IMPORTANT NOTICE

You must read the following before continuing. The following applies to the Offering Circular following this page (the "**Offering Circular**") or otherwise received as a result of such access, and you are therefore required to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" ("QIBs") AS DEFINED IN AND PURSUANT TO RULE 144A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") ("RULE 144A"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT TO QIBs PURSUANT TO RULE 144A.

Confirmation of your representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to any securities, you must be a person who is outside the United States unless you are a QIB in the United States. By accepting the email and accessing this Offering Circular, you shall be deemed to have represented to the Joint Lead Managers named herein that you and any customers you represent, unless you are QIBs, are not in the United States; the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia unless you are a QIB in the United States; and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

Any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

This document is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). This document is directed only at relevant persons.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers named herein, any person who controls any such persons, or any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

HUNGARY

US$2,500,000,000 5.500 per cent. Notes due 2036

The issue price of the US$2,500,000,000 5.500 per cent. Notes due 2036 of Hungary (the "**Issuer**" or "**Hungary**") is 97.883 per cent. of their principal amount (the "**Notes**").

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 26 March 2036.

The Notes will bear interest from 10 January 2024 (the "**Issue Date**") at the rate of 5.500 per cent. per annum, and payable semi-annually in arrear on 26 March and 26 September in each year commencing on 26 September 2024. Payments in respect of the Notes will be made in US dollars without deduction for or on account of taxes imposed or levied by Hungary to the extent described under "*Terms and Conditions — Taxation*".

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities law of any state of the United States or other jurisdiction. The Notes may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities law. Accordingly, the Notes are being offered, sold or delivered by the Joint Lead Managers (as defined in "*Subscription and Sale"*): (a) in the United States only to qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on, and in compliance with, Rule 144A ("**Rule 144A Notes**"); and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**") ("**Regulation S Notes**"). Each purchaser of the Notes will be deemed to have made the representations described in "Subscription and Sale" and is hereby notified that the offer and sale of Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and Regulation S. The Notes will be subject to transfer restrictions (see "**Transfer Restrictions**").

The Notes will be in registered form in the denomination of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes may be held and transferred, and will be offered and sold, in the principal amount of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes will initially be represented by global certificates in registered form (the "**Global Certificates**"), which will be issued in respect of the Notes offered and sold in reliance on Rule 144A (the "**Restricted Global Certificates**") and which will be issued in respect of the Notes offered and sold in reliance on Regulation S (the "**Unrestricted Global Certificates**"). The Restricted Global Certificates in respect of the Notes will each be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("**DTC**") (the "**DTC Global Certificates**") and the Unrestricted Global Certificate in respect of the Notes (the "**ICSD Global Certificate**") will be registered in the name of a nominee of the common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Individual note certificates ("**Individual Note Certificates**") evidencing holdings of Notes will only be available in certain limited circumstances.

The ICSD Global Certificate is intended to be held in a manner which would allow Eurosystem eligibility – that is, in a manner which would allow the Unrestricted Notes to be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

This Offering Circular does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended ("**EUWA**") (the "**UK Prospectus Regulation**"). Application will be made for the Notes to be admitted to listing on the Official List of the UK Financial Conduct Authority (the "**FCA**") (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's main market (the "**Main Market**"). The Main Market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"). The Notes will not be subject to the prospectus requirements of the UK Prospectus Regulation as a result of the Issuer's status as the government of a state, but will be issued in compliance with applicable Listing Rules of the FCA.

It is expected that delivery of the Global Certificates will be made on 10 January 2024 or such later date as may be agreed (the "**Closing Date**") by the Issuer and the Joint Lead Managers. See "*Summary of Provisions Relating to the Notes in Global Form*".

Joint Lead Managers

BNP PARIBAS **CITIGROUP** **DEUTSCHE BANK** **J.P. MORGAN**

This Offering Circular is dated 8 January 2024

Hungary accepts responsibility for the information contained in this Offering Circular and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular to the best of its knowledge is in accordance with the facts in all material respects and contains no omission of any material fact likely to affect its import.

Hungary has confirmed to the Joint Lead Managers named under "*Subscription and Sale*" that this Offering Circular contains all information regarding Hungary and the Notes which is (in the context of the issue of the Notes) material to investors in the context of their investment decision; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Circular on the part of Hungary are honestly held or made and are not misleading in any material respect; this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Hungary has not authorised the making or provision of any representation or information regarding Hungary or the Notes other than as contained in this Offering Circular or as expressly approved for such purpose by Hungary. Any such representation or information should not be relied upon as having been authorised by Hungary or the Joint Lead Managers.

Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of Hungary since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by Hungary and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered, sold or delivered in the United States or to U.S. persons.

Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Hungary of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes.

In this Offering Circular, unless otherwise specified, references to "**Euro**", "**EUR**" or "**€**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended, references to "**$**", "**USD**", "**US$**", "**Dollars**" and "**US dollars"** are to United States Dollars and references to "**HUF**" and "**forints**" are to Hungarian Forints. References in this Offering Circular to a "Condition" are to the numbered condition corresponding thereto set out in the "*Terms and Conditions*" in respect of the Notes, as applicable.

The National Bank of Hungary's foreign exchange rate for US dollars on 4 January 2024 was HUF345.90 = USD1.00, and the National Bank of Hungary's foreign exchange rate for Euro on the same day was HUF 379.38 = EUR1.00.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

MiFID II product governance / professional investors and ECPs – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

In connection with the issue of the Notes, J.P. Morgan SE (the "Stabilisation Manager") (or persons acting on behalf of such relevant Stabilisation Manager), may over-allot the relevant Notes or effect transactions with a view to supporting the market price of the relevant Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of such Notes and 60 days after the date of the allotment of such Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or person(s) acting on behalf of any such Stabilisation Manager) in accordance with all applicable laws and rules.

NOTICE TO PROSPECTIVE UNITED STATES INVESTORS

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have the foregoing authorities reviewed or passed upon or endorsed the merits of the offering of the Notes or the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

This offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain acknowledgements, representations and agreements as set out in "*Subscription and Sale*" and "*Transfer Restrictions*".

This Offering Circular is being furnished on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. This Offering Circular is being furnished only (1) to a limited number of investors in the United States only to persons reasonably believed to be QIBs and (2) to investors outside the United States. Any reproduction or distribution of this Offering Circular, in whole or in part, in the United States and any disclosure of their contents or use of any information herein or therein in the United States for any purpose, other than in considering an investment by the recipient in the Notes, is prohibited. Each potential investor in the Notes, by accepting delivery of this Offering Circular agrees to the foregoing.

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RISK FACTORS

You should read this entire Offering Circular carefully. Words and expressions defined elsewhere in this Offering Circular have the same meanings in this section. Investing in the Notes involves certain risks. In addition, the purchase of the Notes may involve substantial risks and be suitable only for investors who have the knowledge and experience in financial and business matters to enable them to evaluate the risks and merits of an investment in the Notes. You should make your own inquiries as you deem necessary without relying on Hungary or any Joint Lead Manager and should consult with your financial, tax, legal, accounting and other advisers, prior to deciding whether to make an investment in the Notes. You should consider, among other things, the following:

1. Risks relating to the Notes

The trading market for the Notes may be volatile and may be adversely impacted by many factors.

The market for the Notes issued by Hungary is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in the United States and European and other industrialized countries. There can be no assurance that events in the United States, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect.

There may be no active trading market for the Notes.

The Notes are a new issue of securities with no established trading market. There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Hungary. Although an application will be made to list and trade the Notes on the Official List and on the Main Market of the London Stock Exchange, respectively, there is no assurance that an active trading market will develop or will be maintained.

Certain economic risks are inherent in any investment denominated in a currency other than the currency of the country in which the purchaser is resident or the currency in which the purchaser conducts its business or activities.

An investment in a security denominated in a currency other than the currency of the country in which the purchaser is resident or the currency in which the purchaser conducts its business or activities may present currency related risks not associated with a similar investment in a security denominated in the home currency. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the home currency and the Dollar and the possibility of the imposition or modification of foreign exchange controls with respect to the Dollar and the home currency. Such risks generally depend on events over which Hungary has only partial control, such as economic and political events and the supply of and demand for the Dollar and the home currency. In recent years, rates of exchange for certain currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of the Notes. Depreciation of the Dollar against the relevant home currency could result in a decrease in the effective yield of a particular security below its coupon rate and, in certain circumstances, could result in a loss to the investor on a home currency basis.

This description of foreign currency risks does not describe all the risks of an investment in securities denominated in a currency other than the home currency. Prospective investors should consult their own financial and legal advisers as to the risks involved in an investment in the Notes.

Economic disruption in Europe could have an adverse effect on the value of the Notes.

The value of the Notes is affected by current global economic conditions, including regional and international rates of economic growth. Developments in the global economy, including the British exit from the European Union, have led to increased market volatility in Europe. As a result of the sovereign debt crisis in Europe, there was significant price volatility in the secondary market for sovereign debt of European and other nations at the beginning of the last decade. Europe has appeared to begin recovering from that sovereign debt crisis, with some Eurozone countries experiencing moderate growth, yet it continues to face uncertainty. If such price volatility resumes, it could lead to a decline in the recoverability and value of the Notes.

The Coronavirus disease 2019 ("**COVID-19**") pandemic and the measures taken to combat its spread adversely affected and may continue to adversely affect the economic performance of the Eurozone. Due to the strong trade and financial links between countries in the European Union, continued sluggish economic growth or negative growth in the European Union, and in particular in the Eurozone, could adversely affect the value of the Notes.

Additionally, the European economy has been impacted by Russia's military activity in Ukraine and the related economic sanctions imposed on certain Russian entities and persons by many countries. In particular, financial and commodity markets have experienced significant volatility and energy prices have increased mainly due to concerns regarding disruptions in oil and natural gas supply. The potential impact of these developments on the value of the Notes is uncertain. See "Risk Factors—Risks relating to Hungary—*Hungary's economy and economic growth might be affected by adverse external factors"* for additional risk factors that may cause economic disruption in Europe and have a material adverse effect in Hungary and "Risk Factors—Risks relating to Hungary— *The ongoing conflict between Russia and Ukraine could negatively impact Hungary*" for additional risk factors relating to the Russia and Ukraine conflict.

Definitive Notes not denominated in an integral multiple of US$200,000 or its equivalent may be illiquid and difficult to trade.

The Notes have denominations consisting of a minimum of US$200,000 plus integral multiples of US$1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of US$200,000. In each case, a holder who, as a result of trading such amounts, holds an amount which is less than US$200,000 in his account with the relevant clearing system at the relevant time may not receive a Certificate in respect of such holding (should Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to US$200,000.

If Certificates are issued, holders should be aware that Certificates which have a denomination that is not an integral multiple of US$200,000 may be illiquid and more difficult to trade than Notes denominated in an integral multiple of US$200,000.

The Notes may not be a suitable investment for all investors.

You must determine the suitability of investment in the Notes in the light of your own circumstances. In particular, you should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in the Notes;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on your overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from your currency;

(iv) understand thoroughly the terms of the notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect your investment and your ability to bear the applicable risks.

The Notes are unsecured.

The Notes constitute unsecured obligations of Hungary.

The Notes will contain provisions that permit Hungary to amend the payment terms without the consent of all holders.

The Notes will contain provisions regarding acceleration and voting on amendments, modifications, changes and waivers, which are commonly referred to as "collective action clauses." Under these provisions, certain key provisions of the Notes may be amended, including the maturity date, interest rate and other payment terms, without the consent of all holders of the outstanding debt securities, as specified in the Terms and Conditions. See "*Terms and Conditions*".

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. You should consult your legal advisers to determine whether and to what extent (1) the Notes are legal investments for you, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to your purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Securities laws will restrict your ability to transfer the Notes.

The Notes have not been registered under the Securities Act and applicable state securities laws and will be subject to transfer restrictions in order to ensure compliance with federal and state securities laws. You may not sell the Notes in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws, or pursuant to an effective registration statement. The Notes contain provisions that will restrict the notes from being offered, sold or otherwise transferred except pursuant to certain exemptions under the Securities Act. See "*Transfer Restrictions*".

Hungary is a sovereign state and accordingly it may be difficult to enforce judgments or awards against certain assets.

Hungary will irrevocably submit to the jurisdiction of the English courts and in addition accepts that disputes may be referred to arbitration. Hungary will irrevocably waive immunity in connection with any action arising out of or based upon the Notes brought by any holder of Notes. In the absence of a waiver of immunity by Hungary with respect to such actions, it would not be possible to obtain a judgment or award in such an action against Hungary (and, under Act XXVIII of 2017 on Private International Law (the "**Conflicts Law**"), the Hungarian courts would have exclusive jurisdiction), unless a court or arbitral tribunal were to determine that Hungary is not entitled to sovereign immunity with respect to such action. Hungary has also waived immunity in connection with enforcement against Hungary and its assets. However, such waiver of immunity is subject to exclusions in respect of certain assets as set out below. In addition, the Issuer reserves the right to plead sovereign immunity under the US Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it under any United States federal or State securities law. For further information see Condition 18(f) (Jurisdiction – Waiver of Immunity).

In the event that a claimant enforces a judgment or award against Hungary by attempting to attach assets located outside Hungary, such assets may be immune from attachment notwithstanding Hungary's waiver of sovereign immunity. Save as necessary to ensure the effectiveness of service, Hungary does not agree to waive immunity with respect to: (i) present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961; (ii) "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963; (iii) any other property or assets used solely for official non-commercial state purposes in Hungary or elsewhere; (iv) military property or military assets of Hungary related thereto; or (v) any non-transferable national assets and national assets with priority importance as defined in or in accordance with applicable Hungarian laws.

There is a risk that, notwithstanding the waiver of sovereign immunity by Hungary, a claimant will not be able to enforce a court judgment or arbitral award against certain assets of Hungary in certain jurisdictions (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale) without Hungary having specifically consented to such enforcement at the time when the enforcement is sought.

The recognition or enforcement of judgements rendered by a non-EU foreign court by Hungarian courts may be limited.

The recognition or enforcement of any judgment rendered by a non-EU foreign court may be limited in accordance with the Convention on Choice of Court Agreements done at The Hague on 30 June 2005 (the "**Hague Convention**") and the Conflicts Law. However, given the asymmetric nature of the jurisdiction clause of the Notes (Condition 18(d) (*Non-exclusivity*)), it is uncertain whether the Hague Convention will apply.

Based on the provisions of the Conflicts Law, judgments of a non-EU foreign court can be recognised and enforced by the Hungarian courts if the parties to the dispute have agreed to the jurisdiction of the non-EU foreign court and the agreement on jurisdiction satisfies the formality requirements of Hungarian law. Under Hungarian law, an agreement on jurisdiction can be made by the parties (i) in writing, (ii) verbally, if evidenced in writing, (iii) in a form which complies with the practices previously formed among the parties or (iv) in terms of international trade, also in a form which complies with commercial practice in such trade and of which the parties should have been aware. However, there is a risk that a Hungarian court would not recognise the legality, validity or binding nature of a jurisdiction clause unilaterally allowing any party to take proceedings in any courts with jurisdiction in addition to those courts having jurisdiction by choice of the parties under their jurisdiction agreement.

2. Risks relating to Hungary

Hungary's economy and economic growth might be affected by adverse external factors.

As with most countries, Hungary's economy and macroeconomic goals might be susceptible to adverse external factors, including the ongoing instability in the European banking system and weakness of the sovereign debt market of certain members of the European Monetary System. The occurrence of pandemics and the measures taken to combat their spread, disruptive external political events, including sanctions, embargoes and asset freezes, civil unrest, actual or threatened acts of war, escalation of current hostilities, or any other military or trade disruptions, may adversely impact Hungary's economy by causing, among other things, supply chain disruptions and market volatility. If global economic growth stalls and Hungary's primary trading partners experience economic difficulties, it could result in lower export earnings by Hungary, which relies on the export market. The European Union, particularly Germany, is Hungary's largest export market. A decline in demand for imports from Hungary's major trading partners, such as the European Union, from whatever source, could have a material adverse impact on Hungary's balance of trade and adversely affect Hungary's economic growth.

The ongoing conflict between Russia and Ukraine could negatively impact Hungary.

On 21 February 2022, Russia recognized the independence of the self-proclaimed republics of Donetsk and Luhansk in the Donbas region of Ukraine and in the following days ordered Russian troops into these regions, commencing a military operation against Ukraine. In response to Russia's military operation in Ukraine, the governments of the United States, the United Kingdom, the European Union, Japan and other countries announced the imposition of extensive sanctions on certain industry sectors in Russia and the regions of Donetsk and Luhansk and on certain individuals in Russia and abroad. The sanctions included restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia, severing Russia's largest bank from the U.S. financial system, removal of certain Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") system, barring some Russian enterprises from raising money in the U.S. market and blocking the access of certain Russian banks to financial markets. Additionally, the European Council adopted a number of restrictive measures against Russia, including the imposition of an embargo on approximately 90 per cent. of Russian crude oil exports to the EU. Russian pipeline oil exports to the EU (such as those to Hungary) were exempted from the embargo. However, if a more comprehensive embargo is put into effect, substitution may not be possible because Hungary's refinery is not configured for other types of oil. The European Council also adopted sanctions against certain Russian banks, including a full transaction ban on the Russian Regional Development Bank and imposed export controls and restrictions, particularly for dual-use goods. The United States, the EU and other countries could also impose wider sanctions and take other actions should the conflict escalate further.

With effect from 25 May 2022, the Government declared a state of danger in relation to the armed conflict in Ukraine, after the Parliament approved an amendment to the Fundamental Law determining armed conflict, war, or humanitarian disaster in a neighboring country as causes of the measure. The state of danger remains in effect. The amendment of the Fundamental Law, effective from 1 November 2022, authorized the Government to adopt or extend the effect of any emergency decree until the end of the state of danger (unless the decree is annulled by the Parliament). It aims to ensure that the Government has all the necessary tools and authorizations to protect Hungary from the negative social and economic effects of the war. The state of danger has been extended several times, most recently until 24 May 2024.

Hungary has economic relations with both Ukraine and Russia. Hungary's primary external source of energy is gas and oil imported from Russia. Hungary and Russia also cooperate on other matters, including the ongoing construction of the Paks Nuclear Power Plant in Hungary. Because of Hungary's close relationship with, and geographic proximity to, both countries, the current hostilities between Russia and Ukraine are likely to have an increasingly adverse effect on Hungary's political, economic and financial position, especially if Hungary were to be required to source its energy needs elsewhere.

Further, Hungary has contractual obligations with Russian counterparties that may be affected by current sanctions. Due to the broad economic sanctions imposed on Russian entities and persons, Hungary could experience increased credit risk and defaults on loans to counterparties in Russia. Although Hungary has established policies to ensure that these activities are conducted in compliance with applicable laws and regulations, including applicable sanctions, any actual or perceived failure to comply with applicable laws and regulations could result in regulatory actions against Hungary, such as secondary sanctions. In addition, Hungary's participation in transactions with sanctioned entities may lead some potential counterparties and investors to avoid doing business with Hungary or investing in its securities.

As a result of these factors, Hungary's budgetary and financial condition could be negatively impacted.

Hungary is highly dependent on Russian energy imports and a disruption in energy imports from Russia could have a material adverse impact on Hungary's economy and adversely affect Hungary's financial and economic stability.

Hungary is a land-locked country with an established pipeline system for natural gas and oil imports from Russia and is highly dependent on Russian energy imports. According to data compiled by HCSO, the frontier parity value of imports of petroleum, petroleum products and related materials amounted to EUR5.9 billion in 2022; of this amount, imports from Russia amounted to EUR2.6 billion. The frontier parity value of imports of natural and manufactured gas amounted to EUR9.5 billion in 2022; of this amount, imports from Russia amounted to EUR6.2 billion. Gross electricity production amounted to 35,699 gigaWatt hours in 2022; of this amount, nuclear sources contributed 15,812 gigaWatt hours. Nuclear fuel is imported from Russia.

Hungary has a pipeline connection with all neighbouring countries (except Slovenia), but has limited ability to fully replace Russian imports. While imports of LNG from Croatia and Qatar have the potential to gradually reduce the share of Russian gas imports, this would require a substantial increase in supply from these countries. The recently launched Romanian Black Sea offshore gas platform can also help to achieve this goal. However, Hungary's gas storage facilities were 95.9 per cent. full on 28 November 2023. In addition to the high storage level, decreasing consumption also plays an important role in the country's energy reserve levels. In proportion to consumption, the level of gas storage is among the highest in the EU.

Although the Hungarian Government is working to diversify its sources of energy imports, including by signing agreements with new export partners such as Azerbaijan and Qatar, Russian natural gas and crude oil imports cannot be replaced in the short term. The transition to alternative oil supply would require an estimated investment of several hundred million dollars and a 2- to 4-year transition period for the Hungarian oil industry.

A possible failure, disruption or material decrease in energy imports from Russian energy would adversely affect the country.

The tapering of the ongoing quantitative easing programs of the European Central Bank or other changes to EU funding could have a material adverse impact on Hungary's capital market and adversely affect Hungary's financial stability.

The monetary policy of the European Central Bank has a substantial indirect effect on the Hungarian capital market. The possible termination of the ongoing quantitative easing programs of the European Central Bank could set the stage for higher interest rates in the future. A tighter ECB monetary policy stance could have a material adverse impact on Hungary's capital markets and the government's borrowing costs, negatively impacting Hungary's fiscal position. Hungary's ESA-based fiscal deficit was 7.2 per cent. of GDP in 2021 and, based on preliminary figures, 6.2 per cent. of GDP in 2022.

EU funds availability for Hungary is dependent on three separate, although interrelated, procedures: (i) the conditionality procedure on the rule of law (relating to EUR6.3 billion from the Cohesion funds), (ii) Hungary's Recovery and Resilience Plan (relating to EUR5.8 billion and a potential EUR9.7 billion in loans) and (iii) Hungary's Partnership Agreement with the EU for Cohesion funds (relating to the total envelope of EUR21.77 billion for 2021-27).

On 27 April 2022, the European Commission sent a formal notification to the Hungarian Government on the launch of the conditionality mechanism which would condition a portion of the disbursement of EU funds on Hungary's compliance with the rule of law. The formal notification was an initial step in the process of activating the conditionality mechanism. After receiving the notification, Hungary had several months to comment, provide relevant information and propose remedial measures in response to the Commission's findings. Then, the process involved a lengthy dialogue between the Commission and Hungary, during which the European Commission was to assess whether a rule of law deficiency existed, and whether a direct link could have been established between any rule of law deficiency and European budget interests. If, at the end of the procedure, the Commission determined that such deficiencies still existed, a proportionate part of the EUR5.85 billion from the EU's Recovery and Resilience Facility ("RRF") funding that Hungary expected to receive between 2022 and 2026 was to be withheld to offset the budgetary effects of such deficiencies, if any. The objective of the process was to remedy any identified deficiencies and its consultative nature gave ample opportunity to both parties to find the appropriate compromise remedial solutions.

On 8 December 2023, the Economic and Financial Affairs Council ("ECOFIN") adopted implementing decisions approving Hungary's amended Recovery and Resilience Plan, which now includes the new REPowerEU chapter. According to Minister of Finance Mihály Varga, Hungary is expected to receive EUR3.9 billion of RRF loans, EUR0.7 billion of REPowerEU grants and a EUR5.8 billion grant, and, following ECOFIN's approval, Hungary could receive an advance of EUR0.9 billion of the REPowerEU funds as early as January 2024.

On 13 December 2023, the European Commission announced that Hungary could begin to claim reimbursements of up to EUR10.2 billion in cohesion funding as it had adopted reforms related to judicial independence. The European Commission determined that Hungary took the necessary measures to fulfil the horizontal enabling condition on the EU Charter of Fundamental Rights concerning judicial independence. Hungary adopted legislation which strengthens the independence of the judiciary in the country, corresponding to the commitments taken by Hungary in its Recovery and Resilience Plan. The European Commission will closely and continuously monitor the application of the measures put in place by Hungary. If at any point in time, the European Commission considers that these conditions are not met, it may again decide to block funding.

There are still ongoing discussions among Hungary, the European Commission and the European Council in respect of the release of the total financial contribution. According to the estimate of the European Commission, as of 13 December 2023, the funding that remained locked for Hungary amounted to around EUR21 billion overall.

On 28 December 2023, Hungary received a EUR780 million advance of the EUR3.9 billion loan approved for the amended Recovery and Resilience Plan. This amount, which arrived as part of the REPowerEU package, will support Hungary's energy renewal and the further expansion and development of the country's green energy use.

On 2 January 2023, the Government announced that the European Commission had transferred EUR445 million of the previously blocked 2021-2027 cohesion funds to Hungary. The receipt of these funds allows Hungary to begin refinancing operational programmes for the new EU development period.

See "Description of Hungary–Public Finance– Developments Related to EU Funding and the Rule of Law" for more information about Hungary's access to EU funding.

Any deterioration in the relationship between Hungary and the European Commission, or any material reduction in EU funds to be disbursed to Hungary going forward (e.g., if the Council, upon the proposal of the European Commission, ultimately adopts a decision on implementing the measures (e.g. reduction of foreseen payments)), could have a material adverse impact on Hungary's budgetary and financial condition.

There can be no assurance that Hungary's credit rating will not change.

Long-term foreign currency and local currency debt of Hungary is currently rated BBB- by Standard & Poor's and Baa2 by Moody's. Hungary's foreign currency and local currency sovereign credit rating issued by Fitch Ratings is currently BBB. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Rating agencies continue to assess rating levels. There can be no assurance that the rating or outlook of Hungary will not be placed on watch or be subject to change in the future, whether due to the macro-economic environment or otherwise. A downgrade in rating or a negative change in outlook could have a materially adverse impact on the cost of funding of Hungary and could have a further impact on the Hungarian economy including on the GDP and budget.

JURISDICTION AND ENFORCEABILITY OF JUDGMENTS

Hungary is a foreign sovereign. It may, therefore, be difficult for investors to obtain or enforce judgments against Hungary. See "*Risk Factors– Hungary is a sovereign state and accordingly it may be difficult to enforce judgments or awards against certain assets*".

As a general rule under the Hungarian Conflicts Law, the Hungarian courts have exclusive jurisdiction in relation to proceedings against the Hungarian State (including any public bodies with state authority and any representatives of the state acting in such capacities), subject to certain exceptions. Exemptions apply where, amongst others, (i) the subject-matter of the proceeding is a right or obligation of the Hungarian state arising out of a contract under civil law, (ii) the Hungarian state has expressly waived its immunity, (iii) the proceeding has been initiated by the State itself, or in which it has intervened or entered an appearance, or (iv) of a counterclaim presented in a proceeding initiated by the State, if based on the legal relationship in dispute. Notwithstanding the above, under the Conflicts Law, the Hungarian courts have exclusive jurisdiction (i) in proceedings pertaining to any right in real estate property situated in Hungary, including the rental or lease of such property; (ii) in probate proceedings where the estate is located Hungary and the testator is a Hungarian citizen; (iii) in actions filed for the destruction of official instruments issued in Hungary; (iv) in proceedings concerning the registration of rights, facts and data into a public register in Hungary; (v) in actions concerning enforcement procedures in Hungary. Furthermore, the jurisdiction of the Hungarian court shall also be established, if the respondent, without objecting to the lack of jurisdiction of the Hungarian courts, submits a counterclaim in the case (in Hungarian "*perbebocsátkozás*"), unless the jurisdiction of the Hungarian court is excluded by Hungarian law.

Hungary consents to jurisdiction of the courts of England for the matters described in "Condition 18(a) (*Jurisdiction*)" and waives any objection to the courts of England being nominated as the forum to hear and determine any such matters, and agrees not to claim that any such court is not a convenient or appropriate forum.

To the extent that Hungary may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or arbitral award, or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), Hungary agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, provided that Hungary does not waive any immunity with respect to: (i) present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961; (ii) "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963; (iii) any other property or assets used solely for official non-commercial state purposes in Hungary or elsewhere; (iv) military property or military assets of Hungary related thereto; or (v) any non-transferable national assets and national assets with priority importance as defined in or in accordance with applicable Hungarian laws. See "Condition 18(f) (*Jurisdiction – Waiver of Immunity*)".

In the absence of an explicit submission to jurisdiction by Hungary with respect to actions brought in the United States, it may not be possible to obtain a judgment in an action brought against Hungary in a court in the United States unless the court were to determine that Hungary is not entitled under the Foreign Sovereign Immunities Act to sovereign immunity with respect to such action. Further, even if a United States judgment could be obtained in such an action, it may not be possible to enforce in Hungary a judgment based on such a United States judgment. Execution upon property of Hungary located in the United States to enforce a United States judgment may not be possible except under the limited circumstances specified in the Foreign Sovereign Immunities Act.

Hungary has agreed, as part of the terms and conditions of the Notes, that Noteholders may refer certain disputes to be settled by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration. See "Condition 19 (*Arbitration*)". Hungary is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"). A foreign arbitral award obtained in a state that is party to the New York Convention should be recognized and enforced by a Hungarian court, if all required formalities are met, but remains subject to the qualifications and restrictions of the Convention and of Hungarian law.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount (in each case after deduction of a combined management and underwriting fee and before accounting for certain other transaction related expenses) to approximately US$2,442,700,000, will be used by Hungary for general funding purposes and may be used for liability management purposes.

TERMS AND CONDITIONS

Terms and Conditions of the Notes

The following is the text of the Terms and Conditions of the Notes which, upon issue, will represent the terms and conditions applicable to all Notes, and, subject to completion and amendment, will be endorsed on each Note in definitive form and will be attached and (subject to the provisions thereof) apply to each Global Note representing the Notes.

The US$2,500,000,000 5.500 per cent. Notes due 2036 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 13 (*Further issues*) and forming a single series therewith) of Hungary (the "**Issuer**") are constituted by a deed of covenant dated 10 January 2024 (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of a fiscal agency agreement dated 10 January 2024 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon SA/NV, Dublin Branch (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. **Form, Denomination and Status**

(a) *Form and denomination*: The Notes are in registered form in the denominations of US$200,000 and integral multiples of US$1,000 in excess thereof (each, an "**Authorized Denomination**").

(b) *Status of the Notes*: The Notes are the direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured and unsubordinated External Indebtedness of the Issuer, from time to time outstanding, *provided, further*, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*.

2. **Register, Title and Transfers**

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however*, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorized Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Negative Pledge and Covenants

(a) So long as any Note remains outstanding (for the purposes of these Conditions, "**outstanding**" shall have the meaning ascribed to such term in the Fiscal Agency Agreement), Hungary undertakes that, if it or the National Bank of Hungary creates or permits to subsist any Security Interest upon the whole or any part of its or their assets or revenues, present or future, to secure: (i) any Public External Indebtedness of Hungary having an original maturity of at least one year; or (ii) any Public External Indebtedness of the National Bank of Hungary having an original maturity of at least one year and incurred on or prior to 31 December 1998, the Issuer shall, at the time or prior thereto, secure equally and rateably therewith the obligations of the Issuer under the Notes.

(b) So long as any Note remains outstanding, the Issuer shall: (i) continue to procure that either the Issuer or the National Bank of Hungary exercises full ownership, power and control over the International Monetary Assets as they exist from time to time; and (ii) duly obtain and maintain in full force and effect all governmental consents, licences, approvals and authorisations, and/or make or cause to be made all (if any) registrations, recordings and filings, which may at any time be required to be obtained and/or made in

Hungary for the execution, delivery or performance of all obligations arising under the Notes and the validity or enforceability thereof.

In these Conditions:

"**External Indebtedness**" means any obligation in respect of existing or future Indebtedness denominated or payable, or at the option of the holder thereof payable, in a currency other than the lawful currency of Hungary provided that, if at any time the lawful currency of Hungary is the Euro, then any Indebtedness as described herein, expressed in or payable or optionally payable in Euro, more than 50 per cent. of the aggregate principal amount of which is initially placed outside Hungary and issued after the date on which the Euro becomes the lawful currency of Hungary, shall be included;

"**IMF**" means the International Monetary Fund;

"**Indebtedness**" means any indebtedness of any Person (whether incurred as principal or surety) for money borrowed;

"**International Monetary Assets**" means all of Hungary's official holdings of gold and all of Hungary's, and Hungary's Monetary Authorities', holdings of: (i) Special Drawing Rights; (ii) Reserve Positions in the IMF; and (iii) Foreign Exchange; the terms "Special Drawing Rights", "Reserve Positions in the Fund" and "Foreign Exchange" have, as to the types of assets included, the meanings given to them in the IMF's publication entitled "*International Financial Statistics*" or such other meaning as shall be formally adopted by the IMF from time to time;

"**Monetary Authorities**" means the National Bank of Hungary and, if and to the extent that it performs the functions of a monetary authority for or on behalf of Hungary or the government thereof, any currency board, exchange stabilisation fund or treasury;

"**National Bank of Hungary**" means Magyar Nemzeti Bank, the central bank of Hungary or any other entity which, from time to time, acts as a central bank of Hungary, as the case may be;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Public External Indebtedness**" means External Indebtedness which: (i) is in the form of, or represented by, bonds, notes or other similar securities; and (ii) is, or may be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market; and

"**Security Interest**" means any lien, pledge, hypothecation, mortgage, security interest, charge or any other encumbrance, agreement or arrangement which has a similar legal and economic effect including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

4. Interest

The Notes bear interest from 10 January 2024 (the "**Issue Date**") at the rate of 5.500 per cent. per annum (the "**Rate of Interest**"). Interest on the Notes is payable semi-annually in arrear on 26 March and 26 September in each year (each, an "**Interest Payment Date**") from and including 26 September 2024 (the "**First Interest Payment Date**") to and including the Maturity Date.

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable shall be US$39.11 per Calculation Amount in respect of each Note on the First Interest Payment Date, and US$27.50 per Calculation Amount in respect of each Note on each subsequent Interest Payment Date. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

"**Calculation Amount**" means US$1,000; and

"**Day Count Fraction**" means in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

5. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 26 March 2036 (the "**Maturity Date**"), subject as provided in Condition 6 (*Payments*).

(b) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraph (a) (*Scheduled redemption*) above.

(c) *Purchase*: The Issuer may at any time purchase Notes in the open market or otherwise and at any price, provided that such purchase is made in accordance with the United States Securities Act of 1933, as amended (the "**Securities Act**") and any other applicable securities laws.

(d) *Cancellation*: All Notes so redeemed or purchased by the Issuer shall be cancelled and may not be reissued or resold.

6. **Payments**

(a) *Principal*: Payments of principal shall be made by US dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, or by transfer to a US dollar account (or other account to which US dollars may be credited or transferred) maintained by the payee with, a bank that processes payments in US dollars and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by US dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a US dollar account (or other account to which US dollars may be credited or transferred) maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a US dollar account (or other account to which US dollars may be credited or transferred), payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day and no interest shall accrue for such intervening period) will be initiated and, where payment is to be made by US dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day, (B) if the Noteholder is late in surrendering its Note Certificate (if required to do so) or (C) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph "**business day**" means:

(i) in the case of payment by transfer to a US dollar account (or other account to which US dollars may be credited or transferred) as referred to above, any day which is a day on which banks are open for general business in London and New York; and

(ii) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hungary or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with Hungary other than the mere holding of, or receipt of payment on, the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than Hungary, references in these Conditions to Hungary shall be construed as references to Hungary and/or such other jurisdiction.

8. **Events of Default**

If any of the following events occurs and is continuing:

(a) *Events of Default:*

(i) Non-payment: the Issuer fails to pay any amount of interest in respect of the Notes within 15 days of the due date for payment thereof; or

(ii) Breach of other obligations: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Fiscal Agency Agreement and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(b) *Events of Acceleration:*

(i) Failure to take action etc: any action, condition or thing at any time required to be taken, fulfilled or done in order: (A) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, (B) to ensure that those obligations are legal, valid, binding and enforceable and (C) subject to their official translation into the Hungarian language, to make the Notes admissible in evidence in the courts of Hungary is not taken, fulfilled or done within 30 days of receipt by the Issuer of written notice thereof; or

(ii) Unlawfulness: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes and such unlawfulness is not remedied by the Issuer within 30 days' written notice thereof;

then, in the case of any event mentioned in either (a) or (b) above, all of the Notes may by written notice addressed and delivered by the holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes to the Fiscal Agent, be declared immediately due and payable, whereupon, unless prior to such date the Issuer shall have cured or otherwise rectified the relevant event, all of the Notes shall become immediately due and payable at their principal amount together with accrued interest. The Issuer shall ensure that it will use all reasonable endeavours to give prompt notice of any such declaration to all Noteholders.

(c) *Rescission of the Declaration of Acceleration:* if the Issuer receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Notes and/or a resolution is passed at a meeting of Noteholders duly convened and held in accordance with the Fiscal Agency Agreement to the effect that the Event(s) of Default and/or Event(s) of Acceleration giving rise to a declaration of acceleration made pursuant to Condition 8(a) or (b) above is or are cured or is or are waived by them following any such declaration and that such holders request the Issuer to rescind the relevant declaration, the Issuer shall, by notice in writing to the Noteholders (with a copy to the Fiscal Agent), rescind the relevant declaration whereupon it shall be rescinded and shall have no further effect. No such rescission shall affect any other or any subsequent Event of Default and/or Event of Acceleration or any right of any Noteholder in relation thereto.

9. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. **Replacement of Note Certificates**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. **Agents**

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or fiscal agent and additional or successor paying agents and transfer agents; *provided, however*, that the Issuer shall at all times maintain a fiscal agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. **Meetings of Noteholders; Modification**

(a) *Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions:*

The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Fiscal Agency Agreement. The Issuer will determine the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

The Fiscal Agency Agreement contains the provisions for convening meetings of Noteholders to consider matters relating to the Notes including, without limitation, the modification of any provision of these Conditions. Any such modification may be made if, having been approved in writing by Hungary, it is sanctioned by an Extraordinary Resolution. If the Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

The meeting of Noteholders shall be convened by the Fiscal Agent upon the request (addressed to the Fiscal Agent or to the Issuer, with a copy to the other, and setting out the purpose of the requested meeting) in writing of the Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes (as defined in Condition 12(j) (*Notes controlled by the Issuer*)). The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

The notice convening any meeting will specify, *inter alia*;

(A) the date, time and location of the meeting;

(B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(F) whether Condition 12(b) (*Modification of this Series of Notes only*), or Condition 12(c) (*Multiple Series Aggregation – Single limb voting*), or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;

(G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(H) such information that is required to be provided by the Issuer in accordance with Condition 12(f) (*Information*);

(I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 12(g) (*Claims Valuation*); and

(J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

All information to be provided pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.

Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

"**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) and Condition 12(k) (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(b) *Modification of this Series of Notes only*

Any modification of any provision of, or any action in respect of these Conditions may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) by a majority of:

(A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or in several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) *Multiple Series Aggregation – Single limb voting*

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(ii) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(iii) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be, of each other affected series of Debt Securities Capable of Aggregation.

(v) The "**Uniformly Applicable**" condition will be satisfied if:

(A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(vi) It is understood that a proposal under Condition 12(c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(vii) Any modification or action proposed under Condition 12(c)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) *Multiple Series Aggregation – Two limb voting*

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt

Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(ii) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:

(A) at least 66.67 per cent. of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(iii) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(A) at least 66.67 per cent. of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be, of each other affected series of Debt Securities Capable of Aggregation.

(v) Any modification or action proposed under Condition 12(d)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) *Reserved Matter:*

In these Conditions "**Reserved Matter**" means any proposal to:

(i) change any date, or the method of determining the date, fixed for payment of principal or interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal or interest or any other amount payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

(ii) exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

(A) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

(B) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(iii) change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(iv) change the definition of "Uniformly Applicable";

(v) change the currency in which any amount due in respect of the Notes is payable or the place of payment in which any payment in respect of the Notes is to be made;

(vi) amend the status of Notes under Condition 1 (*Form, Denomination and Status*);

(vii) amend the obligation of the Issuer to pay additional amounts under Condition 7 (*Taxation*);

(viii) change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 8 (*Events of Default*);

(ix) amend the law governing the Notes, the courts to the jurisdiction to which the Issuer has submitted in the Notes, the Issuer's obligation to maintain an agent for service of process in England or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder set out in Condition 17 (*Governing Law*) and Condition 18 (*Jurisdiction*);

(x) change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(xi) impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(xii) change the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution" in the Conditions and/or Fiscal Agency Agreement;

(xiii) change the definition of "outstanding" or modify Condition 12(j) (*Notes controlled by the Issuer*);

(xiv) instruct any Noteholder or committee appointed on behalf of all Noteholders pursuant to Condition 12(e) to withdraw, settle or compromise any proceeding or claim being asserted pursuant to Condition 8 (*Events of Default*);

(xv) confer upon any committee appointed pursuant to Condition 12(e) any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;

(xvi) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(xvii) amend this definition.

(f) *Information*

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 12(b) (*Modification of this Series of Notes only*), Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), the Issuer shall publish in accordance with Condition 12(k) (*Aggregation Agent; Aggregation Procedures*), and provide the Fiscal Agent with the following information:

(i) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(ii) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(iii) a description of the Issuer's proposed treatment of securities representing External Indebtedness that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 12(a) (*Convening Meetings of Noteholders; Conduct of meetings of Noteholders; Written Resolutions*).

(g) *Claims Valuation*

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) and Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the par value of the Notes and such affected series of debt securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(h) *Manifest Error*

The Notes and these Conditions may, subject to the prior written approval of the Issuer, be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not material.

(i) *Noteholders' Representative Committee*

(i) *Appointment*: The Noteholders may, by a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Fiscal Agency Agreement by a majority of more than 25 per cent. in aggregate principal amount of the Notes then outstanding, or by notice in writing to the Fiscal Agent signed by or on behalf of the holders of more than 25 per cent. in aggregate principal amount of the Notes then outstanding, appoint any persons as a committee to represent the interests of the Noteholders if any of the following events shall have occurred:

(a) an Event of Default or an Event of Acceleration;

(b) any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*) become an Event of Default or an Event of Acceleration;

(c) any public announcement by the Issuer, to the effect that the Issuer is seeking or intends to seek a rescheduling or restructuring of the Notes or any other affected series of debt securities (whether by amendment, exchange offer or otherwise); or

(d) with the agreement of the Issuer, at a time when the Issuer has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Notes or any other affected series of debt securities are outstanding.

(ii) Upon receipt of a written notice that a committee has been appointed in accordance with Condition 12(i)(i) (*Appointment*), and a certificate delivered pursuant to Condition 12(i)(v) (*Certification*), the Issuer shall give notice of the appointment of such a committee to:

(a) all Noteholders in accordance with Condition 12(k)(vii) (*Manner of publication*); and

(b) the holders of each affected series of debt securities in accordance with the terms and conditions of such affected series of debt securities,

as soon as practicable after such written notice and such certificate are delivered to the Issuer.

(iii) *Powers*: Such committee in its discretion may, among other things, (i) engage legal advisers and financial advisers to assist it in representing the interests of the Noteholders, (ii) adopt such rules as it considers appropriate regarding its proceedings, (iii) enter into discussions with the Issuer and/or other creditors of the Issuer, (iv) designate one or more members of the committee to act as the main point(s) of contact with the Issuer and provide all relevant contact details to the Issuer. The Issuer shall pay any reasonably incurred fees and expenses of any such committee as may be agreed with it (including, without limitation, the fees and expenses of the committee's legal advisers and financial advisers, if any) within 30 days of the delivery to the Issuer of a reasonably detailed invoice and supporting documentation.

Except to the extent provided in this Condition 12(i)(iii) (*Powers*), such committee shall not have the ability to exercise any powers or discretions which the Noteholders could themselves exercise.

(iv) *Engagement with the committee and provision of information*

The Issuer shall:

(a) subject to Condition 12(i)(v), engage with the committee in good faith;

(b) provide the committee with information equivalent to that required under Condition 12(f) (*Information*) and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations; and

If more than one committee has been appointed by holders of affected series of debt securities in accordance with the provisions of this Condition 12(i) (*Noteholders' Representative Committee*) and/or equivalent provisions set out in the terms and conditions of any affected series of debt securities, the Issuer shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon the Issuer shall engage with such steering group.

(v) *Certification*

Upon the appointment of a committee, the person or persons constituting such a committee (the "**Members**") will provide a certificate to the Issuer and to the Fiscal Agent signed by the authorised representatives of the Members, and the Issuer and the Fiscal Agent may rely upon the terms of such certificate.

The certificate shall certify:

(i) that the committee has been appointed;

(ii) the identity of the initial Members; and

(iii) that such appointment complies with the terms and conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate which each of the Issuer and the Fiscal Agent may rely on conclusively, will be delivered to the Issuer and the Fiscal Agent identifying the new Members. Each of the Issuer and the Fiscal Agent will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this Condition 12(i)(v) shall apply, *mutatis mutandis*, to any steering group appointed in accordance with Condition 12(i)(iv) (*Engagement with the committee and provision of information*).

In appointing a person or persons as a committee to represent the interests of the Noteholders, the Noteholders may instruct a representative or representatives of the committee to form a separate committee or to join a steering group with any person or persons appointed for similar purposes by other affected series of debt securities.

(j) *Notes controlled by the Issuer:*

For the purposes of (i) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorize the signature of, any Written Resolution, and (ii) Condition 8 (*Events of Default*), Condition 12 (*Meetings of Noteholders; Modification*) and Schedule 4 (*Provisions for Meetings of the Noteholders*) to the Agency Agreement, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer, shall be disregarded and be deemed not to remain outstanding, (for the avoidance of doubt, such definition of outstanding applies solely for the purposes listed in this Section 12(j) where:

(i) "**public sector instrumentality**" means any department, ministry or agency of the government of Hungary or any corporation, trust, financial institution or other entity owned or controlled by the government of Hungary or any of the foregoing; and

(ii) "**control**" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to paragraph (iv) (*Certificate*) of Condition 12(k) (*Aggregation Agent; Aggregation Procedures*), which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

(k) *Aggregation Agent; Aggregation Procedures*

(i) *Appointment:* The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(ii) *Extraordinary Resolutions:* If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(iii) *Written Resolutions:* If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these

Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(iv) *Certificate*: For the purposes of paragraph (ii) (*Extraordinary Resolutions*) and paragraph (iii) (*Written Resolutions*) of this Condition 12(k), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in paragraph (b) (*Modification of this Series of Notes only*), paragraph (c) (*Multiple Series Aggregation – Single limb voting*) or paragraph (d) (*Multiple Series Aggregation – Two limb voting*) of Condition 12 (*Meetings of Noteholders; Modification*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

(a) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of paragraph (j) (*Notes controlled by the Issuer*) of Condition 12 (*Meetings of Noteholders; Modification*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(v) *Notification:* The Aggregation Agent will cause each determination made by it for the purposes of this Condition 12(k) (*Aggregation Agent; Aggregation Procedures*) to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

(vi) *Binding nature of determinations; no liability:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition (Aggregation Agent; Aggregation Procedures) by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent, the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(vii) *Manner of publication:* The Issuer will publish all notices and other matters required to be published pursuant to the bond documentation including any matters required to be published pursuant to Condition 12 (*Meetings of Noteholders; Modification*), this Condition 12(k) (*Aggregation Agent; Aggregation Procedures*), Condition 12(i) (*Noteholders' Representative Committee*) and Condition 8 (*Events of Default*):

(a) on www.akk.hu;

(b) through the systems of Clearstream Banking S.A., Euroclear Bank SA/NV and DTC and/or any other international or domestic clearing system(s) through which the Notes are for the time being cleared; and

(c) in such other places and in such other manner as may be required by applicable law or regulation.

13. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and the issue price so as to form a single series with the Notes), provided that any notes subsequently issued shall be fungible with the previously outstanding notes for U.S. federal income tax purposes.

14. **Notices**

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

15. **Additional Information**

For so long as any Notes remain outstanding, the Issuer will make available to any Noteholder or beneficial owner of an interest in the Notes, or to any prospective purchasers designated by such noteholder or beneficial owner, upon request of such Noteholder or beneficial owner, information required to be delivered under paragraph (d)(4) of Rule 144A unless, at the time of such request, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act.

16. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

17. **Governing Law**

The debt obligations represented by the Notes, the Notes and any non-contractual obligations arising out of or in connection with such debt obligations and the Notes are governed by English law.

18. **Jurisdiction**

(a) *Jurisdiction*: The Issuer agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings ("**Proceedings**"), and to settle any dispute or difference arising out of or in connection with the Notes, or any non-contractual obligations arising out of or in connection with them, including any question as to the existence, validity or termination of the Notes (a "**Dispute**"), which may arise out of or in connection with the Notes, or any non-contractual obligations arising out of or in connection with them, and, for such purposes, irrevocably submits to the jurisdiction of such courts.

(b) *Appropriate forum*: The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

(c) *Process agent*: The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to the Embassy of Hungary in London at 35 Eaton Place, London SW1X 8BY. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(d) *Non-exclusivity*: The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if, and to the extent, permitted by law.

(e) *Consent to enforcement etc*: Subject to paragraph (f) below, the Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

(f) *Waiver of immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or arbitral award, or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), the Issuer agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, provided that (save as necessary to ensure the effectiveness of service under Condition 18(c) (*Process agent*) above) the Issuer does not waive any immunity with respect to: (i) present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961; (ii) "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963; (iii) any other property or assets used solely for official non-commercial state purposes in Hungary or elsewhere; (iv) military property or military assets of Hungary related thereto; or (v) any non-transferable national assets and national assets with priority importance as defined in or in accordance with applicable Hungarian laws.

19. Arbitration

(a) *Disputes may be settled by arbitration*: Without prejudice to the provisions of Condition 18 (*Jurisdiction*) above, any Noteholder may, at its discretion, refer any Dispute, to be settled by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**"), which are deemed to be incorporated by reference into this Condition 19 (and copies of which may be obtained free of charge from the Specified Office of the Paying Agent in London).

(b) *Appointment of the arbitral tribunal*: The arbitral tribunal shall be composed of three (3) arbitrators, one of whom shall be the presiding arbitrator. The claimant(s) and the respondent(s) shall nominate an arbitrator respectively. The third arbitrator, who shall be the presiding arbitrator, shall be nominated by the two party-nominated arbitrators within thirty (30) days of the last of their appointments.

(c) *Place and language of the arbitration proceedings*: The place and seat of the arbitration shall be London, England and the language of the arbitral proceedings shall be English.

(d) *The award*: All and any awards of the arbitral tribunal shall be made in writing in accordance with the LCIA Rules and shall be final and binding on the relevant parties. The parties waive any right of application to determine a preliminary point of law or appeal on a point of law under Sections 45 and 69 of the Arbitration Act 1996. If the arbitral tribunal fails to agree on any issue in the award, the arbitrators shall decide that issue by a majority. Failing a majority decision on any issue, the presiding arbitrator shall decide that issue. The final award shall be made within six (6) months from the appointment of the third arbitrator, but insofar as this is impractical it shall be made as soon as possible thereafter.

(e) *Notice of arbitration*: In relation to any arbitration proceedings, the provisions of Condition 14 (*Notices*) shall apply in respect of this Condition 19 in addition to the notification provisions of the LCIA Rules.

(f) *Expedition of arbitration*: The arbitral tribunal shall conduct the arbitration in accordance with the LCIA Rules and at all times in such a manner as to ensure a speedy resolution of the Dispute.

The **ISSUER** expressly agrees and consents to each of the provisions of Condition 18 (*Jurisdiction*) and Condition 19 (*Arbitration*).

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

New Safekeeping Structure

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that ICSD Global Certificates to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

The ICSD Global Certificate is intended to be held in a manner which would allow Eurosystem eligibility – that is, in a manner which would allow such Notes to be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Clearing System Accountholders

In relation to any Notes represented by one or more Global Certificates, references in the relevant Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name the relevant Global Certificate is for the time being registered in the Register which (a) in the case of a DTC Global Certificate held by or on behalf of DTC, will be Cede & Co. as nominee for DTC or (b) in the case of any ICSD Global Certificate which is held by or on behalf of a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that common safekeeper or a nominee for that common safekeeper.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Certificate (each an "**Accountholder**") must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Certificate and in relation to all other rights arising under such Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Certificate.

Transfers of Interests in Global Certificates

Transfers of interests in Global Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Joint Lead Managers or the Agents will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Note Certificates described under "*Transfer Restrictions*", transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the Registrar and the Transfer Agent.

We expect that delivery of the Notes will be made to investors on or about 10 January 2024, which will be the fifth business day following the pricing date for the Notes (such settlement being referred to as "T+5"). Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder may be required, by virtue of the fact that the Notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

On or after the issue date for any series of Notes, transfers of Notes of such series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Certificates will be effected through the DTC Custodian, the Registrar and the Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Registrar or the Transfer Agent, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Upon the issue of a Restricted Global Certificate to be held by or on behalf of Euroclear, Clearstream, Luxembourg, DTC or the DTC Custodian will credit the respective principal amounts of the individual beneficial interests represented by such Global Certificate to the account of the Euroclear, Clearstream, Luxembourg or DTC participants, as applicable. Ownership of beneficial interests in such Global Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg or DTC or its nominee(s). DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Note Certificates represented by a Global Certificate held by or on behalf of DTC (including, without limitation, the presentation of such Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Global Certificate are credited, and only in respect of such portion of the aggregate principal amount of such Global Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Global Certificate for Individual Note Certificates (which will bear the relevant legends set out in "*Transfer Restrictions*").

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among participants and account holders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent, the Registrar, the Joint Lead Managers or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Certificate is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Individual Note Certificates for the relevant series of Notes will not be eligible for clearing and settlement through such clearing systems.

Individual Note Certificates

The Global Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) DTC, Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs and Hungary receives a notice in writing from a holder or holders representing more than 50 per cent. in aggregate principal amount of the outstanding Notes and/or a resolution is passed to the effect that the holder or holders representing more than 50 per cent. in the aggregate principal amount of outstanding Notes direct for the Global Certificate to be exchanged for Individual Note Certificates.

Whenever the Global Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate (the "**Holder**"), DTC, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate; or

(b) any of the Notes evidenced by the Global Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Certificate on the due date for payment in accordance with the terms of the Global Certificate,

then the Global Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the Holder will have no further rights thereunder (but without prejudice to the rights which the Holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of DTC, Euroclear and/or Clearstream, Luxembourg as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Certificate became void, they had been the registered Holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of DTC, Euroclear and/or (as the case may be) Clearstream, Luxembourg.

Conditions applicable to Global Certificates

Each Global Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Certificate which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Certificate, the Issuer shall procure that the payment is entered pro rata in the records of DTC, Euroclear and Clearstream, Luxembourg.

Calculation of interest: the calculation of any interest amount in respect of any Note which is represented by a Global Certificate will be calculated on the aggregate outstanding nominal amount of the Notes represented by such Global Certificate and not by reference to the Calculation Amount.

Payment on business days: "**business day**" means any day which is a day on which banks in London and New York are open for general business.

Payment Record Date: Each payment in respect of a Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**record date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business.

Notices: Notwithstanding Condition 14 (*Notices*), so long as the Global Certificate is held on behalf of DTC, Euroclear, Clearstream, Luxembourg or any other clearing system notices to Holders of Notes represented by the Global Certificate may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the London Stock Exchange and it is a requirement of applicable law or regulations, such notices shall also be published in a leading newspaper having general circulation in England (which is expected to be the *Financial Times*) or published on the website of the London Stock Exchange.

DESCRIPTION OF HUNGARY

PRESENTATION OF INFORMATION

Totals in certain tables in this Offering Circular may differ from the sum of the individual items in such tables due to rounding. In addition, certain figures contained in this Offering Circular are estimates prepared in accordance with procedures customarily used in Hungary for the reporting of data. Certain other figures are preliminary in nature. In each case, the actual figures may vary from the estimated or preliminary figures set forth in this Offering Circular and are subject to periodic updating.

Amounts in this Offering Circular are expressed in Hungarian forints ("**forint**" or "**HUF**"), in euro ("**euro**" or "**EUR**") and in U.S. dollars ("**U.S. dollar**" or "**USD**"). All currency conversions in this Offering Circular are at the National Bank of Hungary's (the "**MNB**") official middle rate of exchange on a particular date or calculated at the average of the middle rates of exchange for a particular period. We have converted certain amounts from forint into USD and/or euro at the average exchange rate for each relevant period or the exchange rate in effect on a given date.

Unless otherwise indicated, all data in this Offering Circular are presented for comparison purposes in accordance with the methodology of the International Monetary Fund (the "**IMF**") (as set forth in the Manual on Government Finance Statistics, IMF 1986) ("**GFS**"). In order to comply with its European Union ("**EU**") accession obligations, Hungary produces certain data on the basis of the European System of Accounts 95 ("**ESA**"). ESA methodology monitors revenues and expenditures on an accrual basis, whereas GFS methodology monitors revenues and expenditures on a cash basis. Under ESA, certain issued state guarantees are reclassified as government debt and increase the deficit. The definition of the general government sector is extended to include certain quasi-governmental institutions.

As of 7 July 2022, Hungary completed the requirements for adherence to the IMF Special Data Dissemination Standard ("**SDDS**") Plus—the highest tier of the Data Standards Initiatives. The SDDS Plus builds on the SDDS, and its purpose is to assist statistically advanced countries with the publication of comprehensive, timely, and reliable economic and financial data in an environment of continuing economic and financial integration.

OVERVIEW OF HUNGARY

General

Hungary lies in Central Europe and covers an area of approximately 93,000 square kilometres ("**km**"). Hungary is a landlocked country bordered by seven other countries: Austria, Croatia, Romania, Serbia, Slovakia, Slovenia and Ukraine. Hungary's capital is Budapest.

As of 1 January 2023, the population of Hungary was approximately 9.6 million. Approximately 2.9 million of the population lived in villages, 1.7 million lived in Budapest and 5.1 million lived in other towns.

The following table sets forth certain information with respect to the population growth rate in Hungary for the periods indicated:

Table 1: Population of Hungary

	As of 1 January					
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
	Total Population of Hungary					
Population	9,778,371	9,772,756	9,769,526	9,730,772	9,689,010	9,599,744
	Age Distribution of the Population of Hungary (per cent.)					
0-14	14.5	14.5	14.5	14.6	14.6	14.5

	As of 1 January					
	2018	2019	2020	2021	2022	2023
	Total Population of Hungary					
15-64	66.5	66.1	65.6	65.1	64.9	65.0
65+	18.9	19.3	19.9	20.3	20.5	20.5

*Source: Hungarian Central Statistical Office ("**HCSO**")*

Political System

Hungary is a parliamentary republic. The chief of state is the President, currently Ms. Katalin Novák (since 10 May 2022), elected for a five-year term by the Parliament. The next general election is expected to be held in the spring of 2027. The President may be re-elected only once. The President's authority is limited, as most actions taken by the President require the countersignature of the Prime Minister or another Minister.

The head of government is the Prime Minister, elected by the Parliament on the recommendation of the President for four-year terms. Mr. Viktor Orbán has served as Prime Minister since 29 May 2010. The cabinet consists of ministers proposed by the Prime Minister and appointed by the President.

Hungary's legislative branch consists of a unicameral Parliament, which has 199 seats. Members of the Parliament serve four-year terms. Of the current Parliamentary composition, 106 members were directly elected in single-member constituencies by simple majority vote and the other 93 members were directly elected in a single nationwide constituency by party-list proportional representation vote. See "*—Recent Parliamentary Elections*". The last parliamentary elections took place on 3 April 2022, and the next elections are scheduled for April 2026.

The Curia is the highest organ of the judicial branch of Hungary, consisting of a president, vice president, chamber heads and 113 judges. The Curia is organized into civil, criminal, and administrative-labour chambers, and its decisions on uniform jurisdiction are binding for other courts. The president of the Curia is elected by the Parliament on the recommendation of the President of Hungary. The other judges of the Curia are appointed by the president upon the recommendation of the National Judicial Council, a separate 15-member administrative body. The tenure of the judges is based on interim evaluations until normal retirement at age 62.

Hungary has a separate Constitutional Court consisting of 15 judges, including the court president and vice president, which decides the constitutionality of legislation and other actions as set forth in the Fundamental Law of Hungary. Judges of the Constitutional Court including the president of the court, are elected by the Parliament, except the vice president of the Constitutional Court, which is elected by the Constitutional Court. Members of the Constitutional Court serve 12-year terms with mandatory retirement at age 62.

Hungary's lower courts include five regional courts of appeal, 19 regional or county courts (including Budapest Metropolitan Court), 20 administrative-labour courts and 111 district or local courts.

Recent Parliamentary Elections

Hungary held Parliamentary elections in April 2022. Nominees of the following parties won seats: the electoral partnership pairing Fidesz-Hungarian Civic Union ("**Fidesz**") and the Christian Democrats People's Party ("**KDNP**"), Mi Hazánk Mozgalom ("**Mi Hazánk**"), the electoral partnership of Democratic Coalition ("**DK**"), Jobbik – Movement for a Better Hungary ("**Jobbik**"), LMP – Politics Can Be Different ("**LMP**"), Momentum ("**Momentum**"), Hungarian Socialist Party ("**MSzP**") and Párbeszéd ("**Párbeszéd**"). One independent representative won a seat. In addition, one national minority member, a representative of Country Self-Governance of Germans in Hungary (Landesselbsverwaltung der Ungarndeutschen) was elected.

Table 2: Results of 2022 Parliamentary Elections

	Number of seats
Fidesz	117
KDNP	18
DK	15
Jobbik	10
LMP	5
Mi Hazánk	6

	Number of seats
Momentum	10
MSzP	10
Párbeszéd	6
Independent	1
National Minority Member	1
Total	**199**

Source: Parliament of Hungary

Fidesz and KDNP obtained a majority of the Parliamentary seats in the 2022 elections. Fidesz-KDNP formed a government with a total of 135 of the 199 Parliamentary seats. Mr. Viktor Orbán was proposed by the President of Hungary and was re-elected by the Parliament to serve as the Prime Minister.

Recent European Parliament Elections

The following table shows the political affiliations of the current Hungarian members of the European Parliament:

Table 3: Seats in European Parliament of Hungarian Political Parties

	Seat
Fidesz-KDNP	13
DK	4
Momentum	2
Jobbik	1
Independent	1

Source: European Parliament

Recent Political Developments

On 24 May 2022, the Government declared a state of danger in relation to the armed conflict in Ukraine, a neighbouring country. The state of danger is in effect from 25 May 2022 and provides for the Prime Minister to prevent and remedy negative consequences caused by the war in Ukraine. The state of danger has been extended several times, most recently until 24 May 2024. According to the Government, the war in Ukraine presents a constant danger to Hungary, including physical safety, energy supplies and financial security. The state of danger, similarly to that introduced during the COVID-19 pandemic, will allow the Government to take necessary measures in a timely manner in order to efficiently protect Hungary. Pursuant to the Fundamental Law of Hungary, during a state of danger, the Government is entitled to suspend the application of certain laws or derogate from the provisions of certain laws by adopting executive decrees, and may take other extraordinary measures in accordance with, and subject to the limitations stipulated in, Act XCIII of 2021 on Coordination of Protection and Security Activities. The Government may terminate the state of danger when the circumstances giving rise to its declaration no longer apply.

International Relations

Hungary has undertaken an active foreign policy designed to further its integration into the world community and to foster regional peace and economic development. Hungary joined the United Nations organization (the "**UN**") in 1955 and is a member of many of its specialized agencies, such as UNESCO, FAO, UNIDO, WHO and WTO (as defined below). In 1996, Hungary became a member of the Organization for Economic Co-operation and Development (the "**OECD**"), which was a decisive step towards integrating with developed nations and obtaining full EU membership. In 1999, Hungary became a full member of the North Atlantic Treaty Organization ("**NATO**"). Hungary maintains diplomatic relations with many countries and is a member of a number of international organizations in addition to the UN, OECD, NATO and the EU, including the World Trade Organization ("**WTO**"), the International Bank for Reconstruction and Development (the "**IBRD**" or the "**World Bank**"), the Organization for Security and Co-operation in Europe, the IMF, the Council of Europe, the International Finance Corporation ("**IFC**"), the International Development Agency ("**IDA**"), the Food and Agriculture Organization ("**FAO**"), the World Health Organization ("**WHO**"), the European Bank for Reconstruction and Development ("**EBRD**"), the United Nations Educational Scientific and Cultural Organization ("**UNESCO**"), the United Nations Industrial Development Organization ("**UNIDO**"), the European Investment Bank ("**EIB**") and the Council of Europe Development Bank ("**CEB**"). Hungary is also a member of the Central European

Initiative, whose membership also consists of Bulgaria, Croatia, the Czech Republic, Italy, Poland, Slovakia and Slovenia. The Central European Initiative mainly addresses issues of regional infrastructure development. Hungary has been a member of the Organization for Security and Co-operation in Europe since its formation in 1975 and was admitted to the Council of Europe in 1990.

European Union

Hungary joined the EU on 1 May 2004. After the EU parliamentary elections in 2019, Hungary delegated 21 representatives to the European Parliament. By entering the EU, Hungary also became a member of the European Investment Bank.

Hungary plans to become a member of the European Monetary Union in accordance with the Maastricht Treaty.

Hungary is entitled to designate one member to the European Commission. The current Hungarian designee to the European Commission is Mr. Olivér Várhelyi, who assumed the position of Commissioner for Neighborhood and Enlargement on 1 December 2019.

European Commission Proceedings

Currently there are a number of ongoing infringement proceedings against Hungary due to the alleged infringement of EU regulations. Certain of those proceedings are summarized below.

On 26 April 2017, the European Commission (the "**Commission**") launched an infringement procedure against Hungary over amendments to the higher education law approved by the Hungarian Parliament in early April. Those amendments required foreign colleges and universities to operate in Hungary on the basis of an intergovernmental agreement with, and to have a main campus in, the foreign country in which they are founded. The Commission's concerns were that the regulation did not comply with the freedom to provide services and the freedom of establishment, and that it was against the right of academic freedom. On 7 December 2017, the Commission decided to refer Hungary to the Court of Justice of the European Union (the "**ECJ**"). The judgement was delivered on 6 October 2020, in which the ECJ concluded that Hungary infringed Article XVII of the General Agreement on Trade in Services - namely that foreign and domestic service providers must be treated equally. According to the judgement, the legislation in question breached the provisions of the Charter of Fundamental Rights of the European Union relating to freedom of academic life, freedom of establishment of higher education institutions and freedom to conduct a business as well. To comply with the judgment, the Higher Education Act was amended in the summer of 2021.

On 13 July 2017, the Commission launched an infringement procedure against Hungary for the new law on foreign funded non-governmental organizations adopted by the Hungarian Parliament on 13 June 2017 (the "**NGO Law**"). The NGO Law introduced new obligations for certain categories of non-governmental organizations ("**NGOs**") receiving annual foreign funding above HUF7.2 million (approx. EUR24,000) to register and label themselves in all their publications, websites and press material as "organizations supported from abroad" and to report specific information about the funding they receive from abroad to the Hungarian authorities. These organizations faced sanctions if they failed to comply with the reporting and transparency obligations. The Commission concluded that these rules breached EU law, in particular the right of freedom of association, the free movement of capital and the right to protection of private life and of personal data. On 7 December 2017, the Commission referred Hungary to the ECJ in connection with its NGO Law. The Hungarian Government stressed the legitimate aim of the legislation, which was the transparency of foreign donations and organizations funded from abroad, as well as the proportionality of the measures. In its judgment of 18 June 2020, the ECJ agreed with the Commission's claims and found that the Hungarian legislation unduly restricted the free movement of capital, while some provisions of the new law also amounted to an unjustified interference with several fundamental rights protected in the Charter of Fundamental Rights of the European Union. To comply with the judgment, the law was repealed and the Commission has taken note of the adoption of Act XLIX of 2021 on the Transparency of NGOs engaged in activities that may influence public life and will continue to monitor its implementation.

On 18 July 2018, the Commission referred Hungary to the ECJ with respect to the non-compliance of Hungary's asylum and return legislation with EU law. The ECJ delivered its judgment in case C-808/18 on 17 December 2020 in which it declared that Hungary has failed to fulfil its obligations under EU law in the area of procedures for granting international protection and returning illegally staying third-country nationals. In particular it held that restricting access to the international protection procedure, unlawfully detaining applicants for that protection in transit zones and moving illegally staying third-country nationals to a border area, without observing the guarantees surrounding a return procedure, constitute infringements of EU law. In November 2021, the Commission referred Hungary to the ECJ over its failure to comply with Court judgment. The case before the ECJ is still pending.

On 25 July 2019, the Commission referred Hungary to the ECJ with respect to the non-compliance of its asylum and return legislation with EU law. The ECJ delivered its judgment (case (C-821/19) on 16 November 2021 in which the ECJ ruled that Hungary infringed EU law by imposing criminal penalties on organizing activities in relation to the initiation of a procedure for international protection by persons not fulfilling the national criteria for granting that protection, because criminalizing such activities impinges on the exercise of the rights safeguarded by the EU legislature in respect of the assistance of applicants for international protection. In order to comply with the judgment, the Government submitted the necessary legal amendments to the Parliament which adopted them in December 2022 and which have been in force since 1 January 2023.

In June 2021, the Commission launched an infringement procedure against Hungary due to concerns regarding the Hungarian Media Council's decision to reject Klubradio's application for the use of radio spectrum. The Commission believes that Hungary is in breach of EU law by applying disproportionate and non-transparent conditions to the renewal of Klubradio's rights to use radio spectrum. In July 2022, the Commission referred Hungary to the ECJ regarding this matter. The case before the ECJ is still pending.

In June 2021, the Hungarian Parliament adopted the Child Protection Act which introduced several amendments to certain acts in order to ensure that children do not encounter sensitive materials which are not appropriate to their age. In July 2021, the Commission launched an infringement procedure claiming that the Child Protection Act was in breach of EU law because it infringed upon the free movement of services, and it breached the Audiovisual Media Services Directive, the E-commerce Directive, the Directive on Information Society services, and several EU Charter rights. The Hungarian Government believes that the subject matter regulated by the Child Protection Act falls exclusively within national competence, and neither the EU nor any other bodies may dictate how Hungarian parents should raise their children in Hungary on the basis of the Treaties and the Charter of Fundamental Rights. In accordance with Article 14 of the Charter of Fundamental Rights, Hungary ensures that parents can decide how to raise their own children, no one can force children to receive sexual education or to view harmful content that is inappropriate for their age without parental consent. The Government guarantees the rights of religious, ethnic, sexual and any other minorities, the Hungarian Fundamental Law strictly prohibits and Hungarian laws severely punish the exclusion and discrimination of minorities. The Commission referred the case to the ECJ in July 2022, and the case before the ECJ is still pending.

On 22 December 2021, the Commission referred Hungary to the ECJ (case C-823/21) with respect to the asylum procedure provisions in Act LVIII of 2020. According to the Act, third-country nationals may submit an application for asylum if they have an entry permit previously issued by the Hungarian Embassy in neighbouring non-EU countries. The legislation was introduced due to the consequences of the COVID-19 pandemic as a protected entry system for the duration of the state of danger. The ECJ delivered its judgment on 22 June 2023. The judgment declared that by making the submission of an asylum application subject to (i) the prior lodging of a declaration of intent at a Hungarian embassy located in a third country and (ii) the granting of a travel document enabling them to enter Hungarian territory, Hungary had failed to fulfil its obligations under Article 6 of Directive 2013/32/EU of the European Parliament and of the Council of 26 June 2013 on common procedures for granting and withdrawing international protection. Hungary repealed Section 265-275 of Act LVIII of 2020, which made the submission of an asylum application subject to the prior lodging of a declaration of intent at a Hungarian embassy located in a third country and the granting of a travel document enabling entry into Hungarian territory, effective 1 January 2024.

In January 2023, the Commission referred Hungary to the ECJ regarding a prior notification scheme as regards the export of building materials. Under the Hungarian law, construction materials intended for exports have to undergo a prior notification procedure and may be blocked if the export of such materials would significantly impede the domestic construction industry. The case before the ECJ is still pending.

In July 2023, the European Commission sent a reasoned opinion to Hungary regarding measures relating to the export of certain energy products. Hungary had introduced a notification procedure allowing authorities to block the export of wood-based and coal-based products to secure their supply domestically. Hungary repealed the export notification procedure for energy products, making arguments redundant.

In July 2023, the Commission referred Hungary to the ECJ regarding the introduction of fixed prices for building materials, including sand, gravel and cement, the imposition of hefty penalty payments for non-respect of the fixed prices, and production obligations for building materials and raw materials for the construction sector. The case before the ECJ is still pending.

Legal Proceedings

On 22 July 2019, the SEC issued an order instituting cease-and-desist proceedings against certain subsidiaries of Microsoft Corporation, including its subsidiary in Hungary, for violations of the books and records and internal accounting controls provisions of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 the Foreign Corrupt Practices Act of 1977 (the "**FCPA**"). According to the SEC's order, Microsoft's subsidiary in Hungary, among others, provided discounts on software licenses to its resellers, distributors and other third parties. Instead of passing on the discounts to Microsoft's government customers, the discounts were allegedly used to fund improper payments intended for foreign government officials to secure software license sales for Microsoft. On 22 July 2019, the Microsoft entities involved reached a resolution of the matter with the SEC and the U.S. Department of Justice. The Hungarian public prosecution service announced on 23 August 2019, the launch of an investigation into allegations of fraud against certain unidentified parties in connection with certain violations under the Foreign Corrupt Practices Act of 1977. The investigation is still ongoing.

THE ECONOMY

Methodologies

Certain figures in this section are presented using volume indices. An index expresses the value of a given indicator for a given time period relative to the value of such indicator for a base time period. The value of the given indicator is set at 100 per cent. in the base time period. Therefore, if the volume index exceeds 100 per cent., the given indicator has increased by a rate equalling the volume index minus 100 per cent. relative to the base time period. If the volume index is below 100 per cent., the given indicator has decreased by a rate equalling 100 per cent. minus the volume index relative to the base time period. For example, an index value of 110 indicates an increase by 10 per cent. compared to the value in the base time period.

Background

The highlights of the recent economic trends of the Hungarian economy include:

(1) GDP grew by 5.4 per cent. in 2018, increased by 4.9 per cent. in 2019, decreased by 4.5 per cent. in 2020, increased by 7.1 per cent. in 2021, grew by 4.6 per cent. in 2022 and decreased by 1.2 per cent. in the nine-month period ended 30 September 2023;

(2) The inflation rate amounted to 2.8 per cent. in 2018, grew to 3.4 per cent. in 2019, decreased to 3.3 per cent. in 2020, increased to 5.1 per cent. in 2021, accelerated to 14.5 per cent. in 2022 and to 18.7 per cent. in the eleven-month period ended 30 November 2023;

(3) The unemployment rate amounted to 3.6 per cent. in 2018, 3.3 per cent. in 2019, 4.1 per cent. in 2020, 4.1 per cent. in 2021, 3.6 per cent. in 2022 and 4.1 per cent. in the three-month period ended 30 September 2023;

(4) The general government deficit (according to ESA methodology) as a percentage of GDP amounted to 2.1 per cent. in 2018, decreased to 2.0 per cent. in 2019, increased to 7.6 per cent. in 2020, decreased to 7.2 per cent. in 2021 and to 6.2 per cent. in 2022;

(5) The Maastricht general government debt (including Eximbank) as a percentage of GDP amounted to 69.1 per cent. in 2018, 65.3 per cent. in 2019, 79.3 per cent. in 2020, 76.7 per cent. in 2021 and 73.9 per cent. in 2022;

(6) The current account had a surplus of EUR215.9 million in 2018. The current account surplus turned into a deficit in 2019. The current account deficit amounted to EUR1,194.9 million in 2019, EUR1,543.4 million in 2020, EUR6,508.2 million in 2021 and EUR13,896.5 million in 2022. The current account had a surplus in the amount of EUR410.3 million in the three-month period ended 30 September 2023;

(7) The stock of foreign direct investment (the total amount of capital invested in Hungary from abroad) reached EUR113.2 billion in 2018, EUR115.7 billion in 2019, EUR109.8 billion in 2020, EUR120.1 billion in 2021, EUR130.0 billion in 2022 and EUR135.0 billion as of 30 September 2023; and

(8) Gross external debt (including direct investment debt instruments) amounted to 79.2 per cent. of GDP in 2018, 73.1 per cent. of GDP in 2019, 81.1 per cent. of GDP in 2020, 84.9 per cent. of GDP in 2021 and 89.0 per cent. of GDP in 2022.

Recent Economic Performance

The following table sets out certain macroeconomic statistics regarding Hungary for the periods indicated:

Table 4: Selected Macroeconomic Statistics

	For the 12-month period ended 31 December					For the three- month period ended		
						31 March	30 June	30 September
	2018	2019	2020	2021	2022	2023	2023	2023
Economic Data								
Nominal GDP (HUF billions)....	43,386.7	47,674.2	48,425.4	55,198.9	66,075.2	15,489.0	18,587.6	19,432.1
Real GDP (volume index).........	105.4	104.9	95.5	107.1	104.6	99.1	97.6	99.6
Real exports (volume index)......	105.0	105.4	93.9	108.3	112.6	106.6	100.3	96.4
Real imports (volume index).....	107.0	108.2	96.1	107.3	111.6	102.3	94.0	91.3
Rate of unemployment (per cent.)	3.6	3.3	4.1	4.1	3.6	4.1	3.9	4.1

	For the 12-month period ended 31 December					For the three- month period ended		
						31 March	30 June	30 September
	2018	2019	2020	2021	2022	2023	2023	2023
Consumer price index (previous year = 100)	102.8	103.4	103.3	105.1	114.5	125.2[4]	120.1[5]	112.2[6]
Producer prices (previous year = 100)	105.5	102.1	104.2	113.5	133.7	121.7[4]	106.4[5]	97.5[6]
State Budget; Public and External Debt								
State budget deficit (HUF billions)[2]	892.3	975.7	3,660.9	3,950.3	4,126.1	1,726.4	570.0	n/a
Total revenues (HUF billions)[2]	19,107.1	20,994.7	21,239.9	22,762.6	28,144.7	7,217.6	8,148.2	n/a
Public debt (HUF billions)[3]	28,688.2	29,682.0	36,684.3	40,697.0	45,562.4	47,375.9	47,927.5	49,961.4
Foreign exchange rate denominated public debt (HUF billions)[3]	5,724.8	5,121.2	7,318.2	8,395.2	11,397.3	12,177.0	12,067.4	13,544.3
Balance of Payments Data								
Current account surplus (EUR billions)	0.2	(1.2)	(1.5)	(6.5)	(13.9)	(0.6)	0.7	0.4
Exports of goods and services (EUR billions)	113.9	119.4	108.5	123.1	153.8	41.0	40.2	39.1
Imports of goods and services (EUR billions)	108.1	116.0	105.9	122.8	160.9	39.7	36.8	35.7
MNB's foreign exchange reserves (EUR billions)	27.4	28.4	33.7	38.4	38.7	39.8	39.9	39.7

*Sources: Government Debt Management Agency of Hungary ("**GDMA**"), HCSO, National Bank of Hungary ("**MNB**")*
Notes:
(1) n/a: Not available.
(2) According to ESA methodology.
(3) Debt of the central government.
(4) March 2023 data.
(5) June 2023 data.
(6) September 2023 data.

Gross Domestic Product

The following table presents the nominal GDP at current market prices, as well as real GDP growth rates, per capita GDP and USD equivalents for the periods indicated:

Table 5: Gross Domestic Product

	For the 12-month period ended 31 December					For the nine months ended 30 September
	2018	2019	2020	2021	2022[1]	2023[1]
Nominal GDP (HUF billions)	43,386.7	47,674.2	48,425.4	55,198.9	66,075.2	53,508.7
Real GDP (volume index)	105.4	104.9	95.5	107.1	104.6	98.8
Per capita GDP (HUF thousands)	4,438.3	4,879.1	4,966.6	5,684.8	6,823.3	n/a
GDP (USD billions)	160.5	164.0	157.3	182.0	177.1	n/a
Per capita GDP (USD)	16,423	16,787	16,129	18,744	18,287	n/a

Source: HCSO
Note:
(1) Preliminary data.

The following table shows the sectoral composition of GDP in each of the periods indicated:

Table 6: Sectoral Composition of GDP – Final Data

	For the 12-month period ended 31 December				
	2018	2019	2020	2021	2022[1]
			(HUF billions)		
Agriculture, forestry and fishing	1,512.6	1,588.7	1,641.9	1,924.6	2,139.2
Industry total	9,027.6	9,475.4	9,482.9	10,447.8	12,698.0
Mining and quarrying	103.3	147.2	104.2	159.4	291.1
Manufacturing	8,028.0	8,311.0	8,385.5	9,237.5	11,369.5
Electricity, gas, steam and air conditioning supply	583.5	688.9	670.1	688.3	695.2
Water supply; sewerage, waste management and remediation activities	312.9	328.4	323.1	362.6	342.2
Construction	1,855.8	2,305.7	2,327.8	2,898.7	3,560.5

	For the 12-month period ended 31 December				
	2018	2019	2020	2021	2022[1]
			(HUF billions)		
Wholesale and retail trade; repair of motor vehicles and motorcycles	3,862.6	4,167.8	4,422.9	5,026.1	5,520.4
Transportation and storage	2,230.9	2,458.2	2,354.0	2,459.3	3,109.0
Accommodation and food service activities	698.2	791.5	514.0	748.6	1,096.8
Information and communication	1,792.8	1,985.7	2,120.2	2,517.3	2,827.6
Financial and insurance activities	1,287.0	1,513.2	1,615.8	1,837.9	2,064.8
Real estate activities	3,437.2	4,015.5	4,212.7	4,890.7	6,568.4
Professional, scientific and technical activities	2,256.1	2,510.3	2,629.2	3,048.7	3,570.5
Administrative and support service activities	1,419.3	1,550.3	1,375.6	1,742.6	2,138.3
Public administration and defence; compulsory social security	2,894.6	3,164.2	3,302.0	3,585.2	4,412.4
Education	1,637.0	1,773.2	1,846.4	2,001.4	2,423.1
Human health and social work activities	1,665.1	1,778.4	1,974.3	2,325.2	2,538.3
Arts, entertainment and recreation	532.2	590.6	539.8	677.2	828.1
Other service activities	521.1	589.2	505.9	579.6	682.1
Activities of households	11.9	8.9	9.1	8.8	8.9
Taxes less subsidies on products	6,744.5	7,407.1	7,551.0	8,479.1	9,888.8
Gross domestic product (at purchasers' prices)	**43,386.7**	**47,674.2**	**48,425.4**	**55,198.9**	**66,075.2**

Source: HCSO
Note:
(1) Preliminary data.

The following table shows the sectoral composition of GDP in each of the periods indicated:

Table 7: Sectoral Composition of GDP – Preliminary Data

	For the nine-month period ended 30 September
	2023
	(HUF billions)
Agriculture, forestry and fishing	2,678.2
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	10,110.2
Of which: manufacturing	9,206.9
Construction	2,617.9
Services, total	30,927.2
Of which: wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities	5,228.8
within it: wholesale and retail trade; repair of motor vehicles and motorcycles	4,202.0
within it: accommodation and food service activities	1,026.8
Of which: transportation and storage	2,375.6
Of which: information and communication	2,256.3
Of which: financial and insurance activities	1,647.4
Of which: real estate activities	5,862.9
Of which: professional, scientific and technical activities; administrative and support service activities	4,762.1
Of which: public administration and defence; compulsory social security; education; human health and social work activities	7,580.2
within it: public administration and defence; compulsory social security	3,660.6
within it: education	1,895.7
within it: human health and social work activities	2,023.9
Of which: arts, entertainment and recreation, repair of household goods and other services	1,213.9
Taxes less subsidies on products	7,175.2
Gross domestic product, total (at purchaser's prices)	**53,508.7**

Source: HCSO

Note: The sectoral breakdown of final and preliminary data differs slightly due to slightly different classification methodology of HCSO.

The following table shows GDP expenditures at current prices in each of the periods indicated:

Table 8: Composition of GDP by Expenditure

	For the 12-month period ended 31 December					For the nine months ended 30 September
	2018	**2019**	**2020**	**2021**	**2022[(1)]**	**2023[(1)]**
			(HUF billions)			
Household final consumption expenditure	20,506.5	22,547.2	22,946.6	25,529.2	31,653.3	26,330.2
Social transfers in kind from government	4,036.4	4,302.9	4,711.7	5,318.0	6,042.9	4,724.8
Social transfers in kind from NPISHs[(2)]	860.6	914.8	1,021.7	1,119.2	1,367.5	1,155.1
Actual final consumption of households	25,403.5	27,764.8	28,680.1	31,966.4	39,063.7	32,210.0
Actual final consumption of government	4,507.5	5,272.9	5,615.5	6,196.6	7,543.6	6,173.5
Actual final consumption, total	29,911.1	33,037.7	34,295.5	38,163.0	46,607.2	38,383.6
Gross fixed capital formation	10,729.9	12,873.3	12,841.3	15,036.9	18,622.2	13,725.4
Changes in inventories	832.2	584.1	300.2	1,809.2	3,596.3	(1,694.0)
Acquisitions less disposals of valuables	69.5	78.7	54.6	82.8	95.5	68.5
Gross capital formation, total	11,631.6	13,536.1	13,196.1	16,928.8	22,314.1	12,099.8
Domestic use, total	41,542.7	46,573.8	47,491.7	55,091.8	68,921.3	50,483.4
Exports						
Goods	28,233.9	30,103.8	31,144.7	35,962.5	48,779.3	36,697.9
Services	8,104.8	8,764.9	6,969.0	8,169.0	11,486.7	9,208.0
Total	36,338.7	38,868.6	38,113.7	44,131.5	60,266.0	45,905.9
Imports						
Goods	28,969.4	31,310.0	31,609.8	37,556.0	54,780.3	36,550.4
Services	5,525.3	6,458.2	5,570.1	6,468.3	8,331.8	6,330.2
Total	34,494.7	37,768.3	37,180.0	44,024.4	63,112.2	42,880.6
Balance						
Goods	(735.6	(1,206.3	(465.1	(1,593.5	(6,001.0	147.5
Services	2,579.6	2,306.6	1,398.9	1,700.6	3,154.9	2,877.8
Total	1,844.0	1,100.4	933.8	107.1	(2,846.1	3,025.3
Gross Domestic Product, Total	**43,386.7**	**47,674.2**	**48,425.4**	**55,198.9**	**66,075.2**	**53,508.7**

Source: HCSO

Notes:

(1) Preliminary data.

(2) Non-profit institutions serving households.

The following table shows the sectorial breakdown of volume indices of GDP in each of the periods indicated:

Table 9: Volume Indices of GDP (production approach) – Final Data

	For the 12-month period ended 31 December				
	2018	**2019**	**2020**	**2021**	**2022[(1)]**
	(Corresponding period of the previous year = 100)				
Agriculture, forestry and fishing	105.2	98.1	92.0	101.8	76.1
Mining and quarrying	161.7	149.5	72.9	110.1	104.3
Manufacturing	102.8	101.8	92.1	108.0	105.3
Electricity, gas, steam and air conditioning supply	96.4	111.2	96.6	89.2	69.3
Water supply; sewerage, waste management and remediation activities	98.4	105.4	96.4	82.0	83.3
Industry total	102.6	103.0	92.3	105.8	102.2
Construction	115.2	113.0	91.4	111.3	101.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	110.6	105.9	101.7	106.9	100.9
Transportation and storage	107.0	106.3	90.4	105.4	113.2
Accommodation and food service activities	107.5	104.7	55.6	144.1	135.8

	For the 12-month period ended 31 December				
	2018	2019	2020	2021	2022[(1)]
	(Corresponding period of the previous year = 100)				
Information and communication	110.5	110.4	106.5	119.9	107.0
Financial and insurance activities	105.2	113.6	104.6	110.4	95.4
Real estate activities	104.5	102.8	100.3	102.1	112.6
Professional, scientific and technical activities	111.4	108.2	102.4	113.1	110.8
Administrative and support service activities	105.3	103.4	85.4	122.5	113.9
Public administration and defence; compulsory social security	100.4	99.5	101.7	101.9	100.1
Education	102.1	101.3	101.8	98.6	94.4
Human health and social work activities	100.6	101.6	80.0	104.8	121.0
Arts, entertainment and recreation	106.6	112.3	89.0	111.0	105.9
Other service activities	106.6	105.9	87.4	106.9	125.3
Activities of households	173.3	69.4	94.2	90.6	87.6
Gross domestic product (at basic prices)	105.6	104.7	95.2	107.5	104.9
Taxes less subsidies on products	-	-	-	-	-
Gross domestic product (at purchasers' prices)	105.4	104.9	95.5	107.1	104.6

Source: HCSO
Note:
(1) Preliminary data.

The following table shows the sectorial breakdown of volume indices of GDP in each of the periods indicated:

Table 10: Volume Indices of GDP (production approach) – Preliminary Data

	For the nine-month period ended 30 September 2023
	(Corresponding period of the previous year = 100)
Agriculture, forestry and fishing	164.3
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	95.3
Of which: manufacturing	96.7
Construction	95.4
Services, total	98.2
Of which: wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities	91.4
within it: wholesale and retail trade; repair of motor vehicles and motorcycles	89.9
within it: accommodation and food service activities	98.2
Of which: transportation and storage	93.6
Of which: information and communication	102.0
Of which: financial and insurance activities	100.4
Of which: real estate activities	100.1
Of which: professional, scientific and technical activities; administrative and support service activities	96.6
Of which: public administration and defence; compulsory social security; education; human health and social work activities	101.9
within it: public administration and defence; compulsory social security	98.6
within it: education	99.9
within it: human health and social work activities	109.5
Of which: arts, entertainment and recreation, repair of household goods and other services	99.2
Taxes less subsidies on products	-
Gross domestic product, total (at purchaser's prices)	98.8

Source: HCSO
Note: The sectoral breakdown of final and preliminary data differs slightly due to slightly different classification methodology of HCSO.

The following table shows the volume indices of GDP expenditures in each of the periods indicated:

Table 11: Volume Indices of GDP (expenditure approach)

	For the 12-month period ended 31 December					For the nine-month period ended 30 September
	2018	2019	2020	2021	2022[2]	2023[2]
	(Corresponding Period of the Previous Year = 100)					
Household final consumption expenditure	104.8	105.1	98.7	104.8	106.5	96.5
Social transfers in kind from government	99.1	101.9	94.5	101.0	106.0	104.3
Social transfers in kind from NPISHs	112.9	101.9	103.4	99.3	106.5	102.5
Actual final consumption of households	104.1	104.5	98.2	104.0	106.4	97.9
Actual final consumption of government	104.3	109.5	103.9	102.5	100.4	100.0
Actual final consumption, total	104.2	105.3	99.1	103.7	105.4	98.2
Gross fixed capital formation	116.3	112.8	92.9	105.8	100.1	87.5
Changes in inventories	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Acquisitions less disposals of valuables	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Gross capital formation, total	115.9	112.0	93.1	113.0	99.9	85.3
Domestic use, total	107.1	107.1	97.4	106.3	103.7	94.0
Exports						
Goods	104.0	104.8	98.8	107.2	110.4	101.3
Services	108.5	107.5	77.0	113.2	122.2	99.7
Total	105.0	105.4	93.9	108.3	112.6	101.0
Imports						
Goods	107.5	106.8	98.3	106.2	110.6	95.5
Services	104.5	115.5	85.6	113.5	117.4	97.3
Total	107.0	108.2	96.1	107.3	111.6	95.8
External Balance						
Goods	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Services	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Total	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]
Gross Domestic Product, Total	105.4	104.9	95.5	107.1	104.6	98.8

Source: HCSO
Notes:
(1) n/a: Not available.
(2) Preliminary data.

The following table shows the growth contribution to GDP change of the sectors in each of the periods indicated:

Table 12: Contribution to GDP change (production approach)

	For the 12-month period ended 31 December					For the nine-month period ended 30 September
	2018	2019	2020	2021	2022[1]	2023[1]
	Percentage points					
Agriculture, forestry and fishing	0.2	(0.1)	(0.3)	0.1	(0.8)	2.1
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	0.6	0.6	(1.5)	1.1	0.4	(0.9)
Of which: manufacturing	0.5	0.3	(1.4)	1.4	0.9	(0.6)
Construction	0.5	0.6	(0.4)	0.5	0.1	(0.2)
Services, total	3.4	2.8	(1.9)	4.6	4.5	(1.1)

Of which: wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities	1.0	0.6	(0.6)	1.1	0.6	(0.9)
Of which: transportation and storage	0.4	0.3	(0.5)	0.3	0.6	(0.3)
Of which: information and communication	0.4	0.4	0.3	0.9	0.3	0.1
Of which: financial and insurance activities	0.2	0.4	0.1	0.3	(0.2)	0.0
Of which: real estate activities	0.3	0.2	0.0	0.2	1.1	0.0
Of which: professional, scientific and technical activities; administrative and support service activities	0.8	0.5	(0.3)	1.4	1.0	(0.3)
Of which: public administration and defence; compulsory social security; education; human health and social work activities	0.1	0.1	(0.6)	0.3	0.7	0.3
Of which: arts, entertainment and recreation, repair of household goods and other services	0.2	0.2	(0.3)	0.2	0.3	0.0
Taxes less subsidies on products	0.6	0.9	(0.5)	0.8	0.4	(1.2)
Gross domestic product, total (at purchaser's prices)	5.4	4.9	(4.5)	7.1	4.6	(1.2)

Source: HCSO
Note:
(1) Preliminary data.

Table 13: Contribution to GDP change (expenditure approach)

	For the 12-month period ended 31 December					For the six-month period ended 30 September
	2018	**2019**	**2020**	**2021**	**2022(1)**	**2023(1)**
	Percentage points					
Household final consumption expenditure	2.3	2.4	(0.6)	2.3	3.0	(1.7)
Social transfers in kind from government	(0.1)	0.2	(0.5)	0.1	0.6	0.4
Social transfers in kind from NPISHs	0.2	0.0	0.1	0.0	0.1	0.1
Actual final consumption of households	2.5	2.6	(1.1)	2.4	3.7	(1.2)
Actual final consumption of government	0.4	1.0	0.4	0.3	0.0	0.0
Actual final consumption, total	2.9	3.6	(0.6)	2.7	3.8	(1.2)
Gross fixed capital formation	3.6	3.2	(1.9)	1.5	0.0	(3.6)
Changes in inventories	0.1	0.0	0.0	2.0	(0.1)	(1.4)
Acquisitions less disposals of valuables	0.0	0.0	(0.1)	0.0	0.0	0.0
Gross capital formation, total	3.7	3.2	(1.9)	3.5	0.0	(5.0)
Domestic use, total	6.6	6.8	(2.6)	6.2	3.7	(6.3)
Exports goods	2.7	3.1	(0.8)	4.6	6.8	1.0
Exports services	1.6	1.4	(4.2)	1.9	3.3	(0.1)
Exports total	4.3	4.5	(5.0)	6.5	10.1	0.9
Imports goods	4.9	4.6	(1.1)	4.1	7.2	(3.8)
Imports services	0.6	2.0	(2.0)	1.6	2.0	(0.3)
Imports total	5.5	6.5	(3.1)	5.6	9.3	(4.1)
External balance goods	(2.2)	(1.4)	0.3	0.5	(0.4)	4.7
External balance services	1.0	(0.6)	(2.3)	0.3	1.3	0.3
External balance total	(1.2)	(2.0)	(2.0)	0.9	0.8	5.0
Gross domestic product, total	5.4	4.9	(4.5)	7.1	4.6	(1.2)

Source: HCSO
Note:
(1) Preliminary data.

Inflation

The following table illustrates the year-on-year change and the yearly average change in the Consumer Price Index (the "**CPI**") and the Producer Price Index (the "**PPI**") for each of the years indicated:

Table 14: Inflation: CPI & PPI

	For the year ended 31 December					For the one-month period ended 31 October
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
	(Corresponding period of the previous year = 100)					
CPI	102.8	103.4	103.3	105.1	114.5	109.9
PPI	105.5	102.1	104.2	113.5	133.7	93.4

Source: HCSO

Price Regulation

As of the end of 2022, approximately 87 per cent. of all prices in Hungary were unregulated. The categories of products and services that continue to have regulated prices are: purchased heat, electricity, natural and manufactured gas, meals at schools, meals at kindergartens and nurseries, subsidized pharmaceutical products, school books, refuse disposal, water charges, sewerage disposal, motorway toll, rent a car and parking, local transport excluding taxis, travel to work and school, local government rent, medical visit fees, motorway toll, parking and bike rental, other travel without air transport, fixed line telephones tuition fees, MTV fees, burial and administration fees, postal services, other public entertainment and games of chance.

Wages

The following table sets forth year-on-year changes in nominal and real wages for the periods indicated:

Table 15: Wages

	For the year ended 31 December					For the nine-month period ended 30 September
	2018	**2019(1)**	**2020(1)**	**2021(1)**	**2022(1)**	**2023(1)**
	(Corresponding period of the previous year = 100)					
Nominal net wage index	111.3	111.3	109.8	108.9	117.4	114.0
Real net wage index	108.3	107.6	106.3	103.6	102.5	n/a

Source: HCSO
Note:
(1) Preliminary data.

On 17 November 2023, the Government announced that, after reaching an agreement with representatives of the employers and employees, it will raise the minimum wage by 15 per cent. to HUF266,800 (approximately EUR709) and the minimum wage for degree holders by 10 per cent. to HUF326,000, effective 1 December 2023.

Employment

The following table illustrates the general composition of employment and unemployment for each of the years indicated:

Table 16: Unemployment(1)

	For the 12-month period ended 31 December					For the three-month period ended 31 March	For the three-month period ended 30 June	For the three-month period ended 30 September
	2018	**2019**	**2020**	**2021**	**2022**		**2023**	
	(period average)							
Population aged 15–74 (thousands)	7,432	7,419	7,409	7,359	7,327	7,315	7,313	7,309
Activity rate (per cent.)	64.3	64.7	64.8	65.6	66.5	66.9	67.2	67.6
Employment rate (per cent.)	62.0	62.6	62.1	63.0	64.1	64.2	64.6	64.8
Unemployment rate (per cent.)	3.6	3.3	4.1	4.1	3.6	4.1	3.9	4.1

Source: HCSO

As of 26 February 2021, HCSO started publishing labour force survey data according to a new, internationally harmonized methodology. Certain categories of economic activity are classified differently by the new methodology: in addition to active workers receiving childcare benefits, those who worked before parental leave, receive job-related income and are guaranteed to return to their previous job are also considered employed due to new EU regulations. In Hungary, this change in methodology resulted in an increase in the employment count by approximately 120,000–150,000 workers, especially impacting female activity rates. Furthermore, students, unpaid family workers, and seasonal workers are also counted differently without significantly changing their status under the new methodology.

The following table illustrates the general composition of employment in Hungary by major sector for each of the years indicated:

Table 17: Composition of Employment by Sector

Sector	2018	2019	2020	2021	2022[1]	31 March 2023[1]	30 June 2023[1]	30 September 2023[1]
	For the year ended 31 December					For the three-month period ended		
			(in thousands of persons)					
Agriculture, forestry and fishing	217.4	212.7	213.9	201.4	200.5	197.4	210.3	215.9
Mining and quarrying	10.5	11.5	8.7	5.1	5.5	6.0	5.7	4.2
Manufacturing	1,033.0	1,020.8	989.7	980.8	983.0	972.7	982.1	986.6
Electricity, gas, steam and air conditioning supply	42.5	35.3	35.3	38.8	41.1	40.1	37.3	36.9
Water supply, sewerage, waste management and remediation activities	59.4	58.5	54.6	53.3	54.6	43.7	51.5	48.0
Construction	333.8	344.5	361.6	373.8	380.4	384.6	390.6	398.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	573.3	594.0	597.9	575.6	598.0	626.1	612.4	600.3
Transportation and storage	291.6	306.3	280.5	284.9	289.9	281.5	297.2	302.4
Accommodation and food service activities	185.9	193.4	176.9	169.4	181.8	183.7	187.1	175.6
Information and communication	118.6	136.3	147.5	168.5	168.5	174.2	181.9	171.5
Financial and insurance activities	94.4	80.4	90.3	96.1	99.0	96.3	91.1	111.0
Real estate activities	27.1	25.4	27.7	32.4	36.5	37.2	30.9	35.0
Professional, scientific and technical activities	160.7	173.8	193.7	216.8	228.3	228.8	215.5	222.1
Administrative and support service activities	154.5	145.1	143.0	141.1	136.1	139.1	135.7	143.8
Public administration and defence; compulsory social security	437.7	419.7	406.6	424.9	426.3	417.8	409.9	414.3
Education	356.3	359.8	346.8	368.2	359.3	365.5	377.4	361.4
Human health and social work activities	317.9	330.2	335.0	313.9	308.3	293.5	303.0	309.6
Arts, entertainment and recreation	82.4	83.1	82.7	80.9	79.7	84.8	82.3	78.0
Other activities	106.1	108.5	106.8	108.6	118.7	122.8	122.0	122.5
Not classified	3.3	5.2	4.0	0.0	0.0	0.0	0.0	0.0
Total	**4,606.4**	**4,644.6**	**4,603.2**	**4,634.6**	**4,695.6**	**4,695.8**	**4,723.8**	**4,737.2**

Source: HCSO
Note:

(1) Preliminary data.

Principal Sectors of the Economy

Industry

The following table sets forth the value of industrial productions for each of the periods indicated:

Table 18: Value of Industrial Production by Sub-Sectors

	2018	2019	2020	2021	2022[1]	2023[1]
	For the 12-month period ended 31 December					For the ten-month period ended 31 October
			(HUF Billions)			
Mining and quarrying	148.3	184.4	135.1	168.0	241.8	164.8

	For the 12-month period ended 31 December					For the ten-month period ended 31 October
	2018	2019	2020	2021	2022[1]	2023[1]
			(HUF Billions)			
Manufacture of food products, beverages and tobacco products	*3,217.5*	*3,538.5*	*3,798.0*	*4,441.1*	*6,462.3*	*5,471.5*
Manufacture of textiles, apparel, leather and related products	*446.5*	*417.9*	*368.1*	*409.2*	*493.4*	*413.6*
Manufacture of wood and paper products, and printing	*1,046.8*	*1,138.4*	*1,149.8*	*1,421.6*	*1,941.8*	*1,463.2*
Manufacture of coke, and refined petroleum products	*1,552.8*	*1,513.3*	*1,059.7*	*1,863.5*	*3,130.7*	*1,951.0*
Manufacture of chemicals and chemical products	*1,729.2*	*1,640.8*	*1,618.1*	*2,535.7*	*3,138.9*	*2,154.9*
Manufacture of pharma-ceuticals, medicinal chemical and botanical products	*868.8*	*910.9*	*963.5*	*995.6*	*1,254.7*	*1,128.2*
Manufacture of rubber and plastics products, and other non-metallic mineral products	*2,744.9*	*2,946.8*	*2,857.6*	*3,553.6*	*4,287.8*	*3,332.5*
Manufacture of basic metals and fabricated metal products, except machinery and equipment	*2,663.3*	*2,695.9*	*2,476.4*	*3,436.0*	*4,199.2*	*3,219.5*
Manufacture of computer, electronic and optical products	*3,678.4*	*3,996.0*	*4,176.9*	*4,512.2*	*5,435.2*	*4,240.0*
Manufacture of electrical equipment	*1,394.8*	*1,716.9*	*2,071.2*	*3,059.2*	*5,022.3*	*5,044.2*
Manufacture of machinery and equipment n.e.c.	*1,788.0*	*1,855.7*	*1,865.2*	*2,156.6*	*2,930.6*	*2,549.2*
Manufacture of transport equipment	*8,547.5*	*9,578.8*	*9,216.7*	*9,362.2*	*12,247.1*	*11,547.0*
Other manufacturing, and repair and installation of machinery and equipment	*929.8*	*1,084.5*	*1,080.7*	*1,243.1*	*1,501.4*	*1,416.6*
Manufacturing	30,608.3	33,034.5	32,701.8	38,989.4	52,045.5	43,931.3
Electricity, gas, steam and air conditioning supply	1,299.2	1,361.0	1,368.7	1,681.2	2,480.9	1,774.8
Industry (excluding water and waste management)	**32,055.8**	**34,579.9**	**34,205.6**	**40,838.6**	**54,768.2**	**45,871.0**

Source: HCSO
Note:
(1) Preliminary data.

According to preliminary data compiled by HCSO, the volume index of industrial production, total industrial sales, domestic industrial sales and export industrial sales regarding total industry amounted to 105.9 per cent., 106.2 per cent., 103.1 per cent. and 108.3 per cent., respectively in 2022, implying an increase of production, total sales, domestic sales and export sales in the amount of 5.9 per cent., 6.2 per cent., 3.1 per cent. and 8.3 per cent., respectively in 2022 relative to the previous year.

During the ten-month period ended 31 October 2023, the volume index of industrial production, total industrial sales, domestic industrial sales and export industrial sales regarding total industry amounted to 95.3 per cent., 91.9 per cent., 83.4 per cent. and 97.9 per cent., respectively, implying a decrease of production, total sales, domestic sales and export sales in the amount of 4.7 per cent., 8.1 per cent., 16.6 per cent. and 2.1 per cent., respectively relative to the corresponding period of the previous year.

Manufacturing

According to preliminary data compiled by HCSO, the volume index of industrial production, total industrial sales, domestic industrial sales and export industrial sales regarding the manufacturing sector amounted to 106.2 per cent., 106.2 per cent., 100.2 per cent. and 108.8 per cent., respectively in 2022, implying an increase of production, total sales, domestic sales and export sales in the amount of 6.2 per cent., 6.2 per cent., 0.2 per cent. and 8.8 per cent., respectively in 2022 relative to the previous year.

During the ten-month period ended 31 October 2023, the volume index of industrial production, total industrial sales, domestic industrial sales and export industrial sales regarding the manufacturing sector amounted to 96.5 per cent., 98.2 per cent., 90.9 per cent. and 101.2 per cent., respectively, implying a decrease of production, total sales and domestic sales in the amount of 3.5 per cent., 1.8 and 9.1 per cent., respectively, and an increase of export sales in the amount of 1.2 per cent. relative to the corresponding period of the previous year.

Construction

The following table sets forth the comprehensive data of the construction sector for each of the periods indicated:

Table 19: Comprehensive Data of the Construction Sector

	For the 12-month period ended 31 December				
	2018	**2019**	**2020**	**2021[(1)]**	**2022[(1)]**
Share of the construction industry from the gross added value (per cent.)	5.1	5.7	5.7	6.2	6.3
Value of construction production (HUF Billions)	3,306.9	4,354.7	4,339.3	5,310.9	6,670.7
Volume index of construction production (Corresponding Period of the Previous Year = 100)	122.9	120.0	90.9	109.7	100.7

Source: HCSO
Note:
(1) Preliminary data.

In the nine-month period ended 30 September 2023, the value of construction production amounted to HUF5,087.9 billion, of which, production value of buildings amounted to HUF3,189.6 billion and production value of civil engineering works amounted to HUF1,898.2 billion. The volume index of construction amounted to 95.3 per cent. implying a decrease of 4.7 per cent. relative to the corresponding period of the previous year. The volume index amounted to 95.4 per cent. for buildings and to 95.6 per cent. for civil engineering works.

Agriculture

In 2022 the total value of output of agriculture approached HUF4 trillion, 15.0 per cent. more than in 2021, mainly due to a 42 per cent. price rise. The total volume of agricultural production decreased by 19.0 per cent., mainly due to a 28 per cent. decline in crop production and a 6.1 per cent. decline in livestock production, partly as a result of low precipitation and severe drought in the summer months.

Service Industries

Gross value added by services amounted to HUF30,927.2 billion in the nine-month period ended 30 September 2023, of which: value added in the (i) wholesale and retail trade, repair of motor vehicles and motorcycles, accommodation and food service activities subsector, (ii) transportation and storage, (iii) information and communication, (iv) financial and insurance activities, (v) real estate activities, (vi) professional, scientific and technical activities; administrative and support service activities, (vii) public administration and defence; compulsory social security; education; human health and social work activities and (viii) arts, entertainment and recreation, repair of household goods and other services subsectors amounted to HUF5,228.8 billion, HUF2,375.6 billion, HUF2,256.3 billion, HUF1,647.4 billion, HUF5,862.9 billion, HUF4,762.1 billion, HUF7,580.2 billion and HUF1,213.9 billion, respectively.

In the six-month period ended 30 September 2023, the volume index of the services sector amounted to 98.2 per cent. implying a decrease of 1.8 per cent. relative to the corresponding period of 2022. Volume indices in the (i) wholesale and retail trade; repair of motor vehicles and motorcycles; accommodation and food service activities (ii) transportation and storage, (iii) professional, scientific and technical activities; administrative and support service activities and (iv) arts, entertainment and recreation, repair of household goods and other services subsectors amounted to 91.4 per cent., 93.6 per cent., 96.6 per cent. and 99.2 per cent., respectively, implying a decrease of 8.6 per cent., 6.4 per cent., 3.4 per cent. and 0.8 per cent., respectively. Volume indices in the (i) information and communication, (ii) financial and insurance activities, (iii) real estate activities and (iv) public administration and defence; compulsory social security; education; human health and social work activities amounted to 102.0 per cent., 100.4 per cent., 100.1 per cent. and 101.9 per cent., respectively implying an increase of 2.0 per cent., 0.4 per cent., 0.1 per cent. and 1.9 per cent., respectively.

Energy

In 2022, total primary energy consumption amounted to 1,091.2 petajoules.

For more than 30 years, Hungary's Paks nuclear power plant has been generating electricity satisfying a significant part of the Hungarian energy demand. As a result of service life extension programs, Unit 1 of the nuclear power plant is expected to operate for another 20 years, Unit 2 is expected to operate until 2034, Unit 3 is expected to operate until 2036 and Unit 4 is expected to operate until 2037. According to the Hungarian–Russian Intergovernmental Agreement signed in mid-January 2014, two new power units with the capacity of 1200 MW each are expected to be constructed at the Paks site.

On 26 May 2023, the Government announced that the European Commission had approved the modifications to the contracts for the expansion of Hungary's Paks nuclear power plant, allowing for the project to be completed more rapidly. According to the announcement, the changes to the contracts and the European Union's approval will make it possible for the plant's new blocks to begin operating by the very beginning of the next decade, with the project applying the strictest nuclear regulations.

On 22 August 2023, the Government announced that Qatar is expected to deliver liquid natural gas to Hungary beginning in 2027 pursuant to a political agreement.

On 12 September 2023, after talks on energy cooperation with Azerbaijan, the Government announced that Hungary's energy security is expected to be enhanced by the storage of Azeri natural gas in Hungary, which began in July 2023.

On 10 November 2023 the Government expressed concerns over Bulgaria's newly implemented energy tax on natural gas originating from Russia and entering or passing through Bulgaria. According to the Government, the tax was adopted without prior consultation with Hungary and poses a significant threat to the energy security of both Hungary and the broader region. The Government believes the Bulgarian measure contravened EU law by effectively acting as a customs duty, thus undermining the principles of the EU's internal market, customs union, and common trade policy. Therefore, Hungary urged the European Commission to initiate an infringement procedure in relation to the matter and was prepared to escalate the matter to the ECJ. Subsequently, on 20 December 2023, Minister of Foreign Affairs and Trade Péter Szijjártó announced that Bulgaria had withdrawn its energy tax on the transit of Russian natural gas.

On 6 December 2023, the Government announced that the project to expand the Paks nuclear power plant's lifespan had begun. The Head of MVM Paksi Atomerőmű, Péter János Horváth, notified the extension of the nuclear plant's lifespan to the European Union. The notification was the first step in a decade-long process that would prolong the plant's operating license until 2052-2057. The two already-operating blocks of the plant went online between 1982 and 1987. Their lifespan was extended once already, until 2032-2037. While the Russian supplier of the plant has been a reliable partner for four decades, the plant was looking into ways to diversify its supply lines. The extension would require the completion of some 250 reconstruction projects, half of which are expected to cost more than HUF1 billion (EUR2.6 million). Revamping the electric and control systems is expected to cost approximately EUR1.5 billion. The implementation plan is expected to be submitted in 2028.

As a landlocked country, Hungary relies on pipelines and barges to transport crude and oil products. The majority of crude oil processed in Hungary arrives through the Druzhba pipeline system. The Duna refinery receives oil from Hungary's northern border with the Slovak Republic through the Druzhba I pipeline and from its eastern border with Ukraine through the Druzhba II pipeline. Increasing quantities of middle eastern crude are also being transported to Hungary from the Croatian port of Omišalj via the Adria pipeline system. A number of oil product pipelines link the Duna refinery with demand centres, as well as with the Tiszaújvaros and Zalaegerszeg refineries. Hungary is also linked to the eastern oil product pipeline that transports oil products from Russia's refining centres via Ukraine; this system has been primarily used by MOL Group as a means of purchasing Russian gas and oil for further processing. In addition to the pipeline connections, products can be exported, imported and transported internally via barges on the Danube from Komárom and Százhalombatta.

Hungary's gas transmission network consists of 5,873 km of high-pressure pipelines with 400 gas delivery points. The network includes six compressor stations with a total installed capacity of 234 MW. Hungary has six gas interconnection points, with Beregdaróc, on the Ukrainian border, being the source of the majority of Hungary's natural gas imports in 2020. Some natural gas is also exported through Hungary to Ukraine via Beregdaróc. There are additional interconnectors at Mosonmagyaróvár, near the border with Austria and at Balassagyarmat on the Slovakian border. Since 2021, the sole transmission system operator, FGSZ, has also been importing natural gas from the Drávaszerdahely interconnection point; these volumes originate from the Krk LNG terminal in neighbouring Croatia which has provided an opportunity for traders to transport global LNG cargoes to Hungary. There are additional interconnections at Csanádpalota, bordering Romania, and at the Kiskundorozsma, bordering Serbia, with both currently being used to transport gas out of Hungary. Gas supply routes to Hungary are expected to be further diversified with the commissioning of a cross-border interconnection with Serbia, facilitating imports through the TurkStream pipeline.

The following table provides certain information regarding the composition of consumption of the main energy resources in Hungary for the years 2018 through 2022:

Table 20: Composition of Consumption of Energy Resources

	For the year ended 31 December				
Source of Energy	**2018**	**2019**	**2020**	**2021**	**2022[1]**
			(per cent.)		
Coal and coal products (including briquette and coke)	7.9	6.8	6.4	5.0	4.8
Crude oil and crude oil products	30.0	30.3	28.3	29.3	31.7
Natural gas	30.8	31.4	33.3	33.7	30.3
Combustible renewables and wastes	10.3	10.2	10.6	10.8	10.9
Nuclear	15.3	15.8	15.9	15.1	15.8
Hydro	0.1	0.1	0.1	0.1	0.1
Wind	0.2	0.2	0.2	0.2	0.2
Other non-combustible renewables	0.8	1.1	1.4	1.8	2.2
Electricity net import	4.6	4.0	3.8	4.0	4.0
Total	100.0	100.0	100.0	100.0	100.0
Import dependency	57.8	69.1	56.2	53.7	64.2

Source: HCSO
Note:
(1) Preliminary data.

According to data compiled by HCSO, the frontier parity value of imports of mineral fuels, lubricants and related materials amounted to EUR22.9 billion in 2022. Of this amount, imports from Austria, Russia and Slovakia amounted to EUR4.5 billion, EUR8.8 billion and EUR4.2 billion, respectively. According to data compiled by HCSO, the frontier parity value of imports of mineral fuels, lubricants products and related materials amounted to EUR8.8 billion in the eight-month period ended 31 August 2023. Of this amount, imports from Austria, Russia and Slovakia amounted to EUR1.6 billion, EUR3.4 billion and EUR1.1 billion, respectively.

According to data compiled by HCSO, the frontier parity value of imports of petroleum, petroleum products and related materials amounted to EUR5.9 billion in 2022. Of this amount, imports from Austria, Russia and Slovakia amounted to EUR1.0 billion, EUR2.6 billion and EUR0.6 billion, respectively. According to data compiled by HCSO, the frontier parity value of imports of petroleum, petroleum products and related materials amounted to EUR3.6 billion in the eight-month period ended 31 August 2023. Of this amount, imports from Austria, Russia and Slovakia amounted to EUR0.7 billion, EUR1.1 billion and EUR0.4 billion, respectively.

According to data compiled by HCSO, the frontier parity value of imports of natural and manufactured gas amounted to EUR9.5 billion in 2022. Of this amount, imports from Austria, Russia and Slovakia amounted to EUR2.4 billion, EUR6.2 billion and EUR0.2 billion, respectively. According to data compiled by HCSO, the frontier parity value of imports of natural and manufactured gas amounted to EUR3.0 billion in the eight-month period ended 31 August 2023. Of this amount, imports from Austria, Russia and Slovakia amounted to EUR0.6 billion, EUR2.2 billion and EUR27.2 million, respectively.

According to data compiled by HCSO, the frontier parity value of imports of electric current amounted to EUR7.1 billion in 2022. Of this amount, imports from Austria, Russia and Slovakia amounted to EUR1.0 billion, EUR0.0 billion and EUR3.4 billion, respectively. According to data compiled by HCSO, the frontier parity value of imports of electric current amounted to EUR2.1 billion in the eight-month period ended 31 August 2023. Of this amount, imports from Austria, Russia and Slovakia amounted to EUR0.3 billion, EUR0.0 billion and EUR0.6 billion, respectively.

Infrastructure

Road Transportation

Hungary has one of the highest motorway densities in all of Europe and the third highest road density, after Belgium and Holland. Highways reach the borders of the country and the different regions of Hungary. Hungary has a central location in Europe, at the crossroads of four main European transportation corridors, including the north-south corridor from the Baltic states to Turkey and Greece. All major Hungarian towns are connected to the capital city, Budapest, by motorways.

The length of national public roads amounted to 32,070 kilometres in 2018, 32,204 kilometres in 2019, 32,395 kilometres in 2020 and 32,521 kilometres in 2021. In 2022, the length of national public roads increased to 32,552 kilometres.

Railway Transportation

Hungary has an extensive railway network. Rail transport carries more than 20 per cent. of total freight. Several main train lines connect Hungary with the main ports of Western Europe with regular services. The total length of the Hungarian railway system is 7,729 km, of which 1,335 km (17.3 per cent.) is double-track. The electrified railway network stretches 2,628 km (34 per cent.).

Air Transportation

Hungary has a number of international airports: Budapest Liszt Ferenc International Airport, Debrecen, and Hévíz-Balaton. There are also airports that cater for commercial and seasonal public flights in Győr and Pécs.

Water Transportation

Hungary has excellent waterway connections, as the Danube crosses through the whole country from north to south. The Danube-Rhine-Main canal in Europe links the North Sea and the Black Sea. Several scheduled block train lines connect Hungary with the seaports of Hamburg, Bremerhaven, Rotterdam, and Antwerp on the North Sea, and with Koper and Trieste on the Adriatic. The Adriatic seaports also offer alternative shipping routes from Asia.

Telecommunication

In 2022, the number of mobile subscriptions per 1,000 inhabitants amounted to 1,418 and the number of fixed broadband internet subscriptions per 1000 inhabitants amounted to 363. The number of fixed broadband internet subscriptions reached 3,515,933, and 89 per cent. of population aged 16-74 was using the internet in 2022.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The following tables set out the balance of payments of Hungary for the periods indicated:

Table 21: Balance of Payments

	For the year ended 31 December				
	2018	2019	2020	2021	2022
			(EUR millions)		
1. Current Account, net (1.A+1.B+1.C)	**215.9**	**(1,194.9)**	**(1,543.4)**	**(6,508.2)**	**(13,896.5)**
1.A. Goods and Services, net	**5,799.9**	**3,402.2**	**2,669.7**	**313.0**	**(7,149.7)**
Exports	113,939.1	119,442.1	108,544.4	123,068.8	153,765.6
Imports	108,139.2	116,039.9	105,874.8	122,755.8	160,915.4
1.A.a. Goods, net	(2,280.0)	(3,686.9)	(1,334.4)	(4,443.9)	(15,182.0)
Exports	88,543.6	92,524.6	88,655.2	100,268.5	124,488.2
Imports	90,823.6	96,211.5	89,989.6	104,712.4	139,670.2
1.A.b. Services, net	8,079.9	7,089.1	4,004.0	4,756.9	8,032.3
Exports	25,395.6	26,917.5	19,889.2	22,800.3	29,277.4
Imports	17,315.6	19,828.4	15,885.2	18,043.3	21,245.1
1.B. Primary Income, net	**(5,037.2)**	**(3,726.2)**	**(3,570.5)**	**(5,222.4)**	**(5,438.8)**
1.B.1. Compensation of employees, net	2,437.2	2,655.9	2,002.2	1,648.5	1,844.4
1.B.2. Investment income, net	(8,674.4)	(7,524.4)	(6,761.7)	(7,945.5)	(8,311.1)
1.B.2.1. Direct investment income, net	(7,349.0)	(6,311.6)	(5,987.3)	(7,081.8)	(6,527.1)
1.B.2.2. Portfolio investment income, net	(1,314.5)	(1,248.8)	(771.5)	(804.9)	(1,298.8)
1.B.2.3. Other investment income, net	(203.3)	(206.2)	(222.5)	(210.4)	(713.1)
1.B.2.4. Reserve assets, net	192.5	242.2	219.5	151.6	227.9
1.B.3. Other primary income, net	1,200.0	1,142.3	1,189.0	1,074.6	1,028.0
-of which: EU transfers	1,200.0	1,142.3	1,189.0	1,074.6	1,028.0
1.C. Secondary Income, net	**(546.8)**	**(870.9)**	**(642.5)**	**(1,598.9)**	**(1,308.0)**
-of which: EU transfers	588.9	257.6	187.8	(1,044.2)	(622.9)
2. Capital Account, net	**3,062.9**	**2,747.3**	**2,900.4**	**3,903.5**	**3,648.7**
-of which: EU transfers	2,234.7	2,846.2	3,258.2	3,954.5	3,659.9
3. Financial Account (net assets) (3.1+3.2+3.3+3.4+3.5)	**1,318.7**	**164.7**	**(2,287.4)**	**(5,696.9)**	**(15,004.1)**
3.1. Direct Investment (net assets)	**(2,611.8)**	**(879.3)**	**(2,175.1)**	**(3,263.0)**	**(4,685.2)**
3.1.k. Abroad (net assets)	2,811.0	2,766.9	3,793.1	3,507.3	3,979.8
3.1.1.k Equity (net assets)	3,346.9	2,654.5	3,882.7	2,621.9	2,714.5
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	2,501.1	1,605.0	2,885.8	1,195.6	816.4
3.1.1.2.ki Reinvestment of earnings (net assets)	845.8	1,049.5	996.9	1,426.4	1,898.1
3.1.2.ki Debt instruments (net assets)	(535.9)	112.5	(89.7)	885.4	1,265.4
3.1.2.1.ki Assets	38.6	256.1	(177.0)	735.1	2,041.6
3.1.2.2.ki Liabilities	574.5	143.7	(87.3)	(150.3)	776.2
3.1.t In Hungary (net liabilities)	5,422.9	3,646.3	5,968.1	6,770.3	8,665.1
3.1.1.t Equity (net liabilities)	4,713.2	5,465.2	2,340.3	822.4	6,694.3
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	(907.7)	1,140.8	(1,193.3)	(4,529.6)	1,713.8
3.1.1.2.be Reinvestment of earnings (net liabilities)	5,620.9	4,324.4	3,533.6	5,351.9	4,980.5
3.1.2.be Debt instruments (net liabilities)	709.7	(1,819.0)	(3,627.8)	5,948.0	1,970.8
3.1.2.1.be Assets	673.6	(961.1)	(2,787.3)	1,048.2	2,441.4
3.1.2.2.be Liabilities	1,383.3	(2,780.1)	840.5)	6,996.1	4,412.2
3.2. Portfolio investment (net assets)	**(184.6)**	**1,544.5**	**(2,481.2)**	**435.1**	**(4,242.3)**
3.2.k Assets	(140.2)	258.3	623.8	2,821.8	2,240.3
3.2.t Liabilities	44.4	(1,286.3)	3,105.0	2,386.7	6,482.6
3.3. Financial derivatives (other than reserves), net assets	**(932.7)**	**10.1**	**(456.7)**	**(1,318.9)**	**(1,057.2)**
3.3.k Assets	(4,432.1)	(3,615.2)	(6,521.7)	(7,176.6)	(16,301.2)
3.3.t Liabilities	(3,499.4)	(3,625.3)	(6,065.0)	(5,857.6)	(15,244.0)
3.4. Other investment (net assets)	**1,450.3**	**(832.6)**	**(3,103.9)**	**(5,338.4)**	**(5,829.3)**
3.4.k Assets	2,666.3	935.1	1,735.3	4,077.4	8,552.3
3.4.t Liabilities	1,216.0	1,767.7	4,839.3	9,415.8	14,381.6
3.5. Reserve assets	**3,597.5**	**322.0**	**5,929.6**	**3,788.3**	**810.0**
Memorandum:					
Net external financing capacity					
Net external financing capacity (CA and Capital account)	3,278.8	1,552.4	1,357.0	(2,604.7)	(10,247.8)
Financial account balance	1,318.7	164.7	(2,287.4)	(5,696.9)	(15,004.1)
Difference (Net errors and omissions)	(1,960.1)	(1,387.8)	(3,644.4)	(3,092.2)	(4,756.3)
Reserve assets (stock)	**27,402.5**	**28,385.6**	**33,677.4**	**38,377.1**	**38,708.7**
Gross external debt denominated in foreign currencies (excl. direct investment debt instruments)	**51,627.2**	**52,117.4**	**57,796.2**	**69,444.2**	**79,918.9**

	For the year ended 31 December				
	2018	2019	2020	2021	2022
			(EUR millions)		
-o/w: General government and Central bank	20,848.4	19,859.3	26,658.5	34,982.9	34,987.9
Net external debt denominated in foreign currencies (excl. direct investment debt instruments)	**(8,077.3)**	**(8,998.8)**	**(8,663.6)**	**(2,903.0)**	**(375.9)**
-o/w: General government and Central bank	(5,680.3)	(7,466.9)	(6,313.8)	126.9	(381.9)

Source: MNB

Table 22: Balance of Payments

	For the three-month period ended		
	31 March 2023	30 June 2023	30 September 2023
		(EUR millions)	
1. Current Account, net (1.A+1.B+1.C)	**(606.7)**	**703.9**	**410.3**
1.A. Goods and Services, net	**1,300.0**	**3,340.1**	**3,344.6**
Exports	41,011.7	40,169.3	39,085.0
Imports	39,711.7	36,829.2	35,740.4
1.A.a. Goods, net	(776.7)	920.4	298.5
Exports	33,828.0	32,394.3	29,921.1
Imports	34,604.7	31,473.9	29,622.6
1.A.b. Services, net	2,076.7	2,419.7	3,046.2
Exports	7,183.6	7,774.9	9,163.9
Imports	5,107.0	5,355.3	6,117.8
1.B. Primary Income, net	**(1,348.8)**	**(2,140.9)**	**(2,393.5)**
1.B.1. Compensation of employees, net	511.1	526.9	582.8
1.B.2. Investment income, net	(2,304.4)	(3,011.3)	(3,206.3)
1.B.2.1. Direct investment income, net	(1,585.7)	(2,060.1)	(2,192.5)
1.B.2.2. Portfolio investment income, net	(364.7)	(655.0)	(731.8)
1.B.2.3. Other investment income, net	(487.0)	(457.8)	(470.5)
1.B.2.4. Reserve assets, net	133.0	161.6	188.5
1.B.3. Other primary income, net	444.5	343.5	230.1
-of which: EU transfers	444.5	343.5	230.1
1.C. Secondary Income, net	**(557.9)**	**(495.4)**	**(540.8)**
-of which: EU transfers	(293.0)	(264.6)	(264.4)
2. Capital Account, net	**427.5**	**550.7**	**441.6**
-of which: EU transfers	358.0	649.0	400.0
3. Financial Account (net assets) (3.1+3.2+3.3+3.4+3.5)	**(762.0)**	**(132.3)**	**(842.9)**
3.1. Direct Investment (net assets)	**2,289.5**	**706.6**	**(1,953.6)**
3.1.k. Abroad (net assets)	1,624.9	829.8	636.6
3.1.1.k Equity (net assets)	1,046.7	499.6	897.8
3.1.1.1.ki Equity other than reinvestment of earnings (net assets)	472.3	165.0	64.8
3.1.1.2.ki Reinvestment of earnings (net assets)	574.4	334.5	833.0
3.1.2.ki Debt instruments (net assets)	578.3	330.2	(261.2)
3.1.2.1.ki Assets	195.8	(935.6)	(49.3)
3.1.2.2.ki Liabilities	(382.5)	(1,265.8)	212.0
3.1.t In Hungary (net liabilities)	(664.5)	123.1	2,590.1
3.1.1.t Equity (net liabilities)	(370.6)	(1,662.8)	3,799.1
3.1.1.1.be Equity other than reinvestment of earnings (net liabilities)	(1,610.7)	(1,141.2)	1,013.7
3.1.1.2.be Reinvestment of earnings (net liabilities)	1,240.1	(521.5)	2,785.4
3.1.2.be Debt instruments (net liabilities)	(293.9)	1,785.9	(1,208.9)
3.1.2.1.be Assets	901.6	(1,178.0)	(644.0)
3.1.2.2.be Liabilities	607.7	607.9	(1,853.0)
3.2. Portfolio investment (net assets)	**(3,983.4)**	**(537.4)**	**(2,024.2)**
3.2.k Assets	683.9	2,644.6	439.2
3.2.t Liabilities	4,667.3	3,182.0	2,463.4
3.3. Financial derivatives (other than reserves), net assets	**359.7**	**571.8**	**(426.7)**
3.3.k Assets	(5,134.1)	(3,340.1)	(3,482.3)
3.3.t Liabilities	(5,493.7)	(3,911.9)	(3,055.6)
3.4. Other investment (net assets)	**(327.8)**	**(1,599.8)**	**3,899.7**
3.4.k Assets	3,854.4	(2,366.0)	(339.6)
3.4.t Liabilities	4,182.3	(766.1)	(4,239.2)
3.5. Reserve assets	**900.1**	**726.5**	**(338.1)**
Memorandum:			
Net external financing capacity			
Net external financing capacity (CA and Capital account)	(179.2)	1,254.6	851.9
Financial account balance	(762.0)	(132.3)	(842.9)

	For the three-month period ended		
	31 March 2023	30 June 2023	30 September 2023
		(EUR millions)	
Difference (Net errors and omissions)	(582.8)	(1,386.9)	(1,694.8)
Reserve assets (stock)	**39,762.3**	**39,870.1**	**39,661.8**
Gross external debt denominated in foreign currencies (excl. direct investment debt instruments)	**86,844.1**	**88,836.7**	**87,245.3**
-o/w: General government and Central bank	37,083.8	39,190.4	36,628.2
Net external debt denominated in foreign currencies (excl. direct investment debt instruments)	**774.2**	**2,735.5**	**1,181.7**
-o/w: General government and Central bank	1,027.9	2,694.8	241.7

Source: MNB

Foreign Trade

The tables below set forth Hungary's trade in goods by territory and commodity group for the periods indicated.

Table 23: Exports by Destination

	European Union countries	Non-EU Countries	Total	Asian countries	American countries
			(EUR millions)		
2018	84,690[1]	20,165[2]	104,855	5,329	4,546
2019	88,296[1]	20,799[2]	109,095	5,037	4,621
2020	81,066[2]	23,920[1]	104,986	5,501	4,465
2021	91,337[2]	27,891[1]	119,228	6,141	5,185
2022	109,389[2]	33,148[1]	142,537	7,600	7,324
Three-month period ended 31 March 2023	30,841[2][3]	8,649[1][3]	39,490[3]	1,862[3]	1,899[3]
Three-month period ended 30 June 2023	29,307[2][3]	8,652[1][3]	37,959[3]	1,777[3]	2,182[3]
Three-month period ended 30 September 2023	27,052[2][3]	8,363[1][3]	35,416[3]	1,808[3]	2,041[3]

Source: HCSO
Notes:

(1) Including United Kingdom.
(2) Excluding United Kingdom.
(3) Preliminary data.

Table 24: Exports by Commodity Group

	Food, beverages, tobacco	Crude materials	Fuels, electric energy	Manufactured goods	Machinery and transport equipment	Total
			(EUR millions)			
2018	7,110	2,360	2,953	33,999	58,433	104,855
2019	7,538	2,502	2,859	33,536	62,659	109,095
2020	7,886	2,319	2,310	32,740	59,731	104,986
2021	8,547	3,173	3,839	38,028	65,641	119,228
2022	10,314	3,937	6,053	43,693	78,540	142,537
Three-month period ended 31 March 2023	2,807[1]	967[1]	1,200[1]	11,483[1]	23,034[1]	39,490[1]
Three-month period ended 30 June 2023	2,594[1]	879[1]	1,147[1]	10,804[1]	22,536[1]	37,959[1]
Three-month period ended 30 September 2023	2,681[1]	807[1]	1,027[1]	9,995[1]	20,905[1]	35,416[1]

Source: HCSO
Notes:

(1) Preliminary data.

Table 25: Imports by Origin

	European Union countries	Non-EU Countries	Total	Asian countries	American countries
			(EUR millions)		
2018	75,086[1]	24,249[2]	99,335	13,245	2,252
2019	77,425[1]	27,336[2]	104,761	15,473	2,660
2020	70,119[2]	29,249[1]	99,368	17,996	2,425
2021	84,249[2]	33,356[1]	117,605	19,247	3,010
2022	104,438[2]	47,232[1]	151,670	24,909	3,446
Three-month period ended 31 March 2023	25,976[2][3]	12,280[1][3]	38,255[3]	7,331[3]	870[3]
Three-month period ended 30 June 2023	24,261[2][3]	10,569[1][3]	34,830[3]	6,581[3]	819[3]
Three-month period ended 30 September 2023	23,117[2][3]	9,736[1][3]	32,852[3]	5,769[3]	847[3]

Source: HCSO
Notes:

(1) Including United Kingdom.
(2) Excluding United Kingdom.
(3) Preliminary data.

Table 26: Imports by Commodity Group

	Food, beverages, tobacco	Crude materials	Fuels, electric energy	Manufactured goods	Machinery and transport equipment	Total
			(EUR millions)			
2018	5,129	2,123	8,121	36,571	47,389	99,335
2019	5,558	2,212	8,421	37,791	50,779	104,761
2020	5,644	1,967	5,536	38,392	47,828	99,368
2021	6,101	2,694	10,657	43,865	54,287	117,605
2022	7,917	3,782	22,860	54,448	62,663	151,670
Three-month period ended 31 March 2023[1]	2,273	860	4,130	14,085	16,908	38,255
Three-month period ended 30 June 2023[1]	2,077	710	2,840	13,193	16,011	34,830
Three-month period ended 30 September 2023[1]	1,932	676	2,902	12,539	14,803	32,852

Source: HCSO
Notes:

(1) Preliminary data.

China is Hungary's largest trade partner outside the EU, with imports from China worth HUF3,987.1 billion and exports to China worth HUF847.7 billion in 2022.

According to data compiled by HCSO, total services exports amounted to HUF11,558.1 billion in 2022. Exports of (i) manufacturing services on physical inputs owned by others, (ii) maintenance and repair services, (iii) travel, (iv) transport services, (v) business services and (vi) government services amounted to HUF665.0 billion, HUF257.4 billion, HUF2,050.9 billion, HUF3,384.7 billion, HUF5,135.7 billion and HUF64.4 billion, respectively. Consequently, the share of total services exports represented by (i) manufacturing services on physical inputs owned by others, (ii) maintenance and repair services, (iii) travel, (iv) transport services, (v) business services and (vi) government services amounted to 5.8 per cent., 2.2 per cent., 17.7 per cent., 29.3 per cent., 44.4 per cent. and 0.6 per cent., respectively.

Trade Policy

Hungary has taken a number of steps since the beginning of the 1990s to integrate its economy into the global trading system, including the adoption of EU policies and entering into trade agreements.

European Union

Upon accession to the EU, Hungary adopted all aspects of the Common Commercial Policy of the EU. This includes the application of the Common External Tariff, EU preferential trade agreements and regimes, WTO commitments and trade defence measures. The overall effect of these changes is that the trade regime of Hungary has become more open and transparent (for example, the average level of customs duties decreased by about 50 per cent. following Hungary's accession to the EU, and, within the framework of the WTO, the country became a party to the Agreement on Government Procurement, the Agreement on Trade in Civil Aircraft and the Information Technology Arrangement). Further, by virtue of Hungary's membership in the EU, it is also a member of the European Economic Area ("**EEA**"), along with Norway, Iceland, and Lichtenstein and the other EU-member countries.

Bilateral Trade Agreements

In addition to the multilateral trade agreements discussed above, Hungary has also entered into bilateral trade agreements with several countries, including Slovenia, Romania, Turkey, Israel, Bulgaria, Lithuania, Latvia and Estonia. Hungary has also entered into trade and co-operation agreements with certain Central European countries designed to lower or eliminate trade barriers.

Foreign Direct Investment

The following table sets forth historical records of foreign direct investment ("**FDI**") in Hungary and Hungarian direct investments abroad during the years indicated:

Table 27: Foreign Direct Investment Flows

	For the year ended 31 December				
	2018	2019	2020	2021	2022
			(EUR millions)		
Direct Investment (net assets)	**(2,611.8)**	**(879.3)**	**(2,175.1)**	**(3,263.0)**	**(4,685.2)**
Abroad (net assets)	**2,811.0**	**2,766.9**	**3,793.1**	**3,507.3**	**3,979.8**
Equity (net assets)	3,346.9	2,654.5	3,882.7	2,621.9	2,714.5
Of which: Equity other than reinvestment of earnings (net assets)	*2,501.1*	*1,605.0*	*2,885.8*	*1,195.6*	*816.4*
Reinvestment of earnings (net assets)	*845.8*	*1,049.5*	*996.9*	*1,426.4*	*1,898.1*
Debt instruments (net assets)	(535.9)	112.5	(89.7)	885.4	1,265.4
Of which: Assets	*38.6*	*256.1*	*(177.0)*	*735.1*	*2,041.6*
Liabilities	*574.5*	*143.7*	*(87.3)*	*(150.3)*	*776.2*
In Hungary (net liabilities)	**5,422.9**	**3,646.3**	**5,968.1**	**6,770.3**	**8,665.1**
Equity (net liabilities)	4,713.2	5,465.2	2,340.3	822.4	6,694.3
Of which: Equity other than reinvestment of earnings (net assets)	(907.7)	1,140.8	(1,193.3)	(4,529.6)	1,713.8
Reinvestment of earnings (net assets)	5,620.9	4,324.4	3,533.6	5,351.9	4,980.5
Debt instruments (net liabilities)	709.7	(1,819.0)	3,627.8	5,948.0	1,970.8
Of which: Assets	673.6	(961.1)	(2,787.3)	1,048.2	2,441.4
Liabilities	1,383.3	(2,780.1)	840.5	6,996.1	4,412.2

Source: MNB

As of 31 December 2022, the stock of FDI in Hungary amounted to EUR130.0 billion.

The following table sets forth certain information regarding FDI in Hungary and Hungarian direct investments abroad during the three months ended 31 March 2023, 30 June 2023 and 30 September 2023:

Table 28: Foreign Direct Investment Flows: First, Second and Third Quarters of 2023

	For the three-month period ended 31 March 2023	For the three-month period ended 30 June 2023	For the three-month period ended 30 September 2023
		(EUR millions)	
Direct investment (net assets)	**2,289.5**	**706.6**	**(1,953.6)**
Direct investment abroad (net assets)	1,624.9	829.8	636.6
Equity (net assets)	1,046.7	499.6	897.8
Of which: Equity other than reinvestment of earnings (net assets)	472.3	165.0	64.8
Reinvestment of earnings (net assets)	574.4	334.5	833.0
Debt instruments (net assets)	578.3	330.2	(261.2)
Assets	195.8	(935.6)	(49.3)
Liabilities	(382.5)	(1,265.8)	212.0
Direct investment in Hungary (net liabilities)	(664.5)	123.1	2,590.1
Equity (net liabilities)	(370.6)	(1,662.8)	3,799.1

	For the three-month period ended 31 March 2023	For the three-month period ended 30 June 2023	For the three-month period ended 30 September 2023
		(EUR millions)	
Of which: Equity other than reinvestment of earnings (net liabilities)	(1,610.7)	(1,141.2)	1,013.7
Reinvestment of earnings (net liabilities)	1,240.1	(521.5)	2,785.4
Debt instruments (net liabilities)	(293.9)	1,785.9	(1,208.9)
Of which: Assets	901.6	(1,178.0)	(644.0)
Liabilities	607.7	607.9	(1,853.0)

Source: MNB

Foreign Exchange Reserves

The following table presents the level of Hungary's gold and foreign exchange reserves as of the dates indicated:

Table 29: Gold and Foreign Exchange Reserves

	As of 31 December					As of 30 November
	2018	2019	2020	2021	2022	2023
			(EUR millions)			
Total	**27,403**	**28,386**	**33,677**	**38,377**	**38,709**	**40,899**
of which: monetary gold [(1)]	1,130	1,376	1,563	4,876	5,176	5,673

Source: MNB
Notes:

(1) Gold valued at London rates fixed on the relevant date.

External Debt

The following table sets forth the gross external debt of Hungary as of the dates indicated:

Table 30: Gross External Debt – Sectorial Breakdown

	As of 31 December					As of 30 September
	2018	2019	2020	2021	2022	2023
			(EUR millions)			
Intercompany Loans	32,411.4	30,214.1	29,730.3	36,942.8	42,109.6	42,726.3
Central Bank	1,551.1	1,825.4	7,932.8	16,715.0	19,727.0	16,928.4
Banking Sector	17,342.0	18,599.3	14,770.3	15,618.1	22,298.5	28,164.4
General Government	37,483.8	37,225.7	38,942.0	38,167.8	38,603.6	46,384.8
Private Sector (excluding banks)	18,907.3	19,319.4	20,417.2	23,215.5	27,501.2	28,510.8
Total	**107,695.6**	**107,184.0**	**111,792.5**	**130,659.3**	**150,240.0**	**162,714.7**

Source: MNB

The following table sets forth the net external debt of Hungary as of the dates indicated:

Table 31: Net External Debt – Sectorial Breakdown

	As of 31 December					As of 30 September
	2018	2019	2020	2021	2022	2023
			(EUR millions)			
Net External Debt (including intercompany loans)	12,665.9	10,708.6	14,222.4	24,213.4	29,751.6	36,534.1
Net External Debt (excluding intercompany loans)	11,919.1	11,528.0	11,378.2	16,422.1	21,144.8	27,478.4
Government Sector (including MNB)	12,014.2	10,750.7	12,592.7	18,239.0	20,182.0	24,730.2

Source: MNB

The following table sets forth the maturity breakdown of Hungary's medium and long-term external debt by sectors (excluding SPEs) as of 30 September 2023:

Table 32: Schedule of Payments on Hungary's Medium and Long-term External Debt as of 30 September 2023

	Total	Central bank and general government	Central bank	General government	*of which HUF denominated bonds*	Private sector	Banking sector	Other private sectors	*Financial corporations other than banks*	*Non-financial corporations, households, and non-profit institutions serving households*
		(EUR millions)								
2023. Q4..	1,638.1	888.7	6.0	882.7	176.0	749.4	375.5	373.9	95.3	278.7
2024. Q1..	1,705.1	904.7	6.0	898.7	60.0	800.4	488.7	311.8	74.6	237.1
2024. Q2..	1,587.6	353.5	6.0	347.5	326.3	1,234.1	473.0	761.0	62.2	698.8
2024. Q3..	1,029.6	48.5	6.0	42.5	22.3	981.2	619.1	362.0	57.1	304.9
2024. Q4..	3,642.9	727.9	0.0	727.9	549.9	2,915.0	2,396.2	518.8	52.6	466.3
2025	15,614.0	8,175.3	5,353.2	2,822.1	1,630.9	7,438.7	4,680.8	2,757.9	522.6	2,235.3
2026	8,599.6	3,093.0	0.0	3,093.0	1,939.5	5,506.7	3,419.5	2,087.2	230.6	1,856.5
2027	9,454.2	3,783.4	0.0	3,783.4	925.7	5,670.9	2,989.2	2,681.6	156.4	2,525.2
2028	9,267.6	5,244.2	0.0	5,244.2	2,274.4	4,023.4	2,475.6	1,547.9	65.3	1,482.6
2029	8,278.7	5,434.4	0.0	5,434.4	3,265.9	2,844.3	646.8	2,197.5	28.5	2,169.0
2030	4,320.8	2,636.6	0.0	2,636.6	1,140.5	1,684.3	733.6	950.7	17.6	933.0
2031	3,505.7	3,074.8	0.0	3,074.8	1,165.0	430.9	162.8	268.1	25.6	242.5
2032	5,316.9	4,319.3	0.0	4,319.3	1,812.9	997.6	256.4	741.3	17.0	724.3
2033	4,318.5	3,040.3	0.0	3,040.3	574.8	1,278.2	534.3	744.0	15.9	728.1
2034	1,492.9	1,344.0	0.0	1,344.0	162.4	148.9	0.0	148.9	9.8	139.0
After........	12,144.7	11,077.6	3,523.0	7,554.6	1,069.5	1,067.2	496.2	570.9	151.4	419.5
Total........	91,917.0	54,145.9	8,900.1	45,245.8	17,096.2	37,771.1	20,747.6	17,023.5	1,582.5	15,441.1

Source: MNB

The following table sets forth the key debt service indicators of Hungary (excluding special purpose entities) for the years indicated:

Table 33: Key Debt Service Indicators

	2018	2019	2020	2021	2022
			(per cent.)		
1. Debt indicators[(1)]					
Gross debt indicators					
Gross external debt (excl. direct investment debt instruments)/GDP	55.3	52.5	59.5	60.9	64.0
-o/w: General government and Central bank.........	28.7	26.7	34.0	35.6	34.5
Gross external debt denominated in foreign currencies (excl. direct investment debt instruments)/GDP	37.9	35.6	41.9	45.1	47.3
-o/w: General government and Central bank.........	15.3	13.6	19.3	22.7	20.7
Gross external debt (incl. direct investment debt instruments)/GDP	79.2	73.1	81.1	84.9	89.0
Net debt indicators					
Net external debt (excl. direct investment debt instruments)/GDP	8.8	7.9	8.3	10.7	12.5
-o/w: General government and Central bank.........	8.8	7.3	9.1	11.8	12.0
Net external debt denominated in foreign currencies (excl. direct investment debt instruments)/GDP...........	(5.9)	(6.1)	(6.3)	(1.9)	(0.2)
-o/w: General government and Central bank.........	(4.2)	(5.1)	(4.6)	0.1	(0.2)
Net external debt (incl. direct investment debt instruments)/GDP	9.3	7.3	10.3	15.7	17.6
2. Debt service indicators					
Total Debt Service denominated in foreign currencies (TDS) (excl. direct investment debt instruments[(2)]/GDP...	9.6	7.7	10.0	8.6	7.6
Total Debt Service denominated in foreign currencies (TDS) (excl. direct investment debt instruments[(2)]/XGS...	11.5	9.5	12.7	10.8	8.3
Gross interest expenditures (excl. direct investment debt instruments)[(3)]/GDP	0.9	0.8	0.7	0.5	0.7
Net interest expenditures (excl. direct investment debt instruments)[(3)]/GDP	0.5	0.4	0.3	0.3	0.3
Memorandum:					

	2018	2019	2020	2021	2022
			(per cent.)		
GDP[4] (Euro millions)	136,063.9	146,532.0	137,897.4	153,963.3	168,847.7
Exports of goods and services (XGS) (Euro millions)	113,939.1	119,442.1	108,544.4	123,068.8	153,765.6
Net external financing capacity (CA and Capital account)/GDP	2.4	1.1	1.0	(1.7)	(6.1)
International reserves (RES) (Euro millions)	27,402.5	28,385.6	33,677.4	38,377.1	38,708.7

Source: MNB
Note:

(1) External debt as defined in External Debt Statistics: Guide for Compilers and Users: equity and financial derivative instruments are excluded.
(2) (TDS) Long-term debt amortisation and gross interest expenditures.
(3) Forint denominated debt interests are excluded from 2008.
(4) Data of HCSO (updated in this table on 22 December 2023).

MONETARY AND FINANCIAL SYSTEM

The National Bank of Hungary

The National Bank of Hungary (*in Hungarian: Magyar Nemzeti Bank*) (the "**MNB**") is the central bank of Hungary, a legal entity operating as a special company limited by shares, which conducts its operations in accordance with the provisions of Act CXXXIX of 2013 on the Magyar Nemzeti Bank (the "**MNB Act**"). The MNB's primary objective is to use monetary instruments to achieve and maintain price stability, and, without prejudice to this objective, to support the economic policy of the Government, including environmental sustainability.

The independence of the MNB and the members of its decision-making bodies in carrying out the tasks and meeting their obligations are provided for by the MNB Act. The bodies of the MNB are specified by the MNB Act as follows: the Monetary Council, the Financial Stability Council, the Executive Board, and the Supervisory Board. The MNB's supreme decision-making body is the Monetary Council.

The basic tasks of the MNB are:

- to define and implement monetary policy;
- to issue banknotes and coins, including commemorative banknotes and coins, which shall be the legal tender of Hungary;
- to hold and manage official foreign exchange and gold reserves, in order to preserve the external stability of the Hungarian economy;
- to conduct foreign exchange operations in relation to the management of foreign exchange reserves and the implementation of exchange rate policy;
- to oversee payment and securities settlement including overseeing the operation of the system and the operation of the organization performing central counterparty activities;
- to collect and publish the statistical information required for carrying out its tasks and fulfilling its statistical reporting obligations toward the ECB; and
- to establish macroprudential policy for the stability of the entire system of financial intermediation.

Monetary Policy

Monetary policy instruments are the instruments used by the central bank in the practical implementation of monetary policy. The range of possible instruments of the central bank is set out in the MNB Act. In designing and operating the instruments, the MNB aims to ensure that the instruments used support the implementation of monetary policy, and in particular the implementation of the central bank's interest rate policy.

2018

In 2018, the Monetary Council of the MNB ensured that loose monetary conditions were maintained by applying unconventional instruments and fine-tuning them to achieve the medium-term inflation target in a sustainable manner and to stimulate the real economy accordingly. Over the long term, the central bank can contribute to economic growth and a benign macroeconomic environment by price stability and by ensuring the stability of the financial system.

The Monetary Council did not change the policy rate in 2018, leaving the base rate, the overnight collateralized lending rate and the one-week collateralized lending rate at 0.9 per cent. and the overnight deposit rate at 0.15 per cent. In the third quarter of 2018, in order to simplify the central bank instruments that had an impact on short-term yields, the Monetary Council decided to phase out the three-month deposit facility at the end of 2018.

In January 2018, the Monetary Council introduced two unconventional instruments in order to allow the loose monetary conditions to have an effect on the long section of the yield curve. First, the MNB introduced a monetary policy interest rate swap instrument ("**MIRS**"), which was available unconditionally with five-year and 10- year maturities. The Monetary Council set the first-quarter amount of the instrument at HUF300 billion, and then at HUF600 billion for the first half of the year. Following that, in June 2018 the MNB decided on an amount of HUF900 billion for the first three quarters. In addition, the central bank decided to launch a targeted mortgage bond purchase program, within which it purchased mortgage bonds with original maturities of three years or more. The spreads on mortgage bonds compared to government securities market yields declined considerably with the help of this instrument. The decrease in financing cost stimulated primary market issues and facilitated the spread of fixed-rate loans. Additionally, within the framework of fine-tuning the unconventional instruments affecting long-term yields, the Monetary Council decided to phase out the MIRS and the mortgage bond purchase program at the end of 2018.

2019

In 2019, the Monetary Council maintained loose monetary conditions by fine-tuning its conventional instruments and overhauling and actively using unconventional instruments, to achieve the medium-term inflation target in a sustainable manner and stimulate the real economy accordingly.

With a view to boosting the share of long-term fixed-rate loans, the Monetary Council launched the Funding for Growth Scheme Fix (FGS fix) in January 2019. As an integral complement to this, a corporate bond purchase program was launched on 1 July 2019, to improve the efficiency of monetary policy transmission. The MNB neutralized excess liquidity arising from these two programs using the preferential deposit facility bearing interest at the central bank base rate.

After the reduction in the volume of the three-month deposit to zero, the main policy instrument was the reserve requirement beginning in 2019. The Monetary Council did not change the policy rate in 2019, leaving the base rate, the overnight collateralized lending rate and the one-week collateralized lending rate at 0.9 per cent. However, after the March 2019 rate-setting meeting, the overnight central bank deposit rate was increased by 10 basis points to -0.05 per cent. In March 2019, the Monetary Council reduced the average amount of liquidity to be crowded out by HUF100 billion to HUF300–500 billion, before lowering it by another HUF100 billion in June 2019. In September 2019, as a further fine-tuning step and in response to the downside risks to inflation, the Monetary Council raised the average amount of liquidity to be crowded out by HUF100 billion to HUF300 billion – HUF500 billion, which is taken into account in determining the stock of central bank swap instruments.

2020

In 2020, the MNB reacted to the challenges posed by COVID-19 pandemic with a series of coordinated steps and targeted measures, including the modification and expansion of its monetary policy instruments. The measures of the MNB in the first and second phase of the containment of the pandemic strengthened Hungary's economic fundamentals, provided the necessary liquidity to economic participants and mitigated the adverse economic impact of the pandemic. Even during the pandemic, the MNB remained committed to maintaining price stability. Inflation fluctuated within the tolerance band in almost every month of 2020.

In the first phase of containing the pandemic, the MNB immediately took liquidity-providing and market-stabilizing steps. The unlimited amount of the new, fixed-rate collateralized credit instrument, the expansion of eligible collateral to corporate loans, the one-week FX swap and the exemption from the reserve requirement significantly increased liquidity in the banking system.

In April 2020, the decision was taken to make the interest rate corridor symmetrical and to activate the one-week central bank deposit facility; these measures allowed greater flexibility for the MNB in maintaining the effectiveness of monetary transmission. Accordingly, interest on the overnight and one-week collateralized credit instrument rose to 1.85 per cent., while the base rate and the overnight deposit rate remained unchanged. The Monetary Council also decided that interest on the one-week deposit instrument should be able to diverge from the base rate within the interest rate corridor, either upwards or downwards.

Besides the market-stabilizing and liquidity-providing measures, the MNB also chose to introduce growth-supporting long-term instruments. On 20 April 2020, a new program under the Funding for Growth Scheme (FGS) called FGS Go! was launched, with an allocated amount of HUF1,500 billion, providing to small and medium-sized enterprises an even wider range of options for utilizing the loan than before. In addition, on 4 May 2023, the MNB launched its government securities purchase program and restarted its mortgage bond purchases to increase the efficiency of monetary policy transmission and preserve the stable liquidity position of the government securities market.

In the second phase of containing the pandemic, measures supporting the restoration of economic growth gained prominence. To maintain price stability and promote the restoration of economic growth, the Monetary Council cut the central bank base rate by 15 basis points in both June and July 2020. The swap instrument providing FX liquidity, which was redeployed in September 2020, ensured that short-term swap market yields were consistent with the optimal short-term interest rate level and that their volatility declined considerably.

In view of the results achieved and the high utilization, the Monetary Council increased the total amount for the Bond Funding for Growth Scheme ("**BGS**") in September 2020 and for the FGS Go! in November 2020. These two targeted programs provided a widely useable resource for domestic companies, with favourable, predictable interest rates. The MNB continued to neutralize the additional amount of money issued within the programs using the preferential deposit facility. Moreover, the asset purchase program was expanded and made more flexible in October 2020, and a technical review of the government securities purchase program was conducted in November 2020.

2021

The MNB performed a monetary policy turnaround in 2021. While at the beginning of the year it maintained the measures aimed at combating the economic impact of the COVID-19 pandemic and implemented new ones, in the second half of 2021, the monetary policy stance became tighter in the changing environment caused by the restarting economy and steadily rising inflation.

To address the rise in inflation that started in the middle of the year, the MNB launched a tightening cycle in June 2021, and it also began to reduce the use of crisis management instruments. The MNB continued monthly interest rate increases through the last months of the year, and it responded firmly and flexibly to the rise in financial market and commodity market risks. Moreover, by December 2021, it had terminated the pandemic crisis management programs.

In the summer of 2021, the MNB's authority was supplemented with a green mandate.

The MNB did not change interest rate conditions at its rate-setting meetings in January–May 2021, however, the Monetary Council introduced numerous measures to manage the economic situation changed by the COVID-19 pandemic. In January 2021, in an effort to use its instruments affecting longer maturities more effectively, the MNB reallocated liquidity across its different programs from collateralized credit instruments towards government securities purchases. In addition, it expanded the scope of government securities purchases to government securities with maturities shorter than ten years, thereby providing continuous liquidity on the government securities market at the middle section of the yield curve, too. On 9 March 2021, the Monetary Council decided to make flexible purchases under the government securities purchase program, without limits on the individual series. This decision was warranted by the growing money market yields and volatility caused by the third wave of the COVID-19 pandemic and the heightening reflation risks in advanced economies. Therefore, the MNB extended its corporate bond purchases under the BGS to securities issued by public corporations, then it raised the allocated amount for the Funding for Growth Scheme (FGS) Go! to HUF3,000 billion on 6 April 2021. To promote long-term sustainability, and without prejudice to its primary objective, the MNB announced in early July the FGS Green Home Program (FGS GHP) as well as the Green Mortgage Bond Purchase Program.

In response to the inflation risks rising from the middle of the year, the Monetary Council launched a tightening cycle to ensure price stability, prevent the sustained effects of inflation risks and anchor inflation expectations. In June, the Monetary Council raised the base rate by 30 basis points to 0.90 per cent. It kept the overnight deposit rate at –0.05 per cent. and maintained the interest rate on overnight and one-week collateralized credit instruments at 1.85 per cent. After this, the Monetary Council decided to raise the central bank base rate, the overnight central bank deposit rate and the overnight and one-week collateralized loan rate by 30 basis points in July and August 2021, and by another 15 basis points in September and October 2021. Starting in November 2021, in response to the higher inflation path and the risks of the increasing second-round effects, the Monetary Council once again accelerated its monetary tightening, raising the base rate in the last two months of the year by another 30 basis points each. By the end of 2021, the base rate had risen by 180 basis points, to 2.40 per cent.

In November 2021, the MNB's monetary policy entered a new phase. As short-term money and commodity market risks increased, the central bank responded swiftly and flexibly, by changing the interest rate on the one-week deposit instrument. Since mid-November, the one-week deposit rate had been higher than the base rate. On 30 November 2021, the Monetary Council also decided to make the interest rate corridor asymmetrical to increase the room for monetary policy manoeuvre. It increased the overnight and one-week collateralized lending rate by 105 basis points to 4.10 per cent., expanding the width of the upper band of the interest rate corridor from 95 to 200 basis points. In addition, the Monetary Council raised the overnight central bank deposit rate by 45 basis points to 1.60 per cent., before increasing the overnight deposit rate by 80 basis points to 2.40 per cent., on par with the base rate, while also raising the one-week collateralized credit instrument's interest rate by 30 basis points to 4.40 per cent. Using the greater room for manoeuvre, the MNB increased the one-week deposit rate to 4.00 per cent. by the end of the year.

As interest rate conditions were tightening, the MNB also started to phase out the crisis management instruments in June 2021. Accordingly, the Monetary Council indicated that the FGS Go! would be terminated after the allocated amount of HUF3,000 billion had been used up. In July 2021, the use of the long-term collateralized credit instrument was discontinued. After this, the Monetary Council reduced the weekly target for government securities purchases in several steps, from HUF60 billion to HUF50 billion per week based on a decision in August, and then from HUF50 billion to HUF40 billion in September. In December 2021, the Monetary Council decided to end the government securities purchase program, and the purchases were terminated at the end of the year. At its meeting in December 2021, the Monetary Council also ceased the Bond Funding for Growth Scheme.

In 2021, the MNB held foreign exchange swap tenders providing euro liquidity at the end of the quarters. In December 2021, the short-term discount note auction further strengthened the efficient sterilization of liquidity in the financial system.

2022

In 2022, the external environment was dominated by global inflationary pressures and the turbulent commodities and financial market developments caused by the Russian – Ukrainian war. For Hungary, the developments related to European Union funds and the corresponding risk perception of the country were crucial. Inflation in Hungary increased gradually in the first third of the year, entering double-digit territory in May 2022. In the course of 2022, the Monetary Council continued its tightening cycle that started in the summer of 2021, to achieve the MNB's primary objective of price stability. The gap between the base rate and the one-week deposit rate was closed at the end of June 2022. The Monetary Council adjusted the interest rate corridor several times to ensure more room for manoeuvre.

Monetary tightening through base rate increases continued until September 2022, when the Monetary Council decided to stop the base rate hikes after 16 months and a total increase of 1,240 basis points: the base rate rose from 2.4 per cent. at the beginning of the year to 13 per cent. in September 2022, while the overnight deposit rate increased from 2.4 per cent. to 12.5 per cent. and the overnight collateralized lending rate rose from 4.4 per cent. to 15.5 per cent. in the same period.

After this, monetary tightening continued by absorbing interbank forint liquidity. From 1 October 2022, the MNB enhanced the disinflationary impact of interest rate increases through three measures: raising the required reserve ratio, regularly holding central bank discount bill auctions and launching a longer-term deposit instrument (of up to 6 months). From 1 October 2022, the required reserve ratio increased to 5 per cent., and the requirement has to be met on a daily basis. Beyond the minimum rate of 5 per cent., an additional rate of up to 5 per cent., chosen on a percentage basis, and to be fulfilled on a monthly basis, was introduced. The introduction of these new instruments was warranted by the increased liquidity in the banking system, which started to diminish as a result, in the context of rising yields, and over HUF4,800 billion of the banking system's excess liquidity was tied up.

In the first weeks of October 2022, the financial and capital markets were characterized by a sharp deterioration in sentiment. Driven by the news on the potential suspension of gas deliveries and the sabotage against the Nord Stream pipeline, the prices of several commodities, including natural gas and oil, rose sharply in a short period of time. The deterioration in the risk environment was also reflected by the continued appreciation of the US dollar. Hungarian markets also experienced marked risks, as the forint fluctuated widely before reaching historic lows against the euro and the US dollar.

Starting on 14 October 2022, the MNB responded with a set of targeted measures to preserve financial market stability. The Monetary Council raised the overnight collateralized lending rate to 25 per cent. effective from 14 October 2023, to maintain the stability of the market. Furthermore, the MNB announced a one-day (tomorrow next) FX swap instrument and overnight deposit quick tenders on a daily basis, at higher rates than before. The MNB also made commitments to meet the significant foreign currency liquidity needs of its bank counterparties arising from covering energy imports in the last months of the year.

These central bank measures stabilized financial market developments. After these instruments were announced, the forint entered on a path of rapid, country-specific appreciation. The significant increase in short-term forint interest rates, amounting to hundreds of basis points, provided strong support to Hungarian financial markets. Government securities yields fell markedly, dropping by almost 300 basis points in the 10-year segment.

Liquidity in the banking system remained high throughout the period under review, with monthly averages fluctuating in the range of HUF9,700–11,500 billion. At the end of September 2022, in parallel with the quarter-end seasonality and the new instruments launched in early October 2022, there was a realignment in tying down excess liquidity from one-week deposits towards the new instruments.

As in earlier periods, each quarter the MNB held FX swap tenders providing euro liquidity and discount bill auctions with maturities extending beyond the end of the quarter. With its active market presence, the MNB sought to address any swap market tensions at the end of the quarters and thus strengthen the effectiveness of monetary policy transmission, thereby supporting the achievement and maintenance of price stability.

The FGS Green Home Program, which was launched in October 2021 as part of the MNB's green policy toolkit strategy, was terminated on 30 September 2022. With a total amount of HUF300 billion, it enabled the construction and purchase of 8,600 energy efficient properties by providing loans at preferential rates and thus strengthening environmental sustainability considerations in the housing market.

In line with monetary tightening, the Monetary Council decided to end the BGS on 14 December 2021. The BGS was originally launched in July 2019 in order to increase the liquidity of the corporate bond market and diversify companies' debt profiles. Consequently, the MNB only finalized the transactions that were related to the negotiations already under way on 14 December 2021, with the last issuance under the program taking place in April 2022. The MNB purchased bonds with a face value of HUF1,549.7 billion under the program, improving the effectiveness of monetary policy transmission and contributing to the development of the Hungarian bond market. Moreover, issuers' funding structures became more diversified and their access to funds became more predictable in the long run.

2023

On 24 January 2023, the Monetary Council decided to maintain the overnight collateralized lending rate, the central bank base rate and the overnight deposit rate unchanged at 25.00 per cent., 13.00 per cent. and 12.50 per cent., respectively.

The MNB expressed its commitment to using its monetary policy instruments, such as the revised reserve requirement system, the one-week discount bill and the long-term deposit tender, for sustained absorption of interbank liquidity on a long-term basis. Accordingly, the MNB decided to hold its long-term deposit tender on 25 January 2023, and discount bill auctions on a weekly basis beginning 1 February 2023. The MNB also plans to continue using one-day deposit quick tenders and FX swap transactions to promote financial market stability and will continue to meet foreign currency liquidity needs in the coming months.

On 28 February 2023, the Monetary Council decided to leave the overnight collateralized lending rate, the central bank base rate and the overnight deposit rate unchanged at 25.00 per cent., 13.00 per cent. and 12.50 per cent., respectively. The Monetary Council further tightened the impact of the required reserves on liquidity by raising the reserve requirement ratio to 10 per cent., effective from 1 April 2023.

Also on 28 February 2023, the Monetary Council made changes to the interest rate on reserve accounts in order to increase further the amount of liquidity absorbed on a long-term basis. The MNB exempted 2.5 per cent. of the reserve base from bearing interest, while continuing to pay interest at the base rate on 7.5 per cent. of the reserve base, and, in order to encourage greater utilization, announced that interest on optional reserves would be paid at the overnight quick deposit tender rate instead of the base rate. The Monetary Council deemed it necessary to maintain the current level of the base rate over a prolonged period, in order to anchor inflation expectations.

In March 2023, in addition to maintaining the daily tomorrow next (T/N) foreign exchange swap tenders and weekly one-week discount bill auctions, the MNB began to hold an end-of-quarter foreign exchange swap tender providing euro liquidity and a discount bill auction, both with a two-week maturity to maintain market stability in the foreign exchange swap market through the support of bank balance sheet adjustment.

On 20 March 2023, the MNB announced that the average monthly liquidity permanently tied up in the reserve account from the available banking system liquidity would rise from the level of HUF2,341 billion in March 2023 to close to HUF4,500 billion in April 2023. In order to ensure the transition to the new minimum reserve requirement system and to support bank liquidity management, the MNB temporarily waived the daily reserve requirement from 1 April 2023 to 5 April 2023. At the same time, all credit institutions subject to reserve requirements are still required to fulfil their monthly reserve requirements. The average mandatory reserve ratio, which also includes the optional reserve ratio, would rise from its first quarter level of 5.8 per cent. to over 11 per cent. at the banking system level.

On 28 March 2023, the Monetary Council decided to leave the overnight collateralized lending rate, the central bank base rate and the overnight deposit rate unchanged at 25.00 per cent., 13.00 per cent. and 12.50 per cent., respectively. The MNB's risk assessment of the Hungarian economy had improved since mid-October 2022, but there were concerns about certain participants of the global banking system and increased uncertainty in international financial markets, which led to strong volatility in emerging markets. The capital and liquidity position of domestic banks remained stable; banks continuously complied with regulatory requirements with robust buffers based on regularly performed stress tests and were able to meet the economy's financing needs. Financial market turbulence was accompanied by a general decline in bank share prices around the world. According to the Monetary Council's assessment, there was a general and broad-based increase in the yield environment as a result of the MNB's instruments introduced in last autumn to absorb interbank forint liquidity on a long-term basis, i.e. the revised reserve requirement system, the one-week discount bill and the long-term deposit tender. These measures led to a sustained improvement in monetary policy transmission.

The Monetary Council also outlined plans to further tighten the impact of required reserves on interbank liquidity by raising the reserve requirement ratio to 10 per cent. beginning 1 April 2023, and implementing a tiered interest rate structure to encourage the long-term commitment of liquidity, thereby strengthening monetary policy transmission. In addition to these measures, the MNB disclosed plans to use one-day deposit quick tenders and FX swap transactions in the upcoming period to uphold financial market stability. Furthermore, the MNB planned to promote financial market stability by using its euro liquidity providing swap instrument and its central bank discount bill with maturities extending through the end of the quarter. The Monetary Council highlighted the effectiveness of the euro swap instrument in stabilizing the foreign exchange market, particularly concerning energy imports. Considering the decline in energy market prices and reduced need for foreign currency hedging by energy-import companies, the instrument remained available until 31 March 2023.

On 25 April 2023, the Monetary Council decreased the overnight collateralized lending rate by 450 basis points to 20.50 per cent., effective as of 26 April 2023. The central bank base rate and the overnight deposit rate remained unchanged at 13.00 per cent. and 12.50 per cent., respectively. The Monetary Council had previously widened the interest rate corridor in response to a turbulent financial market environment in late 2022, but subsequent improvements in the risk environment, including a positive shift in Hungary's risk perception due to both external and internal factors, prompted the Monetary Council to narrow the interest rate corridor.

On 23 May 2023, the Monetary Council decreased the overnight collateralized lending rate by 100 basis points to 19.50 per cent. effective as of 24 May 2023. The central bank base rate and the overnight deposit rate remained unchanged at 13.00 per cent. and 12.50 per cent., respectively. The Monetary Council cited sustained improvement in risk perceptions, enabling the gradual normalization of the interest rate environment. Consequently, the Monetary Council decided to reduce the interest paid on optional reserves by 100 basis points, from 18.00 per cent. to 17.00 per cent., with effect from 24 May 2023. In addition, the Monetary Council decreased the interest rates on the one-day quick deposit tenders and foreign exchange swap tenders by 100 basis points.

On 26 May 2023, the MNB announced the following technical amendments to the required reserve system:

- Instead of using only turn dates balance sheets to calculate reserve requirements, the MNB will transition to a monthly average calculation basis using daily balance sheet items subject to reserve requirements for every covered credit institution.

- During the transition period, spanning from the maintenance period of July 2023 until withdrawal (planned by the end of 2023), the calculation basis of reserve requirements would be determined by the statistical balance sheet as of 31 March 2023, and thus, the reserve base would remain unchanged during the transition period.

- Starting from 1 July 2023, term deposit instrument, with an original maturity of at least 14 days, was introduced as an additional method to comply with up to 15 per cent. of the daily minimum reserve requirement for each bank. Accordingly, the MNB will continue to hold long term deposit tenders on a regular basis.

On 30 May 2023, the MNB announced that it would hold its next long-term deposit instrument tender with a variable rate and a maximum six-month deposit term, on 1 June 2023, after which it would adjust the tender dates of the instrument to the meetings of the Monetary Council.

On 13 June 2023, the MNB announced that it would hold its usual end-of-quarter foreign exchange swap tender providing euro-liquidity, as well as a discount bill auction in June 2023, in addition to the regularly used instruments.

On 20 June 2023, the Monetary Council left the central bank base rate unchanged at 13.00 per cent. In addition, the Monetary Council decided to reduce the interest paid on optional reserves by 100 basis points, from 17.00 per cent. to 16.00 per cent. percent, with effect from 21 June 2023. In addition, the overnight collateralised lending rate serving as the top of the interest rate corridor was lowered by 100 basis points to 18.5 per cent. The Monetary Council also reduced the interest rate on the one-day quick deposit tenders and foreign exchange swap tenders by 100 basis points.

On 22 June 2023, the MNB announced that the Financial Stability Board had postponed the activation of the Countercyclical Capital Buffer rate of 0.5 per cent. planned from 1 July 2023 until to 1 July 2024. In addition, it preventively reactivated the Systemic Risk Buffer aimed at risks related to commercial real estate loans (especially non-performing loans). The Countercyclical Capital Buffer rate applicable to exposures in Hungary was set at 0 per cent. from 1 July 2023 and at 0.5 per cent. from 1 July 2024.

On 25 July 2023, the Monetary Council left the central bank base rate unchanged at 13.00 per cent. In addition, the Monetary Council reduced the interest paid on optional reserves by 100 basis points, from 16.00 per cent. to 15.00 per cent., with effect from 26 July 2023. In addition, the overnight collateralised lending rate, the top of the interest rate corridor, was lowered by 100 basis points to 17.50 per cent. The Monetary Council also reduced the interest rate on one-day quick deposit tenders and foreign exchange swap tenders by 100 basis points.

On 29 August 2023, the Monetary Council left the central bank base rate unchanged at 13.00 per cent. In addition, the Monetary Council reduced the interest paid on optional reserves by 100 basis points, from 15.00 per cent. to 14.00 per cent., with effect from 30 August 2023. In addition, the overnight collateralised lending rate, the top of the interest rate corridor, was lowered by 100 basis points to 16.50 per cent. The Monetary Council also reduced the interest rate on one-day quick deposit tenders and foreign exchange swap tenders by 100 basis points.

Effective as of 1 September 2023, the MNB increased the limit for foreign exchange swap tenders providing euro liquidity, available to banks on regular daily tomorrow next (T/N) swaps, from EUR5 billion to EUR6 billion.

On 12 September 2023, the Monetary Council announced that, starting from 1 October 2023, banks' excess reserves would pay interest at the central bank base rate.

On 26 September 2023, the Monetary Council left the central bank base rate unchanged at 13.00 per cent. The gap between the interest conditions of one-day deposit tenders and the base rate was closed. Therefore, the normalization of the extraordinary interest rate environment introduced in late 2022 had been concluded. The central bank base rate became the effective central bank interest rate. In addition, the interest rate corridor became symmetric, with a band of +/- 100 basis points around the central bank base rate.

The MNB's set of monetary policy instruments was changed and simplified. From 1 October 2023, the reserve account became available to banks without an upper limit and the MNB paid interest on the part of the reserves bearing interest at the central bank base rate. The MNB also announced its intention to use its longer-term instruments (i.e. the long-term deposit facility and the central bank discount bill) to absorb interbank forint liquidity.

In accordance with the Monetary Council's decisions, central bank instruments changed as follows:

- From 27 September 2023, the central bank base rate became the MNB's effective interest rate.

- Between 27 and 29 September 2023, the MNB promoted effective monetary policy transmission through overnight quick deposit tenders at the central bank base rate. The overnight quick deposit tender was phased out, with the last tender held on 29 September 2023.

- Starting from 1 October 2023, the MNB began to pay interest on balances in excess of required reserves on reserve accounts at the central bank base rate. Accordingly, from October 2023 the MNB began to pay interest on both required reserves (excluding the interest-free part), including the optional reserve ratio, and excess reserves at the central bank base rate. This means that credit institutions will receive interest credit on holdings of excess reserves corresponding to the central bank base rate in the October 2023 maintenance period.

- In line with the standardization of interest paid on reserve accounts and the simplification of monetary policy instruments, the MNB plans to phase out the optional required reserve ratio in 2024. In the fourth quarter of 2023, credit institutions will have to hold required reserves in compliance with the reserve ratios they chose in September 2023, in accordance with the current system. However, for the subsequent period (the first quarter of 2024), credit institutions will not be able to make a declaration on the optional reserve ratio. The level of the required reserve ratio will be set uniformly at 10 per cent.

- Following consultations with credit institutions, the amount of required reserves based on new monthly average balance sheet data will first be determined for the March 2024 maintenance period.

- From 27 September 2023, the pricing of central bank discount bills will be aligned with the base rate. The first auction aligned with the base rate was held on 27 September 2023.

- From 27 September 2023, the interest rate on long-term, variable-rate deposits will also be the base rate. As before, the base rate became the benchmark interest rate applied to the deposit; however, the interest rate spread was set at 0 basis points. Thus, the instrument will bear interest at the prevailing base rate and will continue to count towards required reserves.

- The MNB will maintain its presence in the swap market under the new framework, and as has been the practice in the past, tomorrow next (T/N) swap tenders will be announced on all working days with an allotment amount of EUR6 billion.

On 29 September 2023, the MNB announced that the Financial Stability Board would maintain the countercyclical capital buffer rate of 0.5 per cent. applicable to domestic exposures effective from 1 July 2024, as of 1 October 2024.

On 16 October 2023, the MNB announced that the Financial Stability Board had finalized the conditions for the systemic risk buffer addressing the risks associated with commercial real estate loans, which will enter into force on 1 July 2024.

With effect from 25 October 2023, the Monetary Council decreased the central bank base rate by 75 basis points to 12.25 per cent. Accordingly, the overnight deposit rate, representing the lower bound of the interest rate corridor, was reduced to 11.25 per cent., while the overnight loan rate, serving as the upper bound, was reduced to 13.25 per cent.

With effect from 22 November 2023, the Monetary Council decreased the central bank base rate by 75 basis points to 11.50 per cent. Accordingly, the overnight deposit rate, representing the lower bound of the interest rate corridor, was reduced to 10.50 per cent., while the overnight loan rate, serving as the upper bound, was reduced to 12.50 per cent.

On 19 December 2023, the MNB announced that it would hold a foreign exchange swap tender providing euro liquidity with one-week maturity on 21 December 2023. The foreign exchange swap deal is expected to expire on 3 January 2024. Subsequently, the announced tender took place on 20 December 2023. Total bids amounted to HUF531.0 billion; of this amount MNB accepted HUF531.0 billion.

With effect from 20 December 2023, the Monetary Council decreased the central bank base rate by 75 basis points to 10.75 per cent. Accordingly, the overnight deposit rate, representing the lower bound of the interest rate corridor, was reduced to 9.75 per cent., while the overnight loan rate, serving as the upper bound, was reduced to 11.75 per cent.

Exchange Rate Developments

Since 25 February 2008, a floating exchange rate regime has been applied.

The following table sets forth the forint/USD and forint/EUR exchange rates for the last day of the periods indicated and the average exchange rates during the periods indicated:

Table 34: Foreign Exchange Rate

	2018	2019	2020	2021	2022
			(HUF per USD)		
Year end	280.94	294.74	297.36	325.71	375.68
Average for year	270.25	290.65	307.93	303.29	373.12
			(HUF per EUR)		
Year end	321.51	330.52	365.13	369.00	400.25
Average for year	318.87	325.35	351.17	358.52	391.33

Source: MNB

As of 30 November 2023 the foreign exchange rate was HUF379.51 per EUR1.00 and HUF347.38 per USD1.00.

Foreign Exchange and Convertibility of the Forint

Since 1996, Hungarian foreign exchange regulations have been consistent with the convertibility standards of Article VIII of the IMF and OECD regulations.

Since January 1998, Hungarian residents have been able to purchase shares and debt instruments with a maturity of at least one year issued by all OECD-based issuers, and non-residents have been able to issue such instruments denominated in foreign currency in the Hungarian securities market. Hungarian companies and individuals have also been able to receive foreign exchange denominated loans with a maturity of more than one year (with certain reporting obligations) and have been able to take out foreign exchange denominated loans with a maturity of less than one year, with approval from the MNB.

In accordance with the continuing liberalization of restrictions on capital movements, the forint has been fully convertible since June 2001, both in terms of current transactions and capital transactions. All principal restrictions relating to foreign investment have been removed, so non-residents have unrestricted access to Hungarian short-term securities, HUF-denominated accounts and the onshore derivatives market, and residents have unrestricted access to offshore financial services and short-term foreign securities. Certain minor restrictions have remained, the principal objectives of which are the prevention of money laundering. The full convertibility of the forint meets all current EU requirements.

The Hungarian Banking System

Supervision of the Hungarian Banking System

Hungary's banking system is subject to a regulatory and supervisory framework based on principles and guidelines of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (the "**Credit Institutions Act**"), which serves to implement the relevant EU legislation of "Basel III."

The MNB acts as the sole supervisor of the banking and financial intermediary system. Other than credit institutions having their seat in an EU member state (which are regulated by their respective home supervisory authority), all financial institutions operating in Hungary are required to procure a license from the MNB before they may establish themselves, commence operations, establish a representative office or a subsidiary abroad, elect management, acquire shares representing a qualifying holding (10 per cent.) or terminate operations. The MNB is responsible for verifying compliance by credit institutions operating in Hungary with the Credit Institutions Act and applicable banking regulations. The MNB is entitled to impose various sanctions on credit institutions, including issuing warnings of non-compliance, withdrawing licenses, instituting liquidation proceedings and imposing fines on credit institutions and the managers of such credit institutions.

The Financial Stability Council operates on behalf of the MNB and engages in continuous monitoring of the overall stability of the financial intermediation system and financial markets, addressing risk factors and analysing potential threats. It makes decisions on necessary measures in response to international and European market developments. Additionally, the Financial Stability Council discusses and issues opinions on strategic, regulatory, and risk-related issues affecting the financial intermediation system. In situations threatening system stability, it assesses and mitigates systemic risks. The Financial Stability Council considers recommendations from the European Systemic Risk Board and the European Supervisory Authorities, expressing opinions and publishing non-binding recommendations for entities supervised by the MNB. Annually, it defines priority target areas for MNB control activities and makes decisions related to MNB's resolution and supervisory tasks, adhering to specified rules and frameworks.

Structure of the Hungarian Banking System

According to the methodology of the MNB, the Hungarian banking sector consists of three types of supervised credit institutions:

- Banking groups: Credit institutions registered in Hungary, the supervision of which is performed by the MNB on consolidated basis. It also contains subsidiary banks registered in Hungary, which operate under the control of a parent bank with registered office in another EU member state and supervised jointly by the MNB and the supervisory authority having competence on the basis of the parent bank's European registered office (home-host distribution of competence). The consolidated data always apply to the scope of prudential consolidation. The scope of prudential consolidation includes the resident and non-resident credit institutions and financial service provider institutions – with the exception of insurers, investment funds and funds – controlled by the parent bank.

- Solo credit institutions: Credit institutions registered in Hungary, the supervision of which is performed by the MNB on an individual rather than on a consolidated basis.

- Branches: Hungarian branch offices of credit institutions registered abroad, the supervision of which is performed by the MNB jointly with the authority having competence based on the credit institution's registered office.

As of 30 September 2023, the Hungarian banking sector supervised by the MNB consisted of 10 banking groups, 10 solo credit institutions, and 9 branch offices of foreign credit institutions. Total assets of the banking sector amounted to HUF89,411 billion as of 30 September 2023, according to non-audited data. Total assets of banking groups amounted to HUF75,649 billion, total assets of solo credit institutions amounted to HUF8,223 billion and total assets of branches of foreign credit institutions amounted to HUF5,539 billion.

Banking Regulations

According to the MNB's 2022 Macroprudential Report and related assessments:

- Countercyclical Capital Buffer: The indicators examined in the determination of the countercyclical capital buffer ("**CCyB**") rate do not yet indicate cyclical systemic risks on a rule basis requiring intervention. However, developments in the real estate market and related lending trends point to a potential build-up of such systemic risks in the medium term. To mitigate these, for the first time since 2016, the MNB imposed a countercyclical capital buffer rate of 0.5 per cent.

on domestic exposures with an activation date of 1 July 2023. The MNB will continue to decide on the rate on a quarterly basis, depending on the evolution of risks.

- Borrower-based Measures: Borrower-based measures have not materially constrained the healthy growth of credit in recent years but have increased the resilience to shocks of loans by holding back risky lending and helping to offset the shocks of recent years from pandemic and war. The past year has seen a slight increase in the share of loans granted close to the regulatory limit on the debt-service-to-income ratio ("**DSTI**"), especially for housing loans. In the case of the loan-to-value ratio ("**LTV**"), the increasing burden on collateral is not visible despite the overvaluation of the housing market. In order to maintain a healthy structure of lending, the MNB continuously monitors (1) the evolution of credit market risks from the rising interest rate environment and inflation, (2) the possible increase in the maturity of household loans, and (3) the extent to which the down payment is financed from personal loans.

- Basel Liquidity and Funding Requirements: The Liquidity Coverage Ratio ("**LCR**") requirement is being met by banks with decreasing buffers compared to the elevated levels during the coronavirus pandemic, also in line with the change in monetary policy stance. Even so, banks' liquidity positions are sound and have returned to the levels observed before the COVID-19 pandemic, and the outbreak of the war did not lead to liquidity problems. Compliance with the Net Stable Funding Ratio ("**NSFR**"), which entered into force on 28 June 2021, has remained stable in the year since its introduction, meaning that domestic banks' funding has remained sound despite the coronavirus pandemic and the outbreak of the war. The slow transmission of central bank rate hikes in the pricing of client deposits, however, could, in extreme cases, pose a risk to bank funding in the longer term.

- Funding Instruments Mitigating External Vulnerability: The elements of the MNB's macroprudential financing toolkit applied under national competence to limit external vulnerabilities are met by the banking system with adequate buffers and in a favourable funding structure, which has not been materially affected by past and current global challenges. The short external vulnerability of the banking system appears to have moved somewhat away from its historical low, due to more active funds management by some banks, leading to higher volatility. At the same time, banks' funding positions continue to provide a sufficient buffer against the adjustments to the potential funding challenges the banking system may face and do not hinder the continuation of sustainable lending activity.

- Mortgage Funding Adequacy Ratio: Banks comply with the Mortgage Funding Adequacy Ratio ("**MFAR**") requirement with safe buffers with the support of the preferential treatment applicable to green mortgage bond issues. In the summer of 2022, the MNB decided to amend the regulation to further develop the mortgage bond market, broaden the investor base and further strengthen the maturity match of assets and liabilities: from 1 July 2022, in addition to forint funds, liabilities denominated in foreign currency will also be included in the indicator, and to help adjust to the uncertain economic environment, the previously announced tightening measures will be postponed by 1 year, to take effect from 1 October 2023.

- Capital Buffer for Other Systemically Important Institutions: The MNB's 2021 review has not changed the scope of domestic Systemically Important Institutions ("**O-SIIs**"). Systemically Important Institutions are required from 2022 to comply with one-quarter of the final buffer rates along the gradual buffer build-up paths following the buffer relief introduced in the context of the coronavirus pandemic. The integration of Magyar Bankholding, the MKB Bank Nyrt. as the acquirer as of April 2022, created the second largest domestic O-SII, increasing the concentration of systemically important institutions, but no changes to buffer rates were necessary as a result.

- Systemic Risk Buffer: The MNB continues to keep the Systemic Risk Buffer ("**SyRB**") suspended to manage the default risks of project financing loans secured by commercial real estate. The stock of non-performing project loans in the domestic banking sector has risen only moderately in the recent period. Following the tightening of the repayment moratorium, the increase in non-performing loans has remained limited compared to previous expectations and has mainly occurred in the sectors most exposed to the crisis. In view of the war and the deterioration of the macroeconomic environment, the systemic risk buffer may continue to be appropriate to address portfolio quality challenges in the future, including by possibly extending it to additional loan and counterparty segments. In addition, the sectoral application of the systemic risk buffer could also be considered in the event of an increase in housing and real estate lending risks.

- Financial consumer protection activity of the MNB: Through the trust in the financial system, the MNB's financial consumer protection activity – which has become increasingly complex and emphasized – makes substantial contribution to the maintenance of financial stability, in the scope of which, the central bank reviewed the institutional practice of moratoria in the past year in the context of an investigation and issued a recommendation on its consumer protection expectations regarding the restoration of solvency in the case of overdue retail loans. In addition, the MNB will continue to pay particular attention to the consumer protection aspects of cross-border services and to raise awareness of the potential risks impacting a wide range of consumers.

- Resolution Activity of the MNB: The MNB revised the principles for imposing the minimum requirement for own funds and eligible liabilities ("**MREL**") in 2021 based on the new regulation (EU Bank Recovery and Resolution Directive) and imposed the corresponding requirements on credit institutions in a transparent manner and in cooperation with them. In 2022, the MNB published its principles on sanctions in case of non-compliance with MREL and published its expectations for investments in MREL eligible assets to support credit institutions' issuance of MREL eligible bonds. Credit institutions had to comply with the MREL by 1 January 2022, after which the MNB continuously assesses MREL compliance. A number of credit institutions have already issued MREL eligible bonds, and some banks intend to issue more in the near future. Mandatory compliance on 1 January 2024 will require further adjustment by credit institutions, with capital buffers being rebuilt reducing the stock of MREL eligible liabilities. The MNB develops and operates its resolution planning practices in line with EU and national legislation.

Macroprudential Activity of MNB

The MNB decided to raise the countercyclical capital buffer rate applicable to Hungarian exposures to 0.5 per cent. at the end of June 2022, effective from 1 July 2023. The first half of 2022 saw continued robust lending in both the corporate and the household segment, while overvaluation in the housing market reached historic highs. Therefore, the Financial Stability Council (the "**FSC**") deemed it necessary to bolster banks' shock-resistance by raising the countercyclical capital buffer used for managing cyclical risks. This measure was consistent with the regulatory practice in the European Union as well as the warning of the European Systemic Risk Board (the "**ESRB**") about the Hungarian residential property market issued in February 2022. Due to the Russian–Ukrainian war and the resulting energy crisis as well as the deteriorating European growth and lending outlook, further increasing the buffer rate was not warranted at the September and December 2022 rate-setting meetings.

The MNB modified its regulation pertaining to the mortgage funding adequacy ratio (the "**MFAR**"), pursuant to which, in addition to their HUF-denominated counterparts, FX denominated mortgage bonds and refinancing loans will also be eligible when calculating the MFAR, starting from 1 July 2022. The eligibility of FX-denominated mortgage-backed funds promotes the expansion of the group of mortgage bond investors, as foreign players will potentially play a more active role. To further stimulate the inclusion of green funds, the eligible FX-denominated mortgage-backed funds will need to fulfil sustainability (green) requirements after 30 September 2023. Due to the eligibility of the FX-denominated mortgage-backed funds, other amendments were also adopted to preserve the consistency of the regulation, and the threshold for falling under the scope of the regulation was raised from household mortgage credit holdings of HUF10 billion to HUF40 billion. In addition, in view of the major economic and capital market uncertainty caused by the Russian–Ukrainian war and the legally stipulated schedule of the MREL requirement's implementation necessitating a considerable amount of new funds, the planned MFAR tightening (raising the required level from 25 per cent. to 30 per cent., the requirement of stock market listings, rules on cross-equity holdings) was first postponed for one year, and then indefinitely.

The MNB reassessed the significance of Hungarian credit institutions in 2022, and the same seven banking groups were identified as systemically important as in 2021. The capital buffers released due to the coronavirus pandemic at other systemically important institutions (O-SIIs) are to be gradually rebuilt until 2024, but the MNB required institutions to start doing so in 2022. The capital position of the systemically important banks allows the MNB to determine the capital buffers at the previously planned increasing rate from 2023.

The following table illustrates certain trends in the Hungarian banking system for the periods indicated:

Table 35: Banking System—Selected Indicators

	As of 31 December					As of 30 September
	2018	2019	2020	2021	2022	2023
	(HUF billions)					
Loans to non-financial corporations	7,448	8,286	9,352	10,375	12,068	12,308
Loans to other financial intermediaries	1,236	1,409	1,619	1,734	2,018	2,070
Loans to insurance corporations and pension funds	0	0	0	4	4	3
Loans to government	519	736	1,300	528	1,599	1,345
Loans to households	6,150	7,109	8,114	9,329	9,920	10,063
Loans to non-profit institutions	18	15	18	20	17	16

Source: MNB

The following table illustrates certain indicators of the Hungarian banking sector including the ratio of non-performing loans ("**NPL ratio**"), the Total Capital Ratio ("**CAR**"), and the loans-to-deposit ratio ("**LTD**") for the periods indicated.

Table 36: Selected Hungarian Banking Sector Indicators

	As of 31 December					As of 30 Septemb er
	2018	2019	2020	2021	2022	2023
	(HUF billions)					
Non-performing loans	1,619	1,460	1,573	1,646	1,895	1,808
Total loans	29,799	35,916	44,354	51,518	58,988	65,829
	(per cent.)					
NPL ratio	5.4	4.1	3.5	3.2	3.2	2.7
CAR ratio	19.1	18.4	19.4	19.6	19.1	19.0
LTD ratio	84.6	89.2	81.6	79.6	82.8	84.8

Source: MNB

Ownership Structure of the Banking Sector

According to data compiled by the MNB, approximately 33.4 per cent. of the total assets of the Hungarian banking sector was held by non-residents as of 30 September 2023.

Capital Markets

Stock Exchange

As the successor to the first Hungarian stock exchange, founded more than 150 years ago in 1864, the Budapest Stock Exchange ("**BSE**") plays a pivotal role both in Hungary's and the Central Eastern European region's capital markets. As a result of the dynamic growth it achieved after its re-establishment in 1990, BSE now provides the highest level of service, in compliance with the standards of developed markets, to security issuers, traders and investors from around the world.

Today, BSE offers investors the broadest range of products in the region. Alongside equities and debt securities, which are the traditionally the most popular, the range also includes investment funds and structured products, as well as international equities. Its derivatives market encompasses not only futures and options trading, but also a foreign currency market with the highest trading volume in Europe and a commodities market which is unique in the region.

On 20 November 2015, the MNB concluded a purchase agreement with the former owners of the Budapest Stock Exchange, the Austrian CEESEG AG and Österreichische Kontrollbank AG. As a result of this transaction, MNB became the qualified majority shareholder in BSE. Brought under national ownership, BSE was required by its new owner to formulate a five-year strategy for 2016-2020 along the lines of capital market development objectives in order to set the priorities that will determine the direction of stock market development for years to come.

The following table sets forth selected indicators relating to the BSE as at the end of and for the periods indicated:

Table 37: Selected Budapest Stock Exchange Indicators

	For the year ended 31 December				
	2018	**2019**	**2020**	**2021**	**2022**
			Number of Trades (Thousands)		
Cash market	**1,900**	**1,830**	**2,390**	**1,866**	**2,405**
of which, Hungarian equities	1,676	1,635	2,103	1,650	2,149
Derivatives	**6,704**	**6,519**	**6,378**	**8,072**	**9,213**
of which, index futures	424	339	732	439	341
of which, single stock futures	173	143	135	95	79
of which, currency futures	6,037	5,964	5,495	7,524	8,779
			Turnover (EUR millions)		
Cash market	**9,280**	**8,173**	**10,071**	**9,399**	**9,912**
of which, Hungarian equities	8,765	7,922	9,609	9,086	9,580
Derivatives	**7,344**	**7,128**	**6,857**	**8,692**	**10,279**
of which, index futures	498	429	788	587	409
of which, single stock futures	994	832	721	612	420
of which, currency futures	5,782	5,793	5,334	7,458	9,401

Source: Budapest Stock Exchange

Deposit-taking Corporations

The following table sets forth the financial assets and liabilities of deposit-taking corporations as of the end of the years indicated:

Table 38: Financial Assets and Liabilities of Deposit-Taking Corporations:

	As of 31 December				
	2018	**2019**	**2020**	**2021**	**2022**
			(HUF Billions)		
			Assets		
Currency and Deposits	4,577.7	5,051.8	7,822.5	11,538.3	11,318.2
Debt Securities	8,996.3	9,002.0	11,253.4	11,491.8	11,400.1
Loans	18,641.8	21,110.9	24,587.0	26,261.8	31,133.6
Equity and Investment Fund Shares	1,887.0	2,584.3	2,865.8	3,392.7	4,278.4
Insurance, Pension and Standardized Guarantee Schemes	19.1	19.1	19.0	19.0	19.0
Financial Derivatives	491.5	561.9	606.3	1,405.3	3,136.5
Other Accounts Receivable	141.1	171.6	203.7	294.4	577.2
Total Financial Assets	34,754.5	38,501.5	47,357.7	54,403.4	61,863.2
			Liabilities		
Currency and Deposits	25,324.7	27,877.7	32,761.5	37,620.5	41,808.6
Debt Securities	1,477.3	1,640.0	1,787.2	1,975.3	3,007.6
Loans	2,220.1	2,510.1	5,655.3	6,946.6	7,179.8
Equity and Investment Fund Shares	5,583.3	6,914.2	6,865.8	7,842.7	6,547.7
Insurance, Pension and Standardized Guarantee Schemes	0.0	0.0	0.0	0.0	0.0
Financial Derivatives	360.5	489.9	604.7	1,363.2	3,092.3
Other Accounts Receivable	260.5	310.0	220.2	211.8	238.0
Total Financial Liabilities	**35,226.3**	**39,741.8**	**47,894.7**	**55,960.0**	**61,874.0**
Net Financial Worth	**(471.8)**	**(1,240.4)**	**(537.0)**	**(1,556.7)**	**(10.8)**

Source: MNB

Money Market Funds

The following table sets forth the financial assets and liabilities of money market funds as of the end of the years indicated:

Table 39: Financial Assets and Liabilities of Money Market Funds:

	As of 31 December				
	2018	2019	2020	2021	2022
			(HUF Billions)		
			Assets		
Currency and Deposits	238.3	42.7	28.0	13.2	109.4
Debt Securities	110.4	32.9	26.9	17.2	222.3
Loans	0.0	0.0	0.0	0.0	0.0
Equity and Investment Fund Shares	0.0	0.0	0.0	0.0	0.0
Insurance, Pension and Standardized Guarantee Schemes	0.0	0.0	0.0	0.0	0.0
Financial Derivatives	0.1	0.0	0.0	0.0	5.0
Other Accounts Receivable	0.0	0.0	0.0	0.0	1.1
Total Financial Assets	348.9	75.6	54.9	30.5	337.8
			Liabilities		
Currency and Deposits	0.0	0.0	0.0	0.0	0.0
Debt Securities	0.0	0.0	0.0	0.0	0.0
Loans	0.5	0.0	0.0	0.0	3.3
Equity and Investment Fund Shares	375.4	77.4	53.4	30.4	330.4
Insurance, Pension and Standardized Guarantee Schemes	0.0	0.0	0.0	0.0	0.0
Financial Derivatives	0.2	0.1	0.0	0.0	0.0
Other Accounts Receivable	0.4	0.0	0.0	0.0	0.0
Total Financial Liabilities	**376.5**	**77.5**	**53.5**	**30.4**	**333.7**
Net Financial Worth	**(27.6)**	**(1.8)**	**1.5**	**0.0**	**4.2**

Source: MNB

Non-Money Market Funds

The following table sets forth the financial assets and liabilities of non-money market funds as of the end of the years indicated:

Table 40: Financial Assets and Liabilities of Non-Money Market Funds:

	As of 31 December				
	2018	2019	2020	2021	2022
			(HUF Billions)		
			Assets		
Currency and Deposits	1,264.8	1,580.1	1,811.2	2,185.3	2,885.3
Debt Securities	1,958.5	1,734.3	1,581.1	1,506.5	2,444.2
Loans	20.6	30.6	81.5	287.5	640.9
Equity and Investment Fund Shares	1,326.7	1,534.9	1,944.4	3,054.7	2,836.6
Insurance, Pension and Standardized Guarantee Schemes	0.0	0.0	0.0	0.0	0.0
Financial Derivatives	25.4	33.4	36.6	34.6	134.2
Other Accounts Receivable	123.4	136.8	63.7	85.9	4.8
Total Financial Assets	4,719.3	5,050.1	5,518.5	7,154.4	8,946.0
			Liabilities		
Currency and Deposits	0.0	0.0	0.0	0.0	0.0
Debt Securities	0.0	0.0	0.0	0.0	0.0
Loans	136.5	311.4	453.6	481.1	594.0
Equity and Investment Fund Shares	5,700.0	6,344.1	6,940.3	8,646.5	10,593.8
Insurance, Pension and Standardized Guarantee Schemes	0.0	0.0	0.0	0.0	0.0
Financial Derivatives	16.8	25.8	55.8	59.5	48.6
Other Accounts Receivable	3.4	0.8	0.8	4.6	26.2
Total Financial Liabilities	**5,856.7**	**6,682.1**	**7,450.5**	**9,191.8**	**11,262.7**
Net Financial Worth	**(1,137.3)**	**(1,632.0)**	**(1,932.0)**	**(2,037.3)**	**(2,316.7)**

Source: MNB

Other Financial Corporations

The following table sets forth the financial assets and liabilities of other financial corporations as of the end of the years indicated:

Table 41: Financial Assets and Liabilities of Other Financial Corporations:

	As of 31 December				
	2018	**2019**	**2020**	**2021**	**2022**
			(HUF Billions)		
			Assets		
Currency and Deposits	769.5	879.7	984.6	1,217.3	1,429.1
Debt Securities	268.8	253.8	258.9	251.5	300.7
Loans	2,331.0	2,679.1	2,878.7	3,304.5	3,705.3
Equity and Investment Fund Shares	682.3	725.4	1,439.0	1,614.1	1,879.3
Insurance, Pension and Standardized Guarantee Schemes	0.0	0.0	0.0	0.0	0.0
Financial Derivatives	1.7	2.7	4.1	5.3	20.8
Other Accounts Receivable	97.9	157.6	131.3	145.0	195.1
Total Financial Assets	4,151.3	4,698.3	5,696.6	6,537.8	7,530.2
			Liabilities		
Currency and Deposits	0.0	0.0	0.0	0.0	0.0
Debt Securities	83.7	145.0	189.0	370.3	669.6
Loans	2,224.6	2,570.5	2,660.6	3,223.6	3,516.9
Equity and Investment Fund Shares	928.3	1,103.6	1,957.3	1,974.3	2,398.5
Insurance, Pension and Standardized Guarantee Schemes	0.0	0.0	0.0	0.0	0.0
Financial Derivatives	18.7	2.8	4.4	5.8	10.7
Other Accounts Receivable	460.7	492.2	501.3	628.1	664.8
Total Financial Liabilities	**3,716.0**	**4,314.1**	**5,312.6**	**6,202.1**	**7,260.6**
Net Financial Worth	**435.3**	**384.1**	**384.0**	**335.6**	**269.6**

Source: MNB

Insurance Corporations

The following table sets forth the financial assets and liabilities of insurance corporations as of the end of the years indicated:

Table 42: Financial Assets and Liabilities of Insurance Corporations:

	As of 31 December				
	2018	**2019**	**2020**	**2021**	**2022**
			(HUF Billions)		
			Assets		
Currency and Deposits	166.0	162.7	155.7	232.4	269.5
Debt Securities	1,539.7	1,634.0	1,745.1	1,556.6	1,383.5
Loans	10.6	10.6	25.1	11.6	13.4
Equity and Investment Fund Shares	1,013.5	1,179.3	1,289.2	1,484.1	1,335.9
Insurance, Pension and Standardized Guarantee Schemes	114.1	114.0	120.1	128.1	137.2
Financial Derivatives	0.2	0.4	0.5	0.9	2.8
Other Accounts Receivable	78.1	94.7	87.2	84.4	100.0
Total Financial Assets	2,922.2	3,195.7	3,422.8	3,498.1	3,242.3
			Liabilities		
Currency and Deposits	0.0	0.0	0.0	0.0	0.0
Debt Securities	0.0	0.0	0.0	0.0	0.0
Loans	2.6	6.1	5.7	10.0	17.4
Equity and Investment Fund Shares	331.4	334.0	391.0	437.3	418.3
Insurance, Pension and Standardized Guarantee Schemes	2,498.8	2,697.7	2,880.2	2,970.6	2,713.6
Financial Derivatives	1.2	0.4	0.8	1.1	0.6
Other Accounts Receivable	88.5	102.2	147.8	133.2	128.5
Total Financial Liabilities	**2,922.5**	**3,140.4**	**3,425.4**	**3,552.1**	**3,278.4**
Net Financial Worth	**(0.3)**	**55.3**	**(2.5)**	**(54.0)**	**(36.1)**

Source: MNB

Pension Funds

The following table sets forth the financial assets and liabilities of pension funds as of the end of the years indicated:

Table 43: Financial Assets and Liabilities of Pension Funds:

	As of 31 December				
	2018	**2019**	**2020**	**2021**	**2022**
			(HUF Billions)		
			Assets		
Currency and Deposits	70.0	108.3	65.0	127.5	96.1
Debt Securities	1,097.1	1,107.6	1,170.4	1,145.4	1,094.2
Loans	1.4	1.3	1.3	1.4	1.0
Equity and Investment Fund Shares	532.2	628.1	720.6	790.3	722.3
Insurance, Pension and Standardized Guarantee Schemes	0.0	0.0	0.0	0.0	0.0
Financial Derivatives	0.2	0.6	0.2	0.0	3.4
Other Accounts Receivable	0.3	0.3	0.1	0.1	0.1
Total Financial Assets	1,701.3	1,846.3	1,957.5	2,064.7	1,917.1
			Liabilities		
Currency and Deposits	0.0	0.0	0.0	0.0	0.0
Debt Securities	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Equity and Investment Fund Shares	0.0	0.0	0.0	0.0	0.0
Insurance, Pension and Standardized Guarantee Schemes	1,716.1	1,862.3	1,970.1	2,080.0	1,947.7
Financial Derivatives	0.2	0.4	2.0	1.6	0.5
Other Accounts Receivable	0.5	0.5	1.1	0.4	0.9
Total Financial Liabilities	**1,716.9**	**1,863.1**	**1,973.2**	**2,082.1**	**1,949.1**
Net Financial Worth	**(15.6)**	**(16.8)**	**(15.7)**	**(17.4)**	**(32.1)**

Source: MNB

PUBLIC FINANCE

General Information

The public finance sector in Hungary consists of the central government budget, social security funds (pension and health funds), extra-budgetary funds and local government budgets, which together are referred to as the general government budget.

Methodology

The fiscal year for the Government is the calendar year. The Ministry of Finance is responsible for preparing the central government budget for the Government. The Government submits the central government budget to Parliament for consideration and ultimate approval. The annual central government budget for each coming year should be approved prior to the beginning of the relevant year. If Parliament does not approve the budget by such time, the Government is obligated to propose an interim central government budget without delay. If the interim central government budget is not approved by Parliament either, the Government is entitled to collect revenues due to the central government budget in accordance with the laws then in force and to make expenditures in line with the central government budget for the preceding calendar year, which includes uncapped appropriation for debt service, subject to generally applicable budgetary rules.

The general government budget data are compiled in several stages by the Ministry of Finance. In the fall of each calendar year, the Ministry of Finance is required to compile the first preliminary budget (called the "**planned budget**") for the following calendar year in accordance with the budget act approved by Parliament for that year.

The major components of revenue under the central government budget comprise taxes imposed on consumption (including VAT), enterprise taxes and taxes on households (primarily personal income taxes). The major expenditure items of the central government budget comprise debt service and transfers to the social security funds, budgetary institutions, local governments and extra-budgetary funds.

Central Government Budget Process

In January of each given calendar year, the Ministry of Finance compiles the first version of the general government budget for the previous year. This budget (compiled according to data available in January) is called the "**preliminary budget**." During the course of the year, the Ministry of Finance collects additional information concerning the revenues and expenditures related to the previous year. In light of this additional information, the Ministry of Finance revises the preliminary budget (compiled in January) and compiles the second version of the general government budget for the previous year. This budget (compiled according to data available in May of a given calendar year) is called the "**fact budget**." The main reason for the differences between the preliminary and fact budgets is the uncertainty in the exact amounts of revenues and expenditures of the central governmental institutions, as the balance sheets of these institutions are not compiled until May of a given calendar year. The Ministry of Finance is obligated to compile the final account by the end of August of a given calendar year using the fact budget. The final account is submitted to Parliament, and Parliament approves the final account by a simple majority vote. However, the final account submitted to Parliament may differ from the final account approved by Parliament due to amendments. After the final account is approved by Parliament, the Ministry of Finance compiles the third version of the general government budget for the previous year, known as the "**final budget.**" During the course of the year in light of intra-year information, the Ministry of Finance compiles on an ad hoc basis budgets containing the expected revenues and expenditures on a best-efforts basis. This budget is the "expected budget".

The information included in this document with respect to the budgets for 2018, 2019, 2020, 2021 (final), 2022 (preliminary), 2023 (original planned budget, modified planned and expected budget) and 2024 (planned) was derived from the budgets for 2018, 2019, 2020, 2021, 2022, 2023 and 2024 as calculated by the Ministry of Finance using data available in December 2023.

Provisions of the Fundamental Law of Hungary Relating to Budget Management and Public Finances

The Fundamental Law of Hungary sets certain general rules for public finances. The Fundamental Law of Hungary prescribes that Parliament will pass Cardinal Acts to regulate the burden of public finances; the fundamental rules of the pension system; the establishment of autonomous regulatory organs; the detailed rules of the responsibilities, organization and operation of the Constitutional Court; the detailed rules of the operation of the Budgetary Council; and the method for calculating the level of government debt and GDP.

Under the Fundamental Law of Hungary, Parliament is not entitled to adopt an Act on the central budget that would result in the level of government debt exceeding 50 per cent. of the gross domestic product ("**GDP**"). Furthermore, in the course of implementation of the central budget, no loans may be drawn and no financial obligations may be undertaken on behalf of Hungary if such an undertaking results in a level of government debt exceeding 50 per cent. of GDP. There are certain exemptions and transitional rules that apply until the level of government debt is reduced below 50 per cent. of GDP. Until the level of government debt falls below 50 per cent. of GDP, Parliament is obligated to adopt an Act on the central budget that provides for a decrease of the ratio of government debt to gross domestic product. Until the level of government debt falls below 50 per cent. of GDP, in the course of implementation of the central budget, Parliament is not allowed to draw a loan or undertake a financial obligation on behalf of Hungary that would result in an increase of the ratio of government debt to GDP from the previous calendar year.

As long as government debt exceeds 50 per cent. of GDP, the Constitutional Court may, within its competence pursuant to the respective provisions of the Fundamental Law of Hungary, review Acts on (i) the central budget; (ii) implementation of the central budget; (iii) central taxes; (iv) stamp duties and contributions; (v) customs duties; and (vi) the central requirements related to local taxes for the conformity, of each of the foregoing, with those aspects of the Fundamental Law of Hungary relating to rights to life and human dignity, to the protection of personal data, to the freedom of thought, conscience and religion, or in connection with the rights related to Hungarian citizenship, and the Constitutional Court may only annul these Acts for violation of these rights. Acts governing the above matters may be annulled by the Constitutional Court without restriction if the procedural requirements required by the Fundamental Law of Hungary for the creation and publication of such rules of law have not been complied with.

Upon the occurrence of a "special legal order," which can be declared by the President, the Government or Parliament, Parliament and the Government are entitled to deviate from the limitations described above to the extent necessary to mitigate the effects of the events and circumstances triggering the special legal order, or, in the event of a significant and enduring national economic recession, to the extent necessary to restore the balance of the national economy. "**Special legal order**" means a state of war, state of emergency or state of danger.

Budget Trends

The following table sets forth the main fiscal trends in Hungary for the years indicated:

Table 44: General Budget Balance, consolidated[(1)]

	For the year ended 31 December							
	2018 Final	**2019 Final**	**2020 Final**	**2021 Final**	**2022 Preliminar y**	**2023 Planned**	**2023 Expected**	**2024 Planned**
			(HUF billions)					
GFS method								
Revenues	18,459.2	20,270.2	20,671.8	22,091.5	26,003.5	30,669.4	28,990.4	33,152.6
Expenditures	19,664.7	21,477.9	26,108.3	26,816.3	30,731.4	34,197.2	33,357.2	35,835.6
Balance	(1,205.6)	(1,207.7)	(5,436.4)	(4,724.8)	(4,727.9)	(3,527.8)	(4,366.8)	(2,682.9)
Balance in per cent. of GDP	(2.8)	(2.5)	(11.2)	(8.6)	(7.2)	(4.5)	(5.8)	(3.1)
ESA method								
Revenues	19,107.1	20,994.7	21,239.9	22,762.6	28,144.7	32,894.4	32,079.0	35,042.1
Expenditures	19,999.4	21,970.4	24,900.8	26,712.9	32,270.8	35,956.6	35,969.2	37,548.6
Balance	(892.3)	(975.7)	(3,660.9)	(3,950.3)	(4,126.1)	(3,062.2)	(3,890.2)	(2,506.5)
Balance in per cent. of GDP	(2.1)	(2.0)	(7.6)	(7.2)	(6.2)	(3.9)	(5.2)	(2.9)

Sources: Ministry of Finance
Note:
(1) For methodological remarks on planned, expected, preliminary, fact and final budgets see "**Public Finance—Methodology**."

2023

On 2 January 2023, the Government announced that the energy price cap for households would be in place until the end of April 2023.

On 10 January 2023, the Government announced that Hungarian state investment company Corvinus had signed a deal to purchase a 49 per cent. stake in Vodafone Europe's Hungarian unit, while 4iG unit Antenna Hungária is acquiring a 51 per cent. stake in the telecom company.

On 11 January 2023, the Government decided to extend a subsidy program for SMEs challenged by higher energy prices through the first quarter of 2023. Pursuant to the subsidy program, the Government is compensating SMEs in the energy-intensive manufacturing sectors and in the commercial accommodations business for up to half of the increase in their energy bills.

On 24 January 2023, the Government announced that it would launch a HUF700 billion credit scheme. Credit in the Baross Gábor Reindustrialisation Program will be available to businesses, regardless of size, for investment or working capital loans from February 2023. Rates for the credit will be capped at 6.0 per cent. for forint loans and 3.5 per cent. for euro loans but will be even lower for investments that boost energy efficiency. The programme will be funded by Eximbank. The government is pumping around HUF3,000 billion in business credit into the economy in 2023 in the framework of Eximbank, Hungarian Development Bank and Széchenyi Card programmes.

On 7 April 2023, the Government announced that the energy price cap will be in place until the end of 2023.

On 21 April 2023, the Government announced its intention to instruct major grocery chains to offer price discounts with a view to lowering prices. According to the announcement, the Government has decided to introduce a new tool based on Greek and French examples — classifying basic foodstuffs into 20 categories such as poultry, cheese, bread, baked goods, vegetables, fruit and cold cuts — from 1 July 2023 at the latest. The retail outlets in question will have to offer a product of their choice in all categories at least 10 per cent. cheaper than the price in effect in the 30 days preceding the special offer. Products must be selected for the special offers every week in order to ensure that the possibility of purchasing at a discount covers a wide range of products. The discounts cannot apply to price-capped products.

On 4 May 2023, on the basis of a mandate from the Parliament, the Government announced that the state of danger in connection with war in Ukraine had been extended until 25 November 2023. Since then, the state of danger has been extended several times, most recently until 23 May 2024.

On 31 May 2023, the Government levied a 13 per cent. social contribution tax on certain interest revenues of natural persons beginning 1 July 2023. The tax is levied on interest paid on deposits, savings accounts, mutual funds investments, bonds and savings related to insurance contracts, with certain exemptions, such as interest income from Hungarian government securities issued to the retail investor market and real estate investment funds.

On 20 June 2023, the Government announced the introduction of a 200 euro/MW price cap on electricity used by facilities in the manufacturing industry, accommodations, and warehousing and transport from 1 July 2023.

On 2 August 2023, the Government announced to continue the current subsidies for maintaining low utility bills during the next "utility year" starting on 1 August 2023. According to the announcement, the funds for financing the scheme in 2024 are in place in the central budget. Under the program, launched in August 2022, families can buy 1,729 cubic metres of gas per year, and 2,523 kilowatt hours of electricity at a preferential price.

On 14 September 2023, Prime Minister Viktor Orbán announced the planned extension of the personal income tax exemptions for mothers. Previously introduced for mothers under 30 and those with four children, Prime Minister Viktor Orbán plans to extend this exemption to mothers with three children.

On 4 October 2023, Mr. Mihály Varga, the Finance Minister, announced that Hungary is open to drafting a new double taxation avoidance treaty with the United States. According to the Minister, the aim of the Hungarian Government is to ensure a secure and competitive economic environment for taxpayers, which is why it strives to strengthen US-Hungarian cooperation on tax matters. The consequences of an earlier US decision to terminate the existing double taxation avoidance treaty with Hungary are unfavourable for both countries.

On 20 November 2023, trade unions and employers associations signed an agreement to raise the minimum wages. According to the agreement, the monthly minimum wage for unskilled laborers will rise by 15.0 per cent. to HUF266,800, while the minimum wage for skilled workers will increase by 10.0 per cent. to HUF326,000 as of 1 December 2023.

On 23 November 2023, the Government announced the extension of supermarket food discounts until end of June 2024. The measure, rolled out by the Government in June 2023 to bring down inflation, was set to expire at the end of December 2023. Retailers are required to discount selected food products in a number of categories by 15 per cent. on a regular basis.

On 13 December 2023, the European Commission approved, under the European Merger Regulation, the joint acquisition of Airport Holding Tanácsadó Korlátolt Felelősségű Társaság (Budapest Airport Holding) by Corvinus Nemzetközi Befektetési Zártkörűen Működő Részvénytársaság, based in Hungary, and VINCI Airports, based in France.

2023 Budget Amendment

On 2 January 2023, the Government issued a decree amending the 2023 budget. The 2023 budget was first adopted by the Parliament in July 2022. The proposed amended 2023 budget contemplated GDP growth of 1.5 per cent., a declining budget deficit and falling public debt. According to the amendment, the Government targeted a deficit of 3.9 per cent. of GDP, and growth over the 1.5 per cent. assumption is intended to be used to further reduce the deficit. Year-end public debt is targeted at 70.2 per cent. of GDP.

On 13 January 2023, the Fiscal Council announced that it had no "fundamental objections" to the Government's budget amendment bill, but it identified several risks concerning the fulfilment of its targets. According to the announcement, Hungary's ESA deficit ratio is set to grow to 3.9 per cent. from 3.5 per cent., while the cash-flow deficit will expand from 3.3 per cent. to 4.5 per cent. The amended 2023 budget bill targets growth of 1.5 per cent. as against 4.1 per cent. initially forecast, the growth largely depends on foreign market trends. According to the Fiscal Council, the Government's plan to use revenue from any extra growth above 1.5 per cent. to reduce the deficit is a welcome development. The public debt is projected to drop to 69.7 per cent. of GDP by the end of 2023 from 73.5 per cent. of GDP at the end of last year.

On 29 March 2023, the Parliament approved an amendment to the headline figures of the 2023 budget. Central government expenditures (excluding local governments) will amount to HUF39,776 billion, revenues will amount to HUF36,375 billion, resulting in a deficit of HUF3,400 billion, larger than the target of HUF2,352 billion in the original budget.

On 3 October 2023, the Government revised its 2023 deficit target from 3.9 per cent. to 5.2 per cent.

On 30 December 2023, the Government announced that the 2023 ESA deficit is expected to reach HUF4,456.7 billion, equivalent to 5.9 per cent. of GDP.

2024 Budget

On 26 May 2023, the Government announced that the draft 2024 budget had been submitted to the Budgetary Council. The draft budget contemplates 4.0 per cent. economic growth and a deficit of 2.9 per cent. of GDP. State debt is expected to go down to 66.7 per cent. of GDP, and inflation to an annual 6.0 per cent. On 30 May 2023, the 2024 budget bill was submitted to the Parliament, and approved by the Parliament on 6 July 2023.

Central Government Budget

The following table sets forth information concerning central government revenues and expenditures for the final budget for the years 2018, 2019, 2020 and 2021, the preliminary budget for 2022, the planned, modified and expected budget for 2023 and the planned budget for 2024:

Table 45: Central Government Revenues and Expenditures(1)

	For the year ended 31 December									
	2018 Final	2019 Final	2020 Final	2021 Final	2022 Approved budget	2022 Fact	2023 Approved budget	2023 Modified budget	2023 Expected	2024 Approved budget
	(HUF Billions)									
Revenues Payments of Economic Units										

	For the year ended 31 December									
	2018 Final	2019 Final	2020 Final	2021 Final	2022 Approved budget	2022 Fact	2023 Approved budget	2023 Modified budget	2023 Expected	2024 Approved budget
					(HUF Billions)					
Corporate taxes (including financial institutions)	440.1	329.9	470.1	635.3	643.5	950.4	1,034.3	1,721.0	1,512.7	1,666.9
Mining tax (DPTT)	43.7	45.6	30.7	60.2	38.0	241.3	240.0	334.0	228.9	192.0
Company car tax	35.3	36.4	37.8	39.4	39.3	49.8	79.1	78.8	79.4	80.8
Gambling tax	29.3	28.2	35.0	28.5	33.9	46.4	38.8	46.9	50.4	52.7
Eco tax	25.8	5.6	5.6	5.2	5.5	5.1	5.4	5.4	5.5	5.3
Simplified business tax	54.1	43.4	1.7	0.0	0.0	0.0	0.0	0.0	0.0	
Tax of small enterprises	41.7	70.5	83.4	111.2	121.2	145.5	165.9	183.6	194.0	227.6
Itemized tax of small taxpayers	124.9	158.5	158.2	195.8	236.8	186.1	226.8	81.2	70.7	77.8
Tax on utility systems	54.3	54.5	52.5	54.1	53.4	53.5	53.4	53.4	54.5	41.4
Advertising tax	12.3	6.3	0.0	9.2	0.0	0.0	15.0	0.0	-0.1	0.0
Other central payments	507.1	560.7	552.3	601.4	636.1	687.3	707.3	723.9	707.0	868.3
Other payments	9.5	18.1	15.8	11.6	15.0	25.8	12.0	25.0	28.2	25.0
Tax of financial institutions	53.3	56.7	120.5	61.5	60.9	327.0	337.9	358.0	367.0	253.4
Extra tax of certain sectors	0.7	0.1	47.6	78.6	76.3	176.7	172.7	205.2	236.8	249.7
Pharmaceutical tax								122.5	112.5	17.0
Total	**1,431.9**	**1,414.4**	**1,611.3**	**1,892.0**	**1,959.9**	**2,895.0**	**3,088.6**	**3,938.9**	**3,647.5**	**3,757.9**
Taxes on Consumption										
Value added tax	3,928.7	4,532.4	4,669.0	5,397.2	5,487.1	6,860.3	7,152.1	7,986.0	7,233.4	8,574.0
Excises	1,137.2	1,201.5	1,215.6	1,260.4	1,321.0	1,245.3	1,487.6	1,481.6	1,437.5	1,695.4
Financial transaction tax	233.2	243.4	217.8	233.1	232.5	293.6	323.5	332.4	342.1	348.3
Insurance tax	39.7	82.5	98.5	104.3	115.4	169.2	179.7	219.4	182.8	234.2
Telecom levy	53.8	53.5	56.7	58.7	53.3	96.6	96.4	96.4	97.7	95.6
Tourism development contribution	19.0	26.9	9.9	0.4	33.5	38.1	41.6	36.6	43.4	54.5
Contribution of airlines							15.2	30.0	35.2	35.7
Total	**5,411.7**	**6,140.1**	**6,267.5**	**7,054.0**	**7,242.8**	**8,718.3**	**9,310.9**	**10,187.6**	**9,372.6**	**11,041.3**
Payments of Households										
Gross PIT revenues	2,177.4	2,424.6	2,527.7	2,888.6	2,866.5	2,786.0	3,733.7	4,060.5	4,035.7	4,475.8
98 per cent. extraordinary tax of private persons	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Registration fee paid after domestic servants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Tax payments	8.6	7.8	6.8	3.2	0.0	0.2	0.0	0.0	0.1	0.0
Fees	191.0	215.6	207.2	224.0	198.7	261.8	261.3	273.7	243.8	280.1
Vehicle tax	47.9	50.4	85.3	95.0	90.5	95.9	100.5	100.5	94.0	101.3
Total	**2,425.3**	**2,698.3**	**2,827.1**	**3,210.9**	**3,155.7**	**3,144.0**	**4,095.5**	**4,434.7**	**4,373.6**	**4,857.2**
Central Budgetary Institutions and Chapter Administered Appropriations										
Own revenues of the institutions	2,228.9	2,002.7	2,354.6	2,220.8	1,510.6	2,469.6	1,615.2	1,610.7	2,190.7	1,618.8
Own revenues of chapter administered professional appropriations	122.0	140.8	337.8	475.3	235.0	359.8	154.8	228.0	548.0	323.0
EU support of chapter administered professional appropriations and central investments	85.4	107.6	105.9	4.0	0.0	0.0	0.0	0.0	0.0	
Total	**2,436.3**	**2,251.1**	**2,798.3**	**2,700.1**	**1,745.6**	**2,829.4**	**1,770.0**	**1,838.7**	**2,738.7**	**1,941.8**
Payments of Central Budgetary Institutions	30.4	137.4	34.4	26.5	26.2	54.2	92.1	342.1	268.6	32.3
Payments to Central Carry-Over Fund	199.8	286.6	339.1	362.8	0.0	867.5	0.0	0.0	344.8	0.0
Contribution to National Social Fund	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments to Utilities Protection Fund								1,168.3	584.1	483.0
Payments to Defence Fund								264.6	132.3	822.0
Payments of Local Governments	41.7	55.2	67.8	168.8	129.8	170.7	217.0	237.2	250.0	307.6
Payments of Extrabudgetary and Social Security Funds	13.3	91.2	38.9	21.2	21.2	21.2	56.6	14.1	14.1	27.0
Revenues of International Transactions	0.0	1.6	0.0							
Revenues Related to State Property	184.6	217.5	293.6	213.6	275.8	469.9	516.8	628.9	335.6	383.5
Revenues of the State Investment Chapter	264.9	0.0								
Other Revenues	19.6	37.2	48.8	101.6	19.1	100.4	21.8	267.0	78.0	379.4
Revenues from EU programs	1,053.8	1,251.4	1,681.1	1,552.6	2,363.3	1,384.9	2,057.1	2,244.5	1,899.5	2,479.8
Reimbursement of EU financial supports	260.9	211.4	1.9	0.0	0.0	0.0	0.0	0.0	0.0	
Customs and import duties	15.7	16.0	15.9	23.4	22.4	36.9	32.5	41.1	33.6	38.6
Total Revenues[(2)]	13,525.1	14,809.9	16,025.8	17,327.5	16,961.8	20,692.3	21,259.0	25,607.7	24,337.9	26,551.5
Interest Revenues	120.5	258.4	247.2	133.8	105.0	258.3	306.2	424.5	403.6	398.1
Total Revenues[(3)]	**13,645.7**	**15,068.3**	**16,273.0**	**17,461.3**	**17,066.8**	**20,950.6**	**21,565.2**	**26,032.2**	**24,741.5**	**26,949.6**
Expenditures										
Utilities Protection Funds expenditure						375.4	670.0	2,580.0	2,226.7	1,340.7
Defence Fund						0.0	842.0	842.0	842.0	1,309.6

	2018 Final	2019 Final	2020 Final	2021 Final	2022 Approved budget	2022 Fact	2023 Approved budget	2023 Modified budget	2023 Expected	2024 Approved budget
	For the year ended 31 December									
	(HUF Billions)									
Subsidiaries to Economic Units	383.1	421.2	663.4	642.9	479.4					
Public transport and utility services						870.7	1,114.5	1,055.9	998.1	1,106.6
Support to the Media	71.3	80.1	84.8	97.2	110.7	110.7	109.7	109.7	109.8	126.2
Consumer Price Subsidy	90.4	89.1	65.0	86.0	120.0					
Housing Grants	193.2	191.2	251.5	376.5	381.8	634.8	491.2	382.9	439.3	181.7
Family Benefits Social Subsidiaries										
Family benefits	402.7	399.2	399.4	399.2	401.1					
Income supplement benefits	122.2	137.4	142.0	152.3	162.3					
Benefits under retirement age	92.9	92.5	92.9	99.2	97.1					
Other specific subsidies	25.1	25.2	24.5	24.0	24.8					
Family and normative subsidies						848.6	904.6	947.7	967.6	1,026.7
Total	**642.8**	**654.3**	**658.9**	**674.7**	**685.3**	**848.6**	**904.6**	**947.7**	**967.6**	**1,026.7**
Central Budgetary Institutions and Chapter Administered Appropriations										
Expenditures of central budgetary institutions	5,726.8	6,228.0	7,285.8	6,983.3	5,386.3	7,171.1	5,323.1	5,386.5	7,020.0	5,752.8
Chapter administered professional appropriations	4,691.7	4,896.2	7,072.8	4,374.5	3,322.4	4,883.6	3,681.9	3,722.0	3,699.2	4,023.3
Total	**10,418.5**	**11,124.2**	**14,358.5**	**11,357.8**	**8,708.7**	**12,054.7**	**9,005.0**	**9,108.5**	**10,719.2**	**9,776.1**
Support to Political Parties and Other Civil Organizations	9.8	5.6	4.5	5.8	11.8					
Transfer to Utilities Protection Fund								1,168.3	584.1	483.0
Transfer to Defence Fund								264.6	132.3	822.0
Transfer to Social Security Funds	591.6	467.6	652.0	1,409.2	1,785.3	1,927.4	2,147.6	2,328.3	2,328.3	2,417.0
Transfer to Local Governments	746.8	778.5	821.0	1,013.8	873.4	1,082.1	975.7	968.6	1,083.3	1,049.7
Transfer to Extrabudgetary Funds	92.5	76.9	248.5	115.4	150.0	171.2	130.6	142.8	170.3	161.5
EU programs expenditures				2,243.1	3,001.2	2,989.5	3,407.9	3,793.5	3,003.7	3,605.8
Expenditures of International Transactions	2.8	6.1	10.8	11.9	16.8					
Debt Service Related Expenditures	32.4	38.7	44.5	52.3	43.4					
Other Expenditures	60.3	67.2	120.3	197.2	153.1	571.5	273.7	333.6	392.6	433.8
Reserves	0.0	0.0	0.0	0.0	893.7	0.0	559.0	977.2	0.0	1,215.8
Cash compensation	2.8	2.5	2.2	1.9	1.8					
Government Guarantees Redeemed	12.5	14.8	14.0	16.8	47.0					
Contribution to EU Budget	316.5	365.3	449.8	610.5	564.9	586.3	604.5	662.2	662.2	692.4
Expenditures Related to State Property	305.6	517.1	1,311.7	1,474.1	800.1	1,154.7	695.2	850.5	1,104.7	534.1
Expenditures of State Investment Chapter								580.0	523.0	263.0
Interest Payments	1,048.4	1,100.5	1,227.7	1,408.1	1,369.6	2,102.9	2,069.1	2,498.7	2,758.3	3,103.4
Total Expenditures	**15,021.2**	**16,000.8**	**20,988.9**	**21,795.3**	**20,198.1**	**25,480.5**	**24,000.3**	**29,595.1**	**29,045.6**	**29,649.3**

Source: Ministry of Finance

Roles of the Ministry of Finance, the Hungarian State Treasury and the Government Debt Management Agency

As of May 2018, the Ministry of Finance assumed responsibility from the Ministry for National Economy for supplying information to support the Government's decision-making and for co-coordinating issues falling within the Government's scope of authority in relation to public finances. The Ministry of Finance is required to ensure the execution of the central budget, the solvency of the central government, the financing of the central government and the recording of government debt, including guarantees granted and sureties undertaken by the Government, and loans and claims of the central government. These tasks are executed through the Treasury, and debt and liquidity management tasks are carried out by Államadósság Kezelő Központ Zártkörűen Működő Részvénytársaság, a special government debt management agency (the Government Debt Management Agency Private Company Limited by Shares or "**GDMA**").

The Treasury was established on 1 January 1996 as a central budgetary organization. The legal and professional supervision of the Treasury is performed by the Ministry of Finance. Within its budget execution responsibilities, the Treasury's main task is the management of budget appropriations and government cash flows and the determination of the daily financing needs of the central government. The management of budget appropriations includes the registration of annual appropriations, the monitoring of their changes and the right to authorize payments from appropriated amounts. The cash management duties of the Treasury include account management for the budgetary institutions, which, in accordance with the Act on Public Finances, are obligated to keep their accounts with the Treasury. The Treasury administers the Single Treasury Account, which is the cash account of the Treasury held at the MNB. The Treasury's responsibilities also include the provision of funds for public investments, the transfer of contributions and subsidies to municipalities, and the management and collection of loans and other claims of the central government.

Social Security and Extra-Budgetary Funds

The social security funds consist of two funds: the pension fund and the health fund. The following table sets forth the revenues and expenditures for social security and certain extra-budgetary funds:

Table 46: Social Security and Extra-Budgetary Funds, Revenues and Expenditures[(1)]

	For the year ended 31 December									
	2018 Final	2019 Final	2020 Final	2021 Final	2022 Approved budget	2022 Fact	2023 Approved budget	2023 Modified budget	2023 Expected	2024 Approved budget
					(HUF billions)					
Social Securities Fund										
Revenues	5,702.9	5,815.8	5,899.7	6,950.8	7,623.7	8,140.1	8,820.4	9,587.9	9,540.9	10,443.9
Expenditures	5,786.5	6,050.7	6,541.8	7,370.7	7,770.5	8,546.1	8,820.4	9,587.9	9,824.4	10,443.9
Surplus (deficit)	(83.7)	(234.9)	(642.1)	(420.0)	(146.8)	(406.0)			(283.5)	
Extra Budgetary Funds[(2)]										
Revenues	574.0	658.2	848.1	689.8	703.3	802.2	688.1	755.8	780.8	846.9
Expenditures	566.4	618.7	801.4	709.8	577.9	538.5	605.1	593.1	643.5	662.0
Surplus (deficit)	7.6	39.5	46.7	(20.0)	125.4	263.7	83.0	162.7	137.3	184.9

Source: Ministry of Finance

Notes:

(1) For methodological remarks on planned, expected, preliminary, fact and final budgets, see "*Public Finance—Methodology*."

(2) Currently, these funds consist of the Nuclear Fund, the National Employment Fund, the Research and Development Fund, the National Cultural Fund, and the Bethlen Gábor Fund.

Local Government Finance

The following table sets forth the revenues and expenditures at the local government level for the years indicated for all the local governments:

Table 47: Local Government Revenues and Expenditures

	For the year ended 31 December									
	2018 Final	2019 Final	2020 Final	2021 Final	2022 Approved budget	2022 Fact	2023 Approved budget	2023 Approved budget	2023 Expected	2024 Approved budget
					(HUF billions)					
Revenues										
Own revenues[1]	1,298.7	1,405.1	1,251.0	1,315.5	1,422.7	1,556.4	1,644.7	1,730.9	1,899.7	2,054.4
Subsidies	746.8	778.5	821.0	1,013.8	873.4	1,082.1	975.7	968.6	1,159.6	1,049.7
Other revenues	931.3	894.5	873.2	979.1	921.2	1,078.9	1,079.8	1,309.6	1,125.8	1,077.9
Total revenues, GFS (excluding privatization)	**2,976.8**	**3,078.1**	**2,945.2**	**3,308.4**	**3,217.3**	**3,717.4**	**3,700.2**	**4,009.1**	**4,185.1**	**4,182.0**
Privatization revenues	3.4	3.5	13.9	3.1	3.5	3.5	3.5	3.5	4.0	4.0
Total revenues (including privatization)	**2,980.2**	**3,081.6**	**2,959.1**	**3,311.5**	**3,220.8**	**3,721.0**	**3,703.7**	**4,012.6**	**4,189.1**	**4,186.0**
Expenditures										
Wages	900.0	959.4	971.1	1,012.4	986.2	1,164.5	1,082.0	1,099.7	1,246.7	1,236.7
Investments	696.8	913.3	865.2	843.5	1,040.1	1,003.2	982.0	1,051.6	975.9	1,033.0
Other expenditures	1,133.9	1,285.2	1,234.0	1,403.3	1,351.0	1,605.5	1,572.7	1,985.3	1,879.0	2,080.9
Total expenditures	**2,730.7**	**3,157.9**	**3,070.3**	**3,259.3**	**3,377.2**	**3,773.3**	**3,636.8**	**4,136.6**	**4,101.6**	**4,350.6**
Surplus (deficit), GFS (excluding privatization)	**246.1**	**(79.8)**	**(125.1)**	**49.1**	**(159.9)**	**(55.8)**	**63.4**	**(127.6)**	**83.5**	**(168.6)**
Surplus (deficit) (including privatization)	249.5	(76.3)	(111.2)	52.2	(156.4)	(52.3)	66.9	(124.1)	87.5	(164.6)

Source: Ministry of Finance

EU Net Position

The following table sets forth certain information with respect to the budgetary relations between Hungary and the EU:

Table 48: Budgeted Financial Flows between Hungary and the EU Budget between 2018 and 2022

	For the year ended 31 December				
	2018	2019	2020	2021	2022
	(HUF millions, current prices)				
EU resources appearing in the Hungarian budget	1,330,456.6	1,254,769.6	1,534,589.9	1,464,418.5	1,304,046.7
National contribution (co-financing of projects)	475,908.2	184,463.3	245,643.9	700,952.4	1,685,438.0
EU resources out of the Hungarian budget (mainly agricultural subsidies)	391,283.9	492,351.0	515,770.8	478,092.0	480,961.1
National contribution to the EU Budget	316,469.5	365,306.5	449,764.8	610,467.8	586,344.0

Source: Ministry of Finance

Certain EU funds are only available for certain projects if Hungary contributes a specified percentage amount towards such project. In addition, EU funds that are not used for their designated purpose in a given year are lost and cannot be carried over to a subsequent year.

Medium-Term Fiscal Program and the Convergence Program

Every April, EU Member States are required to lay out their fiscal plans for the next three years. EU member states that have not adopted the euro submit "**Convergence Programmes**", which include additional information about monetary policies. The contents of the Convergence Program are:

- A Medium-Term Objective ("**MTO**") - a budgetary target set for each Member State which is defined in structural terms. Member States must also set out yearly targets on the way towards the MTO and forecast the expected path of their debt-to-GDP ratios.
- Underlying economic assumptions about growth, employment, inflation and other important economic variables.
- A description and assessment of policy measures to achieve the program objectives.
- An analysis of how changes in the main economic assumptions would affect the budgetary and debt position.
- Information covering several years including: one year of budgetary execution, the current budgetary year, and plans for the three following years.
- If applicable, an explanation for why targets are not being met.

The Ministry of Finance compiled the latest version of Hungary's Convergence Program with information as of 30 April 2023. According to the Convergence Program, the Government expected the budget deficit to GDP ratio (according to Excessive Deficit Procedure methodology) to reach 3.9 per cent. in 2023, 2.9 per cent. in 2024, 1.9 per cent. in 2025, 1.4 per cent. in 2026, and 0.9 per cent. in 2027. The general government debt to GDP ratio (according to ESA methodology) was projected to reach 69.7 per cent. in 2023, 66.7 per cent. in 2024, 63.9 per cent. in 2025, 59.8 per cent. in 2026, and 56.3 per cent. in 2027. The Government plans to achieve total revenue-to-GDP ratio of 42.6 per cent. in 2023, 40.0 per cent. in 2023, 39.0 per cent. in 2024, 38.4 per cent. in 2026 and 38.0 per cent. in 2027. The Government plans to reduce the total expenditures-to-GDP ratio from 47.8 per cent. in 2022 to 46.5 per cent. in 2023, 42.9 per cent. in 2024, 40.9 per cent. in 2025, 39.8 per cent. in 2026 and 38.9 per cent. in 2027.

Developments Related to EU Funding and the Rule of Law

On 17 July 2020, the Government announced that Hungary would reject any conditions attached to the European Union's COVID-19 rescue package at the EU summit taking place on 17 July 2020 and 18 July 2020. On 22 July 2020, after the EU Summit, Prime Minister Viktor Orbán announced that Hungary's standpoint, that funding and rule of law issues should be handled separately, had prevailed at the Summit. According to Prime Minister Viktor Orbán, discussions on the definition of rule of law were deferred to a later date.

On 17 August 2020, Justice Minister Judit Varga stated her view that the rule of law is too conceptually vague to be used as a measurement for sanctioning EU Member States. According to the Minister, the conclusions approved by the EU summit on 21 July 2020, made it clear that a system of sanctions cannot be based on such difficult-to-define notions. Hungary has always maintained the position that Article 7 procedures are only justified if the State concerned neglects the rulings of the ECJ.

On 9 November 2020, Prime Minister Viktor Orbán announced that he was prepared to veto the EU budget and the recovery fund if the payment of funds to Member States would be tied to the rule of law.

On 17 November 2020, the Government announced that Hungary and Poland vetoed the European Union's next multi-year budget and post-pandemic recovery package, in line with its position communicated during the EU summit in July 2020, and in accordance with the power of veto laid down in the EU treaties.

On 18 November 2020, the Government announced its view that new rules making the receipt of EU funding contingent on upholding the rule of law breached the EU's founding treaty as well as a deal in July not to tie funding to "political conditions".

On 11 December 2020, the Government announced that a deal was struck on the EU budget and recovery fund at the EU summit.

On 12 May 2021, the Government requested a total of EUR7.2 billion from the EU as part of Hungary's Recovery and Resilience Facility.

On 27 May 2021, Parliament approved legislation ratifying the European Union's 2021-2027 budget framework and post-pandemic recovery package.

On 27 April 2022, the European Commission sent a formal notification to the Hungarian Government on the launch of the conditionality mechanism which would condition a portion of the disbursement of EU funds on Hungary's compliance with the rule of law. The formal notification was an initial step in the process of activating the conditionality mechanism. After receiving the notification, Hungary had several months to comment, provide relevant information and propose remedial measures in response to the Commission's findings. Then, the process involved a lengthy dialogue between the Commission and Hungary, during which the European Commission was to assess whether a rule of law deficiency existed, and whether a direct link could have been established between any rule of law deficiency and European budget interests. If, at the end of the procedure, the Commission determined that such deficiencies still existed, a proportionate part of the EUR5.85 billion from the EU's Recovery and Resilience Facility ("**RRF**") funding that Hungary expected to receive between 2022 and 2026 was to be withheld to offset the budgetary effects of such deficiencies, if any. The objective of the process was to remedy any identified deficiencies and its consultative nature gave ample opportunity to both parties to find the appropriate compromise remedial solutions, as detailed below.

On 29 April 2022, after having reviewed the European Commission's letter about activating the conditionality mechanism and linking EU funding to the rule of law, the Government communicated that, in its view, it saw no obstacle to signing the EU budget and recovery fund agreement, as the conditionality mechanism process would run in parallel to, and thus should not delay, the initial assessment of the Hungarian Recovery and Resilience Plan submitted in the frame of the EU RRF.

On 22 August 2022, Hungary submitted a letter to the European Commission describing remedial measures and including responses to all of the European Commission's recommendations. Subsequently, on 13 September 2022, Hungary sent a letter containing additional clarifications about its proposed measures.

On 24 August 2022, the Government announced that it had been engaged in intensive consultations with the European Commission on a daily basis.

On 18 September 2022, the European Commission proposed to the European Council to approve certain budget protection measures against Hungary under the conditionality mechanism, including the suspension of 65 per cent. of the commitments in three operational programs for the period 2021-2027 financed from the European Regional Development Fund, the Cohesion Fund, the Just Transition Fund and the European Social Fund Plus, which amount to approximately EUR7.5 billion in the aggregate. The European Council was to decide whether to adopt such measures.

On 22 September 2022, Judit Varga, former Minister of Justice, announced that the European Union had not cut any funds from Hungary up to that time. According to the announcement, the Hungarian Government had tabled 17 proposals addressing the European Commission's concerns raised within the EU's conditionality mechanism against Hungary. The proposals focused on improving anti-corruption measures, the transparency of public procurements, and certain regulations on conflict of interest.

On 15 December 2022, the European Council adopted the Implementing Decision (EU) 2022/2506 of 15 December 2022 on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary, including the suspension of 55 per cent. of the budgetary commitments under three operational programmes concerning the Cohesion Funds allocated to Hungary.

On 15 December 2022, the European Council adopted the Hungarian recovery and resilience plan ("**RRP**") based on the Commission's positive evaluation, in which Hungary committed to 27 'super milestones' which aim to protect the European Union's financial interests, and to strengthen judicial independence. The European Commission recognized Hungary's proposals regarding supporting sustainable growth and social and regional cohesion, green and digital transitions, education, social policy, the labour market, health care, the fight against corruption, the independence of the judiciary, public procurement, taxation and the pension system, and confirmed that addressing these areas would contribute towards meeting the 27 super milestones.

On 22 December 2022, the European Commission adopted the Partnership Agreement with Hungary for almost EUR22 billion for the period 2021-2027. The Partnership Agreement is a strategic document for investments from EU cohesion funds. The Partnership Agreement and the home affairs funds (the Asylum Migration and Integration Fund, the Internal Security Fund and the Border Management and Visa Instrument) are implemented through 11 national programs adopted on 22 December 2022.

On 28 April 2023, former Minister of Justice Judit Varga announced that based on a notification by the European Justice Commissioner, the Government has initiated the submission of a judicial package agreed with the European Commission to the Parliament.

On 1 September 2023, the Government announced that Hungary applied for the EUR3.9 billion RRF credit. Hungary plans to use the financing for energy infrastructure development as well as projects to boost energy efficiency and the green transition. According to the assessment of Regional Development Minister Tibor Navracsics, projects financed from the RRF must be completed before the fall of 2026. As of this date, the European Commission had not yet prepared its assessment of the Hungarian government's responses to the EU's concerns about the rule of law in Hungary. As soon as the EU provides its feedback, the EU's cohesion funds to Hungary may be released. Additionally, financing for the Erasmus higher education program was in place until the first half of 2024, and talks with the EU were underway, and if negotiations were concluded before the end of November, financing for the second half of next year would also be ensured.

On 24 November 2023, the Government announced that the European Council had agreed to release EUR0.9 billion from the RRF to finance projects approved in the RePowerEU chapter, which aims to ensure affordable, secure and sustainable energy supplies. Hungary's REPowerEU chapter includes measures to strengthen and modernize the electricity sector, accelerate deployment and use of renewable energy, improve energy efficiency, promote sustainable transport, upskill and reskill the workforce for the green transition, decarbonise industry and invest in green technologies and value chains linked to the green transition. The European Council noted that the disbursement under the RRF was possible pending Hungary satisfactorily implementing the 27 super milestones.

On 5 December 2023, Justice Minister Bence Tuzson announced that Hungary had complied with all European Commission demands related to judicial reform and was awaiting the arrival of EU funds.

On 8 December 2023, the Economic and Financial Affairs Council ("**ECOFIN**") adopted implementing decisions approving Hungary's amended RRP, which now includes the new REPowerEU chapter. According to Minister of Finance Mihály Varga, Hungary is expected to receive EUR3.9 billion of RRF loans, EUR0.7 billion of REPowerEU grants and a EUR5.8 billion grant. Following ECOFIN's approval, Hungary could receive an advance of EUR0.9 billion of the REPowerEU funds as early as January 2024.

On 13 December 2023, the European Commission announced that Hungary could begin to claim reimbursements of up to EUR10.2 billion in cohesion funding as it had adopted reforms related to judicial independence. The European Commission considers that Hungary has taken the necessary measures to fulfil the horizontal enabling condition on the EU Charter of Fundamental Rights concerning judicial independence. Hungary adopted legislation which strengthens the independence of the judiciary in the country, corresponding to the commitments taken by Hungary in its RRP. The European Commission will closely and continuously monitor the application of the measures put in place by Hungary. If at any point in time, the European Commission considers that this horizontal enabling condition is no longer fulfilled, it may again decide to block funding.

On 28 December 2023, Hungary received a pre-financing loan instalment in the amount of EUR780 million from the EU as part of the RRF loan agreement.

There are still ongoing discussions among Hungary, the European Commission and the European Council in respect of the release of the total financial contribution. According to the estimate of the European Commission, as of 13 December 2023, the funding that remained locked for Hungary amounted to around EUR21 billion overall.

PUBLIC DEBT

General Information

The Government's borrowing needs are financed by the GDMA. The Finance Minister established the GDMA in order to concentrate debt management functions into one organization. Accordingly, the GDMA manages the solvency of the central budget on the basis of the annual Budget Act and by taking into account the forecasts given by the State Treasury, handles the financing of the central government deficit and debt redemptions and the government debt and the temporarily free cash-funds of the state, manages the liquidity of the Single Treasury Account, administers auctions and subscriptions and oversees the development of government securities markets. Further, the GDMA provides easily accessible, up-to-date information on the government securities markets and on the financing of Hungary's borrowing needs in order to provide transparency. With respect to foreign debt management, the GDMA acts in the name of Hungary in raising funds (including organizing the issuance of government securities and borrowing of loans and debt assumptions), elaborates the annual and medium-term financing plan of the central government, develops the government debt financing strategy, manages the foreign exchange debt of the central government, ensures promptness and accuracy in respect of debt service payments and effects hedging transactions to reduce risks.

The legal status and activities of the GDMA are governed by Act No. CXCIV of 2011 on Economic Stability of Hungary, Act CXCV of 2011 on Public Finances, the Act on the Annual Central Budget of Hungary of the relevant year, and Act CXX of 2001 on Capital Markets. GDMA is a single shareholder company registered by the Court of Registration. The company is solely owned by the Hungarian state, the ownership rights are exercised by the minister responsible for public finances (currently the Minister of Finance).

Public Debt

The following table sets out certain statistics regarding Hungarian public debt for the years indicated:

Table 49: Public Debt of Hungary(1)

	As of and for the year ended 31 December				
	2018	**2019**	**2020**	**2021**	**2022(2)**
	(HUF billions, except for percentages)				
Internal Public Debt	22,796.0	24,357.1	29,237.3	32,121.2	33,775.6
External Public Debt	5,724.8	5,121.2	7,318.2	8,395.2	11,397.3
Other Liabilities(3)	167.4	203.7	128.8	180.6	389.4
Total Public Debt	28,688.2	29,682.0	36,684.3	40,697.0	45,562.4
per cent. of Nominal GDP	66.1	62.3	75.8	73.7	69.0
Nominal GDP	43,386.7	47,674.2	48,425.4	55,198.9	66,075.2

Source: HCSO, GDMA
Notes:
(1) This table shows the public debt of Hungary from the perspective of the economic obligations of the central government. Financial derivatives and mark-to-market deposits from 2005 are included. In this table, external debt refers to government obligations denominated in foreign currency, while internal debt refers to obligations denominated in local currency.
(2) Data as available at the end of December 2023.
(3) Mark-to-market deposits.

Total central government debt amounted to HUF28,688.2 billion as of 31 December 2018, HUF29,682.0 billion as of 31 December 2019, HUF36,684.3 billion as of 31 December 2020, HUF40,697.0 billion as of 31 December 2021 and HUF45,562.4 billion as of 31 December 2022. GDP amounted to HUF43,386.7 billion in 2018, HUF47,674.2 billion in 2019, HUF48,425.4 billion in 2020, HUF55,198.9 billion in 2021 and HUF66,075.2 billion in 2022. Consequently, total central government debt amounted to 66.1 per cent. of GDP in 2018, 62.3 per cent. of GDP in 2019, 75.8 per cent. of GDP in 2020, 73.7 per cent. of GDP in 2021 and 69.0 per cent. of GDP in 2022 according to data available in December 2023.

The following table sets forth the maturity profile of the public debt of Hungary as of 30 September 2023:

Table 50: Maturity Profile of the Public Debt of Hungary

	Forint debt	HUF bonds	Discount Treasury Bills	Retail securities	HUF loans	Foreign exchange debt	Foreign currency loans raised abroad	Domestic foreign currency loans	Foreign currency bonds issued abroad	Foreign currency bonds issued in Hungary	Total	Other debt	Total central government debt
							(HUF Billions)						
2023 ...	2,134.8	644.5	1,215.1	275.2	0.0	290.6	56.4	0.0	234.2	0.0	2,425.4	179.9	2,605.3
2024 ...	4,205.6	2,002.3	940.2	1,235.6	27.6	616.4	62.7	0.0	527.5	26.3	4,822.1	0.0	4,822.1
2025 ...	4,315.9	2,686.7	0.0	1,442.9	186.3	625.9	17.6	0.0	577.0	31.3	4,941.8	0.0	4,941.8
2026 ...	4,477.0	3,542.2	0.0	919.9	15.0	660.5	122.2	0.0	391.3	147.0	5,137.5	0.0	5,137.5
2027 ...	4,083.0	2,497.4	0.0	1,507.0	78.6	1,302.1	289.7	0.0	970.5	41.9	5,385.1	0.0	5,385.1
2028 ...	3,084.5	2,016.6	0.0	1,016.0	52.0	1,485.9	269.6	0.0	1,001.6	214.7	4,570.4	0.0	4,570.4
2029 ...	3,476.9	2,288.8	0.0	1,111.1	77.0	877.8	218.2	0.0	659.6	0.0	4,354.6	0.0	4,354.6
2030 ...	2,542.0	1,236.7	0.0	1,133.4	171.8	776.5	273.5	0.0	503.0	0.0	3,318.5	0.0	3,318.5
2031 ...	2,161.1	1,530.1	0.0	386.9	244.0	1,093.5	53.8	0.0	1,039.8	0.0	3,254.6	0.0	3,254.6
2032 ...	1,913.6	1,753.1	0.0	140.4	20.1	1,162.5	83.7	0.0	1,078.8	0.0	3,076.1	0.0	3,076.1
2033 ...	1,592.6	1,348.6	0.0	244.1	0.0	1,023.6	338.9	0.0	684.7	0.0	2,616.2	0.0	2,616.2
2034 ...	420.2	407.2	0.0	13.0	0.0	484.1	27.1	0.0	457.1	0.0	904.3	0.0	904.3
2035 ...	41.8	29.1	0.0	12.8	0.0	690.8	103.9	0.0	586.9	0.0	732.6	0.0	732.6
2036 ...	11.9	0.0	0.0	11.9	0.0	25.2	25.2	0.0	0.0	0.0	37.1	0.0	37.1
2037 ...	11.9	0.0	0.0	11.9	0.0	82.7	82.7	0.0	0.0	0.0	94.6	0.0	94.6
2038 ...	1,030.0	970.2	0.0	10.3	49.5	21.7	21.7	0.0	0.0	0.0	1,051.8	0.0	1,051.8
2039 ...	8.8	0.0	0.0	8.8	0.0	20.8	20.8	0.0	0.0	0.0	29.6	0.0	29.6
2040 ...	6.7	0.0	0.0	6.7	0.0	80.1	80.1	0.0	0.0	0.0	86.8	0.0	86.8
2041 ...	578.5	574.6	0.0	3.9	0.0	516.7	21.4	0.0	495.3	0.0	1,095.1	0.0	1,095.1
2042 ...	0.9	0.0	0.0	0.9	0.0	13.5	13.5	0.0	0.0	0.0	14.4	0.0	14.4
2043 ...	0.0	0.0	0.0	0.0	0.0	5.6	5.6	0.0	0.0	0.0	5.6	0.0	5.6
2044 ...	0.0	0.0	0.0	0.0	0.0	5.6	5.6	0.0	0.0	0.0	5.6	0.0	5.6
2045 ...	0.0	0.0	0.0	0.0	0.0	5.6	5.6	0.0	0.0	0.0	5.6	0.0	5.6
2046 ...	0.0	0.0	0.0	0.0	0.0	5.6	5.6	0.0	0.0	0.0	5.6	0.0	5.6
2047 ...	0.0	0.0	0.0	0.0	0.0	2.6	2.6	0.0	0.0	0.0	2.6	0.0	2.6
2048 ...	0.0	0.0	0.0	0.0	0.0	2.6	2.6	0.0	0.0	0.0	2.6	0.0	2.6
2049 ...	0.0	0.0	0.0	0.0	0.0	2.6	2.6	0.0	0.0	0.0	2.6	0.0	2.6
2050 ...	0.0	0.0	0.0	0.0	0.0	530.8	41.7	0.0	489.1	0.0	530.8	0.0	530.8
2051 ...	139.5	139.5	0.0	0.0	0.0	665.9	2.6	0.0	663.4	0.0	805.4	0.0	805.4
2052 ...	0.0	0.0	0.0	0.0	0.0	466.4	2.6	0.0	463.8	0.0	466.4	0.0	466.4

Source: GDMA

The following table sets forth the investor base of Hungarian government securities (including securities denominated in foreign currency, securities denominated in local currency with original maturity over 1 year and securities denominated in local currency with original maturity not exceeding 1 year) for the dates indicated:

Table 51: Investor Base of Hungarian Government Securities (including foreign currency debt securities)

	As of 31 December				As of 30 September	
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
			(HUF billions)			
Nonfinancial corporations	354.8	294.1	214.7	379.0	350.4	437.5
Central Bank	39.2	39.2	1,141.9	2,818.2	2,095.9	2,413.9
Credit institutions	8,467.5	8,366.0	10,405.7	9,631.4	9,314.5	9,659.2
Money market funds	80.9	22.7	13.1	8.8	14.1	31.7
Other monetary financial institutions	8,548.4	8,388.7	10,418.8	9,640.2	9,328.6	9,691.0
Other financial intermediaries	1,341.0	928.3	907.3	753.4	1,095.1	1,889.5
Financial auxiliaries	101.1	113.5	136.8	141.3	171.7	193.3
Insurance corporations and pension funds	2,371.7	2,428.3	2,626.3	2,384.9	2,111.4	2,422.8
Financial corporations	12,401.4	11,898.0	15,231.1	15,738.1	14,802.6	16,610.5
Central government	252.2	249.7	253.6	524.0	472.8	538.2
Local government	284.9	292.5	203.4	144.7	80.8	85.7
Social security funds	0.0	0.0	0.0	0.0	0.0	0.0
General government	537.1	542.2	457.0	668.7	553.6	624.0
Households	5,778.7	8,047.1	9,135.6	10,110.0	10,140.7	12,062.2
Non-profit institutions serving households	258.1	149.4	104.3	100.9	92.6	99.5
Rest of the world	9,336.8	9,458.5	10,994.9	10,598.6	10,793.6	13,449.1
Total	**28,666.9**	**30,389.3**	**36,137.7**	**37,595.4**	**36,733.4**	**43,282.7**

Source: MNB

The following table sets forth the investor base of Hungarian government securities denominated in local currency with original maturity over 1 year for the dates indicated:

Table 52: Investor Base of Long-Term Hungarian Local-Currency Government Securities

	As of 31 December				As of 30 September	
	2018	2019	2020	2021	2022	2023
	(HUF billions)					
Nonfinancial corporations	215.9	215.0	166.2	307.7	179.6	215.7
Central Bank	39.2	39.2	1,141.9	2,818.2	2,095.9	2,413.9
Credit institutions	7,434.6	7,456.8	9,926.3	8,884.8	8,458.7	9,085.3
Money market funds	18.1	2.5	2.5	0.1	0.0	6.6
Other monetary financial institutions	7,452.6	7,459.3	9,928.8	8,884.9	8,458.7	9,091.9
Other financial intermediaries	753.3	656.4	617.8	584.9	809.3	1,228.5
Financial auxiliaries	93.7	106.2	125.4	130.2	131.2	148.9
Insurance corporations and pension funds	2,189.5	2,264.0	2,395.0	2,173.5	1,874.3	2,222.2
Financial corporations	10,528.3	10,525.0	14,208.9	14,591.8	13,369.4	15,105.4
Central government	194.0	227.6	237.6	490.9	343.0	451.9
Local government	246.5	291.5	197.8	140.1	71.5	64.8
Social security funds	0.0	0.0	0.0	0.0	0.0	0.0
General government	440.5	519.1	435.4	631.1	414.5	516.7
Households	2,473.3	5,777.6	7,604.7	8,719.1	7,952.7	9,612.2
Non-profit institutions serving households	139.9	139.6	90.9	88.3	39.7	53.0
Rest of the world	3,930.1	4,587.6	4,684.8	3,602.4	3,360.0	4,513.4
Total	**17,728.0**	**21,763.9**	**27,190.9**	**27,940.3**	**25,316.0**	**30,016.5**

Source: MNB

The following table sets forth the investor base of Hungarian government securities denominated in local currency with original maturity not exceeding 1 year for the dates indicated:

Table 53: Investor Base of Short-Term Hungarian Local-Currency Government Securities

	As of 31 December					As of 30 September
	2018	2019	2020	2021	2022	2023
	(HUF billions)					
Nonfinancial corporations	112.5	66.0	34.0	52.2	123.4	196.3
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	706.5	614.3	218.6	264.1	319.1	49.7
Money market funds	51.1	17.8	10.6	8.7	9.5	12.1
Other monetary financial institutions	757.6	632.1	229.2	272.9	328.6	61.8
Other financial intermediaries	422.0	167.8	148.8	78.4	203.2	528.6
Financial auxiliaries	6.1	5.8	9.8	9.8	39.5	40.7
Insurance corporations and pension funds	161.1	147.0	196.9	178.2	200.7	128.1
Financial corporations	1,346.8	952.6	584.7	539.3	771.9	759.3
Central government	58.2	22.0	15.3	32.4	128.1	84.8
Local government	38.4	1.1	5.5	4.6	9.2	20.9
Social security funds	0.0	0.0	0.0	0.0	0.0	0.0
General government	96.7	23.1	20.9	36.9	137.3	105.7
Households	3,130.9	2,070.8	1,303.8	1,121.7	1,762.0	1,884.8
Non-profit institutions serving households	114.4	5.4	9.1	8.4	47.5	36.5
Rest of the world	251.0	35.1	17.8	4.8	24.3	67.2
Total	**5,052.2**	**3,153.0**	**1,970.3**	**1,763.3**	**2,866.6**	**3,049.8**

Source: MNB

The Maastricht measure of general government debt is defined as the sector's consolidated gross debt at nominal value, excluding other liabilities. The following table sets forth the general government consolidated gross debt at nominal value as a percent of GDP for the years indicated:

Table 54: Maastricht Debt of Hungary[1]

	As of 31 December				
	2018	2019	2020	2021	2022
			(Percent of GDP)		
Maastricht debt....................................	69.1 per cent.	65.3 per cent.	79.3 per cent.	76.7 per cent.	73.9 per cent.

Source: MNB
Notes:
(1) Gross debt, including Eximbank

According to data published by the MNB, general government consolidated gross debt at nominal value (Maastricht debt) including Eximbank as of 30 September 2023, amounted to 75.0 per cent. of GDP.

Financing Plan

According to the 2024 Financing Plan published by the Ministry of Finance and the GDMA on 1 December 2023, the total net financing requirement of the central budget in 2024 was set at HUF2,515 billion. Debt management targets set for 2024 include: (i) the reduction of the number of institutional government bond series; (ii) the introduction of a three-year fixed interest rate Fix Hungarian Government security and a five-year Bonus Hungarian Government security paying a loyalty premium, along with the re-pricing of the Hungarian Government Security Plus; (iii) a HUF500 billion switch auction program; (iv) FX bond issuances; and (v) continuation of green HUF bond issuances.

The total net funding requirement of the central budget for 2024 is expected to be financed by a net issuance of HUF2,643 billion. Net issuances exceeding the funding requirements are planned to increase the liquidity reserves. Contribution to the net issuances is planned to be HUF1,528 billion in HUF retail securities and HUF987 billion in FX financing. In 2024, the gross government security issuance and borrowing was planned to be HUF10,273 billion (including switch auctions) compared to the HUF13,358 billion average gross government borrowing volume in the past five years.

The benchmark indicators regarding the composition of government debt remain unchanged for 2024.

Based on the update of Hungary's Green Bond Framework in July 2023, GDMA's sustainable finance goals for 2024 are the broadening of the investor base and securing and strengthening international market presence by continuing green bond issuances.

HUF Institutional Financing

GDMA's goal is to minimize funding costs in the long run taking risks into account, as well as the gradual smoothing of the maturity profile. Therefore, GDMA plans a net negative institutional HUF bond issuance for 2024 with an average term-to-maturity of almost seven years. The 2024 plan includes a HUF500 billion switch auction program to mitigate the institutional maturity peaks of 2025 and 2026. GDMA plans to decrease the number of outstanding government bond series, if possible, and to develop a T-Bill market adapting more flexibly to market demand to further improve market liquidity. Similar to 2023, GDMA plans to decrease the issuance of floating rate HUF bonds in 2024. The HUF1,872 billion institutional HUF bond auction plan is significantly lower than the expected 2023 volume of HUF3,138 billion.

Hungary's Green Bond Framework was updated in 2023 and within this framework, AKK plans a HUF80 billion HUF green bond issuance.

Retail Financing

Net retail financing is planned to reach 2.0 per cent. of the GDP on the retail government securities market, close to the expected 2024 interest expenditure paid to households. The benchmark bands of 20-25 per cent. of the total debt introduced in 2023 remain unchanged for 2024.

In accordance with the Retail Government Securities Strategy, GDMA's goal is to increase the number of active customers with securities accounts and the share of digital sales channels through measures such as the simplified account opening procedure provided by the Hungarian State Treasury from December 2023.

GDMA also plans to introduce a three-year fixed interest rate Fix Hungarian Government Security as well as a five-year Bonus Hungarian Government Security with a loyalty premium along with the repricing of the Hungarian Government Security Plus from June 2024 and the discontinuation of the one-year Hungarian Government Security.

A sales cap for retail dealers was introduced starting 1 January 2023 in order to mitigate wealth concentration. Due to the introduction of the sales cap, the share of retail securities owned by customers with over HUF100 million in retail securities holdings decreased from 21.2 per cent. as of the end of December 2022 to 18.7 per cent. as of the end of October 2023. GDMA plans to actively use sales caps in the future for every retail security in order to further mitigate wealth concentration risk.

Foreign Currency Financing

The 30 per cent. upper bound regarding the share of FX debt remains unchanged for 2024. GDMA plans to issue an international USD bond with a volume of up to USD2 billion and a benchmark sized green EUR bond in case of favourable market conditions in the first half of 2024. GDMA also plans Samurai and Panda bond issuances in the second half of 2024 to further strengthen market presence in Asian markets. Similar to previous years, FX project loans (e.g.: EIB, CEB, etc.) and other types of FX financing (e.g.: private placements, ECP) based on circumstances are also possible in 2024.

Green Bond Framework

In line with international efforts, Hungary is strongly committed to fight climate change and biodiversity loss. Further to its Nationally Determined Contribution under the Paris Agreement, Hungary supported the EU climate neutrality target at the December 2019 European Council and is striving to achieve climate neutrality by 2050. Building on the National Energy and Climate Plan and the National Clean Development Strategy 2020-2050, the Hungarian Government is implementing wide and overreaching climate, energy and environmental policies to transition the country to a low-carbon and environment-friendly economy.

In 2020, Hungary published its Green Bond Framework and issued its inaugural Green Bond. Hungary successfully issued Green Bonds on the domestic (HUF) and international (EUR, JPY, CNY) markets for a total amount of HUF1.6 trillion between 2020 and May 2023.

On 24 July 2023, Hungary published its updated Green Bond Framework. The updated Green Bond Framework is based on the Green Bond Principles 2021 (with June 2022 Appendix 1) version published by the International Capital Market Association ("**ICMA**"). Provisions of the EU Taxonomy (including the Climate Delegated Act) as well as the upcoming EU Green Bond Standard were also taken into consideration when developing the Green Bond Framework. The updated Green Bond Framework also builds on the 2022 edition of the Japanese Ministry of Environment Green Bond Guidelines and the China Green Bond Principles (issued by China Green Bond Standard Committee). The updated Green Bond Framework aims to ensure that issuances or re-openings of Green Bond series are in line with best market practices and tightening investor demands. The goal is to effectively involve funds to successfully fulfil Hungary's ambitious climate targets.

Hungary engaged Morningstar Sustainalytics to provide an independent Second-Party Opinion (SPO) on the updated Green Bond Framework. Morningstar Sustainalytics, a globally recognized provider of ESG research, ratings and data, evaluated Hungary's Framework and the alignment thereof with relevant industry standards and provided views on the robustness and credibility of the updated Green Bond Framework. Sustainalytics is of the opinion that Hungary's updated Green Bond Framework is credible and aligns with the four core components of ICMA's Green Bond Principles 2021.

Proceeds of Hungary's future issuances under the updated Green Bond Framework are intended to finance or refinance, in whole or in part, expenditures within Hungary's central government budget that fall within one of the green categories and comply with the eligibility criteria presented in the Framework:

- Clean transportation
- Land use & living natural resources

- Energy efficiency (including green buildings)
- Renewable energy
- Pollution prevention & control
- Sustainable water & wastewater management
- Climate adaptation
- Research, innovation & awareness raising

For the governance of Hungary's Green Bond Framework, the Ministry of Finance in cooperation with GDMA has set-up a Steering Committee and an Inter-Governmental Working Group.

Hungary's credit ratings

On 24 September 2021, Moody's revised the rating of Hungary's long-term foreign-currency and local-currency debt from "Baa3" to "Baa2" with a "stable" outlook. On 1 September 2023, Moody's affirmed Hungary's "Baa2" rating and stable outlook.

On 20 January 2023, Fitch revised the outlook assigned to the government debt of Hungary from "stable" to "negative" and maintained the rating at "BBB". On 23 June 2023, Fitch affirmed Hungary's "BBB" rating and negative outlook.

On 27 January 2023, Standard & Poor's revised the ratings assigned to the government debt of Hungary from "BBB" to "BBB-" with a stable outlook.

External Public Debt

The following table sets forth the external public debt of Hungary as of 31 December 2022, by category and by currency:

Table 55: External Public Debt by Category and Currency

By Category (financial derivatives are excluded):	(EUR millions)
Bank loans (including bank to bank and syndicated loans)	1,426
Bonds & FRN	24,895
Loans from multilateral financial institutions (e.g., IMF and World Bank)	4,430
Total	**30,751**

By Currency (financial derivatives are included):	(per cent.)
Euro	100
Other currencies	0
Total	**100**

By Currency (financial derivatives are excluded):	Amount(1 before swaps (per cent.)
Euro	56
U.S. dollar	40
Chinese renminbi	1
Japanese yen	3
Total	**100**

Source: GDMA
Note:

(1) Debt liabilities of the government sector that are not HUF-denominated (excluding financial derivatives but including mark-to-market deposits).

Debt Issuances

Neither Hungary nor the MNB has ever defaulted on the payment of the principal of, or premium or interest on, any debt obligation issued by it.

The following table sets forth the debt issuance of the central government of Hungary for the periods indicated:

Table 56: Debt Issuance of the Central Government

	For the 12-month period ended 31 December					For the nine-month period ended 30 September
	2018	2019	2020	2021	2022	2023
			(HUF Billions)			
HUF denominated debt	**12,744.9**	**12,366.2**	**13,319.7**	**10,326.9**	**13,418.2**	**10,280.5**
Loans	**143.7**	**54.7**	**0.0**	**150.9**	**0.0**	**0.0**
Foreign	143.7	54.7	0.0	150.9	0.0	0.0
Domestic	0.0	0.0	0.0	0.0	0.0	0.0
Government securities	**12,601.2**	**12,311.5**	**13,319.7**	**10,176.0**	**13,418.2**	**10,280.5**
Bonds	*3,133.3*	*3,427.9*	*6,933.6*	*5,056.0*	3,924.8	2,532.3
Discount T-bills	*3,996.3*	*1,846.7*	*1,797.6*	*1,258.4*	3,391.5	3,736.3
Retail securities	*5,471.7*	*7,036.9*	*4,588.4*	*3,861.6*	6,101.9	4,011.9
Foreign currency denominated debt	**736.8**	**145.5**	**2,808.0**	**1,979.6**	**3,049.5**	**3,143.1**
Loans	**220.3**	**53.6**	**456.4**	**183.0**	**543.2**	**396.8**
Foreign	220.3	53.6	456.4	183.0	543.2	396.4
Domestic	*0.0*	*0.0*	*0.0*	*0.0*	0.0	*0.4*
Government securities	**516.5**	**92.0**	**2,351.6**	**1,796.7**	**2,506.3**	**2,746.3**
Issued abroad	477.5	0.0	2,301.4	1,672.1	2,325.6	2,597.6
Foreign currency bond	*477.5*	*0.0*	*2,301.4*	*1,672.1*	*2,325.6*	*2,417.3*
ECP program	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*180.3*
Issued in Hungary	39.0	92.0	50.2	124.6	180.6	148.7
Total	**13,481.7**	**12,511.7**	**16,127.7**	**12,306.6**	**16,467.7**	**13,423.6**
Other debt	966.1	357.8	531.2	439.5	2,265.9	1,300.5
Total central government debt	**14,447.8**	**12,869.5**	**16,658.9**	**12,746.1**	**18,733.6**	**14,724.1**

Source: GDMA

Average Term-to-Maturity of the Debt Portfolio

Hungary's policy is to finance budget deficits primarily with internal debt and partly by accessing the international markets. The type of financing is determined based on a benchmark for the debt portfolio composition. The average time to maturity of local currency debt was 3.6 years at the end of 2018, 4.2 years at the end of 2019, 4.7 years at the end of 2020, 5.1 years at the end of 2021 and 5.0 years at the end of 2022. The average time to maturity of foreign currency debt was 4.9 years at the end of 2018, 4.8 years at the end of 2019, 8.0 years at the end of 2020, 9.8 years at the end of 2021 and 9.2 years at the end of 2022. The average time to maturity of total debt was 3.8 years at the end of 2018, 4.3 years at the end of 2019, 5.4 years at the end of 2020, 6.1 years at the end of 2021 and 6.1 years at the end of 2022.

The average time to maturity of total debt was 6.1 years as of 30 November 2023.

Government Guarantees

The Government has also guaranteed certain Hungarian indebtedness. As of 31 December 2022, these guarantees totalled USD28.9 billion. According to GFS methodology, guarantees are not included in the governmental debt and only affect the central governmental deficit if and when the Government is obligated to make a payment under the guarantee.

Table 57: Guarantees Provided by Hungary

Title	Outstanding Principal Amount (as of 31 December 2022)(1)	
	(millions)	
Hungary Guaranteed Debt in Foreign Currency *(expressed in USD equivalents)*(2)		
Loans raised from international financial institutions	USD	24.74
Guarantees for various purposes	USD	2,143.53
Guarantees based on law	USD	6,864.58
Total Guarantees in Foreign Currency	**USD**	**9,032.85**
Hungary Guaranteed Debt in HUF		
Guarantees for various purposes	HUF	41,155.38
Guarantees based on law	HUF	7,439,113.32
Total Guarantees in HUF	**HUF**	**7,480,268.70**
USD Equivalent(2)	**USD**	**19,911.28**
Total Hungary Foreign Currency and HUF Guarantees	**USD**	**28,944.13**

Source: Hungarian State Treasury
(1) The data are audited.
(2) Calculated on the basis of the exchange rate of the National Bank of Hungary as of 30 December 2022. The exchange rate was 375.68 HUF/USD on 30 December 2022.

Government Obligations to the MNB

The following table shows the Government's obligations to the MNB, as of 31 December for the years indicated and as of 30 September 2023:

Table 58: Government Obligations to the MNB

As of 31 December						As of September 30
	2018	2019	2020	2021	2022	2023
			(HUF billions)			
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Securities	39.2	39.2	1,113.6	3,302.8	3,311.9	3,308.1

Source: MNB

Funded and Floating Debt

Externally Raised Debt of Hungary

As of 31 December 2022, the external floating indebtedness of Hungary totalled EUR0.8 billion.

The following tables present Hungary's external funded debt as of 31 December 2022 in the respective currencies in which payable:

Table 59: Summary of External Funded Debt by Currency

External Funded Debt by Type of Currency		As of 31 December 2022
Repayable in U.S. Dollars	US$	12,888,405,739.74
Repayable in Euro	EUR	15,385,128,080.78
Repayable in Chinese Renminbi	CNY	3,000,000,000.00
Repayable in Japanese Yen	JPY	138,000,000,000.00

Source: GDMA

Table 60: Hungary External Funded Convertible Currency Debt: USD Debt (as of 31 December 2022)

	Interest Rate (per cent.)	Year		Original Amount Contracted	Principal Amount Outstanding (Credit)/Debit
		Issue	Maturity		
B. HUNGARY					
1. U.S. dollar Debt					
a. Bonds					

	Interest Rate (per cent.)	Year		Original Amount Contracted		Principal Amount Outstanding (Credit)/Debit	
		Issue	Maturity				
USD Bond	7.625	2011	2041	USD	1,250,000,000	USD	1,650,000,000
USD Bond	5.375	2013	2023	USD	2,000,000,000	USD	959,296,000
USD Bond	5.75	2013	2023	USD	2,000,000,000	USD	1,151,760,000
USD Bond	5.375	2014	2024	USD	2,000,000,000	USD	1,642,972,000
USD Bond	2.125	2021	2031	USD	2,250,000,000	USD	2,250,000,000
USD Bond	3.125	2021	2051	USD	2,000,000,000	USD	2,000,000,000
USD Bond	5.25	2022	2029	USD	1,750,000,000	USD	1,750,000,000
USD Bond	5.5	2022	2034	USD	1,250,000,000	USD	1,250,000,000
Total						**USD**	**12,654,028,000**
b. Swap Arrangements							
USD/EUR	7.625	2011	2041	USD	(247,500,000)	USD	(247,500,000)
USD/EUR	7.625	2011	2041	USD	(127,500,000)	USD	(127,500,000)
USD/EUR	7.625	2011	2041	USD	(165,000,000)	USD	(165,000,000)
USD/EUR	7.625	2011	2041	USD	(85,000,000)	USD	(85,000,000)
USD/EUR(2)	5.375	2013	2023	USD	(570,000,000)	USD	(279,296,000)
USD/EUR(2)	5.375	2013	2023	USD	(680,000,000)	USD	(680,000,000)
USD/EUR(2)	5.75	2013	2023	USD	(500,000,000)	USD	(151,760,000)
USD/EUR(2)	5.75	2013	2023	USD	(1,000,000,000)	USD	(1,000,000,000)
USD/EUR	5.375	2014	2024	USD	(660,000,000)	USD	(270,972,000)
USD/EUR(2)	5.375	2018	2024	USD	(660,000,000)	USD	(660,000,000)
USD/EUR(2)	7.625	2018	2041	USD	(247,500,000)	USD	(247,500,000)
USD/EUR(2)	7.625	2018	2041	USD	(127,500,000)	USD	(127,500,000)
USD/EUR(2)	7.625	2018	2041	USD	(165,000,000)	USD	(165,000,000)
USD/EUR(2)	7.625	2018	2041	USD	(85,000,000)	USD	(85,000,000)
USD/EUR(2)	5.375	2021	2041	USD	(680,000,000)	USD	(680,000,000)
USD/EUR	2.125	2021	2031	USD	(750,000,000)	USD	(750,000,000)
USD/EUR	2.125	2021	2031	USD	(500,000,000)	USD	(500,000,000)
USD/EUR	2.125	2021	2031	USD	(500,000,000)	USD	(500,000,000)
USD/EUR	2.125	2021	2031	USD	(500,000,000)	USD	(500,000,000)
USD/EUR	3.125	2021	2051	USD	(1,000,000,000)	USD	(1,000,000,000)
USD/EUR	3.125	2021	2051	USD	(1,000,000,000)	USD	(1,000,000,000)
USD/EUR	5.25	2022	2029	USD	(1,000,000,000)	USD	(1,000,000,000)
USD/EUR	5.25	2022	2029	USD	(750,000,000)	USD	(750,000,000)
USD/EUR	5.5	2022	2034	USD	(625,000,000)	USD	(625,000,000)
USD/EUR	5.5	2022	2034	USD	(625,000,000)	USD	(625,000,000)
USD/EUR	2.5	2022	2042	USD	(10,093,495)	USD	(10,093,495)
USD/EUR	2.5	2022	2042	USD	(141,671,340)	USD	(141,671,340)
USD/EUR	2.5	2022	2042	USD	(23,164,344)	USD	(23,164,344)
USD/EUR	2.5	2022	2042	USD	(17,418,799)	USD	(17,418,799)
USD/EUR	2.5	2022	2042	USD	(19,929,310)	USD	(19,929,310)
USD/EUR	7.625	2022	2041	USD	(400,000,000)	USD	(400,000,000)
USD/EUR	2.5	2022	2042	USD	(22,100,453)	USD	(22,100,453)
Total						**USD**	**(12,856,405,739,74)**
Total U.S. Dollar Debt(1)						**USD**	**32,000,000**

Source: GDMA

Notes:

(1) Includes certain fixed-rate debt in the aggregate principal amount of US$234,377,739.74 subject to confidentiality obligations.

(2) Swaps concluded with National Bank of Hungary.

Table 61: Hungary External Funded Convertible Currency Debt: EUR Debt (EIB & Bonds) (as of 31 December 2022)

	Interest Rate (per cent.)	Year		Original Amount Contracted		Principal Amount Outstanding (Credit)/Debit	
		Issue	Maturity				
2. Euro Debt							
a. EIB							
Health Sector Development	3.965	2011	2027	EUR	45,000,000	EUR	15,000,000
Health Sector Development B	3.426	2012	2028	EUR	55,000,000	EUR	55,000,000
Forests	3.804	2011	2027	EUR	200,000,000	EUR	70,000,000
Economic Competitiveness	MT	2011-2014	2024-2028	EUR	440,000,000	EUR	245,297,228.79
Cohesion Fund – II	MT	2011-2012	2027-2028	EUR	300,000,000	EUR	300,000,000
Education B	3.924	2011	2027	EUR	150,000,000	EUR	50,000,000
Rural Development I	2.655	2013	2023	EUR	300,000,000	EUR	150,000,000

	Interest Rate (per cent.)	Year		Original Amount Contracted		Principal Amount Outstanding (Credit)/Debit	
		Issue	Maturity				
Red Sludge	3.562	2012	2027	EUR	63,000,000	EUR	30,000,000
Regional Operation Program	MT	2012-2013	2023-2028	EUR	300,000,000	EUR	286,429,706.31
Human Capital	3.302	2013	2029	EUR	400,000,000	EUR	120,000,000
Cohesion Fund – IIB	MT	2013	2029	EUR	470,000,000	EUR	140,000,000
M3 North-East	3.354	2013	2030	EUR	72,000,000	EUR	72,000,000
Rural Development 2014-2020	MT	2017-2020	2027-2030	EUR	400,000,000	EUR	136,438,736.47
Structural Funds II-B	0.61	2020	2033	EUR	200,000,000	EUR	138,000,000
Structural Funds II-C	0.396	2020	2033	EUR	350,000,000	EUR	350,000,000
Education Infrastructure II	MT	2020-2022	2030-2032	HUF	50,000,000,000	EUR	96,951,219.51
COVID-19 Response	0.167	2020	2030	EUR	162,500,000	EUR	162,500,000
COVID-19 Response II	3.556	2022	2032	EUR	146,000,000	EUR	19,000,000
Extreme Light Infrastructure	Floating	2017	2028	EUR	10,449,147.67	EUR	10,449,147.67
Higher Education and Innovation Infrastructure	3.692	2022	2037	EUR	92,000,000	EUR	55,000,000
Hungarian Academy of Sciences II	2.67	2017	2027	HUF	36,000,000,000	EUR	58,468,134.86
Education Infrastructure	Floating	2017	2031	HUF	15,086,000,000	EUR	11,095,668.77
Energy Efficiency Home Renovation	3.674	2022	2052	EUR	300,000,000	EUR	165,000,000
Structural Funds II-A	Floating	2017	2030	EUR	500,000,000	EUR	243,325,344.99
Total						**EUR**	**2,979,955,187.37**
b. Bonds							
EUR Bond	1.75	2017	2027	EUR	1,000,000,000	EUR	1,000,000,000
EUR Bond	1.25	2018	2025	EUR	1,000,000,000	EUR	1,000,000,000
EUR Bond	1.125	2020	2026	EUR	1,000,000,000	EUR	1,000,000,000
EUR Bond	1.625	2020	2032	EUR	1,000,000,000	EUR	1,000,000,000
EUR Bond (Green)	1.75	2020	2035	EUR	1,500,000,000	EUR	1,500,000,000
EUR Bond	0.5	2020	2030	EUR	1,250,000,000	EUR	1,250,000,000
EUR Bond	1.5	2020	2050	EUR	1,250,000,000	EUR	1,250,000,000
EUR Bond	0.125	2021	2028	EUR	1,000,000,000	EUR	1,000,000,000
EUR Bond	4.25	2022	2031	EUR	750,000,000	EUR	750,000,000
EUR Bond (Green)	5	2022	2027	EUR	1,000,000,000	EUR	1,000,000,000
Total						**EUR**	**10,750,000,000**

Source: GDMA

Table 62: Hungary External Funded Convertible Currency Debt: EUR Debt (Other Loans & Swap Agreements) (as of 31 December 2022)

	Interest Rate (per cent.)	Year: Issue	Year: Maturity	Original Amount Contracted		Principal Amount Outstanding (Credit)/Debit	
c. Other loans raised							
Asian Infrastructure Investment Bank	Floating	2022	2029	EUR	183,100,000	EUR	117,910,858.95
Council of Europe Development...............	Various	2020-2022	2026-2032	EUR	417,000,000	EUR	377,497,328.30
European Union.............	MT	2020-2022	2035-2050	EUR	651,470,000	EUR	651,000,000
Export Finance Norway..	0.23	2021	2033	EUR	348,500,000	EUR	205,000,000
Total						**EUR**	**1,351,408,187.25**
d. Other loans assumed							
EIB	Various	2011-2014	2023-2038	EUR	515,575,457.54	EUR	303,764,706.16
Total						**EUR**	**303,764,706.16**
e. Swap Arrangements							
EUR/USD......................	7.158	2011	2041	EUR	174,480,000	EUR	174,480,000
EUR/USD......................	Floating	2011	2041	EUR	89,910,000	EUR	89,910,000
EUR/USD......................	7.2575	2011	2041	EUR	115,460,000	EUR	115,460,000
EUR/USD......................	Floating	2011	2041	EUR	59,480,000	EUR	59,480,000
EUR/USD[(2)]...................	4.804815	2013	2023	EUR	423,406,191.39	EUR	207,466,062.51
EUR/USD[(2)]...................	Floating	2013	2023	EUR	505,116,158.15	EUR	505,116,158.15
EUR/USD[(2)]...................	Floating	2013	2023	EUR	740,247,000	EUR	740,247,000
EUR/USD[(2)]...................	4.156	2014	2024	EUR	488,822,000	EUR	488,822,000
EUR/USD	4.1325	2014	2024	EUR	474,240,000	EUR	194,705,698.91
EUR/USD[(2)]...................	3.73	2015	2023	EUR	460,536,617.27	EUR	139,782,074.07
EUR/USD[(2)]...................	4.13375	2018	2024	EUR	474,240,000	EUR	474,240,000
EUR/USD[(2)]...................	7.158	2018	2041	EUR	174,480,000	EUR	174,480,000
EUR/USD[(2)]...................	Floating	2018	2041	EUR	89,910,000	EUR	89,910,000
EUR/USD[(2)]...................	7.2575	2018	2041	EUR	115,460,000	EUR	115,460,000
EUR/USD[(2)]...................	Floating	2018	2041	EUR	59,480,000	EUR	59,480,000
EUR/USD......................	0.678	2021	2031	EUR	634,303,112.31	EUR	634,303,112.31
EUR/USD......................	0.6825	2021	2031	EUR	423,119,235	EUR	423,119,235
EUR/USD......................	0.679	2021	2031	EUR	424,772,746.58	EUR	424,772,746.58
EUR/USD......................	0.6645	2021	2031	EUR	425,350,914.50	EUR	425,350,914.50
EUR/USD......................	1.645	2021	2051	EUR	845,880,561.66	EUR	845,880,561.66
EUR/USD......................	1.667	2021	2051	EUR	849,617,672.05	EUR	849,617,672.05
EUR/USD......................	3.807	2022	2029	EUR	942,063,118.23	EUR	942,063,118.23
EUR/USD......................	3.8122	2022	2029	EUR	707,881,075.98	EUR	707,881,075.98
EUR/USD......................	4.204	2022	2034	EUR	583,566,760.04	EUR	583,566,760.04
EUR/USD......................	4.236	2022	2034	EUR	584,658,559.40	EUR	584,658,559.40
EUR/USD......................	6.0786	2022	2041	EUR	387,221,684.41	EUR	387,221,684.41
EUR/USD......................	1.39	2022	2042	EUR	10,083,411.50	EUR	10,083,411.50
EUR/USD......................	1.2437	2022	2042	EUR	139,922,310.68	EUR	139,922,310.68
EUR/USD......................	1.394	2022	2042	EUR	23,469,446.66	EUR	23,469,446.66
EUR/USD......................	1.332	2022	2042	EUR	17,819,742.77	EUR	17,819,742.77
EUR/USD......................	1.377	2022	2042	EUR	19,292,652.41	EUR	19,292,652.41
EUR/USD......................	1.632	2022	2042	EUR	20,771,102.37	EUR	20,771,102.37
EUR/CNY	-0.013	2021	2024	EUR	139,236,981.34	EUR	139,236,981.34
EUR/CNY	3.387	2022	2025	EUR	269,905,533.06	EUR	269,905,533.06
EUR/JPY	0.377	2020	2023	EUR	180,227,388	EUR	180,227,388
EUR/JPY	0.69	2020	2025	EUR	158,712,524	EUR	158,712,524
EUR/JPY	1.059	2020	2027	EUR	122,930,017	EUR	122,930,017
EUR/JPY	1.444	2020	2030	EUR	35,708,051	EUR	35,708,051
EUR/JPY	0.826	2022	2025	EUR	122,230,710.47	EUR	122,230,710.47
EUR/JPY	1.323	2022	2027	EUR	357,524,828.11	EUR	357,524,828.11
EUR/JPY	1.622	2022	2029	EUR	35,905,271.20	EUR	35,905,271.20
EUR/JPY	1.9546	2022	2032	EUR	59,587,471.35	EUR	59,587,471.35
EUR/EUR......................	4.691	2013	2023	EUR	236,879,040	EUR	236,879,040
EUR/EUR......................	Floating	2013	2023	EUR	(236,879,040)	EUR	(236,879,040)
EUR/EUR......................	Floating	2017	2027	EUR	340,000,000	EUR	340,000,000
EUR/EUR......................	1.75	2017	2027	EUR	(340,000,000)	EUR	(340,000,000)
EUR/EUR......................	Floating	2018	2025	EUR	350,000,000	EUR	350,000,000
EUR/EUR......................	1.25	2018	2025	EUR	(350,000,000)	EUR	(350,000,000)
EUR/EUR......................	Floating	2020	2050	EUR	50,000,000	EUR	50,000,000
EUR/EUR......................	1.5	2020	2050	EUR	(50,000,000)	EUR	(50,000,000)
Total						**EUR**	**12,150,801,875.72**
Total Euro Debt...........						**EUR**	**27,535,929,956.50**
U.S. dollar equivalent...						**USD**	**29,336,818,476.07**

Source: GDMA

Table 63: Hungary External Funded Convertible Currency Debt: JPY Debt & Swap Arrangements (as of 31 December 2022)

	Interest Rate (per cent.)	Year Issue	Year Maturity	Original Amount Contracted		Principal Amount Outstanding (Credit)/Debit	
5. Japanese Yen							
a. Bonds							
JPY	0.52	2020	2023	JPY	22,700,000,000	JPY	22,700,000,000
JPY	0.74	2020	2025	JPY	20,000,000,000	JPY	20,000,000,000
JPY Green	1.03	2020	2027	JPY	15,500,000,000	JPY	15,500,000,000
JPY Green	1.29	2020	2030	JPY	4,500,000,000	JPY	4,500,000,000
JPY	0.45	2022	2025	JPY	16,000,000,000	JPY	16,000,000,000
JPY Green	0.73	2022	2027	JPY	46,800,000,000	JPY	46,800,000,000
JPY Green	0.91	2022	2029	JPY	4,700,000,000	JPY	4,700,000,000
JPY Green	1.15	2022	2032	JPY	7,800,000,000	JPY	7,800,000,000
Total						**JPY**	**138,000,000,000**
b. Swap Arrangements							
JPY/EUR	0.52	2020	2023	JPY	(22,700,000,000)	JPY	(22,700,000,000)
JPY/EUR	0.74	2020	2025	JPY	(20,000,000,000)	JPY	(20,000,000,000)
JPY/EUR	1.03	2020	2027	JPY	(15,500,000,000)	JPY	(15,500,000,000)
JPY/EUR	1.29	2020	2030	JPY	(4,500,000,000)	JPY	(4,500,000,000)
JPY/EUR	0.45	2022	2025	JPY	(16,000,000,000)	JPY	(16,000,000,000)
JPY/EUR	0.73	2022	2027	JPY	(46,800,000,000)	JPY	(46,800,000,000)
JPY/EUR	0.91	2022	2029	JPY	(4,700,000,000)	JPY	(4,700,000,000)
JPY/EUR	1.15	2022	2032	JPY	(7,800,000,000)	JPY	(7,800,000,000)
Total						**JPY**	**(138,000,000,000)**
Total Japanese Yen Debt						**JPY**	**0**
U.S. dollar equivalent						**USD**	**0**

Source: GDMA

Table 64: Hungary External Funded Convertible Currency Debt: CNY Debt & Swap Arrangements (as of 31 December 2022)

	Interest Rate (per cent.)	Year Issue	Year Maturity	Original Amount Contracted		Principal Amount Outstanding (Credit)/Debit	
6. Chinese Renminbi Debt							
a. Bonds							
CNY Green	3.28	2021	2024	CNY	1,000,000,000	CNY	1,000,000,000
CNY Green	3.75	2022	2025	CNY	2,000,000,000	CNY	2,000,000,000
Total						**CNY**	**3,000,000,000**
b. Swap Arrangements							
CCNY/EUR	3.28	2021	2024	CNY	(1,000,000,000)	CNY	(1,000,000,000)
CNY/EUR	3.75	2022	2025	CNY	(2,000,000,000)	CNY	(2,000,000,000)
Total						**CNY**	**(3,000,000,000)**
Total Chinese Renminbi Debt						**CNY**	**0**
U.S. dollar equivalent						**USD**	**0**
TOTAL EXTERNAL CONVERTIBLE CURRENCY FUNDED DEBT OF HUNGARY						**USD**	**29,368,818,476.07**

Source: GDMA

Internally Raised Debt of Hungary

As of 31 December 2022, the internally raised floating indebtedness of Hungary totaled HUF11,194 billion.

The following table presents Hungary's internal funded debt as of 31 December 2022:

Table 65: Hungary's Internal Debt

	Interest Rate (per cent.)	Year Issue	Year Maturity	Original Amount Contracted		Principal Amount Outstanding (Credit)/Debit	
				(millions)		*(millions)*	
1. HUF Debt							
a. Loans							
(i) from EIB....................	Fixed, Floating	2009-2021	2023-2038	EUR	5,527.10	HUF	947,448.50
(ii) from CEB	Fixed, Floating	2017-2021	2023-2027	EUR	484.7	HUF	76,757.77
Total Loans						**HUF**	**1,024,205.27**
						USD	**2,726.27**
b. Hungarian Government Bonds for the purpose of:							
(i) 2007-2022 Central Budget.........................	Fixed, Floating	2007-2022	2023-51			HUF	29,815,936.55
Total Hungarian Government Bonds						**HUF**	**29,815,936.55**
						USD	**79,365.25**
c. Hungarian Treasury Bills							
(i) Fixed interest rate	2.75	2021-22	2023-24			HUF	1,149,703.45
(ii) Discount	-9.50	2022	2023			HUF	1,785,782.84
Total Hungarian Treasury Bills............						**HUF**	**2,935,486.29**
						USD	7,813.79
2. EUR Debt							
a. Hungarian Treasury Bonds for the purpose of:							
(i) 2020-2022 Central Budget (P€MAP)	Floating	2020-22	2023-28			EUR	881.41
Total EUR Debt.............						EUR	881.41
U.S. dollar equivalent(1)						**USD**	**939.05**
HUNGARY'S TOTAL INTERNAL DEBT....						**USD**	**90,844.37**

Source: GDMA
Note:
(1) All totals calculated on the basis of exchange rates as on 31 December 2022. The HUF/USD and the HUF/EUR exchange rates were 375.68 and 400.25 respectively on 31 December 2022.

Relations with Multilateral Financial Institutions

*Asian Infrastructure Investment Bank ("**AIIB**")*

Hungary joined the AIIB as its 56th member state in June 2017, becoming for the first time part of a multilateral development bank devoted to Asia's development. Beyond its shareholding role, Hungary, through certain competencies, is eager to contribute to success stories in infrastructure and business development in Asia. On 10 September 2021, the AIIB signed an EUR183.1 million (USD216.1 million) loan agreement with Hungary for a project aimed at strengthening the public health emergency response infrastructure in Hungary and to improve pandemic preparedness. The total cost of the project was USD267.2 million with Hungary providing the remaining USD51.1 million. By the 30 October 2023 disbursement deadline, 99.2 per cent. of the loan amount had been utilized.

*Multilateral Center for Development Finance ("**MCDF**")*

MCDF is a financial fund established in 2020 at the initiative of the Chinese Ministry of Finance, which provides non-reimbursable grants or technical assistance through partnerships for infrastructure and cross-border connectivity investments of developing countries. MCDF does not primarily focus on Asia, but has a global mandate, and primarily supports low- and middle-income countries as classified by the World Bank. Hungary is a founding member of MCDF and one of the 4 member countries with voting rights.

*European Bank for Reconstruction and Development ("**EBRD**")*

Since 1991, the EBRD has been involved in a number of state and non-state projects, both in the form of equity participation and loans. The total participation (net business volume) of the EBRD between 1991 and the 31 October 2023 was approximately EUR3.59 billion in 205 projects, 100 per cent. of which were in the private sector.

According to the latest country strategy for Hungary, adopted in March 2021, the EBRD focuses on select areas where transition gaps remain and where the EBRD can provide additional support, including the efforts to overcome the impact of COVID-19. The EBRD will continue to engage in diversifying and deepening financial system products, including green financial products and to finance and promote resource and energy efficiency investments and renewable energy. The EBRD's engagement and activities in Hungary must also be seen in light of the Memorandum of Understanding ("**MoU**") concluded between the Government of Hungary and the EBRD in February 2015. The MoU also confirms the Government's intention to strengthen its relationship with the banking sector in order to promote a stable and predictable framework to support macroeconomic stability.

*Council of Europe Development Bank ("**CEB**")*

Hungary joined the CEB in 1998. According to the CEB's social mandate, the focus of the CEB's projected activity in Hungary is mainly in the field of environmental protection, strengthening social integration and developing human capital. In the past five years (2018-2022), the CEB financed projects by granting loans totaling approximately EUR700.7 million. In 2021, the CEB disbursed EUR163 million to Hungary. In 2021, Hungary and the CEB signed one loan facility in the amount of EUR152 million. Hungary drew a total amount of EUR93.5 million in 2022 from the existing facilities. By mid-November 2023 no new contracts have been signed and no disbursement has been made.

*European Investment Bank ("**EIB**")*

Since 1990, the EIB has been financing different government and non-government projects in Hungary. The EIB finances primarily infrastructure, environmental protection, health care and education projects. In the five-year period between 2018 and 2022, the EIB financed projects by granting loans totaling approximately EUR3.89 billion in the aggregate.

In 2018, two new loan facility agreements were signed between Hungary and the EIB in an aggregate principal amount of EUR317 million. Hungary drew a total amount of EUR129.6 billion in 2018.

In 2019, two new loan facility agreements were signed between Hungary and the EIB in an aggregate principal amount of EUR500 million. Hungary drew a total amount of HUF46.3 billion in 2019.

In 2020, two new loan facility agreements were signed between Hungary and the EIB in an aggregate principal amount of EUR362.5 million. Hungary drew a total amount of EUR745.5 million in 2020.

In 2021, two new loan facility agreements were signed between Hungary and the EIB in an aggregate principal amount of EUR446 million. Hungary drew a total amount of EUR286 million in 2021.

In 2022, three new loan facility agreements were signed between Hungary and the EIB in an aggregate principal amount of EUR442 million. Hungary drew a total amount of EUR310.96 million in 2022 from the existing facilities.

By-mid November 2023, no new contracts have been signed. The volume of disbursements by that date has amounted to EUR242 million.

*International Investment Bank ("**IIB**")*

Hungary renewed its membership in the IIB in 2015, after the shareholders and the management of the IIB decided to start a full-fledged modernization of the IIB aimed at setting up a modern development bank in line with international best practices. In December 2018, the Board of Governors of the IIB decided to relocate the headquarters of the IIB to Budapest, Hungary. The relocation took place in 2019.

Between 2017 and 2022, the IIB financed projects by granting loans and issuing guarantees to Hungarian companies totaling approximately EUR280 million. The Hungarian Government raised its capital share in the IIB by EUR33.7 million since the relocation.

Since 2019, the IIB successfully has issued HUF denominated bonds worth HUF71 billion to institutional investors.

On 19 October 2023, Hungary withdrew its membership from the IIB. The aim of the Government is to claim the paid-in capital (EUR73.757 million) in full. The withdrawal and settlement procedure is governed by internal rules of the bank, and it is performed in an orderly way with uniform conditions for each withdrawing member.

The IMF, the EU and the World Bank

In 2008, Hungary received a financial assistance package of up to USD25.1 billion in the aggregate from the IMF, the EU and the World Bank. The IMF agreed to provide a 17-month standby facility of USD15.7 billion (EUR12.5 billion), while the EU agreed to lend USD8.1 billion (EUR6.5 billion), and there was a possibility to draw down USD1.3 billion (EUR1 billion) from the World Bank to assist Hungary in addressing the consequences of the global financial crisis.

In July 2010, the Government suspended the negotiations with the IMF concerning the possible extension of the standby facility.

Finally, the following amounts were drawn down under the facilities:

- IMF: Special Drawing Rights ("**SDR**") SDR6.373 billion by Hungary and SDR1.265 billion by the MNB; and
- EU: EUR5.5 billion by Hungary.

As of 3 August 2013, the MNB had repaid all its outstanding debt borrowed from the IMF and as of 12 August 2013, Hungary had repaid all outstanding debt borrowed from the IMF. As of 6 April 2016, Hungary had reimbursed all outstanding debt borrowed from the European Commission.

The IMF reviews the economic situation in Hungary on a regular basis and issues a statement based on the Article IV consultation each year. According to the latest staff report dated 3 February 2023, the IMF concluded that while the economy was recovering from the COVID-19 pandemic, a succession of shocks and loose fiscal policy intensified inflation and fueled a large external deficit. The IMF noted the central bank's tightening of monetary policy and the government's planned fiscal adjustment, which it deemed appropriate responses, but which could be undermined by regulatory measures. The IMF predicts that growth will slow sharply, while still-elevated inflation and sizable risks can worsen the outlook.

Regarding regulatory policies, caps on energy and food prices and on interest rates are costly, ineffective in fighting inflation, and undermine monetary policy transmission. The IMF instead recommended direct support to the vulnerable as a more effective measure in mitigating the impact of high inflation while maintaining price signals and allowing demand to adjust. Regarding structural policies, the IMF concluded that strengthening energy security could help Hungary meet climate objectives and reduce vulnerabilities to supply shocks, while strengthening governance is needed to improve the business environment and the efficiency of spending.

TAXATION

The following is a general discussion of certain tax consequences of the acquisition, holding and disposition of the Notes by the Holders. It does not purport to be a comprehensive description of all tax considerations, and, in particular, does not consider any specific facts or circumstances that may apply to a particular Holder. This summary is based on the laws of Hungary and the United States currently in force and as applied on the date of this Offering Circular which are subject to change, possibly with retroactive effect.

Prospective Holders are advised to consult their own tax advisers as to the tax consequences of the acquisition, ownership and disposition of the Notes, including the effect of any state or local taxes, under the tax laws of Hungary and each country where they are tax residents.

Non-Hungarian Tax Residents

Private individual Holders

The interest paid by the Issuer upon the Notes to a non-Hungarian tax resident private individual Holder can only be subject to 15 per cent withholding tax in Hungary, if the disburser (such as the Paying Agent) of the interest (proceeds) is a tax resident in Hungary, in which case it is obliged to assess, withhold, pay and report this tax liability to the Hungarian Tax Authority, if any. In the absence of a Hungarian paying agent withholding the tax, the Holder himself must assess, file a tax return on, and pay the applicable tax in Hungary.

The provisions of any applicable tax convention may exempt the Holder from the withholding tax or may reduce its rate. Holders claiming exemption from withholding tax or the application of a reduced withholding tax rate are required to furnish the paying agent with a certificate of their tax residence and a declaration of beneficial ownership. Tax withheld by the paying agent in excess of the rate allowed by the applicable double tax convention can be reimbursed by the Hungarian tax authority at the request of the Holder.[1]

Holders other than private individuals

A non-Hungarian tax resident holder other than a private individual is not subject to tax in Hungary with respect to any income resulting from the acquisition, holding, redemption or sale of the Notes, provided that it does not have a permanent establishment in Hungary to which such transaction with the Notes can be related.

Hungarian Tax Residents

Individual holders

In the event the Notes are publicly offered and/or traded (within the meaning of the Hungarian Personal Income Tax Act and the Hungarian Capital Markets Act), the income of a Hungarian tax resident private individual Holders, arising from the acquisition, holding, redemption or sale of the Notes and qualifying as interest income in accordance with the provisions of Act CXVII of 1995 on Personal Income Tax, is subject to personal income tax in Hungary at the rate of 15 per cent. Preferential tax rate or tax exemption is available for long term investments, subject to specific conditions laid down by the applicable laws.

In the event the Notes are not publicly offered and/or traded (within the meaning of the Hungarian Personal Income Tax Act and the Hungarian Capital Markets Act), the income of Hungarian tax resident private individual Holders, arising from the acquisition, holding, redemption or sale of the Notes and qualifying as other income under Act CXVII of 1995 on Personal Income Tax, is subject to personal income tax in Hungary at the rate of 15 per cent.

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1 If the Notes were to qualify as debt securities issued to the target market of retail investors, exemption would be available for private individual holders from the described personal income tax.

In addition, income from the Notes, qualifying as either interest income or other income, received by Hungarian residents is subject to 13 per cent. social security tax in addition to the payable Personal Income Tax.[2]

Holders other than private individuals

The income of Hungarian tax resident entities (companies, partnerships and any other business entities) arising from the acquisition, holding, redemption or sale of the Notes is subject to corporate income tax in Hungary at the rate of 9 per cent. in accordance with the provisions of Act LXXXI of 1996 on Corporate Income Tax and Dividend Tax (unless that entity has opted for a special tax regime available to such entity).

Hungary has implemented Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union under Act LXXXIV of 2023, effective from 31 December 2023. In accordance with the provisions of this Act, a taxpayer entity can be subject to an additional (top-up) tax on the income from the Notes until the effective tax rate applying to the taxpayer reaches 15 per cent.

Transfer Tax

The receipt of the Notes is subject to Hungarian transfer tax when the Notes are transferred gratuitously (by way of gift or otherwise for no consideration) and delivered in Hungary. The general rate of transfer tax is 18 per cent.

Inheritance of the Notes is exempt from inheritance tax in Hungary.

United States Federal Income Taxation

The following summary describes certain material U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes acquired at the issue price pursuant to this offering. This summary is based on the provisions of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), the regulations promulgated thereunder by the U.S. Department of the Treasury (the "**Treasury Regulations**"), and rulings and decisions interpreting the Code, each as in effect as of the date of this Offering Circular. All of these authorities may be repealed, revoked or modified at any time, possibly with retroactive effect. No assurances can be given that any changes in these authorities will not affect the accuracy of the discussions set forth in this summary. The Issuer has not sought any ruling from the U.S. Internal Revenue Service (the "**IRS**") with respect to the statements made and the conclusions reached in this summary, and there can be no assurance that the IRS or the courts will agree with all of such statements and conclusions.

This summary addresses only beneficial owners that hold a Note as a capital asset for U.S. federal income tax purposes (generally, property held for investment). This summary does not purport to discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances, such as investors whose functional currency for U.S. federal income tax purposes is not the US dollar or certain types of investors subject to special tax rules (*e.g.*, financial institutions, insurance companies, dealers in securities or currencies, certain securities traders, banks, regulated investment companies, real estate investment trusts, persons subject to special tax accounting rules under Section 451(b) of the Code, partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes, persons holding the Notes through partnerships or other pass -through entities, pension plans, tax-exempt organizations and investors holding Notes as a position in a "straddle," "conversion transaction" or "constructive sale" transaction). In addition, this summary does not discuss the U.S. federal estate and gift tax, alternative minimum tax consequences or any non-U.S., U.S. state, or U.S. local tax considerations. Further, this summary does not address the tax consequences to prospective purchasers of Notes participating in other contemporaneous transactions involving the Issuer. Such prospective purchasers should consult their own tax advisors on the tax consequences related to participating in such contemporaneous transactions.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the U.S. federal income tax treatment of a partner in such partnership generally will depend

2 If the Notes were to qualify as debt securities issued to the target market of retail investors, exemption would be available for private individual holders from the described personal income tax and social security tax.

upon the status of the partner and the activities of the partnership. Holders of Notes that are partnerships and partners in such partnerships should consult their own tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of Notes.

The Issuer expects, and the remainder of this summary assumes, that the Notes will be issued with less than a de minimis amount of "original issue discount" for U.S. federal income tax purposes.

This summary is for general informational purposes only. Prospective purchasers of Notes should consult their own tax advisors concerning the U.S. federal income tax consequences of the purchase, ownership and disposition of Notes in light of their particular circumstances, as well as the effect of any relevant U.S. state, U.S. local, non-U.S. or other tax laws.

Deemed Taxable Exchange

A change made to the terms of the Notes pursuant to the "collective action clauses" may give rise to a deemed taxable exchange of the Notes for U.S. federal income tax purposes upon which gain or loss is realized if such change constitutes a "significant modification" (as defined in the Code) (a "Significant Modification"). Such gain or loss would generally be measured by the difference between the fair market value of the Note after the Significant Modification and the Holder's tax basis in such Note before the Significant Modification. A modification of a Note that is not a Significant Modification does not create a deemed taxable exchange for U.S. federal income tax purposes. Under applicable Treasury Regulations, the modification of a Note is a Significant Modification if, based on all of the facts and circumstances and taking into account all modifications of the Note collectively (other than modifications that are subject to special rules), the legal rights or obligations that are altered and the degree to which they are altered are "economically significant." The applicable Treasury Regulations also provide specific rules to determine whether certain modifications, such as a change in the timing of payments, are significant. See the discussion under "Terms and Conditions — Meetings of Noteholders; Modification" for more information about potential amendments of certain key terms of the Notes.

U.S. Holders

The following discussion applies to you if you are a "U. S Holder." A person is a "U.S. Holder" if the person is a beneficial owner of a Note and is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States,
- a corporation or other entity treated as a corporation created or organized in or under the laws of the United States or any state thereof or the District of Columbia,
- an estate whose income is subject to U.S. federal income taxation regardless of its source, or
- a trust (A) if a U.S. court can exercise primary supervision over the trust's administration and one or more "United States persons" as defined in the Code (each a "U.S. Person") have authority to control all substantial decisions of the trust, or (B) that was in existence on 20 August 1996 and has made a valid election under applicable Treasury Regulations to be treated as a U.S. trust.

If you are not a U.S. Holder, this discussion does not apply to you and you should refer to "*—Non-U.S. Holders*" below.

Payments of Interest and Additional Amounts.

Payments or accruals of stated interest on a Note generally will be taxable to a U.S. Holder as ordinary income at the time they are received or accrued, depending on the U.S. Holder's regular method of tax accounting. In addition to interest on a Note, a U.S. Holder will be required to include any tax withheld from the interest payment as ordinary income, even though such U.S. Holder did not in fact receive it, and any additional amounts paid in respect of such tax withheld.

A U.S. Holder may be entitled, subject to certain limitations, to a U.S. "foreign tax credit" against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for taxes withheld by Hungary. U.S. Holders that are eligible for benefits under a double taxation treaty between the U.S. and Hungary (a "Treaty") will not be entitled to a U.S. "foreign tax credit" for the amount of any Hungarian taxes withheld in excess of the withholding rate provided for under the Treaty (currently zero), or with respect to which the U.S. Holder is entitled to obtain a refund from the Hungarian taxing authorities. U.S. Holders should note, however, that the current Treaty was terminated in 2022 and its provisions can only be applied to payments of interest and additional amounts on a Note until January 1, 2024. Interest (and any additional amounts paid in respect of tax withheld) on the Notes will constitute income from sources outside the United States. Under the U.S. "foreign tax credit" rules, that interest generally will, depending on a U.S. Holder's circumstances, be classified as "passive" or another category of income, which may be relevant in computing the U.S. "foreign tax credit" allowable to a U.S. Holder under the U.S. federal income tax laws. The U.S. "foreign tax credit" and deduction rules are very complex, and recent changes to the foreign tax credit rules introduced additional requirements and limitations. Prospective purchasers should consult their own tax advisers concerning the ability to claim a U.S. foreign tax credit or deduction for any taxes imposed by Hungary.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Note.

A U.S. Holder generally will recognize gain or loss upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in an amount equal to the difference between the amount realized upon that sale, exchange, retirement, redemption or other taxable disposition (other than amounts representing accrued and unpaid interest, which, will be taxed as such to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note. The "amount realized" is generally the sum of cash plus the fair market value of any property received upon the sale, exchange, retirement, redemption or other taxable disposition of a Note. A U.S. Holder's "adjusted tax basis" in a Note generally will equal the U.S. Holder's initial investment in the Note. Such gain or loss generally will be capital gain or loss and will be long-term gain or loss if the Note was held for more than one year. Under current U.S. federal income tax law, net long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates than items of ordinary income. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any capital gain or loss recognized on the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be treated as income or loss from sources within the United States for U.S. "foreign tax credit" limitation purposes.

Medicare Tax.

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8 per cent. Medicare tax on the lesser of (i) the U.S. Holder's "net investment income" (or, in the case of an estate or trust, the "undistributed net investment income") for the relevant taxable year and (ii) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between US$125,000 and US$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income generally will include its interest income and its net gains from the disposition of the Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. Holders should consult their own tax advisors regarding the applicability of the Medicare tax to the income and gains in respect of their investment in the Notes.

Information with Respect to Foreign Financial Assets.

Owners of "specified foreign financial assets" with an aggregate value in excess of US$50,000 on the last day of the taxable year, or US$75,000 at any time during the taxable year (or, in some circumstances, a higher threshold) may be required to file information reports with respect to such assets with their U.S. federal income tax returns. "Specified foreign financial assets" may include financial accounts maintained by non-U.S. financial institutions, as well as securities held for investment and issued by non-U.S. persons (which includes the Notes) that are not held in accounts maintained by financial institutions. Failure to file information reports may subject you to penalties. In addition, the statute of limitations of assessment of tax would be suspended in whole or part. U.S. Holders should consult their own tax advisors regarding the application of this reporting requirement to their ownership of Notes.

Non-U.S. Holders

The following discussion applies to you if you are a beneficial owner of a Note and you are not a partnership for U.S. federal income tax purposes or a "U.S. Holder" as defined above (a "Non-U.S. Holder").

Payments of Interest and Additional Amounts.

Subject to the discussion of backup withholding below, payments of interest and any additional amounts paid with respect to tax withheld on the Notes generally will not be subject to U.S. federal income tax, including withholding tax, if paid to a Non-U.S. Holder, unless the interest is "effectively connected" with such Non-U.S. Holder's conduct of a trade or business within the United States (and in addition, if such Non-U.S. Holder is claiming benefits under an applicable income tax treaty, the interest is attributable to a permanent establishment or fixed base (in each case, within the meaning of such treaty) maintained by such Non-U.S. Holder within the United States). In that case, the Non-U.S. Holder generally will be subject to U.S. federal income tax in respect of such interest in the same manner as a U.S. Holder, as described above (unless the interest is excluded under an applicable tax treaty). A Non-U.S. Holder that is classified as a corporation for U.S. federal income tax purposes may, in certain circumstances, also be subject to an additional U.S. "branch profits tax" in respect of any such "effectively connected" interest income.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of a Note.

Subject to the discussion below of backup withholding, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale, exchange, retirement, redemption or other disposition of a Note unless: (1) the gain is "effectively connected" with the conduct by such Non-U.S. Holder of a trade or business within the United States (and in addition, if such Non-U.S. Holder is claiming benefits under an applicable income tax treaty, the gain is attributable to a permanent establishment or fixed base (in each case, within the meaning of such treaty) maintained by such Non-U.S. Holder in the United States), or (2) such Non-U.S. Holder is a non-resident alien individual, who is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met.

Non-U.S. Holders who are described under (1) above generally will be subject to U.S. federal income tax on such gain in the same manner as a U.S. Holder and, if the Non-U.S. Holder is classified as a corporation for U.S. federal income tax purposes, such Non-U.S. Holder may also be subject to the U.S. "branch profits tax" as described above under "—Payments of Interest and Additional Amounts." Non-U.S. Holders described under (2) above generally will be subject to a 30 per cent. U.S. federal income tax on the gain derived from the sale, exchange, retirement, redemption or other disposition of a Note, which may be offset by certain U.S.-source capital losses (notwithstanding the fact that such Non-U.S. Holder is not considered a U.S. resident for U.S. federal income tax purposes). Any amount attributable to accrued but unpaid interest on the Notes generally will be treated in the same manner as payments of interest, as described above under "—Payments of Interest and Additional Amounts."

Backup Withholding and Information Reporting

If you are a U.S. Holder, and unless you prove that you are exempt, information reporting requirements generally will apply to payments of principal and interest and any additional amounts paid with respect to tax withheld on the Notes made to you if such payments are made within the United States. Such payments will be considered made within the United States if they are transferred to an account maintained in the United States or mailed to a United States address, and the amount is paid by or through a custodian or nominee that is a "U.S. Controlled Person," as defined below. Further, if you are a U.S. Holder, and unless you prove that you are exempt, backup withholding will apply to such payments if (i) you fail to provide an accurate taxpayer identification number, (ii) in the case of interest payments, you fail to certify that you are not subject to backup withholding, or (iii) you are notified by the IRS that you have failed to report all interest and dividends required to be shown on your U.S. federal income tax returns.

If you are a Non-U.S. Holder, you generally are exempt from these backup withholding and information reporting requirements, but you may be required to comply with certification and identification procedures in order to prove your eligibility for exemption. The payment of proceeds of a sale or redemption of the Notes effected at the U.S. office of a broker generally will be subject to the information reporting and backup withholding rules, unless you establish an exemption. In addition, the information reporting rules will apply to payments of proceeds of a sale or redemption effected at a non-U.S. office of a broker that is a "U.S. Controlled Person," as defined below, unless the broker has documentary evidence that the holder or beneficial owner is not a U.S. Person (and has no actual knowledge or reason to know to the contrary) or the holder or beneficial owner otherwise establishes an exemption.

As used herein, the term "U.S. Controlled Person" means a broker that is, for U.S. federal income tax purposes:

- a U.S. Person;
- a "controlled foreign corporation";
- a non-U.S. person 50 per cent. or more of whose gross income is "effectively connected" with the conduct of a U.S. trade or business for a specified three-year period; or
- a non-U.S. partnership in which U.S. Persons hold more than 50 per cent. of the income or capital interests or which is engaged in the conduct of a U.S. trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. or Non-U.S. Holder generally will be allowed as a credit or refund against a U.S. Holder or Non-U.S. Holder's U.S. federal income tax liability as long as it provides the required information to the IRS in a timely manner.

SUBSCRIPTION AND SALE

BNP Paribas, Citigroup Global Markets Europe AG, Deutsche Bank Aktiengesellschaft and J.P. Morgan SE (together the "**Joint Lead Managers**") have, in a subscription agreement dated 8 January 2024 (the "**Subscription Agreement**") and made between Hungary and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Notes at their issue price of 97.883 per cent. of their principal amount, less a combined management and underwriting fee. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

This Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of Hungary in such jurisdiction.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to pay for and accept delivery of the Notes is subject to, among other conditions, the delivery of certain assurances by Hungary and the delivery of legal opinions by Hungary's and the Joint Lead Managers' counsel.

Hungary has agreed in the Subscription Agreement to indemnify the Joint Lead Managers against certain liabilities, including certain liabilities under the Securities Act.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered only: (a) outside the United States in offshore transactions in reliance on Regulation S and (b) in the United States only to QIBs in connection with resales by the Joint Lead Managers, in reliance on, and in compliance with, Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that each Joint Lead Manager represents, warrants and undertakes to Hungary that it:

(a) ***Financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hungary

This Offering Circular has not been and will not be submitted to the National Bank of Hungary acting as financial supervisory authority and the Notes will not be offered in Hungary in a public offer as defined in the Act No. CXX of 2001 on the Capital Markets. Each Joint Lead Manager has confirmed its awareness of the above and has represented and warranted that it has not offered or sold and undertaken that it will not offer for sale to the public in Hungary, nor sell the Notes in Hungary in a public offer (offer of securities to the public) and has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes, nor distribute the Offering Circular or any other material relating to the Notes to any person in Hungary other than a qualified investor as defined under point (e) of Article 2 of Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

Singapore

Each Joint Lead Manager acknowledges that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager represents, warrants and agrees that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

General

No action has been or will be taken in any jurisdiction by Hungary or the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by Hungary and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

OFFICIAL STATEMENTS OR DOCUMENTS

The information set forth herein relating to Hungary has been reviewed by Mr. Mihály Varga in his official capacity as the Minister of Finance, being the Minister responsible for Public Finances, and is included herein on his authority.

The financial and statistical information for which the NBH has been cited as the source was provided by the NBH. The financial and statistical information for which the Ministry of Finance is cited as the source was provided by the Ministry of Finance of Hungary. The financial and statistical information for which the Government Debt Management Agency Private Company Limited by Shares is cited as the source was provided by the Government Debt Management Agency Private Company Limited by Shares.

TRANSFER RESTRICTIONS

Due to the following significant transfer restrictions applicable to the Notes, investors are advised to consult legal counsel prior to making any reoffer, resale, pledge, transfer or disposal of the Notes.

The Notes have not been registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes are being offered and sold (1) in the United States only to persons reasonably believed to be QIBs in reliance on, and in compliance with, Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S.

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Offering Circular and the Rule 144A Notes, will be deemed to have represented, agreed and acknowledged that:

(i) the purchaser (a) is a QIB, (b) is acquiring the 144A Notes for its own account or for the account of one or more QIBs and (c) is aware, and each beneficial owner of such Notes has been advised, that the sale of the Notes to it is being made in reliance on Rule 144A;

(ii) the Rule 144A Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) to the Issuer or an affiliate thereof, or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States and it will, and each subsequent holder of the Rule 144A Notes is required to, notify any purchaser of the Rule 144A Notes from it of the resale restrictions on the Rule 144A Notes;

(iii) the purchaser understands that the Rule 144A Notes (to the extent they are in certificated form) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER ("RULE 144"), IF AVAILABLE, (D) TO THE ISSUER OR AN AFFILIATE THEREOF, OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES.

(iv) it understands that the Issuer, the Joint Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer and the Joint Lead Managers; and

(v) if it is acquiring any Notes for the account of one or more QIBs, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes, by accepting delivery of this Offering Circular and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

(i) it is, or at the time the Regulation S Notes are purchased will be, the beneficial owner of such Notes and it is located outside the United States (within the meaning of Regulation S); and it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;

(ii) the Regulation S Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and that it will not offer, sell, pledge or otherwise transfer Regulation S Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States; and

(iii) it understands that the Issuer, the Joint Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Regulation S Notes is no longer accurate, it shall promptly notify the Issuer and the Joint Lead Managers.

CLEARING AND SETTLEMENT ARRANGEMENTS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. Neither the Issuer nor the Joint Lead Managers takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer and any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearing Systems

Euroclear and Clearstream, Luxembourg

As a bank, Clearstream is subject to regulation by the Luxembourg Commission for Supervision of the Financial Sector, also known as the *Commission de Surveillance du Secteur Financie*r, and the Luxembourg Central Bank.

The Euroclear System is owned by Euroclear Clearance System Public Limited Company and operated through a licence agreement by Euroclear Bank SA/NV, a bank incorporated under the laws of Belgium. Euroclear is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium. Securities clearance accounts and cash accounts with Euroclear are governed by the terms and conditions governing the use of Euroclear, the related operating procedures of the Euroclear system and applicable Belgian law (collectively, the "**Euroclear Terms and Conditions**"). The Euroclear Terms and Conditions govern transactions of securities and cash within Euroclear, withdrawal of securities and cash from the system, and receipts of payments with respect to securities in the system. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Euroclear Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions of principal and interest (if any) with respect to book-entry interests in the Notes held through Euroclear and Clearstream will be credited, to the extent received by the Fiscal Agent, to cash accounts of Euroclear and Clearstream participants in accordance with the relevant system's rules and procedures.

DTC

DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" within the meaning of the Banking Law of the State of New York, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the State of New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the U.S. Exchange Act. DTC was created to hold securities for its participants ("**DTC Participants**") and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book entries, thereby eliminating the need for the physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and other organisations. Indirect access to the DTC system also is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("**Indirect DTC Participants**"). DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Investors who are not DTC Participants may beneficially own securities held by or on behalf of DTC only through DTC Participants.

Holders of book-entry interests in the Notes holding through DTC will receive, to the extent received by the Fiscal Agent, all distributions of principal and interest (if any) with respect to book-entry interests in the Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to the relevant United States tax laws and regulations.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon on behalf of Hungary by Dr. Zsolt Szita Law Office, Hungarian counsel to Hungary and by Arnold & Porter Kaye Scholer (UK) LLP, U.K. counsel to Hungary. The validity of the Notes will be passed upon on behalf of the Joint Lead Managers by Lakatos, Köves and Partners Law Firm, Hungarian counsel to the Joint Lead Managers and by Clifford Chance LLP, U.K. counsel to the Joint Lead Managers.

GENERAL INFORMATION

1. **Authorisation**

The creation and issue of the Notes has been authorised by the Minister of Finance of Hungary in accordance with Act LV of 2023 on the central budget of Hungary for the year 2024, paragraph 2 of Section 5 of Act CXCV of 2011 on Public Finances and point a) of paragraph 1 of Section 13 of Act CXCIV of 2011 on Economic Stability of Hungary (the "**Authorisation**").

2. **Litigation**

Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting Hungary or any of its assets, nor is Hungary aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Notes.

3. **Material Change**

Save as disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of Hungary since 31 December 2022 that is material in the context of the issue of the Notes.

4. **Documents available for inspection**

For so long as any of the Notes are outstanding, copies of the following documents may be inspected (and in the case of (a), are obtainable) during normal business hours at the Specified Office of each Paying Agent:

(a) this Offering Circular;

(b) the Fiscal Agency Agreement;

(c) the Deed of Covenant; and

(d) the Authorisation.

5. **Notes**

The Notes and any coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Note or coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

6. **Enforceability of Judgments**

Under Act XXVIII of 2017 on International Private Law, the parties may freely agree on a choice of a non-Hungarian jurisdiction and of foreign law in commercial matters provided that there is a foreign element in their legal relationship. The agreed courts have exclusive jurisdiction, unless otherwise provided by the parties.

Under Hungarian law, a judgment of a court established in a country other than Hungary may be enforced in the Hungarian courts, if: (i) the jurisdiction of the foreign court is legitimate under the rules of jurisdiction of Hungarian law; (ii) the decision is final under the foreign law under which it was made; (iii) there is reciprocity between Hungary and the state of the foreign court; and that (a) such judgment does not contravene the basic principles of public policy in Hungary; (b) the losing party or its representative had proper or timely notice of the proceedings; (c) the proceedings in which the judgment was made did not seriously breach general principles of Hungarian procedural rules; (d) litigation between the same parties involving the same dispute was not commenced in Hungary prior to the initiation of the foreign litigation; and (e) Hungarian courts have not already determined the matter (*res judicata*). However, Hungarian courts must recognise and enforce judgments of a foreign court chosen by the parties in a commercial matter (in Hungarian: *vagyonjogi határozat*) even if there is no reciprocity between Hungary and the state of the foreign court, provided that the choice of forum by the parties is valid under Hungarian law.

The United Kingdom left the European Union on 31 December 2020. Currently there is no agreement governing the relationship between the United Kingdom and the EU with respect to the enforcement of foreign judgments. Accordingly, from 1 January 2021, the United Kingdom is considered as a third country for the purposes of Hungarian law and the enforcement regime outlined above, set forth in Act XXVIII of 2017 on International Private Law, applies.

It should also be noted that Hungary is a party to the New York Convention on the Recognition and the Enforcement of Arbitration Awards, dated 10 June 1958, and therefore the recognition and enforcement of the arbitration awards obtained by a Noteholder in a country being a party to such treaty is possible in Hungary on the basis of and subject to the conditions set out in that treaty. No award will be recognised and enforced however, if the provisions therein are contrary to Hungarian public policy.

7. **ISIN, Common Code and CUSIP**

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg, as applicable.

The ISIN of the Unrestricted Global Certificate is XS2744128369 and the Common Code for the Unrestricted Global Certificate is 274412836.

The ISIN of the Restricted Global Certificate is US445545AU03, the Common Code for the Restricted Global Certificate is 274666404 and the CUSIP for the Restricted Global Certificate is 445545AU0.

The CFI and FISN Codes in respect of the Notes shall be as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN Code.

8. **The Legal Entity Identifier**

The Legal Entity Identifier (LEI) Code of the Issuer is 5299003F3UFKGCCMAP43.

THE ISSUER

HUNGARY as represented by the Government Debt Management Agency
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