GOVERNMENT
SECURITIES MARKET
MONTHLY REPORT

JULY 2005

MAGYAR ÁLLAMPAPÍR

ÁLLAMI GARANCIÁVAL

The deficit of the central government amounted to HUF 936.5 billion in the first seven months of 2005. The pre-financing of cash transfers from the EU's EAGGF fund increased the net borrowing requirement by HUF 103.2 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 1040.8 billion (ca. EUR 4.2 billion) was met by a net issuance of HUF 1107.2 billion (ca. EUR 4.5 billion) in the first seven months of the year, out of which net domestic issuance was HUF 345.7 billion (ca. EUR 1.4 billion) and net foreign exchange issuance totalled HUF 761.5 billion (ca. EUR 3.1 billion).

The HUF denominated debt of the central government increased by HUF 344.9 billion up to the end of July 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 196.2 billion, discount Treasury bills for HUF 163.3 billion. The stock of retail government securities decreased by HUF 11.1 billion, while that of domestic loans by HUF 3.5 billion.

The foreign currency debt of the central government increased by HUF 747.9 billion in the first seven months of the year. Foreign currency bond issues increased the debt by HUF 848.6 billion, loan draw-downs by HUF 2.6 billion; while the redemptions of foreign exchange loans amounted to HUF 89.7 billion. Exchange rate gains of HUF 13.6 billion also decreased the HUF value of the foreign currency debt compared to the end of last year.

At the end of July 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, i.e. the proportion of fixed rate securities did not change significantly in the first seven months of 2005.

Secondary market yields decreased in July. 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 20 basis points to 6.29%, the 6 and 12-month yields declined by 18-22 basis points compared to the end of June. The long-term yields showed a decrease of 21-26 basis points. The 3-year yield declined by 21 basis points and amounted to 6.19%, while the 10-year benchmark yield reached 6.02% at the end of July after a decrease of 23 basis points.

Monthly OTC turnover of government securities was HUF 2225.5 billion in July, down by 6% 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 decreased altogether by HUF 20.0 billion in July, and amounted to HUF 2553.7 billion at the end of the month. This volume represented 30.6% 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 244.99 at the end of July 2005.

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

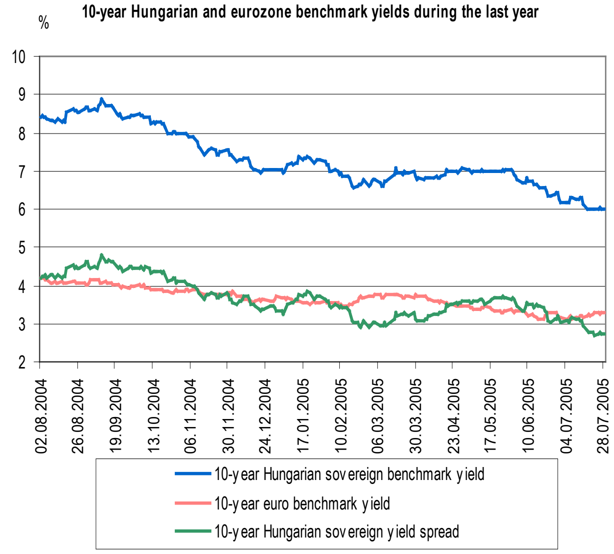
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

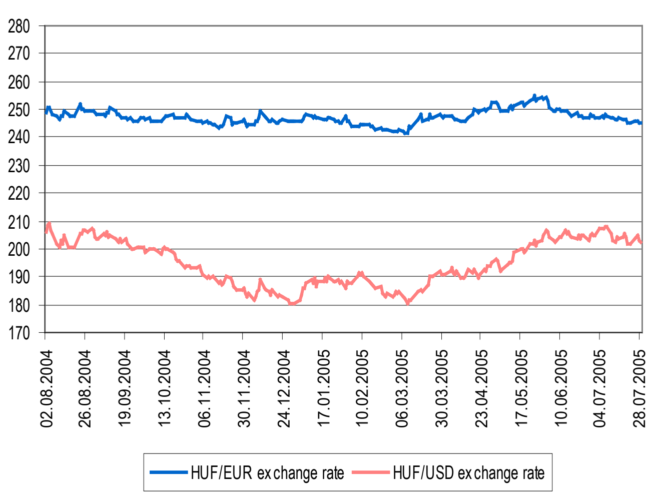
	1999	2000	2001	2002	2003	2004	May 2005	June 2005	July 2005
1. Forint denominated debt	4,350.2	4,717.5	5,397.4	6,956.9	8,008.7	8,608.8	8,914.5	9,083.3	8,953.8
1.1. Loans	380.2	303.8	228.3	353.2	117.9	4.7	1.1	1.1	1.1
1.1.1. Foreign loans	0.0	0.0	0.0	1.7	1.4	1.1	1.1	1.1	1.1
1.1.2. Domestic loans	380.2	303.8	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	8,913.3	9,082.2	8,952.6
1.2.1. Public issues	3,116.8	3,582.4	4,360.0	5,826.3	7,131.5	7,860.6	8,171.6	8,341.3	8,211.7
1.2.1.1. Bonds	1,790.8	2,221.2	2,782.0	3,829.2	5,056.5	5,768.9	5,910.9	6,015.5	5,967.8
1.2.1.2. Discount T-bills	826.7	837.9	1,033.3	1,436.8	1,541.4	1,463.3	1,634.7	1,700.7	1,626.6
1.2.1.3. Retail securities	499.3	523.3	544.7	560.3	533.5	628.4	626.1	625.1	617.3
1.2.2. Private placements	853.2	831.3	809.1	777.4	759.3	743.6	741.7	740.9	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	3,732.0	3,631.6	3,731.4
2.1. Loans	1,929.6	1,772.8	1,410.4	1,394.3	1,084.1	916.8	864.7	838.3	826.8
2.1.1. Foreign loans	361.2	368.8	317.8	461.9	598.8	528.9	540.9	523.6	515.1
2.1.2. Domestic loans	1,568.4	1,404.0	1,092.6	932.3	485.3	387.8	323.8	314.7	311.7
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	290.6	283.1	280.4
2.1.2.2. Others loans	0.0	0.0	0.0	82.8	18.8	32.2	33.2	31.6	31.3
2.2. Government securities	606.7	736.0	911.7	873.0	1,494.9	2,066.8	2,867.3	2,793.3	2,904.6
2.2.1. Issued abroad	587.1	715.7	911.7	873.0	1,494.9	2,066.8	2,867.3	2,793.3	2,904.6
2.2.1.1. Foreign currency bonds	586.8	715.4	911.5	872.9	1,494.7	2,066.7	2,867.2	2,793.2	2,904.6
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	12,646.5	12,714.9	12,685.2
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*	*8,287.3*	*8,457.0*	*8,335.3*
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.

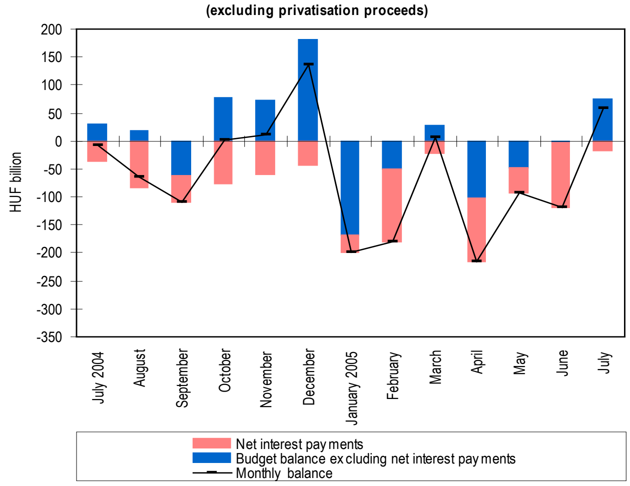
10-year Hungarian and eurozone benchmark yields during the last year



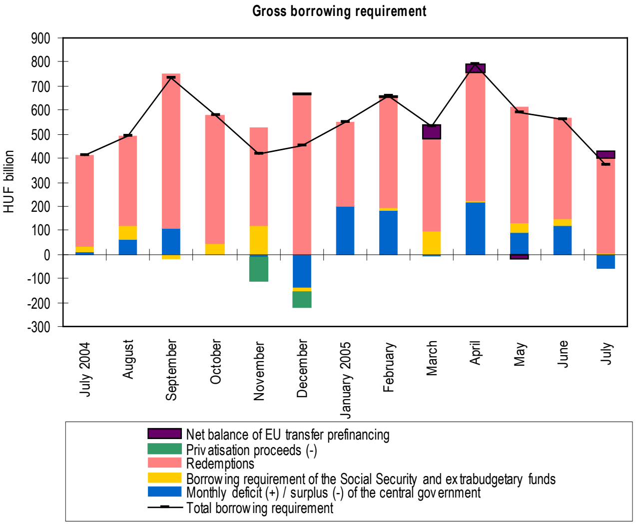
The exchange rate of the Hungarian Forint during the last year



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



Gross borrowing requirement

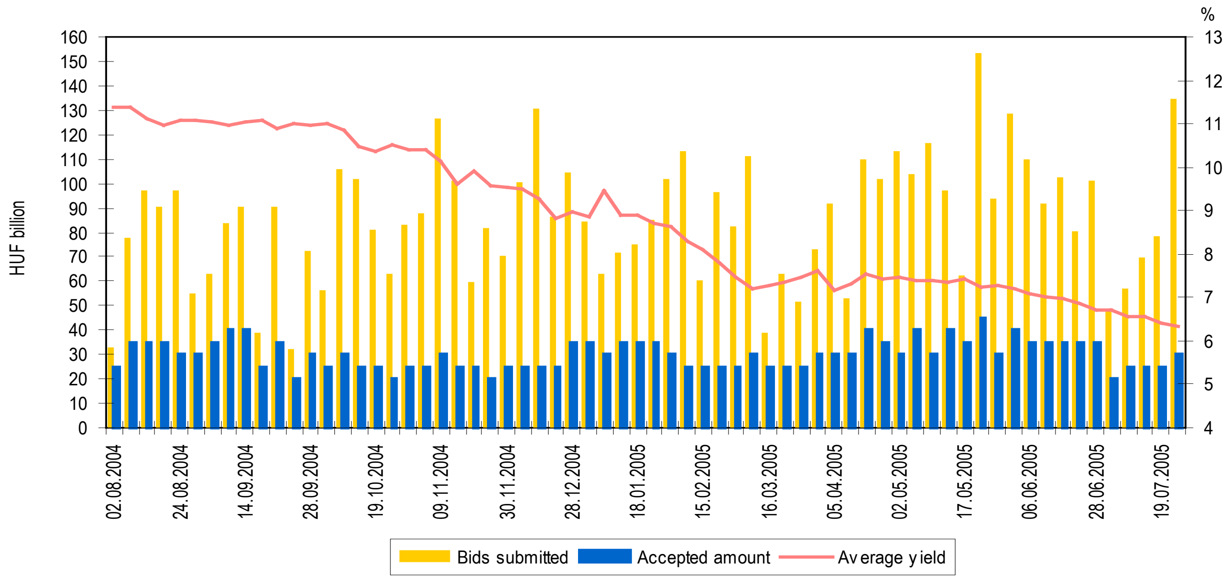


DISCOUNT TREASURY BILL AUCTION RESULTS

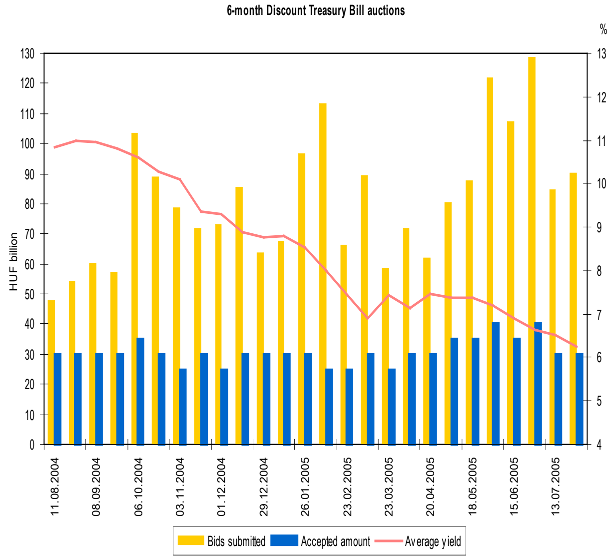
	Liquidity Discount T-bills	3-month Discount T-bills				6-month Discount T-bills		12-month Discount T-bills	
Code of T-bills	D050817	D051012	D051019	D051026	D051102	D051221	D060215	D060705	D060705
Maturity in days	42	91	91	91	91	154	196	350	336
Date of auction	04.07.2005	05.07.2005	12.07.2005	19.07.2005	26.07.2005	13.07.2005	27.07.2005	14.07.2005	28.07.2005
Date of financial settlement	06.07.2005	13.07.2005	20.07.2005	27.07.2005	03.08.2005	20.07.2005	03.08.2005	20.07.2005	03.08.2005
Redemption date	17.08.2005	12.10.2005	19.10.2005	26.10.2005	02.11.2005.	21.12.2005	15.02.2006	05.07.2006	05.07.2006
Maximum yield (%) - ISMA	6.77	6.60	6.57	6.43	6.35	6.54	6.28	6.52	6.26
Minimum yield (%) - ISMA	6.45	6.52	6.40	6.33	6.28	6.40	6.25	6.47	6.22
Average yield (%) - ISMA	6.72	6.57	6.56	6.41	6.35	6.53	6.26	6.51	6.24
Maximum yield (%) - EHM	6.86	6.69	6.66	6.52	6.44	6.63	6.37	6.61	6.35
Minimum yield (%) - EHM	6.54	6.61	6.49	6.42	6.37	6.49	6.34	6.56	6.31
Average yield (%) - EHM	6.81	6.66	6.65	6.50	6.44	6.62	6.35	6.60	6.33
Average selling price (%)	99.2221	98.3664	98.3688	98.4055	98.4202	97.2825	96.7041	94.0476	94.4965
Amount offered for sale (HUF million)	20,000.00	30,000.00	25,000.00	25,000.00	25,000.00	30,000.00	30,000.00	30,000.00	30,000.00
Amount of bids submitted (HUF million)	48,499.27	57,000.32	69,805.37	78,041.54	134,495.87	84,745.63	90,383.03	71,060.00	63,361.76
Amount of bids accepted (HUF million)	19,999.98	24,999.94	24,999.90	24,999.91	29,999.93	29,999.95	29,999.87	29,999.78	29,999.90
Bid-to-cover ratio	2.42	2.28	2.79	3.12	4.48	2.82	3.01	2.37	2.11
Bids submitted (pcs)	69	102	125	134	127	133	149	145	132
Bids accepted (pcs)	38	48	68	75	25	82	74	85	96
Market sales* (HUF million)	19,999.98	24,999.94	24,999.90	24,999.91	29,999.93	29,999.95	29,999.87	29,999.78	29,999.90
Retained on ÁKK's own account (HUF million)	0.02	2,500.06	2,500.10	2,500.09	3,000.07	3,000.05	9,000.13	3,000.22	3,000.10
Total amount issued (HUF million)	20,000.00	27,500.00	27,500.00	27,500.00	33,000.00	33,000.00	39,000.00	33,000.00	33,000.00

* Without issuance onto ÁKK's own account

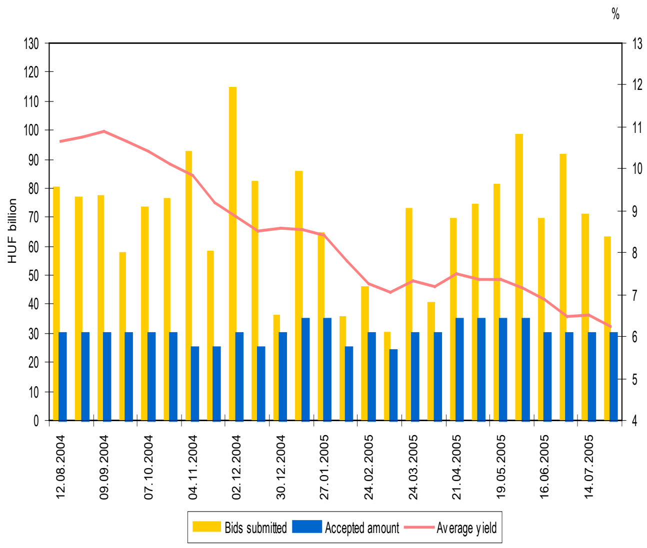
3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



6-month Discount Treasury Bill auctions



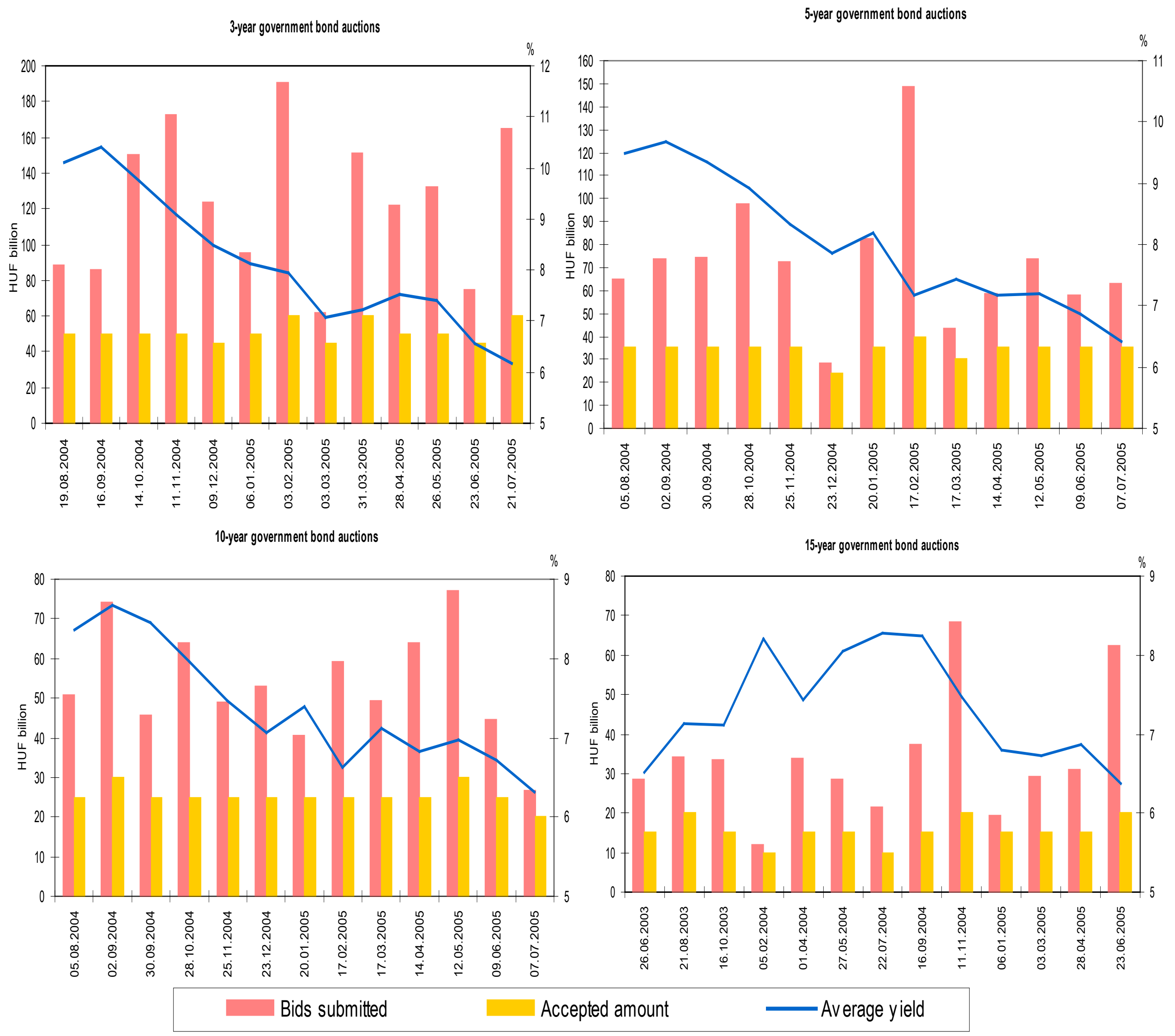
12-month Discount Treasury Bill auctions



GOVERNMENT BOND AUCTION RESULTS

Government Bond	2010/B	2015/A	2008/E
ISIN code	HU0000402292	HU0000402268	HU0000402300
Maturity (in years)	5	10	3
Coupon (%)	6.75%	8.00%	6.50%
Auction	4th auction	14th auction	2nd auction
Date of auction	07.07.2005	07.07.2005	21.07.2005
Date of financial settlement	13.07.2005	13.07.2005	27.07.2005
Redemption date	12.10.2010	12.02.2015	12.08.2008
Maximum annual yield (%) - ISMA	6.43	6.35	6.18
Minimum annual yield (%) - ISMA	6.28	6.27	6.16
Average annual yield (%) - ISMA	6.42	6.31	6.17
Maximum annual yield (%) - EHM	6.43	6.35	6.17
Minimum annual yield (%) - EHM	6.28	6.27	6.15
Average annual yield (%) - EHM	6.41	6.31	6.17
Maximum price (%)	102.0660	112.1301	100.8763
Minimum price (%)	101.4068	111.5235	100.8218
Average price (%)	101.4608	111.7981	100.8370
Amount offered for sale (HUF million)	35,000.00	25,000.00	50,000.00
Amount of bids submitted (HUF million)	63,151.00	26,611.00	164,843.96
Amount of bids accepted (HUF million)	35,000.00	20,000.00	59,999.83
Bid-to-cover ratio	1.80	1.33	2.75
Bids submitted (pcs)	90	53	176
Bids accepted (pcs)	31	48	55
Tail (average price - minimum price)	0.05	0.27	0.02
Market sales* (HUF million)	35,000.00	20,000.00	59,999.83
Retained on ÁKK's own account (HUF million)	5,500.00	0.00	12,000,17
Total amount issued (HUF million)	40,500.00	20,000.00	72,000.00

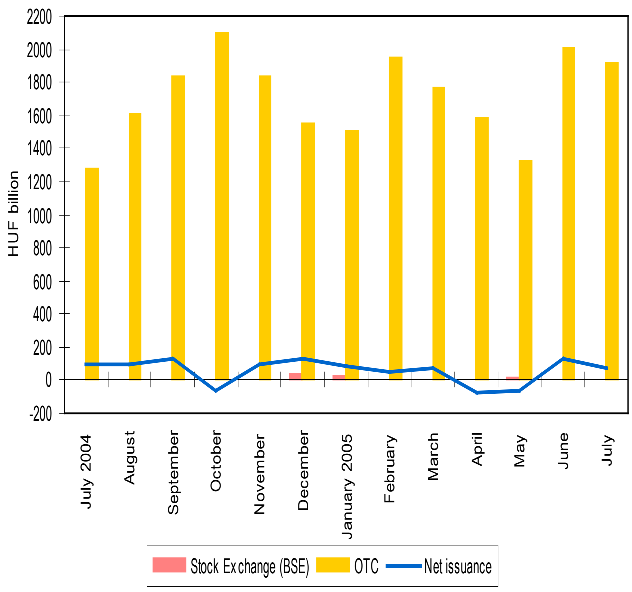
*Without issuance onto ÁKK's own account



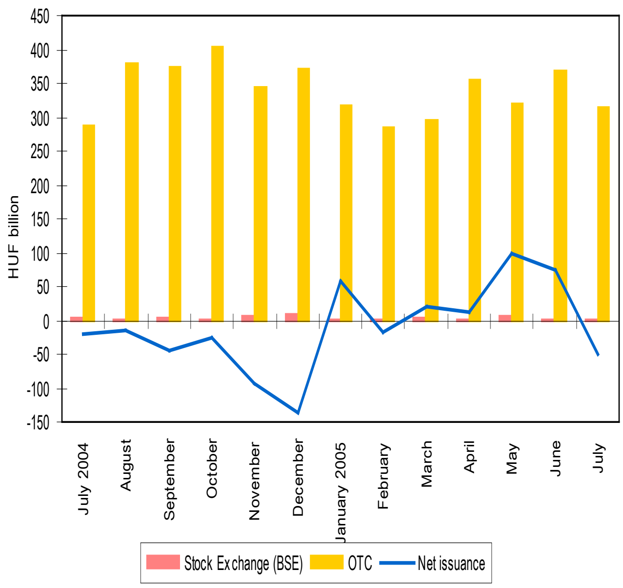
GOVERNMENT BOND REVERSE AUCTION RESULTS

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	06.07.2005	06.07.2005	20.07.2005	20.07.2005
Date of financial settlement	13.07.2005	13.07.2005	27.07.2005	27.07.2005
Redemption date	12.05.2006	12.04.2006	12.05.2006	12.04.2006
Minimum annual yield (%)	6.50	6.50	6.35	6.38
Average annual yield (%) - ISMA	6.53	6.51	6.38	6.40
Amount of bids submitted (HUF million)	21,452.61	6,006.01	32,228.05	19,699.89
Amount of bids accepted (HUF million)	17,452.61	4,006.01	14,288.63	7,159.89

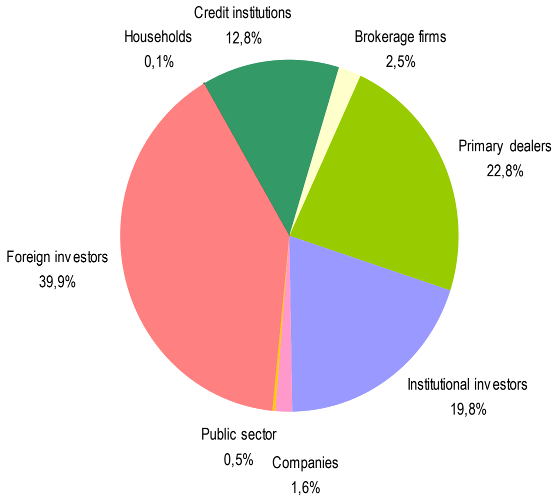
Secondary market trading of government bonds



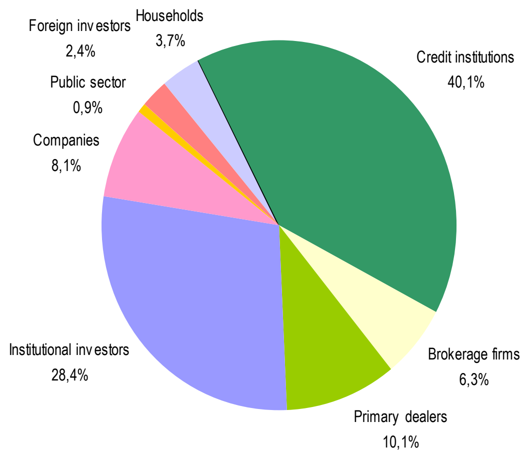
Secondary market trading of Discount Treasury Bills



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



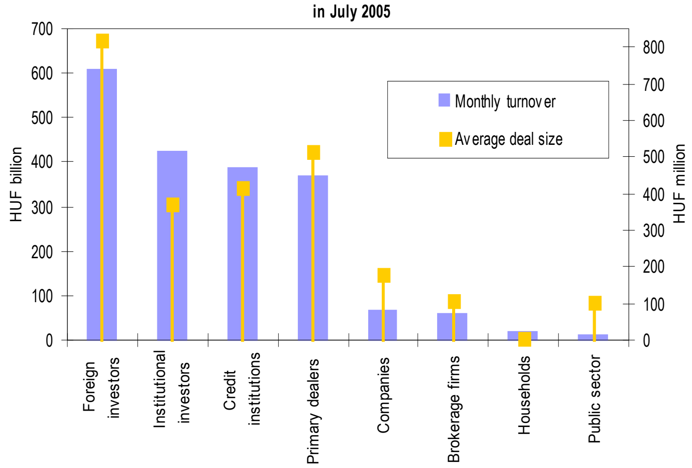
Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in July 2005



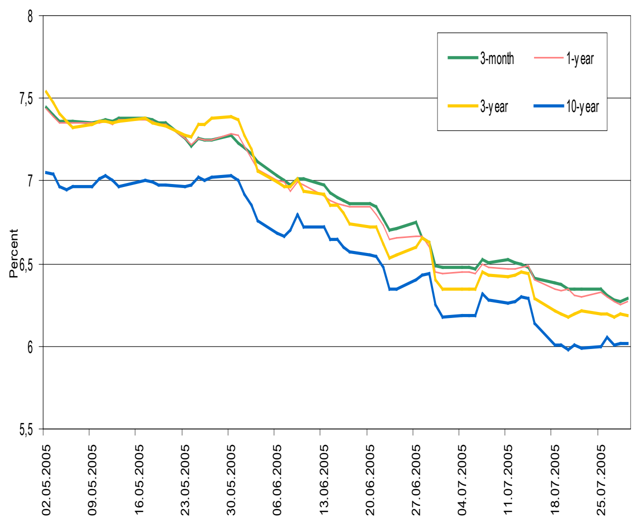
Government securities with the highest secondary market turnover in July 2005

Government security	Date of redemption	Turnover (HUF billion)
2020/A	12.11.2020	197.5
2010/B	12.10.2010	169.5
2015/A	12.02.2015	164.3
D051221	21.12.2005	128.6
2009/D	12.10.2009	121.6
2008/E	12.08.2008	107.6
2008/D	24.04.2006	97.7
2007/F	12.04.2007	96.2
2014/C	12.02.2014	91.0
2013/D	12.02.2013	61.7

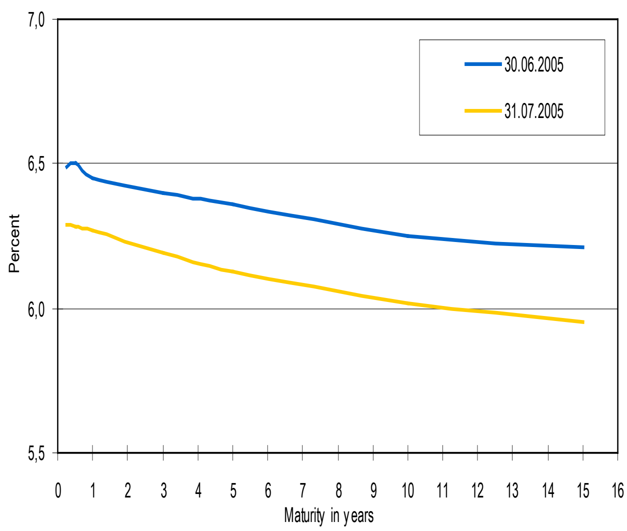
Primary dealers' trading with different investor groups in July 2005



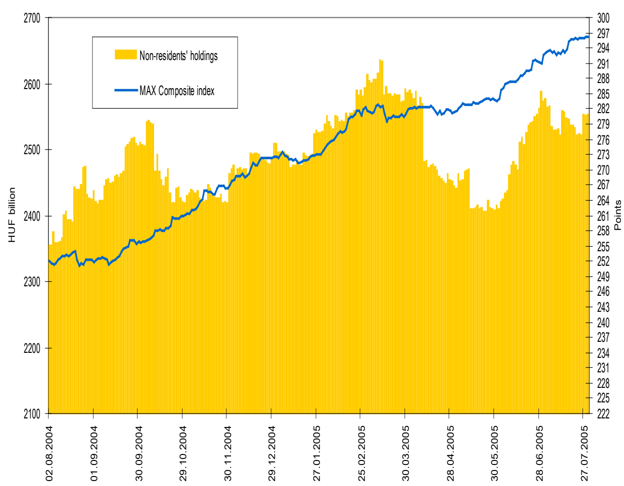
Benchmark yields in the past three months



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 July 2005

Government bond	HUF billion 30.06.2005	HUF billion 29.07.2005
2008/E	45.05	104.11
2010/B	105.40	140.40
2015/A	336.24	355.00
2020/A	150.54	150.54

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 29 July 2005	302.9742	288.1916	296.1253	289.2417
Changes compared to the end of the month before	4.1134	1.7396	3.5096	1.5664
Annual yield earned on the index portfolio	19.75%	11.22%	17.47%	9.92%

EVENTS CALENDAR - SEPTEMBER 2005

Week 36				1	2	3	4
				Thursday	**Friday**	**Sat.**	**Sun.**
Interest Bearing T-bill subscription				K2006/18			
Government Bond auction				5 and 10 -year Bonds			
Week 37	5	6	7	8	9	10	11
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D051214	D060215	D060830			
Discount T-bill auction settlement			D051207				
Discount T-bill redemption			D050907				
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	K2006/19						
Interest Bearing T-bill redemption			K2005/18				
Government Bond public offer				3-year Bond			
Government Bond auction settlement			5 and 10 -year Bonds				
Government Bond buyback auction settlement			2 Bond series				
Week 38	12	13	14	15	16	17	18
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D051221					
Discount T-bill auction settlement			D051212/D060215/D060830				
Discount T-bill redemption			D050914				
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	K2006/19						
Interest Bearing T-bill public offer		K2006/20					
Government Bond auction				3-year Bond			
Week 39	19	20	21	22	23	24	25
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Sat.**	**Sun.**
Discount T-bill public offer			3 -month DKJ				
Discount T-bill auction		D051228	D060412	D060830			
Discount T-bill auction settlement			D051221				
Discount T-bill redemption			D050921				
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			K2005/19				
Interest Bearing T-bill subscription	K2006/20						
Government Bond public offer				5 and 10-year Bonds			
Government Bond auction settlement			3-year Bond				
Government Bond interest payment		2015/A					
Government Bond redemption		2005/A quarterly					
Week 40	26	27	28	29	30		
	Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**		
Discount T-bill public offer			3, 6 and 12-month DKJs				
Discount T-bill auction		D060104	D051228/D060412/D060830				
Discount T-bill auction settlement			D050928				
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		K2006/21					
Interest Bearing T-bill subscription	K2006/20						
Government Bond auction				5 and 10-year Bonds			
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 JULY 2005

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2006/B	22.07.2005	24.07.2005	24.01.2006	24.01.2006	6,90	8,08
2006/C	22.07.2005	24.07.2005	24.01.2006	24.07.2006	6,90	
2008/A	22.07.2005	24.07.2005	24.10.2005	24.10.2005	6,69	3,51
2016/B	01.07.2005	02.07.2005.	02.01.2006	02.01.2006	7,32	3,74

PRIMARY DEALERS - AS AT 31 JULY 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