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I. FOREWORD

Government securities issued by the Republic of Hungary are purchased by an ever growing number of domestic and foreign investors, which reflects the development of the government securities market and the fact that Hungary comes year by year closer to EU and EMU membership. For the information of investors, the Hungarian Government Debt Management Agency (ÁKK Rt.) issues its regular publications in new formats to meet the requirements of the changing market place. Thus up-to-date market information and historical data are available on our website 'www.allampapir.hu', whereas we continue to publish our backward looking research papers, surveys and summaries (monthly and yearly) in printed form as well.

The present issue of the Debt Management Report 2001 does not include the majority of tables and figures published in previous years Annual Reports and still available on our website. Nevertheless, it gives a detailed and clear account ÁKK's debt management operations and an overview of developments in the Hungarian government securities market in 2001. I hope our intentions are in line with the interests of our readers and at the same time I would like to encourage you to feel free to contact the staff of ÁKK with questions and comments on the content and form of our publications.

Taking the opportunity this publication presents I underline ÁKK's commitment to the principles of prudent debt management in line with best international practice.

Ferenc Szarvas
Chief Executive Officer

II. MACROECONOMIC DEVELOPMENTS

1. GENERAL

Growth slowed down in the Hungarian economy in 2001. The 3.9 per cent average rate of growth in the year as a whole, however, is still a significant achievement by international standards. The growth in the EMU in that period was 1.5 per cent, in the Czech Republic 3.6 per cent and in Poland 1.1 per cent, which are all behind the rate of expansion in Hungary. The gradually declining growth rate during the year reflected the slowdown in foreign demand due to the international recession.

Growth was accompanied by an increase in net exports throughout the year. Net exports contributed positively to growth despite a decline in external demand: with stagnating export performance imports were moderated by a decline in investment. Domestic companies reacted to deteriorating external conditions by cutting back investments and utilising inventories. The increase in households' consumption expenditure exceeded the increase in production volume during the year, in the fourth quarter by 2.5 percentage points.

The current account deficit was only 2.2 per cent of GDP. Hence – against expectations – early in the year the current account deficit was below the previous year's level, thus external financing requirement was low. Non-debt creating items in the financing of the current account covered about two-thirds of the deficit. Although foreign direct investment inflow into Hungary slightly decreased throughout the year, new FDI of more than one billion Euro flowed into the country. At the same time bond purchases by foreign investors made up a significant part of the general government financing, whereas the business sector cut back its foreign debt in 2001.

The Budapest Stock Exchange index (BUX) had continuously declined before the terrorist attack in September and after it for a short while – similar to other foreign stock exchanges. The revival of the main international stock exchange indices and the return of confidence to the emerging economies resulted in a reverse of the trend and BUX was reoriented to a path of slow growth. However, there was a sharp decline in turnover on the stock exchange.

2. FISCAL POSITION

The demand-effect of the general government was much more emphasised in 2001 than in the previous years. This was partly the consequence of the spreading over effects of the 2000 year budget to 2001, and partly of the expenditures of institutions, which belong in a broad sense to the public sector but are not accounted among general government institutions. The development of the deficit of the general government was similar to that in 2000 throughout the year as a whole. Similar to the previous year expenditures were concentrated to the end of the year, the demand effects of which will be felt probably only in the next year.

An increasing net financing requirement of the general government in the broad sense was accompanied by declining household savings. The business sector's moderate financing requirement contributed to a considerable extent to the favourable development of the external equilibrium position.

The decline in the household savings ratio is the result of two factors' simultaneously. Households increased consumption expenditures – in excess of income growth – in the confidence that their income would grow permanently in future, on the one hand, and they felt it necessary to make up for earlier consumption delays due to the transformation of the economy on the other. This was realised in the strengthening of borrowing activity and in soaring housing construction – actively supported by the economic policy.

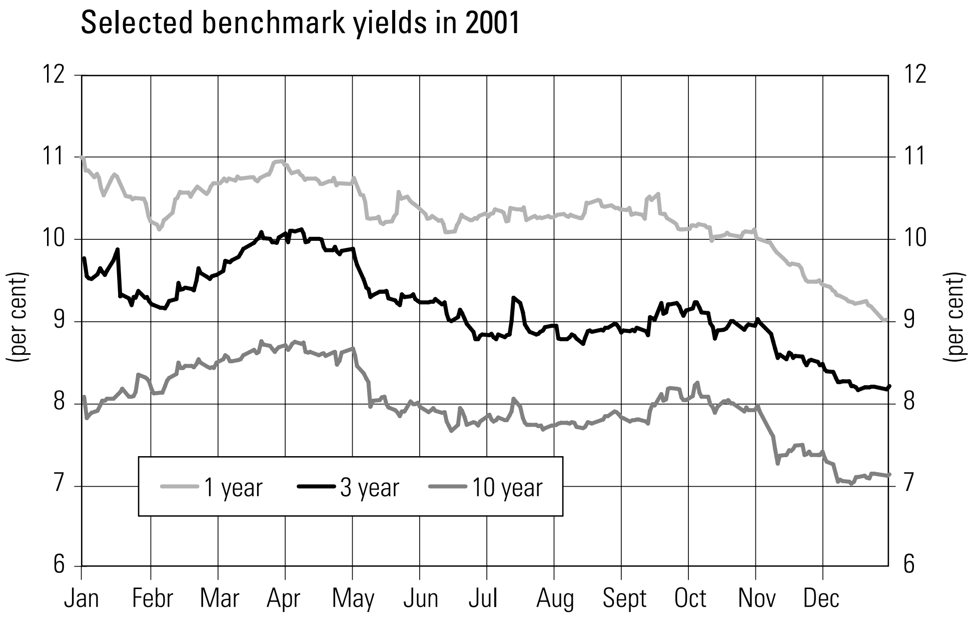
Monetary policy fundamentally changed in 2001. In the context of the narrow crawling band exchange rate system the central bank widened the intervention band of the forint to +/- 15 per cent in May 2001, similar to the size of ERM II. Preannounced monthly devaluations were ceased only from October 1. Importantly, the earlier monetary policy system with its target of exchange rate stability was replaced by a system of inflation targeting. In the new monetary regime the exchange rate of the forint against the Euro – with increasing volatility within the band – appreciated by 9 per cent by the end of the year compared to the end of May level.

As a consequence of the strengthening of the exchange rate, consumer prices, still rising in the first half of the year, started to decline. Nominal appreciation of the forint together with other external market developments (energy prices and decline in external demand) and the high inflation rate of the previous year contributed to the disinflation process started in the second half of the year. All in all, inflation declined from 10.1 per cent in January – with a peak in May (10.8 per cent) – to 6.8 per cent in December.

3. YIELDS

Benchmark yields fluctuated for the most of 2001 around the yield level of the previous year. The dynamic rise in yields at the beginning of the year can be regarded as a correction of the robust decline in yields at the end of 2000. This correction of yields was supported by the data on rising inflation published at that time, which were higher than the inflationary expectations of economic researchers.

CHART 1

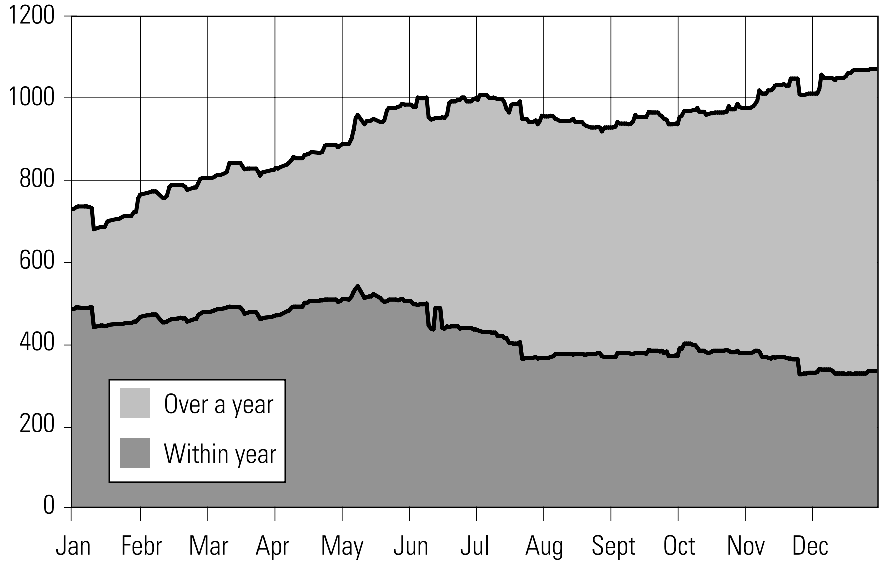


The correction of benchmark yields took place in parallel with the continuous increase of foreign investors' holdings in government securities.

Following the widening of the intervention band the demand for government bonds increased, which led to a near one per cent point decline in yields. Foreigners were looking first of all for longer-term government securities; thus the earlier motivation of exchange rate speculation was replaced by the expectation that yields would converge to yields on European markets. Despite the liberalisation of foreign exchange transactions in June foreigners did not increase their portfolio of short maturity instruments, since they could profit from the exchange rate movement of the forint outside the government securities market.

CHART 2

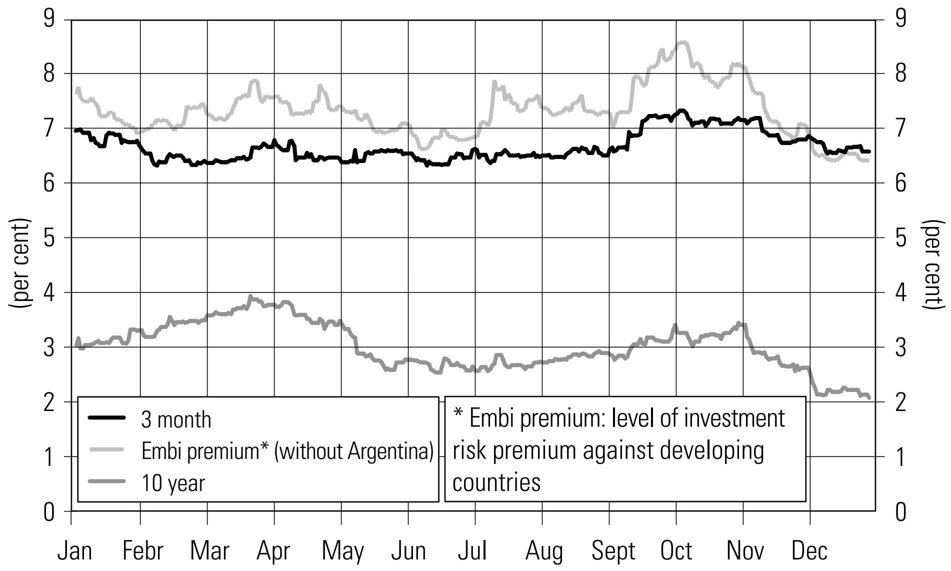
Portfolio of government securities held by foreigners
by residual maturities (2001, HUF bns)



The yield curve was more or less unchanged from mid-year until September. From this point on the changed behaviour of international investors after the terrorist attack in the USA influenced the development of the bond markets in Hungary also. Following very cautious investor behaviour at the beginning, demand has risen again for emerging market securities from October. Foreign demand which had stagnated until then recovered and the portfolios of non-residents started to increase. This positive mood was also reflected in the rapid decline in yields. At the end of 2001 the short end of the yield curve declined permanently under 10 per cent: much of this was due to the declining rate of inflation in the second half of the year.

CHART 3

Premium of 3- and 10-year benchmark yields over the corresponding Euro-benchmark yields



Premiums fluctuated around 6–7 per cent throughout the year in the case of 3-month benchmark yields; regarding longer-term maturities, however, a convergence towards Euro-yields was evident. The 10-year benchmark yield declined considerably throughout the year; at year-end it came close to the premium-limit stipulated by the Maastricht criteria, which is a maximum of 200 basis points (in early 2002 it even exceeded that limit). The close connection with the Embi index indicates that the development of short-term Hungarian yields is influenced by the changes in international investor sentiment.

III. DEBT MANAGEMENT STRATEGY

The main objective of debt management strategy in Hungary is to provide low cost funding in the long run for the borrowing requirement of the budget taking into consideration the possible risks involved and adopting an integrated approach. This objective is not different from that of most Debt Management Offices around the world, but there are major differences in the definition of costs and risks.

According to the debt management strategy funds for the financing budget deficit, maturing forint debt and interest payments are raised on the domestic market, whereas funds for refinancing maturing foreign currency denominated debt are funded on the international capital markets. As a consequence of this strategy the proportion of debt denominated in foreign exchange has gradually declined. This gradualism was supported by the comprehensive analysis of portfolio elements, which indicated the positive characteristics of both domestic and external debt (for example to ensure an evenly spread maturity profile, widening of investors base etc).

On the basis of the above-mentioned strategies the following main benchmarks were formulated:

1. CURRENCY BENCHMARK

The objective of the foreign currency benchmark – which reflects the actual foreign exchange basket of the forint – is to limit the exchange rate risk posed by the foreign currency denominated debt. Thus, changes in cross currency rates do not revalue the foreign exchange portfolio and exchange rate risk is limited to the official monthly devaluation rate and the intervention band of the forint (see part VI.). From January 1, 2000 the exchange rate of the forint has been pegged exclusively to the Euro, resulting in a foreign exchange benchmark target, which contains Euro only. The actual foreign exchange portfolio in 2001 was 99.9 per cent Euro, the difference from 100 per cent being for technical reasons.

2. INTEREST RATE BENCHMARK

The foreign exchange portfolio consists traditionally of fixed-rate elements. To allow a more flexible approach to interest rate management ÁKK created an interest rate benchmark. This benchmark gives a fix/floating mix for the foreign exchange debt portfolio for each consecutive year. In 2001 the interest rate benchmark consisted of approximately 80 per cent fixed and 20 per cent floating rate elements. The actual portfolio is allowed to deviate by 5 per cent from this proportion.

> The definition of the interest rate benchmark started with the definition of the risks. First, there is a possible overshooting of interest expenditures in the yearly budget (Cash-flow-at-Risk, CfaR). Secondly, the increase in the value of the portfolio above a certain level also poses a risk for the budget (Value-at-Risk, VaR). (There is of course a trade-off between CfaR and VaR). If the proportion of the fixed rate elements in the portfolio is increasing, CfaR will decline and VaR will increase and vice versa.

It is more complicated to set benchmarks for the forint portfolio due to the dominant (price-making) role ÁKK plays in the domestic capital market. The objective to be followed was to increase the proportion of fixed rate bonds and to lengthen maturities. ÁKK sets out to achieve this objective by increasing the role of the long-term – 5-, 10- and 15-year – fixed-rate government bonds in the financing.

IV. DEBT PORTFOLIO IN 2001

The gross debt of the central budget declined to 52.4 per cent of Hungarian GDP by the end of 2001 (see Table 1). 70 per cent of the gross debt was denominated in forint, 30 per cent in foreign currencies.

TABLE 1

CENTRAL GOVERNMENT GROSS DEBT AT THE END OF 2001

	HUF billion
Government Bonds	3590.8
Treasury Bills	1032.1
Retail Government Securities	544.4
HUF Loans	228.3
Government Bonds issued in international markets	911.7
Forex Loans	1534.6
Swaps	-124.2
Securities matured but not redeemed by investors	2.3
Total	**7720.0**

Forint and foreign exchange components of the debt have different characteristics (average term to maturity, duration, interest rates etc.), which are listed below.

1. STRUCTURE OF HUF DEBT

(A) PUBLIC/PRIVATE ISSUES

Private bond issues during the 1990's were necessary due to the restructuring of the economy, so a significant part of these issues financed the consolidation of ailing banks. No privately placed government bond has been issued since 1998 and no further private issues are expected in the future. As a consequence, the share of public issues in the forint portfolio (bonds, T-bills and retail securities) is continuously rising, reaching 85 per cent by the end of 2001.

(B) DEBT INSTRUMENTS (BONDS, T-BILLS, LOANS AND RETAIL SECURITIES)

In developing the structure of issues the main strategic objective was to increase the share of fixed-rate marketable government bonds in the total debt portfolio. Despite the higher than planned amount of government bond sales, the share of this debt element did not rise due to a significant increase in the portfolio of discount T-bills. The share of retail securities (Interest-Bearing Treasury Bills and Treasury Savings Bills) declined from 11 to 10 per cent, since their importance in net sale to the public has moderated. The share of forint loans has continued to decline due to continuing disbursements.

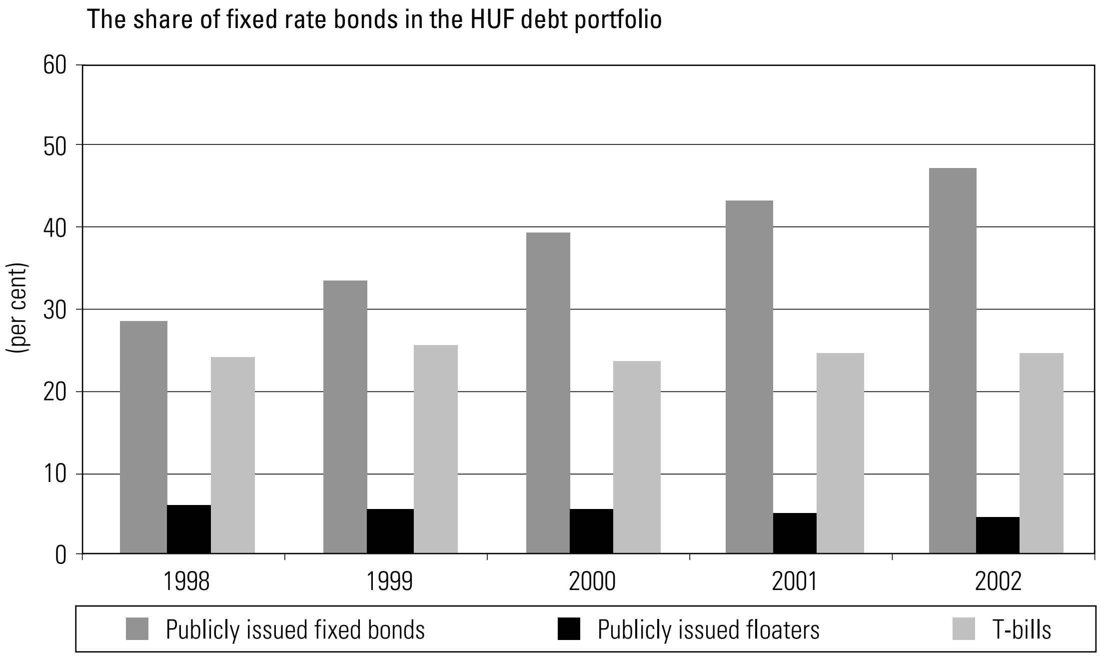
(C) TYPE OF INTEREST RATE: FIXED OR FLOATING

Fixed rate elements continued to gain weight in the breakdown of the interest rate structure of total debt: the share of fixed rate bonds rose to 48 per cent within the forint denominated debt (see Chart 4 below). From among six bond series issued throughout the year five were fixed rate bond series, and the one floating rate bond was auctioned only twice.

(D) AVERAGE TERM TO MATURITY, MATURITY PROFILE

The maturity profile of the forint denominated bonds is uneven, with large repayments concentrated in the next few years. The amount for redemption of government bonds will be high in the period 2002–2006. At the end of 2001 48 per cent of the market debt denominated in forint was maturing within one year, 19 per cent within two years and 32 per cent over two years. The most efficient way to avoid large redemptions is to increase the share of longer-term government bonds (10- and 15-year fixed rate bonds). Duration will also be increased by the fact that floating rate and 2-year bonds are not expected to be issued in 2002.

CHART 4



2. STRUCTURE OF FOREIGN CURRENCY DEBT

Although the 30 per cent share of foreign exchange debt (about 16 per cent of GDP) might seem high on an international comparison, its weight has been continuously declining within the portfolio since 1997 (41 per cent) (see Chapter III).

(A) INSTRUMENTS

The ÁKK has raised funds directly on the international capital markets for the Republic of Hungary since 1999. The share of bond issues and syndicated loans raised directly on the market is gradually increasing in the portfolio (43 per cent in 2001). The primary objective of the securities issued and loans borrowed has been to renew foreign exchange denominated debt issued by the National Bank of Hungary prior to 1999. This debt consisted of 17 bonds, comprising 47 per cent of the foreign exchange debt at the end of 2001.

The remaining 10 per cent of the forex debt is direct borrowing of the Republic of Hungary, supplied for project finance by four international financial institutions (World Bank, European Investment Bank, Kreditanstalt für Wiederaufbau, and the Council of Europe Development Bank) and two commercial banks (Bayerische Landesbank and Bilbao Bizcaya Kutxa).

(B) CURRENCY AND INTEREST RATE STRUCTURE

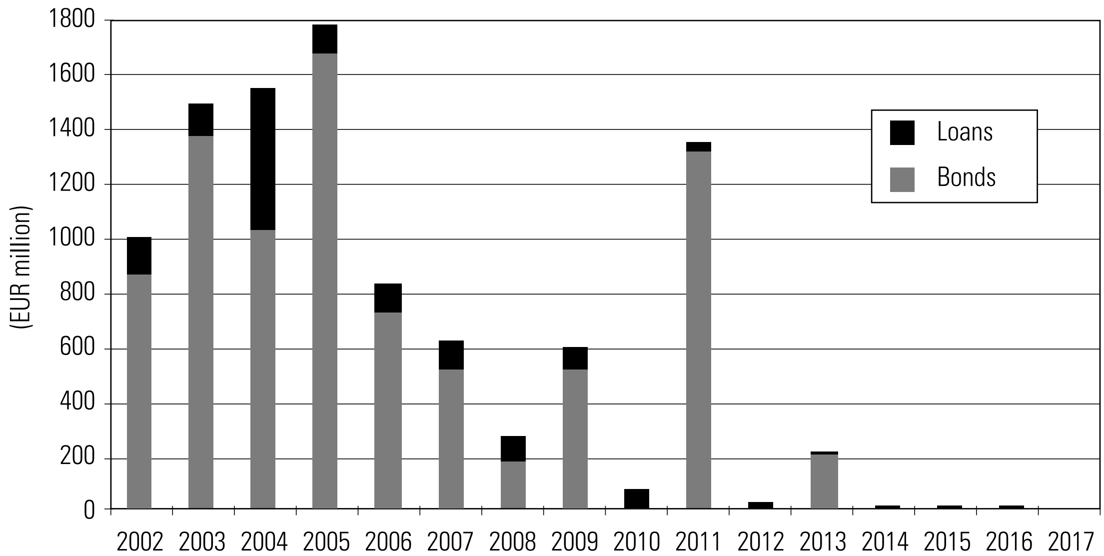
In accordance with the strategy and approved benchmarks all foreign exchange debt is swapped into Euro, i.e. the exchange rate risk is limited to the change in the forint exchange rate against the Euro. Since the forint exchange rate is pegged exclusively to the Euro, in the absence of a domestic swap market the exchange rate risk is limited to the fluctuation of the forint within the intervention band. As of May 2001, the widening of the band to +/- 15 per cent has allowed a wider market fluctuation, which means an increase in the risk level. In accordance with its benchmark related to the interest rate structure, ÁKK has swapped 20 per cent of what were originally fixed rate instrument into floating rate instruments (see Chapter III).

(C) MATURITY PROFILE

In contrast to the domestic debt market no short-term debt has been issued in the international markets, which contributes to a relatively even spread maturities on the long run. Annual maturities are about EUR 1–1.7 billion in the next 4 years (see Chart 5 below). The average remaining maturity of the foreign exchange debt was 4.33 years (duration 2.79 years) at the end of 2001. As the terms and conditions for international borrowing have improved significantly in the last 3–4 years for the Republic of Hungary many of the more expensive foreign currency portfolio elements were prepaid and replaced by cheaper bonds and loans; thus the cost of external debt service for the budget has gradually decreased.

CHART 5

Maturity profile of the central government forex debt at end of 2001



V. ISSUANCE AND TRADING

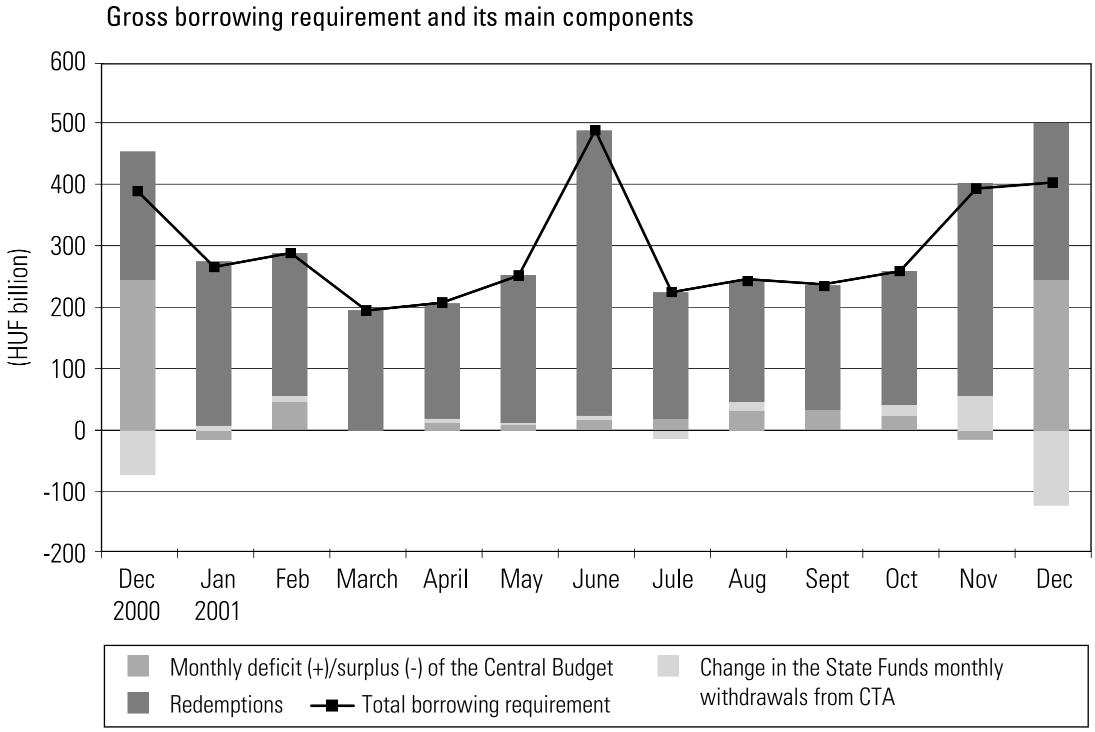
The annual gross borrowing requirements is the aggregated amount of the budget deficit, the balance of the Social Security Funds and extra-budgetary funds (net borrowing requirement) and the debt maturing in the relevant year. The choice of instruments and markets is in line with the strategic objectives of debt management. On this basis the Republic of Hungary issued discount Treasury bills for 3, 6 months and 1 year, and government bonds with a term of 2, 3, 5, 10 and 15 years in the domestic market. In the international capital markets it raised funds with 5–10 year bond issues and it borrowed long-term from international financing institutions mainly for project finance.

1. ACTIVITIES IN THE DOMESTIC MARKET

(A) GROSS AND NET ISSUANCE

The structure of the government securities issues is determined by the gross financing requirement of the central budget (HUF 3,181.8 billion) and the planned change in the cash position of the central government (see Chart 6 below). The net financing requirement, excluding redemption of government securities and loans (HUF 2,734 billion) was HUF 447.8 billion in 2001, HUF 44.2 billion less than planned.

CHART 6

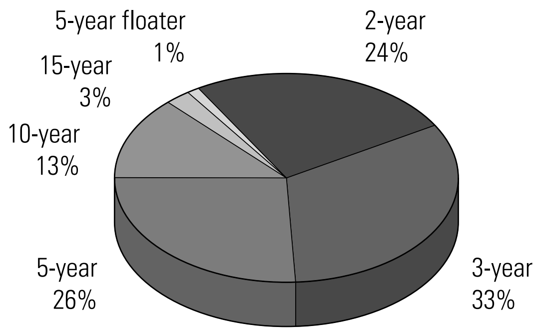


In 2001 gross issuance of government securities (Hungarian Government Bonds, Discount Treasury Bills and retail securities) amounted to HUF 3,414.4 billion. The difference between the gross financing requirement and issuance served to fill up the Treasury Single Account.

I. 8 series (6 types) of government bonds were issued (see Table) in a total amount of HUF 1,140.1 billion, out of which HUF 1,116.4 billion was sold at auction, the remaining part through the branch network of the State Treasury. The 15-year bond issued for the first time in 2001 and the 5-year floating rate bond, which has since been terminated were both issued at 2 auctions.

CHART 7

The maturity structure of HUF bond issuance in 2001



The 15-year bond was issued to meet the demand of institutional investors (insurance companies, pension funds) playing an increasingly dominant role among financial intermediaries, and to influence positively the demand for other long-term government securities, so especially for 10-year bonds.

ÁKK holds bond auctions every second week on Thursdays (for detailed information see in Chapter VII). ÁKK's intention for the future is to issue fewer but bigger series of government bonds in order to increase liquidity on the secondary market.

TABLE 2

Term	Government bond series sold in 2001
2-year fixed rate	2003/L, 2003/M
3-year fixed rate	2004/I, 2004/J
5-year fixed rate	2006/E
5-year floating rate	2005/F
10-year fixed rate	2011/A
15-year fixed rate	2017/A

II. Gross issuance of Discount Treasury Bills totalled HUF 1,781.8 billion. The share of 3-month securities was 33 per cent, and those of 6 and 12 months were 30% and 37% respectively. Discount T-bills – similar to bond issues – were auctioned using the technique of reopening previous series. Thus 20 different T-bill series could be purchased on the market with an outstanding amounts varying between HUF 90–130 billion.

III. Sales of retail securities (Interest-Bearing T-bill, Treasury Savings Bill and Treasury Savings Bond) amounted to HUF 492.5 billion. Longer than one-year savings forms (bonds) made up HUF 52.3 billion that amount. During the 4 years of marketing Treasury Savings Bonds ÁKK did not meet its expectations connected with this type of security. Thus its sale through subscription was ceased in May 2001.

Net sales of domestic securities were HUF 758 billion, 71 per cent of which (HUF 539 billion) were bonds. Net sales exceeding preliminary plans by HUF 206 billion – i.e. prefinancing of the year 2002 – were needed, because in the fourth quarter of 2001, it was decided that in 2002 financing would be focussed exclusively on the forint market and that the NBH forex losses due to the appreciation of the forint against the euro would also be financed on the domestic market.

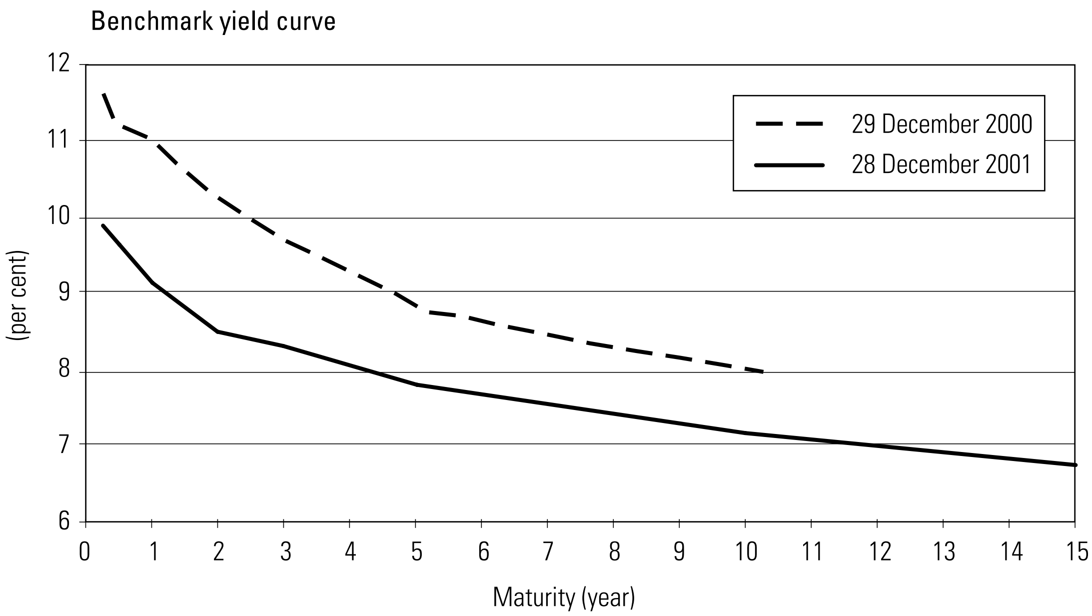
(B) BUYBACKS AND REVERSE AUCTIONS

Government securities buybacks offer for the issuer an instrument, which contributes to a more even distribution of redemptions throughout the year, an increase in the number of liquidity management tools and a more stable and predictable amount of gross issues. For investors, they offer the possibility to reinvest their money especially into those government securities, which are only available at the auction. Buybacks work as reverse auctions, where primary dealers offer for sale their government paper with a remaining maturity of less than 6 months. In 2001 ÁKK bought back government securities before maturity on 13 occasions in a total amount of HUF 122 billion.

(C) SECONDARY MARKET

Based on statistics provided by KELER (Central Depository and Clearing House Budapest Ltd.), the turnover of government securities transactions settled through the KELER OTC system totalled HUF 10,994 billion in 2001, HUF 205 billion higher than in the previous year. Bonds represented 82 per cent of the turnover.
33 per cent of the secondary market transactions of primary dealers (at market price) were concluded with credit institutions; the decline of the share of this sector is continuing (in 2000 it was 40 per cent). The second most important group of counterparties are institutional investors with 23 per cent. The share of deals concluded by primary dealers with foreign investors accounts for 14 per cent of their secondary market activities.

CHART 8



The average trade size of transactions of primary dealers (excluding retail business) was HUF 273 million in 2001, HUF 70 million higher than in 2000. Deals concluded with foreign investors and credit institutions were still the largest, HUF 476 and 439 million on average.

Throughout 2001 – excluding fluctuations in the summer months – the portfolio of forint denominated government securities owned by foreigners grew at a dynamic rate. Compared to the HUF 733 billion level at the end of the previous year, the portfolio increased to HUF 1,040 billion. Discount T-bills share in the portfolio was 10 per cent, which was allowed by the liberalisation of foreign exchange transactions in June, 2001. Whereas at the end of 2000 20.5 per cent of the marketable government securities portfolio was owned by foreigners, by the end of 2001 this proportion had increased to 23.5 per cent, more than one third of the marketable government bonds.

The turnover of government securities on the Budapest Stock Exchange was HUF 392 billion. Out of the total stock exchange government securities turnover government bonds accounted for 81 per cent. In the total turnover of the Budapest Stock Exchange the share of government securities was 12 per cent.

2. ISSUES ON INTERNATIONAL MARKETS

Since 1999 ÁKK has raised funds directly from the international capital markets by issuing foreign currency denominated bonds for the purpose of renewal of the maturing foreign exchange debt.

In June, 2001 ÁKK tapped the international capital markets on one occasion on behalf of the Republic of Hungary, when it issued a 10-year, fixed-rate bond with a 5.625 per cent coupon in an amount of EUR 1000 million.

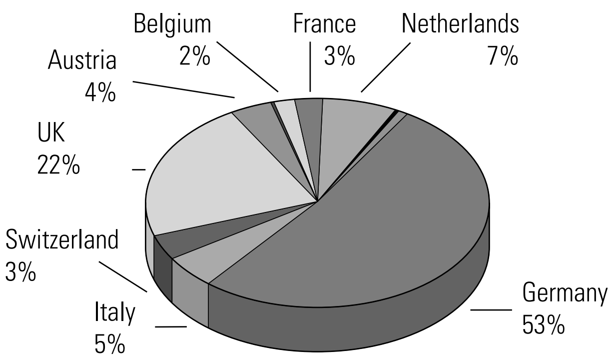
The EUR 1 billion volume was the largest Hungarian Euro issue and enabled the Republic to exceed the 'liquidity threshold', which is a critical amount according to market experiences.
The risk premium (spread) of the bond was 70 basis points over the German government bond (Bund) (and 30 basis points over Euribor).

The funds from this largest ever issue financed maturing foreign currency debt in 2001 and to a smaller extent prepayment of 2002-year maturities.

New credits from the international institutions amounted to HUF 11.7 billion, while repayments totalled HUF 47.8 billion.

CHART 9

Geographical breakdown of investors buying Republic of Hungary bond issued in 2001



The Hungarian sovereign credit rating did not change in 2001: Standard and Poor's and Fitch Ratings maintain 'A-', and Moody's Investors Service rates Hungary at 'A3'. The forint denominated debt of the country is rated by Moody's Investor Service as at 'A1', Fitch Ratings 'A' and Standard and Poor's 'A+'.

VI. ORGANISATIONAL STRUCTURE

1. ORGANISATIONAL RESTRUCTURING OF ÁKK

THE ESTABLISHMENT OF ÁKK RT.

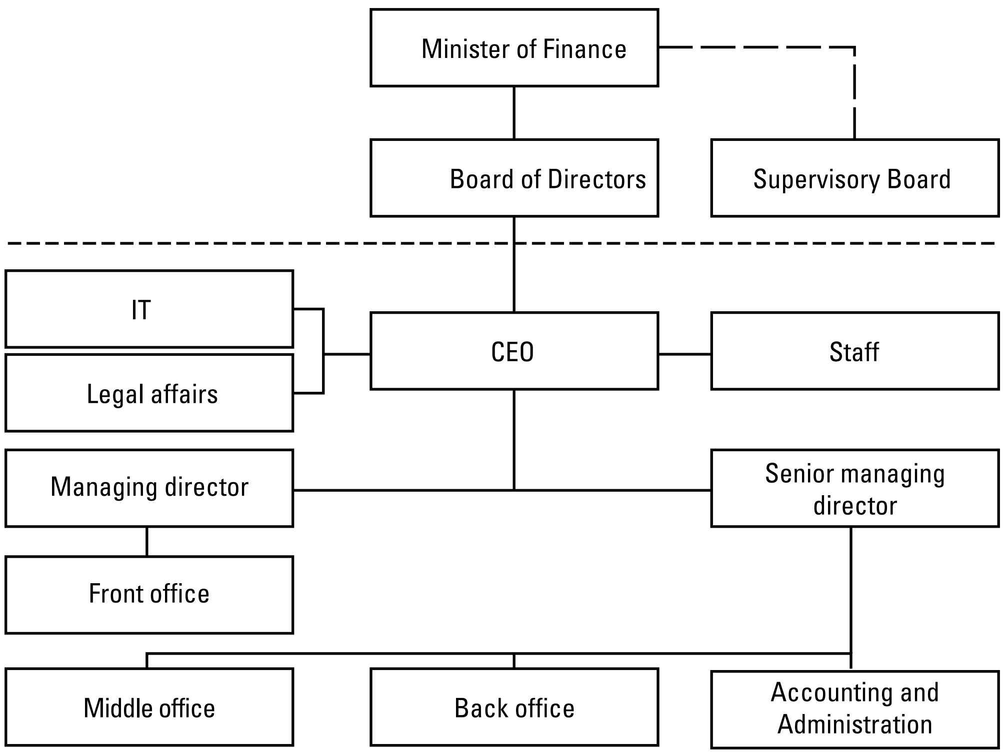
In the course of the reform of the Hungarian Treasury government debt management was considered as an activity markedly different from all other Treasury functions. Objectives of government debt management are realised to the greatest extent if there is a clear decision-making, responsibility and accountability system in place. Consequently, it was decided to set up a 'market-oriented' organisation, which can react flexibly and promptly to changing requirements. Accordingly in 2000, as part of the reform of the general government financial system, Parliament amended the relevant provisions of the Act on Public Finances (No. XXXVIII of 1992), creating the legal basis for the transformation of the ÁKK from a budgetary institution under the control of the President of the Hungarian Treasury into ÁKK Rt. (a limited company), a new agency, as the legal successor of the previous institution.

ÁKK Rt. started its activities on March 1, 2001 as a limited company with shares solely owned by the Republic of Hungary, where the ownership rights are exercised by the Minister of Finance. Consequently, the strategic competences – such as debt management strategy, a financing plan ensuring the execution of continuous debt management operations and the approval of performance criteria to be followed during debt management – are exercised directly by the Minister of Finance.

A 3-member Supervisory Board controls the activities and financial management of ÁKK Rt. According to the Deed of Foundation both the President of the State Audit Office and the President of the Government Control Office are authorised to nominate one member into the Supervisory Board, the Minister of Finance decides who is to be appointed.

CHART 10

ORGANISATIONAL CHART OF ÁKK RT.



2. GENERAL INSTITUTIONAL FRAMEWORK

The most important legal amendments in 2001 concerning the debt management activities of ÁKK were as follows:

a) The Act No. LXXXIII of 2001 on prevention of money laundering required the transformation all of Hungarian government securities into registered form 'Serial issue and public placement of securities is allowed only in registered form'. This was validated in the Act on the Capital Markets No. CXX of 2001; consequently government securities issued after January 1, 2002 are all registered.

b) The Government decree put in force on June 10, 2001 lifted all foreign exchange restrictions not only for current account transactions but for capital movements as well (foreign exchange liberalisation). Consequently, the discount T-bill market has been opened to foreign investors.

c) In April 2001 the National Bank of Hungary decided to abandon volume limits on its two-week deposit facility, and simultaneously to introduce volume tenders in the case of its three-month security.
On May 4, 2001 the Central Bank Council, in agreement with the government, decided to widen the intervention band of the forint around its central parity to ±15 per cent. The wider band allows more room for manoeuvre in market development and monetary policy.
On August 22, 2001 the NBH announced that the crawling peg devaluation of the forint would be abandoned with effect from 1 October 2001.
On December 10, 2001 the central bank tightened the overnight interest rate margin in order to moderate the fluctuation of interbank interest rates.

By the initiative of the central bank several new elements were added to the system of supporting monetary policy compared to the previous year (refinancing of foreign currency maturities from the domestic market and the increasing role of government securities in absorbing excess liquidity).

VII. MARKET INFORMATION

Supplying information as widely as possible is not only in the market interest of ÁKK but is its legal and contractual obligation. The responsibility of ÁKK as an issuer to supply information connected with issuing and trading securities is stipulated by the Act on Capital Markets, and in case of issuances on the international capital markets the legal prescriptions of those foreign markets. In order to improve transparency of the primary market an issuing calendar is elaborated and regularly published in advance of the auctions, scheduling the individual issues and auctions.

AUCTION CALENDAR (FOR A 4 WEEK PERIOD)

The auction calendar (summarised in the table below) indicates that Hungarian Government Bonds and Discount T-bills are the most important instruments in financing the central budget.

TABLE 3

	Tuesday	Wednesday	Thursday
1 weeks	3-months T-bill	6-months T-bill	12-months T-bill
2 weeks	3-months T-bill		3- and 5-year bond
3 weeks	3-months T-bill	6-months T-bill	12-months T-bill
4 weeks	3-months T-bill		3- and 10/15-year bond

ÁKK makes a public offer prior to the week of the auction, and publishes its result in the week following the auction in a daily countrywide paper (at present Népszabadság) and in the paper Magyar Tőkepiac.
In addition investors may also have access to the details of the most recent government securities auctions on:

TABLE 4

ÁKK´s website	www.allampapir.hu, www.akk.hu
Reuters	HUTREASURY
Bloomberg	GDMA
Telerate	47184-47190

The ÁKK announces the auction results through the MMTS system, on Reuters and Bloomberg, and via fax at 12.00 CET on the day of the auction. The results include the offering amount, the number and amounts (at nominal value) of bids submitted and accepted, the total amount issued, and also the minimum, maximum and average selling price that resulted at the auction.

PUBLICATIONS

Based on the data received and those processed, the ÁKK produces and releases monthly and annual reports and publications (Government Securities Market, Debt Management Report, Financing of the Central Government Budget etc.). In addition to the major macroeconomic indicators, the changes in the debt portfolio, issuance and secondary market information, the reports include the actual calendar of issuance, which highlights the events of the coming period. Moreover, ÁKK uses other means of communication, such as press releases, press conferences and interviews, in order to give information to the public on the events and measures that may have a major impact on ÁKK's operations.

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