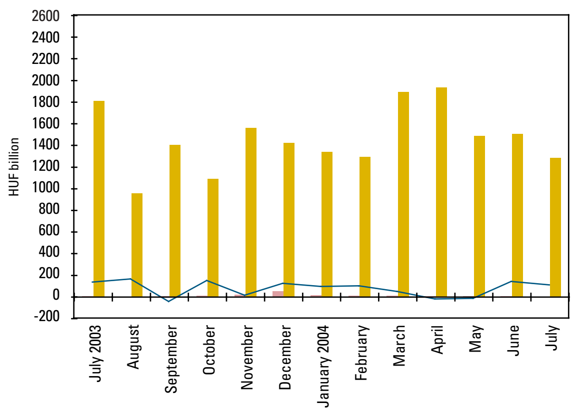
GOVERNMENT BOND REVERSE AUCTION RESULTS

Government bond	2004/J	2005/G	2004/J	2005/G
ISIN code	HU0000402029	HU0000402060	HU0000402029	HU0000402060
Coupon (%)	8.50%	7.75%	8.50%	7.75%
Date of reverse auction	07.07.2004	07.07.2004	21.07.2004	21.07.2004
Redemption date	12.10.2004	12.04.2005	12.10.2004	12.04.2005
Date of financial settlement	14.07.2004	14.07.2004	28.07.2004	28.07.2004
Minimum annual yield (%)	11.77	11.26	-	11.20
Average annual yield (%) - ISMA	11.78	11.30	-	11.24
Amount of bids submitted (HUF million)	7505.67	31789.07	150.00	2300.00
Amount of bids accepted (HUF million)	6505.67	10232.75	0.00	2300.00
Bids submitted (pcs)	6	27	1	3
Bids accepted (pcs)	5	16	0	3

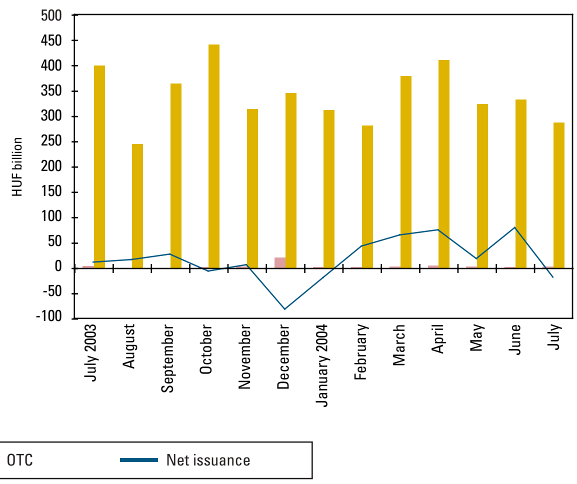
RESULTS OF THE REVERSE AUCTION OF THE SO-CALLED GAS-UTILITY GOVERNMENT BONDS

Government bond	2006/D	2007/C	2007/E	2008/B	2009/A	2010/A
ISIN code	HU0000401591	HU0000401609	HU0000402110	HU0000401526	HU0000401625	HU0000401633
Coupon (%)	Floating rate	Floating rate	Floating rate	Floating rate	Floating rate	Floating rate
Date of reverse auction	29.07.2004	29.07.2004	29.07.2004	29.07.2004	29.07.2004	29.07.2004
Redemption date	12.08.2006	12.08.2007	12.08.2007	12.08.2008	12.08.2009	12.08.2010
Date of financial settlement	06.08.2004	06.08.2004	06.08.2004	06.08.2004	06.08.2004	06.08.2004
Maximum price (%)	99.0	99.0	100.0	99.0	99.0	99.0
Average price (%)	99.0	99.0	100.0	99.0	99.0	99.0
Amount of bids submitted (HUF million)	320.06	380.13	1,723.64	354.61	317.73	285.21
Amount of bids accepted (HUF million)	320.06	380.13	1250.00	354.61	317.73	285.21

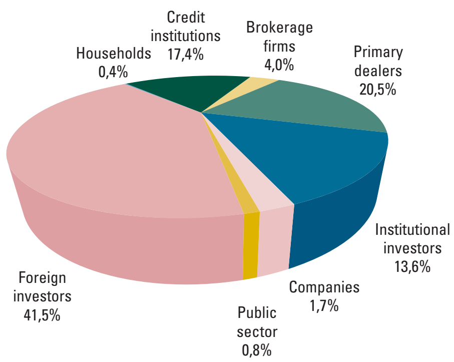
Secondary market trading of government bonds



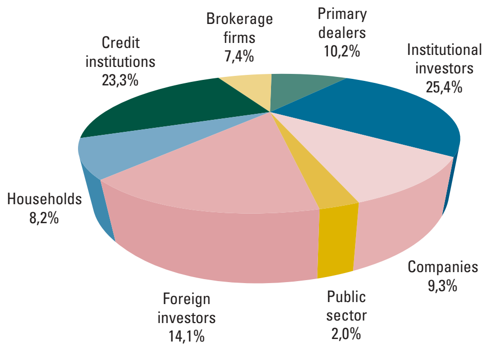
Secondary market trading of Discount Treasury Bills



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



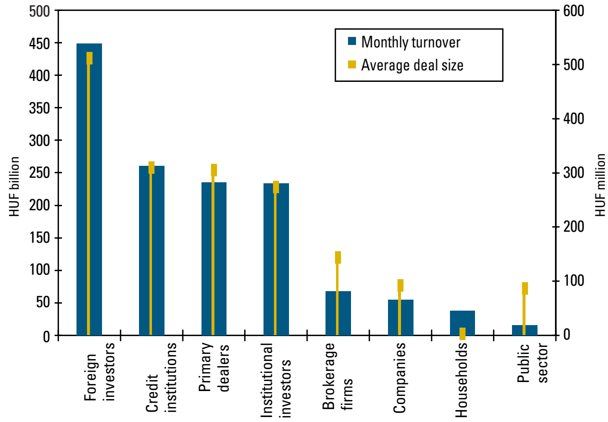
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in July 2004



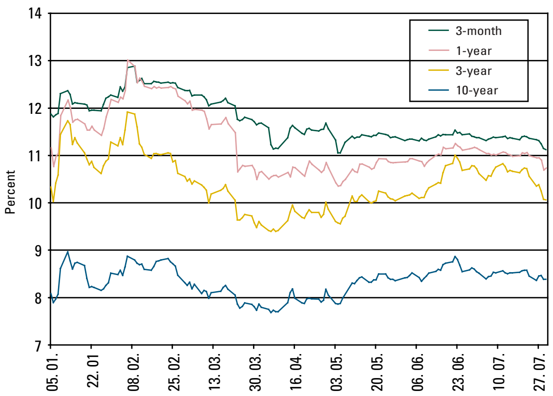
GOVERNMENT SECURITIES WITH THE HIGHEST TURNOVER ON THE SECONDARY MARKET IN JULY 2004

Government security	Date of redemption	Turnover (HUF billion)
2009/C	24.06.2009	123.1
2007/F	12.04.2007	103.3
2007/G	12.10.2007	98.3
2009/D	12.10.2009	86.1
D050608	08.06.2005	84.4
2006/G	24.08.2006	73.1
2006/F	12.04.2006	62.6
2008/C	12.06.2008	58.6
D050119	19.01.2005	58.4
2014/C	12.02.2014	57.1

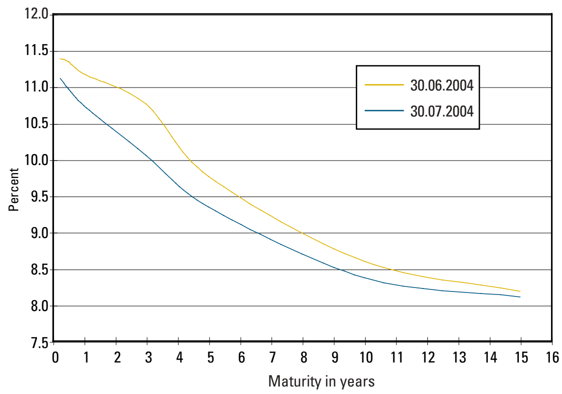
Primary dealers' trading with different investor groups in July 2004



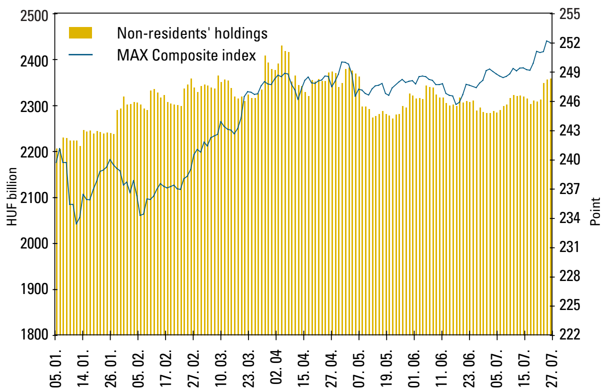
Benchmark yields in 2004



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 JULY 2004

	HUF billion	
Government bond	30.06.2004	31.07.2004
2007/G	50.01	105.78
2009/D	30.02	60.07
2014/C	400.18	400.58
2020/A	40.14	50.25

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 30 July 2004	252.8036	259.0515	251.9262	263.2019
Changes compared to end of the month before	5.2218	2.7845	4.6511	2.6072
Annual yield earned on the index portfolio	3.49%	9.30%	4.82%	10.71%

EVENTS CALENDAR SEPTEMBER 2004

Week 36			1	2	3	4	5
			Wednesday	Thursday	Friday	Sat.	Sun
Discount T-bill public offer			3, 6 and 12-month T-bills				
Discount T-bill auction settlement			D041201/D050316/D050803				
Discount T-bill redemption			D040901				
Liquidity Discount T-Bill auction settlement			Upon decision of the Issuer				
Interest Bearing T-bill subscription			K2005/18				
Government Bond auction				5 and 10-year Bonds			
Government Bond reverse auction			2 Bond series				

Week 37	6	7	8	9	10	11	12
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun
Discount T-bill public offer			3-month T-bill				
Discount T-bill auction		D041215	D050316	D050803			
Discount T-bill auction settlement			D041208				
Discount T-bill redemption			D040908				
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			K2005/19				
Interest Bearing T-bill redemption			K2004/18				
Government Bond public offer				3 and 15-year Bonds			
Government Bond auction settlement			5 and 10-year Bonds				
Government Bond reverse auction settlement			2 Bond series				

Week 38	13	14	15	16	17	18	19
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun
Discount T-bill public offer			6 and 12-month T-bills				
Discount T-bill auction		D041222					
Discount T-bill auction settlement			D041215/D050316/D050803				
Discount T-bill redemption			D040915				
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		K2005/20					
Interest Bearing T-bill subscription			K2005/19				
Government Bond auction				3 and 15-year Bonds			
Government Bond reverse auction			2 Bond series				

Week 39	20	21	22	23	24	25	26
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun
Discount T-bill public offer			3-month T-bill				
Discount T-bill auction		D041229	D050316	D050928			
Discount T-bill auction settlement			D041222				
Discount T-bill redemption			D040922				
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			K2005/20				
Interest Bearing T-bill redemption			K2004/19				
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				
Government Bond interest payment	2005/A quarterly						
Government Bond redemption	2005/A quarterly						

Week 40	27	28	29	30			
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat.	Sun
Discount T-bill public offer			3, 6 and 12-month T-bills				
Discount T-bill auction		D050105					
Discount T-bill auction settlement			D041229/D050316/D050928				
Discount T-bill redemption			D040929				
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		K2005/21					
Interest Bearing T-bill subscription			K2005/20				
Government Bond auction				5 and 10-year Bonds			
Government Bond interest payment				2016/A quarterly			
Government Bond redemption				2016/A quarterly			

Key to serial numbers:

Discount T-bills - 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 JULY 2004

Government Bond	Date of interest rate reset	Interest period			Date of interest payment	Reset interest rate (%)	Interest payable (%)
2008/A	17.07.2004	24.04.2004	-	24.07.2004		11.39	
		24.07.2004	-	24.10.2004	24.10.2004	11.34	5.78
2006/B	24.07.2004	24.01.2004	-	24.07.2004		11.88	
		24.07.2004	-	24.01.2005	24.01.2005	11.37	11.82
2006/C	24.07.2004	24.07.2004	-	24.01.2005		11.37	
		24.01.2005	-	24.07.2005	24.07.2005		

PRIMARY DEALERS - AS AT 31 JULY 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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